

**Stockland Direct Office Trust No. 3  
and its controlled entities**

ARSN: 124 439 925

**Consolidated Interim Financial Report  
for the half year ended  
31 December 2007**

Registered office:

133 Castlereagh Street  
Sydney NSW 2000

# **Stockland Direct Office Trust No. 3 and its controlled entities**

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# Stockland Direct Office Trust No. 3 and its controlled entities

## Directors' Report

### For the half year ended 31 December 2007

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Direct Office Trust No. 3 ("the Trust"), present their report together with the consolidated interim Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust and its controlled entities ("the consolidated entity") for the half year ended 31 December 2007, the state of the consolidated entity's affairs as at 31 December 2007 and the Independent Auditor's Review Report.

The Trust was established on 3 November 2006 with Stockland Trust Management Limited ("STML") appointed as the Responsible Entity. Upon the retirement of STML as Responsible Entity, Stockland Funds Management Limited ("SFML") was appointed as the Responsible Entity on 13 March 2007. On 28 March 2007, the Trust was registered as a managed investment scheme with ASIC. SFML changed its name to Stockland Capital Partners Limited on 21 December 2007.

### 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
<b>Non - executive Directors</b>	
Peter Scott, <i>Chairman</i>	Appointed 22 November 2005
Lyn Gearing	Appointed 22 November 2005
David Kent	Appointed 9 August 2004
Tony Sherlock	Appointed 9 August 2004
Terry Williamson	Appointed 2 July 2004; Retired 23 October 2007 <sup>1</sup>
Barry Neil	Appointed 23 October 2007
<b>Executive Director</b>	
Matthew Quinn	Appointed 19 October 2000
Hugh Thorburn (alternate for Mr Quinn)	Appointed 25 October 2007

<sup>1</sup> Mr T Williamson remains chair of the SCPL Audit and Risk Committee.

### Principal activities

The principal activity of the consolidated entity is the investment in a portfolio of four commercial office properties and a car park located in New South Wales, Western Australia, Australian Capital Territory and Victoria.

### Review of operations

The consolidated entity achieved a profit from operations of \$7,455,000 for the half year ended 31 December 2007 (31 December 2006: \$Nil)

Distributions paid or declared by the consolidated entity to unitholders during the half year ended 31 December 2007 are set out in Note 8 of the Financial Statements.

### 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 2007.

# Stockland Direct Office Trust No. 3 and its controlled entities

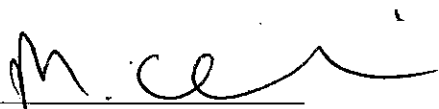
## Directors' Report

For the half year ended 31 December 2007

### Rounding

The consolidated entity 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 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, 21 February 2008



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

To: the directors of the Responsible Entity of Stockland Direct Office Trust No. 3, Stockland Capital Partners Limited.

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2007 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

Scott Fleming  
*Partner*

Sydney

21 February 2008

# Stockland Direct Office Trust No. 3 and its controlled entities

## Consolidated Interim Income Statement

For the half year ended 31 December 2007

	1 Jul to 31 Dec 2007	3 Nov to 31 Dec 2006 <sup>1</sup>
Note	\$'000	\$'000
<b>Revenue and other income</b>		
Rent from investment properties	5,908	-
Net gain from fair value adjustment of investment properties <sup>2</sup>	6,323	-
Interest income	234	-
<b>Total revenue and other income</b>	<b>12,465</b>	<b>-</b>
<b>Investment property expenses</b>		
Investment property expenses	(1,728)	-
Finance costs to external parties	(2,829)	-
Responsible Entity fees	(326)	-
Other expenses	(127)	-
<b>Total expenses</b>	<b>(5,010)</b>	<b>-</b>
<b>Profit from operating activities</b>	<b>7,455</b>	<b>-</b>

<sup>1</sup>The Trust commenced on 3 November 2006.

<sup>2</sup>This includes a \$0.7m gain from a fair value adjustment associated with the Parramatta investment property. Under AASB 140 "Investment Property" if payment for the property is deferred, the initial cost is deemed to be the present value of the consideration payable, being \$39.34m. However the fair value accounting policy requires the property to be recorded at the independent valuation amount of \$40.04m at acquisition date (30 June 2007). This difference of \$0.7m has therefore been recorded as a fair value gain. During the twelve months to 30 June 2008, when the deferred consideration being the exercise price of the put and call option is payable, a \$0.7m interest expense will be recognised as the discount unwinds. Accordingly, the cumulative net profit effect by 30 June 2008 will be nil. Refer Note 4 for further information relating to the Parramatta property.

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

# Stockland Direct Office Trust No. 3 and its controlled entities

## Consolidated Interim Balance Sheet

As at 31 December 2007

	Notes	31 Dec 2007 \$'000	30 June 2007 \$'000
<b>Current assets</b>			
Cash and cash equivalents		6,593	5,393
Trade and other receivables		1,029	49
Other assets		2,578	3,782
<b>Total current assets</b>		<b>10,200</b>	<b>9,224</b>
<b>Non-current assets</b>			
Investment properties	4	134,495	128,165
Other assets		4,598	2,925
<b>Total non-current assets</b>		<b>139,093</b>	<b>131,090</b>
<b>Total assets</b>		<b>149,293</b>	<b>140,314</b>
<b>Current liabilities</b>			
Trade and other payables		3,498	1,528
Other liabilities	5	32,490	31,941
<b>Total current liabilities</b>		<b>35,988</b>	<b>33,469</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	6	53,872	53,859
<b>Total non-current liabilities</b>		<b>53,872</b>	<b>53,859</b>
<b>Total liabilities</b>		<b>89,860</b>	<b>87,328</b>
<b>Net assets</b>		<b>59,433</b>	<b>52,986</b>
<b>Unitholders' funds</b>			
Issued capital	7	53,794	53,794
Undistributed profit/(loss)		2,646	(2,423)
Reserves		2,993	1,615
<b>Total unitholders' funds</b>		<b>59,433</b>	<b>52,986</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Stockland Direct Office Trust No. 3 and its controlled entities**  
**Consolidated Interim Statement of Changes in Equity**  
**For the half year ended 31 December 2007**

	Issued capital		Unitholders' Funds		Reserves		Total
	1 July to 31 Dec 2007	3 Nov to 31 Dec 2006 <sup>1</sup>	1 July to 31 Dec 2007	3 Nov to 31 Dec 2006 <sup>1</sup>	1 July to 31 Dec 2007	3 Nov to 31 Dec 2006 <sup>1</sup>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>	53,794	-	(2,423)	-	1,615	-	52,986
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,378	-	1,378
<b>Total non-profit items recognised directly in equity</b>	53,794	-	(2,423)	-	2,993	-	54,364
Profit for the half year	-	-	7,455	-	-	-	7,455
<b>Total recognised income and expenses for the half year</b>	53,794	-	5,032	-	2,993	-	61,819
Units issued for the half year	7	-	-	-	-	-	-
Distributions paid	8	-	(2,386)	-	-	-	(2,386)
<b>Closing balance</b>	53,794	-	2,646	-	2,993	-	59,433

<sup>1</sup>The Trust commenced on 3 November 2006.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes



# Stockland Direct Office Trust No. 3 and its controlled entities

## Consolidated Interim Cash Flow Statement

For the half year ended 31 December 2007

	1 Jul to 31 Dec 2007 \$'000	3 Nov to 31 Dec 2006 <sup>1</sup> \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	5,876	-
Cash payments in the course of operations	(1,280)	-
Interest received	234	-
Interest paid	(1,728)	-
<b>Net cash flows from operating activities</b>	<b>3,102</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Payment for investment properties	(7)	-
<b>Net cash flows from investing activities</b>	<b>(7)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from external party financing	-	-
Borrowing costs paid	(122)	-
Proceeds from issue of units to unitholders	-	-
Payment of establishment fee	(580)	-
Distributions paid	(1,193)	-
<b>Net cash flows from financing activities</b>	<b>(1,895)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,200</b>	<b>-</b>
Cash and cash equivalents at the beginning of the half year	5,393	-
<b>Cash and cash equivalents at the end of the half year</b>	<b>6,593</b>	<b>-</b>

<sup>1</sup>The Trust commenced on 3 November 2006.

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

# **Stockland Direct Office Trust No. 3 and its controlled entities**

## **Notes to the Consolidated Interim Financial Statements**

### **For the half year ended 31 December 2007**

#### **1 Summary of significant accounting policies**

Stockland Direct Office Trust No. 3 (“the Trust”) is a Managed Investment Scheme domiciled in Australia. The consolidated Financial Report of the Trust comprises the Trust and its controlled entities (“the consolidated entity”).

The consolidated Financial Report as at and for the half year ended 31 December 2007 was authorised for issue by the Directors of the Responsible Entity on 21 February 2008.

The significant policies which have been adopted in the preparation of this consolidated Financial Report are:

##### **(a) Statement of compliance**

The consolidated 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.

This consolidated 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 Financial Report of the Trust for the year ended 30 June 2007.

##### **(b) Significant accounting policies**

The accounting policies applied by the consolidated entity in this consolidated Financial Report are the same as those applied by the consolidated entity in the consolidated Financial Report of the Trust for the year ended 30 June 2007.

The Trust is a consolidated entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

#### **2 Accounting estimates and assumptions**

The preparation of the Interim Financial Statements 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 these Interim Financial Statements 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 Financial Report of the Trust for the year ended 30 June 2007.

#### **3 Segment reporting**

The Trust and its consolidated entities operate solely in the business of investment management in Australia.

**Stockland Direct Office Trust No. 3 and its controlled entities**  
**Notes to the Consolidated Interim Financial Statements**  
**For the half year ended 31 December 2007**

**4 Non-current assets – Investment properties**

Description	Title	Acquisition date	Original purchase price (including acquisition costs) \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation (excluding acquisition costs) <sup>2</sup> \$'000	Book value 31 Dec 2007 \$'000	Book value 30 June 2007 \$'000
40 Cameron Avenue, Belconnen, ACT (50%) <sup>3</sup>	Leasehold	27 June 2007	34,912	34,912	March 2007 <sup>1</sup>	32,750	32,754	32,750
541 St Kilda Road, Melbourne, VIC	Leasehold	27 June 2007	30,162	30,162	March 2007 <sup>1</sup>	30,100	30,100	30,100
222 Russell Street, Melbourne, VIC	Leasehold	27 June 2007	16,879	16,879	March 2007 <sup>1</sup>	16,800	16,800	16,800
181 Great Eastern Highway, Belmont, WA	Freehold	27 June 2007	13,756	13,756	December 2007	18,750	18,750	13,000
75 George Street, Parramatta, NSW <sup>4</sup>	-	27 June 2007	39,328	39,335	March 2007 <sup>1</sup>	40,040	40,040	40,040
Total Investment Properties (including amounts classified in Trade and other receivables and Other assets)							138,444	132,690
Less amounts classified as:								
- Trade and other receivables							-	-
- Other assets							(3,949)	(4,525)
Total Investment Properties							134,495	128,165

<sup>1</sup> Date of latest valuation preceding acquisition by the Trust.

<sup>2</sup> The investment properties include a write-down to their fair value on acquisition.

<sup>3</sup> The consolidated entity has a 50% interest as a tenant in common for the Belconnen property.

<sup>4</sup> A put and call option has been issued over the property and must be exercised by July 2008. Upon exercise of the option by either party, freehold title will transfer to the Trust. Refer Note 9.

## Stockland Direct Office Trust No. 3 and its controlled entities

### Notes to the Consolidated Interim Financial Statements

#### For the half year ended 31 December 2007

#### 4 Non-current assets – Investment properties (continued)

	31 Dec 2007 \$'000	30 June 2007 \$'000
<i>Reconciliation – investment properties</i>		
<i>Direct investments and controlled entities</i>		
Carrying amount at the beginning of the financial period	128,165	-
Acquisitions	-	130,512
Net gain/(loss) on fair value adjustments of investment	6,323	(2,347)
Expenditure capitalised	7	-
Carrying amount at the end of the financial period	<u>134,495</u>	<u>128,165</u>

#### 5 Current liabilities – Other liabilities

Deferred consideration	31,652	31,259
Other liabilities	838	682
	<u>32,490</u>	<u>31,941</u>

The consolidated entity has entered into a deed of agreement with Stockland Holding Trust No. 2 (“SHT 2”) to acquire the Parramatta property. The agreement required the parties to enter into a put and call option and a concurrent lease over the property. The option will be exercised by July 2008. The deferred consideration relates to the final payment for the Parramatta property upon exercise of the option. Refer Note 9.

#### 6 Non-current liabilities – Interest-bearing loans and borrowings

Loan facility	54,193	54,193
Less: attributable transaction costs	(321)	(334)
Total Balance Sheet carrying amount at fair value	<u>53,872</u>	<u>53,859</u>

The Trust has an \$89,010,000 (30 June 2007: \$89,010,000) loan facility agreement, comprising a property facility and capital expenditure facility, with Australia and New Zealand Bank (“ANZ”). As at 31 December 2007, \$54,192,500 has been drawn on the property facility. The weighted average interest rate on the property facility for the period to 31 December 2007 was 7.88% p.a. (30 June 2007: 7.07% p.a.). The facility matures on 27 June 2010 and may be extended annually for a further twelve months on an ongoing basis.

The debt facility to the Trust is secured by a limited registered first mortgage over the properties and a fixed and floating charge over all assets of the consolidated entity.

**Stockland Direct Office Trust No. 3 and its controlled entities**

**Notes to the Consolidated Interim Financial Statements**

**For the half year ended 31 December 2007**

**7 Issued capital**

	Number of units	Number of units	31 Dec 2007 \$'000	30 June 2007 \$'000
	<b>60,020,000</b>	60,020,000	<b>53,794</b>	53,794

Date	Details	Number of units	Price per unit	\$'000
<b>Movement in units</b>				
3 November 2006	Opening balance	-	-	-
3 November 2006	Units issued	100	\$1.00	-
31 December 2006	Balance	100	-	-
15 June 2007	Units issued	20,655,000	\$1.00	20,655
27 June 2007	Units redeemed	(100)	\$1.00	-
27 June 2007	Units issued	39,365,000	\$1.00	39,365
27 June 2007	Transaction costs	-	-	(6,226)
30 June 2007	Balance	60,020,000	-	53,794
<b>31 December 2007</b>	<b>Closing Balance</b>	<b>60,020,000</b>	-	<b>53,794</b>

Rights and restrictions over units:

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

**8 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 %
<b>2007</b>				
30 September 2007	1.9875	<b>1,193</b>	31 October 2007	100
31 December 2007	1.9875	<b>1,193</b>	29 February 2008*	100
		<b>2,386</b>		

\* Proposed payment date.

# Stockland Direct Office Trust No. 3 and its controlled entities

## Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

### 9 Related parties

Stockland Capital Partners Limited ("SCPL"), formerly known as SFML, 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.

	1 Jul to 31 Dec 2007	3 Nov to 31 Dec 2006
	\$'000	\$'000
<b>Responsible Entity fees and other transactions</b>		
<i>Trust establishment fee</i>		
The Responsible Entity received a gross establishment fee for facilitating the issue of units under the offer including undertaking the property due diligence and for establishing the Trust calculated as 4.4075% of the value of the Trust's property interest. In the second half of the 2007 financial year, the Responsible Entity has paid \$2,944,000 plus GST for underwriting and distribution services. The Responsible Entity deferred \$550,000 of the Trust establishment fee.	-	-
<i>Responsible Entity fees</i>		
The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets of the consolidated entity.	326	-
As at 31 December 2007, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$146,918 (31 December 2006: \$Nil).		
<i>Performance fees</i>		
The Responsible Entity is entitled to a fee calculated as 20.5% of the performance of the Trust above the benchmark (10 year bond yield plus 3.0% per annum). The performance fee is calculated for each six month half year is capped at 0.46125% p.a. on the closing gross asset value of the Trust as disclosed in the balance sheet at each reporting date or realised on a sale of the property or properties during the half year. The Trust has not provided for a performance fee at 31 December 2007.	-	-
<i>Trust operating expenses</i>		
The Responsible Entity, if required to, will charge for reimbursable costs and expenses.	-	-
<i>Services fee</i>		
A services fee equal to the Responsible Entity's reasonable estimate of its costs in providing its services as Responsible Entity.	-	-
<b>Total Responsible Entity fees and other transactions</b>	<b>326</b>	<b>-</b>

## **Stockland Direct Office Trust No. 3 and its controlled entities**

### **Notes to the Consolidated Interim Financial Statements**

#### **For the half year ended 31 December 2007**

#### **9 Related parties (continued)**

##### **Other related party transactions**

###### ***Product Disclosure Statement Issue***

On 2 April 2007, SCPL issued a Product Disclosure Statement ("PDS") offering 60,020,000 units in the Trust at an application price of \$1.00 per unit to be issued by SCPL as Responsible Entity of the Trust. The offer opened on 2 April 2007 and closed on 27 June 2007. The units were allotted on 15 June 2007 and 27 June 2007.

###### ***Property Management Fee***

Stockland Property Management Pty Limited was appointed as the property manager to undertake the ongoing property management and leasing of the properties. A fee of \$49,000 (31 December 2006: \$Nil) was paid to the property manager during the half year.

###### ***Limited Liquidity Facility ("LLF")***

ANZ has agreed to acquire up to 1,000,000 Units in the Trust each quarter from unitholders seeking to realise their units. The price for each unit will be the most recent NTA per unit less a 2.5% discount, any transfer costs and a \$110 processing fee per application. The facility will commence operation in the quarter beginning 1 July 2008. Stockland Trust Management Limited ("STML"), as Responsible Entity for Stockland Trust, has placed a standing order to acquire the units that ANZ acquires under the LLF. This standing order from STML can be terminated at any time. During the half year STML, as Responsible Entity of Stockland Trust, acquired no units in the Trust via the LLF.

###### ***Underwriting***

During the previous financial year, SCPL entered into an Underwriting Agreement with ANZ and Stockland Trust under which ANZ underwrote the subscriptions for 47.5% of the units and Stockland Trust underwrote the subscriptions for the remaining 52.5% of the units.

No underwriting fee was charged by Stockland Trust.

###### ***Units held by Stockland Trust***

As at 31 December 2007, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, held 11,870,000 units in the Trust.

###### ***Stockland***

During the previous financial year, the controlled entity acquired the following properties from Stockland related entities:

- 181 Great Eastern Highway, Belmont, Western Australia;
- 40 Cameron Avenue, Belconnen, ACT (50% ownership);
- 541 St Kilda Road, Melbourne, Victoria;
- 222 Russell Street, Melbourne, Victoria; and
- 75 George Street, Parramatta, New South Wales.

Stockland received \$132.7 million, being the fair value of the properties.

###### ***Acquisition of a 50% interest in the Belconnen Property***

In the previous financial year the consolidated entity purchased a 50% interest as a tenant in common for the Belconnen property for a total consideration of \$32.8 million. The purchase was made by way of the redemption of units by Stockland Trust in SDOT 3 Property # 2 with the fund unitholders taking up the new units issued by SDOT 3 Property # 2. Stockland has provided a rental guarantee for 12 months in the event that the tenant vacates the property at the end of their current lease that expires in February 2012. Refer Note 12. Each co-owner has a first right of refusal to acquire the interests of the other co-owner who is looking to sell its interest in the property.

# Stockland Direct Office Trust No. 3 and its controlled entities

## Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2007

### 9 Related parties (continued)

#### Other related party transactions (continued)

##### *Acquisition of 300 year leasehold interest in the St Kilda Road Property*

In the previous financial year the consolidated entity entered into a 300 year concurrent lease with Australian Commercial Property Trust, a controlled entity of Stockland Trust, for the 541 St Kilda property for a consideration of \$30.1 million. The fair value of the property included a rental guarantee on vacancies at the time of entering into the long term lease for 12 months period to a maximum of \$398,000 together with a lease incentive of \$563,000. The lease incentive included rent free periods and fit-out contributions required to lease any vacant space for the first time.

##### *Acquisition of 300 year leasehold interest in the Russell Street Car Park*

In the previous financial year the consolidated entity entered into a 300 year concurrent lease with Stockland (Russell Street) Pty Limited, a controlled entity of Stockland, for 427 of the car parking spaces for a total consideration of \$16.8 million.

##### *Deed of Agreement for the Parramatta Property*

In the previous financial year the consolidated entity entered into a deed of agreement with SHT 2 to acquire the Parramatta property. The agreement required the parties to enter into a put and call option and a concurrent lease over the property. The agreement also contemplates the stapling of SHT 2 to the consolidated entity. This is proposed to occur in July 2008.

SHT 2 granted a call option to the consolidated entity for the purchase of the Parramatta property and the consolidated entity granted a put option to SHT 2 for the sale of Parramatta property. The purchase price of \$40.04 million comprises a call option fee of \$8.01 million and the exercise price of \$32.03 million. The options must be exercised by July 2008, unless an alternative transaction is entered into.

SHT 2 granted a concurrent lease to the consolidated entity until June 2008. This transfers all economic benefits and risks of the property to the consolidated entity. A 12 months rental guarantee on all vacancies has been provided to the consolidated entity at the time of entering into the concurrent lease.

##### *Stockland Trust*

Stockland Trust has provided an interest rate swap on the property loan facility to the Trust. The interest rate swap incurs a fixed cost equal to 6.35% p.a. payable quarterly in arrears and will terminate on the earlier of 7 years or when the underlying debt becomes due and payable.

### 10 Commitments

The Trust has no commitments at balance date (30 June 2007: \$Nil).

#### Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments receivable:

	31 Dec 2007	31 Dec 2006
	\$'000	\$'000
Within one year	14,103	-
Later than one year but not later than five years	44,810	-
Later than five years	3,003	-
	<u>61,916</u>	<u>-</u>



## **Stockland Direct Office Trust No. 3 and its controlled entities**

### **Notes to the Consolidated Interim Financial Statements**

#### **For the half year ended 31 December 2007**

#### **11 Other Information**

##### **Life of the Trust**

The Trust terminates on the earliest of:

- a) the date specified by the Responsible Entity as the date of termination of the Trust in a notice given to unitholders;
- b) the date of Delisting;
- c) a date which has been proposed to unitholders by the Responsible Entity, and which the unitholders have approved by Special Resolution; and
- d) the date on which the Trust terminates in accordance with the provisions of the Trust Constitution or by law.

#### **12 Contingent liabilities and contingent assets**

As at 31 December 2007 the consolidated entity has no contingent liabilities (30 June 2007: \$Nil).

As at 31 December 2007 a contingent asset exists in relation to the rental guarantee for the Belconnen property. The Belconnen property is currently let to one tenant until 2012. Stockland has provided a rental guarantee for 12 months in the event that the tenant vacates the property at the end of their current lease that expires in 2012. Stockland will pay a minimum of \$1.8 million regardless of whether any part of the property remains vacant with a maximum amount payable of \$3.6 million if the property is vacant for the full 12 months. The guaranteed minimum payment has been recognised as a present valued receivable as at 31 December 2007 with the remaining portion of \$1.8 million being classified as a contingent asset.

#### **13 Events subsequent to balance date**

There have been no events subsequent to balance date which would have a material effect on the consolidated entity's Interim Financial Statements as at 31 December 2007.

## Stockland Direct Office Trust No. 3 and its controlled entities

### Directors' Declaration

In the opinion of the directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Direct Office Trust No.3:

1. the Financial Statements and Notes set out on pages 5 to 16, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows 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; and
2. 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:



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Matthew Quinn

Director

Dated at Sydney, 21 February 2008



## **Independent auditor's review report to the unitholders of Stockland Direct Office Trust No. 3**

### **Report on the financial report**

We have reviewed the accompanying consolidated half-year financial report of Stockland Direct Office Trust No. 3 and its controlled entities ("the Trust"), which comprises the balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the Responsible Entity, Stockland Capital Partners Limited, are responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the consolidated half-year 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 consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report 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 consolidated half-year 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 2007 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.3 and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a consolidated half-year 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.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the consolidated half-year financial report of Stockland Direct Office Trust No. 3 and its controlled entities 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 2007 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 Corporations Regulations 2001.

KPMG

Scott Fleming  
*Partner*

Sydney

21 February 2008