



STOCKLAND DIRECT OFFICE TRUST NO. 1 ("SDOT1")

ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES

Updated March 2010

Introduction

The following document has been prepared for SDOT1 for the purposes of ASIC Regulatory Guide 46. All figures are as at 31 December 2009 unless stated otherwise. For further information please refer to the Interim Financial Statements on our website <http://www.stockland.com.au/UnlistedPropertyFunds>.

Disclosure Principle 1: Gearing Ratio

| | |
|-----------------------|------------|
| Gearing ratio: | 46% |
|-----------------------|------------|

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: | 2.2 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 ("ICR") of 2.2 indicates that SDOT1 is able to meet its interest payments based on the 31 December 2009 Interim Financial Statements. 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.

| | Limit \$(m) | Undrawn Amount \$(m) | Facility Expiry | Interest Rate (%) | Hedging Expiry |
|-----------------------|----------------|----------------------------|--------------------|-------------------------|-------------------|
| Term Loan | 92.5 | 0 | July 2010 | 6.52* | July 2010 |
| CapEx | 15.9 | 8.2 | July 2010 | BBSY + 0.50% | |
| Total Facility | 108.4 | 8.2 | July 2010 | | |

* Includes the base rate and margin. Excludes the line fee.

SDOT1's loan facility agreement matures on 1 July 2010 and we have begun discussions with SDOT1's financier to extend SDOT1's loan facility in the event that SDOT1's 50 per cent share of Waterfront Place, 1 Eagle Street, Brisbane (Waterfront Place) is not sold by 1 July 2010.

Loan Covenants

All loan covenants were complied with as at 31 December 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 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 mature on 30 June 2010. If the sale of SDOT1's 50 per cent share of Waterfront Place is not achieved by 30 June 2010, Geared Investors will need to repay their loans by the earlier of the receipt of sale proceeds or 30 September 2010.

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.

We are now preparing to undertake a public sale campaign that will commence in April 2010 with Jones Lang LaSalle as sale agent.

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

Property Valuation

The table below provides a summary of the independent valuation conducted for 31 December 2009.

| | |
|-------------------|--|
| Property | Waterfront Place 1 Eagle Street, Brisbane |
| Valuation* | \$217.5m |
| Date of Valuation | 31 December 2009 |
| Valuer | Savills |
| Cap rate | 7.50% |
| Occupancy | 98% |

* SDOT1's 50% Share in Waterfront Place

Geographic Spread

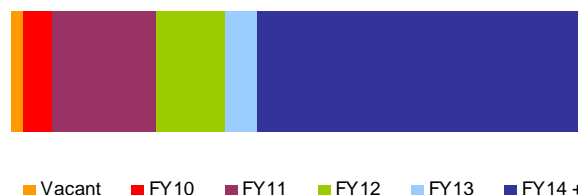
| Diversification | Geographic Spread | Sector Spread |
|-----------------|-------------------|---------------|
| | QLD | QLD |
| By Value | 100% | 100% |
| By Number | 100% | 100% |

Occupancy and Top 5 Tenants

The property has 98 per cent occupancy as at 31 December 2009.

| Top 5 Tenants | % of Income | % of NLA |
|------------------------------|----------------|-------------|
| Ernst & Young Services | 14% | 10% |
| Minter Ellison | 12% | 13% |
| Corrs Support Services | 7% | 6% |
| Bank of Western of Australia | 6% | 6% |
| BHP Billiton | 6% | - |
| Phillips Fox Lawyers Limited | - | 7% |

Lease Expiry Profile by Area



Weighted average lease expiry by income (years): 4.44 as at 31 December 2009.

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, where the variance in the built up book value is outside the range -5 per cent to 5 per cent 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, 30 June 2009 and 31 December 2009. Where the internal valuation produces a variance in the range of -2 per cent to -5 per cent of Waterfront Place'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 5,680,500 units in SDOT1 at 31 December 2009.
- SDOT Sub-Trust 1 charged rent of \$48,483 to Stockland Property Management Limited ("SPML") for occupancy of the Waterfront Place management office for the half year ended 31 December 2009.
- Two SCPL Directors held units in SDOT1 at 31 December 2009. 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 | \$0.53m for the half year ended 31 December 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 | \$0.49m of the provision was reversed at 31 December 2009 as calculated on a sliding scale provided that the Trust's property interest exceeds investors' original investment by 10%. For further information please refer to Section 6 of the Product Disclosure Statement ("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 | \$0.05m for the half year ended 31 December 2009, representing 0.10% p.a. of the drawn balance of the debt facility. This facility is due to cease 30 June 2010. | Paid quarterly in arrears to Stockland Corporation out of the Trust's assets. |

| | | |
|-------------------------|--|---|
| Property Management Fee | \$0.56m for the half year ended 31 December 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, 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.

Disclosure Principle 7: Distribution Practices

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

Source of Distributions

Distributions for the half year ended 31 December 2009 for SDOT1 were funded entirely from realised income. Going forward it is anticipated that distributions will continue to be funded from realised income 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.

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 Product Disclosure Statement, the LLF has now closed and investors are no longer able to transfer their units to Stockland Trust via the LLF.

Investors are still able to transfer their units via an Off Market Transfer Process. Further details on Off Market Transfers are set out in Section 3.7 of the Product Disclosure Statement.

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 Waterfront Place;
- 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. If SDOT1's 50 per cent share of Waterfront Place is not achieved by 30 June 2010, Geared Investors will need to repay their loans by the earlier of the receipt of sale proceeds or 30 September 2010.

Please refer to Section 8 of the PDS 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 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.