

Stockland Direct Office Trust No. 2

ARSN: 115 017 466

Interim Financial Report 31 December 2009

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 2009

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 2009, the state of the Trust's affairs as at 31 December 2009 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/retirement
<i>Non-Executive Directors</i>	
Mr Peter Scott, Chairman	Appointed 22 November 2005
Mr David Kent	Appointed 9 August 2004
Mr Anthony Sherlock	Appointed 9 August 2004
<i>Executive Director</i>	
Mr Matthew Quinn	Appointed 19 October 2000
Mr Hugh Thorburn (alternate to Mr Quinn)	Appointed 25 October 2007

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 \$2,071,000 for the half year ended 31 December 2009 (loss of \$11,196,000 for the half year ended 31 December 2008).

During the half year, an independent valuation was performed resulting in the Macquarie Park property being valued at \$350,000,000 (100% basis). This remains consistent with the 30 June 2009 carrying value of \$350,000,000 (100% basis).

For the half year ended 31 December 2009, a fair value increment of \$924,000 (\$14,620,000 decrement for the half year ended 31 December 2008) in the valuation of the interest rate swap was recorded in Reserves as set out in Note 10 of the interim Financial Report. As at 31 December 2009, the fair value of the interest rate swap was \$899,000 liability (30 June 2009: \$1,823,000) as set out in Note 8 of the interim Financial Report.

Distributions paid or declared by the Trust to Unitholders during the half year ended 31 December 2009 are set out in Note 11 of the interim Financial Report.

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

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:

A handwritten signature in dark ink, appearing to read 'M. Quinn', written over a horizontal line.

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 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 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

19 February 2010

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

		Half year ended	
		2009	2008
	Notes	\$'000	\$'000
Revenue and other income			
Interest income		25	73
Share of net profit of investments accounted for using the equity method	4	5,996	-
Total revenue and other income		6,021	73
Share of net loss of investments accounted for using the equity method	4	-	(8,793)
Finance costs to external parties ¹		(3,463)	(3,479)
Responsible Entity fees	12	(406)	(461)
Performance fee write back	12	-	1,622
Unwind of discount on performance fee provision	12	-	(75)
Other expenses		(81)	(83)
Profit/(loss) from operating activities		2,071	(11,196)
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	10	924	(14,620)
Other comprehensive income/(expense) for the half year		924	(14,620)
Total comprehensive income/(expense) for the half year		2,995	(25,816)

¹ Relates to interest expense on the Trust's interest-bearing financial liabilities which are carried at amortised cost.

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 2009

	Notes	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Current assets				
Cash and cash equivalents		1,323	694	2,279
Trade and other receivables		6	11	1
Other assets		235	233	282
Total current assets		1,564	938	2,562
Non-current assets				
Investments accounted for using the equity method	4	172,613	172,685	197,272
Other assets	5	580	697	8,927
Total non-current assets		173,193	173,382	206,199
Total assets		174,757	174,320	208,761
Current liabilities				
Trade and other payables		2,591	1,622	2,227
Other liabilities		54	63	-
Total current liabilities		2,645	1,685	2,227
Non-current liabilities				
Interest-bearing loans and borrowings	6	100,965	100,642	100,004
Provisions	7	-	-	1,547
Other liabilities	8	899	1,823	-
Total non-current liabilities		101,864	102,465	101,551
Total liabilities		104,509	104,150	103,778
Net assets		70,248	70,170	104,983
Unitholders' funds				
Units on issue	9	71,603	74,520	80,353
Undistributed (loss)/profit		(456)	(2,527)	16,632
Reserves	10	(899)	(1,823)	7,998
Total unitholders' funds		70,248	70,170	104,983

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 2009

		Unitholders' Funds							
		Issued capital		Undistributed (loss)/profit		Reserves		Total	
		31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Notes									
	Opening balance	74,520	-	(2,527)	-	(1,823)	-	70,170	-
	Change in accounting policy as a result of AASB 2008-02	-	80,353	-	16,632	-	7,998	-	104,983
	Restated opening balance	-	80,353	-	16,632	-	7,998	-	104,983
	Other comprehensive income/(expense) for the half year	-	-	-	-	924	(14,620)	924	(14,620)
	Profit/(loss) for the half year	-	-	2,071	(11,196)	-	-	2,071	(11,196)
	Total comprehensive income/(expense) for the half year	-	-	2,071	(11,196)	924	(14,620)	2,995	(25,816)
	Transactions with Unitholders in their capacity as owners:								
	Distributions paid/payable to Unitholders	(2,917)	(2,908)	-	-	-	-	(2,917)	(2,908)
	Closing balance	71,603	77,445	(456)	5,436	(899)	(6,622)	70,248	76,259

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 2009

		Half year ended	
		2009	2008
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operations		32	31
Cash payments in the course of operations		(387)	(387)
Distributions received from joint venture entity	4	6,068	6,000
Interest received		25	73
Interest paid		(2,990)	(3,071)
Net cash inflow from operating activities		2,748	2,646
Net cash flows from investing activities			
		-	-
Cash flows from financing activities			
Distributions paid		(2,119)	(2,908)
Net cash utilised in financing activities		(2,119)	(2,908)
Net increase/(decrease) in cash and cash equivalents			
		629	(262)
Cash and cash equivalents at the beginning of the half year		694	2,279
Cash and cash equivalents at the end of the half year		1,323	2,017

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 2009

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 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 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 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 derivative financial instruments and investment property held by the joint venture entity, which are stated at their 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) New accounting standards

The application of AASB 2008–02 “Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation” represents a change in accounting policy that is applied retrospectively, and has resulted in the Trust reclassifying Unitholders’ funds from liability to equity of \$70,248,000 (30 June 2009: \$70,170,000).

(d) 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.

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

1 Summary of significant accounting policies (continued)

(e) 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 Annual Financial Report of the Trust as at and for the year ended 30 June 2009 except for the accounting policies impacted by the new or amended accounting standards detailed in Note 1(c) and (d).

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 Direct Office Trust No. 2
Notes to the Interim Financial Statements
For the half year ended 31 December 2009

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

	Location	Principal Activity	31 Dec 2009	Holding		Carrying amount		
				30 June 2009	30 June 2008	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Macquarie Park Trust ("MPT")	NSW	Property investment	49%	49%	49%	172,613	172,685	197,272

The joint venture was formed in Australia.

The principal activity is investment in real property.

During the half year, an independent valuation was performed as at 31 December 2009, resulting in the Macquarie Park Trust property being valued at \$350,000,000 (100% basis). This remains consistent with the 30 June 2009 valuation of \$350,000,000. The capitalisation rate used in the December 2009 valuation was 7.50% (30 June 2009: 7.50%). The weighted average lease expiry is 12.5 years (30 June 2009: 13.01 years).

	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Movements in carrying amount of investments accounted for using the equity method¹			
Carrying amount at the beginning of the financial period	172,685	197,272	202,373
Share of net profit/(loss)	5,996	(12,862)	6,936
Distributions received	(6,068)	(11,725)	(11,332)
Fair value adjustment on MPT investment	-	-	(705)
Carrying amount at the end of the financial period	172,613	172,685	197,272

¹ 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 and 30 June 2008 respectively.

	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Share of joint venture entity's assets and liabilities			
Current assets	3,359	3,402	3,255
Non-current assets	171,500	171,500	196,000
Total assets	174,859	174,902	199,255
Current-liabilities	(2,246)	(2,217)	(1,983)
Total liabilities	(2,246)	(2,217)	(1,983)
Share of net assets after equity accounting adjustments	172,613	172,685	197,272

	6 months to 31 Dec 2009 \$'000	6 months to 31 Dec 2008 \$'000
Share of joint venture entity's revenue, expenses and results		
Revenues	7,935	7,853
Loss from fair value adjustment of investment property	(783)	(15,570)
Expenses	(1,156)	(1,076)
Net profit/(loss) accounted for using the equity method	5,996	(8,793)

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

	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
5 Non-current assets – Other assets			
Fair value of hedging instruments	-	-	7,998
Prepayments	580	697	929
	580	697	8,927
6 Non-current liabilities – Interest-bearing loans and borrowings			
Facility agreement	103,225	103,225	103,225
Less: attributable transaction costs	(2,260)	(2,583)	(3,221)
Total Balance Sheet carrying amount at amortised cost	100,965	100,642	100,004

Details of the facilities are set out below:

Facility	Maturity date	Facility limit			Utilised		
		31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	31 Dec 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Acquisition Tranche 1	28 June 2013	7,425	7,425	7,425	7,425	7,425	7,425
Acquisition Tranche 2	28 June 2013	95,800	95,800	95,800	95,800	95,800	95,800
Capital expenditure	28 June 2013	3,000	3,000	3,000	-	-	-
Overdraft	28 June 2013	1,000	1,000	1,000	-	-	-
		107,225	107,225	107,225	103,225	103,225	103,225

The Trust has a \$107,225,000 (30 June 2009: \$107,225,000) loan facility agreement with Westpac Banking Corporation (“Westpac”). As at 31 December 2009, \$103,225,000 had been drawn down (30 June 2009: \$103,225,000). The weighted average interest rate on the loan facility for the period to 31 December 2009 was 3.95% p.a. (30 June 2009: 6.13% p.a.). The total loan facility had 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 2009 is 6.40% p.a. (30 June 2009: 6.41% 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.

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 2009. 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 2009

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 2009. 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 provides 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 2009 \$'000	30 June 2009 \$'000	30 June 2008 \$'000

7 Non-current liabilities – Provisions

Performance fee provision at the beginning of the financial period

- 1,547 1,589

Performance fee provision written back during the period¹

- (1,622) (195)

Unwind of discount¹

- 75 153

Performance fee provision at the end of the financial period

- - 1,547

¹ Prior period represents movements during the twelve months to 30 June 2009 and 30 June 2008 respectively.

The Responsible Entity is entitled to a performance fee if certain out-performance is achieved by the Trust. The fee is calculated on a sliding scale and is payable by the Trust provided the final distribution per unit exceeds the application price by 6%. The fee is calculated based on the net sale proceeds of the Trust's property interest.

Based upon the value of the property interest as at 31 December 2009, the final distribution per unit is forecast to not exceed the application price by 6%. Consequently, no provision has been recognised at 31 December 2009 (30 June 2009: \$Nil).

8 Non-current liabilities – Other liabilities

Fair value of hedging instrument

899 1,823 -

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

9 Units on Issue

	31 Dec 2009	30 June 2009	30 June 2008	31 Dec	30 June	30 June
	No. of units	No. of units	No. of units	2009	2009	2008
	\$'000			\$'000	\$'000	\$'000
Units on issue	85,867,000	85,867,000	85,867,000	71,603	74,520	80,353

Date	Details	No. of units	Issue price	\$'000
Movements in units				
1 July 2007	Opening balance	85,867,000	-	80,353
30 June 2008	Balance	85,867,000	-	80,353
30 September 2008	Distribution from contributed equity	-	-	(1,454)
31 December 2008	Distribution from contributed equity	-	-	(1,454)
31 December 2008	Balance	85,867,000	-	77,445
31 March 2009	Distribution from contributed equity	-	-	(1,454)
30 June 2009	Distribution from contributed equity	-	-	(1,471)
30 June 2009	Balance	85,867,000	-	74,520
30 September 2009	Distribution from contributed equity	-	-	(1,458)
31 December 2009	Distribution from contributed equity	-	-	(1,459)
31 December 2009	Closing balance	85,867,000	-	71,603

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.
- (b) All units are held by Permanent Trustee Company Limited, who acts as custodian for instalment receipt holders until the final instalment is paid by investors.

	31 Dec	30 June	30 June
	2009	2009	2008
Notes	\$'000	\$'000	\$'000

10 Reserves

Balance at the beginning of the financial period	(1,823)	-	-
Change in accounting policy as a result of AASB 2008-02 ¹	-	7,998	5,632
Effective portion of changes in fair value of the cash flow hedge during the financial period ¹	8 924	(9,821)	2,366
Balance at the end of the financial period	(899)	(1,823)	7,998

¹ 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 and 30 June 2008 respectively.

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

11 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
2009				
30 September 2009	1.6985¢	1,458 ²	31 October 2009	100%
31 December 2009	1.6985¢	1,459 ²	26 February 2010 ¹	100%
Total distributions		<u>2,917</u>		

¹ Proposed payment date.

² The above distributions were distributions from contributed equity. 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 \$648,000 for the September 2009 distribution and \$649,000 for the December 2009 distribution.

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

	Distribution per unit	Total amount \$'000	Date of payment	Tax deferred
2008				
30 September 2008	1.6935¢	1,454 ³	31 October 2008	100%
31 December 2008	1.6935¢	1,454 ³	27 February 2009	100%
Total distributions		<u>2,908</u>		

³ Each of the above distributions are distributions from contributed equity. In addition, each of the above distributions includes 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 \$644,000 per quarter.

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

12 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 2009 are as follows:

Directors	Number of instalment receipts
Mr David Kent	150,000
Mr Matthew Quinn	25,000
Mr Peter Scott	25,000

	Half year ended	
	2009	2008
	\$'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.

406 461

As at 31 December 2009, the Responsible Entity has agreed for the Trust to defer payment of part of the Responsible Entity fees amounting to \$142,223 (31 December 2008: \$161,405).

Total deferred and accrued Responsible Entity fees included in Current liabilities – Trade and other payables as at 31 December 2009 is \$917,715 (30 June 2009: \$779,177).

Performance fees

The Responsible Entity is entitled to a performance fee which is calculated on a sliding scale and is payable by the Trust provided the final distribution per unit exceeds the application price by at least 6%. Refer Note 7.

- (1,547)

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

406 (1,086)

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 1,684,426 instalment receipts (year ended 30 June 2009: 4,000,000) in the Trust via the LLF.

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

12 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 13,931,476 instalment receipts (30 June 2009: 12,247,050) in the Trust.

As at 31 December 2009, STML, as Responsible Entity for Stockland Trust, held 31% (30 June 2009: 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 \$135,157 (31 December 2008: \$133,229) to MPT for property management services including onsite property management staff and leasing fees. Of this amount, \$135,157 (31 December 2008: \$133,229) forms part of the outgoings recoverable from tenants pursuant to leases.

13 Commitments

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

14 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.

15 Contingent liabilities and contingent assets

As at 31 December 2009, the Trust has no contingent liabilities and no contingent assets (30 June 2009: \$Nil).

16 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 at 31 December 2009.

17 Net current asset deficiency

In preparing this interim Financial Report, the Directors note that the Trust is in a net current asset deficiency position of \$1,081,000 (30 June 2009: deficit of \$747,000).

The Directors are satisfied the Trust can continue on a going concern basis after having regard to the following mitigating factors:

- the Trust has positive operating cash flows and positive operating cash flows are estimated for the next 12-month period from the date of this report;
- the Trust has no significant capital commitments at 31 December 2009;
- the Trust has a loan facility of \$107,225,000 of which \$4,000,000 is available to draw upon as at 31 December 2009.

Stockland Direct Office 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 Direct Office Trust No. 2:

1. the Financial Statements and Notes set out on pages 4 to 16, 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 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 balance sheet 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 17 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 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 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