

Stockland Direct Office Trust No. 2

ARSN: 115 017 466

Interim Report 31 December 2011

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Direct Office Trust No. 2

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Stockland Direct Office Trust No. 2
Directors' Report
For the half year ended 31 December 2011

The Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity of Stockland Direct Office Trust No. 2 ("the Trust"), present their report together with the Interim Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust for the half year ended 31 December 2011, the state of the Trust's affairs as at 31 December 2011 and the Independent Auditor's Review Report thereon.

SCPL was appointed the Responsible Entity at the date the Trust commenced.

Directors

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

Name	Date of appointment/resignation
<i>Non-Executive Directors</i>	
Mr Barry Neil, Chairman ¹	Appointed 19 October 2010
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
<i>Executive Directors</i>	
Mr Matthew Quinn ¹	Appointed 19 October 2000
Mr Tim Foster (alternate to Mr Quinn)	Appointed 26 February 2010

¹ Mr Barry Neil and Mr Matthew Quinn are also directors of Stockland Corporation Limited.

Principal activity

The principal activity of the Trust is the ownership of property situated at 1-5 Lyon Park Road, Macquarie Park, New South Wales, via its 49% investment in Macquarie Park Trust ("MPT").

Review and results of operations

The Trust recorded a profit from operating activities of \$2,919,000 for the half year ended 31 December 2011 (profit of \$2,987,000 for the half year ended 31 December 2010).

As at 31 December 2011, a Directors' valuation was undertaken which supported the Macquarie Park property being valued at \$380,000,000 (100% basis). This remains consistent with the 30 June 2011 carrying value of \$380,000,000 (100% basis).

For the half year ended 31 December 2011, a fair value decrement of \$1,386,000 (\$1,555,000 increment for the half year ended 31 December 2010) in the valuation of the interest rate swap was recorded in Reserves as set out in Note 9 of the Interim Financial Report. As at 31 December 2011, the fair value of the interest rate swap was \$2,906,000 liability (30 June 2011: \$1,520,000 liability) as set out in Note 7 of the Interim Financial Report.

Distributions paid or declared by the Trust to Unitholders during the half year ended 31 December 2011 are set out in Note 10 of the Interim Financial Report.

Events subsequent to the end of the half year

There has not arisen, in the interval between the end of the current half year and the date of this report, any other item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations of the Trust, the results of operations, or the state of the affairs of the Trust, in future financial years.

Stockland Direct Office Trust No. 2
Directors' Report
For the half year ended 31 December 2011

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 2011.

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, 16 February 2012



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 Direct Office 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 2011 there has 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

16 February 2012

Stockland Direct Office Trust No. 2
Interim Statement of Comprehensive Income
For the half year ended 31 December 2011

		Half year ended	
		2011	2010
	Notes	\$'000	\$'000
Revenue and other income			
Interest income		80	74
Total revenue and other income		80	74
Share of net profit of investments accounted for using the equity method	4	6,785	6,854
Finance costs to external parties		(3,467)	(3,465)
Responsible Entity fees	11	(431)	(421)
Other expenses		(48)	(55)
Profit for the half year		2,919	2,987
Other comprehensive (expense)/income			
Effective portion of changes in fair value of cash flow hedges	9	(1,386)	1,555
Other comprehensive (expense)/income for the half year		(1,386)	1,555
Total comprehensive income for the half year		1,533	4,542

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

Stockland Direct Office Trust No. 2
Interim Balance Sheet
As at 31 December 2011

	Notes	31 Dec 2011 \$'000	30 June 2011 \$'000
Current assets			
Cash and cash equivalents		3,154	2,947
Trade and other receivables		9	8
Other assets		231	233
Total current assets		3,394	3,188
Non-current assets			
Investments accounted for using the equity method	4	186,423	186,072
Other assets		117	235
Total non-current assets		186,540	186,307
Total assets		189,934	189,495
Current liabilities			
Trade and other payables	5	3,200	3,001
Total current liabilities		3,200	3,001
Non-current liabilities			
Interest-bearing loans and borrowings	6	102,257	101,930
Other liabilities	7	2,906	1,520
Total non-current liabilities		105,163	103,450
Total liabilities		108,363	106,451
Net assets		81,571	83,044
Unitholders' funds			
Units on issue	8	68,961	68,961
Reserves	9	(2,906)	(1,520)
Undistributed profit		15,516	15,603
Total unitholders' funds		81,571	83,044

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

Stockland Direct Office Trust No. 2
Interim Statement of Changes in Equity
For the half year ended 31 December 2011

	Unitholders' Funds									
	Issued capital				Undistributed		Reserves		Total	
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	68,961	68,961	15,603	11,720	(1,520)	(2,311)	83,044	78,370		
Other comprehensive (expense)/income for the half year	-	-	-	-	(1,386)	1,555	(1,386)	1,555		
Profit for the half year	-	-	2,919	2,987	-	-	2,919	2,987		
Total comprehensive income for the half year	-	-	2,919	2,987	(1,386)	1,555	1,533	4,542		
Transactions with Unitholders in their capacity as owners:										
Distributions paid/payable to Unitholders	-	-	(3,006)	(2,916)	-	-	(3,006)	(2,916)		
Closing balance	68,961	68,961	15,516	11,791	(2,906)	(756)	81,571	79,996		

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

Stockland Direct Office Trust No. 2
Interim Cash Flow Statement
For the half year ended 31 December 2011

		Half year ended	
	Note	2011	2010
		\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations		1	2
Cash payments in the course of operations		(305)	(303)
Distributions received from joint venture entity	4	6,434	7,782
Interest received		79	68
Interest paid		(3,007)	(2,990)
Net cash inflow from operating activities		3,202	4,559
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Distributions paid		(2,995)	(2,922)
Net cash utilised in financing activities		(2,995)	(2,922)
Net increase in cash and cash equivalents		207	1,637
Cash and cash equivalents at the beginning of the half year		2,947	1,348
Cash and cash equivalents at the end of the half year		3,154	2,985

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

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

1 Summary of significant accounting policies

Stockland Direct Office 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 2011 was authorised for issue by the Directors of Stockland Capital Partners Limited ("SCPL"), the Responsible Entity, on 16 February 2012.

(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 does not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Financial Report of the Trust as at and for the year ended 30 June 2011.

(b) Changes in Accounting Standards and Regulatory requirements

There are a number of new and amended Accounting Standards issued by the Australian Accounting Standards Board which are applicable for the reporting period beginning on or before 1 July 2011. The Trust has adopted all mandatory new and amended Accounting Standards issued that are relevant to its operation and effective for the current reporting period.

There was no material impact on the Interim Financial Report as a result of the new and amended Accounting Standards adopted.

(c) Basis of preparation

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

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

The Interim Financial Report has been prepared on the basis of the going concern and historical cost conventions except for derivative financial instruments and investment property held by the joint venture entity, which are stated at their fair value.

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Refer to Note 2 for significant areas of estimation.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 2011.

3 Operating segments

The Trust operates solely in the business of investment management in Australia, this being its only operating segment.

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

4 Non-current assets – Investments accounted for using the equity method

	Location	Principal Activity	Holding		Carrying amount	
			31 Dec 2011	30 June 2011	31 Dec 2011 \$'000	30 June 2011 \$'000
Macquarie Park Trust ("MPT")	NSW	Property investment	49%	49%	186,423	186,072

The joint venture was formed in Australia.

The principal activity is investment in real property.

During the half year, a Directors' valuation was performed as at 31 December 2011, resulting in the Macquarie Park Trust property being valued at \$380,000,000 (100% basis). This remains consistent with the 30 June 2011 valuation of \$380,000,000. The capitalisation rate used in the December 2011 valuation was 7.25% (30 June 2011: 7.25%). The weighted average lease expiry is 10.50 years (30 June 2011: 11.00 years).

	31 Dec 2011 \$'000	30 June 2011 \$'000
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Movements in carrying amount of investments accounted for using the equity method¹

Carrying amount at the beginning of the financial period	186,072	182,614
Share of net profit	6,785	17,375
Distributions received	(6,434)	(14,006)
Interest in joint venture entity acquired during the financial year	-	89
Carrying amount at the end of the financial period	186,423	186,072

¹ Current period represents movements during the six month period to 31 December 2011. Prior period represents movements during the twelve months to 30 June 2011.

	31 Dec 2011 \$'000	30 June 2011 \$'000
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Share of joint venture entity's assets and liabilities

Current assets	1,068	2,328
Non-current assets	186,558	186,200
Total assets	187,626	188,528
Current liabilities	(1,203)	(2,456)
Total liabilities	(1,203)	(2,456)
Share of net assets after equity accounting adjustments	186,423	186,072

	6 months to 31 Dec 2011 \$'000	6 months to 31 Dec 2010 \$'000
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Share of joint venture entity's revenue, expenses and results

Revenues	8,108	8,083
Expenses	(1,323)	(1,229)
Net profit accounted for using the equity method	6,785	6,854

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

	31 Dec 2011 \$'000	30 June 2011 \$'000
5 Current liabilities – Trade and other payables		
Trade payables and accruals	1,545	1,386
Interest payable on loan facility	152	157
Distribution payable	1,503	1,458
	3,200	3,001
6 Non-current liabilities – Interest-bearing loans and borrowings		
Facility agreement	103,225	103,225
Less: attributable transaction costs	(968)	(1,295)
Total Balance Sheet carrying amount at amortised cost	102,257	101,930

Details of the facilities are set out below:

Facility	Maturity date	Facility limit		Utilised	
		31 Dec 2011 \$'000	30 June 2011 \$'000	31 Dec 2011 \$'000	30 June 2011 \$'000
Acquisition Tranche 1	28 June 2013	7,425	7,425	7,425	7,425
Acquisition Tranche 2	28 June 2013	95,800	95,800	95,800	95,800
Capital expenditure	28 June 2013	3,000	3,000	-	-
Overdraft		1,000	1,000	-	-
		107,225	107,225	103,225	103,225

The Trust has a \$107,225,000 (30 June 2011: \$107,225,000) loan facility agreement with Westpac Banking Corporation ("Westpac"). As at 31 December 2011, \$103,225,000 had been drawn down (30 June 2011: \$103,225,000). The weighted average interest rate on the loan facility for the period to 31 December 2011 was 5.12% p.a. (30 June 2011: 5.13% p.a.). The total loan facility has been effectively hedged through an interest rate swap contract. Taking into account the interest rate swap in place, the weighted average interest rate on the total loan facility for the period to 31 December 2011 is 6.04% p.a. (30 June 2011: 6.04% p.a.).

Acquisition Tranche 1

The Acquisition Tranche 1 facility of \$7,425,475 was drawn on 29 September 2005 and is secured by the assets and undertakings of the Trust. Interest is charged on the utilised portion of the facility at 90 day BBSY plus a margin of 0.325% p.a. Line fees of 0.325% p.a. are charged from 29 September 2005 on the facility limit.

Acquisition Tranche 2

The Acquisition Tranche 2 facility of \$95,800,218 was available from the commencement of the Optus lease and is secured by the assets and undertakings of the Trust. Interest is charged on the utilised portion of the facility at the 90 day BBSY plus a margin of 0.39% p.a. The full amount of the Tranche 2 facility was drawn down on 15 June 2007. Line fees of 0.250% p.a. are charged from 26 September 2005 on the facility limit.

Capital expenditure

The capital expenditure facility of \$3,000,000 was available from the commencement of the Optus lease and is secured by the assets and undertakings of the Trust. Interest will be charged on the utilised portion of the facility at 90 day BBSY plus a margin of 0.325% p.a. No draw down of this facility had been made as at 31 December 2011, (30 June 2011 \$nil). Line fees of 0.325% p.a. are charged from 26 September 2005 on the facility limit.

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

6 Non-current liabilities – Interest-bearing loans and borrowings (continued)

Overdraft

The overdraft facility of \$1,000,000 was available from 26 September 2005 and is secured by the assets and undertakings of the Trust. Interest will be charged on the utilised portion of the facility at the 30 day Bank Bill rate plus a margin of 0.325% p.a. No draw down of this facility had been made as at 31 December 2011, (30 June \$nil). Line fees of 0.325% p.a. are charged from 26 September 2005 on the facility limit.

Interest rate swap contract

On 3 June 2005, the Trust entered into two interest rate swap contracts to hedge the anticipated variable interest rate exposure of the Trust on the debt facilities provided by Westpac. The first swap provided a fixed rate of 5.72% p.a. on the funds drawn against the Acquisition Tranche 1 facility from 29 September 2005 to 1 July 2008; the second swap provides a fixed rate of 5.81% p.a. on the funds drawn against both the Acquisition Tranche 1 and 2 facilities from 1 July 2008 to 28 June 2013.

	31 Dec 2011 \$'000	30 June 2011 \$'000

7 Non-current liabilities – Other liabilities

Fair value of hedging instrument	2,906	1,520
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8 Units on issue

	31 Dec 2011 No. of units	30 June 2011 No. of units	31 Dec 2011 \$'000	30 June 2011 \$'000
Units on issue	85,867,000	85,867,000	68,961	68,961

Date	Details	No. of units	Issue price	\$'000
Movements in units				
1 July 2010	Opening Balance	85,867,000		68,961
31 December 2010	Balance	85,867,000		68,961
30 June 2011	Balance	85,867,000		68,961
31 December 2011	Closing balance	85,867,000		68,961

Rights and restrictions over units

- Each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.
- All units are held by The Trust Company (Australia) Limited, who acts as custodian for instalment receipt holders until the final instalment is paid by investors.

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

	Note	31 Dec 2011 \$'000	30 June 2011 \$'000
9 Reserves			
Balance at the beginning of the financial period		(1,520)	(2,311)
Effective portion of changes in fair value of the cash flow hedge during the financial period ¹		(1,386)	791
Balance at the end of the financial period	7	<u>(2,906)</u>	<u>(1,520)</u>

¹ Current period represents movements during the six month period to 31 December 2011. Prior period represents movements during the twelve months to 30 June 2011.

10 Distributions to Unitholders

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2011				
30 September 2011	1.7500¢	1,503 ¹	28 October 2011	100%
31 December 2011	1.7500¢	1,503 ¹	29 February 2012 ²	100%
Total distributions		<u>3,006</u>		

¹ The above distributions were income distributions. In addition, each of these distributions include interest of \$810,000 relating to the Final Instalment paid to the Security Trustee on behalf of investors in accordance with the Security Trustee Deed. The balance of the above distributions to Unitholders after the payment of interest is \$693,000 for the September 2011 distribution and \$693,000 for the December 2011 distribution.

² The Proposed payment date.

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2010				
30 September 2010	1.6985¢	1,458 ¹	29 October 2010	100%
31 December 2010	1.6985¢	1,458 ¹	28 February 2011	100%
Total distributions		<u>2,916</u>		

¹ The above distributions were income distributions. In addition, each of these distributions included interest of \$810,000 relating to the Final Instalment paid to the Security Trustee on behalf of investors in accordance with the Security Trustee Deed. The balance of the above distributions to Unitholders after the payment of interest was \$648,000 for the September 2010 distribution and \$648,000 for the December 2010 distribution.

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

11 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 instalment receipts held in the Trust as at 31 December 2011 are as follows:

Directors	Number of instalment receipts		
Mr David Kent	150,000		
Mr Matthew Quinn	25,000		
		Half year ended	
		2011	2010
		\$'000	\$'000
Responsible Entity fees and other transactions			
Responsible Entity fees			
The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets of the Trust.		431	421
As at 31 December 2011, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$150,747 (31 December 2010: \$147,744).			
Total deferred and accrued Responsible Entity fees included in Current liabilities – Trade and other payables as at 31 December 2011 is \$1,488,147 (30 June 2011: \$1,333,313).			
Total Responsible Entity fees and other transactions recognised in the Interim Statement of Comprehensive Income		431	421

Other related party transactions

Limited Liquidity Facility ("LLF")

Westpac has agreed to acquire up to 1,000,000 instalment receipts in the Trust per quarter at a 2.5% discount to Net Tangible Assets ("NTA") per instalment receipt less transaction costs, from Unitholders seeking to realise their units. Stockland Trust Management Limited ("STML"), as Responsible Entity for Stockland Trust, has placed a standing order with Westpac to acquire a maximum of 1,000,000 instalment receipts per quarter from lease commencement. As outlined in the Trust's Product Disclosure Statement ("PDS"), the LLF can be terminated by Westpac when STML withdraws its standing order with Westpac to acquire instalment receipts, which it may do at any time at its complete discretion or when STML beneficially owns 19.9% (17,087,533) of the total instalment receipts.

During the half year, STML, as Responsible Entity of Stockland Trust, acquired 16,667 instalment receipts (year ended 30 June 2011: 2,123,074) in the Trust via the LLF.

The LLF closed on 30 September 2011 in accordance with the terms of LLF agreement with Westpac.

Stockland Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2011

11 Related parties (continued)

Other related party transactions (continued)

Units held by Stockland Trust

As at 31 December 2011, STML, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, holds 17,083,717 instalment receipts (30 June 2011: 17,067,050) in the Trust.

As at 31 December 2011, STML, as Responsible Entity for Stockland Trust, held 31% (30 June 2011: 31%) of the units in Macquarie Park Trust ("MPT").

Property Management and Leasing Fee

Stockland Property Management Limited, a related party of the Responsible Entity, charged \$158,180 (31 December 2010: \$149,848) to MPT for property management services including onsite property management staff and leasing fees. Of this amount, \$158,180 (31 December 2010: \$149,848) forms part of the outgoings recoverable from tenants pursuant to leases.

12 Commitments

As at 31 December 2011, the Trust has no commitments (30 June 2011: \$nil).

13 Other Information

Life of the Trust

The Trust terminates on the earliest of:

- a) the date specified by the Responsible Entity as the date of termination of the Trust in a notice given to Unitholders;
- b) a date which has been proposed to Unitholders by the Responsible Entity, and which the Unitholders 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.

14 Contingent liabilities and contingent assets

As at 31 December 2011, the Trust has no contingent liabilities and no contingent assets (30 June 2011: \$nil).

15 Events subsequent to the end of the half year

There has not arisen, in the interval between the end of the current half year and the date of this report, any other item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations of the Trust, the results of operations, or the state of the affairs of the Trust, in future financial years.

Stockland Direct Office Trust No. 2
Directors' Declaration
For the half year ended 31 December 2011

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

1. the Interim 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 2011 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. 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, 16 February 2012



Independent auditor's review report to the unitholders of Stockland Direct Office Trust No.2

We have reviewed the accompanying interim financial report of Stockland Direct Office Trust No.2 (the Trust), which comprises the interim statement of financial position as at 31 December 2011, and the interim statement of comprehensive income, interim statement of changes in equity and interim cash flow statement for the half-year ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of Stockland Capital Partners Limited (the Responsible Entity) are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2011 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Stockland Direct Office Trust No.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 Direct Office 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 2011 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

16 February 2012