

Stockland Direct Office Trust No. 1

ARSN: 110 688 009

Interim Financial Report 31 December 2008

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 half year ended 31 December 2008

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 interim Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust for the half year ended 31 December 2008, the state of the Trust's affairs as at 31 December 2008 and the Independent Auditor's Review 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 or since the end of the half year ("the Directors") are:

Name	Date of appointment/retirement
<i>Non-Executive Directors</i>	
Mr Peter Scott, Chairman	Appointed 22 November 2005
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
Mr Terry Williamson	Appointed 2 July 2004, retired 23 October 2007 ¹
<i>Executive Director</i>	
Mr Matthew Quinn	Appointed 19 October 2000
Mr Hugh Thorburn (alternate to Mr Quinn)	Appointed 25 October 2007

¹ Mr T Williamson remains chair of the Stockland Capital Partners Limited Audit and Risk Committee.

Principal activities

The principal activity of the Trust is the ownership of property in Waterfront Place situated at 1 Eagle Street, Brisbane, via its 50% investment in Stockland Direct Office Trust Sub-Trust 1 ("SDOT Sub-Trust 1").

Review and results of operations

The Trust recorded a loss from operating activities of \$14,500,000 for the half year ended 31 December 2008 (profit of \$50,462,000 for the half year ended 31 December 2007).

A downwards revaluation totalling \$17,500,000 was recognised in the Trust's Income Statement through the recognition of the Trust's share of net loss in SDOT Sub-Trust 1. During the half year, an independent valuation was performed resulting in the Waterfront Place property being revalued downwards to \$535,000,000 (100% basis). This represents a decrease of 6% on the 30 June 2008 carrying value of \$570,000,000 (100% basis).

For the half year ended 31 December 2008, a fair value decrement of \$6,793,000 in the valuation of the interest rate swap was recorded in Reserves as set out in Note 10 of the interim Financial Report. As at 31 December 2008, the fair value of the interest rate swap was \$3,536,000 liability (June 2008: \$3,257,000 asset) as set out in Note 5 and 8 of the interim Financial Report.

Distributions paid or declared by the Trust to Unitholders during the half year are set out in Note 12 of the Financial Statements.

Stockland Direct Office Trust No. 1
Directors' Report
For the half year ended 31 December 2008

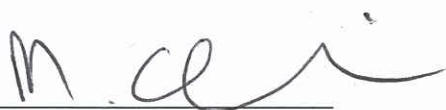
Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half year ended 31 December 2008.

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 interim Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

A handwritten signature in dark ink, appearing to read 'M. Quinn', written over a horizontal line.

Matthew Quinn

Director

Dated at Sydney, 19 February 2009



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

To: the directors of the Responsible Entity of Stockland Direct Office Trust No. 1, Stockland Capital Partners Limited.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

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

KPMG

Scott Fleming
Partner

Sydney

19 February 2009

Stockland Direct Office Trust No. 1
Interim Income Statement
For the half year ended 31 December 2008

		Half year ended	
		2008	2007
	Notes	\$'000	\$'000
Revenue and other income			
Interest income		54	34
Total revenue and other income		54	34
Share of net (loss)/profit of investments accounted for using the equity method	4	(10,065)	55,735
Finance costs to external parties ^{1,2}		(3,430)	(3,270)
Responsible Entity fees	13	(659)	(572)
Performance fee write back/(expense)	13	98	(1,166)
Unwind of discount on performance fee provision	13	(288)	(161)
Other expenses		(210)	(138)
(Loss)/profit from operating activities		(14,500)	50,462
Distribution/finance expense to Unitholders ¹	12	(2,910)	(2,690)
Change in net assets attributable to Unitholders	11	(17,410)	47,772

¹ Total finance costs for the Trust are \$6,340,000 (31 December 2007: \$5,960,000), being the sum of finance costs to external parties and distributions to Unitholders. In order to comply with AASB 132 "Financial Instruments: Presentation" ("AASB 132"), the Unitholders' funds are required to be treated as a liability to Unitholders and trust distributions to be treated as an expense in the Income Statement.

² Relates to interest expense on the Trust's interest-bearing financial liabilities which is carried at amortised cost.

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

Stockland Direct Office Trust No. 1
Interim Balance Sheet
As at 31 December 2008

	Notes	31 Dec 2008 \$'000	30 June 2008 \$'000
Current assets			
Cash and cash equivalents		1,934	2,157
Other assets		8	176
Total current assets		1,942	2,333
Non-current assets			
Investments accounted for using the equity method	4	266,595	283,732
Other assets	5	-	3,257
Total non-current assets		266,595	286,989
Total assets		268,537	289,322
Current liabilities			
Trade and other payables		2,471	3,331
Total current liabilities		2,471	3,331
Non-current liabilities			
Interest-bearing loans and borrowings	6	100,055	99,503
Provisions	7	6,987	6,797
Other liabilities	8	3,536	-
Total non-current liabilities		110,578	106,300
Total liabilities (excluding net assets attributable to Unitholders)		113,049	109,631
Net assets attributable to Unitholders	11	155,488	179,691

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

Stockland Direct Office Trust No. 1
Interim Statement of Changes in Equity
For the half year ended 31 December 2008

	Units on issue		Unitholders' Funds			Total
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	-
Total income and expenses recognised directly in equity for the half year	-	-	-	-	-	-
Profit for the half year	-	-	-	-	-	-
Total recognised income and expenses for the half year	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-

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

Stockland Direct Office Trust No. 1
Interim Cash Flow Statement
For the half year ended 31 December 2008

		Half year ended	
		2008	2007
	Notes	\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations		100	56
Cash payments in the course of operations		(1,466)	(633)
Distributions received from joint venture entity	4	7,325	7,407
Interest received		54	34
Interest paid		(3,410)	(3,294)
Net cash inflow from operating activities		2,603	3,570
Cash flows from investing activities			
Payments for unlisted units in joint venture entity	4	(253)	(4,783)
Net cash utilised in investing activities		(253)	(4,783)
Cash flows from financing activities			
Proceeds from external party financing		500	6,447
Distributions paid		(3,073)	(2,690)
Net cash (utilised in)/inflow from financing activities		(2,573)	3,757
Net (decrease)/increase in cash and cash equivalents		(223)	2,544
Cash and cash equivalents at the beginning of the half year		2,157	175
Cash and cash equivalents at the end of the half year		1,934	2,719

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

Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

1 Summary of significant accounting policies

Stockland Direct Office Trust No. 1 ("the Trust") is a Managed Investment Scheme domiciled in Australia.

The interim Financial Report as at and for the half year ended 31 December 2008 was authorised for issue by the Directors of the Responsible Entity on 19 February 2009.

(a) Statement of compliance

The interim Financial Report is a general purpose financial report which has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001. The interim Financial Report also complies with the International Financial Reporting Standards ("IFRSs").

The interim Financial Report does not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Annual Financial Report of the Trust as at and for the year ended 30 June 2008.

(b) Significant accounting policies

The accounting policies applied by the Trust in this interim Financial Report are the same as those applied by the Trust in the Annual Financial Report of the Trust as at and for the year ended 30 June 2008.

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 interim Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

2 Accounting estimates and assumptions

The preparation of the Interim Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Interim Financial Statements the significant judgements made by the Directors in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Report of the Trust as at and for the year ended 30 June 2008.

3 Segment reporting

The Trust operates solely in the business of investment management in Australia.

Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

4 Non-current assets – Investments accounted for using the equity method

	Location	Principal activity	Holding		Carrying amount	
			31 Dec 2008	30 June 2008	31 Dec 2008 \$'000	30 June 2008 \$'000
SDOT Sub-Trust 1	NSW	Property investment	50%	50%	266,595	283,732

The joint venture was formed in Australia.

The principal activity is investment in real property.

During the half year, an independent valuation was performed as at 31 December 2008, resulting in the Waterfront Place property being revalued downwards from \$570,000,000 to \$535,000,000 (100% basis).

	31 Dec 2008 \$'000	30 June 2008 \$'000
Movements in carrying amount of investments accounted for using the equity method¹		
Carrying amount at the beginning of the financial period	283,732	239,618
Interest in joint venture entity acquired during the financial period	253	6,485
Share of net (loss)/profit	(10,065)	52,875
Distributions received	(7,325)	(15,246)
Carrying amount at the end of the financial period	266,595	283,732

¹ Current period represents movements during the six month period to 31 December 2008. Prior period represents movements during the twelve months to 30 June 2008.

Share of joint venture entity's assets and liabilities

Current assets	2,201	2,286
Non-current assets	266,773	284,284
Total assets	268,974	286,570
Current-liabilities	(2,379)	(2,838)
Total liabilities	(2,379)	(2,838)
Share of net assets after equity accounting adjustments	266,595	283,732

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Share of joint venture entity's revenue, expenses and results		
Revenues	10,251	9,126
(Loss)/gain from fair value adjustment of investment property	(17,819)	48,835
Expenses	(2,497)	(2,226)
Net (loss)/profit accounted for using the equity method	(10,065)	55,735

	31 Dec 2008 \$'000	30 June 2008 \$'000
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5 Non-current assets – Other assets

Fair value of hedging instrument	-	3,257
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Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

	31 Dec 2008 \$'000	30 June 2008 \$'000
6 Non-current liabilities – Interest-bearing loans and borrowings		
Loan facility (including capital expenditure)	100,235	99,735
Less: attributable transaction costs	(180)	(232)
Total Balance Sheet carrying amount at amortised cost	100,055	99,503

Details of the facilities are set out below:

Facility	Maturity date	Facility limit		Utilised	
		31 Dec 2008 \$'000	30 June 2008 \$'000	31 Dec 2008 \$'000	30 June 2008 \$'000
Loan facility	30 June 2010	92,538	92,538	92,538	92,538
Capital expenditure	30 June 2010	15,896	15,896	7,697	7,197
		108,434	108,434	100,235	99,735

Loan facility

The Trust has a \$92,538,000 (30 June 2008: \$92,538,000) loan facility agreement with Westpac Banking Corporation ("Westpac"). As at 31 December 2008, \$92,538,000 had been drawn down (30 June 2008: \$92,538,000). The loan facility had been effectively hedged through an interest rate swap contract. Taking into account the interest rate swap in place, the weighted average interest rate on the loan facility for the period to 31 December 2008 is 6.07% p.a. (30 June 2008: 6.07% p.a.).

Westpac Administration Pty Limited has a fixed and floating charge over the Trust's units in the joint venture entity SDOT Sub-Trust 1.

Capital expenditure

The capital expenditure facility limit is \$15,896,000 (30 June 2008: \$15,896,000). Interest is charged on the utilised portion of the facility at 90 day BBSY plus a margin of 0.50% p.a. As at 31 December 2008, \$7,697,000 (30 June 2008: \$7,197,000) had been drawn down.

The weighted average interest rate on the total loan facilities for the period to 31 December 2008 was 7.58% p.a. (30 June 2008: 8.35% p.a.). A line fee of 0.10% p.a. is charged on the overall facility limit. The facilities mature on 30 June 2010.

Interest rate swap contract

The Responsible Entity, on behalf of the Trust, has entered into an interest rate swap contract to manage cash flow risks associated with the interest rates on borrowings that are floating. The interest rate swap allows the Trust to swap the floating rate borrowing into a fixed rate. The Trust does not hold derivative financial instruments for speculative purposes.

The face value of the swap contract of \$92,538,000 (30 June 2008: \$92,538,000) is designated as an effective hedge of the loan facility fixing the cost of borrowing of the Trust for the term of the loan facility. The swap in place covers 100% (30 June 2008: 100%) of the loan facility outstanding and is timed to expire as the loan repayment falls due. The fixed rate is 5.97% p.a. (30 June 2008: 5.97% p.a.) and the variable rate is the 90 day Bank bill rate which at 31 December 2008 was 4.50% p.a. (30 June 2008: 7.70% p.a.).

Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

	31 Dec 2008 \$'000	30 June 2008 \$'000
7 Non-current liabilities – Provisions		
Performance fee provision at the beginning of the financial period ¹	6,797	5,232
Performance fee provision (written back)/made during the period	(98)	1,193
Unwind of discount	288	372
Performance fee provision at the end of the financial period	<u>6,987</u>	<u>6,797</u>

¹ Current period represents movements during the six month period to 31 December 2008. Prior period represents movements during the twelve months to 30 June 2008.

The Responsible Entity is 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%.

A performance fee provision has been recognised as there has been, until recently, a history of strong upward revaluations of the Waterfront Place property, which indicates it is likely an amount will be payable by the Trust.

Based upon the value of the property interest at 31 December 2008, the estimated net sales proceeds exceed the application price by greater than 40%. Using the sliding scale, a performance fee of 2.8% of the net sales proceeds will be payable in the future. Applying appropriate discount rates to reflect the projected life of the Trust and the inherent risks associated with market value movements in the property, a provision of \$6,987,000 (30 June 2008: \$6,797,000) has been recognised.

8 Non-current liabilities – Other liabilities

Fair value of hedging instrument	<u>3,536</u>	-
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9 Units on issue classified as debt

	31 Dec 2008 No. of units	30 June 2008 No. of units	31 Dec 2008 \$'000	30 June 2008 \$'000
Units on issue	<u>66,500,010</u>	66,500,010	<u>60,145</u>	60,145

Date	Details	No. of units	Issue price	\$'000
Movements in units				
1 July 2007	Opening balance	66,500,010	-	60,145
31 December 2007	Balance	66,500,010	-	60,145
30 June 2008	Balance	66,500,010	-	60,145
31 December 2008	Closing balance	<u>66,500,010</u>	-	<u>60,145</u>

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 Interim Financial Statements
For the half year ended 31 December 2008

	Notes	31 Dec 2008 \$'000	30 June 2008 \$'000
10 Reserves			
Classified as liability			
Balance at the beginning of the financial period ^{1,2}		119,546	80,926
Change in net assets attributable to Unitholders		(17,410)	37,618
Effective portion of changes in fair value of the cash flow hedge during the financial period	5, 8	(6,793)	1,002
Balance at the end of the financial period		<u>95,343</u>	<u>119,546</u>

¹ In order to comply with AASB 132, the Unitholders' funds are required to be treated as a liability and trust distributions to be treated as an expense in the Income Statement.

² Current period represents movements during the six month period to 31 December 2008. Prior period represents movements during the twelve months to 30 June 2008.

11 Net assets attributable to Unitholders classified as a liability

Date	Details	\$'000
1 July 2007	Opening balance	141,071
30 June 2008	Movement in fair value of cash flow hedge	1,002
30 June 2008	Change in net assets for the year attributable to Unitholders	37,618
1 July 2008	Balance	<u>179,691</u>
31 December 2008	Movement in fair value of cash flow hedge	(6,793)
31 December 2008	Change in net assets for the half year attributable to Unitholders	(17,410)
31 December 2008	Closing balance	<u>155,488</u>

The above net assets attributable to Unitholders is made up as follows:

	Notes	31 Dec 2008 \$'000	30 June 2008 \$'000
Issued units classified as liability	9	60,145	60,145
Reserves classified as liability	10	95,343	119,546
		<u>155,488</u>	<u>179,691</u>

12 Distributions to Unitholders

Distributions to Unitholders recognised in the half year by the Trust are:

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2008				
30 September 2008	2.1875¢	1,455	31 October 2008	100%
31 December 2008	2.1875¢	1,455	27 February 2009 ¹	100%
Total distributions		<u>2,910</u>		

¹ Proposed payment date.

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2007				
30 September 2007	2.0225¢	1,345	31 October 2007	100%
31 December 2007	2.0225¢	1,345	29 February 2008	100%
Total distributions		<u>2,690</u>		

Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

13 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 and their units held in the Trust at 31 December 2008 are as follows:

Directors	Number of units
Mr David Kent	20,000
Mr Matthew Quinn	15,000

	Half year ended	
	2008	2007
	\$'000	\$'000
Responsible Entity fees and other transactions		

Responsible Entity fees

The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets of the Trust.

659	572
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As at 31 December 2008, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$Nil (31 December 2007: \$583,087).

Total deferred Responsible Entity fees included in Current liabilities – Trade and other creditors as at 31 December 2008 is \$Nil (30 June 2008: \$641,396).

Performance fees

The Responsible Entity is 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 7.

190	1,327
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Total Responsible Entity fees and other transactions

849	1,899
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Other related party transactions

Limited Liquidity Facility ("LLF")

Westpac has agreed to acquire up to 521,000 units in the Trust per quarter at a 2.5% discount to Net Tangible Assets ("NTA") per unit less transaction costs, from Unitholders seeking to realise their units. Stockland Trust Management Limited ("STML"), as Responsible Entity for Stockland Trust, has placed a standing order with Westpac to acquire a maximum of 521,000 units per quarter at a price calculated in accordance with a predetermined formula. The LLF can be terminated by Westpac should STML withdraw its standing order with Westpac to acquire units on Stockland Trust's behalf, which it may do at any time at its discretion.

During the half year STML, as Responsible Entity of Stockland Trust, acquired 1,042,000 units (year ended 30 June 2008: 1,552,500) in the Trust via the LLF.

Stockland Direct Office Trust No. 1
Notes to the Interim Financial Statements
For the half year ended 31 December 2008

13 Related parties (continued)

Other related party transactions (continued)

Units held by Stockland Trust

As at 31 December 2008, Stockland Trust Management Limited, as Responsible Entity of Stockland Trust, a related party of the Responsible Entity, holds 3,579,500 units (30 June 2008: 2,537,500) in the Trust.

Property Management and Leasing Fee

Stockland Property Management Limited, a related party of the Responsible Entity, charged \$516,476 (31 December 2007: \$807,293) to SDOT Sub-Trust 1 for property management services including onsite property management staff and leasing fees. Of this amount, \$437,408 (31 December 2007: \$395,628) forms part of the outgoings recoverable from tenants pursuant to leases.

Rent

SDOT Sub-Trust 1 charged rent of \$44,287 (31 December 2007: \$42,380) 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

Stockland Corporation Limited, a related party of the Responsible Entity, charged \$50,440 (31 December 2007: \$48,335) to the Trust for the provision of a limited and partial guarantee for the benefit of the Trust to Westpac as the provider of the debt facility. The fee is calculated at 0.1% of the drawn balance of the debt facility.

14 Commitments

As at 31 December 2008, the Trust has no commitments (30 June 2008: \$Nil).

15 Other information

Life of the Trust

The Trust terminates on the earliest of:

- a) the 80th anniversary of the date before the Trust commenced;
- b) a date which has been proposed to Unitholders by the Responsible Entity, and which the Unitholders have approved by Special Resolution; and
- c) the date on which the Trust terminates in accordance with the provisions of the Trust Constitution or by law.

16 Contingent liabilities and contingent assets

As at 31 December 2008, the Trust has no contingent liabilities and no contingent assets (30 June 2008: \$Nil).

17 Events subsequent to the end of the half year

There have been no events subsequent to the end of the half year which would have a material effect on the Trust's Interim Financial Statements at 31 December 2008.

Stockland Direct Office Trust No. 1
Directors' Declaration
For the half year ended 31 December 2008

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 5 to 15, 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 31 December 2008 and of its performance for the half year ended on that date; and
 - (b) complying with Australian Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
2. the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
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.

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, 19 February 2009



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

Report on the financial report

We have reviewed the accompanying interim financial report of Stockland Direct Office Trust No. 1 (the Trust), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other explanatory notes 1 to 17 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 and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Stockland Direct Office Trust No. 1, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

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

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Scott Fleming
Partner

Sydney

19 February 2009