



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

## Introduction

The following document has been prepared for SDOT1 for the purposes of ASIC Regulatory Guide 46. All figures are as at 30 June 2009 unless stated otherwise.

## Disclosure Principle 1: Gearing Ratio

**Gearing ratio:** **42%**

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

## Disclosure Principle 2: Interest Cover

**Interest Cover Ratio:** **1.9 times**

Interest cover measures the ability of the scheme to service interest expense on debt from earnings. It is therefore a critical indication of a scheme's financial health and key to analysing the sustainability and risks associated with the scheme's level of borrowing. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. An Interest Cover Ratio of 1.9 indicates that SDOT1 is able to meet its interest payments based on the 30 June 2009 Annual Financial Report.

Please note, the Interest Cover Ratio above varies from the ratio provided to financiers. The variation is due to different calculations required by ASIC and the financiers.

## Disclosure Principle 3: Scheme Borrowing

The following provides a summary of SDOT1's borrowing arrangements.

	Limit \$(m)	Undrawn Amount \$(m)	Facility Expiry	Interest Rate (%)	Hedging Expiry
Term Loan	92.5	0	July 2010	6.52	June 2010
CapEx	15.9	8.2	July 2010	Variable	
<b>Total Facility</b>	<b>108.4</b>	<b>8.2</b>	July 2010		

### Loan Covenants

All loan covenants were complied with as at 30 June 2009.

A breach of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further draw-downs on the credit facility.

Investors should note that they will rank behind the creditors of the fund. This means if the lender enforces its security over the Trust then the lender will be reimbursed prior to investors receiving their interest.

## Disclosure Principle 4: Portfolio Diversification

### Investment Strategy

The Trust aims to deliver a high, tax effective income return to investors. It also aims to maximise the capital return to investors over time. The Trust has invested in a single asset, Waterfront Place (WFP), 1 Eagle Street, Brisbane. We do not expect to make any further acquisitions or divestments over the term of the Trust. Prior to 31 December 2009, SCPL as the Responsible Entity (“RE”) will convene a meeting of investors to consider the ongoing investment strategy.

### Property Valuations

Property:	Waterfront Place 1 Eagle Street, Brisbane
Valuation* :	\$235.75m
Date of Valuation:	30 June 2009
Valuer:	CB Richard Ellis
Cap rate:	7.25%
Occupancy:	100%

\* 50% Share in WFP

### Geographic Spread

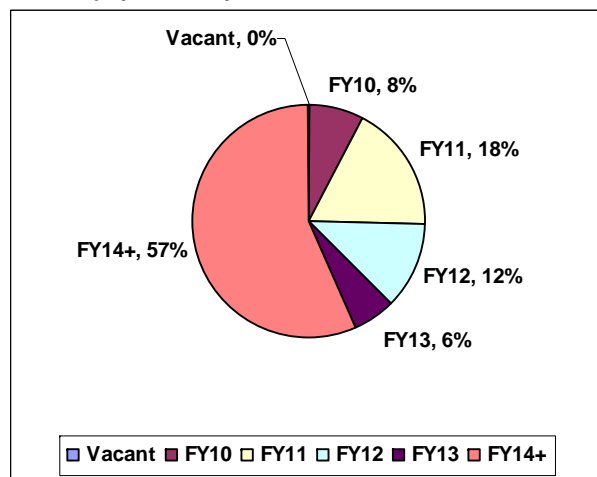
Diversification	Geographic Spread QLD	Sector Spread QLD
By Value	100%	100%
By Number	100%	100%

### Occupancy and Top 5 Tenants

The property has 100% occupancy as at 30 June 2009.

Top 5 Tenants	% of Income	% of NLA
Minter Ellison	12%	13%
Ernst & Young	9%	10%
Corrs / PF Lawyers	7%	7%
Bankwest / Corrs	6%	6%
BHP Coal / Bankwest	6%	6%

### Lease Expiry Profile by Area



Weighted average lease expiry by income (yrs): 4.81 as at 30 June 2009.

### Disclosure Principle 5 : Valuation Policy

SDOT1's policy is for WFP to be independently valued at least every three years by a Certified Practising Valuer registered with the Australian Property Institute. A directors' valuation is undertaken at every other reporting date when an external valuation does not occur (i.e. 30 June and 31 December). Where

the internal valuation produces a variance of greater or less than 5% of WFP's built up book value, an external valuation is required. In addition, where the built up book value is greater or less than 5% of the most recent independent valuation, a new external valuation is required.

A further requirement in addition to the policy above occurred for 30 June 2008, 31 December 2008 and 30 June 2009. Where the internal valuation produces a variance in the range of -2% to -5% of WFP's built up book value, the property may be subject to an external valuation at the directors' discretion.

### 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 responsible entities 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.

Related party transactions include:-

- Stockland Trust Management Limited ("STML") as the Responsible Entity of Stockland Trust, a related party of SCPL, held 4,621,500 units in SDOT1 at 30 June 2009.
- SDOT Sub-Trust 1 charged rent of \$90,050 to Stockland Property Management Limited ("SPML") for occupancy of the WFP management office for the year ended 30 June 2009.
- Two SCPL Directors held units in SDOT1 at 30 June 2009. Mr David Kent held 20,000 units and Mr Matthew Quinn held 15,000 units.

Stockland Capital Partners Limited ("SCPL") is the Responsible Entity of SDOT1. SCPL does not hold any units in SDOT1.

### Fees to related parties

Type	Amount	When Paid?
Management Fee	\$1.2m for the year ended 30 June 2009, representing 0.45% p.a. of the gross assets value of the Trust.	Payable to SCPL from the assets of the Trust at the end of each quarter.
Performance Fee	\$6.2m provided for at 30 June 2009 as calculated on a sliding scale provided that the Trust's property interest exceeds Investors' original investment by 10%.	Payable by the Trust following the sale of Waterfront Place, termination of the Trust or a final return of capital to investors.
	Please refer to Section 6 of the Product Disclosure Statement.	
Limited Debt Guarantee Fee	\$0.1m for the year ended 30 June 2009, representing 0.10% p.a. of the drawn balance of the debt facility.	Paid quarterly in arrears to Stockland Corporation out of the Trust's assets.
Property Management Fee	\$1.1m for the year ended 30 June 2009, representing property management services including onsite property management and leasing fees.	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 and 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 our Directors are independent of Stockland;
- 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 our 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.

### Disclosure Principle 7: Distribution Practices

Some unlisted property schemes make distributions to members from capital and/or unrealised gains where cash is available from either within the fund or from borrowings.

#### Source of Distributions

Distributions for the year ended 30 June 2009 for SDOT1 were funded entirely from realised income. Going forward it is anticipated that distributions will be funded entirely from realised income however the RE may review and adjust accordingly.

### Disclosure Principle 8: Withdrawal Arrangements

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

Investors may however be able to sell their units by participating in the Limited Liquidity Facility ("LLF") offered by Westpac, or through the off market transfer process.

#### Limited Liquidity Facility

The LLF is a facility which Westpac has agreed to provide to investors of SDOT1. The LLF is available on a quarterly basis and provides unitholders with an opportunity to sell their units prior to the termination date, subject to certain conditions.

Westpac has agreed to acquire up to 521,000 units in SDOT1 per quarter from Unitholders seeking to realise their units. Units are acquired at a 2.5% discount to NTA per unit less transaction costs. STML has placed a standing order with Westpac to acquire a maximum of 521,000 units per quarter. This standing order can be terminated at any time.

Applications under the LLF will be considered an irrevocable offer by investors and cannot be withdrawn. An application must be for an investor's entire holding.

For geared investors, the consideration received for the transfer of units under the LLF will be reduced by any outstanding financial obligations under the Investment Loan.

For the purposes of the LLF, the Net Tangible Asset ("NTA") per unit will be calculated twice a year based on the financial statements of the Trust prepared as at 30 June and 31 December.

As the June 2009 Quarter LLF was heavily oversubscribed, the September 2009 Quarter LLF will not be open for any new applications.

In accordance with the SDOT1 Product Disclosure Statement, the September 2009 Quarter will be the last period for which the LLF will operate until the SDOT1 Investor Meeting is called before 31 December 2009 to discuss the investment and liquidity strategy of the Trust.

#### Limitations

This Facility may be terminated without notice to Investors at any time and there is no guarantee that it will continue. The LLF can be terminated by Westpac in the following circumstances:

- STML withdraws its standing order with Westpac to acquire units on Stockland Trust's behalf, which it may do at any time at its discretion. (STML will not acquire units if to do so would cause its total aggregate holding in SDOT1 to exceed a 19.9% interest);
- The RE convenes a meeting of Investors to consider the investment strategy of SDOT1;
- There is a change in control of the RE;
- SDOT1's property interest is sold or STML as co-owner disposes of its interest in WFP;
- There is a change in Westpac's Australian Financial Services License ("AFSL") such that Westpac can no longer provide the LLF.

The Responsible Entity will notify investors if the LLF is terminated in the quarterly distribution statement next following the date of termination.

Please refer to the Terms and Conditions of the LLF in the Product Disclosure Statement dated 10 September 2004.

### Risks on Termination

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

- Changes in the economy and market conditions may affect demand and therefore property values;
- Investors will be indirectly exposed to property market risk;
- The value of WFP may fluctuate depending on market conditions and there may be a delay in achieving a sale of WFP;
- The Trust may be required to refinance the debt facilities upon termination;
- There is no guarantee that new facilities may be obtained at comparable interest rates, if at all;
- For Geared Investors, the timing of the repayment of the Investment Loan may be an additional risk. WFP may not be sold until after the repayment date, or at all. In these cases, Geared Investors may be required to repay the Investment Loan even though the Property may not have sold.

Please refer to Section 8 of the Product Disclosure Statement for more information.

### Further Information

For further information in relation to the above, please refer to the website at <http://www.stockland.com.au/UnlistedPropertyFunds> or contact Michael Radziowsky (Client Relations Manager) on 02 9035 3208 or email [Michael.Radziowsky@stockland.com.au](mailto:Michael.Radziowsky@stockland.com.au)

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