



STOCKLAND DIRECT OFFICE TRUST NO. 1 (“SDOT1” or “the Trust”) ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES Updated September 2010

Introduction

The following document has been prepared for SDOT1 for the purposes of ASIC Regulatory Guide 46. All figures are as at 30 June 2010 unless stated otherwise. For further information please refer to the Annual Financial Report on our website <http://www.stockland.com.au/UnlistedPropertyFunds>.

Disclosure Principle 1: Gearing Ratio

Gearing ratio:	46%
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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:	2.0 times
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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 (“ICR”) of 2.0 indicates that SDOT1 is able to meet its interest payments based on the 30 June 2010 Annual Financial Report. Please note, the ICR 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 table provides a summary of SDOT1's borrowing arrangements as at 31 August 2010.

	Limit \$(m)	Undrawn Amount \$(m)	Facility Expiry	Interest Rate (%)*	Hedging Expiry**
Term Loan	92.5	0	Sept 2012	BBSY + 2.30%	n/a
CapEx	15.9	8.2	Sept 2012	BBSY + 2.30%	n/a
Total Facility	108.4	8.2	Sept 2012		

* The interest rate includes the line fee and margin. The quoted rate is applicable from 1 October 2010. A rate of BBSY + 0.60% is applicable to 30 September 2010.

** Negotiations are currently underway to secure an interest rate swap contract to come into effect from October 2010.

In June 2010 an agreement was reached with SDOT1's financier to extend the loan facility for three months to 30 September 2010. A \$300,000 fee was paid to secure this extension and an interest rate of BBSY + 0.60% is applicable for the three month period.

Discussions are continuing with several parties in relation to the proposed sale of SDOT1's 50 per cent share of Waterfront Place, however due to the complexity of the transaction and the nature of the SDOT1 interest, it is unlikely that a sale will be completed prior to 30 September 2010.

In response to this and to ensure no time pressures are placed on SDOT1, preventing the best possible outcome for investors, in August 2010 the loan facility was extended for a further two years to 30 September 2012.

An extension fee of \$325,000 was paid to secure this facility. However, there are no cancellation or prepayment fees payable on early termination of the facility. The loan to valuation ratio under the extension to the facility will increase from 50 per cent to 55 per cent. The Limited Debt Guarantee provided by Stockland Corporation to secure more favourable borrowing terms, as outlined in Section 3.3 of Product Disclosure Statement, remains in place. However, the fee payable for this guarantee is under negotiation.

The interest rate swap on the main facility expired on 1 July 2010. A new swap contract has not been entered into for the September 2010 quarter. However, negotiations for a new swap contract from October 2010 are progressing.

Loan Covenants

All loan covenants were complied with as at 30 June 2010. 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 rank behind the creditors of the SDOT1 Trust. This means if the lender enforces its security over the Trust then the lender will be reimbursed prior to investors receiving their interest.

Geared Investors' Borrowings

Geared Investors' loan agreements matured on 30 June 2010. Westpac as the financier of the loans to Geared Investors has advised these loans will need to be repaid by 30 September 2010. For further information please refer to correspondence received from Westpac.

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.

Stockland Capital Partners Limited ("SCPL"), as the Responsible Entity of SDOT1, convened a Meeting of investors to consider the ongoing investment strategy of the Trust. This meeting was held on Friday 11 December 2009. The Special Resolution was approved by investors, (more than 75 per cent of the total eligible votes cast by investors entitled to vote), which authorised SCPL to sell the Trust's 50 per cent investment in Waterfront Place and as soon as practical after the conclusion of the sale, terminate and wind up the Trust.

In February 2010, Stockland Trust, which has pre-emptive rights over the sale, was informed of the terms and conditions of the sale based on two independent property valuations. On 18 March 2010, Stockland Trust confirmed that it will not exercise its pre-emptive rights. A public sale campaign commenced in April 2010. The period to lodge expressions of interest closed on 12 May 2010, with several expressions of interest received. Discussions are continuing with several parties in relation to the proposed sale, however due to the complexity of the transaction, it is unlikely that a settlement will occur prior to 30 September 2010.

While we are doing everything we can to achieve a speedy result on your behalf, we cannot be certain when a sale may be achieved. The sale will most likely be a complicated transaction involving lengthy negotiations with potential purchasers and negotiations will continue beyond September 2010. SCPL will continue to act in the best interests of investors and will keep you updated as progress is made.

Property Valuation

Property	Waterfront Place 1 Eagle Street, Brisbane
Valuation*	\$219 m
Date of Valuation	30 June 2010
Valuer	Savills
Cap rate	7.50%
Occupancy	96%

* SDOT1's 50% Share in Waterfront Place

Geographic Spread

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

Top 5 Tenants by Income

Top 5 Tenants	% of Income
Ernst & Young Services	14%
Minter Ellison	12%
Corrs Support Services	7%
Bank of Western of Australia	7%
BHP Billiton	6%

Top 5 Tenants by Net Lettable Area (NLA)

Top 5 Tenants	% of NLA
Minter Ellison	13%
Ernst & Young Services	11%
Phillips Fox Lawyers Limited	7%
Corrs Support Services	6%
Bank of Western of Australia	6%

Lease Expiry Profile by Area



Occupancy and Weighted Average Lease Expiry

At 30 June 2010, occupancy was 96 per cent and the Weighted Average Lease Expiry was 4.16 years.

Disclosure Principle 5: Valuation Policy

SDOT1's policy is for Waterfront Place to be independently valued at least every three years by a Certified Practising Valuer registered with the Australian Property Institute. An internal 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 results in a variance outside the range -5 per cent to 5 per cent of Waterfront Place's built up book value, an external valuation is required.

In addition to the policy above, a further requirement was implemented between 30 June 2008 and 31 December 2009. Where the internal valuation produces a variance in the range of -2 per cent to -5 per cent of the built up book value, the property may be subject to an external valuation at the directors' discretion. At 30 June 2010 this additional requirement ceased.

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.

As outlined in Section 5.6 of the PDS, approval of all related party transactions by the board of the RE 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 year ended 30 June 2010. Please refer to Note 20 of the Annual Financial Report for a full review of related party transactions concerning SDOT1 during the 12 month period.

- Stockland Trust Management Limited ("STML") as the Responsible Entity of Stockland Trust, a related party of SCPL, held 5,680,500 units in SDOT1 at 30 June 2010.
- SDOT Sub-Trust 1 charged rent of \$98,693 to Stockland Property Management Limited ("SPML") for occupancy of the Waterfront Place management office for the year ended 30 June 2010.

- Two SCPL Directors held units in SDOT1 at 30 June 2010. 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?
Management Fee	\$1.016 m for the year ended 30 June 2010, 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	-\$0.438 m of the provision was reversed at 30 June 2010 as 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.
Limited Debt Guarantee Fee	\$0.100 m for the year ended 30 June 2010, 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	\$1.415 m for the year ended 30 June 2010, 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.
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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 Directors 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

Distributions for the year ended 30 June 2010 for SDOT1 were funded entirely from realised income. Going forward it is anticipated that distributions will continue to be funded from available cash. However, SCPL 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.

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 has now closed 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 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 Waterfront Place may fluctuate depending on market conditions and there may be a delay in achieving a sale of SDOT1's 50% interest in Waterfront Place;
- For Geared Investors, the timing of the repayment of the Investment Loan is an additional risk. It is unlikely that settlement of a sale will be achieved prior to 30 September 2010. As a result, under the existing loan agreement, geared investors will need to repay their loan to Westpac on or before 30 September 2010.

Please refer to Section 8 of the PDS for more information on risk factors relating to the Trust.

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, Michael Radziowsky on (02) 9035 3208 or email michael.radziowsky@stockland.com.au.

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