



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

ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES

Updated February 2012

Introduction

The following document has been prepared for SDOT2 for the purposes of ASIC Regulatory Guide 46. All figures are as at 31 December 2011 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:	55.4%
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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.

Disclosure Principle 2: Interest Cover

Interest Cover Ratio:	1.8 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.

An Interest Cover Ratio (“ICR”) of 1.8 indicates that SDOT2 is able to meet its interest payments based on the 31 December 2011 Interim Financial Report. Please note the ICR above varies from the ratio provided to financiers. The variation is due to different calculations required by ASIC and the financiers.

Disclosure Principle 3: Scheme Borrowing

The following table provides a summary of SDOT2's borrowing arrangements as at 31 December 2011.

	Limit \$(m)	Undrawn Amount \$(m)	Facility Expiry	Interest Rate (%)	Hedging Expiry
Facility	107.2	4.0	June 2013	6.04%*	June 2013

* Weighted average including line and margin (includes Capex facility)

Loan Covenants

All loan covenants were complied with as at 31 December 2011. 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 aims to deliver regular, tax effective income returns to investors with the opportunity for capital growth over time. The Trust has a 49% interest in Macquarie Park Trust (“MPT”) which owns the Optus Centre. We do not expect to make any other acquisitions or divestments over the term of the Trust. Prior to 31 December 2012, Stockland Capital Partners Limited (“SCPL”), as the Responsible Entity (RE) of SDOT2, will convene a meeting of investors to consider the ongoing investment strategy.

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

Property Valuation

Property	Optus Centre, Macquarie Park
Valuation*	\$186.2 m
Date of External Valuation	30 June 2011
Valuer	Jones Lang LaSalle
Cap rate	7.25%
Occupancy	100%
Book Value at 31 Dec 2011*	\$186.4 m

* Represents SDOT2's 49% interest in Optus Centre

Geographic Spread

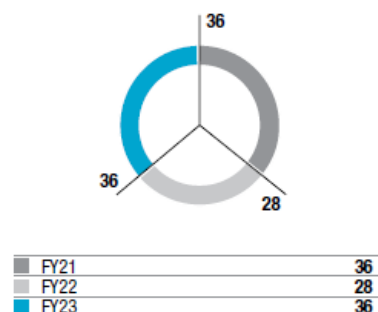
Diversification	Geographic Spread	Sector Spread
	NSW	Office
By Value	100%	100%
By Number	100%	100%

Occupancy and Top 5 Tenants

The property has 100% occupancy as at 31 December 2011.

Top 5 Tenants	% of Income	% of NLA
Optus Centre	100%	100%

Lease Expiry Profile by Area



The weighted average lease expiry (income by years) is 10.50 at 31 December 2011.

Disclosure Principle 5: Valuation Policy

SDOT2's 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 -5% to +5% of the most recent independent valuation, a new external valuation is required.

Disclosure Principle 6: Related Party Transactions

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. Investors should therefore be able to assess whether 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 2011. Please refer to Note 11 of the Interim 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 17,087,533 Instalment Receipts in SDOT2 at 31 December 2011, equivalent to 19.90% of Instalment Receipts on issue.
- STML, as RE for Stockland Trust, held 31% of units in MPT at 31 December 2011.

- SCPL does not hold any Instalment Receipts in SDOT2.
- Two SCPL Directors held SDOT2 Instalment Receipts at 31 December 2011. Mr David Kent held 150,000 Instalment Receipts and Mr Matthew Quinn held 25,000 Instalment Receipts.

Fees to Related Parties

Type	Amount	When Paid?
Responsible Entity Fee	\$0.431 m for the half year ending 31 December 2011, 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 is deferred and payable upon the wind up of the Trust. Please refer to Note 19 of the 31 December 2011 Interim Financial Report for further details.
Property Management Fee	\$0.158m for the half year ending 31 December 2011, 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.

Policy and Ongoing Monitoring

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;
- Two of the four 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.

Disclosure Principle 7: Distribution Practices

Source of Distributions

Distributions for the year ended 31 December 2011 for SDOT2 were funded 100% from realised income. Going forward it is anticipated that distributions will continue to be funded from available cash. This approach is considered sustainable over the next 12 months, however SCPL may review and adjust accordingly.

Disclosure Principle 8: Withdrawal Arrangements

Once an application for units has been received, investors are unable to redeem their units until 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 2011 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.

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) 9035 2419 or email Janine.Seeto@stockland.com.au.

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