



STOCKLAND DIRECT OFFICE TRUST NO. 3 and STOCKLAND HOLDING TRUST NO.2 ("SDOT3" or "the Trust") ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES Updated August 2012

Introduction

The following document has been prepared for SDOT3 for the purposes of ASIC Regulatory Guide 46. All figures are as at 30 June 2012 unless stated otherwise. For further information please refer to the Interim Financial Report on our website <http://www.stockland.com.au/UnlistedPropertyFunds>.

Disclosure Principle 1: Gearing Ratio

Gearing ratio:	54.5%
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The gearing ratio indicates the extent to which a scheme's assets are funded by interest bearing liabilities. It gives an indication of the potential risks the scheme faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values.

Disclosure Principle 2: Interest Cover

Interest Cover Ratio:	1.7 times
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Interest cover measures the ability of the scheme to service interest expense on debt from earnings. It is therefore a critical indication of a scheme's financial health and key to analysing the sustainability and risks associated with the scheme's level of borrowing. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. An Interest Cover Ratio ("ICR") of 1.7 indicates that SDOT3 is able to meet its interest payments based on the 30 June 2012 full year Financial Report.

Please note the ICR above varies from the ratio provided to the financier. The variation is due to different calculations required by ASIC and the financier.

Disclosure Principle 3: Scheme Borrowing

The following table provides a summary of SDOT3's borrowing arrangements as at 30 June 2012.

	Limit (\$m)	Undrawn Amount (\$m)	Facility Expiry	Interest Rate	Hedge Expiry
			Jun		Jun
Facility	60.81	5.66	2014	8.40%*	2014

* Weighted Average including swap, margin and line fees.

Loan Covenants

All loan covenants were complied with as at 30 June 2012. A breach of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further draw-downs on the credit facility.

Investors should note that they rank behind the creditors of the Trust. This means if the lender enforces its security over the Trust then the lender will be reimbursed prior to the return of any capital to investors.

SDOT3 was in compliance with its debt covenants at 30 June 2012, the loan to valuation ratio improved to 56% which is well

below the 65% maximum allowed by SDOT3's financier. The Trust may look to sell a property if it is believed that the property's value to the Trust has been maximised. The proceeds from any property sale would be first utilised to pay down the Trust's debt.

Stockland Trust Management Ltd ("STML") has a loan facility offer provided to SDOT3. The facility would be on the terms and conditions available to the Trust in the market at the time of acceptance of the offer. SDOT3 would access this facility if the current loan facility were required to be repaid or was not renewed. This offer expired 31 August 2012, and SDOT3 was not required to utilise this facility.

Disclosure Principle 4: Portfolio Diversification

Investment Strategy

SDOT3 aims to provide regular distributions and the opportunity for capital growth through its investment in three commercial properties and a carpark.

The Trust had previously retained cash to fund capital expenditure and leasing incentive. This decision led to the Trust successfully mitigating its leasing risk by securing NRW Holdings LTD at Belmont, St George Bank exercising its option at Parramatta, and Seek exercising its option at 541 St Kilda Road. Since a majority of the required works have been completed, the Trust reassessed its financial position and ultimately paid a distribution for the June 2012 quarter. The ability of the Trust to pay future distributions will continually be assessed.

*Stockland Direct Office Trust No. 3 is a registered managed investment scheme. ARSN 124 439 925. It is stapled to: Stockland Holding Trust No.2, a registered managed investment scheme. ARSN 132129134. Stockland Capital Partners Limited SCPL (AFSL 241188) is the responsible entity of both Trusts.

Following the approval from unitholders to divest the assets and wind up the fund, the portfolio of properties have been offered for sale via a public marketing campaign. Due to a subdued investment market for some of the assets, a prolonged sales campaign is required.

The following tables summarises the valuations:

Property Valuations

Property	181 Great Eastern Highway, Belmont
Valuation	\$19.4 m
Date of External Valuation	30 June 2012
Valuer	JLL
Cap rate	8.50%
Occupancy	100%
Book Value at 30 June 2012	\$19.4 m

Property	222 Russell St, Melbourne
Valuation	\$14.0 m
Date of External Valuation	31 December 2011
Valuer	JLL
Cap rate	8.50%
Occupancy	100%
Book Value at 30 June 2012	\$16.9* m

*reflects the exchanged contract price accepted

Property	541 St Kilda Rd, Melbourne
Valuation	\$26.5 m
Date of External Valuation	30 June 2012
Valuer	Savills
Cap rate	8.75%
Occupancy	96%
Book Value at 30 June 2012	\$26.5 m

Property	75 George St, Parramatta
Valuation	\$33.8 m
Date of External Valuation	30 June 2012
Valuer	Colliers
Cap rate	9.00%
Occupancy	100%
Book Value at 30 June 2012	\$33.8 m

Top 5 Tenants by Income

Tenant	Property	% of Income
St George Bank	75 George Street	27%
Seek Limited	541 St Kilda Road	25%
NRW Holdings	181 Great Eastern Hwy	18%
Wilson	222 Russell Street	13%
Hanson	75 George Street	6%

Top 5 Tenants by Net Lettable Area

Tenant	Property	% of NLA
St George Bank	75 George Street	30%
Seek Limited	541 St Kilda Road	29%
NRW Holdings	181 Great Eastern Hwy	18%
Hanson	75 George Street	9%
Thiess	541 St Kilda Road	6%

Diversification at 30 June 2012 by Book Value

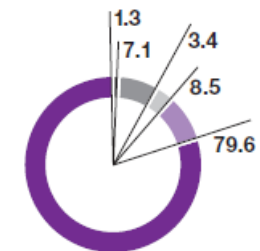
Diversification	Geographic Spread	
	By Value	By Number
VIC	45%	50%
NSW	35%	25%
WA	20%	25%

Sector	Sector Spread By	
	Value	Number
Commercial	83%	75%
Carpark	17%	25%

SDOT3 Occupancy and Weighted Average Lease Expiry

At 30 June 2012, SDOT3 occupancy was 99% and the Weighted Average Lease Expiry was 4.58 years by income.

Expiry Profile by Area



VACANT	1.3
FY13	7.1
FY14	3.4
FY15	0.0
FY16	8.5
FY17+	79.6

Disclosure Principle 5: Valuation Policy

SDOT3's policy provides for all properties to be independently valued at least once every three years by a Certified Practising Valuer registered with the Australian Property Institute. An internal valuation is undertaken at every other reporting date when an external valuation does not occur (i.e. 30 June and 31 December). Where the internal valuation results in a variance outside the range -5% to +5% of a property's built up book value, an external valuation is required. In addition, where the variance in the built up book value is outside the range -5% to +5% of the most recent independent valuation, a new external valuation is required.

Disclosure Principle 6: Related Party Transactions

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. Investors should therefore be able to assess whether a Responsible Entity ("RE") takes an appropriate approach to related party transactions. A significant number and value of such transactions may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

As outlined in Section 4.7 of the Product Disclosure Statement ("PDS"), approval of all related party transactions by the board of Stockland Capital Partners Limited ("SCPL"), the RE of SDOT3, are to be by unanimous vote, including two independent Directors.

Related party transactions

Listed below are the primary related party transactions for the full year ended 30 June 2012. Please refer to Note 21 of the Financial Report for a full review of related party transactions concerning SDOT3.

- STML as the RE of Stockland Trust, a related party of Stockland Capital Partners Limited ("SCPL"), held 11,934,000 units in SDOT3 at 30 June 2012.
- Two SCPL Directors held units in SDOT3 at 30 June 2012. Mr David Kent held 85,000 units and Mr Matthew Quinn held 10,000 units.
- SCPL is the RE of SDOT3. SCPL does not hold any units in SDOT3.
- STML has provided an interest rate swap on SDOT3's property loan facility at 5.75% per annum plus a margin and line fee.
- Stockland Trust Management Ltd ("STML") has a loan facility offer provided to SDOT3. The facility would be on the terms and conditions available to the Trust in the market at the time of acceptance of the offer. SDOT3 would access this facility if the current loan facility were required to be repaid or was not renewed. This offer expired 31 August 2012, and SDOT3 was not required to utilise this facility.

Fees to related parties

Type	Amount	When Paid?
RE Fee	\$0.433m for the full year ended 30 June 2012, representing 0.45% p.a. of SDOT3's gross assets.	Payable to SCPL from SDOT3's assets at the end of each Quarter. A portion of the RE fee is deferred and payable upon the wind up of the Trust. Please refer to Note 21 of the 30 June 2012 Financial Report for further details.

Performance Fee	<p>Nil was provided for at 30 June 2012.</p> <p>The RE is entitled to a performance fee calculated as 20.5% of the performance of the stapled entity above the benchmark (10 year bond yield plus 3.0% per annum).</p>	<p>Payable to SCPL on expiry or wind up of SDOT3 or sale of SDOT3's properties.</p> <p>For further information please refer to Section 7 of the PDS dated 2 April 2007.</p>
Property Management Fee	<p>\$0.149m for the year ended 30 June 2012, for property management and leasing.</p>	<p>Payable to Stockland Property Management Limited throughout the year as incurred.</p>

Policy and Ongoing Monitoring

A corporate governance framework has been established by SCPL to protect the interests of investors. This framework includes the following components:

- Documented and executed agreements between Stockland and SDOT3 with independent legal advice obtained by SCPL on behalf of SDOT3;
- One of the two directors of the SCPL Board are independent of Stockland Corporation;
- Compliance monitoring by the Compliance Committee;
- A six monthly review and full year audit by the scheme auditor and full year audit by the compliance plan auditor;

- A requirement for the approval of all related party transactions by the SCPL Board to be by unanimous vote, including the independent directors;
- Undertaking of actions in accordance with Stockland's conflicts of interest policy, which is made available to all staff. The policy is reviewed on an ongoing basis to ensure that Stockland maintains adequate conflicts management arrangements.

Disclosure Principle 7: Distribution Practices

Source of Distributions

No distributions were paid for the first three quarters for the year ending 30 June 2012. A number of the properties within the Trust required capital expenditure and funds were also needed for leasing incentives. Distributions for the final quarter ending 30 June 2012 for SDOT3 were funded 100% from realised income. Going forward it is anticipated that distributions will continue to be funded entirely from realised income however SCPL may review and adjust accordingly.

Disclosure Principle 8: Withdrawal Arrangements

Once an application for units has been received, investors are unable to redeem their units until SDOT3 terminates. Investors may however be able to transfer their units through an Off Market Transfer.

Limited Liquidity Facility

Investors were previously able to transfer their units in SDOT3 via a Limited Liquidity Facility ("LLF"). In accordance with the terms of the SDOT3 PDS, the LLF is now closed. Stockland's holding is currently 19.9%, the maximum holding permitted under section 5.7 of the PDS. The September 2010 Quarter was the last period in which the LLF operated.

Off Market Transfers

Investors are able to transfer their units in SDOT3 via an Off Market Transfer. Investors may transfer their units to third parties at any time in accordance with the terms and conditions detailed in Section 5.6 of the PDS. The Off Market Transfer form is available on our website

<http://www.stockland.com.au/UnlistedPropertyFunds>.

Risks on Termination

The performance of the Trust will be influenced by a range of factors during the term of the Trust and at termination including:

- Changes in the economy and market conditions may affect demand and therefore property values;
- Investors will be indirectly exposed to property market risk;
- The value of the properties may fluctuate depending on market conditions and there may be a delay in achieving a sale of the properties;
- The Trust may be required to refinance the debt facilities;
- If the facilities cannot be entirely refinanced on its termination or expiry, then returns to investors may be adversely affected.

Please refer to Section 8 of the SDOT3 PDS and Section 5 of the SHT2 PDS for further information regarding risks.

Further Information

For further information in relation to the above please refer to the website at <http://www.stockland.com.au/UnlistedPropertyFunds> or contact our Client Relations Manager, Justin Wong on (02) 9035 2736 or email Justin.Wong@stockland.com.au

Future updates on these Disclosure Principles will be made available on our website.