

# **Stockland Holding Trust No. 2**

(ARSN: 132 129 134)

## **Interim Financial Report for the half year ended 31 December 2009**

Registered office:

133 Castlereagh Street  
Sydney NSW 2000

## **Stockland Holding Trust No. 2**

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## **Stockland Holding Trust No. 2 Directors' Report For the half year ended 31 December 2009**

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Holding Trust No. 2 ("the Trust"), present their report together with the interim Financial Report for the half year ended 31 December 2009 and the Independent Auditor's Review Report thereon. The Trust, together with Stockland Direct Office Trust No. 3 ("SDOT No. 3") and its controlled entities, together form the stapled entity ("stapled entity").

Separate financial statements for the Trust and the stapled entity for the half year ended 31 December 2009 were approved by the Directors of SCPL, the Responsible Entity of the Trust on 18 February 2010. As the Trust forms part of the stapled entity, the interim Financial Report of the Trust should be read in conjunction with the Interim Financial Report of the stapled entity for the half year ended 31 December 2009.

The Trust was established on 10 November 2003 with SCPL appointed as the Trustee. SCPL was then appointed as the Responsible Entity on 18 July 2008 when the Trust was registered as a managed investment scheme with the Australian Securities and Investment Commission ("ASIC") on 18 July 2008.

The stapled entity consists of two stapled Australian registered managed investment schemes: The Trust and SDOT No. 3.

On 18 August 2008, units in the Trust were issued to investors holding units in SDOT No. 3 ("Unitholders") and stapled to the units in SDOT No. 3 ("Stapling Arrangement"). SDOT No. 3 and the Trust units are stapled together so that one cannot be transferred, or otherwise dealt with, without the other (collectively known as the "Stapled Units"). This was disclosed in the Trust's Product Disclosure Statement ("PDS") issued to Unitholders on 12 August 2008.

Up until 18 August 2008, the Trust was a controlled entity of Stockland Trust. From that date onwards, the Trust formed part of the stapled entity due to the Stapling Arrangement outlined above.

### **Directors**

The Directors of the Responsible Entity of the Trust at any time during or since the end of the half year ("the Directors") are:

| <b>Name</b>  | <b>Date of appointment/retirement</b> |
|--|---------------------------------------|
| <b><i>Non-Executive Directors</i></b>              |                                       |
| Mr Peter Scott, Chairman                           | Appointed 22 November 2005            |
| Mr David Kent                                      | Appointed 9 August 2004               |
| Mr Anthony Sherlock                                | Appointed 9 August 2004               |
| <b><i>Executive Director</i></b>                   |                                       |
| Mr Matthew Quinn                                   | Appointed 19 October 2000             |
| Mr Hugh Thorburn (alternate Director for Mr Quinn) | Appointed 25 October 2007             |

### **Principal activities**

The principal activity of the Trust is the investment in 75 George Street, Parramatta, New South Wales.

### **Review and results of operations**

The Trust recorded a loss from operating activities of \$2,233,000 for the half year ended 31 December 2009 (\$2,209,000 for the half year ended 31 December 2008). This loss includes a significant item, being the investment property valuation that, in the opinion of Directors, needs adjustment to enable Unitholders to obtain an understanding of the Trust's underlying profit (refer to the table on the next page). The Directors will continue to monitor the performance of the Trust in light of the current market conditions.

The underlying profit for the half year ended 31 December 2009 was \$197,000 (\$341,000 for the half year ended 31 December 2008), reflecting a 42% decrease from the previous corresponding period.

Distributions paid or declared by the Trust to Unitholders during the half year ended 31 December 2009 are set out in Note 9 of the interim Financial Report.

**Stockland Holding Trust No. 2  
Directors' Report  
For the half year ended 31 December 2009**

**Review and results of operations (continued)**

The following table provides information to Unitholders that reconciles underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Trust, in accordance with the AICD/Finsia principles for reporting underlying profit.

|  | Note | Half year ended |                |
|--|------|-----------------|----------------|
|  |      | 2009<br>\$'000  | 2008<br>\$'000 |
| Underlying profit  |      | 197             | 341            |
| <b>Certain significant item:</b>                           |      |                 |                |
| Net loss from fair value adjustment of investment property | 4    | (2,430)         | (2,550)        |
| <b>Loss for the half year attributable to Unitholders</b>  |      | <b>(2,233)</b>  | <b>(2,209)</b> |

During the half year, an independent valuation was performed resulting in the investment property being revalued downwards to \$31,500,000 at 31 December 2009. This represents a decrease of 7% on the 30 June 2009 carrying value of \$34,000,000. Refer to Note 4.

**Update of debt refinancing**

As at 31 December 2009, the Trust has a loan agreement with SDOT No. 3 to loan to the Trust \$32,032,000 (30 June 2009: \$32,032,000) relating to the original purchase of the Parramatta property by the Trust. This loan was originally due to mature on 27 June 2010. On 30 September 2009, the Trust and SDOT No. 3 agreed to extend the loan for a further two years with a maturity date of 27 June 2012. Refer to Note 6 and 10 for further detail on the loan agreement.

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

The external auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2009.

**Rounding**

The Trust 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 interim 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, 18 February 2010



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

To: the directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Holding Trust No.2.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 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

18 February 2010

**Stockland Holding Trust No. 2**  
**Interim Statement of Comprehensive Income**  
**For the half year ended 31 December 2009**

|  |       | Half year ended |                |
|--|-------|-----------------|----------------|
|  |       | 2009            | 2008           |
|  | Notes | \$'000          | \$'000         |
| <b>Revenue and other income</b>  |       |                 |                |
| Rent from investment property  |       | 2,065           | 1,575          |
| Interest income  |       | -               | 332            |
| <b>Total revenue and other income</b>                                      |       | <b>2,065</b>    | <b>1,907</b>   |
| <br>   |       |                 |                |
| Investment property expenses   |       | (524)           | (386)          |
| Finance costs to related parties at amortised cost                         |       | (1,211)         | (1,062)        |
| Net loss from fair value adjustment of investment property                 | 4     | (2,430)         | (2,550)        |
| Responsible Entity fees  | 10    | (78)            | (64)           |
| Other expenses   |       | (55)            | (54)           |
| <b>Total expenses</b>  |       | <b>(4,298)</b>  | <b>(4,116)</b> |
| <br>   |       |                 |                |
| <b>Loss for the half year/Total comprehensive expense</b>                  |       | <b>(2,233)</b>  | <b>(2,209)</b> |
| <br>   |       |                 |                |
| <b>Loss for the half year/Total comprehensive expense attributable to:</b> |       |                 |                |
| Unitholders of the Trust   |       | (2,233)         | (2,541)        |
| Stockland Trust <sup>1</sup>   |       | -               | 332            |
| <b>Loss for the half year/Total comprehensive expense</b>                  |       | <b>(2,233)</b>  | <b>(2,209)</b> |

<sup>1</sup> Up until the date of the Stapling Arrangement of 18 August 2008, the Trust was a controlled entity of Stockland Trust.

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

**Stockland Holding Trust No. 2**  
**Interim Balance Sheet**  
**As at 31 December 2009**

|                                      | Notes | 31 Dec 2009<br>\$'000 | 30 June 2009<br>\$'000 |
|--------------------------------------|-------|-----------------------|------------------------|
| <b>Current assets</b>                |       |                       |                        |
| Trade and other receivables          |       | 17                    | 21                     |
| Receivable from related entity       | 10    | 3,504                 | 3,593                  |
| Other assets                         |       | 271                   | 296                    |
| <b>Total current assets</b>          |       | <b>3,792</b>          | <b>3,910</b>           |
| <b>Non-current assets</b>            |       |                       |                        |
| Investment property                  | 4     | 30,279                | 32,701                 |
| Trade and other receivables          |       | 523                   | 488                    |
| Other assets                         | 5     | 453                   | 566                    |
| <b>Total non-current assets</b>      |       | <b>31,255</b>         | <b>33,755</b>          |
| <b>Total assets</b>                  |       | <b>35,047</b>         | <b>37,665</b>          |
| <b>Current liabilities</b>           |       |                       |                        |
| Trade and other payables             |       | 520                   | 921                    |
| Interest-bearing loan                | 6     | -                     | 32,032                 |
| Other liabilities                    | 7     | 261                   | 245                    |
| <b>Total current liabilities</b>     |       | <b>781</b>            | <b>33,198</b>          |
| <b>Non-current liabilities</b>       |       |                       |                        |
| Interest-bearing loan                | 6     | 32,032                | -                      |
| <b>Total non-current liabilities</b> |       | <b>32,032</b>         | <b>-</b>               |
| <b>Total liabilities</b>             |       | <b>32,813</b>         | <b>33,198</b>          |
| <b>Net assets</b>                    |       | <b>2,234</b>          | <b>4,467</b>           |
| <b>Unitholders' funds</b>            |       |                       |                        |
| Issued capital                       | 8     | 7,340                 | 7,340                  |
| Undistributed loss                   |       | (5,106)               | (2,873)                |
| <b>Total Unitholders' funds</b>      |       | <b>2,234</b>          | <b>4,467</b>           |

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

**Stockland Holding Trust No. 2**  
**Interim Statement of Changes in Equity**  
**For the half year ended 31 December 2009**

|   | Notes | Issued capital |             | Unitholders' Funds |             | Total Unitholders' Funds |             |
|---|-------|----------------|-------------|--------------------|-------------|--------------------------|-------------|
|   |       | 31 Dec 2009    | 31 Dec 2008 | 31 Dec 2009        | 31 Dec 2008 | 31 Dec 2009              | 31 Dec 2008 |
|   |       | \$'000         | \$'000      | \$'000             | \$'000      | \$'000                   | \$'000      |
| <b>Opening balance</b>  |       | <b>7,340</b>   | 8,008       | <b>(2,873)</b>     | (223)       | <b>4,467</b>             | 7,785       |
| Profit for the half year attributable to Stockland Trust <sup>1</sup> |       | -              | -           | -                  | 332         | -                        | 332         |
| Loss for the half year attributable to Stapled Unitholders            |       | -              | -           | <b>(2,233)</b>     | (2,541)     | <b>(2,233)</b>           | (2,541)     |
| <b>Total comprehensive expense for the half year</b>                  |       | -              | -           | <b>(2,233)</b>     | (2,209)     | <b>(2,233)</b>           | (2,209)     |
| <b>Transactions with Unitholders in their capacity as owners:</b>     |       |                |             |                    |             |                          |             |
| Return of capital to Stockland Trust                                  | 8     | -              | (8,008)     | -                  | 223         | -                        | (7,785)     |
| Stapled Units issued in the half year to Unitholders                  | 8     | -              | 8,008       | -                  | -           | -                        | 8,008       |
| Transaction costs   | 8     | -              | (187)       | -                  | -           | -                        | (187)       |
| Distributions paid/payable to Stapled Unitholders                     | 9     | -              | -           | -                  | -           | -                        | -           |
| Distributions paid to Stockland Trust <sup>1</sup>                    | 9     | -              | -           | -                  | (332)       | -                        | (332)       |
| <b>Closing balance</b>  |       | <b>7,340</b>   | 7,821       | <b>(5,106)</b>     | (2,541)     | <b>2,234</b>             | 5,280       |

<sup>1</sup> Up until the date of the Stapling Arrangement of 18 August 2008, the Trust was a controlled entity of Stockland Trust.

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

**Stockland Holding Trust No. 2**  
**Interim Cash Flow Statements**  
**For the half year ended 31 December 2009**

|  |       | Half year ended |                 |
|--|-------|-----------------|-----------------|
|  |       | 2009            | 2008            |
|  | Notes | \$'000          | \$'000          |
| <b>Cash flows from operating activities</b>                    |       |                 |                 |
| Cash receipts in the course of operations                      |       | 2,427           | 2,867           |
| Cash payments in the course of operations                      |       | (816)           | (1,194)         |
| Interest received  |       | -               | 332             |
| Interest paid  |       | (1,211)         | (1,062)         |
| <b>Net cash inflow from operating activities</b>               |       | <b>400</b>      | <b>943</b>      |
| <b>Cash flows from investing activities</b>                    |       |                 |                 |
| Payment for investment property                                |       | (8)             | (32,067)        |
| <b>Net cash utilised in investing activities</b>               |       | <b>(8)</b>      | <b>(32,067)</b> |
| <b>Cash flows from financing activities</b>                    |       |                 |                 |
| Return of capital to Stockland Trust                           |       | -               | (7,785)         |
| Proceeds from issue of Stapled Units to Unitholders            | 8     | -               | 8,008           |
| Payment of transaction costs                                   | 8     | -               | (187)           |
| Distributions paid to Unitholders                              |       | (481)           | (332)           |
| Loan from related party  | 6, 10 | -               | 32,032          |
| Payment/(receipt) from related entity                          |       | 89              | (612)           |
| <b>Net cash (utilised in)/inflow from financing activities</b> |       | <b>(392)</b>    | <b>31,124</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>    |       | <b>-</b>        | <b>-</b>        |
| Cash and cash equivalents at the beginning of the half year    |       | -               | -               |
| <b>Cash and cash equivalents at the end of the half year</b>   |       | <b>-</b>        | <b>-</b>        |

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

# **Stockland Holding Trust No. 2**

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

### **For the half year ended 31 December 2009**

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

Stockland Holding Trust No. 2 (“the Trust”) is a Managed Investment Scheme domiciled in Australia.

The interim Financial Report as at and for the half year ended 31 December 2009 was authorised for issue by the Directors of the Responsible Entity on 18 February 2010.

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

The 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. The interim Financial Report also complies with the International Financial Reporting Standards (“IFRSs”).

The interim Financial Report of the Trust does not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Annual Financial Report of the stapled entity and the Trust as at and for the year ended 30 June 2009.

##### **(b) Basis of preparation**

The interim Financial Report is presented in Australian dollars, which is the Trust’s functional currency.

The interim Financial Report has been prepared on the basis of the going concern and historical cost conventions except for the investment property which is stated at its fair value.

The Trust 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 interim Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

##### **(c) Changes in accounting standards**

The following amended accounting standard has been adopted by the Trust as of 1 July 2009. The significant impact of this amended standard (to the extent relevant to the Trust) is set out below:

Revised AASB 101 “Presentation of Financial Statements” (“AASB 101”) introduced as a financial statement (formerly “primary” statement) the “Statement of Comprehensive Income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.

##### **(d) Significant accounting policies**

The accounting policies applied by the Trust in this interim Financial Report are the same as those applied by the Trust in the Financial Report of the Trust as at and for the year ended 30 June 2009.

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

The preparation of the interim Financial Report 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 this interim Financial Report 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 Annual Financial Report of the Trust as at and for the year ended 30 June 2009.

#### **3 Segment reporting**

The Trust operates solely in the business of investment management in Australia.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

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

| Description  | Acquisition date | Original purchase price<br>\$'000 | Cost including additions<br>\$'000 | Independent Valuation date | Independent Valuation \$'000 | Capitalisation rate |             | Weighted average lease term <sup>3</sup> |                 | Book value         |                               |
|--|------------------|-----------------------------------|------------------------------------|----------------------------|------------------------------|---------------------|-------------|--|-----------------|--------------------|-------------------------------|
|  |                  |                                   |                                    |                            |                              | 31 Dec 09 %         | 30 Jun 09 % | 31 Dec 09 Years                          | 30 Jun 09 Years | 31 Dec 2009 \$'000 | Book value 30 Jun 2009 \$'000 |
| 75 George Street, Parramatta, NSW <sup>1,2</sup>   | Aug 2008         | 37,500                            | 39,512                             | Dec 2009                   | 31,500                       | <b>9.00</b>         | 8.50        | <b>3.11</b>                              | 3.60            | <b>31,500</b>      | 34,000                        |
| Total Investment property (including amounts classified in Trade and other receivables and Other assets) |                  |                                   |                                    |                            |                              |                     |             |  |                 | <b>31,500</b>      | 34,000                        |
| Less amounts classified as:  |                  |                                   |                                    |                            |                              |                     |             |  |                 |                    |                               |
| - Trade and other receivables  |                  |                                   |                                    |                            |                              |                     |             |  |                 | <b>(523)</b>       | (488)                         |
| - Other assets   |                  |                                   |                                    |                            |                              |                     |             |  |                 | <b>(698)</b>       | (811)                         |
| Total Investment property  |                  |                                   |                                    |                            |                              |                     |             |  |                 | <b>30,279</b>      | 32,701                        |

<sup>1</sup> In June 2007, a put and call option was issued to SDOT No. 3 by the Trust over the property and was to be exercised by July 2008. The effect of the put and call option together with the concurrent lease resulted in the property being recognised as an asset of SDOT No. 3 from 27 June 2007. The put and call option was extended to 19 August 2008 following the agreement of both parties. Instead of exercising the put and call option, an alternative transaction was entered into on 18 August 2008 whereby the units of the Trust were stapled to the units in SDOT No. 3. On 18 August 2008, the date of the Stapling Arrangement, the put and call option lapsed and the property for accounting purposes was transferred to the Trust from SDOT No. 3 with a market value of \$37,500,000. The legal title to the property however, has always remained with the Trust. Therefore subsequent to the Stapling Arrangement, the Parramatta property remains an asset of the stapled entity. Refer to Note 10.

<sup>2</sup> This property is a freehold property.

<sup>3</sup> Weighted average lease term is stated as years by income.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

|   | 31 Dec 2009<br>\$'000 | 30 June 2009<br>\$'000 |
|---|-----------------------|------------------------|
| <b>4 Non-current assets – Investment property (continued)</b>   |                       |                        |
| <b>Reconciliation – investment property<sup>1</sup></b>         |                       |                        |
| <i>Direct investments</i>                                       |                       |                        |
| Carrying amount at the beginning of the financial period        | 32,701                | -                      |
| Acquisitions  | -                     | 37,162 <sup>2</sup>    |
| Net loss from fair value adjustments of the investment property | (2,430)               | (3,435)                |
| Expenditure capitalised/(written-off)                           | 8                     | (25)                   |
| Transfer to other assets  | -                     | (1,001)                |
| Carrying amount at the end of the financial period              | <u>30,279</u>         | <u>32,701</u>          |

<sup>1</sup> Current period represents movements during the six month period to 31 December 2009. Prior period represents movements during the twelve months to 30 June 2009.

<sup>2</sup> In June 2007, a put and call option was issued to SDOT No. 3 by the Trust over the Parramatta property and was to be exercised by July 2008. The effect of the put and call option together with the concurrent lease resulted in the property being recognised as an asset of SDOT No. 3 from 27 June 2007. The put and call option was extended to 19 August 2008 following the agreement of both parties. Instead of exercising the put and call option, an alternative transaction was entered into on 18 August 2008 whereby the units of the Trust were stapled to the units in SDOT No. 3. On 18 August 2008, the date of the Stapling Arrangement, the put and call option lapsed and the property for accounting purposes was transferred to the Trust with a market value of \$37,500,000. The legal title to the property however, has always remained with the Trust. Therefore subsequent to the Stapling Arrangement, the Parramatta property remains an asset of the stapled entity. Refer to Note 10. The acquisition was at market value of \$37,500,000 which comprised of \$338,000 of rental income support and straight-lining of rent classified in Trade and other receivables and Other assets.

**5 Non-current assets – Other assets**

|                 |            |            |
|-----------------|------------|------------|
| Lease incentive | <u>453</u> | <u>566</u> |
|-----------------|------------|------------|

**6 Current and Non-current liabilities – Interest-bearing loans and borrowings**

**Current liabilities – Interest-bearing loan**

|   |          |               |
|---|----------|---------------|
| Interest-bearing loan with related entity | <u>-</u> | <u>32,032</u> |
|---|----------|---------------|

**Non-current liabilities – Interest-bearing loan**

|   |               |          |
|---|---------------|----------|
| Interest-bearing loan with related entity | <u>32,032</u> | <u>-</u> |
|---|---------------|----------|

On 18 August 2008, the Trust entered into a loan agreement with SDOT No. 3 to loan to the Trust \$32,032,000 to repay the existing debt owing to Stockland Trust by the Trust which related to the original purchase of the Parramatta property by the Trust. Refer to Note 10.

The loan was due to mature on 27 June 2010. On 30 September 2009, the Trust and SDOT No. 3 agreed to extend the loan maturity to 27 June 2012. The loan may be extended on an ongoing basis upon agreement between both the Trust and SDOT No. 3. Any further extension of this loan is dependent upon the refinancing of SDOT No. 3's loan facility.

Interest is payable by the Trust annually in arrears. The weighted average interest rate on the property facility for the period to 31 December 2009 was 7.50% p.a. (30 June 2009: 6.50% p.a.).

SDOT No. 3's loan facility from ANZ is secured by a limited registered first mortgage over the all of the stapled entity's properties and a fixed and floating charge over all assets of the stapled entity. This includes the Trust's Parramatta property.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

|  | 31 Dec 2009<br>\$'000 | 30 June 2009<br>\$'000 |
|--|-----------------------|------------------------|
| <b>7 Non-current liabilities – Other liabilities</b> |                       |                        |
| Other liabilities                                    | <u>261</u>            | <u>245</u>             |

**8 Issued capital**

|                | 31 Dec 2009<br>No. of units | 30 June 2009<br>No. of units | 31 Dec 2009<br>\$'000 | 30 June 2009<br>\$'000 |
|----------------|-----------------------------|------------------------------|-----------------------|------------------------|
| Units on issue | <u>60,020,000</u>           | 60,020,000                   | <u>7,340</u>          | 7,340                  |

| Date                     | Details                                   | No. of Units             | Issue price | \$'000              |
|--------------------------|---|--------------------------|-------------|---------------------|
| <b>Movement in units</b> |   |                          |             |                     |
| 1 July 2008              | Opening balance                           | 8,008,042                | -           | 8,008               |
| 18 August 2008           | Units redeemed from Stockland Trust       | (8,008,042)              | \$1.00      | (8,008)             |
| 18 August 2008           | Stapled Units issued                      | 60,020,000               | \$0.13      | 8,008               |
| 18 August 2008           | Transaction costs                         | -                        | -           | (187)               |
| 30 June 2009             | Distribution paid from contributed equity | -                        | -           | (481)               |
| 30 June 2009             | Balance                                   | <u>60,020,000</u>        | -           | <u>7,340</u>        |
| <b>31 December 2009</b>  | <b>Closing balance</b>                    | <u><b>60,020,000</b></u> | -           | <u><b>7,340</b></u> |

*Rights and restrictions over units*

Each Stapled Unit ranks equally with all other Stapled Units for the purpose of distributions and on termination of the Trust.

**9 Distributions to Unitholders**

No distributions to Unitholders were recognised in the half year by the Trust.

Distributions to Unitholders recognised in the previous half year by the Trust are:

| Interim<br>31 December 2008 | Distribution<br>per Unit | Total amount<br>\$'000 | Date of payment | Tax deferred |
|-----------------------------|--------------------------|------------------------|-----------------|--------------|
| 17 August 2008              | 4.1458¢                  | 332 <sup>1</sup>       | 17 August 2008  | 8%           |
| 31 December 2008            | -                        | -                      | -               | -            |
|                             |                          | <u>332</u>             |                 |              |

<sup>1</sup> This was a distribution to Stockland Trust. Up until 18 August 2008, the Trust was a controlled entity of Stockland Trust.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

**10 Related parties**

Stockland Capital Partners Limited (“SCPL”), 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.

The Directors of the Responsible Entity and their units held in the stapled entity at 31 December 2009 are as follows:

| <b>Director</b>  | <b>Number of Stapled Units</b> |
|------------------|--------------------------------|
| Mr David Kent    | 85,000                         |
| Mr Matthew Quinn | 10,000                         |
| Mr Peter Scott   | 20,000                         |

|   | <b>Half year ended</b> |                  |
|---|------------------------|------------------|
|   | <b>31 Dec 09</b>       | <b>31 Dec 08</b> |
|   | <b>\$'000</b>          | <b>\$'000</b>    |
| <b>Responsible Entity fees and other transactions</b> |                        |                  |

***Responsible Entity fees***

The Responsible Entity charged a responsible entity fee to the Trust calculated at 0.45% p.a. of the gross value of the assets of the Trust.

For the half year ended 31 December 2009, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$35,149 (half year ended 31 December 2008: \$28,592).

Total deferred and accrued Responsible Entity fees by the Trust included in Current liabilities – Trade and other payables as at 31 December 2009 is \$120,779 (30 June 2009: \$86,352).

**78**                      **64**

***Performance fees***

The Responsible Entity is entitled to a fee calculated as 20.5% of the performance of the stapled entity above the benchmark (10 year bond yield plus 3.0% per annum). The performance fee is calculated for each six month half year and is capped at 0.46125% p.a. on the closing gross asset value of the stapled entity as disclosed in the balance sheet at each reporting date or realised on a sale of the property or properties during the year.

The Trust has not provided for a performance fee as at 31 December 2009.

-                                      -

**Total Responsible Entity fees and other transactions recognised in the Interim Statement of Comprehensive Income**

**78**                                      **64**

**Other related party transactions**

***Limited Liquidity Facility (“LLF”)***

ANZ has agreed to acquire up to 1,000,000 Stapled Units in the Trust each quarter from investors seeking to transfer their Stapled Units. The price for each Stapled Unit will be the most recent Net Tangible Asset (“NTA”) per unit less a 2.5% discount, any transfer costs and a \$110 processing fee per application. The facility commenced 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 Stapled Units that ANZ acquires under the LLF. As outlined in the PDS, STML or ANZ may terminate the LLF at any time or when STML holds more than 20% (12,004,000) of the total Stapled Units.

During the half year STML, as Responsible Entity of Stockland Trust, acquired 1,352,000 Stapled Units (year ended 30 June 2009: 2,490,000) in the Trust via the LLF.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

**10 Related parties (continued)**

**Other related party transactions (continued)**

*Units held by Stockland Trust*

As at 31 December 2009, STML, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 10,244,000 Stapled Units in the Trust (30 June 2009: 8,892,000).

*Property Management Fee*

Stockland Property Management Pty Limited has been appointed as the property manager to undertake the ongoing property management and leasing of the property. A fee of \$77,037 (2008: \$87,000) was paid/payable to the property manager by the Trust during the half year. Total accrued property management fees by the Trust included in Current Liabilities – Trade and other payables as at 31 December 2009 is \$73,472 (30 June 2009: \$3,000).

*Reimbursement of fit-out contribution*

During the financial year ended 30 June 2007, AMP Diversified Property Trust (“ADP”), a related party of the Responsible Entity, agreed to reimburse the Trust for fit-out contributions that are paid to a tenant of the Parramatta property. In the previous financial year ended 30 June 2009, the Trust received \$999,293 from ADP and this amount was reimbursed to SDOT No. 3 in July 2008 (then the beneficial owner of the Parramatta property). \$Nil amounts was paid by ADP to the Trust in the current half year to 31 December 2009.

*SDOT No. 3*

*Deferred consideration*

During the financial year ended 30 June 2007, SDOT No. 3 entered into a deed of agreement with the Trust to acquire the Parramatta property. The deferred consideration of \$32,032,000 was paid in full from SDOT No. 3 to the Trust on 18 August 2008 in connection with the deed of agreement (refer to the paragraphs below regarding the acquisition of the Parramatta property).

For the half year ended 31 December 2009, the Trust received interest of \$Nil (\$332,000 in the half year ended 31 December 2008) from SDOT No. 3 on the balance of the deferred consideration.

*Interest-bearing loan from SDOT No. 3*

As at 31 December 2009, the Trust has a loan payable to SDOT No. 3 of \$32,032,000 (30 June 2009: \$32,032,000). Interest is payable to SDOT No. 3 annually in arrears. The weighted average interest rate on the loan for the period to 31 December 2009 was 7.50% p.a. (6.50% p.a. for the period to 31 December 2008).

The loan was due to mature on 27 June 2010. On 30 September 2009, the Trust and SDOT No. 3 agreed to extend the loan maturity to 27 June 2012. The loan may be extended on an ongoing basis upon agreement between both the Trust and SDOT No. 3. Any further extension of this loan between the Trust and SDOT No. 3 is dependent upon the refinancing of SDOT No. 3’s loan facility.

*Intercompany balance between the Trust and SDOT No. 3*

|  | <b>31 Dec 2009</b> | 30 June 2009 |
|--|--------------------|--------------|
|  | <b>\$’000</b>      | \$’000       |
| Aggregate amount receivable by the Trust from SDOT No. 3 | <b>3,504</b>       | 3,593        |
|  | <b>3,504</b>       | 3,593        |

The intercompany balances are interest free and repayable at call.

**Stockland Holding Trust No. 2**  
**Notes to the Interim Financial Statements**  
**For the half year ended 31 December 2009**

**10 Related parties (continued)**

**Other related party transactions (continued)**

*Acquisition of the Parramatta property*

During the financial year ended 30 June 2007, SDOT No. 3 entered into a deed of agreement with the Trust (then a controlled entity of Stockland Trust) 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 general effect of the arrangement was to confer on SDOT No. 3 all benefits, obligations and responsibilities accruing to the owner of the Parramatta property. Both the concurrent lease and put and call option terminated or lapsed by 18 August 2008 and the Parramatta property for accounting purposes was transferred to the Trust from SDOT No. 3 with a market value of \$37,500,000 on 18 August 2008. The legal title to the property however, has always remained with the Trust. The Responsible Entity decided that it was in the best interest of Unitholders to complete the acquisition of the Parramatta property by making a capital distribution to Unitholders and applying that capital distribution on Unitholders' behalf to subscribe for units in the Trust and stapling those units to the units in SDOT No. 3. This Stapling Arrangement occurred on 18 August 2008. Therefore subsequent to the Stapling Arrangement, the Parramatta property remains an asset of the stapled entity which comprises of SDOT No. 3 and its controlled entities and the Trust.

Under the put and call deed, SDOT No. 3 paid to the Trust a call option fee of \$8.01 million for the purchase of the Parramatta property. This fee was refunded to SDOT No. 3 in June 2008. On 18 August 2008, the put and call option lapsed, allowing the Stapling Arrangement to be effected.

The deferred consideration of \$32,032,000 relating to the purchase of the Parramatta property was paid to Stockland by the Trust in August 2008.

Stockland granted a concurrent lease to SDOT No. 3 until August 2008. A 12 month rental guarantee on all vacancies had been provided to SDOT No. 3 at the time of entering into the concurrent lease. As at 31 December 2009, \$19,000 is payable by Stockland to SDOT No. 3 relating to this rental guarantee (30 June 2009: \$19,000).

**11 Commitments**

As at 31 December 2009, the Trust has no commitments (30 June 2009: \$Nil).

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

Non-cancellable operating lease commitments receivable:

|   | <b>31 Dec 2009</b> | 30 June 2009 |
|---|--------------------|--------------|
|   | <b>\$'000</b>      | \$'000       |
| Within one year                                   | <b>4,017</b>       | 4,003        |
| Later than one year but not later than five years | <b>8,551</b>       | 10,085       |
| Later than five years                             | <b>718</b>         | 1,188        |
|   | <b>13,286</b>      | 15,276       |

**12 Contingent liabilities and contingent assets**

As at 31 December 2009 the Trust has no contingent liabilities and no contingent assets (2008: \$Nil).

**13 Events subsequent to the end of the half year**

There have been no events subsequent to the end of the half year which would have a material effect on the Trust's interim Financial Report as at 31 December 2009.

**Stockland Holding Trust No. 2**  
**Directors' Declaration**  
**For the half year ended 31 December 2009**

In the opinion of the Directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Holding Trust No. 2:

1. the Financial Statements and Notes set out on pages 4 to 14 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 2009 and of its performance 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;
2. the interim Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
3. 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:



Matthew Quinn

*Director*

Dated at Sydney, 18 February 2010



## **Independent auditor's review report to the unitholders of Stockland Holding Trust No.2**

We have reviewed the accompanying interim financial report of Stockland Holding Trust No.2 (the Trust), which comprises the interim balance sheet position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of accounting policies, other explanatory notes 1 to 13 and the directors' declaration.

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

The directors of Stockland Capital Partners Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 interim 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 2009 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 Holding Trust No.2, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.



*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Stockland Holding Trust No.2 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 2009 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 the *Corporations Regulations 2001*.

KPMG

Scott Fleming  
*Partner*

Sydney

18 February 2010