Stockland Direct Office Trust No.3

ARSN 124 439 925

Product Disclosure Statement

Stockland Funds Management Limited
ABN 86 078 081 722 AFS Licence Number 241188
Responsible entity of Stockland Direct Office Trust No. 3
Issue date: 2 April 2007

Stockland DIRECT

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 Office Trust No. 3 ARSN 124 439 925 ("Trust") and is the issuer of this product disclosure statement.

Product disclosure statement

This product disclosure statement ("PDS") relates to the offer of 60,020,000 Units at a price of $1.00 each ("Offer").

This PDS is dated 2 April 2007. 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

STK0005AU

Electronic PDS

This PDS may be viewed online on Stockland's website at www.stockland.com.au.

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 (see "How information may be provided").

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 free of charge (see "How information may be provided"). We recommend 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.

How information may be provided

- Downloading an electronic version of this PDS at www.stockland.com.au;
- Telephoning the Stockland Direct Office Trust No. 3 information line on 1300 369 230;
- Telephoning ANZ on 1800 204 693; and
- Contacting your financial adviser.

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.

Disclaimers

Investments in the Trust do not represent investments in, deposits with or other liabilities of ANZ or any other member of the ANZ group of companies ("ANZ Group"), or Stockland or the Stockland group of entities. The Trust is a separate entity from ANZ and the ANZ Group and is not an authorised deposit–taking institution under the Banking Act 1959 (Australia).

None of the responsible entity, Stockland, ANZ, ANZ Group and any of its respective directors, officers, employees, agents 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 ANZ Group may also provide finance 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 ANZ 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 ANZ 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.

ANZ and the ANZ Group (whether in a member's individual capacity, as underwriter, as lead arranger, as provider of a limited liquidity facility, any finance 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, currency 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 and does not provide any legal or 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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What You Need to Do

Important Dates

Offer Open Date	2 April 2007
Applications Open Date	17 May 2007
Closing Date of Offer	8 June 2007
Allotment of Units[1]	15 June 2007
First distribution period (quarter ending)[2]	30 September 2007

These dates are indicative only and may change. In consultation with the Underwriters, 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. Application Monies received before the Applications Open Date will be banked by STML in their trust account. On the Applications Open Date, any Application Monies held by STML will be transferred to our trust account and the relevant Application Forms will be processed (see Section 2.7).

Notes:

1. *See Section 2.7 for information on the allotment of Units.*
2. *Any interest earned on your Application Monies before Allotment will be paid along with the first distribution (see Section 2.7).*

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

Step 1. Read

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

Step 2. Consider

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

You may contact the Stockland Direct Office Trust No. 3 information line by telephoning: Stockland on 1300 369 230; or ANZ on 1800 204 693 if you need more information or clarification.

Step 3. Consult

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

Step 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.

Payment must be made by cheque, electronic funds transfer or via direct debit by filling out the direct debit form that follows the Application Form.

Step 5. Mail

Mail the completed Application Form together with your cheque or direct debit form to:

Stockland Direct Office Trust No. 3 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 8 June 2007.

Dear Investor,

On behalf of the directors of Stockland Funds Management Limited, it is my pleasure to invite you to invest in Stockland Direct Office Trust No. 3 ("Trust").

The Trust provides you with the opportunity to gain exposure to a diverse portfolio of four commercial office properties and a car park which are leased to a diversified mix of a government agency, listed corporations and private businesses. The portfolio has a weighted average lease expiry of 4.3 years by income and is valued at $132.85 million.

Stockland is one of Australia's leading listed property groups and will contribute its extensive commercial property management expertise to enhance the financial return from the Properties. Stockland will provide a strong alignment of its interests with those of Investors by applying for 10% of the Units on the same terms and conditions as Investors.

The Offer seeks to raise $60,020,000 from Investors through the issue of 60,020,000 Units at $1.00 per Unit.

Key attributes of the Offer include:

- a diversified portfolio of four commercial office properties and a car park by location, tenancy and lease expiry profile;
- a forecast annualised cash distribution of 7.75% per annum for the period from Allotment to 30 June 2008, rising to 7.85% per annum for the financial year ending 30 June 2009 (together the "Forecast Period"). Distributions will be a combination of income distributions and capital, as described in Sections 6.1 and 6.3;
- quarterly distributions forecast to be 100% tax deferred during the Forecast Period;
- the interest rate on the Property Facility (forming part of the Finance Facility) is fixed at 6.35% per annum for three years and thereafter, fixed at the same rate for a further four years, so long as the margin and line fee under the Property Facility remain at 0.60% per annum (see Section 5.5);
- a limited liquidity facility that gives you the opportunity to apply to sell your Units from the quarter beginning 1 July 2008, subject to certain conditions; and
- an Offer which is fully underwritten by ANZ and Stockland.

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

On behalf of the Directors, I encourage you to read this PDS carefully and seek your own professional advice as to the suitability of this investment product for your requirements. We look forward to welcoming you as an investor in the Trust.

Yours faithfully,

Peter Scott
Chairman, Stockland Funds Management Limited

Highlights of the Offer

Note: these attributes should be read in conjunction with the risks identified in Section 8.

Regular tax deferred distributions

The forecast cash distributions for the Trust during the Forecast Period are set out below. Cash distributions are forecast to be 100% tax deferred over the Forecast Period and will be a combination of income distributions and capital, as described in Sections 6.1 and 6.3.

	Allotment to 30 June 2008	Year ending 30 June 2009
Cash distribution	7.75% (annualised)	7.85%
Tax deferred percentage	100%	100%

The Properties offer stable income increases with 87% of the property income subject to CPI or fixed rent reviews of between 3.5% and 5.0% per annum during the Forecast Period.

Potential for capital growth

The five Properties selected are all well located within metropolitan areas in Australia and offer Investors the potential for long term capital growth.

Diversified portfolio of Properties

The portfolio of Properties offers Investors:

- exposure to four commercial office properties and a car park valued at $132.85 million;
- diversification by location, tenancy and lease expiry profile; and
- a balanced contribution of income with no property representing more than one third of the Trust's income.

Major tenants with a weighted average lease term of over four years

The major tenants of the Properties include the Australian Taxation Office, Telstra Corporation Limited, St George Bank Limited and Seek Limited.

The weighted average lease expiry ("WALE") of the Properties as at 15 June 2007 ("Allotment") is estimated to be 4.3 years (by income).

Each Property's WALE varies, allowing the Property Manager and us the potential to add value through active management.

Properties managed by Stockland

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

Interest rates fixed for seven years

To minimise interest rate risk, Stockland will provide an interest rate swap to fix the interest rate on the Property Facility at 6.35% per annum for three years. The Property Facility will remain fixed at 6.35% per annum for a further four years so long as the margin and line fee under the Property Facility remain at 0.60% per annum (see Section 5.5).

Cornerstone investment by Stockland

Stockland intends to apply for a cornerstone investment of 10% of the Units on equal terms and conditions with Investors, effectively aligning its interest with Investors.

Limited liquidity facility

ANZ has agreed to provide a limited liquidity facility ("LLF") for the benefit of Investors, commencing from the quarter beginning 1 July 2008.

The LLF may be terminated by ANZ or Stockland without notice to Investors. Section 5.7 details conditions when the LLF may be terminated.

Suitable for self managed superannuation funds

Superannuation funds may invest in Units. However, superannuation fund trustees should satisfy themselves that this is a suitable investment and obtain independent advice.

Potential for Investors to continue the Trust

We intend to hold a meeting of Investors before 30 June 2014 (approximately seven years from Allotment) to consider an exit or a continuance strategy for the Trust.

Key risks

The performance of the Trust and subsequently the value of your Units will be influenced by the same fundamental factors that affect most direct property investments, 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. The following are the key risks from investing in the Trust but are not exhaustive. You should refer to Section 8 for details of the risks of investing in the Trust.

Property market

The property market may affect the value of the Properties (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 whether to invest in the Trust.

Vacancy

Any tenancy vacancy over and above our assumed vacancy assumptions will adversely impact the Trust's income and potentially, the value of the Properties. In addition, we may incur reletting costs, which will be paid from the Trust's assets or by increasing the Finance Facility.

Unforeseen capital expenditure or other expenditure

Ongoing capital expenditure will be required to maintain the Properties. In addition, the Properties may incur unforeseen capital expenditure or repairs or maintenance expenditure.

Liquidity

You should note that the LLF may be terminated at any time by ANZ or Stockland without providing you with prior notice. Section 5.7 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.

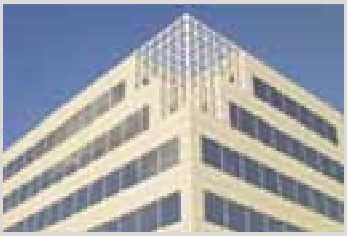
1. Key Investment Features

Summary of the Properties

	181 Great Eastern Highway, Belmont, WA	40 Cameron Avenue, Belconnen, ACT
		
Asset type	Commercial	Commercial
Building grade	B grade	A grade
Description	Three levels of office accommodation	Five levels of office accommodation
Construction date	1988	1993
Last refurbished	2000	1997
Valuation/Purchase price	$13.0 million	$32.75 million[5]
Trust ownership	100% freehold	50% leasehold[2]
Contribution to Trust income[1]	10%	23%
Weighted average lease expiry[1]	4.2 years	5.7 years[5]
Occupancy rate[1]	100%	100%
Major tenant	Telstra Corporation Limited (100% of income[1])	Commonwealth of Australia (Australian Taxation Office) (99.5% of income[1])
Stockland guarantee[5]	N/A	12 months from lease expiry of major tenant

Notes:

1. *Forecast as at 15 June 2007.*
2. *The Trust's interest is in a Crown lease for a term of 99 years, which commenced in August 1997.*
3. *The Trust's interest is in a long term lease (see Section 12.4).*
4. *The strata property has 531 car parking spaces and the Trust's interest is 479 spaces, subject to receiving consents from individual owners (see Section 12.5). The Trust's interest is in a long term lease for 427 spaces, and 52 leases for 52 spaces expiring in 2011 (see Section 12.5).*
5. *Including the guarantees provided by Stockland (see Section 12.7).*

541 St Kilda Road, Melbourne, VIC	222 Russell Street, Melbourne, VIC	75 George Street, Parramatta, NSW
		
Commercial	Car park	Commercial
B grade	N/A	B grade
Six levels of office accommodation and two ground floor retail tenancies	479 car parking spaces within a nine level strata car park[4]	Five levels of office accommodation and two ground floor retail tenancies
1986	1997	1985
2007	N/A	2007
$30.1 million[5]	$16.8 million[4]	$40.2 million[5]
100% leasehold[3]	100% leasehold[4]	100% freehold (see Section 12.6)
25%	12%	30%
3.6 years[5]	3.1 years	4.3 years[5]
100%[5]	100%	100%[5]
Seek Limited (54% of income[1])	EziPark Pty Limited (95% of income[1])	St George Bank Limited (38% of income[1])
12 months from the commencement date of the long term lease	N/A	12 months from the commencement date of the concurrent lease

1. Key Investment Features (cont.)

	Key investment features	
Feature	**Summary**	**Section(s)**
The Offer		
Description	The Trust is an unlisted property fund which will acquire an interest in a portfolio of five properties (four commercial offices and a car park) providing Investors with regular distributions and an opportunity for capital growth. The Trust is the third in a series of office funds established and managed by us and is seeking to raise $60,020,000 through the issue of 60,020,000 Units at $1.00 per Unit.	2.1
Minimum investment	Applications must be for a minimum of 10,000 Units (which equates to $10,000) and thereafter in multiples of 1,000 Units ($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).	2.8 and 14
Closing Date	8 June 2007, unless amended by us in consultation with the Underwriters.	2.6
Term of the Trust	We intend to hold a meeting of investors before 30 June 2014 (approximately seven years from Allotment) to consider an exit or a continuance strategy for the Trust.	2.2 and 5.2
Properties		
Properties	A diversified portfolio of four commercial office properties and a car park, located in WA, ACT, VIC (two properties) and NSW. The Properties will have a weighted average lease expiry (by income) of 4.3 years at Allotment and offer stable income increases with 87% of the property income subject to CPI or fixed rent reviews during the Forecast Period. The major tenants of the Properties include the Australian Taxation Office, Telstra Corporation Limited, St George Bank Limited and Seek Limited.	3
Valuation	The purchase price of each Property is supported by independent valuation. The Properties have been independently valued at $132.85 million as at 1 March 2007.	9
Benefits		
Professional management	Stockland Funds Management Limited, a wholly owned subsidiary of Stockland Corporation, is the responsible entity of the Trust. We are an Australian Financial Services licensed funds manager with extensive experience in property funds management. As at 31 December 2006, we have $700 million of retail and wholesale assets under management. The performance of our existing funds as at 31 December 2006 has been at or better than forecasts. In addition, we have appointed Stockland as the Property Manager to manage the Properties. Stockland is a top 30 ASX listed group with a market capitalisation of over $11.3 billion and owns and manages an investment portfolio of over $7.3 billion as at 31 December 2006.	4.2

<table>
<tr><th></th><th>Key investment features</th><th></th></tr>
<tr><th>Feature</th><th>Summary</th><th>Section(s)</th></tr>
<tr><td>Benefits (cont.)</td><td></td><td></td></tr>
<tr><td>Regular tax deferred distributions</td><td>The distribution policy of the Trust is to provide Investors with regular distributions (cash distributions will be a combination of income distributions and capital, as described in Sections 6.1 and 6.3) which include a tax deferred component. The forecast cash distributions for the Trust during the Forecast Period are set out below:
<table>
<tr><th></th><th>Allotment to 30 June 2008</th><th>Year ending 30 June 2009</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>
Distributions will be paid quarterly within two months of 31 March, 30 June, 30 September and 31 December each year. The first distribution period covers the period from Allotment to 30 September 2007.</td><td>2.5, 6.1 and 6.3</td></tr>
<tr><td>Alignment of interests</td><td>Stockland intends to apply for a cornerstone investment of 10% of the Units on equal terms and conditions with Investors.</td><td>5.8</td></tr>
<tr><td>Limited liquidity facility ("LLF")</td><td>Investors may seek to sell their Units through a LLF commencing in the quarter beginning 1 July 2008 (subject to conditions).</td><td>5.7</td></tr>
<tr><td>Limited recourse financing (and fixed interest rates)</td><td>A Finance Facility of $89.01 million has been arranged with ANZ. Liability to the Financier will be limited to the assets of the Trust.

Part of this facility, in conjunction with the equity raised through the Offer, will be used to acquire the Properties and the balance will fund capital expenditure.

To achieve a lower interest cost for the Trust and to minimise interest rate risk, Stockland will provide an interest rate swap to fix the interest rate on the Property Facility at 6.35% per annum for three years. The Property Facility will remain fixed at 6.35% per annum for a further four years so long as the margin and line fee under the Property Facility remains at 0.60% per annum (see Section 5.5)</td><td>5.5</td></tr>
<tr><td>Fully underwritten Offer</td><td>The Offer is fully underwritten by ANZ (60% of the Offer) and Stockland (40% of the Offer).</td><td>2.3 and 12.2</td></tr>
</table>

1. Key Investment Features (cont.)

Key investment features		
Feature	**Summary**	**Section(s)**
Risks		
Key risks	The performance of the Trust and subsequently the value of your Units will be influenced by the same fundamental factors that affect most direct property investments, 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. The following are the key risks of investing in the Trust and are not exhaustive: **Property market** The property market may affect the value of the Properties (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 whether to invest in the Trust. **Vacancy** Any tenancy vacancy over and above our assumed vacancy assumptions will adversely impact the Trust's income and potentially, the value of the Properties. In addition, we may incur reletting costs (including incentives to tenants), which will be paid from the Trust's assets or by increasing the Finance Facility. **Unforeseen capital expenditure or other expenditure** Ongoing capital expenditure will be required to maintain the Properties. In addition, the Properties may incur unforeseen capital expenditure or repairs or maintenance expenditure. **Liquidity** You should note that the LLF may be terminated at any time without providing you with prior notice. Section 5.7 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.	8
Fees & other costs		
Fees	This investment is subject to both one off and ongoing fees and other costs, which will be paid out of the Trust to us and other entities involved with the Trust, some of which are entities within Stockland. To better align our interests with Investors, we have structured our performance fee to include a hurdle based structure that is comparable to the performance fee structures in property investment funds offered to wholesale investors.	7.2

	Key investment features	
Feature	**Summary**	**Section(s)**
Other investment information		
Taxation	Deloitte has summarised the taxation implications of an investment in the Trust.	11
Ethical issues	We take environmental issues into account when managing our investments. This aside, we will not take into account environmental, labour standards, nor 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.	4.5
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 as the Trust is illiquid.	2.9
Net Tangible Assets (or "NTA")	The NTA at Allotment under the Australian equivalents to International Financial Reporting Standards ("A–IFRS") is $0.85 per Unit. A–IFRS deducts property acquisition costs over the fair values of the Properties and capital raising costs from the $1.00 Application Price, plus other A–IFRS accounting adjustments as necessary. The adjusted NTA per unit assuming initial acquisition costs were capitalised rather than written off to the Income Statement as required by A–IFRS is $0.91 per Unit.	6.4

2. Offer Details

What's in this Section

2.1 The Offer

The Offer involves the issue of 60,020,000 units in Stockland Direct Office Trust No. 3 with a fully paid price of $1.00 per Unit which, in conjunction with the Finance Facility from ANZ, will fund the acquisition of the Properties. The Trust is an unlisted property trust that will have an interest in the Properties (see Section 3).

2.2 Term of the Trust

We intend to convene a meeting of Investors before 30 June 2014 to consider a continuance strategy for the Trust or an exit (see Section 5.2).

2.3 Fully underwritten Offer

The Offer is fully underwritten by ANZ (60% of the Offer) and Stockland (40% of the Offer). Section 12.2 provides further information on the underwriting agreement.

2.4 Minimum investment

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

2.5 Trust distributions

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

The first distribution will be for the period from Allotment until 30 September 2007 and will be paid by 30 November 2007.

2.6 How to apply for Units

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

Completed Application Forms accompanied by a cheque(s) or direct debit form must be received no later than 5.00pm (Sydney time) on the Closing Date which is scheduled for 8 June 2007. You can also pay via electronic funds transfer.

If you have any questions about what you need to do, please call the Stockland Direct Office Trust No. 3 information line on 1300 369 230, ANZ on 1800 204 693 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.

2.7 Handling of Applications

We will start processing Applications on the Applications Open Date (17 May 2007) and bank all Application Monies into a trust account which complies with section 1017E of the Corporations Act 2001 (Cth) ("Corporations Act") within one Business Day of receipt. Allotment is anticipated to occur on or about 15 June 2007 following the close of the Offer.

Application Monies received before the Applications Open Date will be endorsed by Stockland Funds Management Limited to STML as Underwriter and banked by STML in its trust account within one Business Day of receipt. Applicants authorise this payment. On the Applications Open Date, any Application Monies held by STML will be transferred to our trust account and the relevant Application Forms will be processed.

You will be paid interest on your Application Monies from the day it is banked up to Allotment. Interest earned will be paid to you along with the first distribution for the period to 30 September 2007. The relevant interest rate will vary depending on when the Application Monies are banked (5.92% per annum as at 12 March 2007). However, interest may not be paid on Application Monies received through a master trust or wrap account, and will be 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;

– Application would give rise to adverse stamp duty implications for future issues, redemptions or transfers of Units;

– Application is for greater than 10% of the Units;

– Offer is over–subscribed, where we will agree with the Underwriters the basis for Allotment; and/or

– Start up relief from the WA Office of State Revenue is not obtained and stamp duty would be payable upon issue of Units under this PDS (see Section 8.2).

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 allot any Units within one month from the date of receipt of the Application Monies, the Units will be batched and allotted as soon as practicable after the end of the one month period to ensure that any requirement for a sufficient spread of public investors is satisfied.

2.8 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.

2.9 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 for 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 accepted, it cannot be withdrawn.

However, you may apply to sell your Units using the LLF each Quarter, starting from the quarter beginning 1 July 2008. The conditions of the LLF are detailed in Section 5.7. You may also sell your Units privately at any time by transferring your Units to a third party (see Section 5.6).

3. The Properties

What's in this Section
- Overview of the Properties
- Strategy for the Properties
- The Properties

3.1 Overview of the Properties

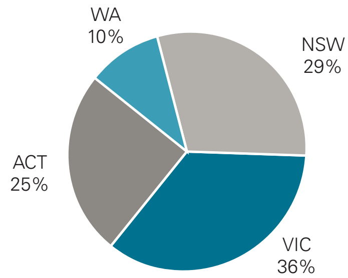
The Trust will have an interest the following properties:

- 181 Great Eastern Highway, Belmont, WA ("Belmont Property");
- 40 Cameron Avenue, Belconnen, ACT ("Belconnen Property");
- 541 St Kilda Road, Melbourne, VIC ("St Kilda Property");
- 222 Russell Street, Melbourne, VIC ("Russell Street Car Park"); and
- 75 George Street, Parramatta, NSW ("Parramatta Property").

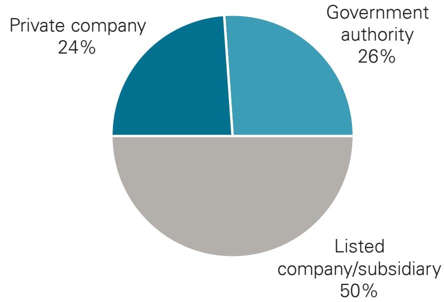
The key features of the Properties are:

- they are diversified by their geographical spread and exposure to over 15 tenants which are a diverse mix of a government agency, listed corporations and private businesses;
- the major tenants of the Properties include the Australian Taxation Office, Telstra Corporation Limited, St George Bank Limited and Seek Limited;
- they are well located within metropolitan areas in Australia;
- there is a balanced contribution of income with no property representing more than one third of the Trust's income;
- the weighted average lease expiry ("WALE") of the Properties estimated as at Allotment is 4.3 years (by income). Each Property's WALE varies, allowing the Property Manager and us the potential to add value through active management; and
- the Properties offer stable income increases with 87% of property income subject to CPI reviews and fixed rent reviews of between 3.25% and 5.00% per annum during the Forecast Period.

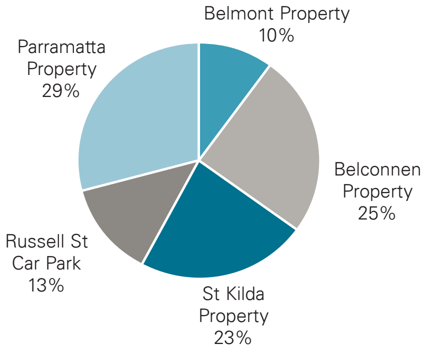
Geographical diversification (by value)



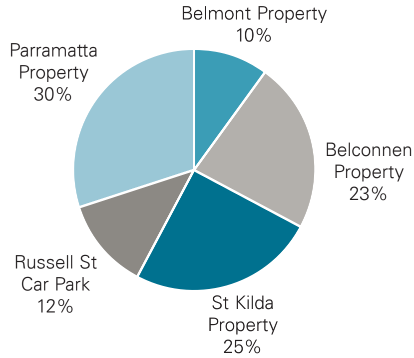
Tenant diversification (by income)



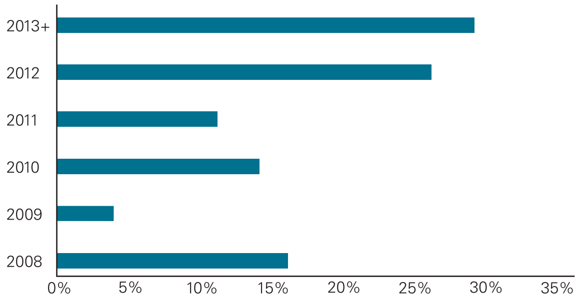
Properties (by value)



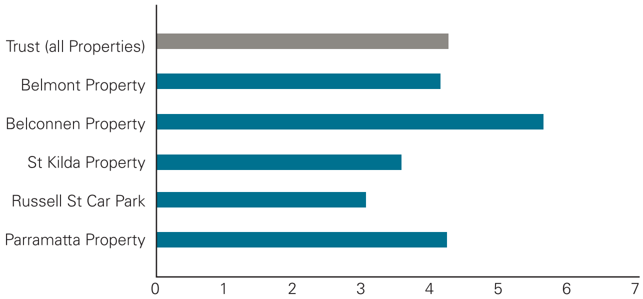
Contribution to Trust income



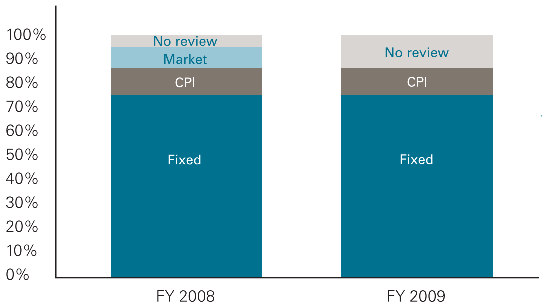
Lease expiry profile of the Properties (by income)



Weighted average lease expiry (by income)



Rent review type (by income)



3.2 Strategy for the Properties

We have appointed Stockland Property Management Pty Limited, a wholly owned subsidiary of Stockland Corporation, to undertake the ongoing property management and leasing of the Properties (see Sections 4.4 and 12.9). The Property Manager adopts a proactive approach to managing tenant relationships, including leveraging Stockland's market research and property management capabilities to the benefit of both tenants and the property owner.

To manage the lease expiry profile of the Properties, the Property Manager will undertake active tenant management and marketing, and maintain the overall quality and appeal of the Properties. In addition, the Property Manager will manage and regularly review the existing and future capital expenditure and lease incentives to a level consistent with commercial buildings of their size and quality.

In relation to the existing vacancies at the St Kilda Property and Parramatta Property:

– we will work closely with the Property Manager to lease the remainder of these Properties; and

– capital works are in progress to enhance the appeal for future tenants.

3. The Properties (cont.)

3.3.1 Belmont Property

181 Great Eastern Highway, Belmont, WA

Asset type	Commercial
Building grade	B grade
Description	Three levels of office accommodation
Construction date	1988
Last refurbished	2000
Valuation/Purchase price	$13.0 million
Trust ownership	100% freehold
Contribution to Trust income	10%[1]
WALE	4.2 years[1]
Site area	10,702 sqm
Lettable area	4,036 sqm
Car spaces	235
Occupancy rate	100%[1]
No. of tenants	1
Major tenant	Telstra Corporation Limited (100% of income[1]; 5 year lease term expiring 31 August 2011)

Location

Belmont is an inner metropolitan commercial and industrial precinct located approximately 5.5 kilometres east of the Perth CBD. Belmont was originally established as an inner metropolitan industrial location; however, in recent years the area has become more suited to commercial uses. Belmont benefits from its easy access to the Great Eastern Highway and is in a strategic location between Perth's CBD and Perth's domestic airport.

Market overview

The Western Australian commercial property market is benefiting from the State's economy as it continues its growth phase led by increased commodity prices and business investment. This has resulted in significant leasing activity in Perth, with the Perth CBD recording a vacancy of only 1.5% during December 2006.

Property

The Property is a B grade commercial building with a lettable area of 4,036 sqm. The building provides three levels of office accommodation above an undercover car park with 43 car spaces, with another 66 bays surrounding the building on–grade. A separate parcel of land located to the south east of the building is also owned by the Trust and provides a further 126 car spaces. The building's elevated position provides views of the Swan River and the Perth CBD skyline.

Major tenant

The Property is fully leased to Telstra Corporation Limited ("Telstra") which has been a tenant since 1999. Telstra has already exercised an option to extend its lease for five years which now expires in August 2011.

Valuation

The valuation of the Property is based on a 100% freehold interest in the Property (see Section 9).

Note:

1. *Forecast as at Allotment.*

3.3.2 Belconnen Property

40 Cameron Avenue, Belconnen, ACT

Asset type	Commercial
Building grade	A grade
Description	Five levels of office accommodation
Construction date	1993
Last refurbished	1997
Valuation/Purchase price	$32.75 million (including the guarantee from Stockland[3])
Trust ownership	50% leasehold[1]
Contribution to Trust income	23%[2]
WALE	5.7 years[2,3]
Site area	16,624 sqm
Lettable area	15,506 sqm
Car spaces	216
Occupancy rate	100%[2]
No. of tenants	2
Major tenant	Commonwealth of Australia (Australian Taxation Office) (99.5% of income[2]; 5 year lease term expiring 29 February 2012)
Stockland guarantee	12 months from ATO lease expiry[3]

Location

The Belconnen Property is located in the Belconnen Town Centre which is one of Canberra's four main town centres and is located approximately 10 kilometres north west of the Canberra CBD. The Property occupies a prominent corner of Belconnen which benefits from high exposure and excellent access to public transport.

Market overview

The Canberra office market has experienced an expansion of government functions in the last two years, resulting in a vacancy rate of only 2.1% as at December 2006, the third lowest vacancy in Australia, behind Perth and Brisbane.

Property

The Property is a modern A grade commercial building of a lettable area of 15,506 sqm. The building comprises a ground level foyer and four upper levels of office accommodation with a single basement level which provides 50 car spaces and on–grade parking for a further 166 car spaces. The Trust has a 50% interest in the Property and has entered into a co–ownership agreement with Stockland, the co–owner of the other 50% leasehold interest in the Property (see Section 12.8).

Major tenant

The Property is leased to the Commonwealth of Australia (Australian Taxation Office) ("ATO") until 2012. Whilst this poses a leasing risk in 2012, Stockland will provide a 12 month rental guarantee from the date of the potential vacancy including any agency fees required to secure tenant(s) for the potential vacant areas (see Section 12.7)[4].

Valuation

The valuation of the Property is based on a 50% leasehold interest in the Property and includes a guarantee from Stockland (see Sections 9 and 12.7).

Notes:

1. *The Trust's interest is in a Crown lease for a term of 99 years, which commenced in August 1997.*
2. *Forecast as at Allotment.*
3. *See Section 12.7 for details of the guarantee from Stockland.*
4. *The guarantee has been incorporated into the acquisition cost and the valuation of the Property.*

3. The Properties (cont.)

3.3.3 St Kilda Property

541 St Kilda Road, Melbourne, VIC

Asset type	Commercial
Building grade	B grade
Description	Six levels of office accommodation and two ground floor retail tenancies
Construction date	1986
Last refurbished	2007[1]
Valuation/Purchase price	$30.1 million (including the guarantee from Stockland[2])
Trust ownership	100% leasehold[3]
Contribution to Trust income	25%[4]
WALE	3.6 years[2,4]
Site area	2,846 sqm
Lettable area	8,244 sqm
Car spaces	128
Occupancy rate	Including Stockland guarantee: 100%[2,4] Excluding Stockland guarantee: 83%[4]
No. of tenants	5
Major tenant	Seek Limited (54% of income[4]; 5 year 5 month lease term expiring 31 May 2012)
Stockland guarantee	12 months from the commencement date of the long term lease[2]

Location

The St Kilda Road office precinct is Melbourne's second largest office precinct and is located approximately four kilometres from the Melbourne CBD. This precinct is the location of numerous national and international companies and is particularly favoured by advertising, media and technology related businesses.

Market overview

The St Kilda Road office precinct has remained relatively stable in recent times during a period where the Melbourne CBD market has suffered from oversupply. The precinct benefits from lower occupancy costs and availability of car parking.

Property

The Property comprises six levels of office accommodation and two ground floor retail tenancies. The Property has a lettable area of 8,244 sqm and provides basement parking for 128 cars with undercover parking at the rear. The property features large floor plates which provide the flexibility to attract larger tenants or to sub–divide floors to satisfy smaller tenant needs.

Major tenant

Seek Limited ("Seek") is the major tenant which has recently agreed terms to lease over half the building for a period of five years and five months from January 2007. Seek is an ASX listed company and is one of Australia's largest internet jobs advertisers and in the past four years has received numerous business related awards in Australia and New Zealand.

Valuation

The valuation of the Property is based on a leasehold interest in the Property and includes a guarantee from Stockland (see Sections 9, 12.4 and 12.7).

Notes:

1. *The refurbishment of the Property is in progress and is mainly for the floors leased by Seek Limited.*
2. *See Section 12.7 for details of the guarantee from Stockland.*
3. *The Trust's interest is in a long term lease (see Section 12.4).*
4. *Forecast as at Allotment.*

3.3.4 Russell Street Car Park

222 Russell Street, Melbourne, VIC

Asset type	Car park
Building grade	N/A
Description	479 car parking spaces within a nine level strata car park[1]
Construction date	1997
Last refurbished	N/A
Valuation/Purchase Price	$16.8 million[1]
Trust ownership	100% leasehold[1]
Contribution to Trust income	12%[2]
WALE	3.1 years[2]
Site area	3,680 sqm
Lettable area	N/A
Car spaces	479
Occupancy rate	100%[2]
No. of tenants	2
Major tenant	EziPark Pty Limited (95% of income[2]; 5 year lease term expiring 30 June 2010)

Location

Russell Street is located approximately 475 metres east of the Melbourne General Post Office, within the north east core of the Melbourne CBD. Whilst located within the Melbourne CBD, Russell Street is considered to be on the fringe of the established commercial office precinct and therefore benefits from a variety of entertainment and community uses including hotels, restaurants and theatres.

Market overview

The performance of Melbourne CBD car parks has been shown in the past to be highly correlated with the overall strength of the Melbourne CBD commercial sector. In the last 18 months, the Melbourne CBD commercial sector has witnessed significant improvement in tenant demand and leasing activity

Property

The Property comprises 531 car parking spaces within a nine level car park built in 1997. The Trust will acquire a leasehold interest in 479 car parking spaces[1] (see Section 12.5). The Trust is not acquiring an interest in the remaining 52 car parking spaces which are owned and used by individual owners.

Major tenant

The majority of car parking spaces are leased to EziPark Pty Limited ("EziPark"), the car park operator, until June 2010. EziPark is a subsidiary of the Hindmarsh Group, a major construction and property developer. EziPark was established in 1997 and now manages a portfolio of 18 car parks across Melbourne, Adelaide and Canberra.

Valuation

The valuation of the Property is based on a leasehold interest in 479 car parking spaces (see Sections 9 and 12.5).

Notes:

1. *The Trust's interest in the 479 car spaces (subject to receiving consents from individual owners, see Section 12.5) consists of a long term lease for 427 spaces and 52 leases for 52 spaces expiring in 2011 (see Section 12.5).*
2. *Forecast as at Allotment.*

3. The Properties (cont.)

3.3.5 Parramatta Property

75 George Street, Parramatta, NSW

Asset type	Commercial
Building grade	B grade
Description	Five levels of office accommodation and two ground floor retail tenancies[1]
Construction date	1985
Last refurbished	2007
Valuation/Purchase price	$40.2 million (including the guarantee from Stockland[2])
Trust ownership	100% freehold (see Section 12.6)
Contribution to Trust income	30%[3]
WALE	4.3 years[2,3]
Site area	2,668 sqm
Lettable area	9,654 sqm
Car spaces	104
Occupancy rate	Including Stockland guarantee: 100%[2,3] Excluding Stockland guarantee: 69%[3]
No. of tenants	10
Major tenant	St George Bank Limited (38% of income[3]; 5 year 2 month lease term expiring 31 May 2012 with one five year option to renew)
Stockland guarantee	12 months from the commencement date of the concurrent lease[2]

Location

Parramatta is situated approximately 23 kilometres west of the Sydney CBD. Parramatta is considered a transport hub for the western suburbs of Sydney, with a bus and rail interchange and RiverCat Wharf within walking distance of the Parramatta CBD.

Market overview

The Parramatta office market has recently experienced positive net absorption and by the end of 2006 had the second lowest vacancy rate (after Macquarie Park, Sydney) and second highest net absorption figures (after the Sydney CBD) in all of Sydney. Whilst the total vacancy level within Parramatta fell to 8.8% as at January 2007, the B grade property vacancy remains relatively high and the leasing market is competitive. Tenant demand is forecast to improve further in the short term, although new supply may restrict rental growth and lower grade stock will require refurbishment in order to remain attractive in a competitive leasing market.

Property

The Property is a five level, twin tower, B grade commercial office building with two retail tenancies on the ground floor, and 104 car spaces in the basement and covered parking at the rear. The Property is located at the heart of the Parramatta CBD on the high profile corner of Smith Street and George Street.

Major tenant

In April 2007, St George Bank Limited will commence its lease for a term of five years and two months. St George Bank Limited was established in 1937 as a housing based financial institution and is now Australia's fifth largest bank and one of the top 15 ASX listed companies in Australia with over 8,500 employees.

Valuation

The valuation of the Property is based on a 100% freehold interest in the Property and includes a guarantee from Stockland (see Sections 9 and 12.7).

Notes:

1. *The refurbishment of the Property is in progress and is mainly for the floors vacated by a previous multi floor tenant.*
2. *See Section 12.7 for details of the guarantee from Stockland.*
3. *Forecast as at Allotment.*

4. Stockland's Involvement

4.1 Overview of Stockland

Stockland was founded in 1952 as a property development and investment group and was listed on the Australian Securities Exchange ("ASX") in 1957.

Today, Stockland is a top 30 ASX listed group and is one of Australia's largest diversified listed property groups, with a market capitalisation of over $11.3 billion (as at 31 December 2006) and is rated A– (stable) by Standard & Poor's (see Section 12.14). With over 1,200 employees, Stockland has offices across Australia and has recently announced its expansion into the United Kingdom.

In line with its vision statement to create a world class diversified property group, Stockland announced on 7 February 2007 the proposed acquisition of Halladale, a listed British property co–investment, trading and development company which has over £1 billion of property assets under management and development.

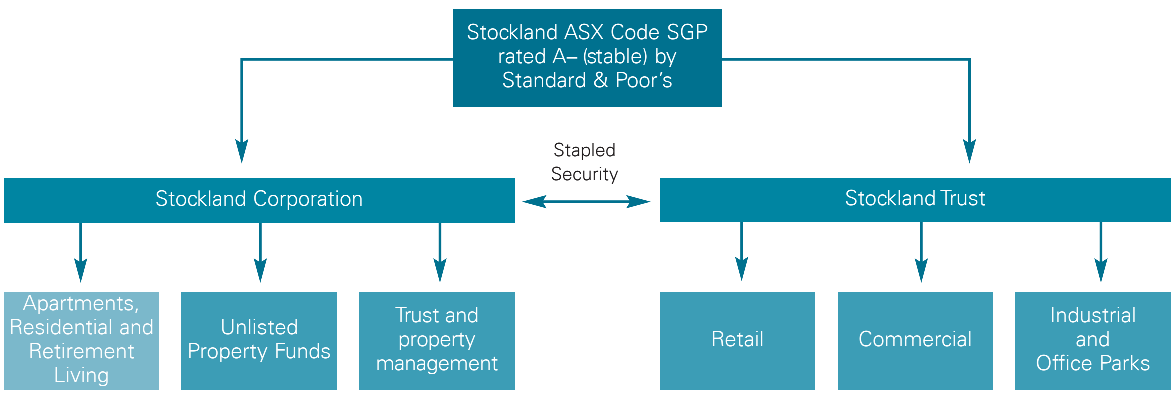
Stockland is structured as a stapled entity, with two business components being Stockland Trust and Stockland Corporation.

Stockland Trust is the business arm which owns investment assets comprising commercial office buildings, shopping centres, industrial and office park properties across Australia and New Zealand. As at 31 December 2006, Stockland owns and manages an investment portfolio spanning 104 properties valued at over $7.3 billion.

Stockland Corporation operates a number of businesses, including managing unlisted property trusts (see Section 4.2) and operating a real estate management and development business in Australia spanning residential communities, apartments, retirement living, retail development projects and large mixed use sites. Stockland is Australia's largest residential property developer and has over 70 residential communities and 12 apartment projects across the country with an estimated end value of over $17 billion.

Over the years, Stockland has received numerous awards for both corporate excellence and various property development initiatives. Among them, Stockland was recently voted by BRW magazine as the most respected company in 2006.

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



4. Stockland's Involvement (cont.)

4.2 Stockland Unlisted Property Funds division

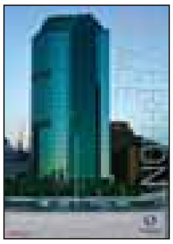
We are responsible for the establishment and the ongoing management of funds and syndicates to provide a wide range of innovative property investment opportunities to both retail and wholesale investors. Our strategy is to deliver high quality, innovative investment products that maximise returns to our investors.

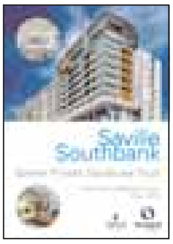
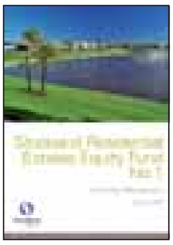
Founded in 2004, we are a dedicated team of over 20 employees with a combination of skills across funds management, investment banking, corporate finance, property investment and property development.

As at 31 December 2006, we manage $700 million of retail and wholesale funds. Up to 31 December 2006, all of our funds have performed at or better than the forecasts in their respective offer documents.

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

The following is a summary of the wholesale and retail funds we manage as at 31 December 2006:

Previous offers to retail investors		Highlights of previous offers[1]
Stockland Direct Office Trust No. 1 (launched November 2004) Property value: $237.5 million (50% interest) Retail fund		– Distributions of 8.09% per annum (9.35% per annum for geared investors), which are in accordance with offer document forecasts for the year ending 30 June 2007. – 129% increase in net tangible assets since allotment of units ($0.91 per unit to $2.08 per unit). " 100% occupancy rate.
Stockland Direct Office Trust No. 2 (launched September 2005) Property value: $172.0 million upon completion (49% interest) Retail fund		– Distributions above offer document forecasts. – Office park development. – Construction is on track for completion in mid–2007.
Stockland Direct Retail Trust No. 1 (launched December 2006) Total Property value: $86.4 million Retail fund		– Portfolio of neighbourhood shopping centres and a bulky goods centre. – Distributions forecast to be 7.75% per annum (annualised) for the period ending 30 June 2007.

Previous offers to wholesale investors		Highlights of previous offers[1]
Saville Private Syndicate Trust (launched June 2005) Property value: $37.5 million Wholesale fund		– A new luxury range 4.5 star Saville Hotel located within Brisbane's South Bank arts and entertainment precinct. – Performance of this trust is in line with the offer document.
Stockland Residential Estates Equity Fund No. 1 (launched August 2006) Wholesale fund		– Investors invest alongside Stockland in a geographically diversified portfolio of residential land sub–division projects. – Performance of this trust is in line with the offer document.

Note:

1. *The performance of our previous funds is up to 31 December 2006 and should not be relied upon as an indicator of the performance of the Trust.*

4.3 Responsible entity

Stockland Funds Management Limited, a wholly owned subsidiary of Stockland Corporation, is the issuer of this PDS and is the responsible entity for the Trust.

We are responsible for the operation and management of the Trust and must perform our role in accordance with our duties under the Corporations Act, Constitution and Compliance Plan. In exercising our duties, we must act honestly, with care and diligence and in the best interests of Unitholders. Our corporate governance framework has been established to protect the interests of Investors, and is detailed in Section 4.7.

Our Directors collectively possess a significant depth of experience across various sectors including property investment banking, corporate finance, funds management, property investment and property development. At the date of this PDS, our Directors are:

- Peter Scott (Chairman);
- David Kent;
- Lyn Gearing;
- Matthew Quinn (Executive Director);
- 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 other association with Stockland. Our Directors may change over time.

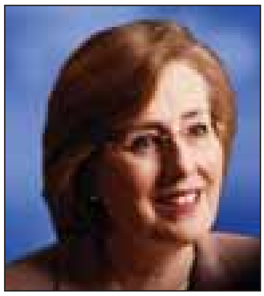
We have appointed a Compliance Committee to monitor our compliance with the Compliance Plan, Constitution and Corporations Act. The members of our Compliance Committee include Ms Gearing (Chairperson), Mr Sherlock and Mr Williamson. The Compliance Committee monitors our compliance with the Compliance Plan and Constitution, and assesses at regular intervals whether the Compliance Plan is adequate.

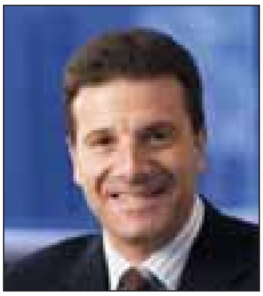
See Section 7 for details of our fees.

Details of each of our Directors are provided in following table:

4. Stockland's Involvement (cont.)

Our Directors

Name	 Peter Scott	 David Kent	 Lyn Gearing
Role within the Responsible Entity	– Chairman – Non–executive Director	– Non–executive Director	– Non–executive Director – Compliance Committee Chairperson
Other Stockland roles	– Director of Stockland – Member of Stockland's Corporate Responsibility and Sustainability Committee	– Independent of Stockland	– Director of Stockland – Member of Stockland's Audit and Risk Committee – Chairperson of Stockland's Compliance Committee
Current non–Stockland roles	Director of: – Sinclair Knight Merz – Perpetual Limited – Advisory Board member of Jones Lang LaSalle – Partner of Korn Ferry International	Director of: – Everest Babcock & Brown Limited (Executive Chairman)	Director of: – Hancock Natural Resource Group Australia Pty Limited – IMB Limited
Previous experience	– 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	– 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	– CEO of NSW State Super – Senior positions in superannuation, funds management, corporate finance and management consulting in Australia and overseas.

		
Matthew Quinn	Tony Sherlock	Terry Williamson
– Executive Director	– Non–executive Director – Compliance Committee member	– Non–executive Director – Compliance Committee member
– Managing Director of Stockland	– Independent of Stockland – Member of Stockland's Compliance Committee	– Director of Stockland – Chairman of Stockland's Audit and Risk Committee – Member of Stockland's Compliance Committee
	Director of: – Sydney Attractions Group Limited – IBA Health Limited – Equatorial Mining Limited (Chairman) Chairman of: – Audit Committee of Commander Communications Limited " Tenex Superannuation Fund	Director of: – ING Australia Limited – United Medical Protection Group
Roles in: – Price Waterhouse – Rockingham Park Group (a substantial Western Australian private property group)	– Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. – Chairman of the Woolmark Company	– Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited – Partner of Price Waterhouse for 17 years – Director of Excel Coal Limited

4. Stockland's Involvement (cont.)

4.4 Property Manager and Stockland Commercial and Industrial division

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

Stockland currently owns and manages a portfolio of 36 commercial and office park properties which has a book value of approximately $2.5 billion as at 31 December 2006 and an occupancy rate of 98%. The Property Manager's approach is focused on tenant service, long term tenant retention and the ability to provide an overall active management service that ensures each tier of property management is leveraged to maximise rental returns and add value.

The Property Manager has implemented a centralised service platform, called the Stockland Service Centre, across its commercial portfolio to provide tenants with better service and to build and foster tenant relationships. The Stockland Service Centre has been custom designed and a unique feature of the service is that it consists of Stockland personnel who maintain a comprehensive knowledge of each property being managed.

The Property Manager will undertake a range of property management and facilities management related activities for the Trust, on an arms–length basis. These activities include management of the Properties and preparation of all financial records, budgets and reports, including the collection of rent.

The Property Manager's fees are partly recoverable from tenants as an outgoing of the respective Properties. The non–recoverable portion will be paid by the Trust and is included in the Financial Forecasts set out in Section 6. Further details of the property management agreement are set out in Section 12.9.

4.5 Labour standards or environmental, social and ethical considerations

Corporate responsibility and sustainability ("CR&S") is becoming an increasingly important focus for the property sector, organisations and the community as a whole. Stockland adopts CR&S as a core business principle. Stockland's CR&S aim is to meet or exceed the expectations of all our stakeholders, delivering long term value and sustainability to Stockland's business.

Stockland addresses CR&S by:

- maintaining ethical and responsible marketplace practices;
- respecting and engaging with its people;
- taking care of the environment in which it operates; and
- strengthening its place within the community.

Stockland Funds Management Limited, as part of Stockland, adheres to Stockland's CR&S policy. We consider the environmental sustainability impact of activities and business processes, along with those of our agents, contractors and tenants and will endeavour to enhance sustainability outcomes wherever practicable.

We take environmental issues into account when managing our investments. Our initiatives in this area include:

- **regular sustainability reports** for Stockland's commercial office buildings that track sustainability ratings across its commercial office portfolio (measuring electricity, water and gas consumption as well as diversion to landfill);
- **working with technology service providers** to:
  - determine how electricity and water consumption can be reduced through installation of metering, sub–metering and monitoring equipment; and
  - improve the commercial office portfolio's performance through better management of plant and equipment;
- **greenhouse ratings** – obtaining Australian Building Greenhouse Ratings across the Stockland commercial office portfolio;
- **water consumption ratings** – obtaining certification of its commercial office portfolio under the National Australian Built Environment Ratings Scheme ("NABERS") office water rating tool;
- **waste to landfill reduction** – collaborating with NABERS and relevant government agencies (where appropriate) to develop a formal rating tool to measure waste and recycling effectiveness; and

– **implementation of targets** for reduction of energy, water, greenhouse emissions and waste so that performance and improvement can be measured over time.

Sustainability measures will only be implemented when they are consistent with our duty to Investors in the Trust or, at a minimum, neutral to the Trust's financial returns and/or performance.

This aside, we will not take into account environmental, labour standards, nor 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.

More information about Stockland's CR&S approach can be found at www.stockland.com.au/about.

4.6 Stockland's relationships 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 12.9);

– underwriting part of the Offer (see Section 12.2);

– selling and/or transferring a number of properties to the Trust (via leasehold interest and freehold interest; see Sections 12.3 to 12.6);

– providing guarantees in relation to rental and incentives, and vendor works (see Section 12.7);

– applying for a cornerstone investment in the Trust (see Section 5.8);

– acquiring Units under the LLF (see Section 5.7);

– holding a first right of refusal to acquire a 50% interest in the Belconnen Property upon disposal by the Trust (see Sections 5.3 and 12.8); and

– providing an interest rate swap to the Trust (see Section 5.5).

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 forecast cash distributions during the Forecast Period are calculated after taking into account all fees being paid to Stockland.

We will not provide any preferential treatment to securityholders of Stockland.

4.7 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;

– documented and executed agreements between Stockland and the Trust, with independent legal advice;

– two of our Directors are independent of Stockland;

– monitoring of compliance with our obligations by our Compliance Committee;

– a six monthly review and full year audit of all retail funds by the scheme auditor and full year audit by the compliance plan auditor;

– a requirement for the approval of all related party transactions by unanimous vote of our board of Directors, including the two Directors who are independent of Stockland; and

– undertaking of actions in accordance with Stockland's 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.

One of our Directors, Peter Scott, is also a director of Sinclair Knight Merz (see Section 4.3), which acted as one of our property technical consultants for the Belmont Property. Mr Scott has not been involved in, nor voted on, any board decisions in relation to the appointment of Sinclair Knight Merz.

5. The Trust

What's in this Section
- The Trust's investment strategy
- The process for disposal of the Properties
- The Trust's structure
- The Finance Facility
- The transfer of Units
- The limited liquidity facility

5.1 Trust distribution policy

The Trust's distribution policy is to provide Investors with regular quarterly distributions (see Section 2.5), which includes a tax deferred component (see Section 6.3).

5.2 Trust investment strategy

Our investment strategy for the Trust is to offer a product which provides regular distributions and an opportunity for capital growth. To achieve this, the Trust will invest in a portfolio of four commercial properties and a car park.

We intend to convene a meeting of Investors before 30 June 2014 to consider an exit or a 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 of 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
- selling the Properties and terminating the Trust in line with the process detailed in Section 5.3.

At or before the meeting of Investors, we will provide you with all of the information known to us that we consider material to making a decision and 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, from the Finance Facility (depending on the facility amount available at that time) 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. Further, if there is a conflict of interest with Stockland's holding of Units, Stockland will not vote on the strategy (see Section 4.7).

5.3 Process for disposal of the Properties

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

The disposal of the Properties may involve selling through a public sale process (Stockland may participate in this sale process, subject to the related party transaction protocol requiring unanimous approval of our board of Directors, including the two Directors who are independent of Stockland, see Section 4.7) and/or using an alternative exit mechanism.

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

The disposal of the Trust's interest in the Belconnen Property may also involve selling to Stockland or the owner of the remaining 50% interest in the Belconnen Property under its first right to acquire set out under the co–ownership agreement (see Section 12.8).

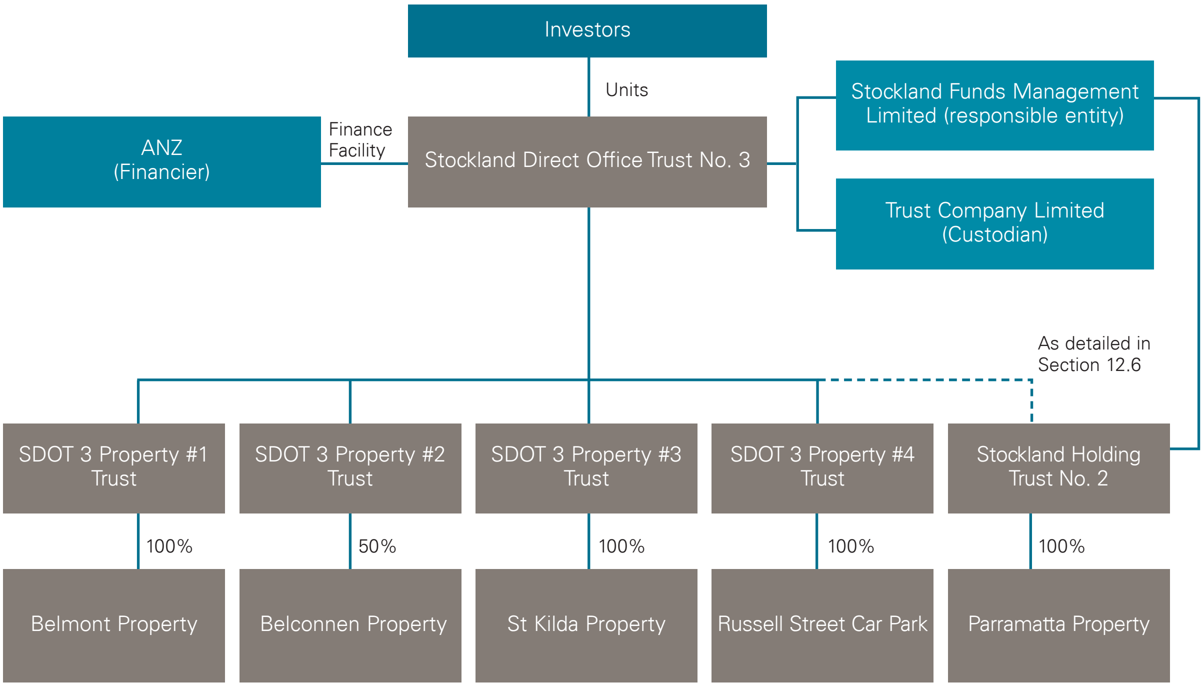
5.4 Trust structure

The Trust is currently wholly owned by Stockland and the units held by Stockland will be redeemed upon issue of new Units to Investors at Allotment.

The Belmont and Belconnen Properties have already been acquired.

The Trust has entered into agreements with Stockland to acquire the leasehold or freehold interests in the St Kilda Property, Russell Street Car Park and Parramatta Property (see Sections 12.4, 12.5 and 12.6).

The following diagram illustrates the Trust structure.



5. The Trust (cont.)

5.5 Finance Facility

We have received and accepted a letter of offer from ANZ to provide a $89.01 million facility to the Trust ("Finance Facility"). The Finance Facility is for an initial three year term and may be extended annually for a further 12 months on an ongoing basis at our request (and with ANZ's consent). The Finance Facility is secured by a mortgage over the Properties and a fixed and floating charge over the Assets.

The Finance Facility consists of two components, the Property Facility (to fund the purchase of the Properties) and the Capital Expenditure Facility (to fund capital expenditure on the Properties).

To achieve a lower interest cost for the Trust and to minimise interest rate risk to the Trust (see Section 8.4), we have received and accepted a letter of offer from Stockland to fix the rate of interest on the Property Facility (including the margin and line fee of 0.60% per annum). The rate of interest will be fixed at 6.35% per annum for a period of three years from Allotment and will remain fixed for a further four years after that, subject to the margin and line fee under the Property Facility remaining at 0.60% per annum.

The terms of the Finance Facility (combined with the interest rate swap provided by Stockland) are summarised below:

Facility	Facility purpose	Gearing ratio	Facility amount	Interest rate per annum
Finance Facility from ANZ	Property Facility	65%[1]	$86.35 million	6.35%[2]
	Capital Expenditure Facility	2%	$2.66 million	Variable[3]
	Finance Facility (facility limit)	67%	$89.01 million	

Notes:

1. *While the gearing ratio for the Properties is 65%, we intend to gear the Belconnen Property to a gearing ratio of 50%.*
2. *While the interest rate on the Finance Facility is variable, Stockland will provide an interest rate swap on the Property Facility where the Trust will pay a fixed interest rate of 6.35% per annum (including the margin and line fee of 0.60% per annum) for three years from Allotment. The interest rate will be fixed at 6.35% per annum for a further four years subject to the margin and line fee under the Property Facility remaining at 0.60% per annum.*
3. *The interest rate on the Capital Expenditure Facility is variable. It is based on the 90 day bank bill rate plus a margin and line fee . An assumed average interest rate of 7.10% per annum over the Forecast Period has been included in the Financial Forecasts.*

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

- the gearing ratio is not to exceed 67%; and
- the annual net rental income from the Properties is to represent no less than 1.5 times the annual interest expense of the Trust.

There are risks associated with the Finance Facility (see Section 8).

5.6 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 a distribution for the whole 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 receiving the transfer form.

5.7 Limited liquidity facility

ANZ has agreed to provide a limited liquidity facility ("LLF") for the benefit of Investors, commencing from the quarter beginning 1 July 2008. Under the LLF, ANZ agrees to acquire up to 1,000,000 Units each Quarter from Investors.

STML as responsible entity of Stockland Trust has placed a standing order with ANZ to purchase the Units ANZ acquires under the LLF. The price payable by Stockland Trust for the acquisition of Units under the standing order with ANZ is the same as the price payable by ANZ to Investors under the LLF. ANZ or Stockland may terminate the LLF without notice to Investors for any reason, including if the Trust does not have sufficient spread of Investors required by the different rules governing stamp duty in Australia's states and territories. In summary, the standing order will terminate if the Trust has less than 300 Investors, if any Investor (including Stockland who intends to make a 10% cornerstone investment) and its related entities hold more than 20% of the Units or if the top 20 Investors hold at least 75% of the Units.

If the LLF limit of 1,000,000 Units is fully utilised each Quarter, then the facility may terminate in approximately one and a half years from its commencement (allowing approximately 120 investors to exit the Trust assuming an average investment of $50,000).

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 LLF transfer form. Completed LLF transfer forms will be considered an irrevocable offer from you to ANZ and cannot be withdrawn. Applicants may need to provide additional information to ANZ to enable ANZ to accept your LLF transfer form.

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

You should send the LLF transfer form in time for the Registrar to receive it no later than 15 Business Days before Quarter end. You will be entitled to the distribution for the whole Quarter in which the transfer form was received and your Units will be sold to ANZ on the first Business Day following the end of that Quarter.

Completed LLF transfer forms will be accepted in order of receipt by the Registrar. Any LLF transfer form 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 whether your application has been successful within 15 Business Days after the end of the Quarter in which your LLF transfer form was received.

You must apply to transfer your total holding of Units under the LLF, unless ANZ agrees otherwise.

LLF pricing

The LLF will start from the quarter beginning 1 July 2008. The price for each Unit acquired under the LLF will be the most recent NTA per Unit less the aggregate of a 2.5% discount and any transaction costs (including any stamp duty).

ANZ 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.

5. The Trust (cont.)

We will 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 relevant Quarter.

Suspension or termination of the LLF

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

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

5.8 Stockland cornerstone investment

Stockland intends to apply for 10% of the Units on equal terms and conditions with Investors.

5.9 Taxation

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

5.10 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	By 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.

You may elect to receive any of the above information electronically or to not receive some of the information above by completing section H of the Application Form or by contacting the Registrar.

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 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.

6. Financial Information

What's in this Section
- Financial Forecasts
- Significant accounting policies applied
- Key Financial Forecast assumptions
- 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 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 at Allotment and on a Fully Invested Basis; and

– sources and application of funds of the Trust on Allotment and on a Fully Invested Basis.

The Financial Forecasts (set out in Sections 6.2, 6.3 and 6.4) 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 affecting the Financial Forecasts are outside our control and that of the Directors, or are not capable of being foreseen or accurately predicted. 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 key assumptions on which the Financial Information is based are set out in Section 6.7. 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 2008 and the year ending 30 June 2009 are as follows:

Forecast Consolidated Income Statements

	Notes	Allotment to 30 June 2008 $'000	Year ending 30 June 2009 $'000
	1		
Revenue			
Rental revenue		12,310	12,442
Interest revenue		344	314
Total Revenue		**12,654**	**12,756**
Expenses			
Property expenses		(3,001)	(3,122)
Finance costs		(4,519)	(5,542)
Interest on deferred consideration	2	(1,300)	–
Responsible entity fees	3	(638)	(614)
Trust expenses	4	(207)	(250)
Net change in fair value/market value of investments	5	(2,187)	(235)
Total Expenses		**(11,852)**	**(9,763)**
Net profit before distributions to unitholders		**802**	**2,993**

Notes:

1. *The date of allotment assumed is 15 June 2007 (see Section 2.7).*
2. *Interest on the deferred consideration for the Parramatta Property (see Section 12.6).*
3. *We intend to defer payment by the Trust of part of this fee as described in Section 7.3.1.*
4. *Trust expenses include valuation fees, audit fees, annual report costs, custodian and registry fees.*
5. *For the purposes of the Financial Forecasts, it has been assumed that there will be no underlying movement in the fair value of the Properties during the Forecast Period. The net change in the fair value of investments in the income statements represents the write off of acquisition costs in the period ended 30 June 2007 as well as the impact of various non cash adjustments required under A-IFRS .*

6.3 Forecast Consolidated Statements of Distributions to Investors

The forecast Consolidated Statements of Distributions for the period from Allotment to 30 June 2008 and the year ending 30 June 2009 are as follows:

Forecast Consolidated Statement of Distributions

	Notes 1	Allotment to 30 June 2008 $'000	Year ending 30 June 2009 $'000
Net profit attributable to unitholders		802	2,993
Add back non cash items	2	2,497	267
Leasing fees and fit outs costs incurred		(1,541)	(265)
Maintenance Capital Expenditure Facility drawdown in period		347	760
Guarantee payments received	3	2,437	–
Responsible entity fees deferred		287	276
Forecast distribution before additional return of capital		**4,829**	**4,031**
Additional return of capital		15	679
Net forecast distributions	4	**4,844**	**4,710**
Pre-tax return	5	**7.75%**	**7.85%**
Tax deferred component of distribution		100%	100%

Notes:

1. *The date of allotment assumed is 15 June 2007 (see Section 2.7).*
2. *Non cash items include movements in the fair value of Investment Properties, income recognised in advance of cash receipts resulting from straight-lining of rental income, amortisation and the unwinding of net present value discounts.*
3. *See Section 12.7.*
4. *The forecast nominal distribution in the period from Allotment to 30 June 2008 is higher than the forecast nominal distribution in the financial year ending 30 June 2009 as it includes distribution for the 15 days from Allotment to 30 June 2007 (totalling 380 days).The forecast distributions are on a cash basis and involve a return of capital. Of the balance of forecast distributions $15,000 represents return of capital in the period to 30 June 2008 and $679,000 represents a return of capital in the year ending 30 June 2009.*
5. *Annualised return shown for the period from Allotment to 30 June 2008.*

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 July 2008):

Pro–forma Consolidated Balance Sheets

	Notes	At Allotment $'000	On a Fully Invested Basis $'000
Current assets			
Cash		3,503	3,488
Other assets	1	2,437	–
Total current assets		**5,940**	**3,488**
Non-current assets			
Investment properties	2	129,089	131,436
Other assets	3	1,323	1,412
Total non-current assets		**130,412**	**132,848**
Total assets		**136,352**	**136,336**
Current liabilities			
Accruals		550	837
Deferred consideration	4	31,342	–
Total current liabilities		**31,892**	**837**
Non-current liabilities			
Finance Facility	5	53,478	86,020
Total non-current liabilities		**53,478**	**86,020**
Total liabilities		**85,370**	**86,857**
Net assets		**50,982**	**49,479**
Equity			
Issued capital	6	53,521	49,479
Accumulated losses		(2,539)	–
Total equity		**50,982**	**49,479**
Number of Units on issue ('000)		60,020	60,020
NTA per Unit (dollars)		0.85	0.82
Adjusted NTA	7	0.91	0.88

Notes:

1. *Other assets of $2.438 million at Allotment represents the fair value of the expected guarantees receivable for the Parramatta and St Kilda Properties.*
2. *The net increase in investment properties on a Fully Invested Basis reflects the fair value adjustments in relation to the unwinding of guarantees acquired on acquisition of the St Kilda, Parramatta and Belconnen Properties. The value of the investment properties includes balances resulting from the straight-lining of fixed rental increases, leasing fees and lease incentives totalling $2,132,435.*

Investment properties comprise the following:

	At Allotment $'000	On a Fully Invested Basis $'000
181 Great Eastern Highway, Belmont, WA	13,000	13,000
40 Cameron Avenue, Belconnen, ACT	31,427	31,336
541 St Kilda Road, Melbourne, VIC	29,508	30,100
222 Russell Street, Melbourne, VIC	16,800	16,800
75 George Street, Parramatta, NSW	38,354	40,200
Investment Properties	**129,089**	**131,436**

The value of investment properties on Allotment assumes that all consents are received from owners in relation to the assignment of 14 car park spaces at Russell Street Car Park as discussed in Section 12.5.

3. *This represents the present value of the expected guarantee receivable in relation to the Belconnen Property.*
4. *Assumes the final payment for the Parramatta Property is made on 1 July 2008. The balance has been discounted by the difference between the interest rate charged by Stockland and a market rate of interest to reflect the net present value of the payable on Allotment.*
5. *Borrowings are shown net of the cost of raising debt of $714,000 and are forecast to increase on a Fully Invested Basis mainly due to the drawdown of the Property Facility to fund the final payment of the Parramatta Property.*
6. *Issued capital is shown net of fund establishment costs.*
7. *The adjusted NTA per Unit reflects the NTA assuming initial acquisition costs were capitalised rather than written off to the Income Statement as required by A-IFRS*

6. Financial Information (cont.)

6.5 Sources and application of funds

Set out below are the forecast sources and application of funds in respect of the Offer and the acquisition of the Assets, based on the Financial Information at Allotment and on a Fully Invested Basis (assumes 1 July 2008):

Sources and applications of funds

	Notes	At Allotment $'000	On a Fully Invested Basis $'000
Sources of funds			
Units issued to Investors		60,020	60,020
Finance Facility		54,193	86,353
Total sources of funds		**114,213**	**146,373**
Application of funds			
Investment in properties	1	100,690	132,850
Investment properties' acquisition costs		3,358	3,358
Responsible entity's trust establishment fee (including underwriting and distribution fees and including GST less reduced input tax credits)	2	5,305	5,305
Working capital		3,503	3,503
Finance costs		714	714
Offer costs (including GST less reduced input tax credits)		643	643
Total application of funds		**114,213**	**146,373**

Notes:

1. *Payment of 80% of the consideration for the Parramatta Property is deferred. See Section 12.6.*
2. *This excludes a portion of the trust establishment fee deferred (representing an amount of $550,000) as outlined in Section 7.2.*

6.6 Statement of significant accounting policies

Basis of preparation

The Financial Information has been prepared in accordance with the Constitution and Australian Accounting Standards. The Financial Forecasts and pro–forma Consolidated 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 has been recognised on a straight line basis over the lease term for leases that are subject to fixed rental reviews.

(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, capital appreciation or both. 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 related or unrelated third parties (arising from the acquisition of investment properties) are not included in the measurement of fair value of the investment property and are treated as separate assets. Lease incentives paid to tenants are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis or a basis which is more representative of the benefits of the assets received.

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 statement in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property when the property is held to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

(c) Depreciation

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

(d) Interest income

Interest income is recognised in the income statement as it accrues using the effective interest rate method and if not received at balance date is reflected in the balance sheet as a receivable.

(e) Borrowings

Borrowings are recorded initially at fair value, net of establishment 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 and amortisation of discounts or premiums relating to 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 hedge the interest rate risks arising from operational, financing and investing activities. Derivative financial instruments will not be held for trading purposes.

Derivatives are initially measured at cost 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 statement 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 may designate 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 statement. Amounts deferred in equity are recycled to the income statement in the periods when the hedged item is recognised in the income statement.

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 statement. 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 statement.

Certain derivative instruments do not qualify for hedge accounting. Change in the fair value of any derivative instrument that does not qualify for hedge accounting is recognised immediately in the income statement.

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 statement.

6. Financial Information (cont.)

(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. In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST.

(k) Performance fee
The performance fee will be recognised in the income statement on an accrual basis. The performance fee is calculated in accordance with the Constitution.

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 Limited has prepared a report on the taxation consequences of investing in the Trust (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, consultation with the Property Manager and its knowledge of the Properties and the industry. The key assumptions underlying the Financial Forecasts are as follows:

(a) Rental income
Rental income is calculated based on the lease terms for each individual tenant of the Properties. At the end of a lease the next tenant is assumed to enter into a lease with the same terms as before (after the letting up period discussed below), with market growth factored in where applicable.

Rental income has been recognised on a straight line basis over the lease term for leases that are subject to fixed rental reviews.

(b) Reletting and vacancy
At the end of each lease, the following reletting and vacancy assumptions are assumed for the purposes of Financial Forecasts:

- letting up periods – between two and four months. (This is not applicable to Russell Street Car Park and the areas leased by Seek Limited at the St Kilda Property, where no letting up period is assumed.);
- retention rate – 0%. (This is not applicable to Russell Street Car Park and the areas leased by Seek Limited at the St Kilda Property, where the tenants are assumed to renew their leases upon expiry);
- leasing fees – 15% of first year's gross rental;
- tenant incentive – between 5% and 20% of total gross rental over the lease term. (This is not applicable to Russell Street Car Park where no tenant incentive has been assumed); and
- Payments are received in relation to the Stockland guarantee (rental incentives and vendor works)– this is provided for the St Kilda Property and the Parramatta Property (see Section 12.7).

(c) Property outgoings
Property outgoings (including the property management fee, see Sections 7.3.6 and 12.9), have been forecast by the Property Manager and are based on current property outgoings.

(d) Property values
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 underlying movement in the fair value of the Properties during the Forecast Period, other than those adjustments arising from the unwinding of the guarantees received.

(e) Interest income
It has been assumed that interest income will be earned on the Trust's cash balances at the rate of 6.00% per annum compounding monthly over the Forecast Period.

(f) Borrowing costs
Borrowing costs are based on the expected Finance Facility profile, the letter of offer from the Financier and the interest rate swap provided by Stockland, which is summarised in Section 5.5.

(g) Amortised borrowing costs
The cost associated with the establishment of the Finance Facility including legal fees, mortgage stamp duty and a debt establishment fee of 0.20% of the total facility amount of $89.01 million is amortised over the term of the Finance Facility (assumed to be seven years, comprising an initial three year term, with annual 12 month extensions) using the effective interest rate method in line with the accounting policy summarised in Section 6.6.

(h) Derivatives
As a 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.

(i) Responsible entity fees
The responsible entity will be entitled to receive a Trust establishment fee of $5,855,364 (inclusive of GST less any reduced input tax credits), calculated as 4.4075% of the value of the Properties. Trust establishment fee of 3.9935% (representing an amount of $5,305,364) is payable at Allotment. Payment of the balance of the Trust establishment fee of 0.4140% (representing an amount of $550,000) will be deferred until termination of the Trust, our removal as the responsible entity of the Trust, if Investors vote to not terminate the Trust at a meeting held before 30 June 2014 to consider termination of the Trust or pro–rated upon sale of each property in the Trust. The Trust establishment fee is treated in the Balance Sheets as a cost of raising equity and is recognised directly in equity.

The responsible entity 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 7.2). We intend to defer 45% of this management fee during the Forecast Period.

(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 3.2% per annum during the Forecast Period.

(k) Repairs and maintenance
Property repairs and maintenance expenditure is based on the technical due diligence consultants' estimate of repairs and maintenance expenditure which is recommended by the Property Manager. The Trust's forecast repairs and maintenance expenditure is assumed to be funded entirely by the drawdown of the Finance Facility.

(l) 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 Taxation Office.

(m) 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

6. Financial Information (cont.)

Trust does not incur a tax liability. Information on tax consequences is provided in Section 11.

(n) 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.

(o) 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 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.

(p) Purchase of the Parramatta Property
The Parramatta Property has been purchased as outlined in Section 12.6. In accordance with Australian Accounting Standards, the purchase of the Property is recorded at an initial value of $39,381,617 in "Investment Properties" with a $31,341,617 liability which represents the present value of the deferred consideration of $32,160,000 after taking account of the $1,300,000 interest cost paid to Stockland. The initial value of $39,381,617 represents the fair value of the Property, being the sum of the 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 before payment of the deferred consideration.

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.

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 2009, based on a rise in interest rates, different levels of repairs and maintenance expenditure incurred, different levels of vacancy and an increase in outgoings for each of the Properties.

6.9.1 Interest rates

We have fixed the interest rate on the Property Facility of $86.35 million for a period of seven years, whereas the interest rate on the Capital Expenditure Facility of $2.66 million will remain variable. There is a minimal impact of increases in interest rates, as shown below.

Interest rates increase by 100 basis points	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	–0.01%	–0.01%
Distribution	7.74%	7.84%
Tax deferred component	100%	100%

6.9.2 Repairs and maintenance expenditure

The distributions of the Trust will be impacted to the extent that the Trust is required to fund additional repairs and maintenance expenditure from net operating cash flows. The following tables show the sensitivity of increases in repairs and maintenance expenditure (if funded from the net operating cash flows) by 10% and 20% respectively:

Forecast repairs and maintenance expenditure increase by 10%	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	–0.06%	–0.08%
Distribution	7.69%	7.77%
Tax deferred component	100%	100%

Forecast repairs and maintenance expenditure increase by 20%	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	–0.12%	–0.15%
Distribution	7.63%	7.70%
Tax deferred component	100%	100%

6.9.3 Property vacancy

The distributions of the Trust will be impacted by an increase in the assumed letting up period from lease expiry for each of the Properties. Commercial assumptions have been made by the Property Manager and have already been incorporated into the cash flow forecasts for each of the Properties. The following tables show the sensitivity of distributions to an additional letting up period by two months and four months respectively, applied to areas which are currently vacant or which become vacant:

Additional letting up period of 2 months	Allotment to 30 June 2007	Year ending 30 June 2008
Change in distribution	0.00%[1]	–0.11%
Distribution	7.75%	7.74%
Tax deferred component	100%	100%

6. Financial Information (cont.)

Additional letting up period of 4 months	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	0.00%[1]	–0.22%
Distribution	7.75%	7.63%
Tax deferred component	100%	100%

Note:

1. *No change in the distribution for the period from Allotment to 30 June 2008 as there are rental guarantees for existing vacant areas for the Parramatta and St Kilda Properties. In addition, there are no lease expiries during the period from Allotment to 30 June 2008.*

6.9.4 Property outgoings

The distributions of the Trust will be impacted by an increase in property outgoings, to the extent that they are non–recoverable from tenants. Property leases are either expressed on a net basis (where all property expenses are recoverable from tenants) or on a gross basis (where the rent includes property expenses). For these gross leases, if actual expenses increase at a greater rate than rental increases, some of the property expenses will not be recoverable from tenants and the distributions of the Trust will reduce. The following details the proportion of gross leases and net leases for each property (by income) for the:

- Belmont Property – 100% net basis;
- Belconnen Property – 100% gross basis;
- St Kilda Property – 6.9% gross basis, 93.1% net basis;
- Russell Street Car Park – 100% gross basis; and
- Parramatta Property – 100% gross basis.

The proportions above have been applied to increases in property outgoings by 2.5% and 5% respectively to calculate the non–recoverable portion. The impact on the distributions of the Trust is tabled below:

Property outgoings increase by 2.5%	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	–0.06%	–0.07%
Distribution	7.69%	7.78%
Tax deferred component	100%	100%

Property outgoings increase by 5%	Allotment to 30 June 2008	Year ending 30 June 2009
Change in distribution	–0.13%	–0.14%
Distribution	7.62%	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. 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.

7. Fees (cont.)

Type of fee or cost	Amount (including GST less any reduced input tax credits)	How and when paid
Fees when your money moves in or out of the Trust		
Establishment fee The fee to open your investment	Trust establishment fee of 4.4075% of the value of the Properties. Based on the valuation of $132.85 million, this fee would be $5,855,364.	Trust establishment fee of 3.9935% (representing an amount of $5,305,364) is payable to the responsible entity from the Assets within seven days of Allotment. Adviser services fees will be paid out of this amount (see Section 7.3.8). Fees associated with equity underwriting and distribution will also be paid from this amount. Payment of the balance of the Trust establishment fee of 0.4140% (representing an amount of $550,000) will be deferred until the earliest of: – the termination of the Trust; – our removal as responsible entity of the Trust; – if Investors vote to not terminate the Trust at a meeting held before 30 June 2014 to consider termination of the Trust; or – pro–rated upon sale of each property in the Trust.
Contribution fee The fee on each amount contributed to your investment – either by you or your employer	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil *(Note that fees will apply if you choose to sell your Units through the LLF, see Section 5.7)*	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable

Type of fee or cost	Amount (including GST less any reduced input tax credits)	How and when paid
Management costs: The fees and costs for managing your investment		
Management fee[1] (payable to the responsible entity)	0.46125% per annum of the gross asset value of the Trust. Based on the gross asset value of $136.35 million on Allotment, this fee would be $628,925 per annum.	Calculated monthly and payable to the responsible entity from the Assets at the end of each Quarter.
Performance fee[2] (see Section 7.3.2 for more details)	20.5% of the performance of the Trust above the Benchmark calculated every six months. The Benchmark is the 10 year bond yield (calculated as the average of the 10 year bond yield at the end of each month over the half year) plus 3.0% per annum. The performance fee for each six month fee period is capped at 0.46125% per annum of the closing gross asset value of the Trust at the end of the six month period for the period from Allotment until that date, less the aggregate of the fee caps for all prior six month periods. The performance fee is subject to a minimum of zero. Any underperformance or outperformance in respect of the Benchmark is carried forward to future periods. See Section 7.3.2 for a performance fee calculation example.	The performance fee, if any, is calculated at the end of every half year by the Trust and is payable out of the Assets to the responsible entity on the earliest of: – 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; – the date of settlement of the sale of a Property or the Properties[2]; and – the date which is 14 days after a meeting of Investors held before 30 June 2014 to consider termination of the Trust, and at which it was decided not to terminate the Trust[3]. The performance fee payable is subject to Investors receiving at least their Application Monies from capital distributions arising from the sale, other realisation or revaluation of Properties (or if not all the Properties are sold, realised or revalued, that portion of their Application Monies relating to the Properties sold, realised or revalued).

7. Fees (cont.)

Type of fee or cost	Amount (including GST less any reduced input tax credits)	How and when paid
Management costs: The fees and costs for managing your investment		
Trust operating expenses[4]	Reimbursable costs and expenses estimated to be approximately 0.164% per annum, being $223,931, on the average of the gross asset value of the Trust over the Forecast Period.	Paid or reimbursed out of the Assets 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 under the general right to reimbursement for costs and expenses.	Payable out of the Assets from time to time on demand by the responsible entity.
Additional service fees		
LLF withdrawal fee	If the LLF is used, 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 (including any stamp duty).	Deducted from the purchase price paid under the LLF (see Sections 5.7 and 7.3.5).

Notes:

1. *We intend to defer 45% 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.*
3. *In this circumstance, the Net Sales Proceeds will be determined by reference to valuation of the Assets rather than the 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 (as set out under the Constitution, see Section 12.1). This fee is expressed as a percentage per annum, being approximately 0.164% on average of gross assets of the Trust over the Forecast Period and equates to approximately 0.450% per annum on average over the Forecast Period of net assets when liabilities are included.*
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. For other service fees, such as adviser service fees, see Section 7.3.*

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 2009)
EXAMPLE: Investment balance of $50,000			
Assumes that gross asset value is $136 million on a Fully Invested Basis			
Establishment fee (the fee to open your investment)	Trust establishment fee of 4.4075% of the value of the Properties from which ANZ and Stockland will receive their underwriting and distribution fees.[1]	For a $50,000 investment in the Trust, you will be charged $4,878. Workings: ((4.4075% x $132.85 million) / 60.02 million) x $50,000	Nil
PLUS: Other management costs			
Management fee (payable to the responsible entity)	0.46125% per annum of the gross asset value of the Trust.	For a $50,000 investment in the Trust, you will be charged $523. Workings: ((0.46125% x $136 million) / 60.02 million) x $50,000	For a $50,000 investment in the Trust, you will be charged $523.
Trust operating expenses (including other expenses)	Reimbursable costs and expenses estimated to be approximately 0.164% per annum on the average of the gross asset value of the Trust over the Forecast Period.	For a $50,000 investment in the Trust, you will be charged $186. Workings: ((0.164% x $136 million) / 60.02 million) x $50,000	For the $50,000 investment in the Trust, you will be charged $186.
Performance fee		Nil (only paid at termination of the Trust, upon the sale of a Property, upon a change in the responsible entity or if the Trust is extended for a further term).	Nil (only paid at termination of the Trust, upon the sale of a Property, upon a change in the responsible entity or if the Trust is extended for a further term).
EQUALS: Cost to the Trust[2]			
		If you had an investment of $50,000, you would be charged fees of $5,587. Workings: $4,878 + $523 + $186	If you had an investment of $50,000, you would be charged fees of $709. Workings: $523 + $186

7. Fees (cont.)

Notes:

1. *See Section 7.2 on how and when this fee will be paid.*
2. *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 (including any stamp duty).*

7.3 Additional explanation of fees and costs

7.3.1 Deferred management fee

We intend to defer 45% 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 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 or a Property is sold, at which stage we intend to receive the amount deferred and unpaid from the Assets (or pro–rated as the case may be).

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 or the percentage of fees deferred will be lower than 45%.

7.3.2 Performance fee

The performance fee is calculated at the end of every half year and is payable as outlined in Section 7.2. The fee is calculated as (including GST less any reduced input tax credits):

– 20.5% of the performance of the Trust above the Benchmark (10 year bond yield plus 3.0% per annum);

– capped at 0.2306% (including GST less any reduced input tax credits) of the closing gross asset value of the Trust at the end of each six month period;

– subject to a minimum of zero;

– any underperformance in respect of the Benchmark is carried forward to future periods; and

– any outperformance of the Trust above the performance fee cap for a six month period is carried forward to future periods.

No performance fee is payable if Investors do not receive at least their Application Monies by way of a return of capital (see Section 7.2 for further details on how and when the performance fee can be paid).

By way of a worked example (which is not a forecast, but for illustrative purposes only) assume the following:

– the Trust is terminated on 30 June 2014;

– the closing NTA per Unit is $1.10 (representing a Property growth rate of 3.6% per annum from the initial acquisition cost of $132.85 million, after recovering all acquisition and fund establishment costs);

– total distributions of the Trust remaining steady after the Forecast Period at 7.85% per annum; and

– the Benchmark return is 9% per annum (based on a 10 year bond yield of 6% per annum).

Performance fee example	Calculation	Total
Assumptions		
Cumulative distributions made *(based on a return profile of 7.75% per annum in year 1 and 7.85% per annum for years 2 to 7)*	[7.75% + (7.85% x 6)] x b	$32.92m
Cumulative Benchmark return *(based on a Benchmark return of 9% per annum, comprising a 10 year bond yield of 6% per annum plus 3% per annum, for seven years)*	(9.00% x 7) x b	$37.81m
Final NTA per Unit	a	$1.10
Number of Units (issued at $1.00 per Unit)	b	60.02m
Performance fee calculation		
Net assets	c = a x b	$66.02m
Value of initial Units	b x $1.00	$(60.02)m
Increase in net asset value	d = c – b	$6.00m
Cumulative distributions made	e (see calculation above)	$32.92m
Cumulative Trust return	f = d + e	$38.92m
Cumulative Benchmark return	g (see calculation above)	$(37.81)m
Outperformance	h = f – g	$1.11m
Total performance fee payable	h x 20.5%	**$0.23m**

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 under the Constitution (as set out 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 7.2, payable on Allotment;
- management fee of 1.025% per annum of the gross value 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 of the Trust.

7.3.5 Limited liquidity facility fee

If you decide to use the LLF, you will be charged by ANZ 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. The operation of the LLF is described in Section 5.7.

7.3.6 Property management fee

The Property Manager will receive a property management fee of 1.0% per annum of the aggregate of rent and outgoings payable by the tenants plus reasonable recovery of costs incurred in performing its duties. 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 and is included in the Financial Forecasts set out in Section 6.

In addition, leasing fees of between 11% and 15% of the first year's rent are payable to the Property Manager for new leases depending on the lease terms. Lease renewals attract a reduced fee. The Financial Forecasts have taken into account the fees paid to the Property Manager (see Section 12.9).

7.3.7 Transaction costs

Whilst 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.

7.3.8 Adviser service fees

A commission fee may be paid directly to your financial adviser by us from our establishment fee or by ANZ from its arranging fee. Financial advisers may elect to receive an upfront commission of 4.0% of the Application Price, a trailing commission of 0.6% per annum of the Application Price for seven years, or a combination of both an upfront fee and trailing commission as shown on the Application Form. All trailing commissions will be paid within two months after each Quarter for a period of seven years after Allotment.

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 you agree to pay your financial adviser for financial advice are separate to the fees we charge.

7.3.9 Investor specific 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 using our contact details as set out in the Corporate Directory.

8. Risk Factors

What's in this Section
- Risks in relation to your investment
- Property related risks
- Forecasting risks
- Finance related risks
- Capital raising risks
- General risks

8.1 Introduction

A range of factors will influence the performance of the Trust, 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, if the Trust is terminated or wound up.

In this event, you will only receive a return of capital after repaying 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 (including losses or gains to Investors), a summary of which are set out in Section 8.4.

8.2 Property related risks

Property market

The property market and new competing developments in nearby areas may affect the value of the Properties (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 whether to invest in the Trust.

Default by tenants

If any of the tenants default, 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 a default event, we will seek to enforce any security provided by the tenants. However, there is still a risk that rent might not be paid, the security is not sufficient to cover the default, and/or there is a period of vacancy (see below).

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 12.7) 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 (see Section 6.9.3) and this may potentially adversely affect the value of the Properties. In addition, we may incur reletting costs (i.e. marketing costs, incentives to tenants and commissions to agents), which will be paid from the Trust's assets, or from increasing the Finance Facility.

To mitigate the leasing risks:

– the Financial Forecasts include reletting and vacancy assumptions for potential vacancies. If a potential vacancy is relet during the assumed vacancy or the existing tenant renews before lease exipiry, any increase in the net cash of the Trust will be distributed to Investors;

– where tenants do not exercise their options to renew their leases, they may have to provide us with notice to vacate (allowing the Property Manager time to seek replacement tenants);

– 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; and

– Stockland may be able to leverage off its relationships in the market in order to lease any vacant space.

There are existing vacancies at the St Kilda and Parramatta Properties and a potential vacancy if the only tenant, the ATO, in the Belconnen Property does not renew its lease on expiry in February 2012.

8. Risk Factors (cont.)

To mitigate these specific risks, Stockland is providing a 12 month rental guarantee:

- over the vacancies at Allotment over the St Kilda and Parramatta Properties. This guarantee includes any incentives and leasing costs (including legal costs) payable to secure tenants (see Section 12.7); and
- from 1 March 2012 if the ATO vacates the Belconnen Property. The guarantee includes any agency fees required to secure tenant(s) (see Section 12.7) but excludes incentives and legal costs (if any).

As with any rental guarantee, the eventual lease terms may differ from the rental guarantee upon securing actual leases.

Unforeseen capital expenditure or other expenditure

Ongoing maintenance and capital expenditure will be required to maintain the Properties. In addition, the Properties may incur unforeseen capital expenditure or repairs or maintenance expenditure.

To manage this risk, we have commissioned independent experts who have provided us with the estimated capital and maintenance expenditure programs for each Property to maintain the Properties during the term of the Trust. This should lessen the probability of such unforeseen expenses being incurred. The forecast repairs and maintenance expenditure required to maintain the Properties at their existing standard will be funded by the Finance Facility and have been taken into account in the Financial Forecasts in Section 6. If the actual costs of repairs and maintenance or capital expenditure requirements exceed our forecasts and the available limit under the Finance Facility, we may need to renegotiate the facility limit under the Finance Facility with the Financier. This may result in additional costs to the Trust and subsequently affect distributions to Investors. Alternatively, additional repairs and maintenance and capital expenditure may be funded from available cash, which may adversely impact the Trust's distributions (see Section 6.9.2).

Increase in non-recoverable portion of property expenses

Property leases are either expressed on a net basis (where all property expenses are recoverable from tenants) or on a gross basis (where the rent includes property expenses). For these gross leases, if actual expenses increase at a greater rate than rental increases, some of the property expenses will not be recoverable from tenants and the Trust's income will reduce. As at the date of this PDS, 66% (by income) of the Properties is leased on a gross basis. Where outgoings in future years increase and exceed our forecasts, this will reduce the income from the Properties and subsequently reduce the Trust's distributions to Investors (see Section 6.9.4).

Due diligence and use of experts

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

- technical due diligence (structural and technical investigations);
- valuation reports to verify the purchase price (see Section 9); and
- legal due diligence to identify and review the legal risks to title, leases and the contracts.

Despite these investigations, we cannot guarantee that we have identified and mitigated 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

Stamp duty relief has not yet been obtained from the WA Office of State Revenue. Accordingly, there is a potential risk that stamp duty may be payable on the issue of Units in WA if relief from the WA Office of State Revenue is not obtained. If relief is not obtained before Allotment and stamp duty would be payable upon issue of Units under this PDS, we may elect not to issue Units and return all Application Monies to Investors.

Rental abatement

The lease to the ATO at the Belconnen Property allows the tenant to abate the payment of rent where a breach of certain terms of the lease occurs. For example, if the building is damaged or where there is a failure of services, a portion of the rent may be abated until the issues have been rectified. In addition, the tenant may terminate the lease and require the Trust to pay its relocation costs if the affected services are not rectified within three months.

Abatement of rent and/or termination of the lease may result in less income being available to the Trust for distributions.

To mitigate this risk, we have appointed Stockland as the Property Manager and made allowances in our forecasts for expenditure to maintain the Properties to an appropriate standard. The Property Manager manages a portfolio of 36 commercial and office park properties with a book value of approximately $2.5 billion as at 31 December 2006. The Property Manager's capability is detailed in Section 4.4.

In addition, we have commissioned independent experts to carry out due diligence for the Properties and we are not aware of any issues in relation to provision of building services.

8.3 Forecasting risks

A number of factors may affect achieving 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 Finance related risks

Although a detailed term sheet has been received from the Financier, the Finance Facility is subject to formal documentation and satisfaction of normal conditions precedent.

Interest rates

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 interest rate on the Property Facility (including the margin and line fee of 0.60% per annum) at 6.35% per annum for a period of three years from Allotment and this interest rate will remain fixed for a further four years, subject to the margin and line fee under the Property Facility remaining at 0.60% per annum. The Property Facility represents 97% of the Finance Facility limit and accordingly, there is minimal exposure to any changes in interest rates during the first three years from Allotment (see Section 6.9.1). If the margin and/or line fee under the Finance Facility increase after the first three years from Allotment (e.g. due to the Trust refinancing at higher margin and/or line fee), returns to Investors may be adversely affected.

Furthermore, as the interest rate is fixed, Investors will not benefit from any favourable downward movements in market interest rates for a period of seven years from Allotment. If market interest rates fall below a level such that the floating rate (plus margin and line fee payable) under the Property Facility is below 6.35% per annum, the Trust will still be required to pay the fixed interest rate of 6.35% per annum.

Covenants

The risk factors outlined in this Section may affect the amount of cash available to pay interest on the Finance Facility. If rental income is insufficient to pay interest or other expenses, or if other covenants are breached and not able to be remedied within agreed timeframes (see Section 5.5), then ANZ may seek to renegotiate the Finance Facility or enforce its security and sell one or all of the Properties.

For example, if the gearing ratio exceeds 67%, ANZ may seek to renegotiate the Finance Facility or enforce its security and sell one or all of the Properties.

8. Risk Factors (cont.)

The valuation for the St Kilda and Parramatta Properties includes a 12 month rental guarantee provided by Stockland over the existing vacancies. If the existing vacancies are not leased after the rental guarantee period expires and as a result, the values of the Properties decreases by more than $2.657 million (assuming the Finance Facility drawn is 65% of the value of the Properties and no Capital Expenditure Facility has been drawn), the gearing ratio may exceed 67%. ANZ may seek to enforce its security in this case.

Refinance

The term of the Finance Facility is initially three years. Whilst we expect to be able to extend the term of the Finance Facility, the Trust may be required to refinance the Finance Facility and there is no guarantee that new facilities may be obtained at competitive or comparable interest rates, if at all. If the Finance Facility 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 commercial 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.

Liquidity

You should note that the LLF may be terminated at any time without providing you with prior notice. As detailed in Section 5.7, STML as responsible entity of Stockland Trust has placed a standing order with ANZ to purchase the Units ANZ acquires under the LLF. This standing order will terminate if the Trust does not have a sufficient spread of Investors required by the different rules governing stamp duty in Australia's states and territories, including if any Investor (including Stockland who intends to make a 10% cornerstone investment, see Section 5.8) and its related entities hold more than 20% of the Units.

As Stockland is also underwriting part of the Offer (see Section 12.2), there is a risk that Stockland may be required to subscribe for underwritten Units. Although Stockland intends to fully distribute any underwritten position, if Stockland does not fully distribute its underwritten position, this may result in Stockland and its related entities holding more than 20% of the Units (including Stockland's 10% cornerstone investment). If this occurs, the LLF will be terminated or suspended until the Trust has a sufficient spread of Investors.

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 5.6).

Taxation

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

Knight Frank

20 March 2007

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The Directors
Stockland Funds Management Limited
as responsible entity for
Stockland Direct Office Trust No 3 (Trust)
Level 25, 133 Castlereagh Street
SYDNEY NSW 2000

Dear Directors

RE: Valuation: 181 Great Eastern Highway, Belmont, WA
541 St Kilda Road, Melbourne, VIC
222 Russell Street Car Park, Melbourne, VIC
75 George Street, Parramatta, NSW

Instructions
We refer to your instructions requesting Knight Frank Valuations to prepare a market valuation of each of the abovementioned properties as at 1 March 2007 on the following basis:

- 181 Great Eastern Highway, Belmont, WA - freehold interest subject to the existing tenancy.
- 541 St Kilda Road, Melbourne, VIC - leasehold interest pursuant to the proposed long term lease and subject to existing tenancies, the rental and incentive guarantee from Stockland and capital expenditure undertakings.
- 222 Russell Street Car Park, Melbourne VIC - leasehold interest, pursuant to the proposed long term lease and subject to existing tenancies.
- 75 George Street, Parramatta, NSW – freehold interest subject to the existing and proposed leases, the rental guarantee from Stockland and capital expenditure undertakings.

We have completed valuation reports for each property and provide this abridged summary for inclusion in this PDS. For further information reference should be made to the valuation reports which can be inspected at the office of Stockland Funds Management Limited during normal business hours. This correspondence is subject to and should be read in conjunction with all qualifications, assumptions, conditions and disclaimers contained within each valuation report. We also note that the valuations are current as at the date of valuation only we can give no guarantee that the properties or valuations have not altered since the date of valuation.

Valuation Summaries
We have assessed the market values of the properties on each basis as follows.

Property	Valuation as at 1 March 2007 (GST exclusive)**
181 Great Eastern Highway, Belmont WA	$13,000,000
541 St Kilda Road, Melbourne, VIC	$30,100,000
222 Russell Street Car Park, Melbourne, VIC	$16,800,000^
75 George St, Parramatta, NSW	$40,200,000

*** Valuations are subject to critical assumptions under instructions from Stockland Funds Management as outlined within the respective valuation reports.*

^ The assessed value includes 32 car bays licensed to Saville Hotel Group Limited. The value excluding the 32 car bays would be $15,900,000 (GST exclusive). See "Valuation Analysis and Assumptions" for more details.

Brief Descriptions of Properties

181 Great Eastern Highway, Belmont, WA
181 Great Eastern Highway is located along the eastern side of the Great Eastern Highway some 100 metres south of Abernethy Road and 5.5 kilometres east of the Perth CBD. The property is improved with a modern, three level office building constructed in 1988 and has a current net lettable area of 4036 square metres.

There are 43 covered and 66 open car bays on the main property facing Great Eastern Highway and an additional 126 car bays on land fronting Cleaver Terrace to the south east.

9. Summary Valuation Reports (cont.)

541 St Kilda Road, Melbourne, VIC
A modern commercial office building constructed circa 1986, with six levels of office accommodation and two levels of car parking at basement and ground level (128 spaces). The office level floor plates are circa 1,300 square metres with the exception of level 1, which is a mezzanine level of circa 1,150 square metres.

The improvements have an advised lettable area of 8,244m² and are erected on a site of 2,846m² zoned Business 5. The property is located in St Kilda Road, Melbourne. The Melbourne GPO is situated approximately four kilometres to the north.

222 Russell Street Car Park, Melbourne, VIC
A commercial car park forming part of a 22 level mixed use building constructed in circa 1997. The balance of which provides a hotel, residential apartments and retail accommodation. The building provides some 531 designated car spaces, 479 of which form the subject of our valuation. Ingress and egress to the car park is provided via a central driveway to the Russell Street alignment.

The 479 car bays are comprised over nine floors. 32 of the spaces are caged bays currently utilised by the Saville Hotel. The car park has a minimum clearance of two metres and provides fully sprinklered car accommodation with fire hydrants, hose reels and extinguishers positioned throughout. Access to all car park levels is provided via two 'Kone' lifts to the buildings northern alignment with 13 person capacity, one of which provides exclusive access from the hotel.

75 George Street, Parramatta, NSW
A six level commercial office building constructed in 1985, comprising two basement car parking levels (104 single spaces), a ground floor foyer, two ground floor retail premises, and five upper levels of office accommodation.

The building has a lettable area of 9,653.60m² (as currently tenanted) and is erected on a site of 2,668m² zoned City Core (City Centre Precinct). It is centrally located within the core financial precinct of the Parramatta CBD, approximately 23 kilometres west of the Sydney CBD.

Tenancy Overview

181 Great Eastern Highway, Belmont, WA
The property is fully leased to Telstra Corporation Ltd under a lease expiring 31 August 2011. Rent reviews are every two years to market – the next rent review is 1 September 2007. Telstra is responsible for the payment of all normal property outgoings.

541 St Kilda Road, Melbourne, VIC
We have been advised that the land and buildings are to become the subject of a long term lease to the Trust. We understand that the lease holder will be entitled to all income flowing from the existing lease agreements (which will effectively become sub leases) and be subject to the rights and obligations of these agreements.

The property is leased to various tenants including the major tenant Seek Limited (five years with annual 4% increases). The actual vacancy of the building in accordance with our tenancy schedule, is 1,583 m², representing approximately 19% of NLA, excluding vacant car parking. This vacancy rate is forecast to decrease to 17% assuming a leasing deal which is currently under negotiation is executed by 15 June 2007. A 12 month rental guarantee will support income over the existing vacant areas at settlement. The guarantee will also cover the rent free period under the Seek lease and payment of market incentives for any tenancies vacant at the start of the guarantee period. The weighted average lease expiry across the building is 3.5 years.

222 Russell Street Car Park, Melbourne, VIC
We have been advised that the land and buildings are to become the subject of a long term lease to the Trust. We understand that the lease holder will be entitled to all income flowing from the existing lease agreements (which will effectively become sub leases) and be subject to the rights and obligations of these agreements.

447 car bays are currently leased to EziPark Pty Ltd for a five year term commencing 1 July 2005. Of the 447 bays, 38 are in separate ownership and are leased to Stockland. The remaining 32 caged bays are currently licensed to Saville Hotel Group Limited for a term expiring 30th October 2011. Of the 32 bays, 14 are in separate ownership and are intended to be leased to the Trust. The weighted average lease expiry across the car parks is 3.4 years.

75 George Street, Parramatta, NSW
The property is 79% leased to office and retail tenants, this occupancy rate is forecast to drop to 69% by 15 June 2006 once the Commonwealth Bank fully vacate the building. A new lease has recently been agreed to St George over

38.6% of the lettable area. A 12 month rental guarantee will support income over the existing vacant areas. The guarantee will also cover any existing incentives and payment of market incentives for any tenancies vacant at the start of the guarantee period. The weighted average lease expiry across the building is 4.5 years.

Income Profile

Property	Passing Income**
181 Great Eastern Highway, Belmont, WA.	$901,622 pa
541 St Kilda Road, Melbourne, VIC	$2,228,231 pa
222 Russell Street Car Park, Melbourne, VIC	$1,245,502 pa
75 George St, Parramatta, NSW	$2,980,490 pa

*** Passing income is subject to critical assumptions under instructions from Stockland Funds Management Limited as outlined within the respective valuation reports.*

Market Commentary

181 Great Eastern Highway, Belmont, WA
The real estate market in Western Australia has continued to remain very strong with no evidence of activity easing in any sector. There are no signs of weakening, with general market sentiment amongst industry professionals suggesting a continuation of favourable conditions for 2007.

The general yield range for commercial/industrial properties in Perth is now in the order of 7% to 9% although it is not uncommon for yields above and below this range to be achieved for secondary and prime investments respectively.

Within the office market supply is extremely tight. Within the Perth Central Business District and based on our own research, the vacancy as at January 2007 is only 1.5% which equates to stock available for lease in the market of just over 20,000 square metres. The vacancy rate in the Perth Central Business District has fallen by almost 4% over the previous 12 months.

There are no any specific market statistics in relation to vacancy rates, stock levels and absorption rates for other Perth metropolitan suburban office area locations. However, based on our own observations, there was very little new development taking place so that with the demand for offices that existed, a strong upward pressure was being placed on rentals which had shown sound increases over the previous 6 months.

541 St Kilda Road, Melbourne, VIC
During the last 12 months, the St Kilda Road office market has remained relatively stable, although not immune from issues resulting from oversupply in the CBD market and the market acceptance of alternative locations in Docklands, East Melbourne and South Melbourne. Compared to the CBD, the benefits of the St Kilda Road market, including lower occupancy costs, including car parking, remain. However, as in previous cycles with increasing CBD vacancy, the benefits diminish as leasing incentives emerge.

As monitored by the PCA, the general trend in vacancy rates has been downward since January 1993 at more or less the bottom of the market, when the CBD total vacancy factor peaked at 26.6%. At that time, St Kilda Road was coming off its vacancy peak of 22.4% as at July 1992, as Southbank was yet to have an office market. After reaching their lowest vacancy factors for the last decade in January 2001 (CBD 6.2%, St Kilda Road 4.3% and Southbank 5.8%), only the CBD recorded a further decline (to 5.1%) as at July 2001, whilst each of the other markets increased slightly with noticeable jumps in their respective sub lease vacancies. As at January 2007, the St Kilda Road vacancy factor increased to 10.4%, up from 9.4% at July, 2006, although A grade vacancy is higher at 13.6% (January, 2007).

222 Russell Street Car Park, Melbourne, VIC
The performance of the car park industry has been shown to correlate with the overall economic health of the CBD or its immediate catchments. The last 18 months has witnessed a significant improvement in tenant demand and leasing activity in the CBD in the face of looming office space over supply, which appears to have been averted through increased take up.

Notwithstanding, the Melbourne Council, with the support of the State Government, has introduced a car park levy on permanent, semi permanent and early bird bays in the CBD and surrounds. To date the market approach has been to pass this on to the public. However, the impost of $400 pa in 2006 and $800 from January, 2007 represents a circa 15% increase over two years on a median monthly cost of $425 pcm. Anecdotal evidence suggests that the imposition has had a negative impact on operating profits.

9. Summary Valuation Reports (cont.)

75 George Street, Parramatta, NSW
Following a number of years of subdued leasing activity, Sydney's major suburban office markets generally experienced positive net absorption and an improvement in leasing demand and enquiry levels over the 12 months to January 2007. Investment activity has remained strong and the large weight of funds and strong competition for limited investment opportunities have placed notable downward pressure on yields which has led to capital growth. The outlook for the Sydney suburban office market in general is for a continued strengthening in leasing conditions into 2007.

The total vacancy level within Parramatta fell to 8.8% as at January 2007. The B grade vacancy (the classification of the property) remains relatively high and the leasing market is competitive. Tenant demand is forecast to improve further in the short term, although new supply may restrict rental growth and lower grade stock will require refurbishment in order to remain attractive in a competitive leasing market.

Valuation Analysis & Assumptions

181 Great Eastern Highway, Belmont, WA
The following schedule summarises relevant comparable sales which have been considered in the preparation of our valuation.

Property	Price	Date	$/m² NLA	Yield	IRR Rate (%)
251 St George's Tce, Perth	$30,800,000	Oct 2005	$3,160	8.5%	10.7%
172 St George's Tce, Perth	$25,200,000	March 2006	$3,940	7.5%	9.0%
40 The Esplanade, Perth	$47,500,000	Nov 2005	$4,289	7.7%	10.5%
Joondalup House, Joondalup	$11,450,000	Dec 2005	$2,517	7.3%	10.5%
Hatch Building, Perth	$31,500,000	May 2006	$2,884	8.0%	10.3%

We have also taken into consideration 54 Salvado Road, Wembley which is subject to a contract of sale at a consideration of $6,600,000. This development has a net lettable area of 1,542 square metres. The initial and equated reversionary yields are 7.15% and 7.5% respectively.

The valuation for 181 Great Eastern Highway has been determined via reconciliation between the capitalisation of net income, direct comparison and discounted cash flow ("DCF") methodology.

The capitalisation approach has adopted a capitalisation rate range of 7.25% to 7.50%, which has been applied to the assessed net market income.

A DCF analysis over a 10 year investment horizon has been undertaken based upon a target internal rate of return of 9.0%, an average 10 year market rental growth rate of 4.7% per annum and a terminal yield of 7.75%. An appropriate rental void and incentive allowance have been made for the risk of the tenant vacating at lease expiry and over the 10 year cash flow horizon.

The assessed value of $13,000,000 (GST exclusive) reflects the following investment parameters:

Initial Yield %	Equated Reversionary (Market) Yield %	Rate/m²	IRR Rate (%)
6.94	7.5	$3,221	9.0

541 St Kilda Road, Melbourne, VIC
The following schedule summarises relevant comparable sales which have been considered in the preparation of our valuation.

Property	Sale Price	Sale Date	Rate/m² NLA	Yield	IRR
601 St Kilda Road, Melbourne	$38.35M	Dec 05	$3,427	7.2%	8.6%
600 St Kilda Road, Melbourne	$58.1M	Dec 05	$3,397	7.3%	8.2%
468 St Kilda Road, Melbourne	$38.7M	Jan 07	$3,530	7.1%	8.0%
580 St Kilda Road, Melbourne	$25.75M	June 06	$3,540	7.5%	8.8%

The valuation for 541 St Kilda Road has been determined via reconciliation between the capitalisation of net income, direct comparison and discounted cash flow ("DCF") methodology. Our calculations reflect the terms of the rental and incentive guarantee and the payment of identified capital expenditure, including the $870,000 contribution to tenancy works under the Seek lease. Details of the refurbishment and floor plate infill have been provided in the form of a Capital Expenditure Works Budget totalling $1,560,000. Our valuation assumes that the project has been completed generally in accordance with the details provided in the budget.

The capitalisation approach has adopted a capitalisation rate range of 7.25%-7.50%, which has been applied to the assessed net market income.

A DCF analysis over a 10 year investment horizon has been undertaken based upon a target internal rate of return of 8.5%, an average 10 year market rental growth rate of 3.1% and a terminal yield of 8.0%. An appropriate rental void and incentive allowance has been made for the risk of tenants vacating at lease expiry, whilst non-recoverable capital expenditure allowances have been made at lease expiries and over the 10 year cash flow horizon.

The assessed value of $30,100,000 (GST exclusive) reflects the following investment parameters.

Initial Yield	Equated Reversionary (Market) Yield	Rate/ m²	IRR
7.40%	7.42%	$3,624	8.48%

222 Russell Street Car Park, Melbourne, VIC

The following schedule summarises relevant comparable sales which have been considered in the preparation of our valuation.

Property	Sale Price	Sale Date	Yield	Rate/ bay
380 Lonsdale Street, Melbourne	$22.25M (apportioned to Car Park)	June 06	**7.5%**	$50,000
28 La Trobe Street, Melbourne	$24.5M	May 06	**6.8%**	$34,752
474 Flinders Street, Melbourne	$9.75M	May 04	**7.0%**	$31,553
522 Flinders Lane, Melbourne	$31M	Apr 03	**8.0%**	$30,452

The valuation for 222 Russell Street has been determined via the capitalisation of net income as the primary method, supplemented by the direct comparison approach as a check method.

The capitalisation approach has adopted a capitalisation rate range of 7.25%-7.50%, which has been applied to the assessed net market income.

The assessed value of $16,800,000 (GST exclusive) reflects the following investment parameters.

Initial Yield	Equated Reversionary (Market) Yield	Rate/ bay
7.41%	7.35%	$35,073

The assessed value includes 32 spaces licensed to Saville Hotel Group Limited. The value excluding the 32 car bays would be $15,900,000 (GST exclusive).

75 George Street, Parramatta, NSW

The following schedule summarises relevant comparable sales which have been considered in the preparation of our valuation.

Property	Sale Price	Sale Date	Yield	IRR	Rate/m² NLA
80 George Street, Parramatta	$33.125M	Jul 06	**8.10%**	8.90%	$4,082
20 Smith Street, Parramatta	$39M	Jun 06	**7.60%**	8.50%	$5,040
Hurstville Office Park, Hurstville	$37.925M	Dec 06	**7.70%**	8.50%	$3,795
Burwood Towers, Burwood	$71.3M	Dec 06	**7.75%**	8.50%	$4,421

9. Summary Valuation Reports (cont.)

STOCKLAND FUNDS MANAGEMENT LIMITED

Knight Frank

The valuation for 75 George Street has been determined via reconciliation between the capitalisation of net income, direct comparison and discounted cash flow ("DCF") methodology. Our calculations reflect the terms of the rental guarantee from Stockland and the payment of identified capital expenditure.

The capitalisation approach has adopted a capitalisation rate range of 7.50%-7.75%, which has been applied to the assessed net market income.

A DCF analysis over a 10 year investment horizon has been undertaken based upon a target internal rate of return of 8.50%, an average 10 year market rental growth rate of 3.60% per annum, and a terminal yield of 8.0%. Appropriate rental void and incentive allowances have been made across the cash flow at each lease expiry, whilst non-recoverable capital expenditure allowances have been made annually and at lease expiry over the 10 year cash flow horizon.

The assessed value of $40,200,000 (GST exclusive) reflects the following investment parameters.

Initial Yield	Equated Reversionary (Market) Yield	Rate/ m²	10 Year IRR
7.4%	7.5%	$4,164	8.5%

Liability Disclaimer

Knight Frank Valuations have prepared this summary which appears in this PDS for Stockland Direct Office Trust No. 3. Knight Frank Valuations were involved only in the preparation of this summary and the valuations referred to therein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the PDS or other document, other than in respect of our valuations and this letter.

Knight Frank has consented to this summary being included in this PDS, but Knight Frank is not providing advice about a financial product, nor the suitability of the investment set out in this PDS. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.

In the case of advice provided within this report which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event.

Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and for the purpose of this valuation, we have assumed that the information is correct.

Knight Frank Valuations has received fees of $57,475 (inclusive of GST) in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest in Stockland Funds Management Limited or the Trust and has provided this report solely in its capacity as independent professional advisor.

Yours faithfully
KNIGHT FRANK VALUATIONS

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16 March 2007

The Directors
Stockland Funds Management Limited
as responsible entity for
Stockland Direct Office Trust No 3 (Trust)
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Valuation as at 1 March 2007
40 Cameron Avenue, Belconnen ACT (50% Interest)

Instructions

At your request, CB Richard Ellis (CBRE) has prepared this letter summarising the valuation results from our completed, self contained valuation report. The purpose of our report was to render our opinion of market value as at 1 March 2007.

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

Valuation

We have assessed the market value of the Crown Leasehold interests in the property subject to the tenancy arrangements, as at 1 March 2007 as follows:

- 100% Interest $65,500,000
  (Sixty Five Million Five Hundred Thousand Dollars)

- 50% Interest $32,750,000
  (Thirty Two Million Seven Hundred & Fifty Thousand Dollars)

The assessed values detailed above are exclusive of GST.

9. Summary Valuation Reports (cont.)

Critical Assumptions and Reliance on Information Provided

A summary of the critical assumptions adopted in the valuation is as follows:

1. All outstanding incentives associated with the lease commencing 1 March 2007 to the Commonwealth (ATO) have been paid as at the date of valuation.
2. Capital works including repainting and recarpeting have been paid for in full.
3. Projected electricity allowance is payable until expiry of the new 5 year lease commencing 1 March 2007.
4. A one year rental guarantee over the premises will be put in place to take effect upon lease expiry. The rental will be equal to the net rental payable by the Commonwealth (ATO) at that time plus statutory outgoings. A minimum of 6 months of rental guarantee will be paid for by Stockland. Therefore, no letting up allowance has been made.
5. All leasing fees in relation to the premises will be paid by Stockland as the Vendor upon ATO lease expiry.
6. All future lease incentives will be paid by the Trust.

Property Description

The property provides a four to five level office building constructed in 1993. The building comprises ground floor foyer, four office levels, in addition to a single level basement carpark for 50 vehicles, storage area and loading dock. A further 166 surface carparks are also provided on the site of 16,624m².

The Commonwealth of Australia have occupied the building since completion and have recently executed a new five year term commencing 1 March 2007 at the agreed rental for the office area of 15,506m² at $330/m² and $120/m² for the basement storage and loading dock areas. Basement carparks are leased at $1,500/bay and open bays are included.

Market Commentary

Research indicates that the commercial investment market is currently strong and sales activity indicated a firming of yields. Sales of properties with blue chip tenants have indicated yields as low as 6%, however standard investment properties are selling in the range of 7% - 10%, depending on quality and location.

Business activity within the ACT remains strong, which has led to a reduction in vacancies within the commercial sectors. This has increased confidence in the market for all market sectors. Property Council of Australia has recently announced a direct vacancy rate of 1.7% for the ACT as at 1 January 2007.

CBRE
CB RICHARD ELLIS

16 March 2007

Our analysis of the sales profile, especially in the upper end of the market, indicates an increase in interstate demand for properties within the ACT as yields are not as competitive as those in Sydney and other capital cities. Investors are also more active due to the number of private superannuation fund syndicates investing, who are now also comparing yields along the Eastern Seaboard generally.

The total vacant office space within the Belconnen Town Centre as at January 2007 was 6,821 square metres, which indicates a vacancy rate of 4.9%, a decrease from 11% in June 2003. However, the withdrawal of 5,500m² of commercial offices has impacted on the stock level within the Town Centre.

Valuation Rationale

In assessing the market value of the property, 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 key results of the valuation analysis are summarised in the following table:

Property: 40 Cameron Avenue, Belconnen	
Fully Leased (100% of) net Income (after vacancy allowance) [1]	$4,740,715
Current Vacancy	0%
Vacancy Rate adopted	0%
Capitalisation Rate	7.25%
Terminal Yield	7.70%
Target IRR	7.75%
Average Market Rent Growth (pa)	3.00%
Adopted Market Value (50% Interest)	$32,750,000
Initial Yield	7.18%
Value Per Square Metre of Lettable Area	$4,224

1. Whole building subject to 1 year rental guarantee provided by vendor on expiry of lease (based on rental at that time).

As the value is assessed as at the valuation date, we have assumed that there will be no change in market conditions, physical attributes of the property or other factors, likely to cause a material change in value from the date of inspection, to the date of valuation.

Consent

CB Richard Ellis Pty Ltd provides it consent for the inclusion of this summary letter within the Product Disclosure Statement ("PDS") for Stockland Direct Office Trust No. 3 (Trust) subject to Stockland Funds Management Limited making recipients of the PDS aware of the following liability disclaimers.

9. Summary Valuation Reports (cont.)

VALUATION & ADVISORY SERVICES

CBRE
CB RICHARD ELLIS

16 March 2007

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 with Stockland Direct Office Trust No. 3 (Trust).

(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 valuation 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 Office Trust No 3 (Trust) for the formal valuation report, update report and this letter was $12,650 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 report dated 1 March 2007 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 report.

(h) We confirm that the valuer does not have a pecuniary interest that would conflict with a proper valuation of the property.

Yours sincerely
CB Richard Ellis (V) Pty Ltd

Steven Flannery
Senior Director – Valuation & Advisory Services

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

Part 1 - Financial Services Guide

2 April 2007

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 as responsible entity for Stockland Direct Office Trust No. 3 to give general financial product advice in the form of a report to be provided to you in connection with the proposed issue of Units in Stockland Direct Office Trust No. 3. 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.

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If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued to 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 $154,000 (inclusive of GST) and will also 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

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PART 2 – INDEPENDENT ACCOUNTANTS' REPORT

The Directors
Stockland Funds Management Limited
as responsible entity for Stockland Direct Office Trust No. 3
L25, 133 Castlereagh Street,
Sydney, NSW 2000

2 April 2007

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"), as the responsible entity for Stockland Direct Office Trust No. 3 ("the Trust"), for inclusion in a Product Disclosure Statement ("PDS") to be issued by SFML in respect of the proposed issue 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 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 2008 and for the year ending 30 June 2009 as set out in Sections 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 comprises the Pro forma Consolidated Balance Sheet of the Trust as at Allotment (assumed to occur on 15 June 2007) and as at the date when the Trust is assumed to be fully invested (assumed to occur on 1 July 2008).

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 on the assumption that 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 are completed as contemplated.

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The Financial Forecasts comprise 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 2008 and for the year ending 30 June 2009 as set out in Sections 6.2, 6.3 and 6.5 of the PDS

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 2008 and for the year ending 30 June 2009. 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 and the evaluation of the accounting policies used in preparing 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 Consolidated 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 Section 6.6 of the PDS.

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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 Sections 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 prepared 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 6.7 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 6.7 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. Any 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 Financial Forecasts are 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 the Financial Forecasts.

Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 6.9 of the PDS.

4 Statements

4.1 Pro forma Consolidated 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 in accordance with the statement of significant accounting policies set out in Section 6.6 of the PDS.

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2 April 2007

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 do not provide reasonable grounds for the preparation of the Financial Forecasts

ii) in all material respects, the Financial Forecasts have not been properly prepared 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 properties acquired 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/or the 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

Steve Woosnam
Director

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Deloitte Touche Tohmatsu Ltd
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The Directors
Stockland Funds Management Limited
as responsible entity of Stockland Direct Office Trust No. 3
Level 25, 133 Castlereagh Street
Sydney NSW 2000

2 April 2007

Dear Directors

TAXATION REPORT: STOCKLAND DIRECT OFFICE TRUST No. 3

This report has been prepared at the request of the Directors of Stockland Funds Management Limited (SFML), the responsible entity for the Stockland Direct Office Trust No. 3 (the Trust) and the trustee of the sub-trusts, for inclusion in a Product Disclosure Statement (PDS) to be issued by SFML 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 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 income tax and Goods and Service Tax (GST) 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 this 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

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Page 2
2 April 2007

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 should consider taking 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, Investors will be the persons who will be assessed on the taxable income of the Trust.

As disclosed in Section 5.4 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 assessed.

On the basis that the Trust and sub-trusts are flow through entities, each component of the Trust and sub-trusts' taxable incomes 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 should be imposed on the Investors rather than on the Trust. As noted above at section 3 of our report,

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where Investors have a present entitlement to a share of the Trust's income, they will be assessed on their share of the Trust's taxable income and, subject to each Investor's tax profile, will be liable to pay tax 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. Investors will be assessed in the same year in which the Trust derives the income.

The Trust's taxable income and the amount actually distributed to Investors may vary. In circumstances where the amount distributed to the Investor exceeds their share of the Trust's taxable income, the excess amount (referred to as the tax-deferred component) should not be assessed in the Investor's hands. However, certain adjustments will 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) that is greater than the amount of interest incurred.

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 on 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.

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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 gross 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 5.7 of the PDS. It will also include Units that are transferred (Section 5.6 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.

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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 gross 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 by the Trust and offset against future gross capital gains.

6.2 Capital protected borrowing

The Federal government has recently introduced provisions into Parliament concerning the taxation treatment of capital protected borrowings. In broad terms, these provisions will, in certain circumstances, prevent taxpayers from claiming deductions for interest expenses to the extent they relate to the capital protection features of a borrowing.

In our opinion, the limited recourse Finance Facility provided to the Trust to facilitate the acquisition of the Properties by the sub-trusts will not be subject to these new provisions, provided that the interest rate payable on the Finance Facility does not exceed the average of the Reserve Bank's Indicator Rates for Personal Unsecured Loans – Variable Rate for the term of the borrowing.

We recommend that Investors obtain their own independent advice with respect to the application of the capital protected borrowing provisions if they borrow money to fund the acquisition of Units.

6.3 Section 51AD and Division 16D 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 to an income tax exempt body.

Division 16D of the 1936 Act applies where the property is leased to a tax exempt body under a financial lease or similar arrangement. If applicable, Division 16D recharacterises the leasing arrangement as a notional sale of the property by the owner for income tax purposes.

In our opinion, section 51AD and Division 16D should not apply to the Trust or sub-trusts, in the present circumstances. We note that the Federal Government has previously announced that section 51AD and Division 16D will be replaced by a new Division 250. Whilst the Government has not publicly released the new provisions, it is not anticipated that Division 250 will have any adverse tax consequences for the Trust.

6.5 Tax File Number

An Investor need not quote a Tax File Number (TFN) when applying for Units in the Trust. However,

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if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any distribution entitlement. The withholding rate is the highest marginal rate plus the Medicare levy (currently 46.5%).

6.6 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 acquisitions. The GST recovery will depend upon the exact nature of the operations of the Trust and the characterisation of its expenses. The sub-trusts should be entitled to fully recover any GST they incur that relates to the leasing of their properties.

6.7 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.

6.8 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 report. If there are any significant changes in or to these tax authorities, such changes may result in our report being rendered incorrect or out-of-date or necessitate (upon SFML's request) 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.

6.9 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 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

12.1 Constitution of the Trust

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

The Constitution is supplemented by the Corporations Act, any 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 the Constitution and Corporations Act.

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 (see Section 2.5);

- **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 (see Section 5.6);

- **no redemption:** Investors do not have a right to redeem Units whether 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 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 remaining unpaid in relation to their Units. However, Australian courts have not yet tested the effectiveness of provisions of this kind.

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, 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 properly

12. Additional Information (cont.)

performing our duties. Such expenses include, but are not limited to, expenses connected with acquiring, disposing, insuring or holding 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 (see Section 7);

- **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, 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;
- proposed by us and approved by a Special Resolution; or
- 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.

In accordance with the Corporations Act, the Constitution may be amended by us (if the change is not reasonably considered to be adverse to the rights of Investors) or by a Special Resolution.

12.2 Underwriting agreement

Stockland Funds Management Limited as responsible entity for the Trust ("SFML") has entered into an underwriting agreement with ANZ and STML ("Underwriters") to fully underwrite this Offer, and to subscribe for any of the Units that are not applied for as at the Closing Date.

Stockland Funds Management Limited must pay a fee to the Underwriters to underwrite the Offer which will be paid from the establishment fee payable to us by the Trust on Allotment (see Section 7). The Trust will not be charged an underwriting fee.

The obligations of the Underwriters are several in that:

- ANZ will underwrite 60% of the Offer. STML has agreed to sub–underwrite 12.5% of the Offer. This reduces ANZ's net underwriting position to 47.5% of the Offer; and
- STML will underwrite 40% of the Offer which includes Stockland's 10% cornerstone investment (see Section 5.8). However, STML's net underwriting position is 52.5% of the Offer as it is also sub–underwriting 12.5% of the Offer as referred to above.

We must accept all valid Applications (of less than 10% of the Units) provided that accepting 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 Underwriters.

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

- an insolvency event occurs in respect of SFML or the Trust;
- a condition precedent to the underwriting is not satisfied, including completion of due diligence procedures, execution of transaction documents or Finance Facility drawdowns;
- the PDS content is or becomes misleading or deceptive, there is an omission from the PDS, certain persons withdraw their consent to be named in the PDS, or ASIC takes regulatory action in relation to the PDS;

- a PDS in–use notice is not lodged with ASIC by the required time;
- without the prior consent of the Underwriters, with such consent not to be unreasonably withheld, the agreed timetable for the Offer is delayed by more than five Business Days, the capital structure of SFML or the Trust is altered, or the constitution of SFML or the Trust is amended; or
- there is a material adverse change in the financial position of SFML or the Trust, or a new law or policy results in, or could reasonably be expected to result in, a material adverse change to the Offer, the PDS or the income tax position of the Trust.

An underwriter may terminate its obligations under the underwriting agreement if any of the following events occur and the Underwriter forms the reasonable opinion that the event will have a material adverse effect on the success of the Offer or would likely give rise to a material liability of the Underwriter:

- SFML fails to perform its obligations under a transaction document (as defined in the agreement), or comply with a clause of its constitution or the Trust's constitution, the law or an ASIC policy, or an event of default occurs under a finance document (as defined in the agreement);
- SFML makes a false or misleading statement, or there is any material omission from, the PDS or SFML otherwise comes under an obligation to issue a supplementary or replacement PDS;
- SFML charges or agrees to charge the whole or a substantial part of the assets of SFML or the Trust other than as disclosed in the PDS;
- the 90 day bank bill rate reaches a level which is 100 basis points more than the rate at the close of trading on the Business Day immediately before the date of execution of the agreement;
- the S&P/ASX 200 index reaches a level which is 10% below the value at the close of trading on the Business Day immediately before the date of execution of the agreement;
- there is an outbreak or major escalation of hostilities, anti–government terrorist activities or a national emergency declared in Australia, the United Kingdom, the United States of America or certain other countries;
- there is a general moratorium or material disruption in commercial banking or security settlement or clearance services in Australia, the United Kingdom or the United States of America, or trading in all securities quoted or listed on the Australian Securities Exchange, the London Stock Exchange or the New York Stock Exchange is suspended or limited such that it becomes, in the reasonable opinion of either Underwriter, impracticable to market the Offer or to enforce contracts to issue and allot or sell the underwritten Units;
- a representation, warranty or statement by SFML to the Underwriters is or becomes materially untrue or misleading, or there is a material omission from any information, announcement, advertisement or publicity in relation to the PDS or the Offer; or
- the forecasts in the PDS are or become incapable of being met or, in the reasonable opinion of either Underwriter, are unlikely to be met in the forecast time.

If an Underwriter terminates its obligations, the Offer will not proceed and Application Monies will be returned to Applicants as soon as practicable.

12. Additional Information (cont.)

12.3 Property acquisition agreements

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

	Belmont Property	Belconnen Property	St Kilda Property (see Section 12.4)	Russell Street Car Park (see Section 12.5)	Parramatta Property (see Section 12.6)
Document	N/A[1]	N/A[1]	1. Agreement for lease 2. Deed of concurrent lease	1. Agreement for lease 2.Deed of concurrent lease 3. Deed of assignment of leases of 38 car parking spaces (Levels 4 and 5) 4.Deed of assignment of leases of car parking spaces (caged area – Level 5)	1. Deed of agreement 2.Deed of concurrent lease 3. Put and call option deed and associated contract
Seller/lessor	N/A[1]	N/A[1]	Australian Commercial Property Trust[2]	Stockland (Russell Street) Pty Limited[2]	Stockland Holding Trust No.2[2]
Commence– –ment Date	N/A[1]	N/A[1]	The later of Allotment and the date lessor receives a notice from the Trust stating it is satisfied with its capital raising.	The later of Allotment and the date the lessor receives a notice from the Trust stating it is satisfied with its capital raising.	Concurrent lease to commence on the later of Allotment and the date the lessor receives a notice from the Trust stating it is satisfied with its capital raising.
Stockland guarantee	N/A	See Section 12.7	See Section 12.7	N/A	See Section 12.7

Notes:

1. *These Properties have been previously acquired by SDOT3 Property #1 Trust and SDOT3 Property #2 Trust. As detailed in Section 5.4, Stockland Trust is the current Unitholder and these Units will be redeemed at Allotment.*
2. *Wholly owned controlled entities of Stockland.*

12.4 Acquisition of the long term leasehold interest in the St Kilda Property

The St Kilda Property is owned by Australian Commercial Property Trust ("ACPT"), a controlled entity of Stockland Trust, and has a current market value of $30.1 million.

Agreement for lease

We have entered into an agreement for lease with ACPT for a long term concurrent lease of the St Kilda Property commencing on the the later of Allotment and the date on which ACPT receives a notice from the Trust stating it is satisfied with its capital raising.

The general effect of the long term concurrent lease is to transfer to the Trust all benefits and obligations and responsibilities in relation to the Property as if the Trust were the freehold owner of the St Kilda Property during the term of the lease. Accordingly:

– the lease is concurrent with and subject to all existing leases and licences which have been granted in relation to the St Kilda Property;

– the Trust will receive the rent and other monies payable to ACPT as landlord under these existing leases and licences and the Trust will assume all obligations and responsibilities owed by ACPT as owner of the St Kilda Property and as landlord under these existing leases and licences;

- without having to obtain ACPT's consent, the Trust will be able to assign the lease, grant subleases or licences over any part of the St Kilda Property, carry out any alterations or additions or to redevelop the St Kilda Property, or use the lease as security;
- the Trust and ACPT must do all things reasonably necessary to enable the Trust to exercise all the rights and powers of ACPT in connection with the St Kilda Property; and
- the Trust must pay all rates and taxes (other than income or capital gains tax).

On or before commencement of the lease, the Trust will be required to pay a premium of $30.1 million (excluding GST) to ACPT.

Under the long term lease, ACPT will provide the Trust with a limited rental and incentive guarantee (see section 12.7). The lease also contains limited warranties in favour of the Trust to the effect that as at the commencement date of the lease, ACPT:

- has performed and complied with its obligations under all existing leases and licences granted in relation to the St Kilda Property;
- is not aware that building works on the St Kilda Property or the use of the St Kilda Property are not in accordance with relevant planning permits or consents; and
- has not received any notice that the there are any substantial and detrimental encroachments by or on the St Kilda Property.

12.5 Acquisition of the long term leasehold interest in the Russell Street Car Park

The Russell Street Car Park is a strata property with 531 car parking spaces and the Trust will acquire a leasehold interest over either:

- 479 car parking spaces, which has a current market value of $16.8 million; or
- if consents from individual owners are not obtained before Allotment as described below, 447 car parking spaces.

Of the 479 car parking spaces, 427 spaces are owned by Stockland (Russell Street) Pty Limited ("SRS") and 52 spaces are leased by SRS from individual owners. Each of these 479 car parking spaces have been subleased or licensed to other parties, as summarised below:

	Car parking spaces owned by SRS	Car parking spaces owned by individual owners	Total car parking spaces
Leased to EziPark Pty Limited	409	38	447
Licensed to Saville Hotel Group Pty Limited	18	14	32
Total car parking spaces	427	52	479

Agreement for lease for 427 car parking spaces owned by SRS

We have entered into an agreement for lease with SRS for a long term concurrent lease commencing on the later of Allotment and the date on which SRS receives a notice from the Trust stating it is satisfied with its capital raising of either:

- 427 car parking spaces owned by SRS; or
- if consents from individual owners are not obtained before Allotment as described below, 409 car parking spaces owned by SRS.

12. Additional Information (cont.)

The long term concurrent lease from SRS is on similar terms to the concurrent lease from ACPT described in section 12.4, except that there will be no rental guarantee under the lease and the premium payable by the Trust under the lease will either be $16.8 million or $15.9 million (see Section 9), depending on whether the lease is for 427 or 409 car parking spaces as described below).

Deeds of assignment for an additional 52 car parking spaces leased by SRS from individual owners

We have entered into deeds of assignment of lease with SRS for an assignment from SRS of SRS's leases of 52 car parking spaces currently leased by SRS from individual owners. The assignment of 14 of SRS's leases of these car parking spaces are subject to consent from each of the individual owners, as detailed below.

32 car parking spaces licensed to Saville Hotel Group Pty Limited

Of the 479 car parking spaces in which it is intended the Trust will acquire a leasehold interest, 32 car parking spaces are currently licensed to Saville Hotel Group Pty Limited. Of these 32 car parking spaces, 14 are currently leased by SRS from individual owners and 18 car parking spaces are owned by SRS.

As noted above, the assignments of lease to the Trust in relation to the 14 car parking spaces that are leased by SRS from individual owners and which are licensed by SRS to Saville Hotel Group Pty Limited are subject to obtaining consent from each of the individual owners. If consents are not obtained from each of the 14 individual owners before Allotment, the Trust may decide not to acquire a leasehold interest in any of the 32 car parking spaces licensed to Saville Hotel Group Pty Limited.

If the Trust does not acquire a leasehold interest in the 32 car parking spaces, this will have an impact on Trust distributions (a reduction in distributions of up to 0.09% per annum during the Forecast Period) and the balance sheet of the Trust.

12.6 Acquisition of the Parramatta Property

By subscribing for Units, the Investor agrees to an investment in the Property at 75 George Street, Parramatta, NSW. The Property is owned by Stockland Holding Trust No. 2 ("SHT2") and has a current market value of $40.2 million.

Deed of agreement

We have entered into a deed of agreement with SHT2 which requires the parties to enter into a concurrent lease and a put and call option deed on the later of Allotment and the date on which SHT2 receives a notice from the Trust stating it is satisfied with its capital raising (these are discussed below). The deed of agreement entitles the Trust to acquire the Parramatta Property directly or indirectly by one of the three following methods:

(a) Exercise of put or call option

The deed of agreement requires the parties to enter into a put and call option arrangement, under which if the option is exercised the parties must enter into a contract for the sale of the Parramatta Property to the Trust.

(b) Stapling of SHT2 to the Trust

The deed of agreement contemplates the stapling of SHT2 to the Trust. This is proposed to occur prior to July 2008. This will involve an offer to you of units in SHT2. No additional investment is required from Investors.

(c) Alternative transaction

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

These methods are discussed further below. Until completion of the method the Trust chooses to acquire the Parramatta Property, the Trust will pay an annual fee of $1.3 million per annum (representing an interest rate of 4% per annum on the balance of the purchase price) after taking into account the call option fee paid under the put and call option.

Concurrent lease

Under the deed of agreement, the parties will enter into a concurrent lease of the Parramatta Property. The term of the concurrent lease is 12 months and 17 days commencing on the later of Allotment and the date on which SHT2 receives a notice from the Trust stating it is satisfied with its capital raising.

The general effect of the concurrent lease is to transfer to the Trust all benefits and obligations and responsibilities accruing to the owner of the Parramatta Property. Accordingly:

- the lease is concurrent with and subject to all existing leases and licences which have been granted in relation to the Parramatta Property;

- the Trust will receive the rent and other monies payable to SHT2 as landlord under these existing leases and licences and the Trust will assume all obligations and responsibilities owed by SHT2 as owner of the Parramatta Property and as landlord under these existing leases and licences;
- the Trust will pay all outgoings on behalf of SHT2 in connection with the lease, but the Trust is not required to pay any rent under the lease; and
- the Trust and SHT2 must do all things reasonably necessary to enable the Trust to exercise all rights and powers of SHT2 in connection with the Parramatta Property.

Under the lease, SHT2 will provide the Trust with a limited rental and incentive guarantee (see section 12.7). The lease also contains limited warranties in favour of the Trust to the effect that as at the commencement date of the lease SHT2:

- has performed and complied with its obligations under all existing leases and licences granted in relation to the Parramatta Property;
- is not aware that building works on the Parramatta Property or the use of the Parramatta Property are not in accordance with relevant development consents or permits; and
- has not received any notice that the there are any substantial and detrimental encroachments by or on the Parramatta Property.

Put and call option deed

Under the deed of agreement, the parties will enter into a put and call option deed in relation to the Parramatta Property. The put and call option deed provides that SHT2 will grant a call option to the Trust or its nominee for the purchase of the Parramatta Property (in consideration of which the Trust will pay a call option fee of $8.04 million) and the Trust will grant a put option to SHT2 for the sale of the Parramatta Property. These options must be exercised prior to 1 July 2008. If exercised, SHT2 will be required to sell the Parramatta Property to the Trust for a purchase price of $40.2 million comprising the call option fee of $8.04 million and a balance of $32.16 million. The total purchase price is included in the Application Monies and will be held by the Trust during the option period.

The call option fee and the purchase price may be reduced depending on the results of a survey which is anticipated to be carried out in April 2007 in relation to premises in the Parramatta Property leased to St George Bank Limited. This is discussed below.

Stapling of SHT2 to the Trust

The deed of agreement contemplates the stapling of SHT2 to the Trust. Prior to July 2008, if the subscription for units in SHT2 for the subscription purchase price of $32.16 million is in the best interests of Investors, we will subscribe for units in SHT2 as agent for and in the name of Investors. If we decide to subscribe for the units in SHT2, the subscription purchase price of $32.16 million will be paid using a capital distribution from the Trust and the Finance Facility and the call option fee paid by the Trust under the put and call option deed will be retained by SHT2.

Investors will subscribe for units in SHT2 in the same proportions as their unitholding in the Trust. A product disclosure statement relating to SHT2 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 SHT2 contain provisions which enable their respective units to be stapled. The units in each of the Trust and SHT2 will be stapled so that they may only be traded together.

Alternative transaction

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

Lease to St George Bank Limited

The rent payable under the lease by St George Bank Limited of premises in the Parramatta Property is subject to a survey being conducted of the lettable area of the premises, which is anticipated to be carried out in April 2007 following fit out of the premises by St George Bank Limited. Accordingly, the total rent payable may differ if the surveyed lettable area is different from the lettable area assumed in the heads of agreement and the Financial Forecasts. As mentioned above, the deed of agreement provides for an adjustment to the call option fee and the purchase price of the Parramatta Property to reflect any change in area so that Investors are not disadvantaged by any reduction in income.

12. Additional Information (cont.)

12.7 Rental and incentive guarantees

The Trust has received rental and incentive guarantees for the following Properties:

	Belconnen Property	St Kilda Property	Parramatta Property
Guarantor	Stockland Development Pty Limited as guarantor has entered into a guarantee arrangement with Stockland Funds Management Limited as trustee for SDOT3 Property #2 Trust in relation to the Belconnen Property of which SDOT3 Property #2 Trust owns a half share (see Section 5.4).	Trust Company Limited as custodian for Australian Commercial Property Trust (Australian Commercial Property Trust is a wholly owned controlled entity of Stockland)	Trust Company Limited as custodian for SHT2 (SHT2 is a wholly owned controlled entity of Stockland)
Extent of guarantee	– In consideration of $1.85 million which has been incorporated into the acquisition cost and valuation of the Belconnen Property, the guarantor has agreed to a rental guarantee over the Trust's 50% interest in the Property (currently leased to the ATO). The rental guarantee amount is not to be less than SDOT3 Property #2 Trust's 50% of the net rent received immediately before the guarantee commencement date plus an amount attributable to actual outgoings for the period guaranteed (except to the extent that any actual outgoings are recovered from any tenant). – The guarantee applies for the first six months of the term of the guarantee even if a tenant is in occupation and paying rent.	– Rental guarantee over all vacant commercial and retail space in the Property at the time the long term concurrent lease is entered into at rates determined by the independent valuation we commissioned (see Section 9). – Rental guarantee over all vacant car spaces at the time the long term concurrent lease is entered into at rates determined by our independent valuation. – Reimbursement of any incentives, agency fees or tenant advocacy costs required to secure a tenant for the premises that are vacant at the time the long term concurrent lease is entered into until those vacant premises are leased in line with the minimum leasing parameters. – The guarantor and us have agreed a set of minimum leasing parameters to be met before granting a tenancy over the premises that are vacant.	– Rental guarantee over all vacant commercial and retail space in the Property at the time the concurrent lease is entered into at rates determined by the independent valuation we commissioned (see Section 9). – Rental guarantee over all vacant car spaces at the time the concurrent lease is entered into at rates determined by our independent valuation. – Reimbursement of any incentives, agency fees or tenant advocate fees required to secure a tenant for the premises that are vacant at the time the concurrent lease is entered into until those vacant premises are leased in line with the minimum leasing parameters. – The guarantor and us have agreed a set of minimum leasing parameters to be met before granting a tenancy over the premises that are vacant.
Term of guarantee	12 months from the expiry of the existing lease to the ATO on 29 February 2012	12 months from the commencement date of the long term concurrent lease of the St Kilda Property	12 months from commencement date of the concurrent lease of the Parramatta Property
Other	The guarantee covers the costs (excluding any incentives and legal costs) required to secure tenants for the Property.	The guarantees listed above do not apply to any space which is in fact tenanted at commencement date of the long term concurrent lease of the St Kilda Property but which subsequently becomes vacant.	The guarantees listed above do not apply to any space which is in fact tenanted at commencement date of the concurrent lease of the Parramatta Property but which subsequently becomes vacant.

12.8 Co–ownership agreement

The Trust (via its sub–trust, SDOT3 Property #2 Trust) has acquired a 50% leasehold interest in the Belconnen Property.

The Trust has entered into a co–ownership agreement with Stockland, the co–owner of the other 50% leasehold interest in the Property.

Under the co–ownership agreement, the co–owners agree to:

- hold their interests in the Property as tenants in common in their shares, to own, manage and maintain the Property and to maximise the long term investment value of the Property;
- comply with certain income and operating expenses obligations. The co–owners agree to distribute net income in accordance with their shares, and if the gross income is less than the operating expenses, they will contribute their share of the shortfall so that the operating expenses are paid on time;
- establish a co–owner's committee to review and decide on issues; and
- comply with certain restrictions in relation to a co–owner transferring its interest in the Property. A co–owner cannot deal with its interest in the Property without the consent of the other co–owner unless:
  - a co–owner transfers its interest in the Property to a related body corporate or a unit trust in which a co–owner holds at least 25% of the units in the trust. The transferring co–owner must promptly notify the other co–owner of that transfer; or
  - a co–owner exercises its pre–emptive right to acquire the interests of the other co–owner who is looking to sell its interest in the Property. The transferring co–owner must promptly notify the other co–owner of that transfer and execute an accession deed.

As detailed in Section 5.3, if the Trust wishes to sell the Property, we will first obtain an independent valuation to determine an appropriate price.

- The co–owners have a right under the agreement to terminate the agreement if a co–owner fails to comply with a material obligation under this agreement, an accession deed is executed or any document entered into by the co–owners in connection with the Property, and the default is not rectified within a reasonable period

12.9 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 managing the Properties under the terms of the various leases, supervising contractors' performance under all contracts and agreements for services provided to the Properties and conducting negotiations in relation to new leases, renewal of leases and rent reviews. 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 income, vacancies, operating expenses, capital expenditure, rental arrears, rent collection period and CR&S initiatives. We have a right to terminate the agreement if the Property Manager fails to improve its performance of the duties to meet the key performance indicators (except for CR&S initiatives) within 6 months from the date of notice to do so.

The agreement is for a term of 6 years and continues thereafter on a monthly basis. 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 21 days or, in relation to a Property, where a Property is sold.

We have agreed to pay to the Property Manager the fees listed in Section 7.3.6 for its services. Part of the fee is recoverable from the tenants of the Properties. The non–recoverable portion will be paid by the Trust.

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

12. Additional Information (cont.)

12.10 Other material contracts and agreements

We have entered into or intend to enter into a number of 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	– 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 Corporations Act.
Registry agreement	– 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.
Limited liquidity facility	– Stockland Trust Management Limited as responsible entity of Stockland Trust – ANZ – Stockland Funds Management Limited as responsible entity for the Trust	Sets out the basis on which ANZ and Stockland agree to provide a limited liquidity facility as detailed in Section 5.7.
Custody deed	– Trust Company Limited ("TCL") – Stockland Funds Management Limited as responsible entity of the Trust	TCL has been engaged by us to act as custodian. TCL is remunerated by us, by way of custodian fees as stipulated in the custody deed (0.01% per annum of gross asset value of the Trust). The rights and obligations of TCL are set out in the custody deed, which includes a clause limiting the liability of the custodian. TCL holds scheme assets as directed by us, which are registered in its name on behalf of the responsible entity of the Trust.
Finance Facility agreement (subject to documentation)	– Stockland Funds Management Limited as responsible entity of the Trust – ANZ	Sets out the terms of the Finance Facility to be provided to the Trust as detailed in Section 5.5.
Interest rate swap agreement (subject to documentation)	– Stockland Funds Management Limited as responsible entity of the Trust – Stockland Trust Management Limited as responsible entity of Stockland Trust	Provides for the hedging of the interest rate on the Property Facility as detailed in Section 5.5.

12.11 Other details of the Trust

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.

Compliments and complaints

If you are satisfied with our services or have a complaint, you may write to us at the address shown in the Corporate Directory.

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 nominated external complaints resolution body, 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 a third party ("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 or 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 369 230.

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 369 230.

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 ANZ

ANZ is the lead arranger and one of the Underwriters in respect of the Offer. In addition, ANZ is the Financier to the Trust. It will also participate with Stockland in providing a limited liquidity facility. In these capacities, ANZ will, if necessary, act to protect its interests ahead of those of Investors and other parties.

12. Additional Information (cont.)

12.14 Consents

ANZ has given, and has not withdrawn, its consent for the references to ANZ in its capacity as lead arranger, an Underwriter, Financier 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 ANZ, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any statements or omissions in this PDS, other than the reference to their 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.

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. The ratings contained in this document have been assigned without taking into account any recipient's objectives, financial situation or needs. Before acting on any rating you should consider the appropriateness of the rating having regard to your own objectives, financial situation and needs. 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 2001 for the provision of credit ratings.

Trust Company Limited - consent and disclaimer

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

TCL 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, ANZ, Mallesons Stephen Jaques, Peter Scott, Computershare Investor Services Pty Limited and KPMG have given, and have not withdrawn, their written consent to be named in this PDS in the capacity in which they are named.

Mallesons Stephen Jaques do not make or purport to make any statement in this PDS.

Organisation	Capacity	Report	Amount of fee (including GST)
Knight Frank Valuations	Valuer	Summary valuation report in Section 9.	$57,475
CB Richard Ellis (V) Pty Limited	Valuer	Summary valuation report in Section 9.	$12,650
Deloitte Corporate Finance Pty Limited	Independent accountant	Independent accountant's report in Section 10 that relates to the Financial Information in Section 6.	$154,000
Deloitte Touche Tohmatsu Limited	Taxation adviser	Taxation report in Section 11.	$44,000

13. Glossary

Term	Meaning
A–IFRS	The Australian equivalents to International Financial Reporting Standards.
Allotment	The date Units are allotted after the close of the Offer (expected to be 15 June 2007 unless varied by us). Units may be allotted progressively.
ANZ	Australia and New Zealand Banking Group Limited ABN 11 005 357 522 which is the lead arranger, one of the underwriters of the Offer, provider of the LLF and the Financier.
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.
Application 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.
Applications Open Date	The date we will begin processing Application Forms (17 May 2007).
ASIC	The Australian Securities and Investments Commission.
Assets	All the Trust's assets.
ASX	ASX Limited or the market operated by it as the context requires.
Belconnen Property	The property located at 40 Cameron Avenue, Belconnen, ACT (see Section 3.3.2).
Belmont Property	The property located at 181 Great Eastern Highway, Belmont, WA (see Section 3.3.1).
Benchmark	The Benchmark is the 10 year bond yield plus 3.0% per annum, calculated as the average of the 10 year bond yield at the end of each month over the half year (see Section 7.2).
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 Finance Facility used to fund maintenance and capital expenditure (see Section 5.5).
Closing Date	The date the Offer closes, scheduled for 8 June 2007. 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.

13. Glossary (cont.)

Term	Meaning
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 3 November 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.
CR&S	Corporate responsibility and sustainability.
Deloitte	Deloitte Touche Tohmatsu Limited or Deloitte Corporate Finance Pty Limited as the context requires.
Directors	Our directors.
Finance Facility	The facility provided to the Trust by ANZ, as Financier (or another financier if the facility is refinanced), comprising the Property Facility and the Capital Expenditure Facility (see Section 5.5).
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	Financial information for the Trust comprises the Financial Forecasts and sources and applications of funds.
Financier	ANZ, in its capacity as provider of the Finance Facility.
Forecast Period	The period from the date of Allotment to 30 June 2009.
Fully Invested Basis	Assumes 1 July 2008, 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).
IDPS	An investor directed portfolio service (wrap or master trust).
Investor, you or your	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 5.7.
Net Sales Proceeds	The gross sale proceeds of a Property or Properties less agent commissions and sale costs.
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	The offer of Units for purchase under this PDS.

Term	Meaning
Offer Open Date	The date the Offer opens, being 2 April 2007.
Parramatta Property	The property located at 75 George Street, Parramatta, NSW (see Section 3.3.5).
PDS	This document which is a product disclosure statement.
Property or Properties	One or all of the properties of the Trust described in Section 3, as the context requires.
Property Facility	The portion of the Finance Facility used to fund the purchase of the Properties (see Section 5.5).
Property Manager	Stockland Property Management Pty Limited ACN 000 059 398, as property manager of the Properties.
Quarter	A three month period ending on 31 March, 30 June, 30 September or 31 December.
Registrar	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Russell Street Car Park	The property located at 222 Russell Street, Melbourne, VIC (see Section 3.3.4).
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.
St Kilda Property	The property located at 541 St Kilda Road, Melbourne, VIC (see Section 3.3.3).
STML	Stockland Trust Management Limited ABN 86 001 900 741.
Stockland	Stockland Corporation, Stockland Trust and/or, as the context requires, their controlled entities.
Stockland Corporation	Stockland Corporation Limited ABN 43 000 181 733 and/or, as the context requires, its controlled entities.
Stockland Trust	Stockland Trust ARSN 092 897 348 and/or, as the context requires, its controlled entities.
TCL	Trust Company Limited ACN 004 027 749
TFN	Tax File Number.
Trust	Stockland Direct Office Trust No. 3 ARSN 124 439 925, Units in which are being offered under this PDS, or when the context requires, a sub–trust of Stockland Direct Office Trust No.3.
Underwriters	ANZ and STML, being underwriters of the Offer.
Unit	A unit in the Trust.
WALE	The weighted average lease expiry (weighted by income).
We, our or us	Stockland Funds Management Limited ABN 86 078 081 722, AFS Licence Number 241188, as responsible entity for the Trust.

14. Guide to the Application Form

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 2 April 2007 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 deciding whether to apply 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 allotted all of the Units applied for or a lesser number.

Insert the Total Investment Amount. To calculate this, multiply the number of Units applied for by $1.00 per Unit.

If you use a financial planner, they may elect to rebate part or all of their upfront commission to you. Only financial planners should complete the Rebate part. If you do not have a financial planner, insert "Nil".

Insert the Application Monies. To calculate this, deduct the Rebate from the Total Investment Amount.

B. You may pay by cheque, electronic funds transfer ("EFT"), direct debit, or a combination of these by ticking the relevant boxes. Amounts should be in Australian currency. Your Application Form will only be processed upon receipt of your Application Form and Application Monies.

(i) Cheques
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. Please pin (do not staple) your cheque to the Application Form where indicated and enter the drawer's name of the cheque.

(ii) EFT
Send your funds to our trust account as follows and then enter your EFT reference (which is your surname or company name):

Bank:	Westpac Banking Corporation (242 Castlereagh Street, Sydney NSW)
Account name:	Stockland Funds Management Limited as Trustee for SDOT3 – Application Fund
BSB:	032 006
Account number:	343211
Reference:	<Your surname or company name as it appears in section C of the Application Form>.

(iii) Direct debit
Complete the direct debit form (which is just after the Application Form). Your bank account on the direct debit form must be an Australian bank. Please pin (do not staple) your direct debit form to the Application Form where indicated. We will process the payment of direct debit forms within one Business Day of receipt of the Application Form but no sooner than the Applications Open Date.

C. Write the full name you wish to appear on your statement of unitholding. Joint Applicants may also register. 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. Individuals must also provide their date of birth. You should refer to the table below for the correct forms of registrable titles. Applications using the wrong form of title may be rejected.

Indicate by ticking the appropriate box whether or not you are either an ASX listed Stockland securityholder or an investor in an unlisted Stockland Direct fund as at the date of this PDS and nominate your HIN or SRN.

D. Please enter an 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. Please also enter a telephone number(s), area code and an email address in case we need to contact you in relation to your Application. If you elect to receive reports electronically (see section H), we will send these reports to the email address as shown.

E. 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.

F. 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 F, otherwise answer No.

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).

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

H. Please tick the first box if you do not wish to receive a paper copy the Trust's annual financial report. An electronic copy of the report may be viewed at www.stockland.com.au or you may elect to receive a copy of this report by email by ticking the second box.

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

14. Guide to the Application Form (cont.)

All Applicants should read the PDS and the back of the Application Form before completing the Application Form.

Lodgement of Applications

Return your completed Application Form with the cheque(s) or direct debit form to:
Stockland Direct Office Trust No. 3 Offer
Reply Paid 998, Sydney NSW 2001.

Application Forms must be received at the above address no later than 5.00pm (Sydney time) on 8 June 2007 unless the Offer is extended by us.

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), and provide the name of the Trust in brackets.	Mrs Sue Smith <Sue Smith Family Trust A/C>
Deceased estates	Use executor(s) personal name(s), and provide the name of the deceased in brackets.	Ms Jane Smith <Est. John Smith A/C>
Partnerships	Use partners personal names, and provide the name of the partnership in brackets	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>
Clubs/unincorporated bodies/ business names	Use office bearer(s) personal names, and provide the name of the club etc. in brackets.	Mr Michael Smith <ABC Tennis Association A/C>
Superannuation funds	Use the name of the trustee of the fund, and provide the name of the fund in brackets	Jane Smith Pty Limited <Super Fund A/C>

Note:

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

Pin cheque(s) and/or direct debit form here – do not staple.

Stockland Direct Office Trust No. 3

ARSN 124 439 925

Issuer: Stockland Funds Management Limited

ABN 86 078 081 722, AFS Licence Number 241188

Stockland DIRECT

ANZ

APPLICATION FORM

This form shall not be handed on without a copy of the PDS for Stockland Direct Office Trust No. 3.

You should fill in this form if you want to apply for units in the Trust.

Send completed form to Stockland Direct – Reply Paid 998, Sydney NSW 2001

A *Application amount*

Minimum Application amount is $10,000 and thereafter in multiples of $1,000.

Number of Units

at $1.00 per Unit =

Total Investment Amount $

less

Rebate (to be completed by a financial planner) $

Application Monies $

B *Payment method*

Indicate how you intend to pay the Application Monies.

Cheque — *Drawer's Name*

Cheque (attach cheque payable to "Stockland Funds Management Limited – on a/c of <name of investor(s)>"

EFT — *EFT reference*

(Reference is your surname/company name)

Direct Debit — (attach form to application)

C *Investor details*

Investor 1

Title | *Given Name* | *Surname* | Date of Birth D D / M M / Y Y Y Y

Investor 2

Title | *Given Name* | *Surname* | Date of Birth D D / M M / Y Y Y Y

Investor 3, Company, Superannuation Fund Trustee or Trustee

Company, Superannuation Fund Trustee or Trustee | Date of Birth D D / M M / Y Y Y Y

Superannuation Fund Name or Trust Name

Contact Name

Are you an investor in the ASX listed Stockland group? Yes ☐ No ☐ If yes, please provide HIN/SRN

Are you an investor in an unlisted Stockland Direct fund? Yes ☐ No ☐ If yes, please provide HIN/SRN

D *Contact details*

Number and Street or PO Box

Suburb, City or Town | *State* | *Postcode*

Home telephone | *Work telephone* | *Mobile*

Email address (for receipt of annual financial reports, investment reports, distribution and taxation statements)

E Tax File Number, ABN or exemption code

Investor 1	*Investor 2*	*Investor 3, Company, Superannuation Fund or Trust*

F Foreign person

Investor 1 Yes ☐ No ☐ Investor 2 Yes ☐ No ☐ Investor 3, Company, Superannuation Fund or Trust Yes ☐ No ☐

G Distribution payments

My/our distribution payments are to be made to the following account:

Financial institution BSB Number ☐☐☐☐☐☐

Account Name Account Number ☐☐☐☐☐☐☐☐☐☐☐

H Reporting and Marketing

☐ I do not wish to receive a paper copy of the annual and half year report for the Trust. An electronic copy will be available from www.stockland.com.au

☐ I wish to receive an electronic copy of the annual and half year report for the Trust.

☐ I do not wish to receive further information about other Stockland services.

By lodging this Application Form, you agree;
- you have read the PDS to which this Application Form is attached
- you will be bound by the constitution of the Trust; and
- we may accept or reject this Application in whole or in part.

Further, by lodging this Application Form, you acknowledge:
- you have had the opportunity to seek independent professional advice regarding your legal, tax and financial implications;
- Application Monies received prior to the Applications Open Date will be endorsed by SFML to STML and banked by STML in their trust account within one Business Day of receipt. Applicants authorise this payment. On the Applications Open Date, any Application Monies held by STML will be transferred to our trust account and the relevant Application Forms will be processed
- you have not relied on any statements or representations made by anybody (including the responsible entity and its officers, employees or agents) prior to applying, other than those representations made in the PDS, and
- you have made an offer to become an Investor in the Trust and that offer cannot be revoked.

IMPORTANT NOTICE
- A person who gives another person access to this application form must, at the same time and by the same means, give the other person access to the PDS. Units in the Trust will only be issued on receipt of an Application Form issued together with the PDS.
- A complete copy of the paper form of the PDS, this form, and any supplementary document will be sent to you free of charge if requested.
- The offer under the PDS is available to people receiving the PDS within Australia.
- You should read the PDS in full before completing this Application Form because the PDS contains important

Financial Planner use only

Dealer's Stamp

Select One	☐	☐	☐	☐	☐
Upfront % (% of Initial Investment)	4%	3%	2%	1%	0%
Trail % (% of Initial Investment)	0% p.a.	0.15% p.a.	0.30% p.a.	0.45% p.a.	0.60% p.a.
Rebate of Upfront Fee* (0% – 4% as applicable)	☐ %	☐ %	☐ %	☐ %	N/A

(* Also complete section A – Rebate)

Adviser's Name	*Dealer Group / Broker Code*
Adviser Code	*Adviser's Phone Number*

Email address

Pin cheque(s) and/or direct debit form here – do not staple.

Stockland Direct Office Trust No. 3

ARSN 124 439 925

Issuer: Stockland Funds Management Limited

ABN 86 078 081 722, AFS Licence Number 241188

Stockland DIRECT

ANZ

APPLICATION FORM

This form shall not be handed on without a copy of the PDS for Stockland Direct Office Trust No. 3.

You should fill in this form if you want to apply for units in the Trust.

Send completed form to Stockland Direct – Reply Paid 998, Sydney NSW 2001

A *Application amount*

Minimum Application amount is $10,000 and thereafter in multiples of $1,000.

Number of Units

at $1.00 per Unit =

Total Investment Amount $

less

Rebate (to be completed by a financial planner) $

Application Monies $

B *Payment method*

Indicate how you intend to pay the Application Monies.

Cheque — *Drawer's Name*

Cheque (attach cheque payable to "Stockland Funds Management Limited – on a/c of <name of investor(s)>"

EFT — *EFT reference*

(Reference is your surname/company name)

Direct Debit — (attach form to application)

C *Investor details*

Investor 1

Title | *Given Name* | *Surname* | Date of Birth D D / M M / Y Y Y Y

Investor 2

Title | *Given Name* | *Surname* | Date of Birth D D / M M / Y Y Y Y

Investor 3, Company, Superannuation Fund Trustee or Trustee

Company, Superannuation Fund Trustee or Trustee | Date of Birth D D / M M / Y Y Y Y

Superannuation Fund Name or Trust Name

Contact Name

Are you an investor in the ASX listed Stockland group? Yes No If yes, please provide HIN/SRN

Are you an investor in an unlisted Stockland Direct fund? Yes No If yes, please provide HIN/SRN

D *Contact details*

Number and Street or PO Box

Suburb, City or Town | *State* | *Postcode*

Home telephone | *Work telephone* | *Mobile*

Email address (for receipt of annual financial reports, investment reports, distribution and taxation statements)

E Tax File Number, ABN or exemption code

Investor 1	*Investor 2*	*Investor 3, Company, Superannuation Fund or Trust*

F Foreign person

Investor 1 Yes ☐ No ☐ Investor 2 Yes ☐ No ☐ Investor 3, Company, Superannuation Fund or Trust Yes ☐ No ☐

G Distribution payments

My/our distribution payments are to be made to the following account:

Financial institution BSB Number ☐☐☐☐☐☐

Account Name Account Number ☐☐☐☐☐☐☐☐☐☐☐

H Reporting and Marketing

☐ I do not wish to receive a paper copy of the annual and half year report for the Trust. An electronic copy will be available from www.stockland.com.au

☐ I wish to receive an electronic copy of the annual and half year report for the Trust.

☐ I do not wish to receive further information about other Stockland services.

By lodging this Application Form, you agree;

- you have read the PDS to which this Application Form is attached
- you will be bound by the constitution of the Trust; and
- we may accept or reject this Application in whole or in part.

Further, by lodging this Application Form, you acknowledge:

- you have had the opportunity to seek independent professional advice regarding your legal, tax and financial implications;
- Application Monies received prior to the Applications Open Date will be endorsed by SFML to STML and banked by STML in their trust account within one Business Day of receipt. Applicants authorise this payment. On the Applications Open Date, any Application Monies held by STML will be transferred to our trust account and the relevant Application Forms will be processed
- you have not relied on any statements or representations made by anybody (including the responsible entity and its officers, employees or agents) prior to applying, other than those representations made in the PDS, and
- you have made an offer to become an Investor in the Trust and that offer cannot be revoked.

IMPORTANT NOTICE

- A person who gives another person access to this application form must, at the same time and by the same means, give the other person access to the PDS. Units in the Trust will only be issued on receipt of an Application Form issued together with the PDS.
- A complete copy of the paper form of the PDS, this form, and any supplementary document will be sent to you free of charge if requested.
- The offer under the PDS is available to people receiving the PDS within Australia.
- You should read the PDS in full before completing this Application Form because the PDS contains important

Financial Planner use only

Dealer's Stamp

Select One	☐	☐	☐	☐	☐
Upfront % (% of Initial Investment)	4%	3%	2%	1%	0%
Trail % (% of Initial Investment)	0% p.a.	0.15% p.a.	0.30% p.a.	0.45% p.a.	0.60% p.a.
Rebate of Upfront Fee* (0% – 4% as applicable)	☐ %	☐ %	☐ %	☐ %	N/A

(* Also complete section A – Rebate)

Adviser's Name	*Dealer Group / Broker Code*
Adviser Code	*Adviser's Phone Number*

Email address

DIRECT DEBIT REQUEST

STOCKLAND FUNDS MANAGEMENT LIMITED

Stockland DIRECT

Request and Authority to Debit the Account named below to pay Stockland Funds Management Limited

Direct Entry User ID No.**347554**

I/We

Investor 1

Investor 2

or Company Name

ABN

Applicant Address

Number and Street or PO Box

Suburb, City or Town *State* *Postcode*

request and authorise Stockland Funds Management Limited to arrange for funds to be debited from my/our nominated account held at the financial institution identified below subject to the terms and conditions of the Direct Debit Request Service Agreement overleaf (and any further instructions provided below).

Account to be debited

Name and Branch of Financial institution

BSB Number

Account Name

Account Number

Amount to be Debited $

Your account will be debited within one business day of receipt of the Application Form but no sooner than the Applications Open Date.

Note: Please check with your financial institution to ensure the account nominated will facilitate direct debiting.

By signing this Direct Debit Request, you acknowledge you have read and understood the terms and conditions governing the debit arrangements between you and Stockland Funds Management Limited as set out in this Direct Debit Request and in the Direct Debit Request Service Agreement:

Investor 1 Date D D / M M / Y Y Y Y

Investor 2 Date D D / M M / Y Y Y Y

Note: An execution by a company should be made by two (2) directors or one (1) director and one (1) company secretary and any signatory should print their full name and capacity below their signature in the space provided. If debiting from a joint bank account, both signatures are required.

DIRECT DEBIT REQUEST SERVICE AGREEMENT

Stockland DIRECT

By signing this Direct Debit Request, you acknowledge you have read and understood the terms and conditions governing the debit agreements between you and Stockland Funds Management Limited as set out in the Direct Debit Request and in this Direct Debit Request Service Agreement.

Definitions	
SFML, we, our or us	means Stockland Funds Management Limited ABN 86 078 081 722;
account	means the account held at your financial institution from which we are authorised to arrange for funds to be debited;
agreement	means this Direct Debit Request Service Agreement between you and us;
business day	means a day other than a Saturday or a Sunday or a public holiday in New South Wales;
debit day	means the day that payment of applicant(s) monies by you to us is due;
debit payment	means a particular transaction where a debit is made;
Direct Debit Request	means the Direct Debit Request between you and us;
you	means the applicant(s) who signed the Direct Debit Request; and
your financial institution	the financial institution where you hold the account that you have authorised us to debit.

1. Debiting your account

1.1. By signing a Direct Debit Request, you have authorised us to debit any amount we may charge you from your account. You should refer to the Direct Debit Request and this agreement for the terms of the arrangement between you and us.

1.2. We will only arrange for funds to be debited from your account as authorised in the Direct Debit Request.

1.3. If the debit day falls on a day that is not a business day, we may direct your financial institution to debit your account on the following business day.

1.4. If you are uncertain as to when a debit payment will be debited from your account, you should contact your financial institution.

2. Changes by us

2.1. We may vary any details of this agreement or a Direct Debit Request at any time by giving you at least fourteen (14) days' written notice.

3. Changes by you

3.1. Subject to clauses 3.2 and 3.3, you may change the arrangements under a Direct Debit Request by contacting us on 1300 369 230.

3.2. If you wish to stop or defer a debit payment, you must notify us in writing at least seven (7) days' before the next debit day. This notice should be given to us in the first instance. You may also stop or defer a direct debit payment by contacting your financial institution.

3.3. You can cancel your authority for us to debit your account at any time by giving us seven (7) days' written notice before the next debit day. This notice should be given to us in the first instance. You may also cancel your direct debit payment by contacting your financial institution.

4. Your obligations

4.1. It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the Direct Debit Request.

4.2. If there are insufficient funds in your account to meet a debit payment you:

a) may be charged a fee and/or interest by your financial institution;

b) may also incur fees or charges imposed or incurred by us; and

c) must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by the agreed time so that we can process the debit payment.

4.3. You should check your account statement to verify that the amount debited from your account is correct.

4.4. If SFML is liable to pay goods and services tax ("GST") on a supply made by SFML in connection with this agreement, then you agree to pay us on demand an amount equal to the applicable GST.

5. Dispute

5.1. If you believe that there has been an error in debiting your account, you should notify us directly on 1300 369 230 and confirm that notice in writing to us as soon as possible so that we can resolve your query more quickly.

5.2. If we conclude as a result of our investigations that your account has been incorrectly debited, we will respond to your query by arranging for your financial institution to adjust your account (including interest and charges) accordingly. We will also notify you in writing of the amount by which your account has been adjusted.

5.3. If we conclude as a result of our investigations that your account has not been incorrectly debited, we will respond to your query by providing you with reasons and any evidence for this finding.

5.4. Any queries you may have about an error made in debiting your account should be directed to us in the first instance so that we can attempt to resolve the matter. If we cannot resolve the matter, you can refer it to your financial institution, which will obtain details from you of the disputed transaction and may lodge a claim on your behalf.

6. Accounts

You should check:

a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions;

b) your account details which you have provided to us are correct by checking them against a recent account statement; and

c) with your financial institution before completing the Direct Debit Request if you have any queries about how to complete the Direct Debit Request.

7. Notice

7.1. If you wish to notify us in writing about anything in relation to this agreement you should write to Stockland Funds Management Limited, GPO Box 998, Sydney NSW 2001.

7.2. We will notify you by sending a notice in the ordinary post to the address you have given us in the Direct Debit Request.

7.3. Any notice will be deemed to have been received two (2) business days after it is posted.

8. Privacy

We collect your personal information to provide you with the direct debit services you have requested. To do that we may need to disclose your personal details and the account details provided on the Direct Debit Request to electronic network administrators, to other financial institutions and to any entity or person you have requested us to pay on your behalf. Specifically, your personal and account details may be disclosed to Westpac Banking Corporation in the event of any alleged incorrect or wrongful debit. If any part of that information is not provided, we may not be able to provide you with those direct debit services.

For full details of our privacy policy, we refer you to our website at www.stockland.com.au/upf.

Corporate Directory

Responsible entity (and issuer of this PDS)

Stockland Funds Management Limited

Directors of the responsible entity

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

Company secretaries of the responsible entity

Phillip Hepburn and Derwyn Williams

Responsible entity's office

Level 25
133 Castlereagh Street
Sydney NSW 2000
Mail: GPO Box 998, Sydney NSW 2001
Telephone: 1300 369 230 (local call cost)
Facsimile: (02) 9321 1592
Email: stocklanddirect@stockland.com.au
Internet: www.stockland.com.au/upf

Lead arranger

Australia and New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000

Underwriters

Australia and New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000

Stockland Trust Management Limited
Level 25
133 Castlereagh Street
Sydney NSW 2000

Registrar

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

Custodian

Trust Company Limited
Level 4
35 Clarence Street
Sydney NSW 2000

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Solicitors to the issuer of the PDS

Mallesons Stephen Jaques
Level 61
1 Farrer Place
Sydney NSW 2000

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Stockland Funds Management Limited
ABN 86 078 081 722
AFS Licence Number 241188
Responsible entity of Stockland Direct Office Trust No. 3