Stockland Direct Office Trust No. 1

ARSN: 110 688 009

Interim Financial Report
31 December 2009

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 2009

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 2009, the state of the Trust's affairs as at 31 December 2009 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
Non-Executive Directors	
Mr Peter Scott, Chairman	Appointed 22 November 2005
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
Executive Director	
Mr Matthew Quinn	Appointed 19 October 2000
Mr Hugh Thorburn (alternate to Mr Quinn)	Appointed 25 October 2007

Principal activity

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 SDOT Sub-Trust 1.

Review and results of operations

The Trust recorded a loss from operating activities of $17,137,000 for the half year ended 31 December 2009 ($14,500,000 for the half year ended 31 December 2008).

A downwards revaluation of the Waterfront Place property totalling $18,250,000 was recognised in the Trust's Statement of Comprehensive Income 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 $435,000,000 (100% basis). This represents a decrease of 8% on the 30 June 2009 carrying value of $471,500,000 (100% basis).

For the half year ended 31 December 2009, a fair value increment of $1,553,000 ($6,793,000 decrement for the half year ended 31 December 2008) in the valuation of the interest rate swap was recorded in Reserves as set out in Note 11 of the interim Financial Report. As at 31 December 2009, the fair value of the interest rate swap was $749,000 liability (30 June 2009: $2,302,000) as set out in Note 9 of the interim Financial Report.

In accordance with the terms of the Trust's Product Disclosure Statement ("PDS") dated 10 September 2004, the September 2009 quarter was the last period in which the Limited Liquidity Facility operated.

Distributions paid or declared by the Trust to Unitholders during the half year ended 31 December 2009 are set out in Note 12 of the interim Financial Report.

Result of Members' Meeting

In the Trust's PDS, it was expected that the term of the Trust be at least 6 years from the date the Trust's units were allotted (19 November 2004). As required by the PDS, a Meeting of Members was held on 11 December 2009 for the Responsible Entity to make a recommendation to Unitholders concerning the future strategy of the Trust. The Special Resolution (more than 75% of the total eligible votes cast by Unitholders entitled to vote) was approved 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.

Sale of the Trust's Investment

Following the approval from Unitholders on 11 December 2009, which authorised the Responsible Entity to sell the Trust's Investment, the sales process commenced in December 2009 with the beginning of the Stockland Trust Management Limited ("STML") (as the Responsible Entity for Stockland Trust) pre-emptive rights process. Under the Joint Owners Deed, which governs the relationship between the Trust and STML in relation to their joint ownership in SDOT Sub-Trust 1, STML has pre-emptive rights over the sale of the Trust's Investment. If STML does not exercise its right to purchase the Trust's Investment, a public sale process will commence. It is expected that a sale will be completed within the next twelve months.

The sale price of the Trust's Investment may vary to the 31 December 2009 external valuation amount of the Waterfront Place property due to uncertain market conditions. The fair value of the Waterfront Place property has been independently valued to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the Balance Sheet date, the price ultimately realised on sale, may be higher or lower than the amount recorded in the Financial Statements.

In the opinion of the Directors, disclosure of any further information regarding business strategies and the future developments or results of the Trust, other than the information already outlined in this Directors' Report or the Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Trust. The Trust will continue to operate until the Trust's Investment is sold. Once a sale of the Trust's Investment is achieved, the Responsible Entity will take all steps necessary to wind up the Trust as soon as practical in accordance with the Trust Constitution and Corporations Act 2001.

Trust funding arrangements

As at 31 December 2009, the Trust has a $108,434,000 (30 June 2009: $108,434,000) loan and capital expenditure facility agreement with Westpac Banking Corporation ("Westpac") of which $100,235,000 has been drawn (30 June 2009: $100,235,000). The facilities are due to mature on 1 July 2010. The Responsible Entity has begun negotiations with facility providers to extend the loan facility in the event a sale of the Trust's Investment and wind up of Trust cannot be achieved by 1 July 2010.

Unitholders should be aware that the Responsible Entity expects that the possible renegotiation of the facilities will result in higher interest costs which may potentially reduce the forecast distributions paid to Unitholders.

The Limited Debt Guarantee provided by Stockland Corporation will also cease on 30 June 2010. The Limited Debt Guarantee was provided by Stockland Corporation at the time the Trust was established in order for the Trust to obtain a lower cost of borrowing.

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 2009.

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:

Matthew Quinn
Director

Dated at Sydney, 18 February 2010

KPMG

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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 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

KPMG

S. A. Fleming

Scott Fleming
Partner

Sydney

18 February 2010

Stockland Direct Office Trust No. 1
Interim Statement of Comprehensive Income
For the half year ended 31 December 2009

	Notes	Half year ended 2009 $'000	2008 $'000
Revenue and other income			
Interest income		**50**	54
Performance fee write back	8	**602**	98
Total revenue and other income		**652**	152
Share of net loss of investments accounted for using the equity method	5	**(10,666)**	(10,065)
Impairment of investment	4	**(2,992)**	-
Finance costs to external parties[1]		**(3,309)**	(3,430)
Responsible Entity fees	13	**(530)**	(659)
Unwind of discount on performance fee provision	8	**(109)**	(288)
Other expenses		**(183)**	(210)
Loss from operating activities		**(17,137)**	(14,500)
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	11	**1,553**	(6,793)
Other comprehensive income/(expense) for the half year		**1,553**	(6,793)
Total comprehensive expense for the half year		**(15,584)**	(21,293)

[1] Relates to interest expense on the Trust's interest-bearing financial liabilities which are carried at amortised cost.

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

Stockland Direct Office Trust No. 1
Interim Balance Sheet
As at 31 December 2009

	Notes	**31 Dec 2009 $'000**	30 June 2009 $'000	30 June 2008 $'000
Current assets				
Cash and cash equivalents		**3,925**	2,342	2,157
Other assets		**558**	138	176
Investment held for sale	4	**211,349**	-	-
Total current assets		**215,832**	2,480	2,333
Non-current assets				
Investment accounted for using the equity method	5	-	233,825	283,732
Other assets	6	-	-	3,257
Total non-current assets		-	233,825	286,989
Total assets		**215,832**	236,305	289,322
Current liabilities				
Trade and other payables		**2,240**	2,172	3,331
Interest-bearing loans and borrowings	7	**100,168**	-	-
Provisions	8	**5,745**	-	-
Other liabilities	9	**903**	214	-
Total current liabilities		**109,056**	2,386	3,331
Non-current liabilities				
Interest-bearing loans and borrowings	7	-	100,110	99,503
Provisions	8	-	6,238	6,797
Other liabilities	9	-	2,302	-
Total non-current liabilities		-	108,650	106,300
Total liabilities		**109,056**	111,036	109,631
Net assets		**106,776**	125,269	179,691
Unitholders' funds				
Units on issue	10	**60,145**	60,145	60,145
Undistributed profit		**47,380**	67,426	116,289
Reserves	11	**(749)**	(2,302)	3,257
Total unitholders' funds		**106,776**	125,269	179,691

The above interim 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 2009

		Unitholders' Funds							
		Issued capital		**Undistributed profit**		**Reserves**		**Total**	
		31 Dec 2009	31 Dec 2008	**31 Dec 2009**	31 Dec 2008	**31 Dec 2009**	31 Dec 2008	**31 Dec 2009**	31 Dec 2008
	Notes	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance		**60,145**	-	**67,426**	-	**(2,302)**	-	**125,269**	-
Change in accounting policy as a result of AASB 2008-02	1(c)	-	60,145	-	116,289	-	3,257	-	179,691
Restated opening balance		-	60,145	-	116,289	-	3,257	-	179,691
Other comprehensive income/(expense) for the half year	11	-	-	-	-	**1,553**	(6,793)	**1,553**	(6,793)
Loss for the half year		-	-	**(17,137)**	(14,500)	-	-	**(17,137)**	(14,500)
Total comprehensive income/(expense) for the half year		-	-	**(17, 137)**	(14,500)	**1,553**	(6,793)	**(15,584)**	(21,293)
Transactions with Unitholders in their capacity as owners:		-	-	-	-	-	-	-	-
Distributions paid/payable to Unitholders	12	-	-	**(2,909)**	(2,910)	-	-	**(2,909)**	(2,910)
Closing balance		**60,145**	60,145	**47,380**	98,879	**(749)**	(3,536)	**106,776**	155,488

The above interim 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 2009

		Half year ended	
		2009	2008
	Notes	**$'000**	$'000
Cash flows from operating activities			
Cash receipts in the course of operations		**174**	100
Cash payments in the course of operations		**(749)**	(1,466)
Distributions received from joint venture entity	5	**8,296**	7,325
Interest received		**50**	54
Interest paid		**(3,278)**	(3,410)
Net cash inflow from operating activities		**4,493**	2,603
Cash flows from investing activities			
Payments for unlisted units in joint venture entity	5	**-**	(253)
Net cash utilised in investing activities		**-**	(253)
Cash flows from financing activities			
Proceeds from external party financing		**-**	500
Distributions paid	12	**(2,910)**	(3,073)
Net cash utilised in financing activities		**(2,910)**	(2,573)
Net increase/(decrease) in cash and cash equivalents		**1,583**	(223)
Cash and cash equivalents at the beginning of the half year		**2,342**	2,157
Cash and cash equivalents at the end of the half year		**3,925**	1,934

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

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 2009 was authorised for issue by the Directors of the Responsible Entity on 18 February 2010.

(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 2009.

(b) Basis of preparation

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

The interim Financial Report has been prepared on the basis of the going concern and historical cost conventions except for derivative financial instruments and investment property held by the joint venture entity, which are stated at their fair value.

The ability of the Trust to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Trust achieving a sale of its investment in SDOT Sub-Trust 1 prior to the maturity of its loan facility or the Trust being successful in refinancing its loan facility should a sale of the Trust’s Investment not be achieved.

The Directors are satisfied the Trust can continue as a going concern after having regard to the following factors:

- the Responsible Entity has begun negotiations with facility providers to extend the loan facility in the event a sale of the Trust’s Investment and wind up of Trust cannot be achieved by 1 July 2010;
- the sales process to sell the Trust’s Investment commenced in December 2009 with the beginning of the STML pre-emptive rights process. It is expected that a sale will be completed within the next twelve month period from 31 December 2009; and
- the Directors are not aware of any circumstances that may lead to the Trust not obtaining refinancing of the loan facility prior to its expiry.

On the date of this report, being 18 February 2010, based on information known at this date, the Directors have formed the view that the interim Financial Report for the half year ended 31 December 2009, can be prepared on a going concern basis as they believe reasonable grounds exist to expect the loan facility will be refinanced and/or a sale of the Trust’s Investment will be achieved. The Directors believe that while this is a material uncertainty, it does not cast doubt on the Trust’s ability to continue as a going concern.

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.

(c) New accounting standards

The application of AASB 2008–02 “Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation” (“AASB 2008-02”) represents a change in accounting policy that is applied retrospectively, and has resulted in the Trust reclassifying Unitholders’ funds from liability to equity of $106,776,000 (30 June 2009: $125,269,000).

In addition finance expenses for the period of $2,909,000 (31 December 2008: $2,910,000) have been reclassified from a finance expense in the Statement of Comprehensive Income to distribution from equity in the Statement of Changes in Equity.

1 Summary of significant accounting policies (continued)

(d) Changes in accounting standards

The following amended accounting standard has been adopted by the Trust as of 1 July 2009. The significant impact of this amended standard (to the extent relevant to the Trust) is set out below:

Revised AASB 101 "Presentation of Financial Statements" ("AASB 101") introduced as a financial statement (formerly "primary" statement) the "Statement of Comprehensive Income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.

(e) 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 2009 except for the accounting policies impacted by the new or amended accounting standards detailed in Note 1(c), (d) and below.

Non-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 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.

2 Accounting estimates and assumptions

The preparation of the interim Financial Report 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 this interim Financial Report 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 2009.

3 Segment reporting

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

4 Current assets – Investment held for sale

	Location	Principal Activity	Holding 31 Dec 2009	Holding 30 June 2009	Holding 30 June 2008	Carrying amount 31 Dec 2009 $'000	Carrying amount 30 June 2009 $'000	Carrying amount 30 June 2008 $'000
SDOT Sub-Trust 1	NSW	Property investment	**50%**	50%	50%	**211,349**	-	-

The joint venture was formed in Australia.

The principal activity is investment in real property.

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 sales process commenced in December 2009 with the beginning of the STML pre-emptive rights process. If STML does not exercise its right to purchase the Trust's Investment, a public sale process will commence. It is expected that a sale will be completed within the next twelve months.

	Notes	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000
Movements in carrying amount of investments held for sale				
Carrying amount at the beginning of the financial period		-	-	-
Investment previously accounted for using the equity method	5	**214,341**	-	-
Impairment of investment held for sale[1]		**(2,992)**	-	-
Carrying amount at the end of the financial period		**211,349**	-	-

[1] Relates to the impairment loss from the classification of the Trust's Investment as held for sale. In accordance with AASB 5, assets held for sale are required to be carried at the lower of its carrying amount and fair value less cost to sell. The impairment loss on classification of the Trust's Investment as held for sale is recorded in the Statement of Comprehensive Income.

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

	Location	Principal Activity	Holding 31 Dec 2009	Holding 30 June 2009	Holding 30 June 2008	Carrying amount 31 Dec 2009 $'000	Carrying amount 30 June 2009 $'000	Carrying amount 30 June 2008 $'000
SDOT Sub-Trust 1	NSW	Property investment	**50%**	50%	50%	**-**	233,825	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 2009, resulting in the Waterfront Place property being revalued downwards from $471,500,000 to $435,000,000 (100% basis). The capitalisation rate used in the December 2009 valuation was 7.50% (30 June 2009: 7.25%). The weighted average lease expiry is 4.44 years (30 June 2009: 4.81 years).

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"). Refer to Note 4.

	Notes	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000
Movements in carrying amount of investments accounted for using the equity method[1]				
Carrying amount at the beginning of the financial period		**233,825**	283,732	239,618
Interest in joint venture entity acquired during the financial period		**-**	569	6,485
Share of net (loss)/profit		**(10,666)**	(35,495)	52,875
Distributions received/receivable		**(8,818)**[2]	(14,981)	(15,246)
Investment held for sale	**4**	**(214,341)**	-	-
Carrying amount at the end of the financial period		**-**	233,825	283,732

[1] Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009 and 30 June 2008 respectively.

[2] Current period amount includes distribution receivable of $522,000, which has been classified in Current assets – Other assets, relating to the December 2009 distribution that is owing to the Trust from SDOT Sub-Trust 1. This distribution receivable is adjusted against the carrying amount of the investment before reclassification as an investment held for sale.

	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000
Share of joint venture entity's assets and liabilities			
Current assets	**2,608**	1,949	2,286
Non-current assets	**216,799**	235,023	284,284
Total assets	**219,407**	236,972	286,570
Current-liabilities	**(4,544)**	(3,147)	(2,838)
Total liabilities	**(4,544)**	(3,147)	(2,838)
Share of net assets after equity accounting adjustments	**214,863**	233,825	283,732

	6 months to 31 Dec 2009 $'000	6 months to 31 Dec 2008 $'000
Share of joint venture entity's revenue, expenses and results		
Revenues	**11,210**	10,251
Loss from fair value adjustment of investment property	**(18,100)**	(17,819)
Expenses	**(3,776)**	(2,497)
Net loss accounted for using the equity method	**(10,666)**	(10,065)

	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000

6 Non-current assets – Other assets

Fair value of hedging instrument	-	-	3,257

7 Current and Non-current liabilities – Interest-bearing loans and borrowings

Current liabilities – Interest-bearing loans and borrowings

Loan facility (including capital expenditure)	**100,235**	-	-
Less: attributable transaction costs	**(67)**	-	-
Total Balance Sheet carrying amount at amortised cost	**100,168**	-	-

Non-current liabilities – Interest-bearing loans and borrowings

Loan facility (including capital expenditure)	-	100,235	99,735
Less: attributable transaction costs	-	(125)	(232)
Total Balance Sheet carrying amount at amortised cost	-	100,110	99,503

Details of the facilities are set out below:

		Facility limit			**Utilised**		
Facility	**Maturity date**	**31 Dec 2009 $'000**	30 June 2009 $'000	30 June 2008 $'000	**31 Dec 2009 $'000**	30 June 2009 $'000	30 June 2008 $'000
Loan facility	1 July 2010	**92,538**	92,538	92,538	**92,538**	92,538	92,538
Capital expenditure	1 July 2010	**15,896**	15,896	15,896	**7,697**	7,697	7,197
		108,434	108,434	108,434	**100,235**	100,235	99,735

Loan facility

The Trust has a $92,538,000 (30 June 2009: $92,538,000) loan facility agreement with Westpac Banking Corporation ("Westpac"). As at 31 December 2009, $92,538,000 had been drawn down (30 June 2009: $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 2009 is 6.47% p.a. (30 June 2009: 6.47% 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 2009: $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 2009, $7,697,000 (30 June 2009: $7,697,000) had been drawn down.

Loan facility (including capital expenditure facility)

Taking into account the interest rate swap in place, the weighted average interest rate on the total loan facilities for the period to 31 December 2009 was 6.43% p.a. (30 June 2009: 6.58% p.a.). A line fee of 0.10% p.a. is charged on the overall facility limit.

The facilities are due to mature on 1 July 2010. The Responsible Entity has begun negotiations with facility providers to extend the loan facility in the event a sale of the Trust's Investment and wind up of Trust cannot be achieved by 30 June 2010.

7 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

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 2009: $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 2009: 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 2009: 5.97% p.a.) and the variable rate is the 90 day Bank bill rate which at 31 December 2009 was 4.06% p.a. (30 June 2009: 3.21% p.a.).

	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000
8 Current and Non-current liabilities – Provisions			
Current liabilities – Provisions			
Performance fee provision at the beginning of the financial period	**6,238**	-	-
Performance fee provision written back during the period[1]	**(602)**	-	-
Unwind of discount[1]	**109**	-	-
Performance fee provision at the end of the financial period	**5,745**	-	-
Non-current liabilities – Provisions			
Performance fee provision at the beginning of the financial period	-	6,797	5,232
Performance fee provision (written back)/made during the financial period[1]	-	(1,009)	1,193
Unwind of discount[1]	-	450	372
Performance fee provision at the end of the financial period	-	6,238	6,797

[1] Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009 and 30 June 2008 respectively.

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 paid by the Trust.

Based upon the value of the property interest at 31 December 2009, 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 $5,745,000 (30 June 2009: $6,328,000) has been recognised as a current liability.

The performance fee will become payable following either the sale of the Trust's Investment, termination of the Trust or a final return of capital to Unitholders. As the Responsible Entity's intention is to sell the Trust's Investment within the next twelve months, the performance fee has been recognised as a current liability.

9 Current and Non-current liabilities – Other liabilities

	31 Dec 2009 $'000	30 June 2009 $'000	30 June 2008 $'000
Current liabilities – Other liabilities			
Fair value of hedging instrument	**749**	-	-
Interest payable under interest rate swap	**154**	214	-
	903	214	-
Non-current liabilities – Other liabilities			
Fair value of hedging instrument	-	2,302	-

10 Units on Issue

	31 Dec 2009 No. of units	30 June 2009 No. of units	30 June 2008 No. of units	**31 Dec 2009 $'000**	30 June 2009 $'000	30 June 2008 $'000
Units on issue	**66,500,000**	66,500,000	66,500,000	**60,145**	60,145	60,145

Date	**Details**	**No. of units**	**Issue price**	**$'000**
Movements in units				
1 July 2007	Opening balance	66,500,000	-	60,145
30 June 2008	Balance	66,500,000	-	60,145
31 December 2008	Balance	66,500,000	-	60,145
30 June 2009	Balance	66,500,000	-	60,145
31 December 2009	**Closing balance**	**66,500,000**	-	**60,145**

Rights and restrictions over units

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

11 Reserves

	Notes	**31 Dec 2009 $'000**	30 June 2009 $'000	30 June 2008 $'000
Balance at the beginning of the financial period		**(2,302)**	-	-
Change in accounting policy as a result of AASB 2008-02[1]		-	3,257	2,255
Effective portion of changes in fair value of the cash flow hedge during the financial period[1]	9	**1,553**	(5,559)	1,002
Balance at the end of the financial period		**(749)**	(2,302)	3,257

[1] Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009 and 30 June 2008 respectively.

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
2009				
30 September 2009	2.1875¢	**1,455**	31 October 2009	100%
31 December 2009	2.1875¢	**1,454**	26 February 2010[1]	100%
Total distributions		**2,909**		

[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
2008				
30 September 2008	2.1875¢	1,455	31 October 2008	100%
31 December 2008	2.1875¢	1,455	27 February 2009	100%
Total distributions		2,910		

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 as at 31 December 2009 are as follows:

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

Responsible Entity fees and other transactions	Half year ended 2009 $'000	Half year ended 2008 $'000
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.		
Total accrued and deferred Responsible Entity fees included in Current liabilities – Trade and other payables as at 31 December 2009 is $261,177 (30 June 2009: $289,695).	**530**	659
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 8.	**(493)**	190
Total Responsible Entity fees and other transactions recognised in the interim Statement of Comprehensive Income	**37**	849

13 Related parties (continued)

Other related party transactions (continued)

Limited Liquidity Facility ("LLF")

As per the Product Disclosure Statement, the LLF was terminated on 30 September 2009.

Westpac had 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. STML, as Responsible Entity for Stockland Trust, had 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 could 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 1,059,000 units (year ended 30 June 2009: 2,084,000) in the Trust.

Units held by Stockland Trust

As at 31 December 2009, STML, as Responsible Entity of Stockland Trust, a related party of the Responsible Entity, holds 5,680,500 units (30 June 2009: 4,621,500) in the Trust.

Property Management and Leasing Fee

Stockland Property Management Limited, a related party of the Responsible Entity, charged $559,923 (31 December 2008: $516,476) to SDOT Sub-Trust 1 for property management services including onsite property management staff and leasing fees. Of this amount, $435,586 (31 December 2008: $437,408) forms part of the outgoings recoverable from tenants pursuant to leases.

Rent

SDOT Sub-Trust 1 charged rent of $48,483 (31 December 2008: $44,287) 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 $50,529 (31 December 2008: $50,440) 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. This guarantee is due to cease on 30 June 2010. The fee is calculated at 0.1% of the drawn balance of the debt facility.

14 Commitments

As at 31 December 2009, the Trust has no commitments (30 June 2009: $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 2009, the Trust has no contingent liabilities and no contingent assets (30 June 2009: $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 2009.

Stockland Direct Office Trust No. 1
Directors' Declaration
For the half year ended 31 December 2009

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 18, 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 2009 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 interim 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, 18 February 2010

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

We have reviewed the accompanying interim financial report of Stockland Direct Office Trust No.1 (the Trust), which comprises the interim balance sheet as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary 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 2009 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 an 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.

KPMG

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 2009 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*.

Significant uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to note 1(b) to the interim financial report. As at 31 December 2009, the Trust's ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the Trust being successful in refinancing its loan facility should a sale of the Trust's investment in SDOT Sub-Trust 1 not be achieved prior to the loan facility maturing on 1 July 2010.

KPMG

KPMG

S. A. Fleming

Scott Fleming
Partner

Sydney
18 February 2010