



STOCKLAND DIRECT OFFICE TRUST NO. 2 (“SDOT2” or “the Trust”)

ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES

Updated March 2013

Introduction

The following document has been prepared for SDOT2 for the purposes of the updated ASIC Regulatory Guide 46. All figures are as at 31 December 2012 unless stated otherwise. For further information please refer to the Financial Report on our website: <http://www.stockland.com.au/UnlistedPropertyFunds>.

Disclosure Principle 1: Gearing Ratio

Gearing ratio:	55.5%
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The gearing ratio indicates the extent to which a scheme's assets are funded by interest bearing liabilities. It gives an indication of the potential risks the scheme faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values.

Benchmark 1: Gearing Policy

Under the facility agreement with Westpac the gearing benchmark, expressed in Loan to Value (“LVR”) ratio, must not exceed 65%. SDOT2 has adopted this benchmark as its gearing policy. The gearing ratio of 55.5% satisfies this Benchmark.

Disclosure Principle 2: Interest Cover

Interest Cover Ratio:	1.5 times
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Interest cover measures the ability of the scheme to service interest expense on debt from earnings. It is therefore a critical indication of a scheme's financial health and key to analysing the sustainability and risks associated with the scheme's level of borrowing. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments.

Benchmark 2: Interest Cover Policy

Under the facility agreement with Westpac (which SDOT2 has adopted as its policy), the interest cover benchmark for each twelve month period must be at least 1.2 times greater than the Interest Expense for the same period. The Interest Cover Ratio (“ICR”) of 1.5 indicates that SDOT2 is able to meet its interest payments, and satisfies the Benchmark.

Please note the ICR above varies from the ratio provided to the financier. The variation is due to different calculations required by ASIC and the financier.

Benchmark 3: Interest Capitalisation Policy

SDOT2's policy is never to capitalise its interest payments. This Benchmark is met as SDOT2's interest expense is not, and has never been, capitalised.

Interest Capitalisation is when the scheme is not required to make interest payments until an agreed point in time. This generally applies to developments, where an asset may not generate income during the development period to meet the interest obligations of the facility agreement.

Disclosure Principle 3: Scheme Borrowing

The following table provides a summary of SDOT2's borrowing arrangements as at 31 December 2012.

	Limit \$(m)	Undrawn Amount \$(m)	Facility Expiry	Interest Rate (%)	Hedging Expiry
Facility	107.2	4.0	Sept 2014	6.51%*	June 2013

* Weighted average including line, margin and swap

A maximum LVR of 65%, and a minimum ICR of 1.2 is stipulated under the terms of the facility.

Loan Covenants

All loan covenants were complied with as at 31 December 2012. A breach of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further draw-downs on the credit facility.

Investors should note that they rank behind the creditors of the Trust. This means if the lender enforces its security over SDOT2 then the lender will be reimbursed prior to the return of any capital to investors.

Disclosure Principle 4: Portfolio Diversification

Investment Strategy

The Trust has a 49% interest in Macquarie Park Trust (“MPT”) which owns the Optus Centre. A members meeting was held on 24 September 2012, where Stockland Capital Partners Limited (“SCPL”), as the Responsible Entity (RE) of SDOT2 provided its recommended investment strategy for the Trust which included

the sale of SDOT2's interest in MPT and to subsequently wind up the Trust. Members voted in favour of the sale and subsequent wind up. The sale marketing process has commenced and CBRE has been appointed as the sale agent for the property. The remaining interest owned by Stockland Trust Management Limited as Responsible Entity for Stockland Trust (31%) and Unisuper (20%) will also be sold as part of the sale process.

The following tables provide a summary of the property valuation and a snapshot of the property's key metrics:

Geographic Spread

Diversification	Geographic Spread	Sector Spread
	NSW	Office
By Value	100%	100%
By Number	100%	100%

Occupancy

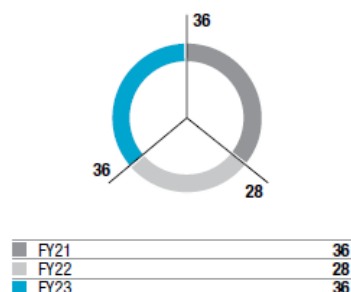
The property has 100% occupancy as at 31 December 2012 .

Tenant	% of Income	% of NLA
Optus Centre	100%	100%

Property Valuation

* Represents SDOT2's 49% interest in Optus Centre

Lease Expiry Profile by Area



The weighted average lease expiry (WALE) is 9.5 years at 31 December 2012

Benchmark 4: Valuation Policy

SDOT2's valuation policy provides for the property to be independently valued at least once every three years by a Certified Practising Valuer registered with the Australian Property Institute. All the investors of MPT agreed to have the property valued at 30 June every financial year. An internal valuation is undertaken at every half year when an external valuation does not occur (i.e. 31 December). Where the internal valuation results in a variance outside the range -5% to +5% of the property's built up book value, an external valuation is required. In addition, where the variance in the built up book value is outside the range

Property	Optus Centre, Macquarie Park
Valuation*	\$183.75 m
Date of External Valuation	31 December 2012
Valuer	Colliers International
Cap rate	7.50%
Occupancy	100%
Book Value at 31 Dec 2012*	\$183.75 m

-5% to +5% of the most recent independent valuation, a new external valuation is required.

SDOT2 complies with its policies with respect to property valuation. Investors wishing to obtain a copy of the full valuation policy, please contact our Client Relations Manager, Janine Seeto on (02) 9035 2491.

Disclosure Principle 5: Related Party Transactions

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. Investors should therefore be able to assess whether a responsible entity takes an appropriate approach to related party transactions. A significant number and value of such transactions may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

As outlined in Section 7.8 of the Product Disclosure Statement, approval of all related party transactions by the board of the RE are to be by unanimous vote, including independent directors. Any Stockland executive directors are excluded from voting on such transactions.

Related Party Transactions

Listed below are the primary related party transactions for the half year ended 31 December 2012. Please refer to Note 11 of the Financial Report for a full review of related party transactions concerning SDOT2.

- Stockland Trust Management Limited ("STML") as the RE of Stockland Trust, a related party of SCPL, held 17,083,717 Instalment Receipts in SDOT2 at 31 December 2012, equivalent to 19.90% of Instalment Receipts on issue.
- STML, as RE for Stockland Trust, held 31% of units in MPT at 31 December 2012.

- SCPL does not hold any Instalment Receipts in SDOT2.
- One SCPL Director held SDOT2 Instalment Receipts at 31 December 2012, Mr Matthew Quinn held 25,000 Instalment Receipts. Note that Mr David Kent resigned from the SCPL board on the 30 June 2012 and Matthew Quinn resigned from the SCPL board effective from 11 January 2013. Mark Steinert was appointed as a director on the 29 January 2013.

Fees to Related Parties

Type	Amount	When Paid?
Responsible Entity Fee	\$0.424m for the half year ending 31 December 2012, representing 0.45% p.a. of the gross value of the assets of the Trust.	Payable to SCPL from SDOT2's assets quarterly in arrears. A portion of the RE fee was deferred and payable upon the wind up of the Trust. Please refer to Note 11 of the 31 December 2012 Financial Report for further details.
Property Management Fee	\$0.140m for the half year ending 31 December 2012, representing property management services including on site property management and leasing fees.	Payable quarterly in arrears by Macquarie Park Trust to Stockland Property Management Limited.

Benchmark 5: Related Party Transaction Policy

A corporate governance framework has been established to protect investors' interests. This framework includes:

- Documented and formally approved and executed agreements between Stockland Corporation, STML and SDOT2 by separate independent legal advice obtained by SCPL on behalf of SDOT2;
- One of the two Directors of the SCPL Board are independent of Stockland Corporation;
- Monitoring of compliance with SDOT2's obligations by the Compliance Committee;
- A six monthly review and full year audit by the scheme auditor and full year audit by the compliance plan auditor;
- A requirement for the approval of all related party transactions by the SCPL Board to be by unanimous vote, including the independent directors;
- Acting in accordance with our conflicts of interest policy which is made available to all staff. The policy is reviewed on an ongoing basis to ensure that Stockland maintains adequate conflicts management arrangements.
- The SCPL Directors have a fiduciary duty to act in the best interests of investors in relation to decisions affecting SDOT2. Please refer to Section 7.8 of the Product Disclosure Statement for further information concerning SDOT2's Corporate Governance policies.

SDOT2 complies with its policies and procedures with respect to Related Party Transactions. Monitoring of the Policy is ongoing.

Disclosure Principle 6: Distribution Practices

Benchmark 6: Distribution Policy

SDOT2's policy is to fund distributions entirely by available cash from realised income. Distributions for the half year ended 31 December 2012 for SDOT2 were funded 100% from realised income, which met the Benchmark.

Going forward, it is anticipated that distributions will continue to be funded from available cash from realised income. This approach is considered sustainable over the next 12 months. However, SCPL may review and adjust accordingly.

Disclosure Principle 7: Withdrawal Arrangements

Investors are unable to redeem their units until SDOT2 terminates. Investors may however transfer their Instalment Receipts through an Off Market Transfer.

Limited Liquidity Facility

Investors were previously able to transfer their units in SDOT2 via a Limited Liquidity Facility ("LLF"). In accordance with the terms of the SDOT2 PDS, the LLF is now closed. Stockland's holding as at 31 December 2012 is 19.9%, the maximum holding permitted under section 3.7 of the PDS.

Off Market Transfers

Investors are able to transfer their Instalment Receipts in SDOT2 via an Off Market Transfer. Investors may transfer their Instalment Receipts to third parties in accordance with the terms and conditions detailed in Section 3.6 of the Product Disclosure Statement dated 27 July 2005. The Off Market Transfer form is available on our website:

<http://www.stockland.com.au/UnlistedPropertyFunds>.

Risks on Termination

The performance of the Trust will be influenced by a range of factors during the term of the Trust and at termination including:

- Changes in the economy and market conditions may affect demand and therefore property values;
- Investors will be indirectly exposed to property market risk;
- The value of the property may fluctuate depending on market conditions and there may be a delay in achieving a sale of the property;
- The Trust may be required to refinance the debt facilities;
- If the facilities cannot be entirely refinanced on its termination or expiry, then returns to investors may be adversely affected.

Please refer to Section 10 of the Product Disclosure Statement for more information.

Final Instalment Payment

It is important to note that the final repayment date for the Instalment receipts held by unitholders in SDOT2 has been extended from the 30 June 2013 to the earlier of 30 September 2014 or 21 days after the completion of the sale of SDOT2's interest in MPT.

Disclosure Principle 8: Net Tangible Assets

Net Tangible Assets	\$0.93
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The net tangible assets per unit (NTA) states the underlying value of the Trust, and is calculated as follows:

$$\text{NTA} = \frac{\text{Net assets} - \text{intangible assets} \pm \text{adjustments}}{\text{Number of SDRT1 units}}$$

$$\text{NTA} = \frac{\$78,390,000 + \$1,499,000}{85,867,000}$$

The NTA helps investors understand the value of the assets upon which the value of their unit is determined. The NTA is based on the financial statement dated 31 December 2012. Note that the fund is a closed end fund and therefore there are no redemption rights available to investors.

Further Information

For further information in relation to the above please refer to the website at <http://www.stockland.com.au/UnlistedPropertyFunds> or contact our Client Relations Manager, Janine Seeto on (02) 90352491 or Janine.seeto@stockland.com.au.

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