



# STOCKLAND DIRECT OFFICE TRUST NO. 1 (“SDOT1” or “the Trust”) ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES Updated February 2012

## Introduction

The following document has been prepared for SDOT1 for the purposes of ASIC Regulatory Guide 46. All figures are as at 31 December 2011 unless stated otherwise. For further information please refer to the Financial Report on our website <http://www.stockland.com.au/UnlistedPropertyFunds>.

The Trust sold its only investment, a 50% indirect interest in Waterfront Place, 1 Eagle Street, Brisbane, QLD, to Future Fund, for \$217m, with settlement occurring on the 20 May 2011. The gross proceeds were utilised to repay the debt facility and sales costs with \$21 million also being held in a Retention Fund until June 2012 to cover warranties given by the Trust as part of the sale agreement. The balance of the sales proceeds less a contingency for any additional costs that may arise, was distributed to investors via an Interim distribution of 128.5 cents per unit paid on 29 June 2011.

The Trust has no property investments and does not have an outstanding debt facility, therefore the following Disclosure Principles are no longer required:

### Disclosure Principle 1: Gearing Ratio

### Disclosure Principle 2: Interest Cover

### Disclosure Principle 3: Scheme Borrowing

### Disclosure Principle 4: Portfolio Diversification

### Disclosure Principle 5: Valuation Policy

## Disclosure Principle 6: Related Party Transactions

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

As outlined in Section 5.6 of the PDS, approval of all related party transactions by the board of Stockland Capital Partners Limited (“SCPL”) the RE of SDOT1, are to be by unanimous vote, including independent directors. Any Stockland executive directors are excluded from voting on such transactions.

Listed below are the primary related party transactions for the half year ended 31 December 2011. Please refer to Note 9 of the Interim Financial Report for a full review of related party transactions concerning SDOT1 during the six month period.

- Stockland Trust Management Limited (“STML”) as the RE of Stockland Trust, a related party of SCPL, held 5,680,500 units in SDOT1 at 31 December 2011.
- Subsequent to the sale of the Trust's investment, Stockland Property Management Pty Ltd is no longer a related party of SDOT Sub-Trust 1, and therefore no rent was charged during the period ending 31 December 2011.

- Two SCPL Directors held units in SDOT1 at 31 December 2011. Mr David Kent held 20,000 units and Mr Matthew Quinn held 15,000 units.
- SCPL does not hold any units in SDOT1.

### Fees to related parties

Type	Amount	When Paid?
RE Management Fee	\$0.059 m for the year ended 31 December 2011, representing 0.45% p.a. of the gross value of the assets of the Trust.	Paid quarterly in arrears to SCPL out of the assets of the Trust.
Performance Fee	\$0.014 m for the year ending 31 December 2011. The performance fee is calculated on a sliding scale provided that the Trust's property interest exceeds investors' original investment by at least 10%.  For further information please refer to Section 6 of the PDS.	Payable by the Trust following the sale of Waterfront Place, termination of the Trust or a final return of capital to investors.  An accumulated performance fee of \$5.427m was paid to SCPL in June 2011.

Limited Debt Guarantee Fee	Subsequent to the sale of the Trust's investment, there is no longer a debt facility in place, hence a \$nil charge.	Previously paid quarterly in arrears to Stockland Corporation out of the Trust's assets.
Property Management Fee	Subsequent to the sale of the Trust's investment, Stockland Property Management is no longer a related party of SDOT Sub-Trust 1, and therefore no management fee was charged during the period ending 31 December 2011	Previously payable to Stockland Property Management Limited quarterly in arrears. A portion may be deferred and recovered on wind up of the Trust.

### Policy and Ongoing Monitoring

A corporate governance framework has been established to protect investors' interests. This framework includes:

- Documented, formally approved and executed agreements between Stockland Corporation, STML and SDOT1 by separate independent legal advice obtained by SCPL on behalf of SDOT1;
- Two of the four Directors of the SCPL Board are independent of Stockland Corporation;
- Monitoring of compliance with our obligations by the Compliance Committee;
- A six monthly review and full year audit by the scheme auditor and full year audit by the compliance plan auditor;
- A requirement for the approval of all related party transactions by the SCPL Board to be by unanimous vote, including the independent directors;

- Acting in accordance with the RE's conflicts of interest policy which is made available to all staff. The policy is reviewed on an ongoing basis to ensure that Stockland maintains adequate conflicts management arrangements.

The SCPL Directors have a fiduciary duty to act in the best interests of investors in relation to decisions affecting SDOT1. Please refer to Section 5.6 of the Product Disclosure Statement for further information concerning SDOT1's Corporate Governance policies.

## Disclosure Principle 7: Distribution Practices

### Source of Distributions

Previous distributions were funded entirely from realised income. There was no distribution for the September and December 2011 quarters.

An interim distribution of 128.5 cents per unit was paid to investors on 29 June 2011. The interim distribution consisted of the sale proceeds from the divestment of the Trust's interest in Waterfront Place, less the repayment of the loan facility, a \$21 million retention amount, sales costs and a contingency for any unforeseen and yet to be determined costs.

A final distribution may be payable on the wind up of the Trust once the Retention Period has lapsed on 15 June 2012.

## Disclosure Principle 8: Withdrawal Arrangements

Once an application for units has been received, investors are unable to redeem their units until the termination date.

### Limited Liquidity Facility

Investors were previously able to transfer their units in the Trust via a Limited Liquidity Facility ("LLF"). In accordance with Section 3.8 of the SDOT1 PDS, the LLF closed during the September

2009 Quarter and investors are no longer able to transfer their units to Stockland Trust via the LLF.

### Off Market Transfers

Investors are still able to transfer their units via an Off Market Transfer Process. Investors may transfer their units to third parties in accordance with the terms and conditions detailed in Section 3.7 of the PDS. Geared Investors may only transfer units with the consent of the lender (Westpac) in accordance with the terms of the investment loan.

### Risks on Termination

The remaining performance of the Trust will be influenced by a range of risk factors before a fully executed wind up is completed. The major risk being any claims on warranties by Future Fund which is currently being held in the Retention Fund.

## Further Information

For further information in relation to the above please refer to the website at <http://www.stockland.com.au/UnlistedPropertyFunds> or contact our Client Relations Manager, Janine Seeto on (02) 9035 2491 or email [janine.seeto@stockland.com.au](mailto:janine.seeto@stockland.com.au).

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