

Stockland Direct Office Trust No. 1

ARSN: 110 688 009

**Financial Report
for the period from
1 July 2011 to 26 June 2012**

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Direct Office Trust No. 1

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Stockland Direct Office Trust No. 1
Directors' Report
For the financial period ended 26 June 2012

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Direct Office Trust No. 1 ("the Trust"), present their report together with the Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust for the financial period 1 July 2011 to 26 June 2012, the state of the Trust's affairs as at 26 June 2012 and the Independent Auditor's Report thereon.

SCPL was appointed the Responsible Entity at the date the Trust commenced.

Directors

The Directors of the Responsible Entity at any time during the whole of the financial period and up to the date of this report ("the Directors") are:

Barry Neil

Chairman (Non-Executive)

Mr Neil was appointed as Director on 19 October 2010 and has over thirty seven years experience in property, both in Australia and overseas. He is a Director of Dymocks Holdings Pty Limited and Terrace Tower Group Pty Ltd and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit and Corporate Responsibility and Sustainability Committees.

David Kent

(Non-Executive)

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the Royal Sydney Golf Club Foundation and The Australian Club Inc, a Fellow of the Australian Institute of Company Directors, and Vice President of Alliance Francaise de Sydney. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Executive General Manager of Axis Australia and Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation, Chairman of the S H Ervin Gallery Committee, and Chairman of the Brett Whiteley Foundation. He is a member of the Remuneration and Equity and Finance Committees of Sinclair Knight Merz and of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Anthony Sherlock

(Non-Executive)

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited and Sydney Attractions Group Limited, and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Audit and Risk Committee, the Stockland and Stockland Capital Partners Financial Services Compliance Committees, and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

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Directors' Report
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Directors (continued)

Matthew Quinn

Managing Director – Stockland – (Executive)

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He is a Director of Australian Business and Community Network Limited, having served as Chairman from November 2007 to November 2010, and Carbonxt Group Limited. Mr Quinn is a member of the Stockland Corporate Responsibility and Sustainability Committee, a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Tim Foster

Chief Financial Officer – Stockland – (Executive) -Alternate Director for Matthew Quinn

Mr Foster was appointed an alternate Director for Mr Quinn on 26 February 2010. Mr Foster joined Stockland Group in February 2010 with 25 years of financial experience, including 15 years in the financial services industry. For the preceding 10 years before joining Stockland Group he held CFO roles in three major organisations including Colonial First State Investments, Challenger Financial Services and HBOS Australia. In his most recent role at HBOS Australia, Mr Foster led the Corporate Services Division and was also the Chairman of the HBOSA Assets & Liabilities Committee and the HBOSA Learning Council. He has had significant exposure to the property sector throughout his career, including being a Director of the responsible entity listed Colonial First State property trust. Mr Foster commenced his career with a major global accounting firm in the UK.

Stockland Capital Partners Limited Financial Services Compliance Committee

A Financial Services Compliance Committee was set up to oversee the Compliance Plan approved by the Responsible Entity for the Trust.

The role of the Committee included evaluation of the effectiveness of the Trust's Compliance Plans designed to protect the interests of Unitholders. The Compliance Plan has been approved by the Australian Securities and Investments Commission ("ASIC"). The Committee met regularly and reported breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

The members of the Committee during the whole of the financial period and up to the date of this report were:

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director

Mr P Hepburn – Executive Member

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Stockland Capital Partners Limited Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

The primary objective of the Committee was to assist the Board of SCPL in discharging its responsibilities for:

- financial reporting and audit practices;
- accounting policies;
- the management of risk; and
- the adequacy and effectiveness of internal controls

The Committee met at least quarterly and its meetings were attended by management and internal and external audit and other parties as relevant. The Committee may meet privately with the external auditor in the absence of management at least once a year. The Committee had the power to conduct or authorise investigations into, or consult independent specialists on, any matters within the Committee's scope of responsibility. The Committee had written terms of reference which incorporates best practice. Its members are independent of management and at least one member of the Committee had relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The members of the Committee during the whole of the financial period and up to the date of this report were:

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director

Principal activity

The principal activity of the Trust was the ownership of property in Waterfront Place situated at 1 Eagle Street, Brisbane, via its 50% investment in SDOT Sub-Trust 1 ("Trust's Investment"). The Trust's Investment was sold on 20 May 2011. Management commenced wind up proceedings following the expiry of the Retention Period on 15 June 2012, and wind up will be completed upon lodgement of these Financial Reports with the Australian Securities and Investments Commission.

Sale of interest in Waterfront Place

The sale of the Trust's Investment exchanged and settled on 20 May 2011 for \$216,975,000. A purchase price adjustment gain of \$189,123 was made to this value subsequent to the settlement date. Under the terms of the sale contract, the Trust was required to retain \$21,000,000 in a Retention Fund to support warranties provided by the Trust to the purchaser. No claims have been made following the expiry of the Retention period on 15 June 2012 and the full \$21,000,000 has now been received by the Trust.

Review and results of operations

The Trust recorded a profit from operating activities of \$1,007,000 for the financial period ended 26 June 2012 (30 June 2011: profit of \$188,000).

The final distribution of \$25,593,000 was paid out on 25 June 2012. Distributions paid or declared by the Trust to Unitholders during the financial period are set out in Note 12 of the Financial Report.

Significant changes in the state of affairs

Following final distribution payment on 25 June 2012 and submission of the Financial Report, the Trust is wound up.

Environmental regulation

The Trust's operations were subject to various environmental regulations under both Commonwealth and State legislation. The Responsible Entity believes that the Trust had adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they may apply to the Trust.

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Directors' Report
For the financial period ended 26 June 2012

Related parties

Stockland Trust Management Limited, as the Responsible Entity of Stockland Trust, a related party of the Responsible Entity, did not hold any units in the Trust as at 26 June 2012 (30 June 2011: 5,680,500).

Interests of the Responsible Entity

The Responsible Entity has not held any units in the Trust either directly or indirectly during the financial period to 26 June 2012.

Responsible Entity's remuneration

The Responsible Entity charged a responsible entity fee of 0.45% p.a. of the gross assets of the Trust. The Responsible Entity may defer a portion of the annual fees each year. The Responsible Entity is entitled to recover all fees deferred either from Trust earnings or on winding up of the Trust. The Responsible Entity charges are set out in Note 15 of the Financial Report.

Directors' interests

The Director of the Responsible Entity did not hold any units in the Trust at the date of this report.

Indemnities and insurance of officers and auditor's

Indemnification

Under the Trust Constitution, the Responsible Entity, including its officers and employees, was indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the Trust.

Insurance premiums

The Responsible Entity has paid insurance premiums in respect of Directors' and officers' liability insurance contracts. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and officers of the Responsible Entity.

In addition, the Responsible Entity has paid insurance premiums for professional indemnity insurance policies to cover certain risks for the Directors.

Details of the nature and the amount of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the insurance contracts.


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

The external auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the financial period ended 26 June 2012.

Rounding

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

Signed in accordance with a resolution of the Directors:


Matthew Quinn
Director

Dated at Sydney, 26 June 2012



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

To: the directors of Stockland Direct Office Trust No. 1

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period ended 26 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Shaun Kendrigan
Partner

Sydney

26 June 2012

Stockland Direct Office Trust No. 1
Statement of Comprehensive Income
For the financial period ended 26 June 2012

		Period 1	Year ended
		July 2011	30 June
		to 26 June	2011
		2012	2011
	Notes	\$'000	\$'000
Revenue and other income			
Interest income		1,018	631
Distributions received		-	9,917
Performance fee write back	9	-	107
Total revenue and other income		1,018	10,655
Gain/(Loss) on disposal of investment	7	240	(2,373)
Finance costs to external parties		-	(6,706)
Auditor's remuneration	3	(14)	(48)
Responsible Entity fees	15	(113)	(965)
Performance fee expense		(22)	-
Unwind of discount on performance fee provision	9	(26)	(296)
Other expenses		(76)	(79)
Profit and total comprehensive income for the financial period/year		1,007	188

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Stockland Direct Office Trust No. 1**Balance Sheet****As at 26 June 2012**

		26 June 2012	30 June 2011
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	4	-	4,124
Trade and other receivables	5	-	90
Other assets	6	-	22,173
Total current assets		-	26,387
Total assets			
		-	26,387
Current liabilities			
Trade and other payables	8	-	1,239
Provisions	9	-	562
Total current liabilities		-	1,801
Total liabilities			
		-	1,801
Net assets			
		-	24,586
Unitholders' funds			
Units on issue	10	-	24,586
Undistributed profit	11	-	-
Total unitholders' funds		-	24,586

The above Balance Sheet should be read in conjunction with the accompanying notes.

Stockland Direct Office Trust No. 1
Statement of Changes in Equity
For the financial period ended 26 June 2012

	Unitholders' Funds					
	Issued capital		Undistributed profit		Total	
	26 June 2012	30 June 2011	26 June 2012	30 June 2011	26 June 2012	30 June 2011
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	24,586	60,145	-	51,706	24,586	111,851
Profit and comprehensive income for the financial period/year	-	-	1,007	188	1,007	188
Total comprehensive income for the period/year	-	-	1,007	188	1,007	188
Transactions with Unitholders in their capacity as owners:						
Distributions paid/payable to Unitholders	12	(24,586)	(1,007)	(51,894)	(25,593)	(87,453)
Closing balance	-	24,586	-	-	-	24,586

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Stockland Direct Office Trust No. 1
Cash Flow Statement
For the financial period ended 26 June 2012

		26 June 2012 \$'000	30 June 2011 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		625	31
Cash payments in the course of operations		(1,381)	(976)
Performance fee paid		(610)	(5,427)
Distributions received from investment held for sale		-	12,084
Interest received		1,046	603
Interest paid		-	(7,024)
Net cash outflow from operating activities	13	<u>(320)</u>	<u>(709)</u>
Cash flows from investing activities			
Payments for unlisted units in investment held for sale	7	-	(2,192)
Payments for selling costs for investment held for sale	7	-	(1,642)
Proceeds from sale of investment	7	21,789	195,375
Net cash from investing activities		<u>21,789</u>	<u>191,541</u>
Cash flows from financing activities			
Proceeds from external party financing		-	1,500
Repayment of borrowings		-	(101,735)
Distributions paid	12	(25,593)	(88,201)
Net cash utilised in financing activities		<u>(25,593)</u>	<u>(188,436)</u>
Net (decrease)/increase in cash and cash equivalents		(4,124)	2,396
Cash and cash equivalents at the beginning of the period/year		<u>4,124</u>	<u>1,728</u>
Cash and cash equivalents at the end of the period/year	4	<u>-</u>	<u>4,124</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

1 Summary of significant accounting policies

Stockland Direct Office Trust No. 1 (“the Trust”) was a Managed Investment Scheme domiciled in Australia.

The Financial Report was drawn up on 26 June 2012. The Financial Report as at 26 June 2012 and for the financial period from 1 July 2011 to 26 June 2012 was authorised for issue by the Directors of the Responsible Entity on 26 June 2012.

(a) Statement of compliance

The Financial Report is a general purpose Financial Report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The Financial Report complies with the International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

(b) New Accounting Standards

Certain new or amended Accounting Standards have been published that are not mandatory for this reporting period. Based on management’s assessment, the recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in the Financial Report when restated for the application of the new or amended Accounting Standards.

(c) Changes in Accounting Standards and Regulatory requirements

There are a number of new and amended Accounting Standards issued by the Australian Accounting Standards Board which are applicable for the reporting period beginning on 1 July 2011. The Trust has adopted all mandatory new and amended Accounting Standards issued that are relevant to its operation and effective for the current reporting period.

There was no material impact on the Financial Report as a result of the new and amended Accounting Standards adopted.

(d) Basis of preparation

The Financial Report is presented in Australian dollars, which is the Trust’s functional currency.

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

Termination and wind-up of the Trust

The Financial Report is not prepared on a going concern basis as the Unitholders authorised the Responsible Entity to terminate and wind up the Trust as soon as practicable following the conclusion of the sale of the Trust’s 50% investment in SDOT Sub-Trust 1, being its sole income producing asset. Management commenced wind up proceedings following the expiry of the retention period on 15 June 2012, and wind up will be completed upon lodgement of this financial report with the Australian Securities and Investments Commission.

Instead, the Financial Report has been prepared on the basis set out in the significant accounting policies outlined below. The Directors confirm that all liabilities have been settled as at the date of the Financial Report and they do not expect further liabilities to be incurred beyond 26 June 2012. In the event that further liabilities arise after 26 June 2012 these will be borne by Responsible Entity, Stockland Capital Partners Limited.

Accounting policies

The preparation of the Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies have been applied consistently for the purposes of the Financial Report.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Interest income

Interest income is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

(f) Operating segments

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(h) Income tax

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to Unitholders each year.

(i) Finance costs

Finance costs to external parties

Finance costs to external parties include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Where interest rates are hedged, the finance costs are recognised net of any realised effect of the hedge.

Finance costs to external parties are recognised as an expense in the Statement of Comprehensive Income on an accruals basis, and if not paid at balance date are reflected in the Balance Sheet as a liability.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

1 Summary of significant accounting policies (continued)

(k) Impairment of assets

The carrying amounts of the Trust's assets are reviewed at each balance date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its Cash Generating Unit exceeds its recoverable amount.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the Cash Generating Unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(l) Trade and other payables

Trade and other payables are stated at cost.

Distributions to Unitholders

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial year, but not distributed at balance date.

(m) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

1 Summary of significant accounting policies (continued)

(n) Provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, provisions are determined by discounting the expected future cash flows at the rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Performance fee

The performance fee is recognised in the Statement of Comprehensive Income on an accrual basis. Due to the sale of the Trust's Investment on 20 May 2011, the performance fee has been calculated on a sliding scale, based on the net sales proceeds exceeding the application price. As the net sale proceeds exceed the application price by more than 40% a performance fee of 2.8% of net sales proceeds has been recognised in the Statement of Comprehensive Income.

(o) Investments

Joint venture entities

The Trust's 50% investment in SDOT Sub-Trust 1 was treated as an investment in a joint venture entity until 31 December 2009, when the decision was taken to sell the Trust's 50% investment in SDOT Sub Trust 1.

Investments in joint venture entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

The Trust's share of the joint venture entity's net profit or loss is recognised in the Trust's Statement of Comprehensive Income from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in reserves, classified as a liability to Unitholders.

(p) Current assets held for sale

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable Australian Accounting Standards. Upon initial classification as held for sale, assets are recognised at the lower of carrying amount and fair value less costs to sell.

Revaluations on initial classification as held for sale are included in the Statement of Comprehensive Income. The same applies to gains and losses on subsequent re-measurement.

(q) Comparatives

No comparatives have been amended from those reported in the previous financial year except for those reclassified to conform with current year's presentation.

2 Operating segments

The Trust operated solely in the business of investment management in Australia, this being its one operating segment.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

	26 June 2012	30 June 2011
	\$	\$
3 Auditor's remuneration		
Audit services to KPMG (Australia)		
Audit and review of the Financial Report	12,000	24,000
Other audit services	-	1,000
Compliance audit services	-	13,700
	<u>12,000</u>	<u>38,700</u>
Other services to KPMG (Australia)		
Taxation compliance services	2,200	9,000
	<u>2,200</u>	<u>9,000</u>
Total remuneration	<u>14,200</u>	<u>47,700</u>
	26 June 2012	30 June 2011
	\$'000	\$'000
4 Current assets – Cash and cash equivalents		
Cash at bank and on hand	-	4,124
	<u>-</u>	<u>4,124</u>
The weighted average interest rate for cash at bank and on hand as at 26 June 2012 was 0% p.a. (30 June 2011: 4.41% p.a.).		
5 Current assets – Trade and other receivables		
Trade receivables	-	90
	<u>-</u>	<u>90</u>
6 Current assets – Other assets		
Goods and services tax ("GST") receivable	-	543
Prepayments	-	1
Retention fund (Note 7)	-	21,000
Sale proceeds to be received from purchaser (Note 7)	-	600
Accrued interest	-	29
	<u>-</u>	<u>22,173</u>

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

7 Current assets – Investments held for sale

	Location	Principal Activity	Holding		Carrying amount	
			26 June 2012	30 June 2011	26 June 2012 \$'000	30 June 2011 \$'000
SDOT Sub-Trust 1	NSW	Property investment	-	-	-	-

The joint venture was formed in Australia.

The principal activity was the ownership of property in Waterfront Place situated at 1 Eagle Street, Brisbane, via its 50% investment in SDOT Sub-Trust 1 ("Trust's Investment").

Following the approval from Unitholders on 11 December 2009 which authorised the Responsible Entity to sell the Trust's Investment, the Trust's Investment was considered to be held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" ("AASB 5").

The sale of the Trust's Investment exchanged and settled on 20 May 2011 for \$216,975,000. This was increased by \$189,123 in the current period on finalisation of the purchase price adjustment. Under the terms of the sale contract, the Trust was required to retain \$21,000,000 in a retention fund to support warranties provided by the Trust to the purchaser. As at 26 June 2012, all sale proceeds of the sale had been received including \$195,375,000 received in the prior period, \$21,000,000 received following the expiry of the retention period and a further \$789,123 received from the purchaser as part of the finalised purchase price adjustment.

	Notes	26 June 2012 \$'000	30 June 2011 \$'000
Movements in carrying amount of investments held for sale			
Carrying amount at the beginning of the financial period/year		-	215,269
Purchase of units in investment		-	2,192
Selling costs paid/payable		-	1,887
Proceeds from disposal of investment		-	(216,975)
Loss on disposal of investment		-	(2,373)
Carrying amount at the end of the financial period/year		-	-

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

	26 June 2012 \$'000	30 June 2011 \$'000
8 Current liabilities – Trade and other payables		
Trade payables and accruals	-	402
Withholding tax on distribution	-	837
	-	1,239
9 Current liabilities – Provisions		
Performance fee provision	-	562
Movement in performance fee provision		
Performance fee provision at the beginning of the financial period/year	562	5,800
Performance fee expense for the period	22	-
Performance fee paid during the financial period	(610)	(5,427)
Performance fee provision written back during the financial period	-	(107)
Unwind of discount	26	296
Performance fee provision at the end of the financial period	-	562

The Responsible Entity was entitled to a performance fee. The fee is calculated on a sliding scale and is payable by the Trust provided the net sales proceeds of the Trust's property interest exceed the application price by at least 10%.

As the net sales proceeds of \$217,164,123, exceed the application price by greater than 40%, a performance fee of 2.8% of the net sale proceeds has been recognised using the sliding scale.

The performance fee was paid in full on 21 June 2012.

10 Units on issue

	26 June 2012 No. of units	30 June 2011 No. of units	26 June 2012 \$'000	30 June 2011 \$'000
Units on issue	-	66,500,000	-	24,586

Date	Details	No. of units	Redemption price	\$'000
Movements in units				
1 July 2011	Opening balance	66,500,000	-	24,586
25 June 2011	Redemption of units	(66,500,000)	0.3697¢	(24,586)
26 June 2011	Closing balance	-	-	-

Rights and restrictions over units

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

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

26 June **30 June**
2012 **2011**
\$'000 **\$'000**

11 Reserves

Undistributed Profit

Balance at the beginning of the financial year	-	51,706
Change in Unitholders' funds	-	(51,706)
Balance at the end of the financial period/year	-	-

12 Distributions to Unitholders

Distributions to Unitholders recognised by the Trust are:

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2012				
25 June 2012	0.38487¢	25,593 ¹	25 June 2012	100%

¹ This was part income distribution of \$1,007,000 and part capital distribution of \$24,586,000.

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2011				
30 September 2010	1.5038¢	1,000 ¹	29 October 2010	100%
31 December 2010	1.5038¢	1,000 ¹	28 February 2011	100%
29 June 2011	128.50¢	85,453 ²	29 June 2011	6%
Total distributions		87,453		

¹ This was an income distribution.

² This was part income distribution of \$49,894,000 and part capital distribution of \$35,559,000.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

	2012 \$'000	2011 \$'000
13 Notes to the Cash Flow Statement		
Reconciliation of profit/(loss) for the financial period/year to net cash inflow from operating activities		
Profit for the financial period/year	1,007	188
(Gain)/Loss on disposal of investment	(240)	2,373
Net cash inflow from operating activities before change in assets and liabilities	767	2,561
Decrease in trade, other receivables and other assets	663	1,814
Decrease in payables and provisions	(1,750)	(5,084)
Net cash outflow from operating activities	(320)	(709)

14 Financial instruments

(a) Financial risk and capital management

The Trust's activities exposed it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Trust's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust's financial performance. All monies held have now been distributed by way of a final distribution to the Unitholders on 25 June 2012. As at 26 June 2012, no monies are held by the Trust.

Financial risk and capital management was carried out by a central treasury department under policies approved by the Board of the Responsible Entity. The Board provides written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Capital management

The Responsible Entity's objective when managing capital was to safeguard the ability to continue as a going concern, whilst providing returns for Unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

The Responsible Entity could alter the capital structure of the Trust by adjusting the amount of distributions paid to Unitholders.

In this context, the Trust considers capital to include interest-bearing loans and borrowings and Unitholders' funds.

Management monitored the capital structure of the Trust through the loan-to-value ratio.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the Trust.

Cash deposits are limited to high credit quality financial institutions.

As at 26 June 2012 and 30 June 2011, there were no significant financial assets that were past due. Additionally, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the Balance Sheet represents the Trust's maximum exposure to credit risk in relation to these assets. Refer to Note 4, 5 and 6 for a breakdown of these financial assets.

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

14 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The loan facility was repaid from the sale proceeds from the disposal of the Trust's Investment.

The table below reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows and do not equate to carrying amounts of financial liabilities in the Balance Sheet.

As at 26 June 2012, the Trust did not have any liquidity risk.

Contractual maturity of financial liabilities including derivatives and estimated interest

	Contractual cash flows \$'000	1 year or less \$'000	1-3 years \$'000	3-5 years \$'000	5+ years \$'000
26 June 2012					
Trade and other payables	-	-	-	-	-
30 June 2011					
Trade and other payables	(402)	(402)	-	-	-
Distribution payable	(837)	(837)	-	-	-
	(1,239)	(1,239)	-	-	-

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates.

The income and the associated operating cash flows of the Trust's financial assets are substantially independent of changes in market interest rates.

The Trust has no exposure to interest rate risk as the debt was repaid on 20 May 2011.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Trust's Statement of Comprehensive Income and Unitholders' funds if market interest rates at balance date had been 100 basis points higher/lower (30 June 2011:100 basis points) with all other variables held constant.

	26 June 2012		30 June 2011	
	Interest rates higher \$000	Interest rates lower \$000	Interest rates higher \$000	Interest rates lower \$000
Market interest rate movement of 100 basis points (2011: 100 basis points)				
Statement of Comprehensive Income	-	-	860	(860)

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

14 Financial instruments (continued)

(b) Derivative financial instruments used by the Trust

The Trust was party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Trust's financial risk management policies as mentioned above.

On 1 July 2010 the swap was terminated.

(c) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, other receivables, trade and other payables, as disclosed in the Balance Sheet reflect the fair value of these financial assets and liabilities as at 30 June 2011. No financial assets or financial liabilities were held as at 26 June 2012.

(d) Fair value hierarchy

The fair value hierarchy requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

As the Trust does not hold any financial instruments, the hierarchy disclosure is not required.

15 Related parties

Stockland Capital Partners Limited ("SCPL") is the Responsible Entity of the Trust. The Key Management Personnel of the Trust has been defined as the Responsible Entity. The Responsible Entity does not hold any units in the Trust.

The Directors of the Responsible Entity did not hold any units in the Trust as at 26 June 2012:

	26 June 2012 \$'000	30 June 2011 \$'000
Responsible Entity fees and other transactions		
<i>Responsible Entity fees</i>		
The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets of the Trust.	113	965
Total accrued and deferred Responsible Entity fees included in Current liabilities – Trade and other payables as at 26 June 2012 is \$nil (30 June 2011: \$136,123).		
<i>Performance fees</i>		
The Responsible Entity was entitled to a performance fee which is calculated on a sliding scale and is payable by the Trust provided the net sales proceeds of the Trust's property interest exceeds the application price by at least 10%. Refer Note 9.	48	189
Total accrued Performance fee included in Current liabilities – Provisions as at 26 June 2012 is \$nil (30 June 2011: Non-Current liabilities \$562,000).		
Total Responsible Entity fees and other transactions recognised in the Statement of Comprehensive Income	161	1,154

Stockland Direct Office Trust No. 1
Notes to the Financial Statements
For the financial period ended 26 June 2012

15 Related Parties (continued)

Other related party transactions

Limited Liquidity Facility (“LLF”)

The LLF closed on 30 September 2009 in accordance with the terms of LLF agreement with Westpac.

Units held by Stockland Trust

As at 26 June 2012 Stockland Trust Management Limited did not hold any units in the Trust (30 June 2011: 5,680,500).

Property Management and Leasing Fee

There were no related party transactions between the Trust and Stockland Property Management Limited during the period as a result of the sale of the Trust’s investment in SDOT Sub-Trust 1. In the prior period to 30 June 2011, SDOT Sub-Trust 1 charged property management services, including onsite property management staff and leasing fees of \$837,289. Of this amount, \$793,918 forms part of the outgoings recoverable from tenants pursuant to leases.

Rent

There were no related party transactions between the Trust and Stockland Property Management Limited during the period as a result of the sale of the Trust’s investment in SDOT Sub-Trust 1. In the prior period to 30 June 2011, SDOT Sub-Trust 1 charged rent of \$103,712 to Stockland Property Management Limited, a related party of the Responsible Entity, for the occupancy of the management office at the property.

Limited debt guarantee fee

As the loan facility was repaid in full on 20 May 2011, following the sale of the Trust’s investment in Waterfront Place, Stockland Corporation Limited, a related party of the Responsible Entity, did not charge the Trust a fee for the provision of a limited and partial guarantee for the benefit of the Trust to Westpac as the provider of the debt facility (30 June 2011: \$88,919). The fee was calculated at 0.1% of the drawn balance of the debt facility.

16 Commitments

As at 26 June 2012, the Trust has no commitments (30 June 2011: \$nil).

17 Other information

Life of the Trust

The Trust will be wound up following submission of this Financial Report. A Special Resolution was approved on the 11 December 2009 by Unitholders which authorised the Responsible Entity to sell the Trust’s 50% investment in SDOT Sub-Trust 1 (“Trust’s Investment”) and after the conclusion of the sale, terminate and wind up the Trust as soon as practicable thereafter.

18 Contingent liabilities and contingent assets

As at 26 June 2012, the Trust has no contingent liabilities and no contingent assets (30 June 2011: contingent liability of \$21,000,000).

19 Events subsequent to the end of the year

There has not arisen, in the interval between the end of the current financial period and the date of this report, any other item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations of the Trust, the results of operations, or the state of the affairs of the Trust, for the period ended on that date.

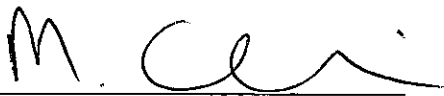
Stockland Direct Office Trust No. 1
Directors' Declaration
For the financial period ended 26 June 2012

In the opinion of the Directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Direct Office Trust No. 1:

1. the Financial Statements and Notes set out on pages 6 to 21, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the Trust as at 26 June 2012 and of its performance for the financial period ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
3. at the date of this declaration there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
4. the Trust has operated during the financial period ended 26 June 2012 in accordance with the provisions of the Trust Constitution as amended dated 19 August 2004; and
5. the Register of Unitholders has, during the financial period ended 26 June 2012, been properly drawn up and maintained so as to give a true account of the Unitholders of the Trust.

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

Signed in accordance with a resolution of the Directors:



Matthew Quinn
Director

Dated at Sydney, 26 June 2012

Independent Auditor's Report

<to insert>



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

Report on the financial report

We have audited the accompanying financial report of Stockland Direct Office Trust No. 1 (the Trust), which comprises the statement of financial position as at 26 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 1 July 2011 to 26 June 2012, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of Stockland Capital Partners Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a true and fair view which is consistent with our understanding of the Trust's financial position, and of its performance. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Stockland Direct Office Trust No. 1 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Trust's financial position as at 26 June 2012 and of its performance for the period 1 July 2011 to 26 June 2012; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG


Shaun Kendrigan

Partner

Sydney

26 June 2012