

## **Stockland Direct Office Trust No. 2**

ARSN: 115 017 466

Financial Report for the year ended 30 June  
2015

Registered office:

133 Castlereagh Street  
Sydney NSW 2000

## **Stockland Direct Office Trust No. 2**

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The Financial Report covers the Stockland Direct Office Trust No. 2 ("the Trust") which was formed and is domiciled in Australia.

## **Stockland Direct Office Trust No. 2**

### **Directors' Report**

### **For the year ended 30 June 2015**

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 Financial Report made in accordance with a resolution of the Directors with respect to the results of the Trust for the year ended 30 June 2015, the state of the Trust's affairs as at 30 June 2015 and the Independent Auditor's 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 financial year ("the Directors") are:

##### **Barry Neil**

Chairman (Non-Executive)

Mr Neil was appointed to the Board on 19 October 2010 and has over forty years' experience in property, both in Australia and overseas. He is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited, a Director of Terrace Tower Group Pty Ltd and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004) and Executive Director (1987 to 2004) of Mirvac Limited.

##### **Anthony Sherlock**

(Non-Executive)

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of Equatorial Mining Limited and Kerrygold Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited, Sydney Attractions Group Limited, IBA Health Limited and Export Finance Insurance Corporation Limited and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Audit and Risk Committee and the Stockland Capital Partners Financial Services Compliance Committees.

##### **Mark Steinert**

Managing Director – Stockland – (Executive) – Appointed 29 January 2013

Mr Steinert was appointed Managing Director & CEO of Stockland in January 2013. He has 25 years of experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and 10 years in listed real estate with UBS. Mr Steinert was appointed as Head of Australasian Equities at UBS in 2004 and as Global Head of Research in New York in late 2005. In 2012 he was appointed as Global Head of Product Development and Management for Global Asset Management at UBS, a \$559 billion Global Fund Manager.

#### **Stockland Capital Partners Limited Financial Services Compliance Committee**

A Financial Services Compliance Committee has been set up to oversee the Compliance Plan approved by the Responsible Entity of the Trust.

The role of the Committee includes evaluation of the effectiveness of the Trust's Compliance Plan which is designed to protect the interests of Unitholders. The Compliance Plan has been approved by the Australian Securities and Investments Commission ("ASIC"). The Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director

Ms K Grace – Executive Member

During the year 4 meetings (2014: 4 meetings) were held.

## **Stockland Direct Office Trust No. 2**

### **Directors' Report**

**For the year ended 30 June 2015**

#### **Stockland Capital Partners Limited Audit and Risk Committee**

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

The primary objective of the Committee is to assist the Board of SCPL in discharging its responsibilities for:

- financial reporting and audit practices;
- accounting policies;
- the management of risk; and
- the adequacy and effectiveness of internal controls.

The Committee meets at least six monthly and its meetings are attended by management, internal and external audit and other parties as relevant. The Committee may meet privately with the external auditor in the absence of management at least once a year. The Committee has the power to conduct or authorise investigations into, or consult independent specialists on any matters within the Committee's scope of responsibility. The Committee has written terms of reference which incorporates best practice. Its members must be independent of management and at least one member of the Committee must have relevant accounting qualifications and experience and all members should have a good understanding of financial reporting.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director

During the year 3 meetings (2014: 2 meetings) were held.

#### **Principal activity**

The principal activity of the Trust was the indirect ownership of property situated at 1-5 Lyon Park Road, Macquarie Park, New South Wales, via its 49% investment in Macquarie Park Trust ("MPT"). The Trust's investment was sold and settled on 7 February 2014. Management commenced wind up proceedings following the expiry of the final retention period on 30 April 2015, and the wind-up will be completed signing of this Financial Report.

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

The Trust recorded a profit from operating activities of \$154,000 for the financial year ended 30 June 2015 (2014: \$4,204,000).

Distributions paid or declared by the Trust to Unitholders during the financial year are set out in Note 10 of the Financial Statements. The final distribution of \$428,000 was paid on 29 June 2015.

#### **Result of Members' Meeting**

A Meeting of Members was held on 24 September 2012 for the Responsible Entity to make a recommendation to Unitholders concerning the future strategy of the Trust. The Special Resolution (which in order to pass, requires at least 75% of the total votes cast by Unitholders entitled to vote, to vote in favour) was passed by Unitholders which authorised the Responsible Entity to sell the Trust's interest in the investment property and after the conclusion of the sale, terminate and wind up the Trust as soon as practicable thereafter.

#### **Significant changes in the state of affairs**

Since the Members' meeting, the Trust's interest in the investment has been sold. Following the distribution payment on 29 June 2015, the Trust will be terminated and wound up on 30 June 2015.

#### **Environmental regulation**

The Trust's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Responsible Entity believes that the Trust has adequate systems in place for the management of its environmental responsibilities and is not aware of any breach of environmental requirements as they may apply to the Trust.

#### **Related parties**

Stockland Trust Management Limited, as the Responsible Entity of Stockland Trust, a related party of the Responsible Entity, held 17,083,717 units in the Trust up to 30 June 2015 (30 June 2014: 17,083,717).

**Stockland Direct Office Trust No. 2**  
**Directors' Report**  
**For the year ended 30 June 2015**

**Interests of the Responsible Entity**

The Responsible Entity has not held any units in the Trust either directly or indirectly during the financial year.

**Responsible Entity's remuneration**

The Responsible Entity charged a responsible entity fee of 0.45% p.a. (30 June 2014: 0.45% p.a.) of the gross assets of the Trust. The Responsible Entity may defer a portion of the annual fees each year. The Responsible Entity is entitled to recover all fees deferred either from Trust earnings or on winding up of the Trust. These fees have all been paid and there are no remaining deferred fees. The Responsible Entity charges are set out in Note 13 of the Financial Report.

**Directors' interests**

No Directors of the Responsible Entity held any instalment receipts in the Trust at the date of this report.

**Indemnities and insurance of officers and auditor**

*Indemnification*

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability in respect of any person who is the auditor of the Trust.

*Insurance premiums*

The Responsible Entity has paid insurance premiums in respect of Directors' and officers' liability insurance contracts. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and officers of the Responsible Entity.

In addition, the Responsible Entity has paid insurance premiums for professional indemnity insurance policies to cover certain risks for the Directors.

Details of the nature and the amount of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the insurance contracts.

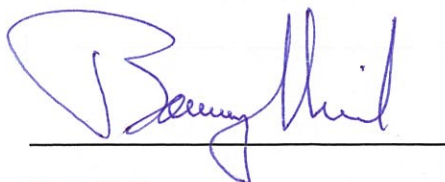
**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The external auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the year ended 30 June 2015.

**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 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:

A handwritten signature in blue ink, appearing to read 'Barry Neil', is written over a horizontal line.

Barry Neil  
Director

Dated at Sydney, 30 June 2015



## Auditor's Independence Declaration

As lead auditor for the audit of Stockland Direct Office Trust No. 2 for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'N R McConnell', written over a horizontal line.

N R McConnell  
Partner  
PricewaterhouseCoopers

Sydney  
30 June 2015

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

**Stockland Direct Office Trust No. 2**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Revenue and other income</b>			
Interest income		390	151
<b>Total revenue and other income</b>		<b>390</b>	<b>151</b>
Share of net profit of investment accounted for using the equity method		-	7,318
Net gain after selling costs on disposal of investment		-	543
Finance expense		-	(3,148)
Auditor's remuneration	4	(30)	(37)
Responsible Entity fees	13	(50)	(520)
Share registry fees		(51)	(28)
Professional service fees		(74)	(66)
Custodial fees		(31)	(9)
<b>Profit for the financial year</b>		<b>154</b>	<b>4,204</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>154</b>	<b>4,204</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Stockland Direct Office Trust No. 2**  
**Balance Sheet**  
**As at 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	-	5,381
Trade and other receivables	6	-	242
Other assets	7	-	10,000
<b>Total current assets</b>		-	15,623
<b>Total assets</b>		-	15,623
<b>Current liabilities</b>			
Trade and other payables	8	-	2,966
<b>Total current liabilities</b>		-	2,966
<b>Total liabilities</b>		-	2,966
<b>Net assets</b>		-	12,657
<b>Unitholders' funds</b>			
Units on issue	9	-	10,999
Undistributed profit		-	1,658
<b>Total unitholders' funds</b>		-	12,657

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

**Stockland Direct Office Trust No. 2**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2015**

	Unitholders' Funds							
	Issued capital		Undistributed profit		Reserves		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Notes</b>								
Opening balance	10,999	68,961	1,658	9,615	-	-	12,657	78,576
Profit for the financial year	-	-	154	4,204	-	-	154	4,204
<b>Total comprehensive income for the year</b>	-	-	154	4,204	-	-	154	4,204
<b>Transactions with Unitholders in their capacity as owners:</b>								
Distributions paid/payable to Unitholders	10	(10,999)	(57,962)	(1,812) <sup>1</sup>	-	-	(12,811) <sup>1</sup>	(70,123)
<b>Closing balance</b>	-	10,999	-	1,658	-	-	-	12,657

<sup>1</sup> Current year distribution paid of \$1,820,000 was offset by an adjustment of \$8,000 to prior year distributions accruals.

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

**Stockland Direct Office Trust No. 2**  
**Cash Flow Statement**  
**For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		300	184
Cash payments in the course of operations		(2,461)	(1,000)
Distributions received from investment		-	8,900
Interest received		390	151
Interest paid		-	(2,805)
<b>Net cash (outflow)/inflow from operating activities</b>	11	<b>(1,771)</b>	<b>5,430</b>
<b>Cash flows from investing activities</b>			
Disposal of investment – Proceeds from working capital adjustment		209	173,595
Disposal of investment – Payment of related expenses		(505)	-
Disposal of investment – return of warranty monies		10,000	-
<b>Net cash from investing activities</b>		<b>9,704</b>	<b>173,595</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(12,819)	(71,124)
Repayment of borrowings		-	(103,226)
Withholding Tax on profit distributions from prior year		(495)	-
<b>Net cash utilised in financing activities</b>		<b>(13,314)</b>	<b>(174,350)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,381)</b>	<b>4,675</b>
Cash and cash equivalents at the beginning of the year		5,381	706
<b>Cash and cash equivalents at the end of the year</b>	5	<b>-</b>	<b>5,381</b>

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

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**1 Summary of significant accounting policies**

Stockland Direct Office Trust No. 2 ("the Trust") is a Managed Investment Scheme domiciled in Australia.

The Financial Report of the Trust as at and for the financial year ended 30 June 2015 was authorised for issue by the Directors of the Responsible Entity on 30 June 2015.

**(a) Statement of compliance**

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Financial Report complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

**(b) New and amended Accounting Standards**

Certain Accounting Standards have been amended and published that are mandatory for this reporting year, however these are not considered relevant for the Trust.

**(c) Basis of preparation**

The 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 Financial Report has been prepared on the basis of historical cost conventions.

***Termination and wind-up of the Trust***

The Financial Report for the year ended 30 June 2015 has not been prepared on a going concern basis as on 24 September 2012, the Unitholders passed a special resolution to terminate and wind up the Trust as soon as practicable following the sale of the Trust's interest in the investment property. Management commenced the wind up proceedings following the expiry of the retention period on 30 April 2015, and the wind-up will be completed upon signing of this Financial Report.

The Financial Report has been prepared on the basis set out in the significant accounting policies outlined below. The Directors confirm that all liabilities have been settled as at the date of the Financial Report. The Directors also confirm all assets have been recovered and distributed as at 30 June 2015.

***Accounting policies***

The preparation of 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 year in which the estimate is revised and in any future years affected. Refer to Note 2 for significant areas of estimation.

The accounting policies have been applied consistently for the purposes of this Financial Report.

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

**(d) Revenue recognition**

Revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

***Interest income***

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

**(e) Operating segments**

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses.

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**1 Summary of significant accounting policies (continued)**

**(f) Goods and services tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Balance Sheet.

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

**(g) Income tax**

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to Unitholders each year.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and at call deposits.

**(i) Trade and other payables**

Trade and other payables are stated at cost.

***Distributions to Unitholders***

Distributions payable are recognised in the reporting year in which the distributions are declared, determined, or publicly recommended by the Directors on or before the end of the financial year, but not distributed at balance date.

**(j) Unitholders Funds**

Units within SDOT2 have been classified as equity as the units are redeemable on liquidation. The Responsible Entity determines the level of distributions on a discretionary basis as the Unitholders are entitled to a pro rata share of the entity's net assets on termination.

**(k) Life of the Trust**

The Trust will be wound up on the signing of this Financial Report.

**(l) Comparatives**

No comparatives have been amended from those reported in the previous financial year except for those reclassified to conform with current year's presentation.

**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.

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

**(a) Key sources of estimation uncertainty**

The Trust disposed of its interest in MPT in the prior year and is in the process of being wound up. As at 30 June 2015 there are no sources of significant estimation uncertainty.

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**3 Operating segments**

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

**4 Auditor's remuneration**

	2015 \$	2014 \$
<b>Audit services</b>		
Audit and review of the Financial Report (PwC Australia)	13,900	15,360
Compliance audit services (PwC Australia)	11,128	12,971
Settlement Statement audit (PwC Australia)	2,500	-
	<u>27,528</u>	<u>28,331</u>
<b>Other services</b>		
<b>Other non-audit related services</b>		
Taxation compliance services (PwC Australia)	2,109	8,192
	<u>2,109</u>	<u>8,192</u>
<b>Total remuneration</b>	<u>29,637</u>	<u>36,523</u>
	2015 \$'000	2014 \$'000

**5 Current assets – Cash and cash equivalents**

Cash at bank and on hand	-	5,381
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The weighted average interest rate for cash at bank and on hand as at 30 June 2015 was nil (30 June 2014: 2.31% p.a.).

**6 Current Assets – Trade and other receivables**

Other receivables	-	242
	<u>-</u>	<u>242</u>

**7 Current assets – Other assets**

Other assets	-	10,000
	<u>-</u>	<u>10,000</u>

**8 Current liabilities – Trade and other payables**

Trade payables and accruals	-	2,966
	<u>-</u>	<u>2,966</u>

**9 Units on issue**

	2015 No. of units	2014 No. of units	2015 \$'000	2014 \$'000
Units on issue	-	85,867,000	-	10,999

Date	Details	No. of units	\$'000
<b>Movement in stapled units</b>			
1 July 2014	Opening balance	85,867,000	10,999
30 Sept 2014	Distributions from contributed equity	-	(1,889)
12 May 2015	Distributions from contributed equity	-	(9,110)
30 June 2015	Redemption of units	(85,867,000)	-
	Closing balance	<u>-</u>	<u>-</u>

*Rights and restrictions over units*

(a) Each unit ranks equally with all other units for the purpose of distributions and on termination of the Trust.

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**10 Distributions to Unitholders**

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

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred</b>
<b>2015</b>				
30 September 2014	<b>2.2000¢</b>	<b>1,889<sup>1</sup></b>	31 October 2014	100%
12 May 2015	<b>12.2300¢</b>	<b>10,502<sup>2</sup></b>	15 May 2015	100%
29 June 2015	<b>0.4986¢</b>	<b>428</b>	29 June 2015	66%
Total distributions		<b>12,819</b>		

<sup>1</sup> This distribution was a distribution from contributed equity.

<sup>2</sup> This distribution has been made from a combination of profit (\$1,392,000) and contributed equity (\$9,110,000).

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

	<b>Distribution per unit</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>	<b>Tax deferred</b>
<b>2014</b>				
30 September 2013	<b>1.8750¢</b>	<b>1,610<sup>1</sup></b>	31 October 2013	100%
28 February 2014	<b>79.7900¢</b>	<b>68,513<sup>2</sup></b>	28 February 2014	100%
Total distributions		<b>70,123</b>		

<sup>1</sup> This is a profit distribution and includes interest of \$844,000 relating to the Final Instalment paid to Westpac, being the Security Interest Holder, on behalf of investors in accordance with the Security Trustee Deed. The balance of the distribution to Unitholders after the payment of interest is \$766,000.

<sup>2</sup> This distribution has been made from a combination of profit and contributed equity.

The distribution from profit is \$10,551,000 which includes interest of \$1,299,000 relating to the Final Instalment paid to Westpac, being the Security Interest Holder, on behalf of investors in accordance with the Security Trustee Deed. The balance of the above distribution to Unitholders after the payment of interest is \$9,252,000.

The distribution from contributed equity is \$57,962,000. This distribution from contributed equity includes the repayment of the final instalment receipt of \$0.60 per unit.

**11 Notes to the Cash Flow Statement**

Reconciliation of profit for the financial year to net cash outflow from operating activities:

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Profit for the financial year	<b>154</b>	4,204
Amortisation of borrowing costs	-	258
Change in value of investment using the equity method	-	(1,759)
Net cash inflow from operating activities before change in assets and liabilities	<b>154</b>	2,703
Decrease in non-current prepayments and other assets	-	200
Decrease in current other assets	-	2,798
(Decrease) in trade and other payables	<b>(1,925)</b>	(271)
Net cash (outflow)/inflow from operating activities	<b>(1,771)</b>	5,430

**12 Financial instruments**

**(a) Fair value of financial assets and financial liabilities**

There are no financial assets or financial liabilities recognised in the Balance Sheet as at 30 June 2015.

**(b) Fair value hierarchy**

The fair value hierarchy requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

As the Trust no longer holds any financial instruments at fair value, the hierarchy disclosure is not required.

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**13 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. All fees and charges from the Responsible Entity and its related parties are in accordance with the PDS and the Trust's constitution.

<b>Responsible Entity fees and other transactions</b>	<b>30 Jun 2015 \$'000</b>	<b>30 Jun 2014 \$'000</b>
<b>Responsible Entity fees</b>		
The Responsible Entity charged responsible entity fees calculated at 0.45% p.a. of the gross value of the assets of the Trust.	<b>50</b>	520
The Trust has not deferred any of the current year Responsible Entity fees for the year ended 30 June 2015 (2014: \$nil).		
Total accrued and deferred Responsible Entity fees (from previous financial years) included in Current liabilities – Trade and other payables as at 30 June 2015 are \$nil (2014: \$1,514,799).		
<b>Asset disposal fees</b>		
The Responsible Entity and its related parties performed services on behalf of the Trust to facilitate the disposal of the Trust's investment in MPT. Services provided included due diligence management, agency services, the provision of legal and research services and contract negotiation expertise. Total fees charged to the Trust were \$nil (2014: \$504,620). Total accrued asset disposal fees included in Current liabilities – Trade and other payables at 30 June 2015 are \$nil (2014: \$504,620).	-	505
<b>Debt restructuring fee</b>		
The Responsible Entity performed services on behalf of the Trust to negotiate the terms of an early settlement of the external debt and the final instalment on behalf of unit holders at the time of the asset disposal. The Responsible Entity has charged a fee of \$nil for the year ended 30 June 2015 (30 June 2014: \$96,875). Total accrued fees included the Current liabilities – Trade and other payables at 30 June 2015 are \$nil (2014: \$96,875).	-	97
<b>Manager Expenses</b>	<b>74</b>	74
Other recoverable expenses including accounting, taxation and compliance service fees totalling \$73,600 have been charged by the Responsible Entity (2014: \$73,600).		
Total manager expenses included the Current liabilities – Trade and other payables at 30 June 2015 are \$73,600 (2014: \$73,600).		
<b>Total Responsible Entity fees and other transactions recognised in the Profit and Loss</b>	<b>124</b>	1,196

**Stockland Direct Office Trust No. 2**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2015**

**13 Related parties (continued)**

**Other related party transactions**

***Units held by Stockland Trust***

As at 30 June 2015, Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, a related party of the Responsible Entity, held 17,083,717 units (2014: 17,083,717) in the Trust.

**14 Contingent liabilities and contingent assets**

As at 30 June 2015, the Trust has no contingent liabilities or contingent assets (2014: \$10,000,000 contingent liability in relation to a retention amount on the investment disposal).

**15 Events subsequent to the end of the year**

In accordance with the Special Resolution approved by Unitholders on 24 September 2012, as the Trust's investment has been sold, the Trust will be terminated and wound up on signing of this Financial Report.

## Stockland Direct Office Trust No. 2

### Directors' Declaration

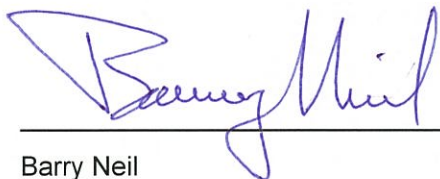
#### For the year ended 30 June 2015

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

1. the Financial Statements and Notes set out on pages 5 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 30 June 2015 and of its performance for the financial year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
3. the Trust has operated during the year ended 30 June 2015 in accordance with the provisions of the Trust Constitution as amended dated 27 June 2005;
4. the Register of Unitholders has, during the year ended 30 June 2015, been properly drawn up and maintained so as to give a true account of the Unitholders of the Trust; and
5. As disclosed in note 1(a) to the financial statements, the trust will be wound up on the 30 June 2015 following the signing of this Financial Report.

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:



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Barry Neil  
Director

Dated at Sydney, 30 June 2015



## **Independent auditor's report to the members of Stockland Direct Office Trust No. 2**

### ***Report on the financial report***

We have audited the accompanying financial report of Stockland Direct Office Trust No. 2 (the Trust), which comprises the balance sheet as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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

The directors of Stockland Capital Partners Limited, the Responsible Entity of Stockland Direct Office Trust No. 2 are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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