

Stockland Direct Office Trust No. 2

ARSN: 115 017 466

Condensed Interim
Financial Report
For the Period
13 May 2005 to
31 December 2005

Stockland Direct Office Trust No. 2
Condensed Interim Financial Report 31 December 2005

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Stockland Direct Office Trust No. 2

Directors' Report

The Directors of Stockland Funds Management Limited ("SFML"), the Responsible Entity of Stockland Direct Office Trust No. 2 (the "Trust") present their report together with the Condensed Interim Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust for the period 13 May 2005 to 31 December 2005 and the state of the Trust's affairs as at 31 December 2005.

SFML was appointed as Manager at the date the Trust commenced on 13 May 2005. On 12 July 2005, the Trust was registered as a managed investment scheme with ASIC and SFML was appointed as the Responsible Entity.

The Responsible Entity

The Directors of the Responsible Entity at any time during or since the period 13 May 2005 to 31 December 2005 are ("the Directors"):

Name	Period of directorship
Non - executive Directors	
Peter Scott, <i>Chairman</i>	Appointed November 2005
Lyn Gearing	Appointed November 2005
David Kent	Appointed August 2004
Tony Sherlock	Appointed August 2004
Terry Williamson	Appointed July 2004
Graham Bradley (<i>former Chairman</i>)	Appointed July 2004, resigned November 2005
Executive Director	
Matthew Quinn	Appointed October 2000

Principal Activities

The Trust has been established solely for the purpose of providing a loan to Macquarie Park Trust ("MPT") on which the Trust will receive interest until commencement of the Optus lease, and from commencement of the Optus lease, investing in 49% of the ordinary units issued by MPT, conferring an indirect interest in the Optus commercial office campus at 1-5 Lyon Park Road, Macquarie Park, New South Wales.

Review of operations

During the period, SFML, as responsible entity, issued a product disclosure statement ("PDS") dated 27 July 2005 offering 85,867,000 units in the Trust at an application price of \$1 per unit. The investment is evidenced by instalment receipts which required an applicant to pay \$0.40 per unit on application and the remaining \$0.60 per unit on the final instalment payment date which is scheduled to be 30 June 2013. The offer closed 16 September 2005 fully subscribed and the units were allocated on 28 September 2005.

The Trust achieved a change in net assets before finance costs to unitholders, commonly known as net profit, of \$401,742 for the period 13 May 2005 to 31 December 2005.

From 1 July 2005, in order to comply with Australian Accounting Standard AASB 132 "Financial Instruments: Disclosure and Presentation", unitholders' funds were required to be treated as a liability to unitholders and trust distributions to be treated as an expense in the Income Statement.

Finance costs to unitholders, previously referred to as distributions, declared by the Trust to unitholders are set out in Note 3 of the Financial Statements.

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Directors' Report

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the period 13 May 2005 to 31 December 2005.

Comparatives


Comparatives have not been provided in the Income Statement, Balance Sheet, Statement of Changes in Net Assets Attributable to Unitholders and Statement of Cash Flows, as this is the first interim reporting period for the Trust.

Rounding off

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

Dated at Sydney this 16th day of February 2006.

Signed in accordance with a resolution of the Directors:



Matthew Quinn
Director



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Stockland Funds Management Limited, the Responsible Entity of Stockland Direct Office Trust No. 2.

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period 13 May 2005 to 31 December 2005, 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

KPMG

Stuart J Marshall

Partner

Sydney, 16th February 2006

Stockland Direct Office Trust No. 2
Condensed Interim Income Statement
For the period 13 May 2005 to 31 December 2005

	Notes	31 Dec 2005 \$'000
Revenue and other income		
Interest income	2	666
Total revenue		<u>666</u>
Finance costs to external parties ¹		(185)
Responsible entity fees		(42)
Other expenses		(37)
Total expenses before finance costs to unitholders		<u>(264)</u>
Change in net assets for the period before finance costs to unitholders		<u>402</u>
Finance costs to unitholders ¹	3	(1,077)
Change in net assets attributable to unitholders		<u>(675)</u>

¹ Total finance costs for the Trust are \$1,262,000, being the sum of finance costs to external parties and finance costs to unitholders. Finance costs to unitholders represents trust distributions paid/payable in the period 13 May 2005 to 31 December 2005. From 1 July 2005, in order to comply with AASB 132, the unitholders' funds are required to be treated as a liability to unitholders and trust distributions to be treated as an expense in the Income Statement.

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

Stockland Direct Office Trust No. 2

Condensed Interim Balance Sheet

As at 31 December 2005

	31 Dec 2005 \$'000
ASSETS	
Current assets	
Cash and cash equivalents	9,710
Trade and other receivables	100
Other financial assets	534
Other assets	133
Total current assets	<u>10,477</u>
Non-current assets	
Other receivables	25,893
Other assets	27
Total non-current assets	<u>25,920</u>
Total assets	<u>36,397</u>
LIABILITIES	
Current liabilities	
Other payables	1,664
Provisions	1,077
Other liabilities	7
Total current liabilities	<u>2,748</u>
Non-current liabilities	
Interest-bearing loans and borrowings	5,507
Total non-current liabilities	<u>5,507</u>
Total liabilities (excluding net assets attributable to unitholders)	<u>8,255</u>
Net assets attributable to unitholders ¹	<u>28,142</u>

¹ From 1 July 2005, in order to comply with AASB 132, the unitholders' funds are required to be treated as a liability to unitholders and trust distributions to be treated as an expense in the Income Statement.

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

Stockland Direct Office Trust No. 2

Condensed Interim Statement of Changes in Net Assets Attributable to Unitholders

For the period ended 31 December 2005

	<i>Note</i>	<u>\$'000</u>
<i>Balance at 13 May 2005</i>		-
<i>Change in net assets attributable to unitholders for the period¹</i>		(675)
<i>Net change in fair value of hedging instruments</i>		27
<i>Units issued for the period</i>	4	34,347
<i>Transaction costs on units issued</i>	4	(5,557)
<i>Balance at 31 December 2005</i>		<u>28,142</u>

¹ From 1 July 2005, in order to comply with AASB 132, the unitholders' funds was required to be treated as liabilities to unitholders and trust distributions to be treated as an expense in the Income Statement'

The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes

Stockland Direct Office Trust No. 2
Condensed Interim Statement of Cash Flows
For the period 13 May 2005 to 31 December 2005

	31 Dec 2005 \$'000
Cash flows from operating activities	
Cash receipts in the course of operations	516
Cash payments in the course of operations	(788)
Interest received	206
Borrowing costs paid	(392)
Net cash outflow from operating activities	(458)
 Cash flows from investing activities	
Payment for investment in Macquarie Park Trust MPT notes	(24,722)
Net cash outflow from investing activities	(24,722)
 Cash flows from financing activities	
Proceeds from issue of units	34,347
Payment of establishment fee	(6,882)
Proceeds from borrowings	7,425
Net cash inflow from financing activities	34,890
Net increase in cash and cash equivalents	9,710
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	9,710

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

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

1 Statement of significant accounting policies

The condensed Interim Financial Report was authorised for issue by the directors of the Responsible Entity on 16 February 2006.

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

(a) Statement of compliance

The condensed Interim Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations (“UIGs”) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards (“AASBs”) adopted by the AASB and for the purpose of this report are called Australian equivalents to IFRS (“AIFRS”) to distinguish from previous Australian Generally Accepted Accounting Principles (“GAAP”).

This Financial Report is the Trust’s first interim financial report to be prepared and has been prepared in accordance with AIFRS.

This Financial Report does not include all the notes of the type normally included in the Annual Financial Report.

(b) Basis of preparation

The condensed Interim Financial Report has been prepared on the basis of the going concern and historical cost basis except for certain financial instruments which are stated at their fair value.

The Trust is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies set out below have been applied consistently to all periods presented in this condensed Interim Financial Report.

This condensed Interim Financial Report has been prepared on the basis of AIFRS in issue that are effective, or available for early adoption at the Trust's first AIFRS annual reporting, 30 June 2006. Based on these AIFRS, the Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS Annual Financial Report is prepared for the year ended 30 June 2006.

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

1 Statement of significant accounting policies (continued)

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(d) Revenue recognition

Revenues arising in the ordinary course of activities are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Interest income

Interest income is recognised in the Income Statement as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

(e) Other payables

Other payables are stated at cost.

(f) Interest-bearing loans and borrowings

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(g) Income tax

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unitholders each year. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Stockland Direct Office Trust No. 2
Notes to the Financial Statements
For the period 13 May 2005 to 31 December 2005

1 Statement of significant accounting policies (continued)

(i) Finance costs

Finance costs to external parties

Finance costs to external parties include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Where interest rates are hedged, the borrowing costs are recognised net of any realised effect of the hedge.

Finance costs to external parties are expensed as incurred.

Finance costs to unitholders

Finance costs to unitholders represent trust distributions made to unitholders and are expensed as approved by the Directors of the Responsible Entity.

(j) Derivatives

Current accounting policy

The Trust uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with the Responsible Entity's policy, the Trust does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost and subsequently are stated at fair value. The gain or loss on remeasurement to fair value is recognised in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer Note 1 (k).

The fair value of interest rate swaps is the estimated amount that the Trust would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(k) Hedging

Current accounting policy

The Responsible Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Responsible Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

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Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

1 Statement of significant accounting policies (continued)

k) Hedging (continued)

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Income Statement.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect the Income Statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in net assets attributable to unitholders. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in net assets attributable to unitholders are recognised in the Income Statement in the periods when the hedged item is recognised in the Income Statement. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in net assets attributable to unitholders are transferred into the initial measurement of the cost of the asset or liability

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss existing in net assets attributable to unitholders at that time remains in net assets attributable to unitholders and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in net assets attributable to unitholders is recognised immediately in the Income Statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(l) Liabilities to unitholders

Non-distributable income, which may comprise unrealised changes in the net market value of investments or financial instruments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses is recorded as a liability to unitholders.

The Directors take into account the effect of unrealised changes in the net market value of investments or financial instruments, net capital losses, tax-deferred income, accrued income not yet assessable, non-deductible expenses and the effect of transition from previous AGAAP to new AIFRS reporting when assessing the appropriate distribution payout ratio, to ensure that unitholders are not disadvantaged. These items are distributed to unitholders once the amounts have become assessable for taxation purposes.

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

	31 Dec 2005 \$'000
2 Interest income	
Macquarie Park Trust MPT notes	534
Other	132
Total interest income	666

3 Finance costs to unitholders

Finance costs to unitholders recognised in the period by the Trust are:

For the period 13 May 2005 to 31 December 2005

	Distribution per unit	Total amount \$'000	Date Payable	Tax deferred %
31 December 2005	1.2538¢	1,077	17 Feb 2006	100
Total distribution payable		1,077		

Stockland Direct Office Trust No. 2
Notes to the Financial Statements
For the period 13 May 2005 to 31 December 2005

	31 Dec 2005 \$'000
4 Units on issue classified as liability	
Movements in units	
Balance at the beginning of the financial period	-
Units issued:	
28 September 2005 - 85,867,000 ¹	34,347
Transaction costs	(5,557)
Balance at the end of the financial period	28,790

Rights and restrictions over units

- a) each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.
- b) all units are held by Permanent Trustee Company Limited, who acts as custodian for instalment receipt holders by being the registered owner of units on behalf of instalment receipt holders until the final instalment is paid.

¹ During the period, SFML, as Responsible Entity, issued a Product Disclosure Statement ("PDS") dated 27 July 2005 offering 85,867,000 units in the Trust at an application price of \$1.00 per unit. The investment is evidenced by instalment receipts which required an applicant to pay \$0.40 per unit on application and the remaining \$0.60 per unit on the final instalment payment date which is scheduled to be 30 June 2013. The offer closed 16 September 2005 fully subscribed and the units were allocated on 28 September 2005.

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

5 Related parties

Stockland Funds Management Limited (“SFML”) was appointed as manager on 13 May 2005. On 12 July 2005, the Trust was registered as a managed investment scheme with ASIC and SFML was appointed as the Responsible Entity.

	31 Dec 2005 \$'000 (excl. GST)
Responsible Entity fees	

Fund establishment & procurement fees

6,882

The Responsible Entity received a gross establishment and procurement fee for facilitating the issue of units under the offer including undertaking the property due diligence and for establishing the Trust calculated as 4.0% of the value of the Trust’s property interest. Of this fee, the Responsible Entity paid Westpac \$4,087,269 (plus GST) for underwriting and distribution services.

Services arranging fee

894

The Responsible Entity received a fee for arranging the provision of professional services in relation to the establishment of the Trust and the offer.

The Responsible Entity paid for trust legal costs, PDS production costs and advisory costs of \$872,992.

Responsible entity fees

42

The Responsible Entity charged quarterly responsible entity fees calculated at 0.45% pa of the gross value of the assets.

Other related party transactions

Product disclosure statement issue

During the period, SFML, as Responsible Entity, issued a Product Disclosure Statement (“PDS”) dated 27 July 2005 offering 85,867,000 units in the Trust at an application price of \$1.00 per unit. The investment is evidenced by instalment receipts which required an applicant to pay \$0.40 per unit on application and the remaining \$0.60 per unit on the final instalment payment date which is scheduled to be 30 June 2013. The offer closed 16 September 2005 fully subscribed and the units were allocated on 28 September 2005.

Underwriting

SFML has entered into an Underwriting Agreement with Westpac Banking Corporation (“Westpac”) and Stockland Trust under which Westpac underwrote the subscriptions for 85% of the units and Stockland Trust underwrote the subscriptions for the remaining 15% of the units.

No underwriting fee was charged by Stockland. Westpac received \$4,087,269 for underwriting and distribution.

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

5 Related parties (continued)

Property Manager

Stockland Property Management Pty Limited has been appointed as the property manager to undertake the ongoing management of the property once the Optus lease commences. No fees were paid to the property manager during the period.

Stockland Corporation Limited Indemnity

A related party, Stockland Corporation Limited (“SCL”), has provided an indemnity which can be called on if the Trust is wound up as a result of the Optus lease not having commenced by 1 July 2008 or such longer period as approved by investors by special resolution. SCL will indemnify the Trust to prevent any shortfall in the return of the application monies to investors from terminating the Trust. This indemnity will include any costs associated with the early termination of interest rate swaps entered on behalf of the Trust.

Units held by Stockland Trust

As at 31 December 2005, Stockland Trust Management Limited as Responsible Entity for Stockland Trust held 6.11% of the units in the Trust.

As at 31 December 2005, Stockland Trust Management Limited as Responsible Entity for Stockland Trust held 100% of the units in Macquarie Park Trust.

6 Segment information

The Trust is an unlisted property trust. Its primary purpose is to provide a loan to Macquarie Park Trust (“MPT”) on which the Trust will receive interest until commencement of the Optus lease, and from commencement of the Optus lease, investing in 49% of the ordinary units issued by Macquarie Park Trust, conferring an indirect interest in the Optus commercial office campus at 1-5 Lyon Park Road, Macquarie Park, New South Wales.

7 Contingent liabilities and contingent assets

On commencement of the Optus lease there is a contingent investment asset of \$95,801,000 in MPT and a corresponding contingent liability to draw down a loan facility to finance the investment commitment. The Trust has no other contingent liabilities or contingent assets as at 31 December 2005.

8 Events subsequent to balance date

No events have occurred subsequent to balance date that would have a material effect on the Financial Statements at 31 December 2005.

Stockland Direct Office Trust No. 2

Notes to the Financial Statements

For the period 13 May 2005 to 31 December 2005

9 Other Information

Life of 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) a date which has been proposed to unitholders by the Responsible Entity, and which the members have approved by Special Resolution; and
- c) the date on which the Trust terminates in accordance with the provisions of the Trust Constitution or by law.

Stockland Direct Office Trust No. 2


Directors' Declaration

In the opinion of the Directors of Stockland Funds Management Limited, the Responsible Entity of Stockland Direct Office Trust No.2:

1. the Financial Statements and Notes set out on pages 6 to 18, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the Trust as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the period ended on that date; and
 - (b) complying with Australian Accounting Standard 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.
3. The Trust has operated during the period 13 May 2005 to 31 December 2005 in accordance with the provisions of the Trust Constitution as amended dated 27 June 2005.
4. The Register of Unitholders has, during the period 13 May 2005 to 31 December 2005 been properly drawn up and maintained so as to give a true account of the Unitholders of the Trust.

Dated at Sydney this 16th day of February 2006.

Signed in accordance with a resolution of the Directors:



Matthew Quinn
Director



Independent Review Report to the Unitholders of Stockland Direct Office Trust No.2

Scope

The Financial Report and directors' responsibility

The financial report comprises the condensed interim statement of income, balance sheet, statement of changes in net assets attributable to unitholders, statement of cash flows, accompanying notes to the financial statements (notes 1 to 9) and the directors' declaration for Stockland Direct Office Trust No.2 ("the Trust") for the period 13 May 2005 to 31 December 2005.

The directors of Stockland Funds Management Limited, the Responsible Entity of the Trust, ("the Directors"), are responsible for the preparation and true and fair presentation of the financial report in accordance with the applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Trust to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance, as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of the Responsible Entity personnel and;
- analytical procedures applied to the financial data.

While we considered the effectiveness of the Responsible Entity's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

These procedures do not provide all of the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.



Independent Review Report to the Unitholders of Stockland Direct Office Trust No.2 (continued)

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the Condensed Interim Financial Report of the Trust is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2005 and of its performance for the period 13 May 2005 to 31 December 2005; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

Stuart J Marshall

Partner

Sydney, 16th February 2006