Stockland Consolidated Group

Annual Report
30 June 2011

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Consolidated Group
Contents

Contents (continued)

Stockland Consolidated Group
Directors' Report
For the year ended 30 June 2011

The Directors of Stockland Corporation Limited and the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, present their report together with the Financial Report of Stockland and the Financial Report of Stockland Trust Group for the year ended 30 June 2011 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust"), ("Stockland" or "Stockland Consolidated Group"). The Financial Report of Stockland Trust Group comprises the consolidated Financial Report of Stockland Trust and its controlled entities ("Stockland Trust Group").

Directors

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

Graham Bradley

BA, LLB (Hons 1), LLM, FAICD
Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is President of the Business Council of Australia, Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited and Po Valley Energy Limited (appointed as a Director September 2004). He is a Director of GI Dynamics Inc. (appointed June 2011). He was a Director of Singapore Telecommunications Limited from March 2004 to July 2011, MBF Australia Limited from November 2003 to November 2007. He was also a Director and Chairman of Film Finance Australia Limited from January 2004 to June 2008. Mr Bradley was the Managing Director of Perpetual Limited for eight years until September 2003 and was the National Managing Partner of Blake Dawson and a Principal of McKinsey & Company prior to that. Mr Bradley is a member of the Human Resources Committee.

Former Directorships of listed entities in last three years

Mr Bradley was a Director and Chairman of Boart Longyear Limited from February 2007 to August 2010 and a Director of Singapore Telecommunications Limited from March 2004 to July 2011.

Duncan Boyle

BA (Hons), FCII, FAICD
(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He has over thirty six years experience as a Senior Executive and Director within the insurance industry in Australia, New Zealand and the United Kingdom. Mr Boyle is a Director of QBE Insurance Group Limited (appointed September 2006), Clayton Utz (appointed November 2008) and O'Connell Street Associates Pty Limited. Mr Boyle is Chairman of the Corporate Responsibility and Sustainability Committee and a member of the Risk Committee.

Former Directorships of listed entities in last three years

None.

Carolyn Hewson

B.Ec (Hons), Ec., FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over thirty years experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a non-executive Director of Westpac Banking Corporation (appointed February 2003), BT Investment Management (appointed December 2007) and BHP Billiton (appointed March 2010), and previously served as a Director on the Boards of the Australian Gas Light Company, AGL Energy Limited, AMP, CSR Limited, South Australia Water and the Economic Development Board of South Australia. Ms Hewson is Chair of the Risk Committee and a member of the Human Resources Committee.

Former Directorships of listed entities in last three years

Ms Hewson was a Director of AGL Energy Limited from October 2006 to March 2009.

Directors (continued)

Barry Neil

B.Eng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty seven years experience in property, both in Australia and overseas. He is a Director of Dymocks Holdings Pty Limited and 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. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit and Corporate Responsibility and Sustainability Committees.

Former Directorships of listed entities in last three years

None.

Matthew Quinn

B.Sc (Hons), ACA,
ARCS, FAPI, FRICS
Managing Director

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He is a Director of Australian Business and Community Network Limited, having served as Chairman from November 2007 to November 2010, and Carbonxt Group Limited. Mr Quinn is a member of the Corporate Responsibility and Sustainability Committee, a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Former Directorships of listed entities in last three years

None.

Carol Schwartz

BA, LLB, MBA, FAICD
(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations and is Executive Chairman of Qualitas Property Partners and on the Board of a number of organisations including Yarra Capital Partners, The Sydney Institute and the City of Melbourne's Enterprise Melbourne Advisory Board. She is also a contractor for the Bank of Melbourne Advisory Board. Her other appointments include Executive in Residence at Melbourne Business School and Chairman of Our Community. Ms Schwartz is a past National President of the Property Council of Australia. She has also previously been Chairman of Industry Superannuation Property Trust, Executive Director, Highpoint Property Group and a Director of OPSM Group Limited. She has served on a number of government boards including Melbourne's Dockland's Authority and the Victorian Growth Areas Authority Task Force. Ms Schwartz is a member of the Stockland Audit and Corporate Responsibility and Sustainability Committees.

Former Directorships of listed entities in last three years

None.

Directors (continued)

Peter Scott

B.E (Hons), M.Eng Sc, FIE. Aust, CPEng, MICE
(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of Sinclair Knight Merz Holdings Limited and Perpetual Limited, where he was appointed a Director on 31 July 2005. Mr Scott is a Director of Pilotlight Australia, a not-for-profit making organisation and O'Connell Street Associates Pty Limited. He was appointed to the Advisory Board of Laing O'Rourke Australia from August 2008 to August 2011. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott is Chairman of the Human Resources Committee and a member of the Risk Committee.

Former Directorships of listed entities in last three years

None.

Terry Williamson

B.Ec, MBA, FCA, FCIS, MACS
(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Avant Insurance Limited, OnePath Life Limited, OnePath General Insurance Pty Limited, a member of the Audit Committee of the Reserve Bank of Australia, and a member of the University of Sydney School of Business Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Price Waterhouse for 17 years. Mr Williamson is Chair of the Stockland Audit Committee and Stockland Capital Partners Audit and Risk Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Former Directorships of listed entities in last three years

None.

Nicholas Greiner

B.Ec (Hons), MBA
Deputy Chairman
(Non-Executive)

Mr Greiner retired from the Board on 19 October 2010.

Mr Greiner was Deputy Chairman of the Board from his appointment in September 1992 until his retirement in October 2010. He was a member of the New South Wales Parliament from 1980 to 1992 and Premier and Treasurer for the last five years of that period. Prior to entering Parliament and after a distinguished academic career, he held executive positions in the United States of America and in Australia. He is currently Chairman of Bradken Limited (appointed as a Director in April 2004), Valemus (formerly Bilfinger Berger Australia), QBE Lenders Mortgage Insurance Ltd, Citigroup Australia, Deputy Chairman of CHAMP Private Equity and a Director of various private groups. Until his retirement, Mr Greiner was Chair of the Corporate Responsibility and Sustainability Committee.

Former Directorships of listed entities in last three years

Mr Greiner was a Director of Australian Vintage Limited from September 1992 to November 2008 and Bluefreeway Limited from November 2006 to July 2009.

External Independent Committee Members and Independent Directors of the Stockland Consolidated Group

Anthony Sherlock

B. Ec., FCA, FAICD

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 IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining 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 and Sydney Attractions Group 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, the Stockland and Stockland Capital Partners Financial Services Compliance Committees, and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

David Kent

BA (Hons) 1st Class, MAICD

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the S H Ervin Gallery Committee, a Director of the Royal Sydney Golf Club Foundation, Alliance Francaise de Sydney and The Australian Club Inc. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Executive General Manager of Axiss Australia and Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation and Chairman of the Brett Whiteley Foundation. He is a member of the Remuneration and Equity and Finance Committees of Sinclair Knight Merz and of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Company Secretaries

Phillip Hepburn B.Ec, LLM, Grad Dip CSP, FCIS, MAICD Company Secretary	Mr Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over fifteen years experience as a Company Secretary and General Counsel. Prior to joining Stockland, he was General Counsel and Company Secretary of IAMA Limited, an Australian Securities Exchange ("ASX") listed company. He has also held a number of senior management and legal positions in the finance sector. Mr Hepburn is an Executive Member of the Stockland and the Stockland Capital Partners Financial Services Compliance Committees.
Derwyn Williams B.Comm, CPA, FCIS, MAICD Company Secretary	Mr Williams has nineteen years experience as a Company Secretary, joining Stockland in December 2004 and appointed as Deputy Secretary in May 2005. Prior to joining Stockland he was General Manager Corporate Governance & Company Secretary at Credit Union Services Corporation (Australia) Limited and Deputy Group Secretary at St. George Bank Limited. He has held a number of senior management, accountancy, risk management and internal audit positions across the property, finance, heavy industry and public sectors.

Directors' meetings

The number of meetings of the Board of Directors ("the Board") and of the Board Committees and the number of meetings attended by each of the Directors during the financial year were:

Stockland

	Scheduled Board		Audit Committee		Financial Services Compliance Committee		Human Resources Committee		Corporate Responsibility and Sustainability Committee		Treasury Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Director														
Mr G Bradley	12	12	-	-	-	-	4	4	2	2	-	-	-	-
Mr D Boyle	12	12	3	3	-	-	-	-	3	3	2	2	3	3
Ms C Hewson	12	12	3	3	-	-	4	4	-	-	-	-	3	3
Mr B Neil	12	12	3	4	-	-	-	-	3	4	-	-	-	-
Mr M Quinn	12	12	-	-	-	-	-	-	4	4	-	-	-	-
Ms C Schwartz	11	12	3	4	-	-	-	-	2	2	-	-	-	-
Mr P Scott	12	12	-	-	-	-	4	4	-	-	-	-	3	3
Mr T Williamson	12	12	7	7	4	4	-	-	-	-	2	2	-	-
Mr N Greiner	5	5	-	-	-	-	-	-	1	1	-	-	-	-
Other members														
Mr P Hepburn	-	-	-	-	4	4	-	-	-	-	-	-	-	-
Mr A Sherlock	-	-	-	-	4	4	-	-	-	-	-	-	-	-

Stockland Capital Partners

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr B Neil	3	3	-	-	-	-
Mr P Scott	1	1	-	-	-	-
Mr D Kent	4	4	-	-	-	-
Mr M Quinn	4	4	-	-	-	-
Mr A Sherlock	4	4	7	7	4	4
Other members						
Mr P Hepburn	-	-	-	-	4	4
Mr T Williamson	-	-	7	7	4	4

A – Meetings attended
B – Meetings eligible to attend

Corporate Governance

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Outlined below are the main corporate governance policies and practices in place throughout the financial year, unless otherwise stated.

Role of the Board

The Board has overall responsibility for the good governance of Stockland. The Board:

1. oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for securityholders;
2. establishes Stockland's overall framework of governance, risk management and internal control and compliance which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;
3. appoints the Managing Director, approves the appointment of the Company Secretary and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
4. sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his direct reports;
5. approves the annual budget and monitors financial and operating performance;
6. reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
7. approves major capital expenditure, acquisitions and divestitures;
8. reviews Executive and Board succession planning and Board performance; and
9. monitors compliance with laws and regulations which apply to Stockland and its business.

The Board has delegated responsibility to the Managing Director to manage Stockland's business and to its various Board Committees to oversee specific areas of governance. Delegated responsibilities are regularly reviewed and the Managing Director regularly consults with the Board on Stockland's performance. Matters which are not specifically delegated to the Managing Director require Board approval, including capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of equity or debt by Stockland and key risk management and accounting policies.

Role of Stockland Trust Management Limited as Responsible Entity for Stockland Trust

Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, is responsible for the operation of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the Stockland Trust Constitution and the Corporations Act 2001 in the best interests of unitholders to ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

1. ongoing selection and management of property investments;
2. management of the Trust's property portfolio;
3. maintenance of the accounting and statutory records of the Trust;
4. management of equity and debt raisings and making distributions to unitholders; and
5. preparation of notices and reports issued to unitholders.

Corporate Governance (continued)

Composition of the Board

Stockland is committed to having a Board whose members have the capacity to act independently of management, and have the collective skills and diversity of experience necessary to optimise the long-term financial performance of Stockland so as to sustain superior returns to securityholders.

At the date of this report, the Board comprised one Executive Director and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 1 to 4, including details of their other listed company directorships and experience.

Stockland recognises that having a majority of independent Non-Executive Directors provides assurance that the Board is structured properly to fulfil its role in holding management accountable for Stockland's performance. The Board has resolved that it should continue to have a majority of independent Non-Executive Directors, that the positions of Chairman and Managing Director must be separate, and that the Chairman should be an independent Non-Executive Director. The Board is comprised of Directors with a wide and relevant range of experience and expertise. Some Directors have occupied senior executive management positions in large corporations both in Australia and globally covering a wide range of industry sectors including property development, investments and construction. Other Directors have held executive positions in relevant financing and accounting disciplines. The criteria used by the Board to assess Director candidates includes consideration of the value of gender diversity in the Board.

Stockland has developed criteria for determining the independence of its Board members. A Director is considered to be independent if he or she:

1. is not a substantial securityholder of Stockland or of a company holding more than 5% of Stockland's voting securities, or an officer of or directly or indirectly associated with a securityholder holding more than 5% of Stockland's voting securities;
2. is not and has not within the last three years been an employee of Stockland;
3. is not a principal of a material professional advisor to Stockland;
4. is not a material supplier or customer of Stockland or an officer of, or directly or indirectly associated with, a significant supplier or customer;
5. has no material contractual relationship with Stockland or any of its associates other than as a Director of Stockland; and
6. has no other interest or relationship that could interfere with the Director's ability to act in the best interests of Stockland and independently of management.

In this context, the Board considers that any Director-related business relationship that is or is likely in the future to be more than 10% of the Director-related business's revenue to be material. All Directors are expected to act in the best interests of Stockland at all times.

Having considered carefully the above criteria, the Board has determined that all of Stockland's Non-Executive Directors are independent Directors.

In making this determination, the Board considered the transactions between Stockland and entities with which Stockland Directors are associated as directors or advisors set out in Note 48 to the Consolidated Financial Statements. The Board concluded that none of these transactions rendered these entities significant suppliers to, or customers of, Stockland when the relative size of the transactions was compared to the total revenues or business of those entities. Further, in none of these transactions did Stockland Directors receive direct financial benefits as principals, partners, or substantial shareholders of the entities concerned.

The composition of the Board changed during the financial year with the appointment of Ms Carol Schwartz as a Non-Executive Director effective from 1 July 2010. The Board also farewelled Mr Nick Greiner who had been a Deputy Chairman from his appointment as a Director in September 1992 until his retirement in October 2010.

Corporate Governance (continued)

Composition of the Board (continued)

The Constitution of Stockland Corporation Limited (the "Constitution") provides that:

1. the Board may determine the number of Directors from time to time up to the maximum number of ten Directors;
2. no Director may retain office for more than three years or until the third annual general meeting following the Director's appointment (whichever is the longer), but retiring Directors are eligible for reappointment;
3. Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
4. the number of Directors necessary to constitute a quorum is not less than two.

The Constitution also empowers the Directors to appoint a Managing Director, who is not required to retire and be re-elected by members every three years. Article 15.7 of the Constitution provides that if the Managing Director ceases to hold the office of Director for any reason, he or she immediately ceases to be Managing Director, and if he or she ceases to be the Managing Director he or she immediately ceases to be a Director.

The Board reviews the size of the Board periodically. The Board believes that the Board should not be larger than necessary to carry out its corporate governance responsibilities properly and efficiently, bearing in mind that additional Directors add substantial cost. The Board believes, however, that it is in the interests of securityholders for the Board to have flexibility to increase the number of Directors for succession planning purposes (e.g. to recruit new Directors ahead of planned retirements), in special circumstances (such as mergers) when the Board may wish to appoint additional Directors with special expertise, or to allow appointment of an additional Executive Director for succession planning and recruitment purposes.

When determining the optimal number of Directors, the Board has regard to the importance of maintaining the right mix of skills, professional experience and Director tenure on the Board, the expected future workload of Directors, Board succession planning, cost, efficiency and the advantage of having flexibilities to add a new Director should an outstanding candidate become available in the absence of an immediate retirement. Taking these factors into account, the Board has determined that the optimal number of Directors at the current time is eight.

When a casual vacancy occurs, the Board undertakes a structured process for considering both the general qualifications and the specific skills and experience sought for a new Director and to identify well-qualified candidates.

Board diversity

In defining the Board's requirements for a new Director, consideration is given to the skills, business experience and educational backgrounds of ongoing members of the Board, including any identified skills "gaps". The Board also recognises the advantage of having a mix of relevant business, executive and professional experience on the Board, the importance of cultural and ethical values, and the benefits of diversity, including gender diversity.

The Human Resources Committee oversees the Director nomination process, and will from time-to-time engage external search firms to ensure that a wide range of candidates are considered. Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking.

The Stockland Board has two women Non-Executive Directors out of seven. The last two appointments to the Board have been women – Ms Carolyn Hewson in 2009 and Ms Carol Schwartz in 2010. In each case the Board identified specific skills and experience sought during the search process, including financial and treasury experience in the case of Ms Hewson, and property and retailing experience in the case of Ms Schwartz. Both new Directors brought a wealth of other valuable attributes and experience to the Board, including prior experience as senior executives and as public company directors. In addition, Ms Schwartz is the first Melbourne-based Director of Stockland, adding business knowledge and relevant networks in that important centre of our operations.

Corporate Governance (continued)

Board diversity (continued)

Stockland has for many years had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. For example, several years ago we set targets to increase the proportion of women in management to 35%. These targets are regularly reviewed by the Human Resources Committee. In the 2010 financial year we exceeded our goal, and we have now set a new five-year goal to achieve 40%. In addition, we have a formal Gender Diversity Policy which is available on our website (www.stockland.com.au). Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in our 2011 financial year Corporate Responsibility & Sustainability Report which is also posted on our website.

Director induction and ongoing education

Stockland has a formal process to familiarise new Directors with the nature of its business, current issues and corporate strategies. Shortly after their appointment, Directors are given a full briefing on the Stockland Group and meetings are also arranged with key Executives. Directors also have the opportunity to visit the Stockland facilities and to meet with management to gain a better understanding of business operations. Directors retain the right of access to all Stockland information and Executives. In addition, quarterly updates on legal and regulatory compliance are provided to Directors to keep them appraised of material developments affecting Stockland.

Terms of appointment and retirement of Non-Executive Directors

The terms of appointment of a Non-Executive Director are set out in a letter to the Director from the Chairman which, among other things, sets out the expectations of the Board in relation to the performance of the Director, procedures for dealing with a Director's potential conflicts of interest, and the disclosure obligations of the Director, together with the details of Director's remuneration and relevant company policies.

The Constitution provides that a Director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law directors' duties and Stockland's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditor" on page 54.

Directors are required to keep the Board advised of any interest that may be in conflict with those of Stockland, and restrictions are applied to Directors' rights to participate in discussion and to vote, as circumstances dictate. In particular, where a potential conflict of interest may exist, Directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

Stockland has also entered into a deed of disclosure with each Director, which is designed to facilitate Stockland's compliance with its obligations under the ASX Listing Rules relating to disclosure of changes in Directors' stapled securityholdings. Stockland also monitors Directors and their nominated related party securityholdings to identify changes that may require urgent disclosure.

The Board has a policy of enabling Directors to seek independent professional advice for Stockland related matters at Stockland's expense, subject to the prior agreement of the Chairman that the estimated costs are reasonable. Directors may also communicate directly with Stockland's own advisors and share advice obtained with other Directors.

Board meetings

The Board currently holds ten scheduled meetings each financial year. Additional meetings are convened as required. During the 2011 financial year, the Board held 12 meetings (including 2 special Board meeting). Agendas for each meeting are prepared by the Company Secretary with input from the Chairman and Managing Director and are distributed prior to the meeting together with supporting papers.

Standing items include the Managing Director's report, the Financial Report, the reports of each business unit and functional Senior Executive, as well as reports addressing matters of strategy, governance and compliance. Senior Executives are directly involved in Board discussions and Directors have a number of further opportunities to contact a wider group of employees, including visits to business operations.

Corporate Governance (continued)

Board meetings (continued)

Board papers are designed to focus Board attention on current and future issues of importance to Stockland's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board Committees and subsidiaries as well as papers on material issues requiring consideration. Significant matters are presented to the Board by Senior Executives and the Board may seek further information on any issue, from any Executive.

The Board's practice is for Non-Executive Directors to meet prior to the full Board meeting in the absence of management and the Non-Executive Directors meet privately on other occasions from time to time when necessary.

Board and Director performance

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, the Board Committees and individual Directors. The Human Resources Committee oversees this process. An external review of the effectiveness of the Board was performed during the 2010 financial year, with no issues identified.

As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behaviour. The questionnaires are confidential. The Chairman leads a discussion of the questionnaire results with the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes or procedures. Following these sessions, the Chairman provides feedback to individual Directors as necessary. The Chairman of the Human Resources Committee follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness.

The Company has adopted a process requiring each Committee Chairman to lead a discussion at least once per year on their Committee's performance and effectiveness.

Directors coming up for re-election are reviewed by the Human Resources Committee and, in their absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board. It is the Board's policy that Directors should serve only for as long as they have the confidence of their fellow Board members.

Director remuneration and share ownership

Non-Executive Directors receive fees for their services. During the 2010 financial year, a majority of Non-Executive Directors elected to take part of their fees in Stockland securities acquired on market, but the Board was aligned to discontinue this policy in March 2010 as a result of changes in federal legislation.

In addition to fees, Non-Executive Directors are paid superannuation but receive no other retirement benefits. Refer to the Remuneration Report on pages 29 to 53 for further information. This policy will change in the 2012 financial year, in response to changes to the tax treatment of superannuation payments and Non-Executive Directors will in the 2012 financial year be paid an all inclusive fee including statutory and elected superannuation contributions.

The Board has a policy that all Non-Executive Directors acquire and hold at least 10,000 stapled securities in Stockland within a reasonable time of becoming a Director. All Directors meet this requirement at the date of this report. In March 2010, the Board adopted a new policy on minimum securityholdings for Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Senior Executives with those of securityholders.

The Remuneration Report also describes Stockland's process for evaluating the performance of Senior Executives.

Corporate Governance (continued)

Board Committees

Five permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. These are the:

1. Human Resources Committee;
2. Audit Committee;
3. Corporate Responsibility and Sustainability Committee;
4. Financial Services Compliance Committee; and
5. Risk Committee

In October 2010 the Board conducted a review of the appropriateness of its Committee structure in the light of changing corporate governance requirements. As a result of that review, the Audit and Risk Committee was succeeded by two separate Board Committees, the Audit Committee and the Risk Committee, which also subsumed the responsibilities of the Treasury Committee.

The Board's policy is that a majority of the members of each Board Committee should be independent Directors. The Audit Committee, Risk Committee and the Human Resources Committee comprise only independent Directors. The Financial Services Compliance Committee and the Corporate Responsibility and Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

The Board reviews the composition of each Committee annually, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, to ensure Committee members have skills appropriate to their roles.

All Board Committees have written charters which are reviewed on a regular basis. All Non-Executive Directors may attend any Board Committee meeting. Committees may meet with external advisors in the absence of management. Each Board Committee works in conjunction with other Board Committees to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures. The charters for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website (www.stockland.com.au).

The Human Resources Committee

The Human Resources Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. It reviews:

- periodically the size, composition and desired competencies of the Board, policies on Director independence and Board succession plans and makes recommendations to the Board for the appointment of new Directors;
- the Board's process for reviewing the performance of the Board, its Committees and individual Directors;
- Board and Committee fees (including the Directors' fee cap) annually in light of the liability and workload of Directors, relevant external benchmarks and recommend appropriate increases or decreases;
- the terms of employment and remuneration arrangements for the Managing Director and his direct reports, including developing and then assessing their performance against agreed objectives and their participation in security-based incentive plans;
- changes in Stockland's overall remuneration policies including its security-based incentive schemes;
- Executive development and succession plans;
- Stockland's policies for employment, performance planning and assessment, training and development, promotion and people management generally against industry best practice; and
- the annual Remuneration Report to securityholders against corporate disclosure best practice and recommend it for approval by the Board.

Corporate Governance (continued)

Board Committees (continued)

The Human Resources Committee (continued)

The Committee has specific authority to approve:

- the remuneration arrangements, including bonuses for Executives reporting to the Managing Director;
- general human resources management remuneration policies and decisions for employees other than those reporting to the Managing Director, including exercise of the Board's discretion under employee incentive plans;
- routine changes to security-based incentive plans and exercise of Board discretion under those plans which the Committee determines do not require Board approval; and
- the short-term performance objectives of the Managing Director.

The purpose of the Committee is to consider and make recommendations to the Board on the size, composition and desired competencies of the Board; Director independence, performance, remuneration and succession arrangements; the content of the annual Remuneration Report; and remuneration of Senior Executives and changes to overall remuneration policies. The Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 29 to 53 for further information.

Members of the Committee during or since the end of the financial year were:

Mr P Scott (Chair) – Non-Executive Director
Mr G Bradley – Non-Executive Director
Ms C Hewson – Non-Executive Director

The Human Resources Committee meets as frequently as required and held 4 meetings during the financial year.

The Committee has written terms of reference, consistent with ASX Guidelines.

When a Board vacancy occurs or whenever it is considered that the Board would benefit from the services of an additional Director, the Committee identifies individuals with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Recommended candidates are then submitted to the Board for consideration.

Audit Committee

In October 2010 the responsibilities of the former Audit and Risk Committee were delegated to separate Board Committees, the Audit Committee and the Risk Committee.

The Audit Committee assists the Board in fulfilling its governance and disclosure responsibilities relating to the integrity of Stockland's financial reports and the external audit, the appropriateness of Stockland's accounting policies, the effectiveness of Stockland's management of financial and operational risk, including the effectiveness of internal controls, and to oversee compliance with laws generally.

Corporate Governance (continued)

Board Committees (continued)

Audit Committee (continued)

The responsibilities of the Committee are to:

- review compliance with Stockland's statutory financial reporting obligations (covering legal, ASX compliance, tax and other matters of relevance) and review the final draft of the half year and annual financial statements and the Directors' Report prior to approval by the Board for release to securityholders and ASX;
- review and monitor compliance with applicable laws, regulations and accounting standards, other than AFS licence compliance responsibilities;
- review and monitor the effectiveness of Stockland's internal control systems and processes;
- review accounting policies and controls and make recommendations for any changes required to Stockland policies;
- review and approve Group Risk's annual program of work with specific focus on the review of Stockland's internal financial control environment;
- review reports on the adequacy of Stockland's financial control environment from Group Risk and the external auditor and monitor the timely implementation of management's actions to address any weaknesses identified in those reports;
- oversee and appraise the performance of the external auditor and make recommendations to the Board on the appointment and rotation of the external auditor and approval of the annual audit fee;
- review and approve the external auditor's annual audit plan and approve all work conducted by the external auditor subject to agreed delegations to management to approve the scope and fees applicable to such work;
- periodically assess the adequacy of resourcing and capability of Stockland's finance function;
- conduct annual reviews of the adequacy of Stockland's fraud control policy and whistleblowing policy, and approve amendments to these policies and monitor ongoing compliance;
- carry out an annual review of the ongoing appropriateness of the Audit Committee Charter and recommend any amendments to the Board; and
- undertake such further investigations which the Committee considers necessary or may be requested by the Board.

The Committee has specific authority to amend Stockland's accounting policies which the Committee determines do not require Board approval.

The external auditor provides a declaration of independence each reporting period, consistent with the requirements of the Corporations Act 2001.

Audit Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Chief Financial Officer, Stockland's external auditor and, as required, other Stockland Executives and external advisors. The Committee met 7 times during the 2011 financial year. The Committee meets privately with the external auditor in the absence of management at least once a year. The Committee has written terms of reference which incorporates the ASX Guidelines.

Corporate Governance (continued)

Board Committees (continued)

Audit Committee (continued)

The Committee has at least three independent Non-Executive members and a majority must be independent Directors. The Chairman of the Committee will not also be the Chairman of the Board.

At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The purpose of the Audit Committee is to assist the Board discharge its responsibilities for:

- the integrity of Stockland's financial reports and external audit;
- the appropriateness of Stockland's accounting policies;
- the effectiveness of Stockland's financial controls and procedures;
- the effectiveness of Stockland's internal control environment; and
- compliance with relevant laws and regulations including any prudential supervision procedures.

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

Mr T Williamson (Chair) – Non-Executive Director
Ms C Schwartz – Non-Executive Director (from October 2010)
Mr B Neil – Non-Executive Director (from October 2010)
Mr D Boyle – Non-Executive Director (to October 2010)
Ms C Hewson – Non-Executive Director (to October 2010)

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board.

Risk Committee

In order to facilitate a more comprehensive oversight of operational and financial risk management across the Stockland Group, the Board created a new Risk Committee in October 2010 which assumed oversight of matters that were formerly within the charter of the Audit and Risk Committee and the Corporate Responsibility and Sustainability Committee. The responsibilities of the former Treasury Committee were also incorporated into the Risk Committee and the Treasury Committee was discontinued.

The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Committee provides a board level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework.

The Risk Committee's responsibilities include:

- annually review Stockland's risk appetite statement and risk policy and recommend amendments to the Board;
- oversee the establishment and implementation of Stockland's risk management framework, appropriate risk policies and mitigation plans for managing material risks and assess and approve any variations to the risk management framework and policies;
- monitor and assess whether Stockland operates within the risk appetite statement and risk policy approved by the Board;
- review and approve Group Risk's annual program of work to assess material risks that may affect Stockland's ability to achieve its corporate objectives;
- monitor changes in the economic business or regulatory environment which may impact on the risk profile of Stockland and changes to Stockland's business that may give rise to new risks;

Corporate Governance (continued)

Board Committees (continued)

Risk Committee (continued)

- monitor management's performance in addressing in a timely manner improvements in risk management recommended through Stockland's risk review functions;
- in conjunction with the Audit Committee, approve the appointment and continuation of the Chief Risk Officer,
- periodically assess the adequacy of resourcing and capability within Stockland's risk functions;
- monitor and assess the ongoing effectiveness of Stockland's treasury policy and operations including recommending any amendments of the treasury policy to the Board;
- in conjunction with management, review Stockland's current and future liquidity, funding and derivative exposures and strategies and review delegated authorities granted to management relating to treasury operations;
- review and approve the Health, Safety and Environment program including policies designed to promote the safety of employees, tenants and visitors to Stockland's properties;
- oversee the establishment and maintenance of Stockland's business continuity and disaster recovery plans;
- oversee the adequacy and effectiveness of Stockland's insurance policies and arrangements;
- review statements by Stockland to external stakeholders regarding Stockland's risk appetite statement and risk policy;
- review and assess matters requiring Board approval including breaches or significant variations to policies, limits and delegations of authority where these have not been reviewed by the Board or delegated to the Committee by the Board;
- carry out an annual review of the ongoing appropriateness of this Charter and recommend any amendments to the Board; and
- undertake such further investigations which the Committee considers necessary or maybe requested by the Board.

The Committee has specific authority to approve:

- credit limits applicable to specific counterparties, consistent with the treasury policy; and
- borrowing, investment and hedging transactions within the limits and other parameters set out in the treasury policy.

The members of the Risk Committee since its formation in October 2010 or since the end of the financial year were:

Ms C Hewson (Chair) – Non-Executive Director
Mr D Boyle – Non-Executive Director
Mr P Scott – Non-Executive Director

The Committee met 3 times during the 2011 financial year.

The members of the Treasury Committee up until October 2010 when it was superseded by the Risk Committee were:

Mr T Williamson (Chair) – Non-Executive Director
Mr T Foster – Chief Financial Officer
Mr D Boyle – Non-Executive Director

The Treasury Committee met 2 times during the 2011 financial year.

Corporate Governance (continued)

Board Committees (continued)

Corporate Responsibility and Sustainability Committee

Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Committee is to assist the Board to oversee Stockland's commitment to operate its businesses ethically, responsibly and sustainably.

The purpose of the Corporate Responsibility and Sustainability Committee is to consider and make recommendations to the Board on the social, environmental and ethical impact of Stockland's business activities; major corporate responsibility and sustainability initiatives and changes in policy; and Stakeholder communication about Stockland's corporate and sustainability policies.

The responsibilities of the Committee are to:

- consider reports from management outlining the social, health, safety, environmental and ethical impact of Stockland's business activities and future plans on the legitimate interests of our stakeholders who, in addition to our securityholders, include our employees, customers, suppliers, business partners, the people who use our premises (including our tenants and the general public), our regulators and the communities in which we operate our business;
- consider proposals from management and make recommendations to the Board on major initiatives related to Stockland's corporate responsibility and sustainability policies, principles and practices to meet changing stakeholder expectations;
- monitor compliance with Stockland's published policies and guidelines relating to sustainability and the environment and monitor management's progress in implementing agreed initiatives; and
- review external reporting on major corporate responsibility and sustainability policies, principles and initiatives.

The Committee has specific authority to:

- approve external reporting on major corporate responsibility and sustainability policies, principles and initiatives, including the annual Corporate Responsibility and Sustainability Report;
- approve reports to Government agencies related to sustainability performance where Board approval is required; and
- act as a first point of reference for management for any major social, environmental or ethical issues likely to adversely affect Stockland's brand, its reputation or its stakeholders.

The Board has charged Executive management with responsibility for managing Stockland's business operations to the highest standard of ethical business practice, corporate citizenship and environmental responsibility.

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

Mr D Boyle (Chair) – Non-Executive Director (from October 2010)
Mr B Neil – Non-Executive Director
Mr M Quinn – Executive Director
Ms C Schwartz – Non-Executive Director (from October 2010)
Mr G Bradley – Non-Executive Director (to October 2010)
Mr N Greiner – Non-Executive Director (to October 2010)

The Committee met 4 times during the 2011 financial year.

Corporate Governance (continued)

Board Committees (continued)

Corporate Responsibility and Sustainability Committee (continued)

Environmental Regulation

Stockland is committed to achieving high standards of environmental performance. The Corporate Responsibility and Sustainability Committee regularly considers and reports to the Board on issues associated with the environmental impact of Stockland's operations and, together with management, monitors Stockland's compliance with relevant statutory requirements as well as published policies and guidelines.

Stockland's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. Stockland undertakes an environmental due diligence and risk assessment of all properties it acquires. The Board, with the assistance of the Corporate Responsibility and Sustainability Committee, monitors environmental performance by setting objectives, monitoring progress against these objectives and identifying remedial action where required.

Financial Services Compliance Committee

The Financial Services Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan in respect of Stockland Trust, its controlled entities and Macquarie Park Trust and in ensuring adherence to applicable laws and regulations.

The Compliance Plans are designed to protect the interests of securityholders.

The Compliance Plan for Stockland Trust and its controlled entities and Macquarie Park Trust has been approved by the Australian Securities and Investments Commission ("ASIC"). The Financial Services Compliance 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
Mr A Sherlock – External Independent Member
Mr P Hepburn – Executive Member

Corporate Governance (continued)

Stockland Capital Partners

Stockland Capital Partners ("Capital Partners") was established in 2005 to offer high quality unlisted property investment opportunities for both small and large investors, provide new sources of capital, facilitate asset growth and generate additional sustainable income. A wholly-owned entity, Stockland Capital Partners Limited ("SCPL") operates this business, with a separate Board of Directors ("SCPL Board").

SCPL acts as the Responsible Entity or Manager of Stockland's unlisted funds.

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has two independent Non-Executive Directors who are not members of the Stockland Board. They must approve each transaction SCPL enters into with Stockland and must be satisfied that such transactions are on arm's length commercial terms.

In order to protect the unitholders in the event there is a dispute or default by Stockland under the terms of any agreement, the SCPL Board has resolved that the unanimous consent of the two independent Directors must be obtained as to any related party contract with Stockland.

With a strong philosophy of co-investment, well defined fund investment strategies and transparent reporting, SCPL's governance policies and processes are designed to ensure that the investors in its unlisted securities are not disadvantaged by the interests of Stockland.

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

Mr B Neil (Chair) – Non-Executive Director (Appointed 19 October 2010)
Mr M Quinn – Managing Director
Mr A Sherlock – Independent Non-Executive Director
Mr D Kent – Independent Non-Executive Director
Mr P Scott – Non-Executive Director (Retired 19 October 2010)

The SCPL Board met 4 times during the 2011 financial year.

Stockland Capital Partners Audit and Risk Committee

The Stockland Capital Partners Audit and Risk Committee mirrors the Audit Committee and the Risk Committee of Stockland but covers SCPL and Stockland's unlisted funds.

This Committee has written terms of reference and its members must be independent of management. At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The Committee meets at least quarterly and its meetings are attended by management, Group Risk 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 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 of Stockland Capital Partners Limited

Stockland Capital Partners Financial Services Compliance Committee

A Financial Services Compliance Committee has been set up to oversee the Compliance Plan approved by SCPL for Stockland Direct Office Trust No. 1 ("SDOT No. 1"), Stockland Direct Office Trust No. 2 ("SDOT No. 2"), Stockland Direct Office Trust No. 3 ("SDOT No. 3"), Stockland Holding Trust No. 2 ("SHT2") and Stockland Direct Retail Trust No. 1 ("SDRT No. 1").

The role of the Committee includes evaluation of the effectiveness of the Trust's Compliance Plans designed to protect the interests of unitholders. The Compliance Plan has been approved by 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
Mr A Sherlock – Independent Non-Executive Director
Mr P Hepburn – Executive Member

Corporate Governance (continued)

Risk Management

Stockland adopts a rigorous approach to understanding and proactively managing the risks it faces in its business. Stockland recognises that making business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to Stockland's employees, tenants, customers, business partners, consultants and the communities in which it does business. As an investor of capital, Stockland conducts risk assessments at critical decision points during the investment process to monitor risks to meeting target returns.

Stockland's Risk Management Framework is integrated with its day-to-day business processes and functional responsibilities and is supported by a dedicated Group Risk function. The approach to risk management is guided by the Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and other applicable international standards. A copy of Stockland's Risk Management Policy Statement is available on the Corporate Governance section of the Stockland website (www.stockland.com.au).

Risk Management responsibilities

Stockland's Group Risk function is responsible for the design and implementation of the Risk Management Framework and for adapting it to changes in the business and the external environment in which Stockland operates. Business Units are responsible for integrating the Risk Management Framework within their business processes and systems. Stockland has a culture where ownership and accountability for managing risk is an integral part of job responsibilities and supported by training and development programs.

The Board is responsible for satisfying itself that management has in place a sound system for the management and internal control of material business risks. The Board is assisted in its oversight function by the Risk Committee, the Audit Committee and the Financial Services Compliance Committees. The Risk Committee receives regular reports from management and Group Risk on Stockland's material business risks and monitors the effectiveness of the Risk Management Framework. The Audit Committee receives regular reports from management, Group Risk and the external auditor on Stockland's financial controls, and monitors the effectiveness of those financial controls. The Financial Services Compliance Committee receives regular reports from management and Group Risk on Stockland's compliance with Australian Financial Services Licence regulations, and monitors the performance of compliance controls. Minutes of the Risk Committee, Audit Committee and Financial Services Compliance Committee meetings are circulated to the full Board. The Board reviews at least annually a comprehensive report on the effectiveness of Stockland's management of its material business risks.

The Chief Risk Officer leads Stockland's Group Risk team which has three responsibilities:

- Group Compliance – monitors compliance to relevant laws and regulations and implements programs to assist the business in managing legislative requirements. Such areas include compliance with Stockland's Australian Financial Services Licences, with findings reported to the Stockland Trust Management Limited and Stockland Capital Partners Limited Financial Services Compliance Committees, as well as monitoring compliance with Real Estate Licencing regulations;
- Business Review – regularly assesses the effectiveness and efficiency of the Risk Management Framework. This includes supporting and advising the business on implementing appropriate risk management processes and controls, and undertaking projects to provide independent assessment of internal controls, including financial controls; and
- Risk Advisory – provides forward-looking risk advice to the Board and management, and builds Stockland's risk management capability. This includes leading Group-wide strategic risk reviews, developing risk reporting tools for use by the businesses, conducting independent risk assessments on capital investments and training management in risk assessment and management. Risk Advisory is also responsible for reporting consolidated risk information to Executive management and the Board.

Corporate Governance (continued)

Risk Management (continued)

Risk Management responsibilities (continued)

Group Risk works collaboratively with other Group functions and the Business Units to provide an additional layer of assurance to the Board that risk is appropriately managed. The Group uses sensitivity analysis, scenario planning and stress testing to identify and quantify material risks to delivery of projects and business plans.

The Chief Risk Officer has a direct reporting relationship to the Chief Financial Officer, and the Chairpersons of the Risk Committee, Audit Committee and Financial Services Compliance Committee.

The ongoing monitoring of risks by Executive management is achieved through regular reports and briefings from the Business Units and Group Risk. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts. The Chief Risk Officer also provides regular reports to the Risk Committee, Audit Committee and Financial Services Compliance Committee.

Executive confirmations

In accordance with Stockland's legal obligations, the Managing Director and the Chief Financial Officer have declared in writing to the Board that, for the year ended 30 June 2011 that, to the best of their knowledge and belief:

With regard to Stockland's financial reports:

- Stockland's financial records have been properly maintained in accordance with section 286 of the Corporations Act; and
- Stockland's financial statements present a true and fair view, in all material respects, of the Stockland Consolidated Group's financial condition and operational results and are prepared in accordance with relevant Australian Accounting Standards.

With regard to risk management and internal compliance and control systems of Stockland:

- the statements made with respect to the integrity of Stockland's financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2011, nothing has come to the attention of the Managing Director and the Chief Financial Officer that would indicate any material change to any of the statements made above.

Associates and joint ventures, which Stockland does not control, are not covered for the purposes of this statement or declaration given under S295A of the Corporations Act 2001.

Whilst these statements are comprehensive in nature, they provide a reasonable but not absolute level of assurance about risk management, internal compliance and control systems. They do not imply a guarantee against adverse events or more volatile outcomes occurring in the future.

Corporate Governance (continued)

Code of Conduct and Ethical Behaviour

Stockland's Directors, management and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct and Ethical Behaviour (the "Code") is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. A copy of the Code is distributed to all staff and its standards communicated and reinforced at Stockland-wide employee induction programmes.

All employees and Directors must comply with the Code. The Code covers a broad range of matters including:

1. protection of Stockland's assets;
2. confidentiality and commercially sensitive information;
3. employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;
4. Stockland's responsibilities to securityholders and the financial community generally;
5. Stockland's responsibilities to its customers and the broader community;
6. dealings with external parties including its customers, the media and regulatory authorities;
7. compliance with laws;
8. conflicts of interest and disclosure requirements;
9. prevention of Directors and key Executives from taking advantage of information or their position for personal gain;
10. fair dealing and proper use of Stockland's assets;
11. outside business interests, corporate entertainment and political contributions; and
12. Stockland's "whistleblowing" policy.

Stockland actively promotes and maintains an honest, ethical and law abiding culture. Any Director or employee who becomes aware of or suspects a breach of the Code are encouraged to report the breach to their line manager or the Chief Risk Officer. Where a report is received, the matter must be investigated. Appropriate disciplinary action is taken if the allegation is proven. This could include legal action or dismissal, depending on the severity of the breach.

A summary of the Code may be viewed on the Stockland website (www.stockland.com.au).

Employee and Director trading in Stockland securities

Stockland's Securities Trading Policy was updated and released to the Australian Securities Exchange in December 2010. Subject to applicable minimum securityholding policies and necessary prior written consents being obtained, Stockland Directors, Executives and Employees may trade in Stockland stapled securities ("securities") at any time outside Prohibited Periods which run from 1 June until the announcement of Stockland's full year results and 1 December until the announcement of Stockland's half year results.

Directors and Senior Executives may, in exceptional circumstances as defined in the policy, trade during a prohibited period only with the prior written consent of the Chairman. Employees who wish to trade during a prohibited period may only do so after first obtaining the consent of the Managing Director, Chief Financial Officer or other Executive delegated by the Managing Director from time to time. Notwithstanding the prohibited periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about Stockland that is not generally available to the public.

Directors and employees may subscribe for securities in any offering in an unlisted property fund promoted by Stockland. Applications by Directors and employees for such securities are on the same terms as applied to other investors. Directors and employees are prohibited from trading in unlisted property fund securities while they possess material, non-public, price-sensitive information.

Stockland's Securities Trading Policy may be viewed on the Stockland website (www.stockland.com.au).

Corporate Governance (continued)

Communication to securityholders

The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect Stockland's operations and financial standing and the market price of its securities. Information is communicated to securityholders through:

1. Annual and Half Year Financial Reports lodged with the ASX and made available to all securityholders;
2. Shareholder Review sent to all securityholders;
3. announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;
4. the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;
5. copies of announcements, presentations, past and current reports to securityholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and
6. relevant announcements lodged with the Singapore Securities Exchange ("SGX") following the issue of Notes in Singapore by Stockland Finance Pty Limited, a wholly-owned subsidiary of Stockland Trust.

Stockland has a securityholder disclosure policy which includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how Stockland meets its disclosure obligations under ASX Listing Rule 3.1. Stockland's policy is to lodge with the ASX and place on its website all market-sensitive information, including Annual and Half Year result announcements and analyst presentations, as soon as practically possible.

Stockland produces two sets of financial information each financial year: the Half Year Financial Report for the six months ended 31 December and the Annual Financial Report for the year ended 30 June. Both are made available to securityholders and other interested parties. The Shareholder Review is sent to all securityholders.

Securityholders have the right to attend Stockland's Annual General Meeting, usually held towards the end of October each year, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the Stockland website and lodged with the ASX.

Securityholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the Notice of Meeting, all stapled securityholders are eligible to vote on all resolutions. Securityholders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile or electronically.

Stockland's external auditor attends the Annual General Meeting and may answer questions from securityholders concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by Stockland and the independence of the auditor in relation to the conduct of the audit.

Transcripts of the Chairman's and Managing Director's Reports to securityholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the minutes of the Annual General Meeting are also posted on the Stockland website (www.stockland.com.au).

Stockland encourages securityholders to receive electronic communications. It is now possible to update securityholder information, elect to participate in the Dividend and Distribution Reinvestment Plan (when operating), or elect to receive electronic communications from the Stockland website (www.stockland.com.au).

Stockland Consolidated Group
Directors' Report
For the year ended 30 June 2011

Principal activities

The principal activities of Stockland during the financial year were:

- investment in income producing retail, office and industrial properties;
- development of retail properties;
- residential property development;
- retirement living development and investment;
- property trust management; and
- property management.

Stockland operates primarily in mainland Australia along with residual operations in the United Kingdom.

There were no significant changes in the nature of the activities of Stockland during the financial year.

Review and results of operations

Stockland recorded a profit attributable to securityholders calculated in accordance with Australian Accounting Standards ("AASBs") of $754.6 million for the year ended 30 June 2011 (2010: $478.4 million). This profit includes a number of certain significant items that, in the opinion of Directors, need adjustment to enable securityholders to obtain an understanding of Stockland's Underlying profit (refer to the table on the next page).

The Underlying profit for the financial year was $752.4 million (2010: $692.3 million), reflecting a 8.7 per cent increase from the prior year.

Stockland Consolidated Group
Directors' Report
For the year ended 30 June 2011

Review and results of operations (continued)

The following table provides information to securityholders/unitholders that reconciles Underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Stockland Consolidated Group and the Stockland Trust Group, in accordance with the AICD/Finsia principles for reporting Underlying profit.

The following table is net of tax.

		Stockland Consolidated Group		**Stockland Trust Group**	
	Notes	**2011 $M**	2010 $M	**2011 $M**	2010 $M
Underlying profit		**752.4**	692.3	**672.5**	642.7
Certain significant items:					
Non-cash adjustment to inventories and development profits					
Provision for write-down of inventories – Australia		**(3.4)**	(3.5)	-	-
Provision for write-down of inventories – UK		**(7.1)**	(2.9)	-	-
Write back of excess inventory provision – Australia		**2.1**	1.2	-	-
Write back of excess inventory provision – UK		**1.4**	2.0	-	-
Non-cash adjustment to cost of sales[1]		**8.0**	-	-	-
		1.0	(3.2)	-	-
Fair value adjustment of investment properties					
Net gain/(loss) from fair value adjustment of investment properties – Commercial Property[2]		**57.4**	(334.0)	**66.1**	(314.4)
Share of net gain/(loss) from fair value adjustment of investment properties in associates and joint ventures		**17.7**	(37.6)	**17.7**	(36.8)
Net fair value movement of deferred management fee contracts	43(b)	**(12.0)**	5.9	-	-
Impairment of undeveloped Retirement Living Communities	43(b)	-	(20.4)	-	-
Capital growth of operational Retirement Living Communities	43(b)	**49.7**	40.6	-	-
Existing Retirement Living resident obligations fair value movement	43(b)	**(49.1)**	(40.4)	-	-
		63.7	(385.9)	**83.8**	(351.2)
Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets					
Net gain from fair value adjustment of other financial assets		**17.5**	60.2	-	28.1
Net loss on sale of other non-current assets		**(3.8)**	(13.5)	**(1.5)**	(13.9)
Impairment of other investments		**(1.9)**	0.4	**(1.9)**	-
		11.8	47.1	**(3.4)**	14.2
Fair value adjustment of financial instruments and foreign exchange movements					
Net (loss)/gain on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	6	**(167.4)**	46.9	**(179.5)**	47.4
Net gain from hedged items and financial instruments treated as fair value hedges	6	**0.4**	4.5	**2.7**	3.1
Net gain on other financial instruments that do not qualify as effective under hedge accounting rules		-	63.7	-	63.7
Net loss on exit of exposure to GPT	47(b)	**(24.9)**	-	**(24.9)**	-
Net foreign exchange gain/(loss)		**131.4**	13.0	**126.7**	(31.0)
		(60.5)	128.1	**(75.0)**	83.2
Other					
Acquisition and integration costs of business combinations		**(13.8)**	-	-	-
Profit for the year attributable to securityholders/unitholders		**754.6**	478.4	**677.9**	388.9

[1] A proportion of the profit on sale of property development sold during the financial year has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost prior to the commencement of the development.

[2] Stockland Consolidated Group: Includes a tax benefit of $1.3 million (2010: tax benefit of $9.5 million and site remediation costs of $9.4 million). Stockland Trust Group: Includes site remediation costs of $Nil (2010: $9.4 million).

Review and results of operations (continued)

Basic Underlying earnings per stapled security/unit was 31.6 cents, an increase of 8.6 per cent from 29.1 cents in the prior year. Basic earnings per stapled security/unit was 31.7 cents.

	Stockland Consolidated Group		Stockland Trust Group	
	2011 Cents	2010 Cents	**2011 Cents**	2010 Cents
Basic Underlying earnings per security/unit	**31.6**	29.1	**28.2**	27.0
Diluted Underlying earnings per security/unit	**31.3**	28.9	**28.0**	26.8
Basic earnings per security/unit	**31.7**	20.1	**28.5**	16.3
Diluted earnings per security/unit	**31.4**	19.9	**28.2**	16.2

Refer to Note 10 of the accompanying Financial Statements for further information regarding the earnings per security/unit calculations.

	Stockland Consolidated Group	
Dividend and distribution per stapled security		
The dividend and distribution payable is 23.7 cents per stapled security, up 8.7 per cent from 21.8 cents paid for the previous corresponding period. The payable comprises:		
Trust distribution, estimated 22.0% tax preferred (prior year actual 30.6% tax preferred)	**23.7**	21.8
Corporation dividend, fully franked	**-**	-
Total dividend and distribution	**23.7**	21.8

Registers closed at 5.00pm on 30 June 2011 to determine entitlement to the year end dividend and distribution, which will be paid on 31 August 2011.

Financial Position

- Gearing ratio (Net Debt / Total Tangible Assets) of 22%
- \$0.2 billion in cash and \$0.45 billion undrawn debt facilities
- Weighted average debt maturity 5.9 years
- Net tangible assets per security of \$3.65

Operational highlights

Residential

Residential Communities

- EBIT up 12% to \$307 million, Operating Profit (including interest in COGS) up 9% to \$233 million
- Solid margin and price growth: EBIT margin 29%, Operating Profit margin 22%, average price per sqm up 11% to \$447
- Record 2,288 contracts on hand, valued at \$485 million

Apartments

- Operating Profit (including interest in COGS) \$29 million
- 560 units settled
- Final year of significant revenue and profits with the completion of The Hyde, Tooronga, Manta and The Village
- Circa \$350 million cash released for reinvestment in Residential Communities

Review and results of operations (continued)

Operational highlights (continued)

Retirement Living Communities

- Operating Profit up 47% to $53 million
- 192 new units and 416 established units settled
- 10 projects underway in four states, delivering staged developments of circa 1,100 units over the next four years

Commercial Property

- Operating profit up 2.9% to $524 million
- Net Operating Income ("NOI") $546 million, up 2.2%
- Comparable NOI up 4.4% due mainly to a solid contribution from Retail

Retail

- NOI $286 million, up 7.5%
- Comparable NOI growth of 4.6%
- $2.3 billion retail development pipeline progressing well
- High occupancy rate at 99.5%
- Sustainable specialty occupancy costs of 13.7%

Office and Industrial

- Office NOI down 5% to $183 million
- Industrial NOI up 3% to $77 million
- Comparable NOI growth of 2.8% in Office; 7.5% in Industrial
- Portfolio occupancy of 96.0% in Office; 99.8% in Industrial
- Weighted Average Lease Expiry ("WALE") of 4.3 years in Office; 3.2 years in Industrial

Stockland UK

- Break-even result

Dividends and distributions

Dividends and distributions paid or declared by the Company and the Trust to securityholders since the end of the prior year are set out in Note 37 of the accompanying Financial Statements.

State of affairs

Changes in the state of affairs of Stockland during the financial year are set out in the various reports in the Stockland Annual Report. Refer to Note 35 of the accompanying Financial Statements for securities issued and Notes 26 and 30 for debt movements.

In the opinion of the Directors there were no other significant changes in the state of affairs of Stockland that occurred during the financial year under review.

Likely developments

Stockland will continue to pursue strategies aimed at improving the profitability and market share of its principal activities during the next financial year.

Other information about certain likely developments in the operations of Stockland and the expected results of those operations in future financial years is included in the various reports in the Stockland Annual Report. Further information about likely developments has not been included in this report because disclosure of such information would be likely to result in unreasonable prejudice to the Stockland Consolidated Group.

Events subsequent to the end of the year

On 1 July 2011, Stockland sold its 50% interest in BankWest Tower, 108 St Georges Terrace, Perth, WA. This property was classified as held for sale at 30 June 2011 (refer to Note 16) at the fair value of $130.0 million. As part of the same transaction, Stockland acquired two residential projects in the North East corridor of Perth for $271.0 million. The transaction was funded from the sale of other assets, and from cash reserves.

There were no other material events subsequent to the year end.

Remuneration Report – Audited

The Board presents the Remuneration Report for Stockland for the year ended 30 June 2011 ("FY11"), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the Corporations Act 2001.

The report sets out current remuneration arrangements for all Stockland employees, including Directors and Executives, under the following sections:

Remuneration Report – Audited (continued)

1. Remuneration in brief

Setting remuneration policies is viewed by the Board as one of its most important responsibilities.

The Board is committed to ensuring that Stockland's remuneration policies and practices are fair, responsible, competitive and effective, and to clear and transparent communication of Stockland's remuneration arrangements. In this section we explain the key remuneration decisions made during the financial year, detail policy changes made in light of the current regulatory and governance environment and outline the actual value of remuneration paid to Stockland's Directors and Senior Executives in FY11. Later sections of this report, starting on page 34, include more detail regarding the remuneration philosophy, framework and outcomes in accordance with statutory obligations and Accounting Standards.

1.1 External environment

In setting and reviewing its remuneration policies and arrangements, the Stockland Board pays close regard to evolving market practice and prevailing regulatory and governance standards. The Board also pays regard to feedback received from our securityholders, institutional investors and other stakeholders. The Stockland Remuneration Report has received a vote of approval from securityholders in excess of 90% at the Annual General Meetings in 2009 and 2010 and no material policies were changed in FY11.

The Board actively monitors tax and regulatory developments impacting remuneration, in particular the changes passed in the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011. Notwithstanding that the changes in the legislation come into effect on or after 1 July 2011, the Board has already adopted many of these changes. For example:

- Consistent with the policy adopted some years ago, the HR Committee selects and directly engages an external remuneration consultant to provide comparative market data on the Managing Director's remuneration and Non-Executive Director fees; and
- Executives are prohibited from hedging Stockland securities under Stockland's Security Trading Policy and this policy has been in place for several years.

The Board has also considered the Productivity Commission's recommended reforms to Australia's Executive remuneration framework including for example:

- Remuneration policy at Stockland is overseen by the Board's Human Resources ("HR") Committee which has for many years comprised three independent Non-Executive Directors;
- Stockland's remuneration framework is explained in plain English;

1.2 Board review of policies

Whilst Stockland's remuneration policies have proven to be robust through various business cycles, continuous improvement in remuneration policy is important to Stockland's ongoing performance and ability to attract and retain key talent.

Following further alignment of executive performance with long-term securityholder interests through tightening of LTI vesting rules and the introduction of minimum shareholding policy for Senior Executives implemented in FY10, no further changes to Stockland Remuneration Framework have been made in FY11.

The Board is committed to ensuring that Executive pay is fair and competitive, rewards high performance and not excessive risk taking, does not provide windfall benefits unrelated to performance, and is structured in a way that aligns management's objectives with long-term securityholder interests.

1.3 Diversity and remuneration

At Stockland we value diversity and aim to create a vibrant and inclusive workplace. Embracing a diverse workforce is critical for our business to attract and retain the most talented people and reflect the communities in which we operate.

Diversity, including gender diversity, forms an integral part of our People Strategy. Our Gender Diversity Policy is available on our website, with a detailed update against objectives provided in our annual Corporate Responsibility & Sustainability ("CR&S") report.

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.3 Diversity and remuneration (continued)

Our Diversity Steering Management Committee helps guide implementation of our diversity strategy, which spans multiple employee diversity dimensions including disability, inclusiveness and cultural diversity. At Stockland, our employees participate in equal employment opportunity training as we are determined to ensure that our workplace is safe and free from discrimination, bullying and harassment. Recently our Leadership Group, which includes the Executive Committee and all General Managers, participated in a workshop to build a greater awareness of unconscious bias, generating personal and organisational commitments to further embrace diversity and promote inclusion.

This year we were recognised as an "Employer of Choice for Women" by the Equal Opportunity for Women in the Workplace Agency (EOWA). This citation acknowledges organisations that are recognising and advancing women in the workplace. Our diversity strategy is strongly focussed on maximising opportunities for women, with our new parental transitions program and recently enhanced paid parental leave benefits reinforcing this commitment.

Increasing the number of women in leadership positions continues to be a focus for us and our proportion of women in management roles at Stockland has increased from 28% in FY07 to 37% in FY11, with the Board endorsing a target of 40% by FY15. This year we introduced a 'Future Women Leaders Program' together with a 'Senior Women Leaders Program' to further develop our women leaders.

Stockland's performance management process and remuneration framework facilitate fair evaluation of employee performance and equitable reward decisions. Performance is measured against balanced scorecard objectives that employees set together with their managers annually. A comprehensive analysis of all proposed remuneration decisions concerning women is undertaken as part of the annual remuneration review.

1.4 Key decisions in FY11

The recovery of the global economy is likely to be slow and protracted. Financial market volatility, sovereign debt concerns and rising cost pressures continue to weigh on domestic business and consumer confidence. In this environment and indeed throughout all business cycles, the Board is committed to ensuring that remuneration decisions and payments remain effective and appropriate.

In line with this, the Board has made the following decisions:

- To continue restraint on executive Fixed Pay[1] for FY12 as we have done for the past 3 years, with increases in excess of 3% granted only where an individual's responsibilities have changed or there was a significant anomaly compared to the market, based on independent benchmarking;
- To leave the Managing Director's Fixed Pay unchanged in FY12 which follows no increase since FY08;
- To continue to link performance based pay to Stockland's Underlying profit[2] and to other Balanced Scorecard measures; and
- To adjust Board and Board Committee fees in FY12 to reflect changing workloads and market relativities.

1 Fixed Pay is defined on page 35.

2 Throughout this report, the term "Underlying profit" is used as set out on page 25 of the Directors' Report.

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.5 Managing Director and Senior Executives remuneration

The remuneration of the Managing Director and Senior Executives, set out on page 46 of this report, is calculated in accordance with statutory obligations and Accounting Standards, and is "theoretical" due to the complex way equity-based incentive pay is calculated for accounting purposes. To provide more meaningful information to securityholders, the following table sets out clearly and concisely the cash and other benefits actually received by the Managing Director and Executive Committee during FY11.

Realised value of Senior Executive remuneration received in FY11

		Fixed Pay $'000	STI[1] $'000	LTI[2] $'000	Total $'000	Lapsed LTI[3] $'000
Executive Director						
Matthew Quinn,	**2011**	**1,900**	**2,200**	**1,233**	**5,333**	**1,233**
Managing Director	2010	1,900	1,750	735	4,385	735
Senior Executives						
Tim Foster[4],	**2011**	**875**	**710**	**-**	**1,585**	**-**
CFO	2010	365	322	-	687	-
Mark Hunter,	**2011**	**800**	**740**	**138**	**1,678**	**138**
CEO Residential	2010	750	646	92	1,488	92
Karyn Munsie,	**2011**	**500**	**405**	**-**	**905**	**-**
EGM Corporate Affairs	2010	420	305	-	725	-
David Pitman,	**2011**	**700**	**570**	**237**	**1,507**	**237**
CEO Retirement Living	2010	670	475	145	1,290	145
Michael Rosmarin[5],	**2011**	**550**	**415**	**-**	**965**	**-**
EGM Human Resources	2010	-	-	-	-	-
John Schroder,	**2011**	**1,030**	**955**	**529**	**2,514**	**529**
CEO Commercial Property	2010	1,030	850	318	2,198	318

[1] Short-term incentive.

[2] Long-term incentive. The LTI value represents the value of LTI which vested in the year shown. The value of the LTI shown is based on the 30 June security price. For 30 June 2011 the security price was $3.41.

[3] The value of lapsed LTI represents the value of LTI which lapsed at the end of the performance period which ended 30 June of the year shown.

[4] Joined in February 2010.

[5] Joined in July 2010.

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.6 Frequently asked questions

There has been much public debate about executive remuneration in the past year. It remains a topic of legitimate interest to investors and the wider community. To help investors better understand Stockland's approach, this section addresses some commonly asked questions:

(a) What is Stockland's approach to retaining key Executive talent?

Stockland uses a range of incentives (both financial and non-financial) to retain its Key Executive Talent. Our remuneration framework and its mix of Fixed Pay, STI and LTI, as explained on page 34, is the key financial retention mechanism. LTI is delivered in the form of performance rights. The Board believes that performance rights work better than options as even in depressed markets they retain at least some value unlike options which can fall "out of the money" or lose all value and are therefore valued less by the Executives. Executives who resign forfeit all unvested rights.

While remuneration is important for employee retention, there are other factors that play a part in employee retention. Our research shows that our people value the career opportunities we offer, our respected brand and reputation and our engaging workplace culture. An important retention focus is, therefore, continuing to offer our employees meaningful development opportunities and maintaining high levels of employee engagement. Our engagement scores are measured by an independent survey provider (Towers Watson). In FY11, our scores continued to be high relative to local and international benchmarks for the fifth consecutive year.

(b) Should LTI awards vest when the security price declines?

Fifty per cent of Stockland's LTI vesting is based on earnings per security ("EPS") performance and fifty per cent is based on relative total securityholder return ("TSR"). The TSR hurdle measures performance **relative** to other Australian Real Estate Investment Trusts ("A-REITs") and is designed so that windfall gains or losses do not arise. Executives do not simply benefit from a rising market but are rewarded only if Stockland's securities perform better than the weighted average of Stockland's peers. Conversely, in a falling market, it is appropriate to reward Executives only when Stockland's securities perform better then Stockland's peers.

It is also important to note that the TSR Targets for Stockland LTI hurdles remained unchanged. In FY11, there has been no re-setting to make them easier to achieve in the post global financial crisis environment and we allow no re-testing if vesting does not occur in the three year vesting period.

(c) Should annual performance-based pay be deferred?

Stockland's STI payments are part of an annual remuneration cycle and STIs are only awarded when performance has been achieved across a combination of objectives which include both financial and non-financial measures such as stakeholder engagement, people and leadership, corporate responsibility and sustainability and occupational health and safety. These objectives measure annual progress against long-term goals. When considered in conjunction with the equity-based long-term incentives, coupled with our new policy requiring Executives to retain vested securities up to specified minimum securityholdings levels, the Board believes the appropriate balance has been achieved between annual reward and longer-term deferral of reward into equity to align Executives' incentives with the long-term interests of our securityholders. Accordingly we continue to pay annual incentives in cash, not securities, and with no deferral.

Remuneration Report – Audited (continued)

2. Remuneration philosophy

Stockland's remuneration approach is designed to attract, motivate and retain the best people. Employee remuneration is linked to performance and aligns incentive payments to securityholder interests via business outcomes such as total securityholder returns and profit growth.

2.1 Remuneration governance

The HR Committee assists the Board to exercise sound governance in relation to the appointment, performance and remuneration of Directors, the Managing Director and Senior Executives.

The HR Committee also oversees all employment and remuneration policies to ensure fairness and balance are maintained at all levels between reward, cost and value to the company. The HR Committee approves the remuneration framework for all employees, including risk and financial control personnel and employees whose total remuneration includes a significant variable component.

The HR Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. Its charter is available on Stockland's website.

2.2 Remuneration policy

The HR Committee has approved a remuneration policy for employees based on the following key principles:

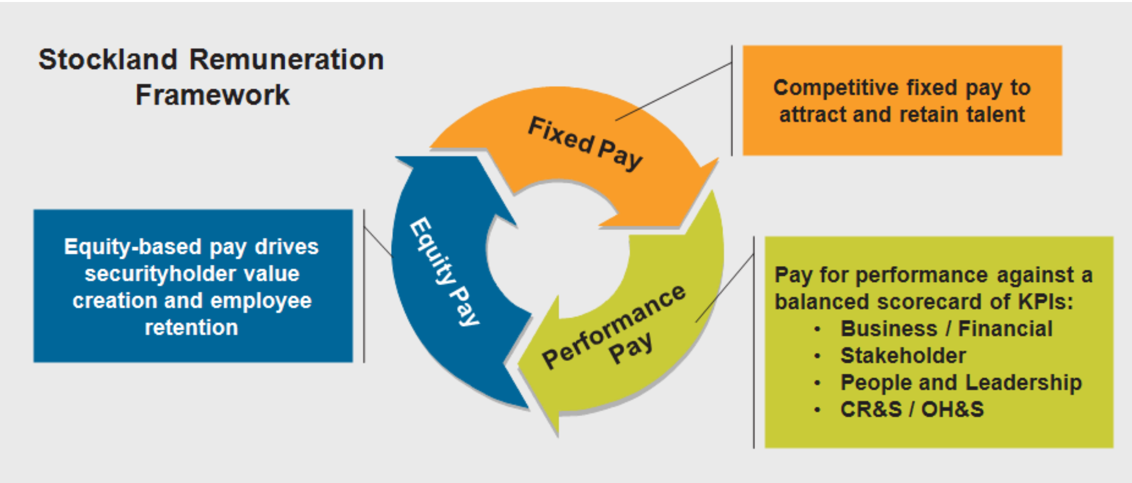
- Fixed Pay should be fair, competitive, and regularly benchmarked against relevant market evidence;
- A feature of all employees' remuneration is that a significant part is "at risk". At risk pay should be aligned to securityholder interests and individuals should have clear performance criteria;
- Performance based pay must be affordable and paid in cash from annual Underlying Profit. These payments (if any) depend on performance against measures reflecting progress against a Balanced Scorecard of goals; and
- Equity based pay awarded against achievement of long-term goals will not only help motivate and retain key executives but will also build a sense of ownership of business performance that benefits all securityholders.

The Board has reaffirmed these key remuneration principles for FY12.

2.3 Remuneration framework

Stockland's remuneration structure has three components:

- fixed remuneration ("Fixed Pay");
- performance based pay, or short-term incentives ("STI"); and
- equity based pay, or long-term incentives ("LTI").



Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

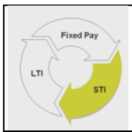
Fixed Pay

Fixed Pay includes salary, superannuation and other employee benefits. Fixed Pay is set individually taking into account external benchmarking by independent firms.

Fixed Pay is typically set by reference to the competitive market for executive talent. Stockland subscribes to a number of independent salary surveys. Remuneration consultants also provide independent advice in relation to pay for the Executive Committee and General Managers. In addition, the HR Committee commissions independent advice directly from remuneration consultants in relation to Managing Director's pay and Non-Executive Director's fees.

Fixed Pay is calculated on a "total cost to Stockland" basis, including the cost of employee benefits such as superannuation, motor vehicles and car parking, together with fringe benefits tax ("FBT") applicable to those benefits. Stockland's employment contracts explicitly state that Fixed Pay will be reviewed each year but increases are not guaranteed.

Short-term incentives



Performance based pay, or short-term incentive ("STI") rewards annual progress towards long-term objectives.

Four principles define Stockland's approach:

- Incentive payments are paid in cash and charged to each year's Underlying Profit;
- Incentive payments depend on an individual's performance using a range of measures all of which are related to long-term objectives;
- All permanent employees with over three months' service participate in the STI program; and
- Incentive payments represent a significant part of senior employees' remuneration and are capped at appropriate levels.

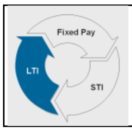
When setting and reviewing individual performance, Stockland adopts a Balanced Scorecard approach to ensure organisational objectives are achieved in a sustainable way. The Balanced Scorecard requires objectives in each of four categories: Business/Financial; Stakeholder; People and Leadership; Corporate Responsibility and Sustainability and Occupational Health and Safety.

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives



Equity pay, or long-term incentive ("LTI") aligns Executive remuneration with securityholder returns and helps retain key talent.

The principles which underpin long-term incentives are:

- LTI is awarded in the form of equity so that employees will have ownership;
- LTI grants represent a potentially significant proportion of senior employee remuneration;
- Challenging hurdles, aligned with securityholders' interests, encourage sustained performance from employees, with vesting measured over three years and a holding lock for a further seven year period. The holding lock prevents vested securities from being traded except at the discretion of the Board, which may be withheld in certain circumstances; and
- In addition, for the awards granted after 1 July 2010, Stockland requires minimum securityholdings for the Managing Director (equal to two times Fixed Pay) and Executive Committee members (equal to one times Fixed Pay after 1 July 2010). This restricts the Executive from disposing of securities awarded under Stockland's LTI schemes after 1 July 2010, if their holding would reduce below the minimum requirement.

Performance Rights Plan

Stockland's LTI is delivered under a Performance Rights Plan ("PRP"). Approximately 15% of employees participate in this plan. Performance rights ("rights") lapse if participants resign before vesting (three years after allocation) and this may result in significant forfeiture of value. For example, for Executive Committee members who resign after more than two years' tenure, the value of forfeited rights may exceed annual Fixed Pay.

Key features of Stockland's PRP include

- Rights are granted over ordinary securities at no cost to the employee;
- A 3 year performance measurement period applies to the rights;
- Subject to performance hurdles being achieved, a portion of rights will vest at the conclusion of the performance period;
- Performance is not re-tested: if Targets are not achieved, rights lapse;
- Any tax incurred is payable by the employee;
- Vested securities are issued or purchased on market, at the Board's discretion, post the release of the Group's annual results;
- Securities are subject to a holding lock following vesting so that they may only be traded subject to approval of the Board or its delegated authority; and
- Dividends and distributions are payable on securities only after vesting.

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives (continued)

Overview of hurdles

Long-term incentive performance hurdles measured over three years link reward to securityholders' interests.

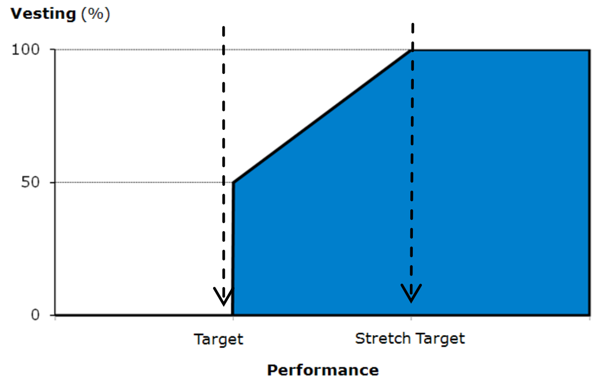
Each performance rights grant is divided into two equal tranches, with the following hurdles:

- Stockland's total securityholder return ("TSR") measured against the ASX Australian Real Estate Investment Trusts ("A-REIT") Accumulation Index (excluding Stockland); and
- Growth in Stockland's earnings per security ("EPS") measured against a Target set by the Board.

The following vesting schedule applies:

Relative TSR Growth over three years	Aggregate EPS Growth over three years	Proportion of TSR/EPS related rights vesting
Less than or equal to TSR Target	Less than or equal to EPS Target	0%
Greater than TSR Target	Greater than EPS Target	50%
Up to 10% greater than TSR Target	Up to 5% greater than EPS Target	Straight-line between 50% and 100%
10% or more greater than TSR Target (stretch target)	5% (or more) greater than EPS Target (stretch target)	100%

The link between vesting and expected level of performance is illustrated below:



<u>Total securityholder return hurdle</u>

TSR is defined as security price growth plus the value of dividends and distributions reinvested on the ex-dividend date, adjusted for rights, bonus issues and any capital reconstructions and measured over the three year vesting period.

Relative TSR was chosen as a performance hurdle because it reflects Stockland's success in generating returns for securityholders relative to its peers in both rising and falling markets. The A-REIT Accumulation Index was adopted as the most appropriate comparative group because it represents the listed property companies with whom Stockland competes for capital. Stockland is excluded from the comparator group because Stockland is a large part of the Index and comparison with itself distorts the result.

Stockland and A-REIT TSRs are measured using a Volume Weighted Average Price ("VWAP") for the 30 days before the start and up to and including the end of the three year measurement period.

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives (continued)

Overview of hurdles (continued)

Earnings per security hurdle

EPS is used as it is a key indicator of Stockland's financial performance. It is calculated using Stockland's underlying profit which the Board believes is the appropriate way to view Stockland's true operating performance from year to year.

The EPS Target used for the LTI is the sum of three annual EPS growth Targets each set by the Board to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook.

The Board believes that this approach is better aligned to securityholders' interests than setting in advance a three year EPS Target which may become unrealistically high or unreasonably low as market conditions change over the three year period due to volatility in property markets unrelated to management performance. The actual annual EPS Targets and the extent to which the EPS Target has been achieved are then disclosed retrospectively. Stockland typically adopts the practice of providing EPS guidance for the forthcoming year at the start of each financial year and the EPS Target is generally in line with this guidance

Measurement

The Stockland and A-REIT Accumulation Index TSRs are calculated by an independent third-party. The Board measures performance against the EPS Target and has final accountability for the determination of performance, independently from management.

PRP on termination of employment

If an employee leaves Stockland, any unvested rights lapse and are forfeited, except at the discretion of the Board in circumstances such as death, disability, retirement or redundancy. In such cases, the Board generally exercises such discretion if the departure is within a year of the performance measurement date in which case the rights may be allowed to remain for the rest of the measurement period, with vesting determined in accordance with the original hurdles.

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives (continued)

Other equity-based benefit programs

Stockland also offers the Tax Exempt Employee Security Plan ("$1,000 Plan") for the majority of its employees. Approximately 85% of employees participate in this plan. Under this plan:

- Eligible employees receive up to $1,000 worth of Stockland securities;
- Securities cannot be sold or transferred until the earlier of three years after allocation date or the time the participant ceases to be a Stockland employee;
- Securities acquired under this plan are not subject to performance hurdles;
- Securities may be either issued or purchased on market, at the Board's discretion; and
- Executives do not participate in this plan.

2.4 Dealing in securities

All employees and Directors are expected to behave responsibly and ethically when dealing with Stockland securities as outlined in the Company's Security Trading Policy (available on Stockland's website).

All employees and Directors are prohibited from entering into hedging arrangements in relation to Stockland securities. They cannot trade in financial products issued over Stockland securities by third parties or trade in any associated products which limit the economic risk of holding Stockland securities.

Remuneration Report – Audited (continued)

3. Link between remuneration and performance

The Board believes that Stockland's remuneration policy has proven to be sound both in times of growth and in challenging market conditions. Stockland has structured its remuneration framework to align employee goals with those of securityholders and ensure the goals are achieved in a sustainable way.

Maintaining restraint on overall Fixed Pay levels remained a priority throughout the financial year as part of a prudent approach to managing Stockland's cost base during what continues to be an uncertain economic environment.

STI is awarded only when the agreed level of performance has been achieved across a combination of objectives. Using a Balanced Scorecard approach, these objectives include both financial and non-financial Key Performance Indicators ("KPIs"), aligned to the overall business strategy. The table below illustrates the key high level measures used to evaluate achievements during the financial year:

Category	Objective	Measure	Weighting %
Business/ Financial	Deliver sustainable business and financial outcomes in line with or exceeding Board approved targets	Measures include: ▪ Earnings per security/Underlying profit ▪ Capital/risk management ▪ Execution of strategic plan	50-70
Stakeholder	Enhance Stockland's brand and reputation with key stakeholders (customers, suppliers, government, investor community, etc.)	Measures include: ▪ Stakeholder engagement ▪ Customer feedback and surveys ▪ Independent surveys of investor perceptions	10-20
People and Leadership	Develop Stockland's workforce capability and culture as a key source of competitive advantage	Measures include: ▪ People Leader Index scores ▪ Employee engagement scores ▪ Employee turnover	10-25
CR&S/ OH&S	Ensure sustainable business practices and strong Corporate Responsibility & Sustainability ("CR&S") and Occupational Health & Safety ("OH&S") platforms are embedded in the Stockland culture	Measures include: ▪ Delivery on CR&S strategy ▪ External recognition ▪ Adoption of best practice OH&S behaviours ▪ Employee well-being Index scores ▪ Excellent safety record	10-25
			100

Note: specific weighting allocation depends on employee seniority, role type, area of business and the short-term priorities of the business unit/area

The Board has approved total STI payments of $27.3 million (FY10: $25.5 million).

Remuneration Report – Audited (continued)

3. Link between remuneration and performance (continued)

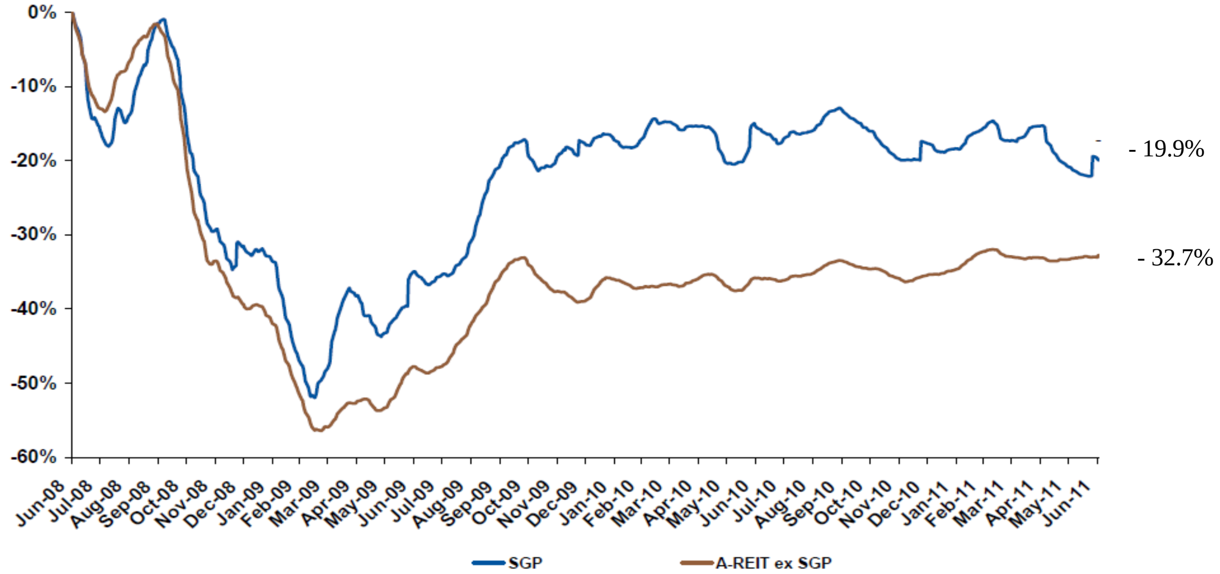
Our LTI awards are linked to EPS and TSR performance.

Half of the LTI allocated to employees is related to Stockland's performance against EPS Targets. The group met the EPS Targets in FY10 and FY11, but fell short in FY09 during the Global Financial Crisis. Accordingly there is no vesting in FY11 of the EPS portion of the 2008 allocations. This is the third year in which no vesting of the EPS portion of LTI allocations has occurred due to the underperformance in FY09.

The other half of the LTI award is linked to the TSR performance hurdle. Stockland's TSR has generally outperformed its peer group (as measured by the A-REIT Accumulation Index excluding Stockland) over recent years and did so over the period from 1 July 2008 to 30 June 2011. Both Stockland and the peer group TSR declined over this period but Stockland's TSR outperformed the hurdle by 12.8%, as shown in the chart below.

TOTAL SECURITYHOLDER RETURNS

1 July 2008 – 30 June 2011



Profit, EPS and other key financial performance measures over the last five years are set out in greater detail below.

Key financial performance measures

	FY06	FY07	FY08	FY09	FY10	FY11	5 Year Compound Annual Growth %
Underlying profit ($M)[1]	553.7	611.0	674.0	631.4	692.3	**752.4**	**6.3%**
Net tangible assets per security ($)	4.54	5.33	5.46	3.61	3.59	**3.65**	**(4.3%)**
Security price as at 30 June ($)	7.02	8.15	5.39	3.21	3.72	**3.41**	**(13.4%)**
Dividends/distributions per security (cents)	41.5	44.3	46.5	34.0	21.8	**23.7**	**(10.6%)**
Underlying EPS (cents)[1]	41.5	44.0	46.2	36.5	29.1	**31.6**	**(5.3%)**
EPS growth Target (%)[2]	-	4.1	5.0	2.5	(21.1)	**7.0**	**n/a**
EPS growth actual (%)	-	6.0	5.0	(21.0)	(20.3)	**8.5**	**n/a**
A-REIT 200 TSR – 1 Year (%)[3,4]	18.0	25.9	(36.3)	(42.3)	20.4	**4.4**	**n/a**
Stockland TSR – 1 Year (%)[3]	35.2	22.5	(29.3)	(30.4)	22.5	**(5.3)**	**n/a**

[1] Underlying profit reflects the Directors' assessment of the result for the ongoing business activities of Stockland, as outlined on page 25 of this report.

[2] EPS growth Targets quoted are those set by the Board annually in relation to STI and LTI.

[3] Stockland and A-REIT 200 TSR are calculated on a 30 Day Average VWAP basis as at 30 June.

[4] Publicly quoted figures showing full Index including Stockland, whereas PRP hurdles are measured over cumulative three year period and excludes Stockland from the Index.

Remuneration Report – Audited (continued)

4. Executive Remuneration

This section identifies Key Management Personnel and provides detail of their remuneration.

4.1 Key Management Personnel

Key Management Personnel ("KMP") are people who have the authority and responsibility for planning, directing and controlling Stockland's activities directly or indirectly. They include Directors and those of the Managing Director's direct reports who are members of the Executive Committee, i.e. heads of businesses and functional areas.

The following were KMP of the Stockland Consolidated Group at any time during the reporting period and, unless otherwise indicated, were KMP for the entire period.

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	
Mr Barry Neil	
Ms Carol Schwartz	(appointed 1 July 2010)
Mr Peter Scott	
Mr Terry Williamson	

Executive Director

Mr Matthew Quinn	Managing Director

Senior Executives

Mr Tim Foster	Chief Financial Officer ("CFO")
Mr Mark Hunter	Chief Executive Officer ("CEO") Residential
Ms Karyn Munsie	Executive General Manager ("EGM") Corporate Affairs
Mr David Pitman	CEO Retirement Living
Mr Michael Rosmarin	EGM Human Resources (commenced July 2010)
Mr John Schroder	CEO Commercial Property

Former Non-Executive Director, Executive Director and Senior Executives

Mr Nicholas Greiner	Former Deputy Chairman (retired 19 October 2010)
Mr Hugh Thorburn	Former Finance Director (retired 26 February 2010)
Ms Rilla Moore	Former EGM Human Resources (retired 24 September 2010)
Mr Denis Hickey	Former CEO Residential (ceased employment July 2009)

Previous Other Executive

Mr Ken Lindsay[1]	Managing Director ("MD"), Stockland UK (not KMP since 1 July 2009)

Stockland has defined the term Executive to include the Managing Director, Senior Executives and Other Executives. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited, except for Mr Ken Lindsay who is employed by Stockland Development (UK) Limited.

The term "remuneration" has been used in this report as having the same meaning as the alternative term "compensation" as defined in AASB 124 "Related Party Disclosures" ("AASB 124"). The report contains disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001.

[1] Mr Lindsay's remuneration was required to be disclosed under the Corporations Act for the previous reporting year and his remuneration is no longer required to be disclosed.

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

Variable pay and remuneration mix

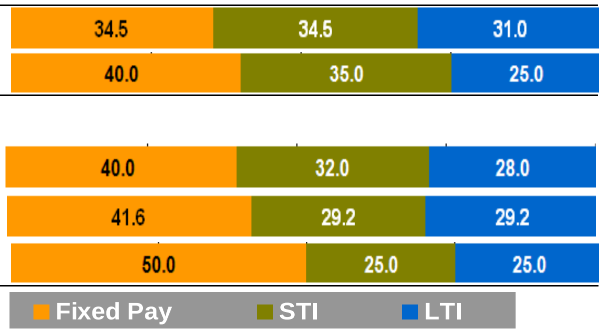
STI and LTI are variable elements of the Executive remuneration package.

Market benchmarks advised by AON Hewitt show that Stockland's Executive remuneration mix continues to have a greater proportion of the remuneration package "at risk" than is typical of comparable companies. Stockland has less weighting on Fixed Pay and more weighting on STI and LTI, reflecting our pay-for-performance philosophy.

Remuneration mix – FY12

	STI (% of Fixed Pay)	LTI (% of Fixed Pay)
Managing Director	**100**	**90**
Weighting in comparable companies		
Executive Committee		
CEOs Commercial and Residential	**80**	**70**
Other members	**70**	**70**
Weighting in comparable companies		

Remuneration Mix At Target



Short-term incentives

Short-term incentives are directly linked to group, business unit and individual performance measures based on a Balanced Scorecard approach. Objectives for the Executive Committee are approved by the Managing Director, after review by the HR Committee. The actual performance against the objectives is assessed by the Managing Director, reviewed by the HR Committee and approved by the Board.

STI achieved for FY11

	STI earned $	Target STI % of Fixed Pay	STI earned % of Target	STI earned % of maximum	STI not earned % of maximum
Managing Director					
M Quinn	2,200,000	100%	116%	58%	42%
Senior Executives					
T Foster	710,000	70%	116%	58%	42%
M Hunter	740,000	80%	116%	58%	42%
K Munsie	405,000	70%	116%	58%	42%
D Pitman	570,000	70%	116%	58%	42%
M Rosmarin[1]	415,000	70%	116%	58%	42%
J Schroder	955,000	80%	116%	58%	42%

[1] STI pro-rated (commenced July 2010).

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

The STI amounts awarded were based on achievement of specified performance measures. They are paid in cash in August 2011 following announcement of Stockland's FY11 full financial year results. No amounts vest in future financial years. The STI is capped at twice the Target STI. The percentage of STI not earned reflects the gap between the STI awarded based on performance and the maximum STI payable under the Executive's contract.

Long-term incentives

The quantum of LTI vesting in FY11 was based on performance measured over the period 1 July 2008 to 30 June 2011, and is set out below:

Hurdle	Target/ benchmark performance	Actual performance	(Under)/over performance	% vested	Weight	Vesting outcome
EPS						
FY09 EPS growth	2.5%	(21.0%)				
FY10 EPS growth	(21.1%)	(20.3%)				
FY11 EPS growth	7.0%	8.5%				
Aggregate EPS growth	(11.6%)	(32.8%)	(21.2%)	0%	50%	0%
TSR						
Relative TSR FY09 – FY11	(32.7%)[1]	(19.9)%	12.8%	100%	50%	50%
					Total	**50%**

[1] Increase in A-REIT Accumulation Index (excluding Stockland).

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.2 Legacy incentive plans and other arrangements

Legacy incentive plans

Prior to 2007, Stockland operated loan-based security plans since options and rights plans were not previously tax effective for stapled securities. Final grants under these old plans were made in August 2006.

The Incentive Share Plan ("ISP") involved non-recourse interest-free loans over five years including the three year vesting period. The final expense for ISP was incorporated in the FY10 Remuneration Report and there were no rights or securities outstanding at 30 June 2011.

The Executive Share Scheme ("ESS") involved limited recourse interest-bearing loans over five years, including the two year vesting period. There is no expense for ESS for KMP in FY10 or FY11 although some KMPs previously participated in that plan. Some ESS rights remain outstanding at 30 June 2011 but are not expected to be exercised or provide any financial benefits to KMP.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement ("ESS retention incentive") for employees who retained fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans originally provided by Stockland and subsequently refinanced by individual employees with personal bank loan facilities. See Note 33 for full details.

The fair value of the ESS retention incentive for KMP is nil and there is no benefit associated with this arrangement included in remuneration for FY10 or FY11.

4.3 Employment and termination arrangements

There are no fixed terms in the contracts of Stockland's KMP. The notice periods are shown below and in appropriate circumstances, payment may be made in lieu of notice. Where the termination occurs as a result of misconduct or serious or persistent breach of contract, Stockland may terminate employment immediately without notice or payment in lieu of notice.

In the event that Stockland initiates the termination for reasons which are outside the control of the individual, severance is payable. Maximum severance payments (including payment in lieu of notice), are shown as a percentage of either annual Fixed Pay or annual Fixed Pay plus STI. A portion of STI for the financial year in which this occurs may also be earned. Other Statutory entitlements such as accrued leave and superannuation would also be paid.

	Notice period	Maximum severance pay
Managing Director	6 months	150% of (Annual Fixed Pay plus STI)
Executive Committee Members	3 months	100% of Annual Fixed Pay

The above arrangements relate to the contracts agreed prior to changes to the Corporations Act governing termination payments. Mr Quinn's contractual arrangements were entered into in 2001, and reflect market practice at that time. Where contracts were established before November 2009, and have not been materially changed, they are "grandfathered" under the new laws.

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY11

		Short-term					Post-employment	Other long-term	Share-based payment			Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] $	Total short-term $	Super-annuation benefits $	Long service leave[4] $	LTI[5] $	Termination benefits[6] $	Total $	(STI+LTI) Percent of Total %	LTI Percent of Total %
Executive Director													
M Quinn,	**2011**	**1,826,766**	**-**	**-**	**2,200,000**	**4,026,766**	**21,699**	**(9,656)**	**1,674,160**	**-**	**5,712,969**	**67.8**	**29.3**
Managing Director	2010	1,825,573	4,179	-	1,750,000	3,579,752	14,461	25,506	1,115,747	-	4,735,466	60.5	23.6
Senior Executives													
T Foster[7], CFO	**2011**	**906,084**	**-**	**-**	**710,000**	**1,616,084**	**15,699**	**1,470**	**357,800**	**-**	**1,991,053**	**53.6**	**18.0**
(commenced February 2010)	2010	356,729	-	-	322,000	678,729	6,674	-	143,133	-	828,536	56.1	17.3
M Hunter, CEO	**2011**	**788,082**	**2,803**	**-**	**740,000**	**1,530,885**	**15,313**	**23,192**	**465,146**	**-**	**2,034,536**	**59.2**	**22.9**
Residential	2010	754,201	3,846	-	646,000	1,404,047	12,793	60,258	275,184	-	1,752,282	52.6	15.7
K Munsie, EGM	**2011**	**525,908**	**-**	**-**	**405,000**	**930,908**	**15,199**	**1,790**	**261,963**	**-**	**1,209,860**	**55.1**	**21.7**
Corporate Affairs	2010	376,019	-	-	305,000	681,019	14,461	713	138,880	-	835,073	53.2	16.6
D Pitman, CEO	**2011**	**704,740**	**9,934**	**-**	**570,000**	**1,284,674**	**15,249**	**4,753**	**428,676**	**-**	**1,733,352**	**57.6**	**24.7**
Retirement Living	2010	665,935	8,635	-	475,000	1,149,570	7,787	4,434	263,253	-	1,425,044	51.8	18.5
M Rosmarin, EGM HR	**2011**	**532,775**	**2,945**	**100,000[8]**	**415,000**	**1,050,720**	**14,498**	**-**	**124,250**	**-**	**1,189,468**	**45.3**	**10.4**
(commenced July 2010)	2010	-	-	-	-	-	-	-	-	-	-	-	-
J Schroder, CEO	**2011**	**1,043,631**	**26,550**	**-**	**955,000**	**2,025,181**	**15,699**	**6,538**	**672,832**	**-**	**2,720,250**	**59.8**	**24.7**
Commercial Property	2010	981,113	38,225	-	850,000	1,869,338	14,461	5,187	427,883	-	2,316,869	55.2	18.5
Former Executive Director and Senior Executives													
R Moore, Former EGM HR	**2011**	**123,199**	**5,169**	**-**	**-**	**128,368**	**3,820**	**47,000**	**(12,204)**	**70,500**	**237,484**	**(5.1)**	**(5.1)**
(left September 2010)	2010	444,379	-	-	358,000	802,379	14,461	3,994	197,268	-	1,018,102	54.5	19.4
H Thorburn, Former Finance	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Director (left February 2010)	2010	659,069	10,827	-	700,000	1,369,896	9,734	-	330,813	250,000	1,960,443	52.6	16.9
D Hickey, Former CEO	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Residential (left July 2009)	2010	20,144	21,156	-	-	41,300	278	-	115,640	-	157,218	73.6	73.6

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY11 (continued)

		Short-term					Post-employment	Other long-term	Share-based payment			Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] $	Total short-term $	Super-annuation benefits $	Long service leave[4] $	LTI[5] $	Termination benefits[6] $	Total $	(STI+LTI) Percent of Total %	LTI Percent of Total %
Other Executive													
K Lindsay[9], MD,	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Stockland UK	2010	539,201	25,602	-	179,051	743,854	107,734	-	325,917	-	1,177,505	42.9	27.7
Total consolidated	**2011**	**6,451,185**	**47,401**	**100,000**	**5,995,000**	**12,593,586**	**117,176**	**75,087**	**3,972,623**	**70,500**	**16,828,972**	**59.0**	**23.6**
remuneration	2010	6,622,363	112,470	-	5,585,051	12,319,884	202,844	100,092	3,333,718	250,000	16,206,538	55.0	20.6

1 Includes any change in accruals for annual leave.

2 Comprises salary packaged benefits, including motor vehicle costs, car parking and FBT payable on these items.

3 Short-term incentives are earned in the financial year to which they relate and are paid in August of the following financial year.

4 Includes any change in accruals for long service leave.

5 Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP allocations. The cumulative expense relating to certain equity-settled schemes has been reversed during the prior and current financial years due to anticipated non-performance in relation to certain hurdles.

For Ms R Moore, this includes the reversal of the EPS portion of the forfeited 2009 allocation expensed in the current and prior financial years.

6 Termination benefits paid during the current and prior financial years represent amounts payable under the Executive's contracts, prior to the proposed changes in legislation. For Mr H Thorburn, this represents his ex-gratia payment.

7 During the prior year, Mr T Foster received $68,888 by way of consulting fees for work performed prior to his official commencement of employment on 8 February 2010. These fees were for his work on projects, including work performed in the UK. If these amounts had been treated as remuneration, his total FY10 remuneration would have been $897,424.

8 The amount shown for Mr M Rosmarin relates to a payment made in August 2010 to compensate for forfeited benefits and compensation at his previous employer.

9 Mr K Lindsay was not a KMP during the current financial year and the previous financial year (FY10). His prior year disclosure was required under the Corporations Act. He remains an employee however no such disclosures are required in the current financial year.

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY11 (continued)

Vesting profile of long-term incentives

	Rights previously granted	Rights granted during the year	Grant date	Fair value per right at grant date[1]	Vesting date[2]	Vested during the year[3]	No. vested during the year	No. lapsed during the year	Maximum value to be recognised in future years
Executive Director									
M Quinn	723,000	-	21/10/2008	$2.04	30/06/2011	50%	361,500	361,500	-
	1,260,000	-	20/10/2009	$1.92	30/06/2012	-	-	-	$806,400
	-	1,029,000	20/10/2010	$1.75	30/06/2013	-	-	-	$1,200,500
Senior Executives									
T Foster	226,000	-	09/02/2010	$1.90	30/06/2012	-	-	-	$143,133
	-	368,000	31/08/2010	$1.75	30/06/2013	-	-	-	$429,333
M Hunter	81,098	-	31/08/2008	$1.73	30/06/2011	50%	40,549	40,549	-
	387,000	-	23/10/2009	$1.92	30/06/2012	-	-	-	$247,680
	-	337,000	31/08/2010	$1.75	30/06/2013	-	-	-	$393,167
K Munsie	217,000	-	23/10/2009	$1.92	30/06/2012	-	-	-	$138,880
	-	211,000	31/08/2010	$1.75	30/06/2013	-	-	-	$246,296
D Pitman	139,000	-	31/08/2008	$1.73	30/06/2011	50%	69,500	69,500	-
	345,000	-	21/10/2009	$1.92	30/06/2012	-	-	-	$220,800
		295,000	31/08/2010	$1.75	30/06/2013	-	-	-	$172,083
M Rosmarin	-	213,000	31/08/2010	$1.75	30/06/2013	-	-	-	$248,500
J Schroder	310,000	-	31/08/2008	$1.73	30/06/2011	50%	155,000	155,000	-
	531,000	-	23/10/2009	$1.92	30/06/2012	-	-	-	$339,840
	-	434,000	31/08/2010	$1.75	30/06/2013	-	-	-	$506,333
Former Executive Director and Senior Executive									
R Moore[4]	139,000	-	31/08/2008	$1.73	30/06/2011	50%	69,500	69,500	-
	242,000	-	23/10/2009	$1.92	30/06/2012	-	-	-	-
H Thorburn[5]	296,000	-	21/10/2008	$2.04	30/06/2011	50%	148,000	148,000	-

1 Fair value is determined using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model (EPS hurdle). Details of the assumptions made in determining fair value are discussed in Note 33 of the Financial Statements.

2 Vesting date refers to the date at which the performance and service conditions are met. The rights convert to securities in July after vesting date 30 June. The securities remain in holding lock until the 10th anniversary of the grant date except at Board discretion.

3 Proportion vesting reflects the meeting of performance and service conditions (see page 44). The balance of the original grant will lapse.

4 Ms R Moore left Stockland in September 2010. The 2008 allocation remain subject to original timelines and performance hurdles. The 2009 allocation was forfeited.

5 Mr H Thorburn left Stockland in February 2010. The 2008 allocations remain subject to original timelines and performance hurdles.

The minimum future value of unvested securities is $Nil as future performance and service criteria may not be met.

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY11 (continued)

Movements in value of long-term incentive rights

	Granted in the year $	Forfeited in the year[1] $	Lapsed in the year[2] $
Executive Director			
M Quinn	1,800,750	-	1,232,715
Senior Executives			
T Foster	644,000	-	-
M Hunter	589,750	-	138,272
K Munsie	369,250	-	-
D Pitman	516,250	-	236,995
M Rosmarin	372,750	-	-
J Schroder	759,500	-	528,550
Former Executive Director and Senior Executive			
R Moore	-	423,500	236,995
H Thorburn	-	-	504,680

[1] The value of the rights that have been forfeited during the financial year represents the benefit forgone and is calculated at the date the rights were forfeited using the same option pricing model used to calculate the fair value at grant date. Refer to Note 33 for a description of the option pricing models used.

[2] The value of the rights that have lapsed during the financial year is calculated using the security price on the date the rights lapsed. For FY11, 50% of the FY09 PRP lapsed on 30 June 2011.

Under AASB 2 "Share-based payments" ("AASB 2"), securities acquired via the ISP are treated as options for accounting purposes. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. The exercise period spans from the vesting date to the end of the five year loan period. On repayment of the loan, the associated securities are now issued capital and no longer treated as options for accounting purposes under AASB 2.

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration

This section outlines Stockland's remuneration policy for Non-Executive Directors and provides detail on their fees and securityholdings.

5.1 Remuneration policy

Remuneration of Non-Executive Directors is structured to attract and retain directors of the highest calibre.

Stockland's remuneration policy for Non-Executive Directors aims to ensure Stockland can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

The HR Committee is responsible for reviewing and recommending to the Board any changes to Board remuneration, taking into account the size and scope of Stockland's activities, the responsibilities and liabilities of Directors and the demands placed upon them. In developing its recommendations, the HR Committee takes advice from external consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board Committees. Non-Executive Directors do not receive performance-related remuneration.

5.2 Non-Executive Director fees

It is the HR Committee's responsibility to regularly review the Board structure and the composition of the Board Committees to ensure the Board continues to operate effectively and in line with good governance practices. As a result of a review conducted in late 2010, the following changes were implemented in FY11:

- The position of Deputy Chairman was discontinued following the retirement of Mr Nicholas Greiner in October 2010;
- The Audit & Risk Committee was reorganised into two separate committees – Audit Committee and Risk Committee; and
- The Treasury Committee was discontinued and its former responsibilities assumed by the Risk Committee.

These changes are designed to strengthen the governance structure and operational effectiveness of the Board, whilst maintaining a prudent approach to managing Non-Executive Directors' fees.

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently $2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. Total fees paid to Non-Executive Directors in FY11 were $1,759,902 (FY10: $1,641,268) or 70% (FY10: 66%) of the approved limit.

In last year's remuneration report, it was noted that after no increases in the base fees for Non-Executive Directors for FY11 (following no increases in FY09 and FY10), that some increases were anticipated in the fees for FY12, subject to a review of market relativities.

Accordingly, the HR Committee commissioned independent advice (from AON Hewitt) on fees payable to boards and committees of comparable companies. After considering that advice, the Board approved the following changes to Non-Executive Director fees for FY12:

- Fees for the Chairman and Non-Executive Directors will increase to reflect market relativities with comparable peer companies;
- The Committee fees for a number of the committees will be increased to reflect changing committee workloads as well as market relativities; and
- There is no change to the fees for the Financial Services Compliance Committee or for the Stockland Capital Partners Limited Board and its Committees.

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration (continued)

5.2 Non-Executive Director fees (continued)

Following these adjustments, the Non-Executive Director fees, inclusive of superannuation, will increase in aggregate by approximately $55,000 or approximately 3% from FY11.

The annual fees paid for the Board and Board Committees are shown in the table below. The amounts shown are inclusive of applicable superannuation contributions.

Board fees

Stockland Board		**FY12**	FY11
Chairman		**$500,000**	$475,240
Deputy Chairman[1]		**-**	$238,710
Non-Executive Director		**$170,000**	$159,140
Board Committees			
Audit	Chair	**$40,000**	$38,150
	Member	**$20,000**	$19,620
Risk	Chair	**$25,000**	$16,350
	Member	**$12,500**	$10,900
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540
Human Resources	Chair	**$30,000**	$27,250
	Member	**$15,000**	$14,170
Corporate Responsibility and Sustainability	Chair	**$25,000**	$16,350
	Member	**$12,500**	$10,900
Audit and Risk[2]	Chair	**-**	$35,000
	Member	**-**	$18,000
Treasury[3]	Chair	**-**	$15,000
	Member	**-**	$10,000
SCPL Board			
Chairman		**$32,700**	$32,700
Non-Executive Director		**$32,700**	$32,700
Independent Non-Executive Director[4]		**$54,500**	$54,500
SCPL Board Committees			
Audit and Risk	Chair	**$15,260**	$15,260
	Member	**$8,720**	$8,720
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540

[1] This position was discontinued from 19 October 2010.

[2] This committee was split into two separate communities from 19 October 2010 – Audit Committee and Risk Committee.

[3] This committee was superseded from 19 October 2010 with its responsibilities assumed by the Risk Committee.

[4] Independent Non-Executive Directors of SCPL are those who are not on the Stockland Board.

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration (continued)

5.3 Remuneration in FY11

The nature and amount of each element of remuneration for each Non-Executive Director of Stockland are detailed below:

		Short-term		Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total $
Non-Executive Directors					
G Bradley	**2011**	**442,810**	**-**	**32,430**	**475,240**
(Chairman)	2010	365,250	-	32,873	398,123
D Boyle	**2011**	**172,349**	**-**	**15,199**	**187,548**
	2010	167,900	-	15,111	183,011
C Hewson	**2011**	**175,440**	**-**	**15,199**	**190,639**
	2010	171,900	-	15,471	187,371
B Neil	**2011**	**189,673**	**-**	**17,027**	**206,700**
	2010	155,000	-	13,950	168,950
C Schwartz	**2011**	**165,619**	**-**	**14,906**	**180,525**
(appointed July 2010)	2010	-	-	-	-
P Scott	**2011**	**188,616**	**-**	**15,199**	**203,815**
	2010	189,500	-	17,055	206,555
T Williamson	**2011**	**224,045**	**-**	**15,199**	**239,244**
	2010	223,700	-	20,133	243,833
Former Non-Executive Directors					
N Greiner	**2011**	**69,900**	**7,500**	**6,291**	**83,691**
(Former Deputy Chairman)	2010	232,500	-	20,925	253,425
Total consolidated	**2011**	**1,628,452**	**7,500**	**131,450**	**1,767,402**
remuneration	2010	1,505,750	-	135,518	1,641,268

5.4 Independent remuneration advisors

Stockland seeks advice from a variety of consultants on a number of remuneration issues. For example, Ernst & Young provides advice on LTI design, Mallesons advises on contractual matters. Stockland also subscribes to a number of independent salary surveys, including property sector specific surveys run by Mercer and AON Hewitt. AON Hewitt also provides consulting advice to management.

In addition, AON Hewitt provides independent consulting advice directly to the HR Committee on remuneration benchmarking for Directors (including the Managing Director) and related regulatory developments and market practices. In FY11, Stockland paid $56,085 to AON Hewitt for independent advice commissioned by the HR Committee. Total fees paid to AON Hewitt by Stockland in FY11 was $122,262 (including the Board commissioned advice).

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration (continued)

5.5 Directors' securityholdings

The relevant interest of each Director in the securities issued by Stockland and related entities, as notified by the Directors to the ASX in accordance with S205G (1) of the Corporations Act 2001, at the date of this report are as follows:

		Securities in the Stockland Consolidated Group	Units in SDOT[1] No. 1	Units in SDOT[1] No. 2	Units in SDOT[1] No. 3	Units in SDRT[2] No. 1
Non-Executive Directors						
G Bradley	**2011**	**180,723**	**225,000**	**750,000**	**-**	**-**
	2010	180,723	225,000	750,000	-	-
D Boyle	**2011**	**61,169**	**-**	**-**	**-**	**-**
	2010	61,169	-	-	-	-
C Hewson	**2011**	**17,809**	**-**	**-**	**-**	**-**
	2010	17,809	-	-	-	-
B Neil	**2011**	**51,607**	**-**	**-**	**-**	**-**
	2010	51,607	-	-	-	-
C Schwartz	**2011**	**10,000**	**-**	**-**	**-**	**-**
(Appointed July 2010)	2010	-	-	-	-	-
P Scott	**2011**	**28,049**	**-**	**25,000**	**20,000**	**20,000**
	2010	28,049	-	25,000	20,000	20,000
T Williamson	**2011**	**94,430**	**37,500**	**100,000**	**-**	**-**
	2010	94,430	37,500	100,000	-	-
Executive Director						
M Quinn	**2011**	**1,884,500**	**15,000**	**25,000**	**10,000**	**10,000**
	2010	1,967,800	15,000	25,000	10,000	10,000
Former Non-Executive Director						
N Greiner[3]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	114,843	10,000	25,000	-	-
Total	**2011**	**2,328,287**	**277,500**	**900,000**	**30,000**	**30,000**
	2010	2,516,430	287,500	925,000	30,000	30,000

1 Stockland Direct Office Trust.

2 Stockland Direct Retail Trust.

3 Mr N Greiner retired in FY11. Details of his Stockland securityholdings as at the date of this report is no longer disclosed.

The above holdings of Executive Directors include vested securities acquired under LTI plans but do not include unvested performance rights detailed on page 48 of this report.

Approval was given at the 2006 Annual General Meeting for a Non-Executive Director Security Acquisition Plan ("NEDSAP") to facilitate and encourage Non-Executive Directors to acquire securities through a fee sacrifice arrangement. This plan has been discontinued following the 2009 changes in the taxation legislation of Employee Share Schemes.

Alignment with securityholder interests is supported however, by the policy requiring Directors to acquire at least a minimum securityholding. Non-Executive Directors are required to build over a reasonable time, a holding of at least 10,000 Stockland securities. All Non-Executive Directors have met this requirement as at 30 June 2011. The policies requiring Executive Director to retain securities acquired under the Group's incentive schemes are set out on page 36. The current Executive Director is Mr M Quinn who meets this requirement.

Indemnities and insurance of officers and auditor

Since the end of the prior year, Stockland has not indemnified or agreed to indemnify any person who is or has been an officer or an auditor of Stockland against any liability.

Since the end of the prior year, Stockland has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Directors, Executive Directors, Company Secretaries and Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and Officers of Stockland.

Premiums are also paid for Fidelity insurance and Professional Indemnity insurance policies to cover certain risks for a broad range of employees, including Directors and Executives.

Non-audit services

During the financial year Stockland's auditor, KPMG provided certain other services to Stockland in addition to their statutory duties as auditor.

The Board has considered the non-audit services provided during the financial year by the auditor and is satisfied that the provision of those services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit Committee resolved that the provision of non-audit services during the financial year by KPMG as auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001;
- the Board's own review conducted in conjunction with the Audit Committee, having regard to the Board policy set out in this report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- The declaration of independence provided by KPMG, as auditor of Stockland.

Details of the amounts paid to the auditor of Stockland, KPMG, and its related practices for audit and non-audit services provided during the financial year are set out in Note 8 of the accompanying Financial Statements.

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 55 and forms part of the Directors' Report for the year ended 30 June 2011.

Rounding off

Stockland 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 hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Graham Bradley	Matthew Quinn
Chairman	*Managing Director*

Dated at Sydney, 10 August 2011

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

To: the directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Andrew Dickinson
Partner

Sydney
10 August 2011

Stockland Consolidated Group
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2011

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Revenue					
Property development sales		**1,640.9**	1,348.5	**-**	-
Rent from investment properties	5	**669.1**	658.6	**670.2**	653.5
Dividend and distribution income		**14.2**	20.3	**8.1**	16.1
Other revenue		**39.0**	32.7	**0.7**	2.7
Total revenue		**2,363.2**	2,060.1	**679.0**	672.3
Finance income	6	**191.7**	104.9	**436.0**	317.1
Net gain/(loss) from fair value adjustment of investment properties – Commercial Property[1, 2]	19(a)	**56.1**	(343.5)	**66.1**	(314.4)
Net gain from fair value adjustment of investment properties – Retirement Living	19(b),43(b)	**146.0**	101.2	**-**	-
Share of profits of investments accounted for using the equity method	44, 45	**90.5**	33.1	**88.6**	32.9
Cost of property developments sold		**(1,228.1)**	(990.2)	**-**	-
Provision for write-down of inventories		**(12.0)**	(7.8)	**-**	-
Investment property expenses		**(200.2)**	(194.7)	**(196.1)**	(189.3)
Existing Retirement Living resident obligations fair value movement	43(b)	**(70.1)**	(57.7)	**-**	-
Net gain from fair value adjustment of other financial assets		**167.7**	73.9	**149.2**	28.1
Impairment of other investments		**(1.9)**	0.4	**(1.9)**	-
Net (loss)/gain on other financial instruments that do not qualify as effective under hedge accounting rules		**(174.1)**	63.7	**(174.1)**	63.7
Net loss on sale of other non-current assets		**(4.7)**	(13.3)	**(1.5)**	(13.9)
Management, administration, marketing and selling expenses[3]		**(318.6)**	(282.0)	**(12.0)**	(14.1)
Finance expense	6	**(204.0)**	(48.5)	**(355.4)**	(193.5)
Profit before income tax expense		**801.5**	499.6	**677.9**	388.9
Income tax expense	9	**(46.9)**	(21.2)	**-**	-
Profit for the year attributable to securityholders/unitholders		**754.6**	478.4	**677.9**	388.9
Other comprehensive income/(expense)					
Net exchange differences on translation of foreign controlled entity, net of tax	36(a)	**(47.1)**	3.0	**-**	(0.2)
Effective portion of changes in fair value of cash flow hedges during the year	36(a)	**(8.1)**	(5.5)	**(8.1)**	(5.5)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	36(a)	**(1.9)**	(1.0)	**(1.9)**	(1.0)
Other comprehensive expense for the year, net of tax		**(57.1)**	(3.5)	**(10.0)**	(6.7)
Total comprehensive income for the year attributable to securityholders/unitholders		**697.5**	474.9	**667.9**	382.2
Basic earnings per security/unit (cents)	10	**31.7**	20.1	**28.5**	16.3
Diluted earnings per security/unit (cents)	10	**31.4**	19.9	**28.2**	16.2

1 The net gain/(loss) from fair value adjustment of investment properties includes a loss of $25.9 million (2010: loss of $5.1 million) on non-current assets held for sale in both the Stockland Consolidated Group and the Stockland Trust Group.

2 The prior year amount includes site remediation costs of $9.4 million on Commercial Property in both the Stockland Consolidated Group and the Stockland Trust Group.

3 Includes indirect property management expenses, leasing expenses, project expenses, development management expenses and acquisition and integration costs.

The above consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Stockland Consolidated Group
Consolidated Balance Sheets
As at 30 June 2011

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Current assets					
Cash and cash equivalents	11	**194.6**	911.4	**88.6**	827.7
Trade and other receivables	12	**169.5**	120.2	**3,428.9**	3,165.8
Inventories	13	**967.5**	1,101.9	**-**	-
Other financial assets	14	**-**	219.2	**-**	219.2
Other assets	15	**105.6**	91.5	**62.1**	52.5
		1,437.2	2,444.2	**3,579.6**	4,265.2
Non-current assets held for sale	16	**235.2**	47.1	**232.1**	36.8
Total current assets		**1,672.4**	2,491.3	**3,811.7**	4,302.0
Non-current assets					
Trade and other receivables	17	**104.1**	76.5	**35.5**	29.0
Inventories	18	**1,601.7**	1,704.8	**-**	-
Investment properties – Commercial Property	19(a)	**6,890.9**	6,582.9	**6,924.1**	6,585.8
Investment properties – Retirement Living	19(b),43(a)	**2,495.8**	1,300.6	**-**	-
Other financial assets	20	**147.4**	170.1	**25.9**	31.9
Property, plant and equipment	21	**213.6**	123.4	**-**	-
Investments accounted for using the equity method	22	**1,095.0**	1,044.3	**1,034.4**	1,003.3
Intangible assets	23	**116.6**	108.4	**-**	-
Deferred tax assets	31	**-**	18.3	**-**	-
Other assets	24	**233.7**	336.3	**242.1**	345.1
Total non-current assets		**12,898.8**	11,465.6	**8,262.0**	7,995.1
Total assets		**14,571.2**	13,956.9	**12,073.7**	12,297.1
Current liabilities					
Trade and other payables	25	**438.2**	375.4	**141.7**	126.0
Interest-bearing loans and borrowings	26	**19.7**	254.1	**19.7**	253.7
Retirement Living resident obligations[1]	43(c)	**1,370.9**	638.1	**-**	-
Provisions	27	**124.8**	130.6	**19.6**	22.8
Other liabilities	28	**314.1**	534.7	**331.0**	528.6
Total current liabilities		**2,267.7**	1,932.9	**512.0**	931.1
Non-current liabilities					
Other payables	29	**123.9**	104.5	**-**	-
Interest-bearing loans and borrowings	30	**2,387.7**	2,575.4	**2,387.7**	2,569.8
Retirement Living resident obligations[2]	43(c)	**258.3**	260.3	**-**	-
Deferred tax liabilities	31	**55.3**	-	**-**	-
Provisions	32	**4.3**	4.7	**-**	-
Other liabilities	34	**674.6**	414.0	**674.6**	400.3
Total non-current liabilities		**3,504.1**	3,358.9	**3,062.3**	2,970.1
Total liabilities		**5,771.8**	5,291.8	**3,574.3**	3,901.2
Net assets		**8,799.4**	8,665.1	**8,499.4**	8,395.9
Securityholders'/unitholders' funds					
Issued capital	35	**8,504.6**	8,500.4	**7,700.3**	7,696.4
Reserves	36(a)	**(29.8)**	(377.0)	**27.9**	(367.0)
Retained earnings/undistributed income	36(b)	**324.6**	541.7	**771.2**	1,066.5
Total equity/unitholders' funds		**8,799.4**	8,665.1	**8,499.4**	8,395.9

1 Of this balance $1,276.8 million (2010: $632.3 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents. The gross cash outflow (before offsetting receipts from incoming residents) in the next twelve months is estimated at $120.0 million. Refer to Note 43(c).

2 Of this balance $235.0 million (2010: $233.7 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents. Refer to Note 43(c).

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

Stockland Consolidated Group
Consolidated Statements of Changes in Equity
For the year ended 30 June 2011

Attributable to securityholders of the Stockland Consolidated Group

	Notes	Issued capital $M	Reserves $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2010		**8,500.4**	**(377.0)**	**541.7**	**8,665.1**
Total comprehensive (expense)/income		**-**	**(57.1)**	**754.6**	**697.5**
Net transfer from retained earnings to reserves	36	**-**	**402.5**	**(402.5)**	**-**
Vested securities purchased on-market	36	**-**	**(5.6)**	**-**	**(5.6)**
Equity issued during the year, net of transaction costs	35	**4.2**	**-**	**-**	**4.2**
Dividends and distributions to securityholders[1]	37	**-**	**-**	**(569.2)**	**(569.2)**
Expense relating to rights and securities granted under share plans, net of tax	36	**-**	**7.4**	**-**	**7.4**
		4.2	**404.3**	**(971.7)**	**(563.2)**
Balance as at 30 June 2011		**8,504.6**	**(29.8)**	**324.6**	**8,799.4**
Balance as at 1 July 2009		8,497.4	(571.9)	767.0	8,692.5
Total comprehensive (expense)/income		-	(3.5)	478.4	474.9
Net transfer from retained earnings to reserves	36	-	189.7	(189.7)	-
Vested securities purchased on-market	36	-	2.2	-	2.2
Equity issued during the year, net of transaction costs	35	3.0	-	-	3.0
Dividends and distributions to securityholders[1]	37	-	-	(514.0)	(514.0)
Expense relating to rights and securities granted under share plans, net of tax	36	-	6.5	-	6.5
		3.0	198.4	(703.7)	(502.3)
Balance as at 30 June 2010		8,500.4	(377.0)	541.7	8,665.1

[1] Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Share Scheme. AASB 2 Share-Based Payments requires such guarantees to be recognised as a financial liability. The effect of this is to treat dividends and distributions paid on these securities as interest payments.

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

Stockland Consolidated Group
Consolidated Statements of Changes in Equity
For the year ended 30 June 2011

Attributable to unitholders of the Stockland Trust Group

	Notes	Issued capital $M	Reserves $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2010		**7,696.4**	**(367.0)**	**1,066.5**	**8,395.9**
Total comprehensive (expense)/income		**-**	**(10.0)**	**677.9**	**667.9**
Net transfer from undistributed income to reserves	36	**-**	**404.0**	**(404.0)**	**-**
Vested units purchased on-market	36	**-**	**(5.6)**	**-**	**(5.6)**
Units issued during the year, net of transaction costs	35	**3.9**	**-**	**-**	**3.9**
Distributions to unitholders[1]	37	**-**	**-**	**(569.2)**	**(569.2)**
Expense relating to rights and securities granted under share plans, net of tax	36	**-**	**6.5**	**-**	**6.5**
		3.9	**404.9**	**(973.2)**	**(564.4)**
Balance as at 30 June 2011		**7,700.3**	**27.9**	**771.2**	**8,499.4**
Balance as at 1 July 2009		7,693.6	(578.8)	1,402.5	8,517.3
Total comprehensive (expense)/income		-	(6.7)	388.9	382.2
Net transfer from undistributed income to reserves	36	-	210.9	(210.9)	-
Vested units purchased on-market	36	-	2.2	-	2.2
Units issued during the year, net of transaction costs	35	2.8	-	-	2.8
Distributions to unitholders[1]	37	-	-	(514.0)	(514.0)
Expense relating to rights and securities granted under share plans, net of tax	36	-	5.4	-	5.4
		2.8	218.5	(724.9)	(503.6)
Balance as at 30 June 2010		7,696.4	(367.0)	1,066.5	8,395.9

[1] Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Share Scheme. AASB 2 Share-Based Payments requires such guarantees to be recognised as a financial liability. The effect of this is to treat dividends and distributions paid on these securities as interest payments.

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

Stockland Consolidated Group
Consolidated Cash Flow Statements
For the year ended 30 June 2011

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Cash flows from operating activities					
Cash receipts in the course of operations		**2,579.6**	2,419.2	**740.5**	745.6
Cash payments in the course of operations		**(1,769.7)**	(1,663.0)	**(262.5)**	(257.8)
Distributions received from associates and joint venture entities		**64.4**	68.1	**64.4**	68.1
Distributions received from other entities		**1.3**	1.0	**1.3**	0.8
Receipts from Retirement Living residents		**222.1**	147.7	**-**	-
Payments to Retirement Living residents, net of deferred management fees		**(104.4)**	(59.9)	**-**	-
Interest received		**33.6**	34.6	**313.1**	261.1
Interest paid		**(178.2)**	(156.8)	**(182.9)**	(153.6)
Income taxes refunded		**-**	0.3	**-**	-
Net cash inflow from operating activities	46	**848.7**	791.2	**673.9**	664.2
Cash flows from investing activities					
Acquisition of businesses including deferred payment, net of cash acquired		**(286.9)**	(22.0)	**-**	-
Proceeds from sale of investment properties		**149.7**	183.8	**148.5**	183.9
Payments for and development of investment properties		**(689.0)**	(413.4)	**(636.0)**	(519.4)
Payments for plant and equipment		**(16.7)**	(5.6)	**-**	-
Proceeds from sale of investments and other assets		**16.0**	0.8	**-**	-
Payments for investments, including joint ventures and associates		**(15.1)**	(80.6)	**(10.9)**	(21.3)
Payment for disposal of economic exposure to investment		**(129.9)**	-	**(129.9)**	-
Funds returned on deposit in connection with derivative contracts		**81.9**	125.4	**81.9**	125.4
Distributions received from other entities		**10.2**	17.5	**6.9**	15.1
Net cash utilised in investing activities		**(879.8)**	(194.1)	**(539.5)**	(216.3)
Cash flows from financing activities					
Proceeds from issue of securities/units		**-**	-	**3.9**	3.3
Payment for securities/units under employee share plans		**(5.6)**	(3.2)	**(5.5)**	(3.1)
Proceeds from vesting of equity instruments under employee share plans		**2.7**	1.5	**-**	-
Proceeds from borrowings		**378.0**	440.0	**539.5**	440.0
Repayment of borrowings		**(518.1)**	(507.6)	**(392.2)**	(328.9)
Repayments of loans from related entities		**-**	-	**-**	337.1
Loans to related entities		**-**	-	**(477.3)**	-
Proceeds/(payment) on termination of derivatives		**0.9**	(140.8)	**0.9**	(140.8)
Dividends and distributions paid		**(542.8)**	(660.6)	**(542.8)**	(658.2)
Net cash utilised in financing activities		**(684.9)**	(870.7)	**(873.5)**	(350.6)
Net (decrease)/increase in cash and cash equivalents		**(716.0)**	(273.6)	**(739.1)**	97.3
Cash and cash equivalents at the beginning of the year		**911.4**	1,176.3	**827.7**	730.4
Effect of exchange rate fluctuations on cash held		**(0.8)**	8.7	**-**	-
Cash and cash equivalents at the end of the year	11	**194.6**	911.4	**88.6**	827.7

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

1 Summary of significant accounting policies

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited ("the Company") and its controlled entities and Stockland Trust ("the Trust") and its controlled entities on the Australian Securities Exchange ("ASX"). Both the Company and the Trust (collectively referred to as the "Entities") are domiciled in Australia. The Constitutions of Stockland Corporation Limited and Stockland Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company and the Responsible Entity of the Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust or either entity terminating the stapling arrangements.

The Financial Report of the Stockland Consolidated Group as at and for the year ended 30 June 2011 comprises the consolidated Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities including the Trust and its controlled entities ("Stockland" or "Stockland Consolidated Group").

The Financial Report of the Stockland Trust Group as at and for the year ended 30 June 2011 comprises the consolidated Financial Report of Stockland Trust ("the Trust") and its controlled entities ("Stockland Trust Group").

The Financial Reports as at and for the year ended 30 June 2011 were authorised for issue by the Directors on 10 August 2011.

(a) Statement of compliance

The Financial Reports are general purpose financial reports which have 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 Reports of the Stockland Consolidated Group and Stockland Trust Group comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standard Board ("IASB").

(b) New Accounting Standards

Certain new or amended Accounting Standards have been published that are not mandatory for this reporting period. Based on management's assessment, the recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in these Financial Reports when restated for the application of the new or amended Accounting Standards.

(c) Changes in Accounting Standards and Regulatory requirements

There are a number of new and amended Accounting Standards issued by the AASB which are applicable for reporting periods beginning on 1 July 2010. The Stockland Consolidated Group has adopted all the mandatory new and amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period.

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

(d) Classification change

A change in classification has been made in the current period in the Retirement Living Communities segment whereby accrued Deferred Management Fees ("DMF"), relating to current residents, are disclosed as an offset against the Retirement Living Resident Obligation in the Balance Sheet to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification.

1 Summary of significant accounting policies (continued)

(e) Basis of preparation

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, this Financial Report is a combined financial report that presents the financial statements and accompanying notes of both the Stockland Consolidated Group and the Stockland Trust Group.

The Financial Report is presented in Australian dollars, which is the Company's and the Trust's functional currency and the functional currency of the majority of the Stockland Consolidated Group and Stockland Trust Group.

The Financial Report has been prepared on the basis of the going concern and historical cost conventions except for:

- investment properties, derivative financial instruments, certain financial assets and liabilities which are stated at their fair value; and
- Non-current assets classified as held for sale which are stated at the lower of carrying amount and fair value less costs to sell.

The Entities are 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 hundred thousand dollars, unless otherwise stated.

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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.

The accounting policies have been applied consistently throughout the Stockland Consolidated Group and the Stockland Trust Group for the purposes of this Financial Report.

The significant policies which have been adopted in the preparation of this Financial Report are set out below.

(f) Investments and principles of consolidation

Controlled entities

The consolidated financial statements of the Stockland Consolidated Group and the Stockland Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2011 and the results of all controlled entities for the year then ended.

Controlled entities are all entities over which the Company or the Trust has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company or Trust controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between controlled entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the Company and the Trust.

Associates

Associates are those entities over which Stockland have significant influence, but not control or joint control, over the financial and operating policies. The Financial Report include Stockland's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

1 Summary of significant accounting policies (continued)

(f) Investments and principles of consolidation (continued)

Associates (continued)

If Stockland's share of losses exceeds its interest in an associate, their carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Entities and their associates are eliminated to the extent of Stockland's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint venture entities

A joint venture is either an entity or operation over whose activities Stockland has joint control, established by contractual agreement. Investments in joint venture entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and the recoverable amount.

Stockland's share of the joint venture entity's net profit or loss is recognised in the Statement of Comprehensive Income from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in reserves.

If Stockland's share of losses exceeds its interest in a joint venture entity, their carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the joint venture entity.

Transactions with the joint venture are eliminated to the extent of Stockland's ownership interest until such time as they are realised by the joint venture on consumption or sale.

Joint venture operations

Interests in unincorporated joint ventures are brought to account by recognising Stockland's proportionate share of joint venture operations' assets, liabilities and expenses and the entities' revenue from the sale of their share of goods or services on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Other investments

Investments in other entities which do not qualify as controlled entities, associates, joint ventures or joint venture entities are classified as financial assets carried at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Income. These investments are included in Non-current assets – Other financial assets unless Stockland intends to dispose of the investment within twelve months of balance date in which case the investment is classified as Current assets – Other financial assets.

An investment is derecognised when Stockland has transferred the contractual rights to receive cash flows from the investment and substantially all the risks and rewards of ownership of the investment to a third party. If an investment does not qualify for derecognition, the investment will continue to be recognised and a liability recognised for the consideration received. If the investment will qualify for derecognition within twelve months of balance date, the liability is recorded as Current liabilities – Other liabilities.

(g) 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.

Revenue is recognised for the major business activities as follows:

Property development sales

Revenue from residential land sales and property development sales is recognised in the Statement of Comprehensive Income when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

1 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

Rent from investment properties

Rent from investment properties is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

Dividends and distributions

Revenue from dividends and distributions are recognised in the Statement of Comprehensive Income on the date the right to receive payment is established, being the date when they are declared by those entities.

Interest income

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

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Stockland are classified as operating leases.

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

(i) Segment reporting

Stockland determines and presents operating segments based on the information that is internally provided to the Board of Directors, whom are Stockland’s chief operating decision maker.

An operating segment is a component of Stockland that engages in business activities from which it may earn revenues and incur expenses. All operating segments’ operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segment and to assess its performance, and for which discrete information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other receivables, other financial assets, other payables, tax balances and provisions.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST or overseas equivalent, 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 relevant taxation authority are classified as operating cash flows.

(k) Income tax

Stockland Corporation Limited

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax expense/benefit is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1 Summary of significant accounting policies (continued)

(k) Income tax (continued)

Stockland Corporation Limited (continued)

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of prior years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax provided is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that may arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

The United Kingdom operations of controlled entities of Stockland Corporation Limited are subject to United Kingdom tax on their taxable earnings.

Tax consolidation

Stockland Corporation Limited, as the head entity, recognises all current tax balances relating to wholly-owned Australian entities included in the Tax Consolidated Group ("TCG").

The current and deferred tax amounts for the TCG are allocated in accordance with the tax funding arrangement (refer below) among the entities in the TCG using a group allocation approach, whereby each entity is allocated current and deferred taxes in a systematic manner that is consistent with the broad principles of AASB 112 "Income Taxes" ("AASB 112"), based on the underlying effect of transactions undertaken by those subsidiaries.

Deferred tax assets and liabilities relating to temporary differences are measured by reference to the carrying amounts of the assets and liabilities in the TCG member's Balance Sheet and their tax values applying under tax consolidation. Any fair value adjustments on accounting consolidation are included in the TCG's tax calculation.

The Company recognises deferred tax assets arising from unused tax losses and tax credits and other tax attributes assumed from subsidiaries of the TCG to the extent that it is probable that future taxable profits of the TCG will be available against which the asset can be utilised.

Nature of tax funding and sharing arrangements

The Company, in conjunction with other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangement requires that payments to or from the Company shall equal any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or tax credits or other tax attributes assumed by the Company at the then recognised amount, and generally will not require any further payments to or from the Company should the recognised amount subsequently change, except for changes by way of correction.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses or tax credits or other tax attributes assumed from subsidiaries are recognised by the Company only and do not result in further amounts being payable or receivable under the tax funding arrangement.

1 Summary of significant accounting policies (continued)

(k) Income tax (continued)

Nature of tax funding and sharing arrangements (continued)

Where there is an amendment of a prior year tax return of the Company and/or recalculation of the stand alone tax calculation of a TCG member and/or adjustment to the disclosed tax losses or other tax attributes not requiring an amendment to the tax return, the change in tax liabilities or assets should be allocated in accordance with the tax funding arrangement, on a systematic and rational basis between the TCG members, based on the principles that each member should be allocated current and deferred taxes in a systematic manner based on the underlying tax effect of transactions within those subsidiaries.

The tax liabilities of the entities included in the TCG will be governed by the tax sharing agreement should the Company default on its tax obligations.

Stockland Trust

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust. Where the 50% concessional amount is distributed in relation to capital gains, it is referred to as a tax-free component. To the extent the distribution to unitholders exceeds the Trust’s taxable income, and the excess is represented by capital allowances for buildings and plant and equipment, the excess is referred to as a tax deferred component of the distribution.

(l) Foreign currency

Transactions

Foreign currency transactions are translated into the entity’s functional currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance date are translated into the functional currency at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the date the fair value was determined.

Translation of financial reports of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rate ruling at the date of transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve (“FCTR”), a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign entities, and of related hedges, are taken directly to the FCTR. They are released into the Statement of Comprehensive Income upon disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

1 Summary of significant accounting policies (continued)

(m) Derivative financial instruments

Stockland holds derivative financial instruments to hedge foreign currency and interest rate risk exposures arising from operational, financing and investment activities. In accordance with its treasury policy, Stockland does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. Refer to Note 47(c) for the determination of fair value for derivative financial instruments. The gain or loss on re-measurement to fair value is recognised in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, refer to Note 1(n).

(n) Hedging

Stockland formally designates and documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. Stockland also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Statement of Comprehensive Income.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Stockland revokes designation. Any adjustment between the carrying amount and the face value of a hedged financial instrument is amortised to the Statement of Comprehensive Income using the effective interest rate method. Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect the Statement of Comprehensive Income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts in the cash flow hedge reserve are recognised in the Statement of Comprehensive Income in the periods when the hedged item is recognised in the Statement of Comprehensive Income.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in the cash flow hedge reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Stockland revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in the Statement of Comprehensive Income.

1 Summary of significant accounting policies (continued)

(n) Hedging (continued)

Hedge of a net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the FCTR. The ineffective portion is recognised immediately in the Statement of Comprehensive Income. On disposal of the foreign operation, the cumulative value of any such gain or loss recognised directly in equity is transferred to the Statement of Comprehensive Income.

(o) Finance income and expenses

Finance income includes interest receivable on funds invested and gains on hedging instruments that are recognised in the Statement of Comprehensive Income.

Finance costs include interest payable on bank overdrafts and short-term and long-term borrowings calculated using the effective interest method, payments on derivatives, losses on hedging instruments that are recognised in the Statement of Comprehensive Income and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Finance costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Total interest capitalised within Stockland must not exceed the net interest expense of Stockland in any period, and project carrying values, including all capitalised interest attributable to projects, must continue to be recoverable based on the latest project feasibilities. In the event that development is suspended for an extended period of time, the capitalisation of borrowing costs is also suspended.

Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of Stockland's cash management are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement.

(q) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, specific impairment losses are recorded for any doubtful accounts.

(r) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1 Summary of significant accounting policies (continued)

(r) Non-current assets held for sale (continued)

In the Statement of Comprehensive Income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when Stockland retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Statement of Comprehensive Income.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(s) Inventories

Development properties are stated at the lower of cost and net realisable value.

Net realisable value

Net realisable value is determined on the basis of sales for each class of inventory in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. The amount of any reversal of write-down of inventories arising from a change in the circumstances that gave rise to the original write down, is recognised as a reduction in the impairment of inventories recognised as an expense in the Statement of Comprehensive Income.

Development work in progress

Cost includes variable and fixed costs directly related to specific contracts and those costs related to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Costs expected to be incurred under penalty clauses and rectification provisions as well as financing costs on qualifying assets are also included.

Land and property held for resale

Development properties are stated at the lower of cost and net realisable value. Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

(t) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets, other than investment properties (refer Note 1(u)), inventories (refer Note 1(s)) and deferred tax assets (refer Note 1(k)) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(u) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, capital appreciation, or both.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the Statement of Comprehensive Income in the period.

1 Summary of significant accounting policies (continued)

(u) Investment properties (continued)

Investment properties under development are classified as investment property and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development as set out in Note 1(o).

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when Stockland holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Subsequent costs

Stockland recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Stockland and the cost can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in the Statement of Comprehensive Income in the year of disposal.

(i) Commercial Property

Lease incentives provided by Stockland to lessees, and rental guarantees which may be received by Stockland from third parties (arising from the acquisition of investment properties) are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is more representative of the pattern of benefits.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

Fair value

When assessing fair value, the Directors consider the discounted cash flows of the investment property based on reliable estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income.

In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property. These valuations are considered by the Directors when determining fair value.

(ii) Retirement Living

Retirement Living Community assets are classified as investment properties as they are held to earn revenues and capital appreciation over the long-term. These assets comprise independent living units, serviced apartments, common facilities and integral plant and equipment.

The value of Retirement Living Community assets within investment properties includes the value of land and buildings as well as the value of the Deferred Management Fee ("DMF") to be derived from the resident. The value should be considered in conjunction with the Retirement Living resident obligations as described in Note 1(aa).

Fair value

When assessing fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows taking into consideration the market value of units; growth rates; forecast resident turnovers; current and future DMF contract terms and capital expenditure forecasts, as well as recent prices for similar properties.

In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property. These valuations are considered by the Directors when determining fair value.

1 Summary of significant accounting policies (continued)

(v) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are included in the Statement of Comprehensive Income in the year of disposal.

All assets having limited useful lives are depreciated using the diminishing value or the straight-line method over their estimated useful lives. Land is not depreciated. Assets are depreciated from the date of acquisition. Depreciation is expensed.

The depreciation rates of useful lives used for each class of assets are detailed below:

- Leasehold improvements 10-20%;
- Plant and equipment 2-50%;
- Owner-occupied property 2%; and
- Aged Care properties: land 0%; buildings 2%; furniture and fittings 10-20%; and bed licences 0%.

These rates are consistent with the prior year.

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least annually.

(w) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Stockland. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, Stockland recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of Stockland's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Statement of Comprehensive Income as a discount on acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is Stockland's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(x) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Stockland's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Refer to Note 3).

(y) Trade and other payables

Trade and other payables are carried at amortised cost.

Dividends and distributions

Dividends and distributions payable are recognised in the reporting period in which the dividends and 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.

(z) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis unless there is an effective fair value hedge of the borrowings, in which case the borrowings are carried at fair value and changes in the fair value recognised in the Statement of Comprehensive Income.

(aa) Retirement Living resident obligations

Retirement Living resident obligations are classified as financial liabilities at fair value and resulting fair value adjustments are recognised in the Statement of Comprehensive Income.

The fair value of Retirement Living resident obligations is determined by the contract between the resident and Stockland.

Under entry and exit fee contracts, the value of the obligation is measured as the principal amount plus the resident's share of the increase in value of capital growth in accordance with the resident contract at balance date. These obligations are classified as current liabilities because Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident turnover date. The underlying investment property is classified as a non-current asset.

Under a deferred repayment contract the nominal value of the obligation is measured as the principal amount plus any share of capital gains based on the expected market value or indexed price of the underlying property at turnover and is then discounted to its fair value at balance sheet date. The terms of the contract type allow Stockland to defer settlement of the obligation for the lesser of the resident's tenure period or eight years. In the event the loan is settled early, the nominal value of the obligation is discounted at a rate in accordance with the contract for the lesser of the resident's tenure period or eight years. The nominal value of the obligation is discounted using market yields at the balance date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Where Stockland has an unconditional right to defer settlement greater than twelve months, the value of the obligation is classified as a non-current liability.

Accrued DMF, relating to current residents, are disclosed as an offset against the associated Retirement Living resident obligation.

1 Summary of significant accounting policies (continued)

(bb) Provisions

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(cc) Issued capital

Issued capital represents the amount of consideration received for stapled securities issued by Stockland. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(dd) Comparatives

Except as detailed in Note 1(d), no comparatives have been amended from those reported in the prior year except for those reclassified to conform with the current financial year's presentation.

(ee) Employee benefits

There are no employees in the Stockland Trust Group.

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the balance date are recognised as current liabilities in respect of employees' services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave expected to be settled within twelve months of the balance date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than twelve months from the balance date is recognised in the provision for employee benefits and measured as the present value of expected payments to be made in respect of services provided by employees up to the balance date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus entitlements

A liability is recognised in current trade and other payables for employee benefits in the form of employee bonus entitlements where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for employee bonus entitlements are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) Superannuation plan

Stockland Corporation Limited contributes to several defined contribution superannuation plans. Contributions are recognised as a personnel expense as they are incurred.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Share-based payments

Stockland rights granted to Executive Directors and Senior Executives under Executive share plans are required to be accounted for as options. The fair values of rights granted are recognised as an employee expense with a corresponding increase in the Executive remuneration reserve.

1 Summary of significant accounting policies (continued)

(ee) Employee benefits (continued)

(vi) Share-based payments (continued)

The fair value is measured at grant date using the Black-Scholes and Monte Carlo Simulation option pricing models taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period, which is the period over which the rights are subject to performance and service conditions.

Stockland securities issued to eligible employees under the Tax Exempt Employee Security Plan ("$1,000 plan") are recognised as an expense with a corresponding increase in issued capital. The value recognised is the market price of the securities granted at grant date.

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.

Stockland 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

Estimates of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, Stockland determines a property's value within a range of reasonable fair value estimates. In making its judgement, Stockland considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and

(iv) capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short-term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income figure.

Estimates of net realisable value of inventories

Stockland is required to carry inventories at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The key assumptions require the use of management judgement and are reviewed on a frequent basis.

2 Critical accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value

(i) Investment property (excluding Retirement Living Community assets)

In determining the fair value, the capitalisation of net market income method and discounting of future cash flows to their present value have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

These valuations are regularly compared to market yield data, and actual transactions by Stockland and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The weighted average capitalisation rates for Commercial Property assets by category are as follows:

- Retail assets – 7.2% (2010: 7.4%);
- Office assets – 7.8% (2010: 7.9%); and
- Industrial assets – 8.5% (2010: 8.6%).

The lease vacancy rates for Commercial Property assets by category are as follows:

- Retail assets – 0.5% (2010: 0.5%);
- Office assets – 4.2% (2010: 8.1%); and
- Industrial assets – 0.2% (2010: 4.9%).

The weighted average lease expiry for Commercial Property assets by category are as follows:

- Retail assets (speciality shops) – 3.0 years (2010: 3.3 years);
- Retail assets (majors) – 7.7 years (2010: 8.1 years);
- Office assets – 4.3 years (2010: 4.6 years); and
- Industrial assets – 3.3 years (2010: 3.4 years).

(ii) Investment property assets under development (excluding Retirement Living Community assets)

In determining the fair value of investment property assets under development, consideration is given to:

- percentage completion of the development;
- future anticipated net rental income;
- risks associated with the forecast completion of the asset;
- forecast cost of the development; and
- current market evidence for similar assets.

2 Critical accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value (continued)

(iii) Retirement Living Community assets

In determining the fair value of Retirement Living Community assets, discounting of future cash flows to their present value have been used. This approach requires assumptions and judgements in relation to Retirement Living Community assets including assumptions relating to average length of stay, unit market values, estimates of future capital expenditure, contract terms between Stockland and the residents of the Retirement Living Community asset, discount rates and long-term property growth rates.

The weighted average discount rate applied during the period was 12.78% (2010: 12.55%). Individual village discount rates varied depending on factors including village location, size, and quality of community centre.

The weighted average property value growth rate was 4.0% p.a. (2010: 3.7% p.a.). Individual village growth rates varied depending on factors including location and condition.

Where possible, these valuations are regularly compared to transactions reported in the market and underlying data.

(iv) Retirement Living Community assets under development

In determining the fair value of Retirement Living Community assets under development, consideration is given to:

- percentage completion of the development;
- future anticipated contract terms between Stockland and future residents;
- risks associated with the forecast completion of the asset;
- forecast cost of the development;
- discount rate on completion; and
- current market evidence for similar assets.

(v) Goodwill

The value in use method for assessing goodwill involves using cash flow projections based on formal budgets approved by management and applying relevant assumptions in respect of the cash flow period, growth rate and discount rate to arrive at a fair value. The assumptions applied for assessing goodwill are described further in Note 23.

(vi) Fair value of derivatives

The fair value of derivatives is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties. The determination of fair value of derivatives is described further in Note 47(c).

(vii) Valuation of assets acquired in business combinations

During the year, Stockland acquired a number of retirement living businesses, refer to Note 4. On recognising the acquisition, management used estimations and assumptions on the fair value of assets and liabilities assumed at the date of acquisition. Key judgements relate to the valuation of Retirement Living Community assets and are discussed further in Note 2(a)(iii) and 2(a)(iv).

(viii) Valuation of share-based payments

Valuation of share-based payment transactions is performed using judgements around the fair value of the equity instruments on the date at which they are granted. The fair value is determined using a Monte Carlo Simulation (TSR hurdle) and the Black-Scholes option pricing model (EPS hurdle). Refer to Note 33 for assumptions made in determining the fair value.

3 Operating segments

Stockland Consolidated Group

Stockland has four reportable segments, as listed below. These segments offer different products and services and are managed separately. The following are each of Stockland's reportable segments:

- Residential – delivers a range of master planned and mixed use residential communities and apartments in growth areas;
- Retirement Living Communities – designs, develops and manages lifestyle communities for retirees. It also includes the operations of Aged Care facilities;
- Commercial Property – invests in, develops and manages retail, office and industrial properties; and
- UK – property developer and asset manager of retail, office and mixed use properties.

Other includes Responsible Entity fees relating to property asset management and dividends/distributions from strategic investments.

Stockland Trust Group

The Trust has one reportable segment in which it operates, being Commercial Property.

3 Operating segments (continued)

Stockland Consolidated Group 30 June 2011	Residential $M	Retirement Living Communities $M	Commercial Property $M	UK $M	Other $M	Elimination $M	Consolidated $M
External segment revenue	**1,556.0**	**108.5**	**705.4**	**72.2**	**12.9**	**-**	**2,455.0**
Inter-segment revenue	**-**	**-**	**-**	**-**	**10.3**	**(10.3)**	**-**
Reclassification of Retirement Living segment revenue to fair value adjustment of investment properties as required by Accounting Standards	**-**	**(91.8)**	**-**	**-**	**-**	**-**	**(91.8)**
Total segment revenue	**1,556.0**	**16.7**	**705.4**	**72.2**	**23.2**	**(10.3)**	**2,363.2**
Segment result before interest, share of profits of investments accounted for using the equity method (and other certain items below)	**382.7**	**53.5**[2]	**454.2**	**-**	**12.9**	**-**	**903.3**
Interest expense included in cost of sales	**(122.1)**	**-**	**(1.4)**	**(1.3)**	**-**	**-**	**(124.8)**
Share of profits of investments accounted for using the equity method (excluding certain items below)[1]	**0.6**	**-**	**70.9**	**1.3**	**-**	**-**	**72.8**
Segment profit (before certain items below)	**261.2**	**53.5**	**523.7**	**-**	**12.9**	**-**	**851.3**
Interest income							**27.3**
Net borrowing costs							**(41.3)**
Unallocated corporate other income and expenses							**(63.3)**
Underlying profit before income tax expense[3]							**774.0**
Fair value adjustment of investment properties	**-**	**54.2**	**56.1**	**-**	**-**	**-**	**110.3**
Fair value adjustment of resident obligations	**-**	**(70.1)**	**-**	**-**	**-**	**-**	**(70.1)**
Share of fair value adjustment of investment properties in associates and joint ventures[1]	**-**	**-**	**17.7**	**-**	**-**	**-**	**17.7**
Provision for write-down of inventories	**(4.9)**	**-**	**-**	**(7.1)**	**-**	**-**	**(12.0)**
Write back of excess inventory provision	**3.1**	**-**	**-**	**1.4**	**-**	**-**	**4.5**
Non-cash adjustment to cost of sales[4]	**8.0**	**-**	**-**	**-**	**-**	**-**	**8.0**
Impairment of other investments	**-**	**-**	**-**	**-**	**(1.9)**	**-**	**(1.9)**
Net loss on sale of other non-current assets	**-**	**-**	**(4.6)**	**(0.1)**	**-**	**-**	**(4.7)**
Acquisition and integration costs of business combinations	**-**	**(19.6)**	**-**	**-**	**-**	**-**	**(19.6)**
							806.2
Net gain from fair value adjustment of other financial assets							**18.5**
Net loss on exit of exposure to GPT							**(24.9)**
Net gain on financial instruments and foreign exchange							**1.7**
Profit before income tax expense							**801.5**
Income tax expense							**(46.9)**
Profit for the year							**754.6**
[1] Total share of profit on investments accounted for using the equity method	**0.6**	**-**	**88.6**	**1.3**	**-**	**-**	**90.5**

[2] Includes $2.7 million of profit from Aged Care properties

[3] Underlying profit of $752.4 million as outlined on page 25 is stated after tax expense of $21.6 million.

[4] A proportion of the profit on sale of property development sold during the financial year has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost prior to the commencement of the development.

3 Operating segments (continued)

Stockland Consolidated Group **30 June 2011**	**Residential** **$M**	**Retirement Living Communities** **$M**	**Commercial Property** **$M**	**UK** **$M**	**Unallocated** **$M**	**Consolidated** **$M**
Assets						
Cash	-	-	-	-	194.6	194.6
Real estate assets[1, 2]	2,383.0	1,018.4	8,484.7	168.8	-	12,054.9
Retirement Living Communities gross up	-	1,564.0	-	-	-	1,564.0
Intangibles	-	116.6	-	-	-	116.6
Derivative assets	-	-	-	-	148.0	148.0
Other assets	-	-	-	-	493.1	493.1
Total assets	2,383.0	2,699.0	8,484.7	168.8	835.7	14,571.2
Liabilities						
Interest-bearing liabilities	-	-	-	-	2,407.4	2,407.4
Retirement Living resident obligations	-	1,629.2[3]	-	-	-	1,629.2
Derivative liabilities	-	-	-	-	687.4	687.4
Other liabilities	-	-	-	-	1,047.8	1,047.8
Total liabilities	-	1,629.2	-	-	4,142.6	5,771.8
Net assets/(liabilities)	2,383.0	1,069.8	8,484.7	168.8	(3,306.9)	8,799.4
Other items						
Acquisition of investment properties	-	1,227.8	264.8	-	-	1,492.6
Depreciation	(3.6)	(0.9)	(4.2)	(0.6)	(5.4)	(14.7)
[1] Investments accounted for using the equity method	25.1	-	1,043.5	26.4	-	1,095.0

[2] Includes inventory, investment properties, investments accounted for using the equity method and other assets.
[3] This amount comprises of $1,564.0 million of existing resident obligations and Aged Care accommodation bonds and $65.2 million of ex-resident obligations.

3 Operating segments (continued)

Stockland Consolidated Group 30 June 2010	Residential $M	Retirement Living Communities $M	Commercial Property $M	UK $M	Other $M	Elimination $M	Consolidated $M
External segment revenue	1,296.8	65.8	681.9	57.3	21.7	-	2,123.5
Inter-segment revenue	18.2	-	-	-	10.8	(29.0)	-
Unallocated revenue	-	-	-	-	-	-	0.5
Reclassification of Retirement Living segment revenue to fair value adjustment of investment properties in accordance with Australian Accounting Standards	-	(63.9)	-	-	-	-	(63.9)
Total segment revenue	1,315.0	1.9	681.9	57.3	32.5	(29.0)	2,060.1
Segment result before interest, share of profits of investments accounted for using the equity method (and other certain items below)	314.2	36.2	439.7	0.3	20.0	-	810.4
Interest expense included in cost of sales	(90.3)	-	(0.4)	-	-	-	(90.7)
Share of profits of investments accounted for using the equity method (excluding certain items below)[1]	-	-	69.8	0.9	-	-	70.7
Segment profit (before certain items below)	223.9	36.2	509.1	1.2	20.0	-	790.4
Interest income							40.1
Net borrowing costs							(48.5)
Unallocated corporate other income and expenses							(66.2)
Underlying profit before non-controlling interest and income tax benefit[2]							715.8
Fair value adjustment of investment properties	-	(20.4)	(343.5)[3]	-	-	-	(363.9)
Share of fair value adjustment of investment properties in associates and joint ventures[1]	-	-	(36.8)	(0.8)	-	-	(37.6)
Provision for write-down of inventories	-	-	(4.9)	(2.9)	-	-	(7.8)
Write back of excess inventory provision	1.6	-	-	2.0	-	-	3.6
Impairment of other investments	-	-	-	0.4	-	-	0.4
Net profit/(loss) on sale of other non-current assets	0.5	-	(13.8)	-	-	-	(13.3)
							297.2
Net gain from fair value adjustment of other financial assets							73.9
Net gain on financial instruments and foreign exchange							128.5
Profit before income tax expense							499.6
Income tax expense							(21.2)
Profit for the year							478.4
[1] Total share of profit on investments accounted for using the equity method	-	-	33.0	0.1	-	-	33.1

[2] Underlying profit of $692.3 million as outlined on page 25 is stated after tax expense of $23.5 million.

[3] Includes site remediation costs of $9.4 million.

3 Operating segments (continued)

Stockland Consolidated Group

30 June 2010

	Residential $M	Retirement Living Communities $M	Commercial Property $M	UK $M	Unallocated $M	Consolidated $M
Assets						
Cash	-	-	-	-	911.4	911.4
Real estate assets[1, 2]	2,520.1	444.9	7,921.1	260.5	-	11,146.6
Other financial assets[3]	-	-	-	-	219.2	219.2
Retirement Living Communities gross up	-	866.0	-	-	-	866.0
Intangibles	-	108.4	-	-	-	108.4
Derivative assets	-	-	-	-	267.0	267.0
Other assets	-	-	-	-	438.3	438.3
Total assets	2,520.1	1,419.3	7,921.1	260.5	1,835.9	13,956.9
Liabilities						
Interest-bearing liabilities	-	-	-	-	2,829.5	2,829.5
Retirement Living resident obligations	-	898.4[4]	-	-	-	898.4
Derivative liabilities	-	-	-	-	400.6	400.6
Other liabilities	-	-	-	-	1,163.3	1,163.3
Total liabilities	-	898.4	-	-	4,393.4	5,291.8
Net assets/(liabilities)	2,520.1	520.9	7,921.1	260.5	(2,557.5)	8,665.1
Other items						
Acquisition of investment properties	-	-	82.1	-	-	82.1
Depreciation	(3.8)	(0.4)	(3.6)	(0.6)	(4.9)	(13.3)
[1] Investments accounted for using the equity method	24.4	-	996.2	23.7	-	1,044.3

[2] Includes inventory, investment properties, investments accounted for using the equity method and other assets.

[3] Includes securities in listed entity disclosed in Note 14.

[4] This amount comprises of $866.0 million of existing resident obligations and $32.4 million of ex-resident obligations.

3 Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, external segment revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

	Stockland Consolidated Group		Stockland Trust Group	
	2011 $M	2010 $M	**2011 $M**	2010 $M
External segment revenues				
New South Wales	**812.6**	686.7	**363.9**	370.5
Victoria	**714.7**	389.8	**84.0**	75.8
Queensland	**571.2**	699.5	**155.8**	151.7
Western Australia	**265.6**	268.4	**57.2**	52.5
South Australia	**9.9**	7.7	**9.3**	7.7
ACT	**8.8**	14.1	**8.8**	14.1
United Kingdom	**72.2**	57.3	**-**	-
	2,455.0	2,123.5	**679.0**	672.3
Non-current assets[1]				
New South Wales	**6,770.9**	5,578.4	**5,174.9**	4,972.0
Victoria	**2,698.0**	2,209.6	**973.8**	713.8
Queensland	**2,533.8**	2,295.2	**1,501.1**	1,397.0
Western Australia	**612.2**	767.2	**356.8**	494.5
South Australia	**81.9**	77.0	**81.9**	77.0
ACT	**41.8**	92.1	**41.8**	92.1
United Kingdom	**29.8**	179.1	**-**	-
	12,768.4	11,198.6	**8,130.3**	7,746.4

[1] Non-current assets excludes financial instruments and deferred tax assets.

4 Business combinations and disposals

2011

Stockland Consolidated Group

Acquisition of Aevum Limited

During the financial year, Stockland announced an all-cash offer to purchase the entire share capital of Aevum Limited ("Aevum") (the "Offer"), a listed company based in Australia specialising in retirement living and aged care. As a result of the Offer, Stockland obtained control of Aevum effective 31 October 2010. At 30 June 2011, Stockland had a total ownership interest of 100%. Stockland acquired Aevum to increase its market share in the Retirement Living sector in line with its growth strategy.

The amounts recognised as at the acquisition date for each major class of identifiable assets and liabilities of Aevum were:

	Fair value recognised on acquisition 30 June 2011 $M	Provisional fair value recognised on acquisition 31 Dec 2010 $M
Assets		
Cash and cash equivalents	**15.5**	15.5
Trade and other receivables	**2.0**	2.0
Property, plant and equipment	**87.4**	87.4
Investment properties	**955.5**	934.1
	1,060.4	1,039.0
Liabilities		
Trade and other payables	**8.6**	8.6
Resident loans and accommodation bonds	**608.0**	575.2
Provisions	**2.8**	2.8
Other liabilities	**4.8**	4.8
Interest bearing loans and borrowings	**125.0**	125.0
Deferred tax liabilities	**4.5**	12.8
	753.7	729.2
Fair value of identifiable net assets	**306.7**	309.8
Non-controlling interest at fair value[1]	**(39.2)**	(39.2)
Goodwill on acquisition	**8.2**	5.1
	275.7	275.7
Acquisition-date fair value of consideration		
Cash paid[2]	**225.6**	225.6
Fair value of initial interest[3]	**50.1**	50.1
Purchase consideration	**275.7**	275.7
The cash outflow on acquisition:		
Net cash acquired	**15.5**	15.5
Cash paid	**(225.6)**	(225.6)
	(210.1)	(210.1)

[1] The non-controlling interest on acquisition was 12.4%. The profit for the period attributable to the non-controlling interest is insignificant and has not been separately recognised in the Financial Report.

[2] Net cash paid in the consolidated Cash Flow Statement includes the cash paid as part of the takeover offer of $225.6 million, cash paid to acquire the pre-takeover interest of $15.6 million and the cash paid to acquire the non-controlling interest of $39.2 million, less the $15.5 million in cash acquired.

[3] Represents the acquisition date fair value of Aevum shares held by Stockland prior to Stockland's offer to acquire Aevum. A fair value gain of $15.1 million was recognised in 'Net gain from fair value adjustment of other financial assets' in the Statement of Comprehensive Income on the shares prior to acquisition.

4 Business combinations and disposals (continued)

2011 (continued)

Stockland Consolidated Group (continued)

Acquisition of Aevum Limited (continued)

From the date of acquisition, Aevum has contributed $22.0 million to the profit of Stockland. The profit impact on the Statement of Comprehensive Income had the combination taken place at the beginning of the period would have been $31.8 million.

The transaction and integration costs of $18.6 million have been expensed and are included in Management, administration, marketing and selling expenses in the Statement of Comprehensive Income.

Acquisition of three Retirement Living villages

On 30 June 2011, Stockland acquired three Retirement Living villages from the Retirement Villages Group ("RVG"), for an amount of $22.0 million in cash. The purchase involved the acquisition of shares/units in entities held by RVG. The acquisition comprised of two villages in Queensland and one in the ACT. All three villages are mature assets located in inner-ring suburbs.

The assets recognised on acquisition were at their provisional fair values and had the following effect on Stockland's assets and liabilities on acquisition date:

	Provisional fair value recognised on acquisition $M
Investment properties	**22.0**
Net identifiable assets and liabilities	**22.0**
Cash paid	**22.0**
Purchase consideration	**22.0**

It is impracticable to determine the revenue and profit impact on the Statement of Comprehensive Income had the combination taken place at the beginning of the period due to inconsistencies in accounting policies prior to the acquisition.

The transaction and integration costs of $1.0 million have been expensed and are included in Management, administration, marketing and selling expenses in the Statement of Comprehensive Income.

Stockland Trust Group

Stockland Trust Group had no acquisitions or disposals during the financial year.

2010

Stockland Consolidated Group

There were no acquisitions or disposals of businesses in the prior financial year. Deferred consideration of $22.0 million was paid during the prior financial year in relation to an acquisition in the 2009 financial year.

Stockland Trust Group

Stockland Trust Group had no acquisitions or disposals during the prior financial year.

		Stockland Consolidated Group		Stockland Trust Group	
		2011	2010	**2011**	2010
		$M	$M	**$M**	$M
5	**Rent from investment properties**				
	Included within rent from investment properties:				
	Contingent rent billed to tenants and recognised in gross lease income	**7.3**	8.4	**7.3**	8.4
	Percentage of gross lease income	**1%**	1%	**1%**	1%
6	**Finance income and expense**				
	Interest income from related parties	**-**	-	**285.5**	233.2
	Interest income from other parties	**27.3**	40.1	**21.1**	33.4
	Net gain on fair value movement of hedged items and financial instruments treated as fair value hedges[1]	**0.4**	4.5	**2.7**	3.1
	Net gain on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**-**	46.9	**-**	47.4
	Net realised foreign exchange gain	**0.9**	0.6	**-**	-
	Net unrealised foreign exchange gain	**163.1**	12.8	**126.7**	-
	Finance income	**191.7**	104.9	**436.0**	317.1
	Interest expense relating to interest-bearing financial liabilities[2]	**176.6**	164.0	**181.5**	167.2
	Interest paid or payable on other financial liabilities at amortised cost	**21.5**	12.0	**-**	1.2
	Less interest capitalised to property developments in inventories	**(146.5)**	(118.1)	**-**	-
	Less interest capitalised to investment properties	**(10.3)**	(9.4)	**(5.6)**	(5.9)
	Net borrowing costs	**41.3**	48.5	**175.9**	162.5
	Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**162.7**	-	**179.5**	-
	Net unrealised foreign exchange loss	**-**	-	**-**	31.0
	Finance expense	**204.0**	48.5	**355.4**	193.5
	Capitalised finance costs to external parties included in cost of property developments sold	**124.8**	90.7	**-**	-

[1] Stockland Consolidated Group: The net gain from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the derivatives of $231.2 million (2010: loss of $65.7 million) and a gain arising on the fair value movement of the interest-bearing liabilities of $231.6 million (2010: gain of $70.2 million).
Stockland Trust Group: The net gain from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the derivatives of $220.4 million (2010: loss of $51.6 million) and a gain arising on the fair value movement of the interest-bearing liabilities of $223.1 million (2010: gain of $54.7 million).

[2] Stockland Consolidated Group: Of this amount, $110.5 million (2010: $86.7 million) relates to interest-bearing financial liabilities at amortised cost. Stockland Trust Group: Of this amount, $110.5 million (2010: $84.5 million) relates to interest-bearing financial liabilities at amortised cost.

7	**Personnel expenses**				
	Wages and salaries including on-costs	**211.9**	197.7	**-**	-
	Contributions to defined contribution plans	**12.7**	12.7	**-**	-
	Equity-settled share-based payment transactions	**6.1**	12.2	**-**	-
	(Decrease)/increase in provision for annual and long service leave	**(0.6)**	0.2	**-**	-
	$1,000 Employee Security Plan including associated costs	**1.1**	1.0	**-**	-
	Interest expense related to share-based payments	**-**	0.1	**-**	-
		231.2	223.9	**-**	-

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
8 Auditor's remuneration				
Audit services				
Auditor of the Stockland Consolidated Group				
Audit and review of the Financial Report (KPMG Australia)	**1,854**	1,825	**666**	677
Audit and review of the Financial Report (Overseas KPMG firms)	**143**	153	**-**	-
Regulatory audit and assurance services (KPMG Australia)	**616**	526	**384**	423
	2,613	2,504	**1,050**	1,100
Other services				
Other audit related services				
Accounting advice (KPMG Australia)	**48**	19	**-**	14
	48	19	**-**	14
Other non-audit related services				
Taxation compliance services (KPMG Australia and Overseas KPMG)	**513**	393	**267**	238
Corporate restructuring services (KPMG Australia)	**23**	-	**-**	-
	536	393	**267**	238
	3,197	2,916	**1,317**	1,352

Auditor's fees are paid by Stockland Development Pty Limited on behalf of the Stockland Consolidated Group and Stockland Trust Group.

	Note	Stockland Consolidated Group		Stockland Trust Group	
		2011	2010	**2011**	2010
	Note	**$M**	$M	**$M**	$M
9 Income tax expense					
Current tax expense					
Current year		**(27.3)**	(13.7)	**-**	-
Adjustments for prior years		**0.4**	1.5	**-**	-
		(26.9)	(12.2)	**-**	-
Deferred tax expense					
Origination and reversal of temporary differences	31	**73.8**	33.4	**-**	-
Total income tax expense in the Statement of Comprehensive Income		**46.9**	21.2	**-**	-

9 Income tax expense (continued)

Numerical reconciliation between income tax expense and pre-tax net profit

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
Profit before income tax expense	**801.5**	499.6	**-**	-
Prima facie income tax expense calculated at 30%	**240.5**	149.9	**-**	-
Less prima facie income tax on profit from Trust	**(203.4)**	(116.7)	**-**	-
	37.1	33.2	**-**	-
Increase/(decrease) in income tax expense due to:				
Non-assessable items	**(1.0)**	(14.9)	**-**	-
Other non-deductible expenses	**1.2**	4.4	**-**	-
Assessable income not recognised in profit before income tax expense	**0.2**	0.3	**-**	-
Other deductible expenses	**(6.4)**	(1.0)	**-**	-
Foreign exchange gains on UK funding	**15.4**	-		
Effect of tax rates in foreign jurisdictions	**-**	(0.2)	**-**	-
Under provided in prior years	**0.4**	1.5	**-**	-
Change in deductible temporary differences from prior periods	**-**	(2.1)	**-**	-
Income tax expense on pre-tax net profit	**46.9**	21.2	**-**	-

10 Earnings per security/unit

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	Cents	Cents	**Cents**	Cents
Basic earnings per security/unit	**31.7**	20.1	**28.5**	16.3
Diluted earnings per security/unit	**31.4**	19.9	**28.2**	16.2
Basic Underlying earnings per security/unit	**31.6**	29.1	**28.2**	27.0
Diluted Underlying earnings per security/unit	**31.3**	28.9	**28.0**	26.8

Basic earnings per security/unit is calculated by dividing profit by the weighted average number of ordinary securities outstanding during the financial year.

Diluted earnings per security/unit is calculated by dividing the profit (after adding back the after-tax effect of interest on share-based payments) by the weighted average number of ordinary securities/units outstanding during the financial year after adjusting for the effect of dilutive securities granted under share plans accounted for as options and rights granted under the employee share plans.

10 Earnings per security/unit (continued)

(a) Reconciliations of earnings used in calculating earnings per security/unit

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Basic earnings					
Profit attributable to securityholders/unitholders		**754.6**	478.4	**677.9**	388.9
Diluted earnings reconciliation					
Profit attributable to securityholders/unitholders		**754.6**	478.4	**677.9**	388.9
After-tax effect of interest expense related to share-based payments	7	**-**	0.1	**-**	-
Diluted profit attributable to securityholders/unitholders		**754.6**	478.5	**677.9**	388.9
Basic Underlying earnings					
Underlying profit	10(c)	**752.4**	692.3	**672.5**	642.7
Diluted Underlying earnings reconciliation					
Underlying profit		**752.4**	692.3	**672.5**	642.7
After tax effect of interest expense related to share-based payments	7	**-**	0.1	**-**	-
Diluted Underlying profit		**752.4**	692.4	**672.5**	642.7

(b) Weighted average number of securities/units used as the denominator

	Stockland Consolidated Group and Stockland Trust Group 2011 No.	Stockland Consolidated Group and Stockland Trust Group 2010 No.
Weighted average number of securities/units (basic)		
Weighted average number of securities/units as at 30 June	**2,381,256,683**	2,380,166,932
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic) as at 30 June	**2,381,256,683**	2,380,166,932
Effect of rights and securities/units granted under share plans	**20,767,183**	19,407,470
Weighted average number of securities/units (diluted) as at 30 June	**2,402,023,866**	2,399,574,402

As at 30 June 2011, all Performance Rights Plan (“PRP”) rights were dilutive. In addition 1,472,333 Executive Share Scheme (“ESS”) securities were not dilutive and therefore excluded from the calculation. There were no Incentive Security Plan (“ISP”) securities outstanding as at 30 June 2011.

As at 30 June 2010, all PRP rights and ISP securities were dilutive. In addition 2,540,333 ESS securities were not dilutive and therefore excluded from the calculation.

10 Earnings per security/unit (continued)

(c) Reconciliation of Underlying earnings to statutory earnings

The following table provides information to securityholders/unitholders that reconciles Underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the Stockland Consolidated Group and the Stockland Trust Group, in accordance with the AICD/Finsia principles for reporting Underlying profit.

The following table is net of tax.

	Notes	**Stockland Consolidated Group 2011 $M**	Stockland Consolidated Group 2010 $M	**Stockland Trust Group 2011 $M**	Stockland Trust Group 2010 $M
Underlying profit		**752.4**	692.3	**672.5**	642.7
Certain significant items:					
Non-cash adjustment to inventories and development profits					
Provision for write-down of inventories – Australia		**(3.4)**	(3.5)	**-**	-
Provision for write-down of inventories – UK		**(7.1)**	(2.9)	**-**	-
Write back of excess inventory provision – Australia		**2.1**	1.2	**-**	-
Write back of excess inventory provision – UK		**1.4**	2.0	**-**	-
Non-cash adjustment to cost of sales[1]		**8.0**	-	**-**	-
		1.0	(3.2)	**-**	-
Fair value adjustment of investment properties					
Net gain/(loss) from fair value adjustment of investment properties – Commercial Property[2]		**57.4**	(334.0)	**66.1**	(314.4)
Share of net gain/(loss) from fair value adjustment of investment properties in associates and joint ventures		**17.7**	(37.6)	**17.7**	(36.8)
Net fair value movement of deferred management fee contracts	43(b)	**(12.0)**	5.9	**-**	-
Impairment of undeveloped Retirement Living Communities	43(b)	**-**	(20.4)	**-**	-
Capital growth of operational Retirement Living Communities	43(b)	**49.7**	40.6	**-**	-
Existing Retirement Living resident obligations fair value movement	43(b)	**(49.1)**	(40.4)	**-**	-
		63.7	(385.9)	**83.8**	(351.2)
Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets					
Net gain from fair value adjustment of other financial assets		**17.5**	60.2	**-**	28.1
Net loss on sale of other non-current assets		**(3.8)**	(13.5)	**(1.5)**	(13.9)
Impairment of other investments		**(1.9)**	0.4	**(1.9)**	-
		11.8	47.1	**(3.4)**	14.2
Fair value adjustment of financial instruments and foreign exchange movements					
Net (loss)/gain on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	6	**(167.4)**	46.9	**(179.5)**	47.4
Net gain from hedged items and financial instruments treated as fair value hedges	6	**0.4**	4.5	**2.7**	3.1
Net gain on other financial instruments that do not qualify as effective under hedge accounting rules		**-**	63.7	**-**	63.7
Net loss on exit of exposure to GPT	47(b)	**(24.9)**	-	**(24.9)**	-
Net foreign exchange gain/(loss)		**131.4**	13.0	**126.7**	(31.0)
		(60.5)	128.1	**(75.0)**	83.2
Other					
Acquisition and integration costs of business combinations		**(13.8)**	-	**-**	-
Profit for the year attributable to securityholders/unitholders		**754.6**	478.4	**677.9**	388.9

[1] A proportion of the profit on sale of property development sold during the financial year has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost prior to the commencement of the development.

[2] Stockland Consolidated Group: Includes a tax benefit of $1.3 million (2010: tax benefit of $9.5 million and site remediation costs of $9.4 million). Stockland Trust Group: Includes site remediation costs of $Nil (2010: $9.4 million).

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

11 Current assets – Cash and cash equivalents

	2011 $M	2010 $M	**2011 $M**	2010 $M
Cash and cash equivalents	**194.6**	911.4	**88.6**	827.7

12 Current assets – Trade and other receivables

	2011 $M	2010 $M	**2011 $M**	2010 $M
Trade receivables	**115.0**	66.1	**-**	3.3
Less: impairment loss	**(0.4)**	(0.1)	**-**	(0.1)
	114.6	66.0	**-**	3.2
Receivables due from related companies	**-**	-	**3,397.5**	3,127.5
Other receivables	**54.9**	54.2	**31.4**	35.1
	169.5	120.2	**3,428.9**	3,165.8

13 Current assets – Inventories

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Finished development stock held for sale[1, 4]				
- cost of acquisition	**95.0**	65.6	**-**	-
- development and other costs[2]	**255.4**	168.9	**-**	-
- interest capitalised[3]	**38.4**	26.7	**-**	-
	388.8	261.2	**-**	-
Development work in progress[1]				
Residential communities under development[5]				
- cost of acquisition	**190.5**	221.9	**-**	-
- development and other costs[2]	**143.3**	138.9	**-**	-
- interest capitalised[3]	**74.9**	87.2	**-**	-
	408.7	448.0	**-**	-
Apartments				
- cost of acquisition	**3.9**	71.2	**-**	-
- development and other costs[2]	**6.9**	178.3	**-**	-
- interest capitalised[3]	**0.4**	30.2	**-**	-
	11.2	279.7	**-**	-
Retail projects[4]				
- cost of acquisition	**50.9**	22.1	**-**	-
- development and other costs[2]	**5.4**	3.9	**-**	-
- interest capitalised[3]	**0.6**	-	**-**	-
	56.9	26.0	**-**	-
Office and Industrial projects[4]				
- cost of acquisition	**59.3**	36.2	**-**	-
- development and other costs[2]	**37.5**	46.1	**-**	-
- interest capitalised[3]	**5.1**	4.7	**-**	-
	101.9	87.0	**-**	-
	967.5	1,101.9	**-**	-

1 Inventories are held at the lower of cost and net realisable value.

2 Other costs include rates and taxes.

3 Finance costs were capitalised at interest rates within the range of 5.3% to 6.2% during the financial year (2010: 4.5% to 5.3%).

4 Included in these balances are the following amounts relating to Stockland UK: $10.1 million (2010: $Nil) of Finished development stock held for sale, $56.9 million (2010: $26.0 million) of Retail projects and $75.5 million (2010: $60.8 million) of Office and Industrial projects.

5 Residential communities under development includes land which is legally owned by Stockland, however Stockland Residential Estates Equity Fund No. 1 (“SREEF No. 1”) has an interest in a number of development projects. Only Stockland’s interest is recognised in this Financial Report. A total value of $8.7 million (2010: $23.8 million) has been recognised as Current assets – Inventories by Stockland in this Financial Report.

Residential communities under development also includes land which is legally owned by Stockland, however an external party has a 50% interest in the development project. Only Stockland’s interest is recognised in this Financial Report. A value of $4.8 million (2010: $2.0 million) in respect of this project has been recognised as Current assets – Inventories by Stockland in this Financial Report.

During the financial year, Stockland recognised a provision of $7.1 million (2010: $7.8 million) to write down current inventories on hand to net realisable value. The current year provision relates to the UK inventory only. The total net expense in relation to the provision for write-down of inventories is separately disclosed in the Statement of Comprehensive Income. Refer to Note 3 for the split of the provision between the Australian and UK businesses. The total current provision remaining at balance sheet date is $139.6 million (2010: $128.8 million), of which $86.0 million (2010: $14.9 million) relates to the UK business.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

14 Current assets – Other financial assets

	2011 $M	2010 $M	**2011 $M**	2010 $M
Securities in listed entity[1]	**-**	219.2	**-**	219.2

[1] The prior year balance related to an investment in GPT Group ("GPT") which, although legally sold, did not qualify for derecognition under Australian Accounting Standards as a result of an ongoing exposure to movements in the GPT share price that were provided by certain equity derivative contracts. In the prior year, this asset was included within the "Other" operating segment. Refer to Note 28 for details in relation to the associated liability recognised in the prior year.

On 27 October 2010, Stockland exited its 13.1% exposure to GPT by extinguishing the off-balance sheet equity derivative structure. As a result, the investment balance and the associated liability (refer to Note 28) qualified for derecognition under Australian Accounting Standards. Refer to Note 28 for further information regarding Stockland's exit of its exposure to GPT.

15 Current assets – Other assets

	2011 $M	2010 $M	**2011 $M**	2010 $M
Prepayments	**17.9**	12.8	**11.2**	7.7
Deposits on land purchases	**31.5**	26.0	**-**	-
Lease incentives (net of amortisation)	**26.0**	18.4	**26.0**	18.4
Lease fees (net of amortisation)	**5.4**	6.4	**7.2**	8.1
Derivatives that do not qualify as effective under hedge accounting rules[1]	**17.7**	18.3	**17.7**	18.3
Other	**7.1**	9.6	**-**	-
	105.6	91.5	**62.1**	52.5

[1] Refer to Note 47(b) for details.

16 Non-current assets held for sale

	2011 $M	2010 $M	**2011 $M**	2010 $M
BankWest Tower, 108 St Georges Terrace, Perth WA (50%)[1]	**130.0**	-	**130.0**	-
Stockland Lilydale, Lilydale VIC[1]	**29.5**	-	**29.5**	-
150 Charlotte Street, Brisbane QLD[1]	**25.0**	-	**25.0**	-
Myuna Complex, Canberra ACT[1]	**24.0**	-	**24.0**	-
3676 Ipswich Road, Wacol QLD[1]	**23.6**	-	**23.6**	-
Undeveloped retirement living sites[1]	**3.1**	10.3	**-**	-
333 Kent Street, Sydney NSW[2]	**-**	36.8	**-**	36.8
	235.2	47.1	**232.1**	36.8

[1] These properties are presented as held for sale in view of the intention of management to sell these properties during the twelve months ending 30 June 2012.

[2] This property was sold during the financial year.

17 Non-current assets – Trade and other receivables

	2011 $M	2010 $M	**2011 $M**	2010 $M
Straight-lining of rental income	**29.6**	23.4	**33.6**	27.1
Deferred settlements	**73.3**	53.1	**-**	-
Other	**1.2**	-	**1.9**	1.9
	104.1	76.5	**35.5**	29.0

18 Non-current assets – Inventories

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
Development work in progress[1]				
Residential communities under development[5]				
- cost of acquisition	**962.7**	892.4	**-**	-
- development and other costs[2]	**218.6**	237.7	**-**	-
- interest capitalised[3]	**319.7**	297.9	**-**	-
	1,501.0	1,428.0	**-**	-
Apartments				
- cost of acquisition	**30.8**	47.3	**-**	-
- development and other costs[2]	**21.7**	20.0	**-**	-
- interest capitalised[3]	**5.7**	11.5	**-**	-
	58.2	78.8	**-**	-
Retail projects[4]				
- cost of acquisition	**-**	63.9	**-**	-
- development and other costs[2]	**-**	4.2	**-**	-
- interest capitalised[3]	**-**	0.7	**-**	-
	-	68.8	**-**	-
Office and Industrial projects[4]				
- cost of acquisition	**32.4**	76.2	**-**	-
- development and other costs[2]	**7.6**	47.1	**-**	-
- interest capitalised[3]	**2.5**	5.9	**-**	-
	42.5	129.2	**-**	-
	1,601.7	1,704.8	**-**	-

1 Inventories are held at the lower of cost and net realisable value.

2 Other costs include rates and taxes.

3 Finance costs were capitalised at interest rates within the range of 5.3% to 6.2% during the financial year (2010: 4.5% to 5.3%).

4 Included in these balances are the following amounts relating to Stockland UK: $Nil (2010: $68.3 million) of Retail projects and $Nil (2010: $81.7 million) of Office and Industrial projects.

5 Residential communities under development includes land which is legally owned by Stockland, however SREEF No. 1 has an interest in a number of development projects. Only Stockland's interest is recognised in this Financial Report. A total value of $9.5 million (2010: $7.3 million) has been recognised as Non-current assets – Inventories by Stockland in this Financial Report.

Residential communities under development also includes land which is legally owned by Stockland, however an external party has a 50% interest in the development project. Only Stockland's interest is recognised in this Financial Report. A value of $43.7 million (2010: $39.7 million) in respect of this project has been recognised as Non-current assets – Inventories by Stockland in this Financial Report.

During the financial year, Stockland recognised a provision of $4.9 million (2010: $Nil) to write down non-current inventories on hand to net realisable value. The current year provision relates to Residential inventory only. The total net expense in relation to the provision for write-down of inventories is separately disclosed in the Statement of Comprehensive Income. Refer to Note 3 for the split of the provision between the Australian and UK business. The total non-current provision remaining at balance sheet date is $227.2 million (2010: $281.0 million), of which $Nil (2010: $65.5 million) relates to the UK business.

19 Non-current assets – Investment properties

(a) Commercial properties

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Retail	**4,482.1**	3,973.3	**4,476.5**	3,967.7
Office	**2,450.9**	2,665.6	**2,454.1**	2,662.6
Industrial	**954.6**	974.7	**954.6**	974.7
Capital works in progress and sundry properties	**302.5**	196.5	**241.6**	124.7
	8,190.1	7,810.1	**8,126.8**	7,729.7
Less amounts classified as:				
- Property, plant and equipment	**(96.3)**	(95.3)	**-**	-
- Other assets (including lease incentives and lease fees)	**(134.7)**	(112.4)	**(143.6)**	(120.7)
- Other assets (including lease incentives and lease fees) attributable to investments accounted for using the equity method	**(20.2)**	(15.7)	**(20.2)**	(15.7)
- Other receivables (straight-lining of operating lease rental income)	**(29.6)**	(23.4)	**(33.6)**	(27.1)
- Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method	**(11.7)**	(10.3)	**(11.7)**	(10.3)
Total investment properties (including share of investment property held by associates and joint ventures)	**7,897.6**	7,553.0	**7,917.7**	7,555.9
Less: Stockland's share of investment properties held by associates and joint venture entities	**(1,006.7)**	(970.1)	**(993.6)**	(970.1)
	6,890.9	6,582.9	**6,924.1**	6,585.8

Investment property reconciliation

Direct investments and controlled entities

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Carrying amount at the beginning of the financial year	**6,582.9**	6,849.8	**6,585.8**	6,823.9
Acquisitions	**264.8**	82.1	**326.8**	100.3
Expenditure capitalised	**290.7**	230.8	**286.2**	230.7
Transfers to assets classified as held for sale, net	**(340.8)**	(264.1)	**(340.8)**	(264.1)
Transfers from inventories	**37.2**	18.4	**-**	-
Net gain/(loss) from fair value adjustment of investment properties	**56.1**	(334.1)	**66.1**	(305.0)
Carrying amount at the end of the financial year	**6,890.9**	6,582.9	**6,924.1**	6,585.8

19 Non-current assets – Investment properties (continued)

(a) Commercial properties (continued)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	**Book value 30 June 2011[1] $M**	Book value 30 June 2010[1] $M
Retail					
Stockland Rockhampton, Rockhampton QLD	Dec 2010	340.0	6.75	**343.0**	303.7
Stockland Wetherill Park, Western Sydney NSW	Dec 2010	328.6	7.00	**330.0**	325.3
Stockland Merrylands, Western Sydney NSW[2, 3]	Dec 2006	151.0	6.50	**324.9**	259.6
Stockland Shellharbour, Shellharbour NSW[3]	Dec 2009	265.0	7.00	**272.2**	265.5
Stockland Green Hills, East Maitland NSW	Jun 2011	259.0	7.00	**259.0**	248.3
Stockland Glendale, Newcastle NSW	Jun 2011	247.0	6.75	**247.0**	228.1
Stockland Cairns, Cairns QLD	Dec 2010	204.0	7.00	**205.2**	197.1
Stockland Townsville, Townsville QLD[3]	Jun 2010	200.0	7.75	**201.5**	200.0
Stockland Point Cook, Point Cook VIC[4]	-	-	-	**186.3**	-
Stockland Bay Village, Bateau Bay NSW	Dec 2010	162.0	8.00	**163.3**	168.9
Stockland Burleigh Heads, Burleigh Heads QLD	Jun 2010	137.0	7.75	**138.6**	137.0
Stockland The Pines, Doncaster East VIC	Jun 2010	136.5	7.50	**137.9**	136.5
Stockland Forster, Forster NSW	Dec 2010	129.0	7.50	**129.0**	128.9
Stockland Jesmond, Newcastle NSW	Dec 2010	118.5	7.75	**120.2**	117.1
Stockland Balgowlah, Balgowlah NSW	Jun 2010	113.0	7.00	**112.5**	113.0
Stockland Wendouree, Wendouree VIC	Jun 2011	110.0	7.50	**110.0**	98.1
Stockland Baulkham Hills, Baulkham Hills NSW	Dec 2010	106.0	7.50	**106.6**	99.0
Stockland Caloundra, Caloundra QLD[5]	Dec 2010	98.8	7.50	**100.1**	95.3
Stockland Gladstone, Gladstone QLD	Jun 2011	99.0	7.50	**99.0**	95.9
Stockland Nowra, Nowra NSW	Jun 2011	85.0	7.75	**85.0**	76.8
Stockland Cleveland, Cleveland QLD	Jun 2011	80.0	7.50	**80.0**	75.9
Stockland Bull Creek, Bull Creek WA	Dec 2009	76.0	7.75	**79.1**	76.4
Stockland Traralgon, Traralgon VIC	Dec 2010	76.5	7.75	**76.8**	73.5
Stockland Bathurst, Bathurst NSW	Dec 2009	73.8	8.00	**75.4**	74.6
Stockland Hervey Bay, Hervey Bay QLD[4]	-	-	-	**70.4**	-
Stockland Corrimal, Corrimal NSW	Jun 2011	58.0	8.00	**58.0**	59.4
Stockland Wallsend, Wallsend NSW	Dec 2010	51.0	8.25	**51.4**	49.0
Stockland Tooronga, Tooronga VIC[6]	Dec 2010	47.8	7.25	**48.7**	-
Stockland Riverton, Riverton WA (50%)[7]	Jun 2010	47.0	7.50	**47.5**	47.0
Stockland Baldivis, Baldivis WA	Jun 2011	45.4	7.50	**45.4**	40.0
Shellharbour Retail Park, Shellharbour NSW	Dec 2009	43.5	8.25	**44.0**	43.5
Stockland Cammeray, Cammeray NSW	Dec 2010	29.8	7.50	**30.4**	29.3
North Shore Townsville, Townsville QLD[6]	Jun 2011	19.0	7.50	**19.0**	-
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jun 2011	15.9	8.75	**15.9**	17.6
Stockland Burleigh Central, Burleigh Heads QLD	Jun 2010	15.0	8.75	**15.2**	15.0
Adelaide Street Plaza, Fremantle WA	Jun 2010	13.3	8.75	**13.6**	13.3
Woolworths Toowong, Toowong QLD[8]	Dec 2010	13.2	n/a	**13.3**	13.2
Stockland Vincentia Shopping Centre, Vincentia NSW	Jun 2011	12.3	9.00	**12.3**	11.0
Stockland Merrylands Court, Merrylands NSW	Dec 2009	9.0	9.00	**8.9**	9.0
Townsville Kingsvale & Sunvale, Townsville QLD[8]	Jun 2011	5.5	n/a	**5.5**	5.3
Stockland Lilydale, Lilydale VIC[9]	Dec 2009	26.0	8.50	**-**	26.2
Total Retail				**4,482.1**	3,973.3

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 $5.6 million (2010: $5.6 million) of this property is not held by Stockland Trust.
3 Capital works are in progress. Fair value as at 30 June 2011 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2011. An independent valuation of the property will be undertaken upon completion of the works.
4 This property was acquired during the financial year.
5 This property was previously disclosed as two separate properties: Stockland Caloundra and Stockland South.
6 This property was transferred from inventories during the financial year.
7 Property held by associates and joint venture entities.
8 This property is valued as land.
9 Included in Non-current assets held for sale.

19 Non-current assets – Investment properties (continued)

(a) Commercial properties (continued)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	**Book value 30 June 2011[1] $M**	Book value 30 June 2010[1] $M
Office					
Piccadilly Complex, 133-145 Castlereagh Street, Sydney NSW[2, 3, 4]	Dec 2010	348.2	7.25-8.25	**351.7**	333.8
Waterfront Place, Eagle Street, Brisbane QLD (50%)[5]	Jun 2010	219.0	7.50	**218.2**	219.0
Riverside Plaza, 452 Flinders Street, Melbourne VIC	Jun 2011	182.0	7.50	**182.0**	159.7
Colonial Centre, 52 Martin Place, Sydney NSW (50%)[3, 5]	Dec 2009	167.5	7.13	**167.7**	167.6
9 Castlereagh Street, Sydney NSW	Dec 2009	157.0	7.25	**162.6**	159.9
Triniti Business Campus, North Ryde NSW	Dec 2009	156.2	7.75	**156.3**	156.3
Exchange Plaza, 2 The Esplanade, Perth WA (50%)[3, 5]	Jun 2011	150.0	7.75	**150.0**	136.3
Durack Centre, 263 Adelaide Terrace, Perth WA[3]	Dec 2010	140.5	7.75-8.25	**142.8**	133.4
135 King Street, Sydney NSW (50%)[2, 5]	Dec 2010	137.5	7.20	**138.2**	133.0
Optus Centre, Macquarie Park NSW (31%)[5]	Jun 2011	117.8	7.25	**117.8**	114.7
601 Pacific Highway, St Leonards NSW	Dec 2009	71.0	8.50	**71.8**	71.2
60-66 Waterloo Road, Macquarie Park NSW	Jun 2010	69.8	8.25-8.50	**69.0**	69.8
78 Waterloo Road, Macquarie Park NSW	Dec 2010	63.5	7.50	**64.3**	63.2
45 St Georges Terrace, Perth WA	Jun 2011	54.8	8.75	**54.8**	51.0
175-181 Castlereagh Street, Sydney NSW	Dec 2009	53.0	8.75	**54.4**	53.9
77 Pacific Highway, North Sydney NSW	Dec 2009	53.0	8.25	**52.7**	53.0
7 Macquarie Place, Sydney NSW (50%)[5]	Dec 2010	52.5	7.25	**52.6**	48.2
40 Cameron Avenue, Belconnen ACT[3]	Jun 2011	41.8	9.25	**41.8**	45.0
Macquarie Technology Centre, Macquarie Park NSW	Dec 2009	35.2	8.50-9.00	**38.1**	36.8
Garden Square, Mt Gravatt QLD	Dec 2010	37.6	9.00	**38.0**	37.3
16 Giffnock Avenue, Macquarie Park NSW	Jun 2011	33.0	8.90	**33.0**	32.3
255-267 St Georges Terrace, Perth WA	Dec 2010	23.5	9.31	**23.9**	22.8
110 Walker Street, North Sydney NSW	Dec 2009	23.0	8.50	**23.4**	23.1
118-120 Pacific Highway, St Leonards NSW	Dec 2010	20.0	9.00	**20.0**	22.5
80-88 Jephson Street, Toowong QLD	Jun 2010	17.5	9.25	**18.0**	17.5
23 High St, Toowong QLD	Dec 2009	4.2	8.00	**4.2**	4.2
27-29 High Street, Toowong QLD	Dec 2009	3.5	7.75	**3.6**	3.6
BankWest Tower, 108 St Georges Terrace, Perth WA (50%)[6]	Dec 2009	127.5	7.75	**-**	128.3
72 Christie Street, St Leonards NSW[7]	Jun 2009	60.0	8.00	**-**	60.0
Myuna Complex, Canberra ACT[6]	Jun 2010	47.1	9.50-10.00	**-**	47.1
1 Havelock Street, West Perth WA[7]	Dec 2009	30.5	9.25	**-**	31.2
150 Charlotte Street, Brisbane QLD[6]	Dec 2009	30.0	8.50	**-**	29.9
Total Office				**2,450.9**	2,665.6

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 Includes Retail.
3 This property is a leasehold property.
4 $3.2 million (2010: $3.0 million) of this property is not held by the Stockland Consolidated Group.
5 Property held by associates and joint venture entities.
6 Included in Non-current assets held for sale.
7 This property was disposed of during the financial year.

19 Non-current assets – Investment properties (continued)

(a) Commercial properties (continued)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	**Book value 30 June 2011[1] $M**	Book value 30 June 2010[1] $M
Industrial					
Yennora Distribution Centre, Yennora NSW	Jun 2010	330.1	8.00	**335.7**	330.1
Defence National Storage and Distribution Centre, Moorebank NSW (55%)[2]	Jun 2011	133.4	7.00	**133.4**	130.6
Brooklyn Estate, Brooklyn VIC	Jun 2011	82.8	9.00	**82.8**	73.9
Port Adelaide Distribution Centre, Port Adelaide SA	Dec 2010	82.4	9.50	**82.3**	77.1
Hendra Distribution Centre, Brisbane QLD	Dec 2010	81.5	9.00	**81.7**	80.5
9-11a Ferndell Street, Granville NSW	Dec 2010	44.9	9.50-10.25	**44.8**	48.0
1090-1124 Centre Road, Oakleigh VIC	Jun 2010	32.5	8.79	**33.8**	32.5
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Dec 2009	30.5	9.25-9.50	**31.0**	31.1
Altona Distribution Centre, Altona VIC	Dec 2009	19.9	9.50	**20.8**	20.0
11-25 Toll Drive, Altona North VIC	Dec 2009	17.3	8.75-9.00	**17.4**	17.4
2 Davis Road, Wetherill Park NSW	Dec 2009	16.2	9.75	**16.4**	16.3
32-54 Toll Drive, Altona VIC	Dec 2010	15.0	8.75	**15.8**	14.1
56-60 Toll Drive, Altona North VIC	Dec 2009	14.2	8.75-9.00	**15.2**	14.5
76-82 Fillo Drive, Somerton VIC	Dec 2009	13.7	9.25	**13.7**	13.7
Export Park, 9-13 Viola Place, Brisbane Airport QLD[3]	Dec 2009	11.3	9.80	**11.4**	11.3
M1 Yatala Enterprise Park, Yatala QLD	Dec 2009	10.3	n/a	**10.7**	10.5
40 Scanlon Drive, Epping VIC	Jun 2011	7.7	8.75	**7.7**	6.8
3676 Ipswich Road, Wacol QLD[3, 4, 5]	Dec 2009	29.8	8.75	**-**	29.9
Preston Industrial Estate, Prestons NSW[6]	Dec 2009	16.4	9.25	**-**	16.4
Total Industrial				**954.6**	974.7

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 Property held by associates and joint venture entities.
3 This property is a leasehold property.
4 Included in Non-current assets held for sale.
5 Part of this property was transferred to non-current assets held for sale during the financial year with the residual being transferred to sundry properties.
6 This property was disposed of during the financial year.

Fair values

Directors' valuations have been undertaken as at 30 June 2011 for all properties (including properties classified as Non-current assets held for sale) when determining fair value. In arriving at fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property and movement in market values. These valuations are also considered by the Directors when determining fair value.

For investment properties under construction, fair value as at 30 June 2011 has been assessed by the Directors with reference to estimates of future cash flows, status of the development and the associated risk profile. An independent valuation of the property will be undertaken upon completion of the works.

19 Non-current assets – Investment properties (continued)

(b) Retirement Living Communities

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Fair value of DMF	**710.6**	325.4		
Capital value	**2,277.7**	1,187.0	**-**	-
	2,988.3	1,512.4	**-**	-
Less amounts classified as:				
Accrued DMF offset in resident obligations[1]	**(492.5)**	(211.8)	**-**	-
Net consolidated investment properties[2]	**2,495.8**	1,300.6	**-**	-
Gross investment property reconciliation				
Carrying amount at the beginning of the financial year	**1,512.4**	1,234.3	**-**	-
Application of amendment to AASB 140 effective 1 July 2009	**-**	125.9	**-**	-
Acquisitions through business combination[3]	**1,227.8**	-	**-**	-
Expenditure capitalised	**138.1**	74.9	**-**	-
Transfers to assets classified as held for sale, net	**-**	(10.3)	**-**	-
Net profit from fair value adjustment of investment properties	**146.0**	101.2	**-**	-
Deferred management fees collected on Retirement Living Community contracts	**(36.0)**	(13.6)	**-**	-
Carrying amount at the end of the financial year	**2,988.3**	1,512.4	**-**	-

1 A change in classification has been made in the current year whereby accrued DMF, relating to current residents, is disclosed as an offset against the Retirement Living Resident Obligation in the Balance Sheet to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification. Refer to Note 43.

2 Net of accrued DMF offset against the Retirement Living Resident Obligation in the Balance Sheet. Refer to Note 43(a).

3 This balance includes the Retirement Living Communities acquired through business combinations of $977.5 million and the accrued DMF of $250.3 million. The accrued DMF is included as an offset to the Retirement Living Resident Obligation in the acquisition Balance Sheet.

Fair values

Directors' valuations have been undertaken as at 30 June 2011 for all properties (including properties classified as Non-current assets held for sale) when determining fair value. In arriving at fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows taking into consideration the market value of units; growth rates; forecast resident turnovers; current and future DMF contract terms and capital expenditure forecasts, as well as recent prices for similar properties.

As at 30 June 2011, independent valuations were commissioned for each completed village. The Directors' valuations adopted the independent valuer's growth rate, discount rate and average length of stay assumptions, and used the independent valuations as corroborating evidence to support the fair value recognised at 30 June 2011.

For investment properties under construction, fair value as at 30 June 2011 has been assessed by the Directors with reference to estimates of future cash flows, status of the development and the associated risk profile. An independent valuation of the property will be undertaken upon completion of the works.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

20 Non-current assets – Other financial assets

Investments in other entities

	2011 $M	2010 $M	**2011 $M**	2010 $M
Units in unlisted entities	**26.4**	32.5	**25.9**	31.9
Securities in listed entities	**121.0**	137.6	**-**	-
	147.4	170.1	**25.9**	31.9

21 Non-current assets – Property, plant and equipment

Stockland Consolidated Group

	Aged Care properties $M	Owner-occupied property $M	Retirement Living Communities $M	Leasehold improvements, plant and equipment $M	Total $M
Cost					
Balance as at 1 July 2009	-	96.2	125.9	64.2	286.3
Application of amendment to AASB 140 effective 1 July 2009	-	-	(125.9)	-	(125.9)
Additions	-	-	-	3.3	3.3
Disposals	-	-	-	(5.6)	(5.6)
Effects of movements in exchange rates	-	-	-	(0.4)	(0.4)
Balance as at 30 June 2010	-	96.2	-	61.5	157.7
Balance as at 1 July 2010	**-**	**96.2**	**-**	**61.5**	**157.7**
Acquisition through business combination	**84.4**	-	-	**3.0**	**87.4**
Additions	**-**	-	-	**18.4**	**18.4**
Disposals	**-**	-	-	**(6.2)**	**(6.2)**
Effects of movements in exchange rates	**-**	-	-	**(0.4)**	**(0.4)**
Balance as at 30 June 2011	**84.4**	**96.2**	-	**76.3**	**256.9**
Depreciation and impairment losses					
Balance as at 1 July 2009	-	3.7	-	23.2	26.9
Depreciation charge for the year	-	4.0	-	9.3	13.3
Disposals	-	-	-	(5.6)	(5.6)
Effects of movements in exchange rates	-	-	-	(0.3)	(0.3)
Balance as at 30 June 2010	-	7.7	-	26.6	34.3
Balance as at 1 July 2010	**-**	**7.7**	**-**	**26.6**	**34.3**
Depreciation charge for the year	**0.9**	**3.4**	**-**	**10.4**	**14.7**
Disposals	**-**	**-**	**-**	**(6.0)**	**(6.0)**
Effects of movements in exchange rates	**-**	**-**	**-**	**0.3**	**0.3**
Balance as at 30 June 2011	**0.9**	**11.1**	**-**	**31.3**	**43.3**
Carrying amounts					
As at 30 June 2010	-	88.5	-	34.9	123.4
As at 30 June 2011	**83.5**	**85.1**	**-**	**45.0**	**213.6**

Stockland Trust Group

There is no property, plant or equipment held in Stockland Trust Group.

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M

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

	Notes	Consolidated 2011 $M	Consolidated 2010 $M	Trust 2011 $M	Trust 2010 $M
Shares in associates	44	**254.9**	250.5	**251.2**	245.5
Interests in joint venture entities	45	**840.1**	793.8	**783.2**	757.8
		1,095.0	1,044.3	**1,034.4**	1,003.3

23 Non-current assets – Intangible assets

Goodwill

	Consolidated 2011 $M	Consolidated 2010 $M	Trust 2011 $M	Trust 2010 $M
Opening carrying amount	**108.4**	108.4	**-**	-
Acquisition through business combinations	**8.2**	-	**-**	-
Impairment	**-**	-	**-**	-
Closing carrying amount	**116.6**	108.4	**-**	-

All goodwill is allocated to the Retirement Living Communities cash generating unit.

Goodwill is tested for impairment annually, or more frequently if there are indicators of impairment. No impairment loss has been recognised in the financial year (2010: $Nil).

The Retirement Living Communities goodwill arose on the acquisition of the retirement living division of Australian Retirement Communities on 28 February 2007, the acquisition of the Rylands retirement living business on 17 July 2008 and the current year acquisition of Aevum on 31 October 2010.

The goodwill impairment test is based upon the value in use method. This involves using cash flow projections for future Retirement Living Community developments based on formal budgets approved by management covering a seven year period (and associated DMF creation) at a discount rate of 16.0% (2010: 16.0%). Deferred repayment contract conversion cash flows are discounted over their forecast maturity at 12.8% (2010: 12.6%). Cash flows beyond the seven year period have been determined by applying a steady 4.0% p.a. (2010: 3.7% p.a.) capital growth rate assumption for future Retirement Living Communities once complete and projecting the costs and selling price for retirement living communities in the development pipeline. This growth rate does not exceed the long-term average rate for the Australian retirement living property market. Management believe that due to the long-term nature of Retirement Living Communities and the ability to manage assets over that extended period, it is reasonable to use a cash flow period of greater than five years.

24 Non-current assets – Other assets

	Consolidated 2011 $M	Consolidated 2010 $M	Trust 2011 $M	Trust 2010 $M
Lease incentives (net of amortisation)	**89.6**	74.7	**96.5**	83.1
Lease fees (net of amortisation)	**13.7**	12.9	**13.9**	13.3
Derivatives that do not qualify as effective under hedge accounting rules[1]	**130.4**	174.5	**131.7**	174.5
Derivatives that do qualify as effective under hedge accounting rules[1]	**-**	74.2	**-**	74.2
	233.7	336.3	**242.1**	345.1

[1] Refer to Note 47(b) for details.

	Note	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M

25 Current liabilities – Trade and other payables

	Note	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Trade payables and accruals		**333.1**	275.1	**140.7**	126.0
Trade payables – land purchases		**80.7**	77.6	**-**	-
Goods and services tax ("GST") payable		**24.4**	22.7	**1.0**	-
		438.2	375.4	**141.7**	126.0

26 Current liabilities – Interest-bearing loans and borrowings

	Note	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Unsecured					
Domestic medium term notes		**-**	253.7	**-**	253.7
Foreign medium term notes		**19.7**	-	**19.7**	-
Secured					
Bank facilities		**-**	0.4	**-**	-
		19.7	254.1	**19.7**	253.7

Details of the weighted average effective interest rate on the domestic medium term notes and bank facilities are set out in Note 30.

27 Current liabilities – Provisions

	Note	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Employee benefits	33	**10.3**	9.9	**-**	-
Development costs[1]		**112.8**	118.4	**18.0**	22.2
Other		**1.7**	2.3	**1.6**	0.6
		124.8	130.6	**19.6**	22.8

[1] For the Stockland Consolidated Group, the provision for development costs relates to incurred future costs associated with and allocated to land lots, primarily within Residential Communities.

(a) Movement in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Stockland Consolidated Group Development costs $M	Stockland Consolidated Group Other $M	Stockland Trust Group Development costs $M	Stockland Trust Group Other $M
Carrying amount at the beginning of the financial year	**118.4**	**2.3**	**22.2**	**0.6**
Charge/(credited) to the Statement of Comprehensive Income:				
- additional provisions recognised	**108.0**	**0.3**	**9.8**	**1.0**
- unused amounts reversed	**(3.6)**	**-**	**(0.8)**	**-**
Amounts used during the financial year	**(110.0)**	**(0.9)**	**(13.2)**	**-**
Carrying amount at the end of the financial year	**112.8**	**1.7**	**18.0**	**1.6**

		Stockland Consolidated Group		Stockland Trust Group	
		2011	2010	**2011**	2010
	Note	**$M**	$M	**$M**	$M

28 Current liabilities – Other liabilities

Dividends and distributions payable[1]	37	**283.4**	257.1	**283.4**	257.1
Rents in advance		**17.9**	18.0	**17.9**	18.0
Liability in respect of transfer of investment and equity derivative contracts[2]		**-**	252.0	**-**	252.0
Derivatives that do qualify as effective under hedge accounting rules[3]		**12.3**	-	**12.3**	-
Derivatives that do not qualify as effective under hedge accounting rules[3]		**0.5**	1.5	**17.4**	1.5
Other		**-**	6.1	**-**	-
		314.1	534.7	**331.0**	528.6

[1] Dividends and distributions disclosed in Note 37 includes $0.2 million (2010: $0.2 million) in relation to dividends and distributions payable on ESS and ISP securities not vested or refinanced.

[2] Of the prior year balance of $252.0 million, $368.4 million related to cash received on transfer of an investment which did not qualify for derecognition under Accounting Standards. The balance was offset by $81.3 million of cash on deposit with the counterparty of the associated equity derivative contracts. The remaining balance of $35.1 million asset related to the fair value of a number of equity derivative contracts held over the underlying investment.

On 27 October 2010, Stockland exited its 13.1% exposure to GPT by extinguishing the off-balance sheet equity derivative structure. As a result, the liability in respect of investment and equity derivative contracts is $Nil as at 30 June 2011.

[3] Refer to Note 47(b) for details.

29 Non-current liabilities – Other payables

Other payables – land purchases	**121.5**	102.2	**-**	-
Other	**2.4**	2.3	**-**	-
	123.9	104.5	**-**	-

30 Non-current liabilities – Interest-bearing loans and borrowings

Unsecured				
Domestic medium term notes	**689.1**	448.8	**689.1**	448.8
Foreign medium term notes[1]	**1,698.6**	2,121.0	**1,698.6**	2,121.0
	2,387.7	2,569.8	**2,387.7**	2,569.8
Secured				
Bank facilities[2]	**-**	5.6	**-**	-
	2,387.7	2,575.4	**2,387.7**	2,569.8

[1] The above movement in foreign medium term notes is due to the change in fair value in accordance with AASB 139. No foreign term notes were repurchased/issued during the financial year.

[2] The facility was repaid on 26 January 2011. The carrying amount of assets pledged as security for interest-bearing secured facilities is $Nil (2010: $8.1 million)

(a) Financing arrangements (current and non-current interest-bearing loans and borrowings)

Bank facilities

Stockland Consolidated Group

The bank facilities are multi-use facilities which may be used partially for bank guarantees and commercial paper support. Bank facilities are carried at amortised cost.

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

(a) Financing arrangements (current and non-current interest-bearing loans and borrowings) (continued)

Bank facilities (continued)

Stockland Consolidated Group (continued)

Details of maturity dates and security for facilities are set out below:

Facility limit 2011 $M	Facility limit 2010 $M	Security	Maturity date	Utilised 2011 $M	Utilised 2010 $M
-	200.0	Unsecured	November 2010	**-**	-
-	200.0	Unsecured	February 2011	**-**	-
-	600.0	Unsecured	July 2011	**-**	-
-	200.0	Unsecured	August 2011	**-**	-
-	6.0	Secured	November 2014	**-**	6.0[1]
275.0	-	Unsecured	November 2014	**-**	-
300.0	-	Unsecured	November 2015	**-**	-
175.0	-	Unsecured	December 2015	**-**	-
750.0[2]	1,206.0[2]			**-**	6.0[1]

[1] Of this balance, $Nil (2010: $0.4 million) is included in Note 26.
[2] Includes bank guarantee facility of $300.0 million (2010: $795.0 million), of which $292.1 million (2010: $186.2 million) has been utilised. Refer to Note 39.

Stockland Trust Group

Details of maturity dates and security for facilities are set out below:

Facility limit 2011 $M	Facility limit 2010 $M	Security	Maturity date	Utilised 2011 $M	Utilised 2010 $M
-	200.0	Unsecured	November 2010	**-**	-
-	200.0	Unsecured	February 2011	**-**	-
-	600.0	Unsecured	July 2011	**-**	-
-	200.0	Unsecured	August 2011	**-**	-
275.0	-	Unsecured	November 2014	**-**	-
300.0	-	Unsecured	November 2015	**-**	-
175.0	-	Unsecured	December 2015	**-**	-
750.0[1]	1,200.0[1]			**-**	-

[1] Includes bank guarantee facility of $300.0 million (2010: $795.0 million), of which $292.1 million (2010: $186.2 million) has been utilised. Refer to Note 39.

Domestic medium term notes

Stockland Consolidated Group and Stockland Trust Group

During the financial year, Stockland repurchased medium term notes from the domestic private placement market. The total face value of these notes was $230.6 million comprising of $164.1 million and $66.5 million due to mature in June 2011 and May 2013 respectively. Stockland also issued $150.0 million and $160.0 million in the domestic private placement market which mature in July 2016 and November 2020 respectively. In June 2011, $91.5 million of maturing medium term notes were repaid.

During the prior financial year, Stockland repurchased medium term notes from the domestic private placement market. The face value of these notes was $188.8 million due to mature in June 2011. During the prior financial year, Stockland also issued $300.0 million in the domestic private placement market which is due to mature in February 2015.

Medium term notes have been issued at either face value, or at a discount or premium to face value. The discount or premium is amortised to finance costs over the term of the notes. The medium term notes are issued on either fixed or floating interest rate terms.

The fair value of the notes as at 30 June 2011 is $718.0 million (2010: $711.5 million).

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

(a) Financing arrangements (current and non-current interest-bearing loans and borrowings) (continued)

Domestic medium term notes (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	Fixed rate coupon	Floating rate coupon[1]	2011 $M	2010 $M
June 2011	**6.25%**	**0.50%**	**-**	255.6
May 2013	**6.00%**	**0.91%**	**83.5**	150.0
February 2015	**8.50%**	**-**	**300.0**	300.0
July 2016	**7.50%**	**-**	**150.0**	-
November 2020	**8.25%**	**-**	**160.0**	-
Total			**693.5**	705.6
Less: attributable transaction costs			**(4.4)**	(3.1)
Total Balance Sheet carrying amount at amortised cost			**689.1**	702.5

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2011 was 5.03% (2010: 4.90%).

Foreign medium term notes

Stockland Consolidated Group and Stockland Trust Group

UK private placement

During the 2007 financial year, Stockland issued medium term notes with a face value of $619.3 million (GBP 250.0 million) into the UK private placement market. All notes were issued at a fixed coupon payable in GBP and converted back to AUD floating coupons through cross currency principal and interest rate swaps ("CCIRS").

The fair value of the notes as at 30 June 2011 is $404.2 million (2010: $482.4 million). The notes mature in October 2013.

Details of the foreign medium term notes on issue in the UK private placement market are set out below:

Maturity date	Fixed rate coupon	Floating CCIRS[1]	2011 $M	2010 $M
October 2013	**5.63%**	**0.63%**	**404.2**	482.4
Less: attributable transaction costs			**(0.3)**	(0.4)
Total Balance Sheet carrying amount			**403.9**	482.0

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2011 was 5.03% (2010: 4.90%).

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

(a) Financing arrangements (current and non-current interest-bearing loans and borrowings) (continued)

Foreign medium term notes (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

US private placement

During prior years, Stockland issued USD 1,125.0 million of notes in the US private placement market.

All notes were issued at a fixed coupon in USD and converted back to AUD 1,406.8 million (2010: AUD 1,406.8 million) and GBP 53.7 million (2010: GBP 53.7 million) floating coupons through cross currency interest rate swaps. During the financial year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules which has resulted in these notes no longer being carried at fair value but at amortised cost.

These notes had a face value of AUD 1,487.3 million as at 30 June 2011 (2010: AUD 1,501.5 million).

The fair value of the notes as at 30 June 2011 is $1,218.5 million (2010: $1,508.4 million).

Details of the foreign medium term notes on issue in the US private placement market and the CCIRS are set out below:

			Face value[1]		Balance Sheet carrying amount	
Maturity date	**Fixed rate coupon**	**Floating CCIRS[2]**	**2011 $M**	2010 $M	**2011 $M**	2010 $M
October 2011	**5.10%**	**0.59% - 0.46%**	**32.1**	32.1	**19.7[3]**	25.7
July 2012	**4.68%**	**0.57% - 0.55%**	**51.4**	51.4	**38.5**	49.4
October 2012	**5.42%**	**0.79%**	**45.8**	45.8	**29.4**	37.9
July 2013	**4.79%**	**0.65% - 0.63%**	**51.4**	51.4	**39.6**	50.5
July 2014	**4.89%**	**0.71% - 0.70%**	**28.3**	28.3	**22.1**	28.0
June 2015	**5.81%**	**0.39%**	**74.7**	74.7	**67.1**	84.1
July 2015	**4.99%**	**0.78% - 0.77%**	**64.3**	64.3	**49.2**	62.0
October 2015	**5.72%**	**0.70% - 0.60%**	**99.2**	99.2	**68.4**	86.7
July 2016	**5.04%**	**0.79% - 0.78%**	**61.7**	61.7	**47.1**	59.2
October 2016	**5.87%**	**0.76%**	**27.5**	27.5	**19.2**	24.3
June 2017	**5.93%**	**0.48%[1], 0.41%[4]**	**162.2**	176.4	**192.7**	239.9
October 2017	**5.96%**	**0.76%**	**61.1**	61.1	**43.0**	54.7
June 2018	**5.98%**	**0.25%**	**250.0**	250.0	**161.6**	202.5
October 2018	**6.01%**	**0.73% - 0.65%**	**268.7**	268.7	**190.3**	243.0
July 2019	**5.19%**	**0.85% - 0.83%**	**70.7**	70.7	**54.2**	67.9
July 2020	**5.24%**	**0.87% - 0.86%**	**90.0**	90.0	**70.1**	87.5
June 2022	**6.15%**	**1.00%**	**27.7**	27.7	**33.0**	40.3
June 2027	**6.28%**	**0.87%**	**20.5**	20.5	**26.5**	31.9
Total			**1,487.3**	1,501.5	**1,171.7**	1,475.5
Less: attributable transaction costs					**(3.4)**	(4.1)
Total Balance Sheet carrying amount					**1,168.3**	1,471.4

1 Face value of the notes in Australian dollars after the effect of the CCIRSs.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2011 was 5.03% (2010: 4.90%).
3 Classified as a current liability in Note 26.
4 Variable interest rate margin above the 90 day Libor rate. The 90 day Libor rate as at 30 June 2011 was 0.83% (2010: 0.73%).

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

(a) Financing arrangements (current and non-current interest-bearing loans and borrowings) (continued)

Foreign medium term notes (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

Asian private placement

During the 2006 financial year, Stockland issued medium term notes with a face value of $151.3 million (JPY 13,000 million) into the Asian private placement market.

All notes were issued at a fixed coupon payable in USD and converted back to AUD floating coupons through a cross currency principal and interest rate swap. In a prior year, the cross currency interest rate swap no longer qualified as effective under hedge accounting rules which has resulted in the notes no longer being carried at fair value but at amortised cost.

The fair value of the notes as at 30 June 2011 is $126.0 million (2010: $158.2 million). The notes mature in August 2035.

Details of the foreign medium term notes on issue in the Asian private placement market are set out below:

Maturity date	Fixed rate coupon	Floating CCIRS[1]	2011 $M	2010 $M
August 2035	**3.99%**	**0.80%**	**146.5**	168.0
Less: attributable transaction costs			**(0.4)**	(0.4)
Total Balance Sheet carrying amount			**146.1**	167.6

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2011 was 5.03% (2010: 4.90%).

Derivatives

Stockland Consolidated Group and Stockland Trust Group

Stockland has entered into cross currency principal and interest rate swaps over its foreign currency loans and borrowings. Refer to Note 47 for details.

31 Deferred tax assets and liabilities

Stockland Consolidated Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 $M	2010 $M	**2011 $M**	2010 $M	**2011 $M**	2010 $M
Trade and other receivables	**0.3**	-	**-**	(1.6)	**0.3**	(1.6)
Inventories	**91.5**	111.0	**(159.9)**	(163.7)	**(68.4)**	(52.7)
Other assets	**1.6**	2.5	**(4.7)**	-	**(3.1)**	2.5
Investment properties	**16.5**	14.0	**(148.1)**	(111.4)	**(131.6)**	(97.4)
Property, plant and equipment	**-**	0.1	**(0.2)**	(0.8)	**(0.2)**	(0.7)
Other financial assets	**3.4**	6.7	**(2.2)**	-	**1.2**	6.7
Trade and other payables	**17.1**	19.4	**-**	-	**17.1**	19.4
Retirement Living resident obligations	**39.0**	36.5	**-**	-	**39.0**	36.5
Interest-bearing loans and borrowings	**-**	0.4	**(28.6)**	-	**(28.6)**	0.4
Provisions	**11.2**	4.7	**-**	-	**11.2**	4.7
Reserves	**5.7**	5.3	**-**	-	**5.7**	5.3
Tax losses carried forward	**102.1**	95.2	**-**	-	**102.1**	95.2
Tax assets/(liabilities)	**288.4**	295.8	**(343.7)**	(277.5)	**(55.3)**	18.3
Set-off of tax balances	**(288.4)**	(277.5)	**288.4**	277.5	**-**	-
Net tax assets/(liabilities)	**-**	18.3	**(55.3)**	-	**(55.3)**	18.3

The group has $31.2 million (2010: $41.7 million) of unrecognised deferred tax assets relating to the UK. This balance consists of $2.7 million (2010: $3.1 million) of capital losses and $28.5 million (2010: $38.6 million) of trading losses.

Movement in temporary differences during the financial year

	Balance 1 July $M	Recognised as income (expense)/ benefit $M	Current year tax loss recognised $M	Recognised directly in equity $M	Acquired through business combination $M	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2011							
Trade and other receivables	**(1.6)**	**1.9**	**-**	**-**	**-**	**-**	**0.3**
Inventories	**(52.7)**	**(15.7)**	**-**	**-**	**-**	**-**	**(68.4)**
Other assets	**2.5**	**(5.6)**	**-**	**-**	**-**	**-**	**(3.1)**
Investment properties	**(97.4)**	**(29.7)**	**-**	**-**	**(4.5)**	**-**	**(131.6)**
Property, plant and equipment	**(0.7)**	**0.5**	**-**	**-**	**-**	**-**	**(0.2)**
Other financial assets	**6.7**	**(3.3)**	**-**	**-**	**(2.2)**[1]	**-**	**1.2**
Trade and other payables	**19.4**	**(2.3)**	**-**	**-**	**-**	**-**	**17.1**
Retirement Living resident obligations	**36.5**	**2.5**	**-**	**-**	**-**	**-**	**39.0**
Interest-bearing loans and borrowings	**0.4**	**(29.0)**	**-**	**-**	**-**	**-**	**(28.6)**
Provisions	**4.7**	**6.5**	**-**	**-**	**-**	**-**	**11.2**
Reserves	**5.3**	**0.4**	**-**	**-**	**-**	**-**	**5.7**
Tax losses carried forward	**95.2**	**-**	**27.3**	**(20.0)**	**-**	**(0.4)**	**102.1**
	18.3	**(73.8)**	**27.3**	**(20.0)**	**(6.7)**	**(0.4)**	**(55.3)**

[1] Relates to elimination of deferred tax balance relating to Aevum Limited shares held prior to Aevum Limited acquisition.

31 Deferred tax assets and liabilities (continued)

Stockland Consolidated Group (continued)

Movement in temporary differences during the financial year (continued)

	Balance 1 July $M	Recognised as income (expense)/ benefit $M	Current year tax loss recognised $M	Recognised in equity $M	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2010						
Trade and other receivables	(1.6)	-	-	-	-	(1.6)
Inventories	(35.9)	(16.5)	-	(0.3)	-	(52.7)
Other assets	3.4	(0.9)	-	-	-	2.5
Investment properties	(138.0)	(22.9)	-	-	-	(160.9)
Property, plant and equipment	(4.1)	3.4	-	-	-	(0.7)
Other financial assets	20.4	(13.7)	-	-	-	6.7
Trade and other payables	15.7	4.2	-	(0.5)	-	19.4
Retirement Living resident obligations	88.7	11.3	-	-	-	100.0
Interest-bearing loans and borrowings	0.6	(0.1)	-	(0.1)	-	0.4
Provisions	5.3	(0.6)	-	-	-	4.7
Reserves	2.9	2.4	-	-	-	5.3
Tax losses carried forward	83.8	-	13.7	-	(2.3)	95.2
	41.2	(33.4)	13.7	(0.9)	(2.3)	18.3

Stockland Trust Group

There are no deferred tax assets or liabilities in the Stockland Trust Group.

	Note	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
32 Non-current liabilities – Provisions					
Contingent settlement provision under share-based payments[1]		**-**	1.5	**-**	-
Employee benefits	33	**3.8**	2.5	**-**	-
Other		**0.5**	0.7	**-**	-
		4.3	4.7	**-**	-

[1] In the previous financial year, Stockland Corporation Limited had guaranteed loans provided by a financial institution to Key Management Personnel ("KMP") (excluding Executive Directors) and other Executives for a period of up to three years and ninety days from the date of the loan. The guarantee was for the shortfall, if any, between the value of the loan and the market value of the securities that the loan supported. The guarantee ended ninety days after the borrower ceased to be an employee of Stockland or a related entity. The value of the guarantee, being the shortfall, if any, between the value of the loan and the market value of the securities that the loan supported, had been recorded as a contingent settlement provision.

		Stockland Consolidated Group		Stockland Trust Group	
		2011	2010	**2011**	2010
	Notes	**$M**	$M	**$M**	$M

33 Employee benefits

Aggregate liability for employee benefits, including on-costs					
Liability for employee benefits – Current	27	**10.3**	9.9	**-**	-
Liability for employee benefits – Non-current	32	**3.8**	2.5	**-**	-
		14.1	12.4	**-**	-
Number of full-time equivalent employees at year end		**1,284**	1,321	**-**	-

Stockland Consolidated Group

Superannuation contributions

Stockland contributes to several defined contribution funds in accordance with the superannuation guarantee legislation and choice of fund legislation. Stockland and the employees make contributions based on various percentages of gross salaries. Employees are entitled to benefits on retirement.

Long-term Incentive Plans

Tax Exempt Employee Security Plan ("$1,000 plan")

The $1,000 plan was approved by securityholders in October 2006. Under this plan eligible employees may be granted Stockland securities to a maximum value of $1,000. Offers will be made in August each financial year, if approved by the Board dependent upon the performance of Stockland over the previous twelve months. Such offers recognise the contribution of employees to Stockland's performance and provide a link to growth in long-term securityholder value.

The plan meets the requirements of the Australian tax legislation in that it includes a holding lock of three years if the employee remains with Stockland and no forfeiture provisions (participants keep the securities and the holding lock lifts when they leave).

Certain employees may incur income tax on these allocations.

The plan is subject to tax for UK participants. The decision to meet the cost of the tax impost by Stockland is reviewed annually. Stockland has chosen not to meet the cost in 2010 and 2011.

Performance Rights Plan ("PRP")

The PRP was approved by securityholders in October 2006. The first allocation was made in April 2007. Under the PRP, employees have the right to acquire Stockland securities at nil consideration when certain performance conditions are met. Each grant will comprise two equal tranches, each of which vest based on separate performance hurdles (being earnings per security ("EPS") growth and relative total securityholder return ("TSR")) and has a three year vesting period. Eligibility is by invitation of the Board and is reviewed annually.

The number of rights granted to employees pursuant to the plan for the year ended 30 June 2011 was 10,602,716 (2010: 11,627,393).

Under AASB 2, the PRP rights are options with performance conditions. The fair value of the rights is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the rights are subject to performance and/or service conditions.

The PRP operated in the same manner for Senior Executives as it did for Executive Directors, with the exception that any allotments were approved by the Human Resources Committee and did not require the passing of a resolution at an annual general meeting.

33 Employee benefits (continued)

Stockland Consolidated Group (continued)

Long-term Incentive Plans (continued)

Incentive Share Plan ("ISP")

The ISP was approved by securityholders in October 2004. As a consequence of the creation of the PRP, no further grants have been made under this plan following the August 2006 grant.

Under the previous tax regime, it was cost effective for Stockland to operate the ISP via a loan plan, such that employees acquire securities funded via a limited recourse loan provided by Stockland. The issue price of all securities was based on the volume weighted average price at which stapled securities were traded on the ASX during the five trading days up to and including the last trading day before the date of issue. All grants under the ISP had been funded by interest-free loans provided by Stockland for a maximum of five years. Dividends and distributions paid (net of tax) on ISP securities were applied against the loan balance. The outstanding value of the loan was limited to the market value of the securities.

Under the ISP rules, a proportion of the loan for the securities may have been waived if certain performance conditions were met over a three year period and if continuous service was rendered over three years.

Outstanding loans to participants as at 30 June 2011 amounted to $Nil (2010: $70,499).

Executive Share Scheme ("ESS")

Prior to the approval of the ISP in 2004, employees participated in the ESS. Senior employees below Executive continued to participate until 2006. Participants were invited to acquire a specific number of securities at a discount to the market price.

As a consequence of the creation of the PRP, no further grants have been made under this plan following the August 2006 grant. As with the ISP, it was cost effective for Stockland to operate the ESS via a loan plan, such that participating employees acquired securities funded via a limited recourse loan provided by Stockland. All grants under the ESS had been funded by loans provided by Stockland for a maximum term of five years. Interest charged on the loans was equivalent to the dividends and distributions received annually on the securities. The outstanding value of the loan was limited to the market value of the securities.

Outstanding loans to participants as at 30 June 2011 amounted to $10,030,765 (2010: $15,117,665). This scheme will expire in August 2011.

Transition arrangement: moving from ESS to $1,000 plan

In July 2007, employees who transitioned from the ESS to the $1,000 plan were advised of an additional arrangement that applied to them. These employees are entitled to a conditional cash payment in September 2009 and September 2011, reflecting the growth in the price of Stockland securities from 30 August 2007 to 30 August 2009 and from 30 August 2008 to 30 August 2011 respectively.

These cash payments are calculated based on the number of securities issued to each employee under the ESS in August 2006. The employees concerned will receive each payment only if they are still employed by Stockland at the date of payment. The first of these payments was $Nil and the second payment is likely to be $Nil.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement "ESS retention incentive" for employees who retained fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans provided by Stockland and subsequently refinanced by the individuals with bank loan facilities. As at 30 June 2011, the arrangement applied to 8 employees.

The ESS retention incentive operates by Stockland placing cash on interest-bearing deposit with the relevant bank to provide support necessary for the loan, in addition to the loan security already provided by the employee. The cash balance placed on deposit by Stockland is sufficient to preclude loan repayments which would otherwise have been necessary due to the decline in the share price below $3.50 (the "minimum price"). The cash on deposit remains a Stockland asset. On average, $2.0 million has been on deposit for this arrangement during the financial year.

33 Employee benefits (continued)

Stockland Consolidated Group (continued)

Long-term Incentive Plans (continued)

ESS retention incentive (continued)

In addition, the ESS retention incentive provides a benefit to the employees, except Executive Directors by underwriting any losses on sale of securities below the minimum price so long as they remain with Stockland for up to three years from the date it was implemented. If a participant resigns within three years, some or all of any benefit paid out under the arrangement will be repayable to Stockland: 100% if they resign in the first year, 67% if they resign in the second year and 33% if they resign in the third year.

For accounting purposes, the arrangement has been valued as a put option over Stockland securities. The fair value is recalculated at each reporting date.

Calculation of fair value of rights granted under share plans

The fair values of the rights granted under the PRP during the current and prior years have been measured using a Monte Carlo Simulation (TSR hurdle) and the Black-Scholes options pricing model (EPS hurdle).

Assumptions made in determining the fair value of rights granted under the share plans are detailed below.

Performance Rights Plan

	2011		2010	
	Grant at 20 October 2010	**Grant at 31 August 2010**	Grant at 9 February 2010	Grant at 20 October 2009
Fair value of rights granted under plan	**$1.75**	**$1.75**	$1.90	$1.92
Spot price of the Stapled Securities at grant date	**$3.89**	**$3.90**	$3.88	$4.07
Exercise price	**$Nil**	**$Nil**	$Nil	$Nil
Volatility of security price[1]	**40.0%**	**40.0%**	40.0%	40.0%
Distribution yield	**7.3%**	**6.9%**	6.4%	6.3%
Risk-free rate at grant date	**5.0%**	**4.4%**	4.8%	5.3%
Expected remaining life at grant date	**2.7 years**	**2.8 years**	2.4 years	2.7 years
Volatility of Index price[1]	**30.0%**	**30.0%**	30.0%	30.0%
Correlation (Stockland and the Index)[2]	**77.0%**	**77.0%**	76.0%	76.0%

[1] The volatility is based on the historic volatility of the security adjusted for any expected changes to future volatility due to publicly available information.

[2] Represents the estimated correlation of Stockland's TSR and the TSR of the ASX 200 Property Trust Accumulation Index (excluding Stockland).

33 Employee benefits (continued)

Stockland Consolidated Group (continued)

Long-term Incentive Plans (continued)

Movement in rights/securities under PRP, ISP and ESS during the financial year

The number and weighted average fair value of rights/securities under share plans is as follows:

	Weighted average price per right/security		Number of rights/securities under PRP/ISP/ESS	
	2011	2010	**2011**	2010
	$	$		
Rights/securities outstanding at the beginning of the year	**2.58**	3.64	**20,536,261**	14,319,051
Rights granted during the year	**1.75**	1.92	**10,602,716**	11,627,393
Rights/securities forfeited and lapsed during the year	**1.00**	2.80	**(6,333,432)**	(3,439,865)
Securities exercised during the year	**3.54**	3.17	**(1,136,000)**	(1,111,000)
Rights converted to Stockland stapled securities	**3.80**	3.35	**(1,430,029)**	(859,318)
Rights/securities outstanding at the end of the year	**2.16**	2.58	**22,239,516**	20,536,261

Rights under PRP

The PRP rights outstanding as at 30 June 2011 have fair values ranging from $1.73 to $2.04 (2010: $1.73 to $2.04) per right and a weighted average restricted period remaining of 1.2 years (2010: 1.4 years).

As at 30 June 2011, 2,316,646 rights vested (2010: 1,430,029). The weighted average fair value of the rights which vested during the financial year was $1.80 per right (2010: $3.78 per right).

During the financial year, 1,430,029 rights converted to Stockland stapled securities, after vesting was determined during the prior year (2010: 859,318).

Securities under ISP and ESS

There are no ISP securities outstanding as at 30 June 2011 (2010: outstanding ISP securities had a fair value of $3.09). The ESS securities outstanding as at 30 June 2011 have fair values ranging from $0.32 to $0.65 (2010: $0.32 to $0.65). As all ISP and ESS securities vested in previous financial years, there is no weighted average restricted period remaining as at 30 June 2011 (2010: nil years).

The weighted average fair value of the ISP and ESS securities which were exercised during the financial year was $3.53 per security (2010: $3.65).

Stockland Trust Group

There are no employees or employee benefits in the Stockland Trust Group.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
34 Non-current liabilities – Other liabilities				
Derivatives that do qualify as effective under hedge accounting rules[1]	**367.9**	172.2	**367.9**	172.2
Derivatives that do not qualify as effective under hedge accounting rules[1]	**306.7**	226.9	**306.7**	226.9
Other liabilities	**-**	14.9	**-**	1.2
	674.6	414.0	**674.6**	400.3

[1] Refer to Note 47(b) for details.

	Stockland Consolidated Group and Stockland Trust Group 2011 Number of securities/units	2010 Number of securities/units	Stockland Consolidated Group 2011 $M	2010 $M	Stockland Trust Group 2011 $M	2010 $M

35 Issued capital

Ordinary securities/units – Issued and fully paid	**2,381,564,384**	2,380,428,384	**8,504.6**	8,500.4	**7,700.3**	7,696.4

The following table provides details of movements in the Stockland Consolidated Group's issued securities and Stockland Trust Group's issued units.

Date	Details	Stockland Consolidated Group and Stockland Trust Group Number of securities/units	Stockland Consolidated Group $M	Stockland Trust Group $M
Movement of securities/units issued				
1 July 2009	Opening balance	2,379,317,384	8,497.4	7,693.6
1 July 2009	Less: transaction costs from June 2009 placement	-	(0.4)	(0.4)
31 December 2009	Issued securities/units which have either matured, been sold or forfeited and sold under share plans	980,000	2.9	2.8
30 June 2010	Issued securities/units which have either matured, been sold or forfeited and sold under share plans	131,000	0.5	0.4
1 July 2010	Balance	2,380,428,384	8,500.4	7,696.4
31 December 2010	Issued securities/units which have either matured, been sold or forfeited and sold under share plans	996,000	3.6	3.5
30 June 2011	Issued securities/units which have either matured, been sold or forfeited and sold under share plans	140,000	0.6	0.4
30 June 2011	**Closing balance**	**2,381,564,384**	**8,504.6**	**7,700.3**

As all movements relate to securities/units under share plans, the issue price is $Nil.

35 Issued capital (continued)

The following table provides details of equity instruments granted pursuant to Stockland share plans accounted for as options[1].

Stockland Consolidated Group

Date	Details	Number of securities
1 July 2009	Opening Balance	3,719,333
31 December 2009	Issued securities which have either matured, been sold or forfeited and sold under share plans	(980,000)
30 June 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	(131,000)
1 July 2010	Balance	2,608,333
31 December 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	(996,000)
30 June 2011	Issued securities which have either matured, been sold or forfeited and sold under share plans	(140,000)
30 June 2011	**Closing balance**	**1,472,333**
30 June 2011	**Issued capital**	**2,381,564,384**
	Issued capital issued on ASX[2]	**2,383,036,717**

[1] Under AASB 2, the ESS and the ISP equity instruments are required to be accounted for as options. Refer accounting policy in Note 1(ee)(vi). The value of the securities granted under these share plans represents the fair value of those shares at grant date calculated using either the Black Scholes option pricing model or a Monte-Carlo Simulation which takes into account the terms and conditions upon which the shares were granted. The fair value is expensed in the Statement of Comprehensive Income when granted over the vesting period, with a corresponding increase in the Executive remuneration reserve. Refer to Note 36(c)(ii).

[2] Represents the aggregate of issued capital and securities accounted for as options.

Terms and conditions of securities

For so long as the Stockland Consolidated Group remains jointly quoted, as detailed in Note 1, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders and unitholders be identical. Unitholders of the Trust are only entitled to distributions and voting rights upon stapling.

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to the amount, if any, remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination of the stapling arrangement (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

Effect of stapling arrangement

As a result of the stapling arrangement, there is a difference in value between the Stockland Consolidated Group and Company issued capital. Refer to Note 40 for details of Company issued capital.

36 Reserves and retained earnings/undistributed income

(a) Reserves

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 SM
Realised capital profits reserve	**-**	-	**-**	-
Executive remuneration reserve	**23.7**	22.5	**21.3**	20.4
Cash flow hedge reserve	**6.6**	16.6	**6.6**	16.6
Unrealised financial instruments reserve	**-**	(403.6)	**-**	(404.0)
Foreign currency translation reserve	**(60.1)**	(13.0)	**-**	-
Financial assets revaluation reserve	**-**	0.5	**-**	-
	(29.8)	(377.0)	**27.9**	(367.0)
Movements in reserves				
Realised capital profits reserve				
Balance at the beginning of the financial year	**-**	(78.8)	**-**	(84.2)
Transfer to retained earnings/undistributed income	**-**	78.8	**-**	84.2
Balance at the end of the financial year	**-**	-	**-**	-
Executive remuneration reserve				
Balance at the beginning of the financial year	**22.5**	15.0	**20.4**	12.8
Expense relating to rights and securities/units granted under share plans	**7.4**	6.5	**6.5**	5.4
Vested securities/units purchased on-market	**(5.6)**	2.2	**(5.6)**	2.2
Securities/units exercised under share plans transferred to retained earnings	**(0.6)**	(1.2)	**-**	-
Balance at the end of the financial year	**23.7**	22.5	**21.3**	20.4
Cash flow hedge reserve				
Balance at the beginning of the financial year	**16.6**	23.1	**16.6**	23.1
Effective portion of changes in the fair value of cash flow hedges during the year	**(8.1)**	(5.5)	**(8.1)**	(5.5)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	**(1.9)**	(1.0)	**(1.9)**	(1.0)
Balance at the end of the financial year	**6.6**	16.6	**6.6**	16.6
Unrealised financial instruments reserve				
Balance at the beginning of the financial year	**(403.6)**	(515.7)	**(404.0)**	(530.7)
Net change in fair value of financial instruments transferred to retained earnings/undistributed income	**403.6**[1]	112.1	**404.0**[1]	126.7
Balance at the end of the financial year	**-**	(403.6)	**-**	(404.0)
Foreign currency translation reserve				
Balance at the beginning of the financial year	**(13.0)**	(16.0)	**-**	0.2
Net exchange differences on translation of foreign controlled entity	**(47.1)**	3.0	**-**	(0.2)
Balance at the end of the financial year	**(60.1)**	(13.0)	**-**	-
Financial assets revaluation reserve				
Balance at the beginning of the financial year	**0.5**	0.5	**-**	-
Net change in fair value of other financial assets transferred from retained earnings	**(0.5)**	-	**-**	-
Balance at the end of the financial year	**-**	0.5	**-**	-

[1] The unrealised financial instruments reserve was historically used to transfer unrealised gains and losses on financial instruments which have been recorded in the Statement of Comprehensive Income to reserves until such time as they are realised. The reserve is no longer utilised effective 1 July 2010 with the balance transferred to retained earnings.

36 Reserves and retained earnings/undistributed income (continued)

(b) Retained earnings/undistributed income

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Retained earnings/undistributed income at the beginning of the financial year	**541.7**	767.0	**1,066.5**	1,402.5
Profit for the financial year attributable to securityholders/unitholders	**754.6**	478.4	**677.9**	388.9
Aggregate of amounts transferred from reserves	**(402.5)**	(189.7)	**(404.0)**	(210.9)
Dividends and distributions to securityholders/unitholders	**(569.2)**	(514.0)	**(569.2)**	(514.0)
Retained earnings/undistributed income at the end of the financial year	**324.6**	541.7	**771.2**	1,066.5

(c) Nature and purpose of reserves

(i) Realised capital profits reserve

The realised capital profits reserve was used to transfer realised gains on the sale of investment properties which have been recorded in the Statement of Comprehensive Income to reserves, as management policy is generally to reinvest these profits into future acquisitions of investment properties, or pay out distributions. The reserve is no longer utilised effective 1 July 2009.

(ii) Executive remuneration reserve

The Executive remuneration reserve has arisen under AASBs due to the PRP, ISP and ESS equity instruments being required to be accounted for as options. The fair value of the options is recognised as an employee expense in the Statement of Comprehensive Income with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period over which the rights/securities are subject to performance and/or service conditions. Upon exercising, or where applicable associated loans are repaid or forgiven, options under share plans are transferred to retained earnings. Refer accounting policy at Note 1(ee)(vi).

(iii) Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer accounting policy at Note 1(n).

(iv) Unrealised financial instruments reserve

The unrealised financial instruments reserve was previously used to transfer unrealised gains and losses on financial instruments which have been recorded in the Statement of Comprehensive Income to reserves until such time as they are realised. The reserve is no longer utilised effective 1 July 2010.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and from derivatives used to hedge operations/funding.

(vi) Financial assets revaluation reserve

The financial assets revaluation reserve comprises the cumulative net change in the fair value of other financial assets unless the investment becomes impaired or is derecognised. The reserve is no longer utilised effective 1 July 2010.

37 Dividends and distributions

Dividends and distributions recognised in the financial year by the Stockland Consolidated Group and the Stockland Trust Group are detailed below.

2011

Stockland Corporation Limited

There was no dividend from the Stockland Corporation Limited during the financial year.

Stockland Trust

	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution[1]	**11.8**	**281.2**	28 February 2011	22.0
Final distribution	**11.9**	**283.6**	31 August 2011	22.0
Total distribution	**23.7**	**564.8**		

[1] Amount includes estimated interim distribution of 11.6 cents per unit ($276.4 million) as announced on 17 December 2010 and a further 0.2 cents per unit ($4.8 million) following approval on 8 February 2011.

The dividend franking account balance as at 30 June 2011 is $11.0 million based on a 30% tax rate (2010: $10.4 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and losses utilised in the current financial year.

2010

Stockland Corporation Limited

There was no dividend from the Stockland Corporation Limited during the prior year.

Stockland Trust

	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution	10.8	257.4	26 February 2010	30.6[1]
Final distribution[2]	11.0	262.1	31 August 2010	30.6[1]
Total distribution	21.8	519.5		

[1] Includes tax-free component of 10.7%.

[2] Amount includes estimated final distribution of 10.8 cents per unit ($257.3 million) as announced on 17 June 2010 and a further 0.2 cents per unit ($4.8 million) following the introduction of a revised distribution policy as announced on 11 August 2010.

The following table reconciles the total dividends and distributions paid and payable to the Statement of Changes in Equity:

	Stockland Consolidated Group and Stockland Trust Group	
	2011 $M	2010 $M
Total dividends and distributions paid and payable	**564.8**	519.5
Add:		
Adjustment to prior year final distribution paid during the financial year	**4.8**	-
Less:		
Adjustment to final distribution	**-**	(4.8)[1]
Interest expense related to share-based payments	**-**	(0.2)
Dividends and distributions relating to share-based payment loans	**(0.4)**	(0.5)
Dividends and distributions to securityholders/unitholders as per Statement of Changes in Equity	**569.2**	514.0

[1] Change to the final distribution announced on 11 August 2010, not accrued as at 30 June 2010.

38 Commitments

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

Inventories commitments

Commitments for the acquisition of development land and future development costs not recognised in the Financial Statements at balance date:

Within one year[1]	**521.6**	234.5	**-**	-
Later than one year but not later than five years	**5.3**	1.9	**-**	-
	526.9	236.4	**-**	-

[1] For the current financial year, included in this amount is $271.0 million that was paid on 1 July 2011 in relation to the acquisition of two residential projects in Perth, WA, The Vale and Whiteman Edge. Refer to Note 50.

Capital expenditure commitments

Commitments for the acquisition and development of properties and capital expenditure not recognised in the Financial Statements at balance date:

Within one year	**362.3**	107.6	**296.6**	75.7
Later than one year but not later than five years	**79.2**	-	**79.2**	-
	441.5	107.6	**375.8**	75.7

Operating lease commitments

Commitments for the operating lease expenditure not recognised in the Financial Statements at balance date:

Within one year	**5.8**	4.5	**-**	-
Later than one year but not later than five years	**12.4**	7.4	**-**	-
Later than five years	**67.7**	67.0	**-**	-
	85.9	78.9	**-**	-

During the financial year $1.7 million was recognised as an expense in the Stockland Consolidated Group Statement of Comprehensive Income in respect of operating leases (2010: $3.6 million).

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease receivable not recognised in the Financial Statements at balance date:

Within one year	**584.9**	576.3	**591.7**	583.8
Later than one year but not later than five years	**1,478.0**	1,500.6	**1,506.8**	1,534.1
Later than five years	**741.1**	770.2	**737.0**	782.7
	2,804.0	2,847.1	**2,835.5**	2,900.6

Annual rent receivable by Stockland under current leases from tenants is from property held by the Commercial Property business.

Exchange Plaza, Perth WA

There is a contractual commitment for ground rent on Exchange Plaza of 10% p.a. (Stockland Trust's share 5% p.a.) of the net income of the leased premises for each lease year, or $0.8 million (Stockland Trust's share: $0.4 million), whichever is greater. This commitment expires in 2122.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

39 Contingent liabilities

Guarantees

Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $346.6 million included within bank multi-use facilities (2010: $853.4 million)	**292.1**	186.2	**292.1**	186.2

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

40 Parent entity disclosures

As at and for the year ended 30 June 2011 and 30 June 2010 the parent company of the Stockland Consolidated Group was Stockland Corporation Limited ("the Company"). The parent company of the Stockland Trust Group was Stockland Trust.

	Stockland Corporation Limited		Stockland Trust	
	2011 $M	2010 $M	**2011 $M**	2010 $M
Results of the parent entity				
Profit for the year	**1.9**	6.6	**683.3**	448.7
Other comprehensive income/(expense)	**-**	-	**-**	-
Total comprehensive income for the year	**1.9**	6.6	**683.3**	448.7
Financial position of the parent entity at year end				
Current assets	**4,157.6**	3,539.4	**6,210.0**	6,564.6
Total assets[1]	**4,318.3**	3,714.5	**13,292.2**	13,210.0
Current liabilities	**3,442.5**	2,840.1	**4,075.1**	4,525.5
Total liabilities	**3,443.1**	2,842.3	**5,175.6**	5,209.1
Net assets	**875.2**	872.2	**8,116.6**	8,000.9
Total equity of the parent entity comprising of:				
Issued capital	**804.3**	804.0	**7,700.3**	7,696.4
Reserves	**2.2**	2.2	**21.4**	(253.2)
Retained earnings	**68.7**	66.0	**394.9**	557.7
Total equity	**875.2**	872.2	**8,116.6**	8,000.9

[1] No intangible assets are included in total assets (2010: $Nil).

Parent Entity contingencies

There are no contingencies within either parent entity as at 30 June 2011 (2010: $Nil).

Parent entity capital commitments

Neither parent entity has entered into any capital commitments as at 30 June 2011 (2010: $Nil).

Parent entity guarantees in respect of debts of its subsidiaries

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 41.

41 Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the "Closed Group"), identified in Note 42, are parties to a Deed of Cross Guarantee (the "Deed"). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

ASIC Class Order 98/1418 (as amended) dated 13 August 1998, provides relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' reports, subject to certain conditions as set out therein. This Class Order does not apply to trusts.

Pursuant to the requirements of this Class Order, a summarised consolidated Comprehensive Income Statement for the year ended 30 June 2011 and consolidated Balance Sheet as at 30 June 2011, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following page.

41 Deed of Cross Guarantee (continued)

	Closed Group 2011[1] $M	2010[1] $M
Summarised Comprehensive Income Statement		
Profit/(loss) before income tax	**149.9**	(0.4)
Income tax expense	**(30.8)**	(0.7)
Profit/(loss) for the year/Total comprehensive income/(expense)	**119.1**	(1.1)
Balance Sheet		
Current assets		
Cash and cash equivalents	**87.2**	51.0
Trade and other receivables	**675.9**	394.2
Inventories	**660.3**	1,089.4
Other assets	**58.3**	37.2
	1,481.7	1,571.8
Non-current assets held for sale	**3.1**	3.1
Total current assets	**1,484.8**	1,574.9
Non-current assets		
Trade and other receivables	**47.0**	37.4
Inventories	**1,601.7**	1,554.8
Investment properties	**1,213.0**	214.4
Other financial assets	**716.0**	910.4
Investments	**16.2**	-
Property, plant and equipment	**127.7**	33.4
Intangible assets	**10.2**	10.2
Deferred tax asset	**-**	57.1
Other assets	**0.1**	0.1
Total non-current assets	**3,731.9**	2,817.8
Total assets	**5,216.7**	4,392.7
Current liabilities		
Trade and other payables	**264.1**	224.6
Interest-bearing loans and borrowings	**3,020.0**	2,739.7
Retirement Living resident obligations	**688.3**	50.8
Provisions	**101.1**	128.9
Other liabilities	**-**	4.5
Total current liabilities	**4,073.5**	3,148.5
Non-current liabilities		
Other payables	**119.7**	101.7
Interest-bearing loans and borrowings	**158.7**	363.2
Retirement Living resident obligations	**39.9**	59.7
Deferred tax liabilities	**14.6**	-
Provisions	**4.3**	4.7
Other liabilities	**1.1**	13.6
Total non-current liabilities	**338.3**	542.9
Total liabilities	**4,411.8**	3,691.4
Net assets	**804.9**	701.3
Equity		
Issued capital	**804.3**	804.0
Reserves	**116.7**	132.6
Accumulated losses	**(116.1)**	(235.3)
Total equity	**804.9**	701.3

[1] The Closed Group is in a net current liability position of $2,588.7 million (2010: $1,573.6). The Closed Group has an interest-bearing loan with Stockland Trust of $3,020.0 million (2010: $2,739.7 million) payable at call, therefore, classified as a current liability in accordance with Accounting Standards. The loan is not expected to be called within 12 months from the date of signing the Financial Report.

42 Controlled entities

The following entities were 100% controlled during the current and prior years:

Stockland Trust

Controlled entities of Stockland Trust

ADP Trust
Advance Property Fund
Australian Commercial Property Trust
Flinders Industrial Property Trust
Stockland Finance Pty Limited[1]
Advance Property Fund No. 3 (Growth)
Advance Property Fund No. 5 (Capital Growth)
Property Trust of Australasia
Stockland Brisbane Office Trust
ADP (NZ) Trust
Capricornia Property Trust
Industrial Property Trust
Schroders Building Fund
Shellharbour Property Trust
Stockland Industrial No. 1 Property 1 Trust
Stockland Industrial No. 1 Property 4 Trust
Stockland Industrial No. 1 Property 5 Trust
Stockland Industrial No. 1 Property 6 Trust
Stockland Industrial No. 1 Property 7 Trust
Stockland Industrial No. 1 Property 8 Trust
Stockland Industrial No. 1 Property 9 Trust
Stockland Industrial No. 1 Property 11 Trust
Jimboomba Village Shopping Centre and Tavern Trust
Saville Brisbane Trust
Stockland Direct Diversified Fund
Stockland Direct Office Trust No. 4
SDOT 4 Property # 1 Trust
SDOT 4 Property # 2 Trust
SDOT 4 Property # 3 Trust
Stockland Direct Retail Trust No. 3
SDRT 3 Property # 1 Trust
SDRT 3 Property # 2 Trust
SDRT 3 Property # 3 Trust
Stockland Retail Holding Trust No. 1
Stockland Retail Holding Sub-Trust No. 1
Stockland Retail Holding Sub-Trust No. 2
Endeavour (No. 1) Unit Trust
Stockland Wholesale Office Trust No. 1
9 Castlereagh Street Unit Trust
Stockland Castlereagh St Trust
SWOT2 Sub Trust No. 1
SWOT2 Sub Trust No. 2
SWOT2 Sub Trust No. 3
Stockland Finance Holdings Pty Limited[1]
Stockland Wholesale Office Trust No. 2
Stockland PR1 Trust
Stockland PR2 Trust
Stockland PR3 Trust
Stockland PR4 Trust

Stockland Corporation Limited

Controlled entities of Stockland Corporation Limited

Albert & Co. Pty Limited[2]
Stockland Development Pty Limited
Stockland Capital Partners Limited[2]
Stockland Management Limited[2]
Stockland Property Management Pty Limited[2]
Stockland Property Services Pty Limited[2]
Stockland Holding Trust No. 3
Stockland Holding Trust No. 4
Stockland Holding Trust No. 5
Stockland Holding Trust No. 6
Stockland (Queensland) Pty Limited[2]
Stockland (Russell Street) Pty Limited[2]
Stockland Singapore Pte Limited[1]
Stockland Trust Management Limited[2]
Stockland WA Development Pty Limited[2]
Stockland WA (Estates) Pty Limited[2]
Endeavour (No. 2) Unit Trust
Stockland Development (Holdings) Pty Limited[2]
Stockland Development (PHH) Pty Limited[2]
Stockland Development (NAPA QLD) Pty Limited
Stockland Development (NAPA NSW) Pty Limited[2]
Stockland Development (NAPA VIC) Pty Limited
Stockland Services Pty Limited[2]
Stockland Lake Doonella Pty Limited[2]
Stockland North Lakes Development Pty Limited[2]
Stockland North Lakes Pty Limited
Stockland Highlands Pty Limited
Lensworth Glenmore Park Limited
Stockland Wallarah Peninsula Pty Limited[2]
Stockland Wallarah Peninsula Management Pty Limited[2]
Stockland South Beach Pty Limited
Stockland WA Development (VERTU Sub 1) Pty Limited[1]
Jimboomba Trust
Nowra Property Unit Trust
Stockland Direct Retail Trust No. 2
SDRT 2 Property 1 Trust
SDRT 2 Property 2 Trust
SDRT 2 Property 3 Trust
SDRT 2 Property 4 Trust
ARC Joint Ventures Pty Limited[2]
Oak Grange Pty Limited[2]
Rosebud Village Pty Limited[2]
Vermont Retirement Village Pty Limited[2]
Knox Village Pty Limited[2]
Patterson Village Pty Limited[2]
Templestowe Retirement Village Pty Limited[2]

[1] Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 41, as at 30 June 2011.
[2] These companies are parties to the Deed but are currently ineligible for relief under the Class Order.

42 Controlled entities (continued)

The following entities were 100% controlled during the current and prior years (continued):

Stockland Corporation Limited (continued)

Controlled entities of Stockland Corporation Limited (continued)

Stockland Development (Holdings No. 1) Pty Limited[2]
Stockland Bells Creek Pty Limited[2]
Stockland Buddina Pty Limited
Stockland Caboolture Waters Pty Limited[2]
Stockland Caloundra Downs Pty Limited[2]
Stockland Kawana Waters Pty Limited
Retirement Living Holding Trust No. 4
Retirement Living Holding Trust No. 5
Retirement Living Holding Trust No. 6
Retirement Living Acquisition Trust
Knowles Property Management Unit Trust
Knox Unit Trust
Patterson Lakes Unit Trust
Bayview Road Property Trust
Vermont Unit Trust
Templestowe Unit Trust
Retirement Living Unit Trust No. 1
Retirement Living Unit Trust No. 2
Stockland Services (UK) Limited[1, 3, 5]
Stockland (UK) Limited[1, 3]
Stockland Holdings Limited[1, 3]
Stockland Asset Management Limited[1, 3]
Stockland Management (UK) Limited[1, 3]
Stockland Investments Limited[1, 3]
Stockland (Queen Street) Limited[1, 3]
Stockland (Stafford) Limited[1, 3]
Stockland (Newport) Limited[1, 3, 5]
Stockland Properties (London) Limited[1, 3, 5]
Stockland Office (One) Limited[1, 3]
Stockland Land Limited[1, 3]
Stockland Investments (London) Limited[1, 3]
Stockland (CReAM) Limited[1, 3]
Stockland LP Limited[1, 3]
Stockland GP Limited[1, 3, 5]
Stockland (Isle of Wight) Limited[1, 3, 5]
Stockland General Partner Limited[1, 3, 5]
Stockland General Partner 2 Limited[1, 3, 5]
Stockland General Partner (Nelson) Limited[1, 3]
Stockland Nelson Nominee Limited[1, 3]
Stockland (Dalgety Bay) Limited[1, 3]
Stockland (Billingham) Limited[1, 3]
Stockland (Derby) Limited[1, 3]
Stockland Properties (Fountain) Limited[1, 3, 5]
Stockland Developments (Fountain) Ltd[1, 3, 5]
Stockland Developments (UK) Limited[1, 3]
Stockland (Nailsea) Limited[1, 3, 5]
Stockland (Gracechurch) Limited[1, 3]
CReAM (GP) Limited (75%)[1, 3]
CReAM (GP No. 1) Limited (75%)[1, 3]
CReAM Nominees (No. 1) Limited (75%)[1, 3]
CReAM (GP No. 2) Limited (75%)[1, 3, 5]
Long Island Village Pty Limited[2]
Midlands Terrace Adult Community Pty Limited[2]
Wantirna Village Pty Limited[2]
Retirement Living Holding Trust No. 1
Retirement Living Holding Trust No. 2
Retirement Living Holding Trust No. 3
CReAM Nominees (No. 2) Limited (75%)[1, 3, 5]
CReAM (GP No. 3) Limited (75%)[1, 3]
CReAM Nominees (No. 3) Limited (75%)[1, 3]
CReAM (GP No. 4) Limited (75%)[1, 3]
CReAM Nominees (No. 4) Limited (75%)[1, 3]
CReAM (GP No. 5) Limited (75%)[1, 3]
CReAM Nominees (No. 5) Limited (75%)[1, 3]
Stockland (William Hunter) Limited[1, 3]
Stockland (Capital LP) Limited[1, 3]
Stockland General Partner (Brook) Limited[1, 3]
Brook Properties General Partner Limited[1, 4]
Stockland LP (Hammersmith) Limited[1, 3]
Stockland (Warminster) Limited[1, 3]
Stockland (Cumbernauld) Limited[1, 3]
Stockland (Boardwalk Sub2) Pty Limited[1]
Stockland Financial Services Pty Limited
Stockland WA Development (Realty) Pty Limited[2]
Stockland Development (Sub3) Pty Limited[1]
Stockland Development (Sub4) Pty Limited[1]
Stockland Development (Sub5) Pty Limited[1]
Stockland Development (Sub6) Pty Limited[1]
Stockland Development (Sub7) Pty Limited[1]
Stockland Eurofinance Pty Limited[2]
Stockland Retirement Pty Limited[2]
Stockland WA Development (Sub 6) Pty Limited[1]
Stockland (Rylands) No. 1 Pty Limited[1]
Stockland (Rylands) No. 2 Pty Limited[1]
Capital Portfolio Jersey Limited (50%)[1, 4]
Stockland Halladale Capital Partners Limited[1, 3, 5]
Stockland (St Andrew) Limited[1, 3]
Stockland (Yeovil) Limited[1, 3]
Stockland Property Holdings Limited[1,3]
Stockland (Lowestoft) Limited[1, 3]
Stockland (NSW) No. 1 Pty Limited[1]
Stockland (NSW) No. 2 Pty Limited[1]
Stockland Development (PR1) Pty Limited[1]
Stockland Development (PR2) Pty Limited[1]
Stockland Development (PR3) Pty Limited[1]
Stockland Development (PR4) Pty Limited[1]
Stockland (IH) No. 1 Pty Limited[1]
Stockland Scrip Holdings Pty Limited[1]
Highlands Retirement Village Pty Limited[1]
A.C.N 116 788 713 Pty Limited[2]

1 Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 41, as at 30 June 2011.
2 These companies are parties to the Deed but are currently ineligible for relief under the Class Order.
3 These companies are registered in the UK.
4 This company is registered in Jersey and is not directly controlled by Stockland.
5 This company is in voluntary liquidation.

42 Controlled entities (continued)

The following entities were formed/incorporated or acquired during the financial year and are 100% controlled unless stated otherwise:

Stockland Corporation Limited

Controlled entities of Stockland Corporation Limited
Stockland Catering Pty Limited

The following entities became controlled entities during the financial year:

Stockland Trust

Controlled entities of Stockland Trust
Hervey Bay Holding Trust
Hervey Bay Sub Trust

Stockland Corporation Limited

Controlled entities of Stockland Corporation Limited
Hibernian Investment Company Pty Limited
Aevum Limited
IOR Group Pty Limited
IOR Friendly Society Pty Limited
Salford Living Pty Limited
IOR Treasury Services Pty Limited[1]
Macquarie Waratah Management Pty Limited[1]
Macquarie Waratah Holdings Pty Limited[1]
Macquarie Waratah Holdings (NSW) Pty Limited[1]
Macquarie Grove Management Pty Limited[1]
Waratah Highlands Management Pty Limited[1]
Blue Valley Enterprises Pty Limited[1]
Macquarie Waratah Villages Pty Limited[1]
The Hastings Valley Parklands Village Pty Limited[1]
Queenslake Village Pty Limited[1]
Golden Ponds Forster Pty Limited[1]
Castlehaven Pty Limited[1]
Pine Lake Management Services Pty Limited
Greenleaves Village Pty Limited
Mount Gravatt Retirement Village Unit Trust
Pine Lake Management Services Unit Trust
Castleridge Pty Limited[1]
Willows Retirement Village Services Pty Limited[1]
Maybrook Manor Pty Limited[1]
Aevum SPV Finance No. 1 Pty Limited[1]
Bellevue Gardens Pty Limited[1]
Lincoln Gardens Pty Limited[1]
ARVT1 Trust
ARVT2 Trust
ARVT3 Trust
ARVT4 Trust
ARVT5 Trust
ARVT6 Trust
Macquarie Waratah Holdings Trust
Macquarie Waratah Holdings (NSW) Trust
Bellevue Gardens Trust
Rogan’s Hill Retirement Village Trust
Ridgecrest Village Pty Limited
RVG (Queensland) Pty Limited
Greenleaves Management Services Pty Limited
Ridgecrest Village Management Services Pty Limited
Pine Lake Village Pty Limited

The following entities are no longer controlled entities of Stockland Corporation Limited as 50% of the entity was sold during the financial year:

Stockland Corporation Limited

Eagle Street Pier Pty Limited

The following entities are no longer controlled entities and were terminated or liquidated during the financial year:

Stockland Trust

ADP NZ Finance Company Limited[3]

[1] Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 41, as at 30 June 2011.
[2] These companies are parties to the Deed but are currently ineligible for relief under the Class Order.
[3] This company is in voluntary liquidation.

42 Controlled entities (continued)

The following entities are no longer controlled entities and were terminated or liquidated during the financial year (continued):

Stockland Corporation Limited

A.C.N 000 734 878 Pty Limited
A.C.N 002 571 084 Pty Limited
A.C.N 004 982 389 Pty Limited
A.C.N 000 412 582 Pty Limited
A.C.N 008 717 584 Pty Limited
A.C.N 008 762 212 Pty Limited
A.C.N 004 963 946 Pty Limited
Stockland WA Holdings Pty Limited
Heritage Construction Pty Limited
North Whitfords Estates Pty Limited
Stockland WA Corser Pty Limited
Stockland WA Property Company of Australia Pty Limited
Stockland South Beach Holdings Pty Limited
Stockland South Beach Syndicate Pty Limited
Stocks and Holdings Limited
Dreadnought Investments Pty Limited
Stockland Developments Limited[1]
Geranium Properties Limited[1]
Stockland (Shaftesbury) Limited[1]
Stockland Properties (UK) Limited[1]
Osprey Residential (Rutherglen) Limited[1]
Stockland (Harlow Quarter) Limited[1]
Stockland LP (Nevsky) Limited[1]

[1] Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 41, as at 30 June 2011.

All Stockland entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust which is incorporated in New Zealand, Stockland Singapore Pte Limited which is incorporated in Singapore and Stockland Services (UK) Limited, Stockland (UK) Limited, Stockland Holding Limited and all UK subsidiaries identified as being incorporated in the UK.

Stockland owns all the issued units/shares of the respective controlled entities (unless otherwise stated) and such units/shares carry the voting, dividend and distribution and equitable rights.

43 Retirement Living Communities

Stockland owns 59 Retirement Living Communities (2010: 26 Retirement Living Communities). During the year ended 30 June 2011, Stockland acquired Aevum Limited resulting in an additional 28 villages and three villages from the Retirement Living Group. Refer to Note 4 for additional information.

The contracts entered into between Stockland and the resident entitle Stockland to a resident Deferred Management Fee (“DMF”) which is linked to the value of the resident’s unit or apartment and their period of occupancy. On leaving the Retirement Living Community (“turnover”), residents are entitled to receive their ingoing payment plus their entitlement to any increase in the value of the property attributable to the resident on turnover in accordance with the resident contract, less accrued DMF (“resident obligation”). The timing for settlement of this obligation upon turnover depends on whether the contract is an entry fee, exit fee or deferred repayment contract.

Under entry and exit fee contracts, Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident turnover date and are therefore classified as a current liability.

Under a deferred repayment contract, the terms of the contract allow Stockland to defer settlement for a maximum of eight years after the resident turnover date based upon the resident’s tenure period. In the event the loan is settled early the nominal value of the obligation is discounted at a rate in accordance with the contract for a maximum of eight years and are therefore classified as a non-current liability.

No interest is payable to the residents on Resident Obligations.

Accounting Standards require the amounts payable under resident loan/lease or loan and repurchase agreements to be recorded as a liability in the Balance Sheet. The associated capital value (market value of the units as included in the property valuation) of the Retirement Living Communities is required to be recorded on the Balance Sheet as part of the fair value of the investment property.

	Notes	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M

43 Retirement Living Communities (continued)

(a) Stockland's net investment in Retirement Living Communities

	Notes	Consolidated 2011 $M	Consolidated 2010 $M	Trust 2011 $M	Trust 2010 $M
Fair value of DMF contracts					
Established villages		**698.0**	319.3	**-**	-
Under development villages		**12.6**	6.1	**-**	-
		710.6	325.4	**-**	-
Capital value of Retirement Living Communities					
Occupied dwellings		**2,004.3**	1,077.8	**-**	-
Vacant dwellings		**89.6**	8.7	**-**	-
Under development villages		**183.8**	100.5	**-**	-
		2,277.7	1,187.0	**-**	-
Total gross Retirement Living Community asset value	19(b)	**2,988.3**	1,512.4	**-**	-
Accrued DMF offset against resident obligations	19(b)	**(492.5)**	(211.8)	**-**	-
Total net Retirement Living Community asset value		**2,495.8**	1,300.6	**-**	-
Existing Retirement Living resident obligations					
Gross existing resident loans		**(2,004.3)**	(1,077.8)	**-**	-
Accrued DMF offset against resident obligations[1]		**492.5**	211.8	**-**	-
	43(c)	**(1,511.8)**	(866.0)	**-**	-
Net investment in Retirement Living Communities		**984.0**	434.6	**-**	-

[1] A change in classification has been made in the current year whereby accrued DMF, relating to current residents, is disclosed as an offset against the Retirement Living Resident Obligation to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification.

(b) Retirement Living Communities contribution to the Statement of Comprehensive Income

	Consolidated 2011 $M	Consolidated 2010 $M	Trust 2011 $M	Trust 2010 $M
Net gain from fair value adjustment of Retirement Living Communities				
- DMF earned	**67.3**	35.3	**-**	-
- Revaluation during development/redevelopment	**15.8**	16.8	**-**	-
- Revaluation upon contract conversion	**8.7**	11.8	**-**	-
	91.8	63.9		
- Capital growth of operational Retirement Living Communities	**71.3**	57.9	**-**	-
- Fair value movement of DMF contracts	**(17.1)**	8.5	**-**	-
- Impairment of undeveloped Retirement Living Communities	**-**	(29.1)	**-**	-
	54.2	37.3		
Net gain from fair value adjustment of Retirement Living Communities	**146.0**	101.2		
Existing Retirement Living resident obligations fair value movement	**(70.1)**	(57.7)	**-**	-
Net fair value movement from Retirement Living Communities	**75.9**	43.5	**-**	-
Revenues and expenses				
- Other income	**1.4**	1.9	**-**	-
- Operating expenses[1]	**(62.0)**	(29.6)	**-**	-
	(60.6)	(27.7)		
Total Retirement Living Communities contribution to the Statement of Comprehensive Income	**15.3**	15.8	**-**	-

[1] Includes $19.6 million of acquisition and integration costs, which are excluded from Underlying profit (2010: $Nil).

43 Retirement Living Communities (continued)

(c) Current and Non-current liabilities – Retirement Living resident obligations

	Stockland Consolidated Group 2011 $M	Stockland Consolidated Group 2010 $M	Stockland Trust Group 2011 $M	Stockland Trust Group 2010 $M
Current liabilities – Retirement Living resident obligations				
Existing resident obligations[1, 2]	**1,276.8**	632.3	-	-
Ex-resident obligations	**41.9**	5.8	-	-
	1,318.7	638.1	-	-
Aged Care accommodation bonds[3]	**52.2**	-	-	-
	1,370.9	638.1	-	-
Non-current liabilities – Retirement Living resident obligations				
Existing resident obligations[2]	**235.0**	233.7	-	-
Ex-resident obligations	**23.3**	26.6	-	-
	258.3	260.3	-	-
Total – Retirement Living resident obligations				
Existing resident obligations[2]	**1,511.8**	866.0	-	-
Ex-resident obligations	**65.2**	32.4	-	-
Aged Care accommodation bonds[3]	**52.2**	-	-	-
	1,629.2	898.4	-	-

[1] The balance is made up of obligations under entry and exit fee contracts. These obligations are classified as current liabilities because Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident turnover date.

[2] There is limited expected net cash outflow impact on the business as the existing resident obligations are expected to be covered by receipts from incoming residents.

[3] The balance consists of existing resident accommodation bonds associated with Stockland's Aged Care facilities. Aged Care properties are classified as Property, Plant and Equipment, refer to Note 21. The accommodation bonds are classified as current liabilities because Stockland does not have an unconditional right to defer settlement greater than twelve months.

Existing Retirement Living resident obligations represent the ingoing payment made by the resident together with their entitlement to any increase in the value of the property on leaving the Retirement Living Community ("turnover") in accordance with their residency contract, less accrued DMF. The value of the obligation is calculated using the value of the underlying property at each balance date.

Retirement Living ex-resident obligations represent resident obligations under deferred repayment contracts, where the right to defer settlement for a maximum of eight years after the resident turnover date has been enacted.

44 Investments in associates

(a) Summarised financial information of associates

Associates	Location	Ownership interest %	Assets[1] $M	Liabilities[1] $M	Revenues[1] $M	Profit[1] $M
2011						
Stockland Trust Group						
Moorebank Industrial Property Trust[2]	Australia	55	135.7	(1.0)	11.9	10.3
Macquarie Park Trust	Australia	31	118.1	(1.6)	10.1	11.0
			253.8	(2.6)	22.0	21.3
Stockland Consolidated Group						
The Anglo Halladale Limited Partnership[3]	UK	25	-	-	-	-
Hammersmith Grove Limited Partnership	UK	30	29.5	(22.7)	2.3	-
Tyburn Stockland No. 2 LP[3]	UK	30	-	-	-	-
Tyburn Stockland No. 3 LP[4]	UK	30	-	-	-	-
Halladale Nelson Limited Partnership[4]	UK	9	-	-	-	-
Tyburn Halladale No. 4 Limited Partnership[5]	UK	-	-	-	-	-
Cumbernauld Retail Park Limited Partnership[6]	UK	-	-	-	-	-
Cockhedge Retail Limited Partnership[5]	UK	-	-	-	-	-
CReAM Trust and subsidiary limited partnerships[4, 7]	UK	10	-	-	-	-
Capita Portfolio Limited Partnership[3]	Jersey	30	-	-	-	-
Gracechurch Street Unit Trust	Jersey	25	3.9	-	-	-
Elimination[9]			(7.0)	-	-	-
			280.2	(25.3)	24.3	21.3
2010						
Stockland Trust Group						
Moorebank Industrial Property Trust[2]	Australia	55	132.0	(0.8)	11.6	0.3
Macquarie Park Trust	Australia	31	115.2	(0.9)	10.1	13.8
			247.2	(1.7)	21.7	14.1
Stockland Consolidated Group						
The Anglo Halladale Limited Partnership[4]	UK	25	-	-	-	-
Hammersmith Grove Limited Partnership	UK	30	32.6	(25.3)	-	-
Tyburn Stockland No. 2 LP[4]	UK	30	-	-	-	-
Tyburn Stockland No. 3 LP[4]	UK	30	-	-	-	-
Halladale Nelson Limited Partnership[4, 7]	UK	9	-	-	-	-
Tyburn Halladale No. 4 Limited Partnership[4]	UK	30	-	-	-	-
Cumbernauld Retail Park Limited Partnership[4]	UK	50	-	-	-	-
Cockhedge Retail Limited Partnership[4]	UK	32	-	-	-	-
CReAM Trust and subsidiary limited partnerships[4, 7]	UK	10	-	-	-	(1.0)
Capita Portfolio Limited Partnership	Jersey	30	-	-	-	-
Gracechurch Street Unit Trust	Jersey	25	4.8	-	-	-
Nailsea Unit Trust[8]	Jersey	-	-	-	-	-
Elimination[9]			(7.0)	-	-	-
			277.6	(27.0)	21.7	13.1

1. Stockland Consolidated Group and/or Stockland Trust Group's share of assets, liabilities, revenues and profits.
2. Moorebank Industrial Property Trust ("MIPT") interest was acquired in December 2007. Stockland has significant influence over MIPT, but not control due to Stockland having less than half the voting rights.
3. As at 30 June 2011, this associate is in liquidation.
4. Equity accounting has ceased for associates with a carrying value of $Nil.
5. As at 30 June 2011, this associate is dissolved.
6. Stockland Consolidated Group sold its interest in this associate entity during the financial year.
7. Stockland has significant influence over the operating decisions of these associates due to a combination of its role as asset manager, presence on advisory committees and participation in general partners.
8. Stockland Consolidated Group sold its interest in this joint venture entity during the previous financial year.
9. Elimination of $7.0 million (2010: $7.0 million) in retained earnings within the Stockland Consolidated Group in relation to Macquarie Park Trust.

44 Investments in associates (continued)

(b) Movements in carrying amount of investment in associates

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
Carrying amount at the beginning of the financial year	**250.5**	248.8	**245.5**	246.6
Contributions to associates	**2.5**	5.8	**1.7**	0.8
Share of net profit (excluding fair value adjustment of investment properties)	**17.1**	16.9	**17.1**	17.1
Share of fair value adjustment of investment properties	**4.2**	(3.8)	**4.2**	(3.0)
Distributions received/receivable	**(17.3)**	(16.0)	**(17.3)**	(16.0)
Effect of movements in exchange rates	**(2.1)**	(1.2)	**-**	-
Carrying amount at the end of the financial year	**254.9**	250.5	**251.2**	245.5

45 Investments in joint venture entities

Joint Venture entities	Location	**2011 %**	2010 %	**2011 $M**	2010 $M
Stockland Trust Group					
SDOT Sub Trust No. 1	Australia	**50.0**	50.0	**221.4**	220.3
Martin Place Property Trust	Australia	**50.0**	50.0	**169.6**	169.8
Esplanade Property Trust	Australia	**50.0**	50.0	**151.4**	137.8
The King Trust	Australia	**50.0**	50.0	**139.2**	133.5
M Property Trust	Australia	**50.0**	50.0	**53.5**	49.2
Willeri Drive Trust	Australia	**50.0**	50.0	**48.1**	47.2
				783.2	757.8
Stockland Consolidated Group					
Stockland Ormeau Trust	Australia	**50.0**	50.0	**25.1**	24.4
Eagle Street Pier Pty Limited[1]	Australia	**50.0**	-	**16.2**	-
Compam Property Management Pty Limited	Australia	**50.0**	50.0	**-**	-
Martin Place Management Limited	Australia	**50.0**	50.0	**-**	-
Subiaco Joint Venture	Australia	**33.3**	33.3	**-**	-
Stockland Ventures Limited	UK	**50.0**	50.0	**5.2**	-
Stockland Anglo Ventures Limited	UK	**50.0**	50.0	**-**	-
Stockland Muir Limited	UK	**50.0**	50.0	**10.4**	11.6
Halladale Opportunity Fund Limited Partnership[2]	UK	**50.0**	50.0	**-**	-
Halladale Opportunity Fund Limited No. 2 Partnership	UK	**50.0**	50.0	**-**	-
				840.1	793.8

1 During the current financial year, 50% of Eagle Street Pier Pty Limited was sold and has been reclassified from a 100% owned controlled entity to a joint venture entity.

2 As at 30 June 2011, this joint venture entity is in liquidation.

45 Investments in joint venture entities (continued)

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
Movements in carrying amount of investments in joint venture entities				
Carrying amount at the beginning of the financial year	**793.8**	809.1	**757.8**	776.0
New joint venture entity[1]	**16.1**	-	**-**	-
Contributions to the joint venture entities	**10.9**	18.1	**5.3**	15.0
Share of net profit (excluding fair value adjustment of investment properties)	**55.7**	53.8	**53.8**	52.6
Share of fair value adjustment of investment properties	**13.5**	(33.8)	**13.5**	(33.8)
Distributions received/receivable	**(47.2)**	(52.0)	**(47.2)**	(52.0)
Effects of movements in exchange rates	**(2.7)**	(1.4)	**-**	-
Carrying amount at the end of the financial year	**840.1**	793.8	**783.2**	757.8
Share of joint venture entities' assets and liabilities[2]				
Current assets	**40.8**	30.6	**17.2**	15.8
Non-current assets	**821.7**	773.7	**772.2**	748.5
Total assets	**862.5**	804.3	**789.4**	764.3
Current liabilities	**22.0**	9.7	**6.2**	5.7
Non-current liabilities	**0.4**	0.8	**-**	0.8
Total liabilities	**22.4**	10.5	**6.2**	6.5
Net assets	**840.1**	793.8	**783.2**	757.8
Share of joint venture entities' revenues, expenses and results[2]				
Revenues	**87.8**	83.7	**76.2**	73.5
Expenses	**(18.6)**	(63.7)	**(8.9)**	(54.7)
Net profit accounted for using the equity method	**69.2**	20.0	**67.3**	18.8

1 During the current financial year, 50% of Eagle Street Pier Pty Limited was sold and has been reclassified from a 100% owned controlled entity to a joint venture entity.

2 Equity accounting has ceased for joint ventures with carrying values of $Nil.

46 Notes to the Cash Flow Statements

Reconciliation of profit to net cash inflow from operating activities:

	Stockland Consolidated Group		Stockland Trust Group	
	2011 $M	2010 $M	**2011 $M**	2010 $M
Profit	**754.6**	478.4	**677.9**	388.9
Add/(less) items classified as investing/financing activities:				
Unwinding of present value of Retirement Living obligation	**0.7**	1.3	**-**	-
Net (gain)/loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**(0.4)**	(4.5)	**(2.7)**	27.4
Net loss/(gain) on other financial instruments	**174.1**	(63.7)	**174.1**	(63.7)
Net loss/(gain) on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**162.7**	(46.9)	**179.5**	(47.4)
Net loss on sale of non-current assets	**4.7**	13.3	**1.5**	13.9
Interest capitalised to investment properties	**(10.3)**	(9.4)	**(5.6)**	(5.9)
Medium term note interest capitalised	**1.7**	0.4	**1.7**	0.4
Dividends and distributions income	**(10.2)**	(17.5)	**(6.9)**	(15.1)
Net gain from fair value adjustment of other financial assets	**(167.7)**	(73.9)	**(149.2)**	(28.1)
Net impairment/(write-back) of other investments	**1.9**	(0.4)	**1.9**	-
Add/(less) non-cash items:				
Fair value adjustment for investment properties (including associates and joint ventures)	**(103.1)**	373.9	**(83.8)**	351.2
Net unrealised (gain)/loss on foreign exchange	**(163.1)**	(12.8)	**(126.7)**	0.3
Net realised gain on foreign exchange	**(0.9)**	(0.6)	**-**	-
Depreciation	**14.7**	13.3	**-**	-
Provision for write-down of inventories	**12.0**	7.8	**-**	-
Straight-line rent adjustment	**(6.7)**	(0.1)	**(7.0)**	(1.8)
Share of profits of investments accounted for using the equity method	**-**	(0.1)	**-**	-
Equity-settled share-based payments	**7.4**	11.7	**5.4**	10.6
Release of tax provisions	**-**	(1.1)	**-**	-
Other items	**(1.8)**	(1.0)	**-**	(0.3)
Net cash inflow from operating activities before change in assets and liabilities	**670.3**	668.1	**660.1**	630.4
(Increase)/decrease in receivables	**(77.1)**	(41.4)	**4.1**	6.4
(Increase)/decrease in other assets	**(65.1)**	3.3	**3.9**	(2.1)
(Increase)/decrease in prepayments	**(5.6)**	1.5	**(3.6)**	3.0
Decrease in inventories	**240.0**	54.5	**-**	-
Increase in payables and other liabilities	**78.7**	115.2	**9.4**	27.8
Increase in income tax payable	**-**	0.2	**-**	-
Increase in deferred taxes payable	**1.7**	0.8	**-**	-
Increase in employee benefits	**-**	0.3	**-**	-
Increase/(decrease) in other provisions	**5.8**	(11.3)	**-**	(1.3)
Net cash inflow from operating activities	**848.7**	791.2	**673.9**	664.2

47 Financial instruments

(a) Financial risk and capital management

The financial risk and capital management of both the Stockland Consolidated Group and the Stockland Trust Group is performed at the Stockland Consolidated Group ("Stockland") level.

Stockland's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk, interest rate risk and equity price risk. Stockland's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Stockland's financial performance. Stockland uses derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Financial risk and capital management is carried out by a central treasury department under policies approved by the Board. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate, liquidity, foreign exchange and credit risks, use of derivative financial instruments and investing excess liquidity. The Risk Committee assists the Board in monitoring the implementation of these treasury policies.

Capital management

Stockland's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for securityholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

Stockland considers capital to include interest-bearing loans and borrowings and securityholders' funds.

Management can alter the capital structure of Stockland by issuing new stapled securities, adjusting the amount of dividends/distributions paid to securityholders, returning capital to securityholders, selling assets to reduce debt, adjusting the timing of development and capital expenditure and through the operation of a Dividend and Distribution Reinvestment Plan. Stockland also manages capital through its distribution policy in which distributions made to securityholders is based on the greater of 75% of Underlying profit or Trust Taxable Income.

Management monitors the capital structure of Stockland through the gearing ratio. The gearing ratio is calculated as face value of debt, net of cash, divided by total tangible assets excluding cash and other adjustments in accordance with the financial covenants detailed below. It excludes any debt fair value movements. The current target range for Stockland's gearing ratio is between 25% and 35% which is consistent with the prior year. The gearing ratio as at 30 June 2011 is 22.0% (2010: 17.8%). This is outside the target range due to the current strategy of recycling capital to acquire assets.

Management monitor the credit rating set down by Standard and Poors ("S&P") as this influences Stockland's access to finance at a reasonable cost. The S&P credit rating as at 30 June 2011 is A-/Stable (2010: A-/Stable).

Financial covenants

Stockland is required to comply with certain financial covenants in respect of its interest-bearing loans and borrowings. The major financial covenants are summarised below:

(i) Gearing ratio (Total liabilities / Total tangible assets): less than 45%.

The gearing covenant is limited to Stockland's Balance Sheet liabilities with no look through gearing and excluding the mark to market of derivatives and the gross up of Retirement Living resident obligations.

(ii) Interest cover ratio (Adjusted EBITA / Financing expenses): greater than 2.0 times.

The interest cover ratio excludes certain items such as impairments, write-downs, fair value gains or losses relating to assets and hedging arrangements etc.

(iii) Priority indebtedness: less than 15% of total equity.

As at 30 June 2011 and 30 June 2010, Stockland was in compliance with both the above financial covenants.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to Stockland.

Stockland has no significant concentrations of credit risk and has policies to review the aggregate exposure of tenancies across its portfolio. Stockland also has policies to ensure that sales of properties and development services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Risk Committee. As at 30 June 2011, these financial institutions had an S&P credit rating of A or above (2010: A or above).

There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating and country of origin.

Bank guarantees and mortgages over land are held as security over certain trade and other receivables balances.

As at 30 June 2011 and 30 June 2010, there were no significant financial assets that were past due. Additionally, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the consolidated Balance Sheet represents Stockland's maximum exposure to credit risk in relation to these assets. Refer to Note 47(c) for a breakdown of these financial assets.

Liquidity risk

Liquidity risk is the risk that Stockland will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Stockland aims at maintaining flexibility in funding by keeping sufficient cash and/or committed credit lines available whilst maintaining a low cost of holding these facilities. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Stockland manages liquidity risk through monitoring the maturity of its debt portfolio. Stockland also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn credit facilities. The current weighted average debt maturity is 5.9 years (2010: 6.2 years).

The table on the next page reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Liquidity risk (continued)

	Stockland Consolidated Group				
	Contractual cash flows $M	**1 year or less $M**	**1-2 years $M**	**2-5 years $M**	**More than 5 years $M**
2011					
Trade and other payables	**(546.7)**	**(418.5)**	**(73.7)**	**(46.0)**	**(8.5)**
Dividends and distributions payable	**(283.4)**	**(283.4)**	**-**	**-**	**-**
Interest-bearing loans and borrowings	**(3,098.7)**	**(167.6)**	**(293.6)**	**(1,226.1)**	**(1,411.4)**
Derivative liabilities[1]	**(1,168.4)**	**(95.9)**	**(98.3)**	**(454.4)**	**(519.8)**
Retirement Living resident obligations	**(1,634.4)**	**(1,370.9)**	**(64.4)**	**(130.8)**	**(68.3)**
	(6,731.6)	**(2,336.3)**	**(530.0)**	**(1,857.3)**	**(2,008.0)**
2010					
Trade and other payables	(475.0)	(354.7)	(35.7)	(80.6)	(4.0)
Dividends and distributions payable	(257.1)	(257.1)	-	-	-
Interest-bearing loans and borrowings	(3,583.9)	(417.4)	(165.0)	(1,482.8)	(1,518.7)
Derivative liabilities[1]	(846.2)	(103.7)	(62.1)	(346.8)	(333.6)
Retirement Living resident obligations	(903.5)	(521.8)	(8.2)	(54.8)	(318.7)
	(6,065.7)	(1,654.7)	(271.0)	(1,965.0)	(2,175.0)

[1] The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. As derivatives are exchanges of cash flows, the positive cash flows of derivatives assets are set out below to provide a meaningful analysis of Stockland Consolidated Group's total derivatives.

2011					
Derivative assets	**135.5**	**67.4**	**24.9**	**30.7**	**12.5**
2010					
Derivative assets	162.4	49.7	33.6	63.3	15.8

For the Retirement Living resident obligations, under an exit fee contract, settlement of Stockland's obligation in most cases occurs simultaneously with receipt of the incoming resident's contribution. Under the deferred repayment contract, the terms of the contract allow Stockland the unconditional right to defer settlement for a maximum of eight years after the resident turnover date based on the resident's tenure. Of the total Retirement Living resident obligations, $1,511.8 million (2010: $866.0 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Liquidity risk (continued)

	Stockland Trust Group				
	Contractual cash flows $M	**1 year or less $M**	**1-2 years $M**	**2-5 years $M**	**More than 5 years $M**
2011					
Trade and other payables	**(140.7)**	**(140.7)**	**-**	**-**	**-**
Dividends and distributions payable	**(283.4)**	**(283.4)**	**-**	**-**	**-**
Interest-bearing loans and borrowings	**(3,098.7)**	**(167.6)**	**(293.6)**	**(1,226.1)**	**(1,411.4)**
Derivative liabilities[1]	**(1,187.9)**	**(117.7)**	**(98.3)**	**(452.1)**	**(519.8)**
	(4,710.7)	**(709.4)**	**(391.9)**	**(1,678.2)**	**(1,931.2)**
2010					
Trade and other payables	(126.0)	(126.0)	-	-	-
Dividends and distributions payable	(257.1)	(257.1)	-	-	-
Interest-bearing loans and borrowings	(3,576.3)	(416.5)	(164.1)	(1,477.0)	(1,518.7)
Derivative liabilities[1]	(846.2)	(103.7)	(62.1)	(346.8)	(333.6)
	(4,805.6)	(903.3)	(226.2)	(1,823.8)	(1,852.3)

[1] The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. As derivatives are exchanges of cash flows, the positive cash flows of derivatives assets are set out below to provide a meaningful analysis of Stockland Trust Group's total derivatives.

2011					
Derivative assets	**135.5**	**67.4**	**24.9**	**30.7**	**12.5**
2010					
Derivative assets	162.4	49.7	33.6	63.3	15.8

Refer to Note 30 for details of Stockland's unused bank facilities.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars.

Stockland is exposed to foreign exchange risk arising from currency exposures to the US dollar, Pound Sterling, Yen and Euro.

Stockland manages its foreign exchange exposure by using cross currency interest rate swap ("CCIRS") contracts, forward exchange contracts ("FEC") and other interest rate swaps ("IRS"). Refer to Note 47(b) for further details about the CCIRS, FEC and IRS.

The table below provides a summary of the face values of Stockland's foreign exchange risk exposures together with the foreign exchange risk management transactions which have been entered into to manage these exposures.

	Stockland Consolidated Group				**Stockland Trust Group**		
	GBP	**USD**	**Yen**	**Euro**	**GBP**	**USD**	**Yen**
	£M	**$M**	**¥M**	**€M**	**£M**	**$M**	**¥M**
2011							
Borrowings	**(303.7)**	**(1,241.3)**	**(13,000.0)**	**-**	**(303.7)**	**(1,241.3)**	**(13,000.0)**
CCIRS / IRS	**250.1**	**1,241.3**	**13,000.0**	**-**	**250.1**	**1,241.3**	**13,000.0**
FEC	**(65.9)**	**-**	**-**	**(3.0)**	**-**	**-**	**-**
Other net assets	**115.2**	**-**	**-**	**2.0**	**105.9**	**-**	**-**
	(4.3)	**-**	**-**	**(1.0)**	**52.3**	**-**	**-**
2010							
Borrowings	(307.0)	(1,241.3)	(13,000.0)	-	(303.7)	(1,241.3)	(13,000.0)
CCIRS / IRS	250.1	1,241.3	13,000.0	-	250.1	1,241.3	13,000.0
FEC	(76.9)	-	-	(3.0)	(76.9)	-	-
Other net assets	151.9	-	-	2.8	205.9	-	-
	18.1	-	-	(0.2)	75.4	-	-

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Foreign exchange risk (continued)

Sensitivity analysis

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income and equity if there was an increase/decrease in exchange rates of 10% (2010: 10%) at balance date with all other variables held constant.

	Stockland Consolidated Group			
	2011		2010	
	Increase in exchange rates $M	**Decrease in exchange rates $M**	Increase in exchange rates $M	Decrease in exchange rates $M
AUD/USD exchange rate movement of 11 cents (2010: 9 cents)				
Statement of Comprehensive Income	**(9.5)**	**10.8**	(17.1)	21.0
Equity	**(1.4)**	**1.8**	(3.5)	4.2
AUD/GBP exchange rate movement of 7 pence (2010: 6 pence)				
Statement of Comprehensive Income	**17.0**	**(17.0)**	12.1	(12.0)
Equity	**(16.4)**	**19.9**	(15.9)	21.2
AUD/Euro exchange rate movement of 7 cents (2010: 7 cents)				
Statement of Comprehensive Income	**0.1**	**(0.1)**	-	0.1
Equity	**-**	**-**	-	-
AUD/Yen exchange rate movement of 9 Yen (2010: 8 Yen)				
Statement of Comprehensive Income	**3.4**	**(6.9)**	3.6	(4.8)
Equity	**-**	**-**	-	-
Total impact				
Statement of Comprehensive Income[1]	**11.0**	**(13.2)**	(1.4)	4.3

[1] The increase/(decrease) in exchange rates would have $Nil (2010: $Nil) impact on the Stockland Consolidated Group's Underlying profit.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Foreign exchange risk (continued)

Sensitivity analysis (continued)

	Stockland Trust Group			
	2011		2010	
	Increase in exchange rates $M	**Decrease in exchange rates $M**	Increase in exchange rates $M	Decrease in exchange rates $M
AUD/USD exchange rate movement of 11 cents (2010: 9 cents)				
Statement of Comprehensive Income	**(9.5)**	**10.8**	(17.1)	21.0
Equity	**(1.4)**	**1.8**	(3.5)	4.2
AUD/GBP exchange rate movement of 7 pence (2010: 6 pence)				
Statement of Comprehensive Income	**(6.9)**	**10.1**	(11.8)	19.2
Equity	**(0.7)**	**0.7**	(1.1)	1.1
AUD/Yen exchange rate movement of 9 Yen (2010: 8 Yen)				
Statement of Comprehensive Income	**3.4**	**(6.9)**	3.6	(4.8)
Equity	**-**	**-**	-	-
Total impact				
Statement of Comprehensive Income[1]	**(13.0)**	**14.0**	(25.3)	35.4

[1] The increase/(decrease) in exchange rates would have $Nil (2010: $Nil) impact on the Stockland Trust Group's Underlying profit.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates.

The income and the associated operating cash flows of Stockland's financial assets are substantially independent of changes in market interest rates.

Stockland's interest rate risk arises from borrowings. Borrowings issued at variable rates expose Stockland to cash flow interest rate risk. Borrowings issued at fixed rates expose Stockland to fair value interest rate risk. Stockland manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Stockland manages its fair value interest rate risk through cross currency interest rate swaps. The debt fixed/hedged percentage as at 30 June 2011 was 59% (2010: 53%). Refer to Note 47(b) for further details about the interest rate swap contracts.

The table below provides a summary of Stockland's interest rate risk exposure on interest-bearing loans and borrowings together with the interest rate risk management transactions which have been entered into to manage these exposures.

	Gross exposure (before the effect of derivatives)		Net exposure (after the effect of derivatives)	
	2011 $M	2010 $M	**2011 $M**	2010 $M
Stockland Consolidated Group				
Fixed rate interest-bearing loans and borrowings[1]	**2,941.9**	2,886.6	**1,732.7**	1,594.1
Floating rate interest-bearing loans and borrowings[1]	**9.5**	96.5	**1,218.7**	1,389.0
	2,951.4	2,983.1	**2,951.4**	2,983.1
Debt fixed/hedged %			**59%**	53%
Debt fixed/hedged % (net of cash on deposit)			**63%**	77%
Stockland Trust Group				
Fixed rate interest-bearing loans and borrowings[1]	**2,941.9**	2,881.2	**1,732.7**	1,588.8
Floating rate interest-bearing loans and borrowings[1]	**9.5**	96.5	**1,218.7**	1,388.9
	2,951.4	2,977.7	**2,951.4**	2,977.7
Debt fixed/hedged %			**59%**	53%
Debt fixed/hedged % (net of cash on deposit)			**63%**	63%

[1] Notional principal amounts.

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Interest rate risk (continued)

Sensitivity analysis

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income and equity if market interest rates at balance date had been 100 basis points higher/lower (2010: 100 basis points) with all other variables held constant.

	2011		2010	
	Interest rates higher $M	**Interest rates lower $M**	Interest rates higher $M	Interest rates lower $M
Stockland Consolidated Group				
Market interest rate movement of 100 basis points (2010: 100 basis points)				
Statement of Comprehensive Income	**(37.3)**[1]	**(11.1)**[2]	(63.7)[1]	18.8[2]
Equity	**(0.1)**	**0.1**	(1.3)	1.3

[1] The impact on the Income Statement would be reflected as $37.7 million loss (2010: $65.9 million loss) in Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and $0.4 million gain (2010: $2.2 million gain) in interest income relating to interest-earning financial assets. The impact to Stockland Consolidated Group's Underlying profit would be limited to the interest income gain of $0.4 million (2010: $2.2 million gain).

[2] The impact on the Income Statement would be reflected as $10.7 million loss (2010: $21.0 million gain) in Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and $0.4 million loss (2010: $2.2 million loss) in interest income relating to interest-earning financial assets. The impact to Stockland Consolidated Group's Underlying profit would be limited to the interest income loss of $0.4 million (2010: $2.2 million loss).

The above effect of an increase/decrease in market interest rates on the Statement of Comprehensive Income is after interest capitalisation of $1.5 million (2010: $5.9 million).

	2011		2010	
Stockland Trust Group				
Market interest rate movement of 100 basis points (2010: 100 basis points)				
Statement of Comprehensive Income	**(2.7)**[1]	**(45.8)**[2]	(26.6)[1]	(18.3)[2]
Equity	**(0.1)**	**0.1**	(1.3)	1.3

[1] The impact on the Income Statement would be reflected as $37.7 million loss (2010: $65.9 million loss) in Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and $35.0 million gain (2010: $39.3 million gain) in interest income relating to interest-earning financial assets. The impact to Stockland Trust Group's Underlying profit would be limited to the interest income gain of $35.0 million (2010: $39.3 million gain).

[2] The impact on the Income Statement would be reflected as $10.8 million loss (2010: $21.0 million gain) in Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and $35.0 million loss (2010: $39.3 million loss) in interest income relating to interest-earning financial assets. The impact to Stockland Trust Group's Underlying profit would be limited to the interest income loss of $35.0 million (2010: $39.3 million loss).

47 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Equity price risk

Equity price risk is the risk that the fair value of investments in listed/unlisted entities and equity derivative contracts fluctuate due to changes in the underlying share/unit price. Stockland's equity price risk arises from investments in listed securities, units in unlisted funds and equity derivative contracts.

Variability in the fair value of Stockland's equity investments and equity derivative contracts is linked to the market price of the equity securities/units which is affected by a number of factors.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower (2010: 10%) with all other variables held constant.

	2011		2010	
	Market price higher $M	**Market price lower $M**	Market price higher $M	Market price lower $M
Stockland Consolidated Group				
Statement of Comprehensive Income[1]	**14.7**	**(14.7)**	83.8	(83.8)
Equity	**-**	**-**	-	-
Stockland Consolidated Trust				
Statement of Comprehensive Income[1]	**2.6**	**(2.6)**	70.1	(70.1)
Equity	**-**	**-**	-	-

[1] The increase/(decrease) in market price would have $Nil (2010: $Nil) impact on the Stockland Consolidated Group's and the Stockland Trust Group's Underlying profit.

47 Financial instruments (continued)

(b) Derivative financial instruments

The management of derivative financial instruments of the Stockland Consolidated Group and the Stockland Trust Group is performed at the Stockland Consolidated Group ("Stockland") level. All qualitative disclosures relate to Stockland in total. Where required, separate information has been included for each of the Stockland Consolidated Group and the Stockland Trust Group.

Stockland is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with Stockland's financial risk management policies as mentioned above. From time to time Stockland uses other derivative financial instruments to diversify and/or assist in the management of strategic investments.

Unallocated interest rate swap contracts – Derivatives that do not qualify as effective under hedge accounting rules

Stockland enters into unallocated interest rate swaps to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures.

As at 30 June 2011, the notional principal amounts and periods of expiry of the unallocated interest rate swap contracts are as follows:

	Stockland Consolidated Group and Stockland Trust Group	
	2011	2010
	$M	$M
Less than 1 year	**1,771.4**	2,088.9
1-2 years	**700.0**	189.3
2-5 years	**3,023.2**	2,928.5
Over 5 years	**6,197.0**	5,867.9
	11,691.6	11,074.6

Unallocated interest rate swap contracts have been recorded on the Balance Sheet at their fair value in accordance with AASB 139. These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically.

As a result movements in the fair value of these instruments are recognised in the Statement of Comprehensive Income. Refer accounting policy at Note 1(n).

At balance date, these contracts had a fair value of $0.8 million (2010: $5.9 million) included in Current other assets, $91.7 million (2010: $123.5 million) included in Non-current other assets, $0.5 million (2010: $1.5 million) included in Current other liabilities and $170.5 million (2010: $214.9 million) included in Non-current other liabilities.

Cross currency interest rate swap contracts

Stockland's foreign medium term notes create both an interest rate and a foreign currency risk exposure. Stockland's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Stockland has entered into a series of cross currency principal and interest rate swaps.

Swaps currently in place cover 100% of the US and Asian private placement principals outstanding and the majority of the UK private placement principals outstanding and are timed to expire when each private placement loan matures. These swaps also swap the obligation to pay fixed interest to floating interest. This creates a floating rate exposure which is then managed through the effect of the unallocated interest rate swap contracts.

These cross currency interest rate swaps have been designated as fair value, cash flow and net investment hedges with the movements in fair value recognised in accordance with the accounting policy at Note 1(n). During the financial year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules. Whilst this is the case, management believe the hedges in place as at 30 June 2011 are effective economically.

47 Financial instruments (continued)

(b) Derivative financial instruments (continued)

Cross currency interest rate swap contracts (continued)

The fair values of the cross currency principal and interest rate swaps are as follows:

Derivatives that do qualify as effective under hedge accounting rules

	Non-current other assets		Current other liabilities		Non-current other liabilities	
	2011 $M	2010 $M	**2011 $M**	2010 $M	**2011 $M**	2010 $M
Stockland Consolidated Group						
Fair value hedges	**-**	37.8	**(12.3)**	-	**(364.5)**	(175.1)
Cash flow hedges	**-**	8.2	**-**	-	**(3.4)**	2.9
Net investment hedges	**-**	28.2	**-**	-	**-**	-
	-	74.2	**(12.3)**	-	**(367.9)**	(172.2)
Stockland Trust Group						
Fair value hedges	**-**	66.0	**(12.3)**	-	**(364.5)**	(175.1)
Cash flow hedges	**-**	8.2	**-**	-	**(3.4)**	2.9
	-	74.2	**(12.3)**	-	**(367.9)**	(172.2)

Derivatives that do not qualify as effective under hedge accounting rules

	Current other assets		Non-current other assets		Non-current other liabilities	
	2011 $M	2010 $M	**2011 $M**	2010 $M	**2011 $M**	2010 $M
Stockland Consolidated Group and Stockland Trust Group						
Cross currency interest rate swaps	**-**	12.4	**38.7**	51.0	**(134.7)**	(12.0)
Other swaps	**-**	-	**-**	-	**-**	(1.0)
	-	12.4	**38.7**	51.0	**(134.7)**	(13.0)

Refer to Note 30 for the interest rates and periods of expiry of the cross currency interest rate swap contracts.

47 Financial instruments (continued)

(b) Derivative financial instruments (continued)

Forward exchange contracts

Euro

Stockland has invested in a Euro denominated fund managed by Rynda LLP (controlled entity of Stockland UK) which creates an exposure to the GBP/Euro exchange rate. As management desires to have certainty over the GBP received at the maturity of the fund, Stockland has entered into a forward exchange contract to fix part of the GBP receivable.

As at 30 June 2011, the notional principal and period of expiry is as follows:

	Stockland Consolidated Group and Stockland Trust Group			
	Buy/(Sell) Euro		**Forward Exchange Rate**	
	2011	2010	**2011**	2010
	$M	$M	**Euro/GBP**	Euro/GBP
2-5 years	**(3.0)**	(3.0)	**0.81**	0.81

Pounds

During the prior and current financial year, Stockland entered into a number of forward exchange contracts to manage its exposure to the AUD/GBP exchange rate relating to its investment in Stockland UK.

As at 30 June 2011, the notional principal and period of expiry is as follows:

	Stockland Consolidated Group and Stockland Trust Group			
	Buy/(Sell) Pounds		**Forward Exchange Rate**	
	2011	2010	**2011**	2010
	$M	$M	**AUD/GBP**	AUD/GBP
1-2 years	**(68.0)**	(79.0)	**0.55**	0.55
2-5 years	**2.1**	2.1	**0.41**	0.41

The amounts disclosed above represents the currency (sold)/bought measured at the contracted rate.

At balance date, these forward exchange contracts had a fair value of $16.9 million (2010: $Nil) included in Current other assets – Derivatives that do not qualify as effective under hedge accounting rules and $1.5 million (2010: $6.5 million) included in Non-current other liabilities – Derivatives that do not qualify as effective under hedge accounting rules.

47 Financial instruments (continued)

(b) Derivative financial instruments (continued)

Other derivative financial instruments – Derivatives that do not qualify as effective under hedge accounting rules

From time to time Stockland uses other derivative financial instruments to diversify and/or assist in the management of strategic investments. In prior years, Stockland entered into a series of equity derivative contracts, under two forms of instrument, which provided an exposure to the movement in the GPT security price. One form of derivative contract was net cash settled and the other form of instrument could be net cash settled or physically settled with the delivery of GPT securities at the option of Stockland. All equity derivative contracts were due to expire in May 2010.

On 9 February 2010, with the agreement of Stockland and its counterparty, the maturity date of all the equity derivative contracts was extended to expire in May 2011. As part of the arrangement, Stockland was required to provide a certain level of credit support (permitted to be cash and/or bank guarantee) to the counterparty. Where cash was provided as credit support, the amount on deposit was netted against the obligation to the counterparty recognised on the Balance Sheet.

These derivatives were recorded on the Balance Sheet at fair value in accordance with AASB 9 “Financial Instruments” with movements in the fair value of these instruments recognised in the Statement of Comprehensive Income. These instruments were not designated as hedges for accounting purposes.

On 27 October 2010, Stockland exited its 13.1% exposure to GPT by extinguishing the off-balance sheet equity derivative structure. In closing out the derivatives with the counterparty, Stockland was required to cash settle the difference between entry price and exit price. This led to an incremental cash outflow of $135.3 million offset by the return of $47.3 million in cash on deposit with the counterparty which resulted in a net cash payment of $88.0 million.

The net impact to the Statement of Comprehensive Income for the current financial year was a loss of $24.9 million comprising of a $174.1 million loss relating to the mark-to-market difference between the exit price and the market price of GPT securities at 30 June 2010 of $2.81 (including transaction costs) and $149.2 million gain in derecognising the investment in GPT securities and the associated liability that previously did not qualify for derecognition under Australian Accounting Standards. This $24.9 million loss has been recorded in the Statement of Comprehensive Income as $174.1 million in Net (loss)/gain on other financial instruments that do not qualify as effective under hedge accounting rules and $149.2 million in Net gain from fair value adjustment of other financial assets.

As at 30 June 2011, Stockland has no exposure to GPT securities (2010: 243 million securities or 13.1% of the issued securities of GPT). The prior year’s exposure to GPT was through the now extinguished equity derivative contracts and other financial assets (included in Current assets – Other financial assets in the prior year).

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all Stockland's financial assets and liabilities recognised in the financial statements.

	Stockland Consolidated Group			
	Carrying amount 2011 $M	**Fair value 2011 $M**	Carrying amount 2010 $M	Fair value 2010 $M
Financial assets				
Cash and cash equivalents	**194.6**	**194.6**	911.4	911.4
Trade and other receivables	**273.6**	**273.6**	196.7	196.7
Other financial assets	**147.4**	**147.4**	389.3	389.3
Derivative assets	**148.1**	**148.1**	267.0	267.0
	763.7	**763.7**	1,764.4	1,764.4
Financial liabilities				
Trade and other payables	**(562.1)**	**(562.1)**	(471.9)	(471.9)
Dividends and distributions payable	**(283.4)**	**(283.4)**	(257.1)	(257.1)
Liability in respect of transfer of investment and equity contracts	**-**	**-**	(252.0)	(252.0)
Bank bill facility	**-**	**-**	(6.0)	(6.0)
Domestic medium term notes	**(689.1)**	**(718.0)**	(702.5)	(711.5)
Foreign medium term notes	**(1,718.3)**	**(1,748.7)**	(2,121.0)	(2,149.0)
Contingent settlement provision	**-**	**-**	(1.5)	(0.9)
Derivative liabilities	**(687.4)**	**(687.4)**	(400.6)	(400.6)
Retirement Living ex-resident obligations	**(65.2)**	**(65.2)**	(32.4)	(32.4)
Retirement Living existing resident obligations	**(1,511.8)**	**(1,511.8)**	(866.0)	(866.0)
Aged Care accommodation bonds	**(52.2)**	**(52.2)**	-	-
	(5,569.5)	**(5,628.5)**	(5,111.0)	(5,147.4)

The difference of $59.3 million (2010: $37.0 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

In the prior year, the difference of $0.6 million between the carrying amount and the fair value of the contingent settlement provision was due to the market value of the Stockland securities which support the ISP and ESS loans guaranteed by Stockland being higher than the ISP and ESS loan values at balance date.

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

	Stockland Trust Group			
	Carrying amount 2011 $M	**Fair value 2011 $M**	Carrying amount 2010 $M	Fair value 2010 $M
Financial assets				
Cash and cash equivalents	**88.6**	**88.6**	827.7	827.7
Trade and other receivables	**3,464.4**	**3,464.4**	3,194.8	3,194.8
Other financial assets	**25.9**	**25.9**	251.1	251.1
Derivative assets	**149.4**	**149.4**	267.0	267.0
	3,728.3	**3,728.3**	4,540.6	4,540.6
Financial liabilities				
Trade and other payables	**(141.7)**	**(141.7)**	(126.0)	(126.0)
Distributions payable	**(283.4)**	**(283.4)**	(257.1)	(257.1)
Domestic medium term notes	**(689.1)**	**(718.0)**	(702.5)	(711.5)
Foreign medium term notes	**(1,718.3)**	**(1,748.7)**	(2,121.0)	(2,149.0)
Liability in respect of transfer of investment and equity contract	**-**	**-**	(252.0)	(252.0)
Derivative liabilities	**(704.3)**	**(704.3)**	(400.6)	(400.6)
	(3,536.8)	**(3,596.1)**	(3,859.2)	(3,896.2)

The difference of $59.3 million (2010: $37.0 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

The following table provides an analysis of Stockland's financial instruments carried at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different Levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: inputs for the financial asset or liability that are not based on observable market data.

	Stockland Consolidated Group			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**
2011				
Financial assets carried at fair value				
Securities in listed entities	**121.0**	**-**	**-**	**121.0**
Units in unlisted entities	**-**	**-**	**26.4**	**26.4**
Derivative assets	**-**	**33.6**	**114.5**	**148.1**
	121.0	**33.6**	**140.9**	**295.5**
Financial liabilities carried at fair value				
Derivative liabilities	**-**	**(215.1)**	**(472.3)**	**(687.4)**
Financial liabilities designated at fair value through profit or loss	**-**	**(839.9)**	**-**	**(839.9)**
	-	**(1,055.0)**	**(472.3)**	**(1,527.3)**
	121.0	**(1,021.4)**	**(331.4)**	**(1,231.8)**
2010				
Financial assets carried at fair value				
Securities in listed entities	356.8	-	-	356.8
Units in unlisted entities	-	-	32.5	32.5
Derivative assets	-	42.7	224.3	267.0
Equity derivative contracts	-	35.1	-	35.1
	356.8	77.8	256.8	691.4
Financial liabilities carried at fair value				
Derivative liabilities	-	(134.9)	(265.7)	(400.6)
Financial liabilities designated at fair value through profit or loss	-	(1,362.4)	-	(1,362.4)
	-	(1,497.3)	(265.7)	(1,763.0)
	356.8	(1,419.5)	(8.9)	(1,071.6)

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

	Stockland Trust Group			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**
2011				
Financial assets carried at fair value				
Units in unlisted entities	**-**	**-**	**25.9**	**25.9**
Derivative assets	**-**	**34.9**	**114.5**	**149.4**
	-	**34.9**	**140.4**	**175.3**
Financial liabilities carried at fair value				
Derivative liabilities	**-**	**(232.0)**	**(472.3)**	**(704.3)**
Financial liabilities designated at fair value through profit or loss	**-**	**(839.9)**	**-**	**(839.9)**
	-	**(1,071.9)**	**(472.3)**	**(1,544.2)**
	-	**(1,037.0)**	**(331.9)**	**(1,368.9)**
2010				
Financial assets carried at fair value				
Securities in listed entity	219.2	-	-	219.2
Units in unlisted entities	-	-	31.9	31.9
Derivative assets	-	42.7	224.3	267.0
Equity derivative contracts	-	35.1	-	35.1
	219.2	77.8	256.2	553.2
Financial liabilities carried at fair value				
Derivative liabilities	-	(134.9)	(265.7)	(400.6)
Financial liabilities designated at fair value through profit or loss	-	(1,362.4)	-	(1,362.4)
	-	(1,497.3)	(265.7)	(1,763.0)
	219.2	(1,419.5)	(9.5)	(1,209.8)

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year.

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

The following table shows a reconciliation of movements in Stockland's financial instruments classified as Level 3 for the year ended 30 June 2011.

	Stockland Consolidated Group			
	Units in unlisted entities $M	Derivative assets $M	Derivative liabilities $M	Total $M
2011				
Opening balance	**32.5**	**224.3**	**(265.7)**	**(8.9)**
Total gains or losses:				
- in profit or loss	**(1.9)**	**(119.7)**	**(200.6)**	**(322.2)**[1]
- in other comprehensive income	**(0.1)**	**9.9**	**(6.0)**	**3.8**[2]
Purchases	**2.8**	**-**	**-**	**2.8**
Capital distributions	**(6.9)**	**-**	**-**	**(6.9)**
Closing balance	**26.4**	**114.5**	**(472.3)**	**(331.4)**
2010				
Opening balance	24.6	90.8	(349.4)	(234.0)
Total gains or losses:				
- in profit or loss	-	135.4	85.0	220.4[1]
- in other comprehensive income	(0.1)	(1.9)	(1.3)	(3.3)[2]
Purchases	8.0	-	-	8.0
Closing balance	32.5	224.3	(265.7)	(8.9)

[1] Of this amount, $350.2 million (2010: $135.7 million) represents the total gains or losses for the year included in profit/loss for assets and liabilities held at the end of the reporting period.

[2] All of this balance represents the total gains or losses for the year included in other comprehensive income for assets and liabilities held at the end of the reporting period.

	Stockland Trust Group			
	Units in unlisted entities $M	Derivative assets $M	Derivative liabilities $M	Total $M
2011				
Opening balance	**31.9**	**224.3**	**(265.7)**	**(9.5)**
Total gains or losses:				
- in profit or loss	**(1.9)**	**(119.7)**	**(200.6)**	**(322.2)**[1]
- in other comprehensive income	**-**	**9.9**	**(6.0)**	**3.9**[2]
Purchases	**2.8**	**-**	**-**	**2.8**
Capital distributions	**(6.9)**	**-**	**-**	**(6.9)**
Closing balance	**25.9**	**114.5**	**(472.3)**	**(331.9)**
2010				
Opening balance	23.6	90.8	(349.4)	(235.0)
Total gains or losses:				
- in profit or loss	-	135.4	85.0	220.4[1]
- in other comprehensive income	-	(1.9)	(1.3)	(3.2)[2]
Purchases	8.3	-	-	8.3
Closing balance	31.9	224.3	(265.7)	(9.5)

[1] Of this amount, $350.2 million (2010: $135.7 million) represents the total gains or losses for the year included in profit/loss for assets and liabilities held at the end of the reporting period.

[2] All of this balance represents the total gains or losses for the year included in other comprehensive income for assets and liabilities held at the end of the reporting period.

47 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

Determination of fair value

The fair value of Other financial assets – Securities in listed entities is determined by reference to the quoted bid price of the entity at balance date. The fair value of Other financial assets – Units in unlisted entities is determined by reference to the net assets of the underlying investments.

The fair value of medium term notes (domestic and foreign) and derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates and exchange rates.

The fair value of interest rate swaps and cross currency interest rate swaps is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties.

The fair value of forward exchange contracts is the quoted market price of the derivative at balance date, being the present value of the quoted forward price.

For the prior financial year, the fair value of equity derivative contracts was determined using a generally accepted pricing model based on quoted market inputs (e.g. bid price of the underlying listed entity) and the strike price adjusted for specific features of the instruments.

For the prior financial year, the fair value of the contingent settlement provision had been determined by comparing the value of the ISP and ESS loans guaranteed by Stockland to the 30 June 2010 value of the securities to which they relate.

48 Key Management Personnel disclosures

Stockland Consolidated Group

The following were Key Management Personnel ("KMP") of the Stockland Consolidated Group at any time during the reporting period, and unless otherwise indicated, were KMP for the entire period.

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	
Mr Barry Neil	
Ms Carol Schwartz	(appointed 1 July 2010)
Mr Peter Scott	
Mr Terry Williamson	

Executive Director

Mr Matthew Quinn	Managing Director

Senior Executives

Mr Tim Foster	Chief Financial Officer ("CFO")
Mr Mark Hunter	Chief Executive Officer ("CEO") Residential
Ms Karyn Munsie	Executive General Manager ("EGM") Corporate Affairs
Mr David Pitman	CEO Retirement Living
Mr Michael Rosmarin	EGM Human Resources (commenced July 2010)
Mr John Schroder	CEO Commercial Property

Former Non-Executive Director, Executive Director and Senior Executives

Mr Nicholas Greiner	Former Deputy Chairman (retired 19 October 2010)
Mr Hugh Thorburn	Former Finance Director (retired 26 February 2010)
Ms Rilla Moore	Former EGM Human Resources (retired 24 September 2010)
Mr Denis Hickey	Former CEO Residential (ceased employment July 2009)

All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited.

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Remuneration of Key Management Personnel by the Stockland Consolidated Group

		Short-term					Post-employment	Other long-term	Share-based payments		
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] $	Total short-term $	Super-annuation benefits $	Long service leave[4] $	LTI[5, 6] $	Termination benefits $	Total $
Total remuneration											
Key Management Personnel	**2011**	**8,079,637**	**54,901**	**100,000**	**5,995,000**	**14,229,538**	**248,626**	**75,087**	**3,972,623**	**70,500**	**18,596,374**
	2010	7,588,912	86,868	-	5,406,000	13,081,780	230,628	100,092	3,007,801	250,000	16,670,301

1 Includes any change in accruals for annual leave.

2 Comprises salary packaged benefits, including motor vehicle costs, car parking and FBT payable on these items.

3 Short-term incentives are earned in the financial year to which they relate and are paid in August of the following financial year.

4 Includes any change in accruals for long service leave.

5 The methods and assumptions used to calculate the fair value of share-based payments are disclosed within this note.

6 Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP allocations. The cumulative expense relating to certain equity-settled schemes has been reversed during the prior and current financial years due to anticipated non-performance in relation to certain hurdles.

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 29 to 53 of the Directors' Report.

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Basis of disclosures included as remuneration

The equity remuneration provided by Stockland under the PRP involves a benefit to the recipients of the grants, which is disclosed as remuneration and calculated in accordance with Australian Accounting Standards. No remuneration under the ISP and ESS plans was made during the current and prior financial years.

Measurement

Refer Note 33 for details regarding the calculation of fair values for the PRP. There were no issues under the ISP and ESS during the current and prior financial years.

The remuneration to the individual under the PRP is this fair value multiplied by the number of equity instruments granted to the individual to determine the total value of the remuneration benefit for each issue.

Refer to Note 1(ee)(vi) for further details regarding the accounting policy for rights granted under the PRP.

Allocation of accounting expense

Where the benefit from equity remuneration is expected to be earned over several reporting periods, the total benefit determined at the grant date of the equity remuneration is apportioned on a straight-line basis over the periods in which it is expected to be earned, being the vesting period.

For the equity remuneration granted by Stockland, where the individual forfeits the rights due to failure to meet a service or performance condition, no remuneration in respect of that grant is reflected in the remuneration disclosures in that period, unless forfeiture relates to a market condition. The cumulative expense on forfeited rights is reversed through the Statement of Comprehensive Income.

Where amendments are made to the terms and conditions of the grant subsequent to the grant date, the value of the grant immediately prior to and following the modification is determined. This occurs upon resignation or termination where the amendment relates to rights becoming vested in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service conditions. In this situation, the value that would have been recognised in future periods in respect of the rights not forfeited is brought to account in the period that the rights vest.

Loans granted under the ISP and ESS

Prior period loans made to individuals by Stockland to fund the purchase of securities granted under the ISP and ESS are not disclosed in the Balance Sheet under AASBs because the arrangements under these plans are considered options for accounting purposes.

Equity holdings and transactions

The movement during the period in the number of stapled securities held, directly, indirectly or beneficially, by KMP, including parties related to them, is as follows:

Stockland securities acquired under ISP/ESS plans

During the current and previous financial years, there have been no securities acquired under the ISP/ESS plans. Refer to Note 33 for more information regarding the discontinuation of these plans. Stockland securities held under the ISP/ESS plans are included in the following table.

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Basis of disclosures included as remuneration (continued)

Equity holdings and transactions (continued)

Stockland securities held including securities held under ISP/ESS plans

		Total securities held at 1 July	Purchased	Vested rights converted to securities	Sold	Total securities held at 30 June
Non-Executive Directors						
G Bradley	**2011**	**180,723**	**-**	**-**	**-**	**180,723**
	2010	180,723	-	-	-	180,723
D Boyle	**2011**	**61,169**	**-**	**-**	**-**	**61,169**
	2010	61,169	-	-	-	61,169
C Hewson	**2011**	**17,809**	**-**	**-**	**-**	**17,809**
	2010	17,809	-	-	-	17,809
B Neil	**2011**	**51,607**	**-**	**-**	**-**	**51,607**
	2010	51,607	-	-	-	51,607
C Schwartz	**2011**	**-**	**10,000**	**-**	**-**	**10,000**
	2010	-	-	-	-	-
P Scott	**2011**	**28,049**	**-**	**-**	**-**	**28,049**
	2010	28,049	-	-	-	28,049
T Williamson	**2011**	**94,430**	**-**	**-**	**-**	**94,430**
	2010	94,430	-	-	-	94,430
Executive Director						
M Quinn	**2011**	**1,967,800**	**-**	**197,500**	**(280,800)**	**1,884,500**
	2010	1,732,800	-	235,000	-	1,967,800
Senior Executives						
M Hunter	**2011**	**38,500**	**-**	**24,845**	**(5,000)**	**58,345**
	2010	38,500	-	24,845	(24,845)	38,500
D Pitman	**2011**	**-**	**-**	**39,000**	**-**	**39,000**
	2010	-	-	-	-	-
J Schroder	**2011**	**90,000**	**-**	**85,500**	**-**	**175,500**
	2010	-	-	90,000	-	90,000
Former Non-Executive Director, Executive Director and Senior Executives						
N Greiner[1]	**2011**	**114,843**	**-**	**-**	**-**	**-**
	2010	114,843	-	-	-	114,843
R Moore[1]	**2011**	**127,000**	**-**	**-**	**-**	**-**
	2010	127,000	-	-	-	127,000
H Thorburn[2]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	574,562	-	102,000	(9,362)	-
D Hickey[3]	**2011**	**-**	**-**	**-**	**-**	**-**
	2010	616,000	-	-	-	-

[1] Mr N Greiner and Ms R Moore retired during the current financial year. Movements in their Stockland securityholdings up until their leaving date are disclosed above. Details of their Stockland securityholdings as at 30 June 2011 is not available.

[2] Mr H Thorburn retired during the prior year. Movements in his Stockland securityholdings up until his leaving date are disclosed above. Details of his Stockland securityholdings as at 30 June 2011 and 30 June 2010 is not available.

[3] Mr D Hickey left Stockland during the prior year. Movements in his Stockland securityholdings up until his leaving date are disclosed above. Details of his Stockland securityholdings as at 30 June 2011 and 30 June 2010 is not available.

Mr T Foster, Mr M Rosmarin and Ms K Munsie do not hold any Stockland securities as at 30 June 2011 (2010: nil).

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Basis of disclosures included as remuneration (continued)

Rights holdings and transactions under the PRP

		Total rights held at 1 July	Granted during the period via PRP	Vested on 30 June	Forfeited during the year/lapsed on 30 June	Total rights held at 30 June[1]	Vested rights at 30 June
Executive Director							
M Quinn	**2011**	**1,983,000**	**1,029,000**	**(361,500)**	**(361,500)**	**2,289,000**	**794,000**
	2010	1,118,000	1,260,000	(197,500)	(197,500)	1,983,000	432,500
Senior Executives							
T Foster	**2011**	**226,000**	**368,000**	**-**	**-**	**594,000**	**-**
	2010	-	226,000	-	-	226,000	-
M Hunter	**2011**	**468,098**	**337,000**	**(40,549)**	**(40,549)**	**724,000**	**65,394**
	2010	130,787	387,000	(24,845)	(24,845)	468,098	24,845
K Munsie	**2011**	**217,000**	**211,000**	**-**	**-**	**428,000**	**-**
	2010	-	217,000	-	-	217,000	-
D Pitman	**2011**	**484,000**	**295,000**	**(69,500)**	**(69,500)**	**640,000**	**108,500**
	2010	217,000	345,000	(39,000)	(39,000)	484,000	39,000
M Rosmarin	**2011**	**-**	**213,000**	**-**	**-**	**213,000**	**-**
	2010	-	-	-	-	-	-
J Schroder	**2011**	**841,000**	**434,000**	**(155,000)**	**(155,000)**	**965,000**	**330,500**
	2010	481,000	531,000	(85,500)	(85,500)	841,000	175,500
Former Executive Director and Senior Executives							
R Moore[2]	**2011**	**381,000**	**-**	**(69,500)**	**(311,500)**	**-**	**108,500**
	2010	217,000	242,000	(39,000)	(39,000)	381,000	39,000
H Thorburn[3]	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	462,000	-	(83,000)	(83,000)	296,000	-
D Hickey[4]	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	493,000	-	(88,500)	(404,500)	-	-

1 Balance excludes rights that have vested/lapsed on 30 June.

2 Ms R Moore retired during the current financial year. Movements in her rights held under the PRP during the financial year up until her retirement are disclosed above.

3 Mr H Thorburn retired during the prior year. Movements in his rights held under the PRP during the prior year up until his retirement are disclosed above. Details of his vested rights as at 30 June 2010 are not available. Mr H Thorburn was not a KMP during the financial year; hence no current year disclosure is required.

4 Mr D Hickey left Stockland during the prior year. Movements in his rights held under the PRP during the prior year up until his leaving date are disclosed above. Details of his vested rights as at 30 June 2010 are not available. Mr D Hickey was not a KMP during the financial year; hence no current year disclosure is required.

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Share-based payment loans to KMP

In a previous financial year, limited recourse interest-free loans had been made by a wholly-owned entity of Stockland to KMP, to finance the purchase of Stockland securities, pursuant to the ISP and the ESS as described in Note 33. These loans have a maximum term of five years from the date the loan was advanced. Early repayment is required upon resignation, retirement, or dismissal (within 91 days) and within 182 days after death of the individual. The stapled securities are security for the loan until all outstanding amounts are fully repaid under the ESS or waived under the ISP if certain performance and service conditions are met.

Some ESS loans advanced to employees (including KMPs) had been refinanced through loans provided by a financial institution.

In previous financial years, Stockland had guaranteed these loans provided by a financial institution for a period of up to three years from the date of the loan. The guarantee was for the shortfall, if any, between the value of the loan and the market value of the stapled securities that the loan supported. The guarantee ended 90 days after the borrower ceased to be an employee of Stockland or a related entity. The value of the guarantee was $1.5 million in the prior year and had been recorded as a contingent settlement provision in the Balance Sheet. Refer to Note 32.

Where the underlying ISP and ESS securities were sold prior to vesting, any excess of sales proceeds over loan balances outstanding was to the benefit of Stockland (other than for any capital gains tax liability imposed on the individual) and otherwise, that is after vesting, to the benefit of the individual. Any shortfall of sales proceeds over the loan balance was forgiven, except in respect of any dividends and distributions attaching to the securities.

Other transactions with KMP

Detailed below are transactions between Stockland and entities with which Directors have an association. These transactions do not meet the definition of related parties since the Directors as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the financial year to Directors' personally-related entities were total revenues of $24,106,821 (2010: $23,426,621), and total expenses of $47,222,565 (2010: $84,688,461). Details of the transactions are as follows:

Mr N Greiner is Chairman of Valemus, the holding company of Abigroup Limited ("Abigroup") and Baulderstone Hornibrook Pty Limited ("Baulderstone Hornibrook"). Mr N Greiner was a Director of Stockland until 19 October 2010.

Abigroup provided construction services to Stockland during the financial year. Amounts paid and payable to Abigroup during the financial year when Mr N Greiner was a Director of Stockland were $Nil (2010: $37,619,956).

Baulderstone Hornibrook provided construction services to Stockland during the financial year. Amounts paid and payable to Baulderstone Hornibrook during the financial year when Mr N Greiner was a Director of Stockland were $8,784,713 (2010: $35,945,757).

Baulderstone Hornibrook is paying commercial rent at the Triniti Business Campus property. Rents received and receivable from Baulderstone Hornibrook for the financial year were $2,556,111 (2010: $2,330,957).

Mr G Bradley was a Director of Singapore Telecommunications Limited, the holding company of the Singtel Optus group ("Optus") until July 2011. Optus is paying commercial rent at the Macquarie Park property. Rents received and receivable from Optus for the financial year were $10,061,050 (2010: $10,039,301).

48 Key Management Personnel disclosures (continued)

Stockland Consolidated Group (continued)

Other transactions with KMP (continued)

Stockland has also entered into various agreements with Optus for the provision of telephony/ telecommunications services. Amounts paid and payable to Optus during the financial year were $2,343,467 (2010: $1,564,676).

Mr G Bradley is the Chairman of the HSBC Bank Australia Limited ("HSBC"), which provided derivative financial instruments to Stockland and its controlled entities during the financial year. The transactions with HSBC relate to four derivative instruments with a combined fair value $3,642,216 (2010: $3,796,562). Fees paid to HSBC during the financial year were $Nil (2010: $7,125,000).

Mr P Scott is Chairman of Sinclair Knight Merz Holdings Limited ("Sinclair Knight Merz"), an unlisted public company which provided consulting services to Stockland and its controlled entities during the financial year. Fees paid and payable to Sinclair Knight Merz during the financial year were $324,294 (2010: $376,822).

Sinclair Knight Merz is paying commercial rent at various Stockland's properties. Rents received and receivable from Sinclair Knight Merz for the financial year were $9,093,220 (2010: $8,757,080).

Mr P Scott was appointed to the Advisory Panel of Laing O'Rourke Australia ("Laing O'Rourke") on 1 September 2008 and resigned on 1 August 2011. Laing O'Rourke provided construction services to Stockland during the financial year. Amounts paid and payable to Laing O'Rourke during the financial year were $33,021,778 (2010: $176,679).

Mr D Boyle is a Director of Clayton Utz, which provided legal services to Stockland and its controlled entities during the financial year. Legal fees paid and payable to Clayton Utz during the financial year were $2,712,408 (2010: $1,819,716).

Mr D Boyle is also a Director of QBE Insurance Group Limited, which provided public liability and fidelity insurance services to Stockland and its controlled entities during the financial year. Insurance premiums paid and payable to QBE Insurance Group Limited during the financial year were $35,905 (2010: $59,855).

Ms C Hewson is a Director of Westpac Banking Corporation ("Westpac"), which provided financial services to Stockland and its controlled entities during the financial year. Transactions with Westpac range from managing cash deposits, to providing funding through interest-bearing loans and also as counterparties of derivatives.

Ms C Hewson is a Director of BT Investment Management, which are Stockland's preferred superannuation fund manager.

Ms C Hewson was appointed as a Director of BHP Billiton Limited ("BHP") in March 2010. BHP is paying commercial rent on various Stockland properties. Rents received and receivable from BHP for the financial year were $2,396,440 (2010: $2,299,283).

Mr B Neil is a Director of Terrace Tower Group Pty Limited ("Terrace Tower"). During the financial year, Stockland purchased land from Terrace Tower for $22.0 million, on deferred terms.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M

49 Other related party disclosures

Details of dealings with the Stockland Trust Group and Stockland Consolidated Group companies are set out below:

Responsible Entity fees and other transactions

Revenue

Revenue was brought to account by Stockland Trust (the Responsible Entity) or its related parties on the following services provided to the Stockland Consolidated Group on normal terms and conditions.

Responsible Entity management fees	**-**	-	**8.6**	9.5
Property management and leasing	**-**	-	**29.8**	30.9
Recoupment of expenses	**-**	-	**56.9**	45.3
Property development	**-**	-	**-**	18.2
	-	-	**95.3**	103.9

The Responsible Entity management fees are calculated at 0.1% of gross assets of the Stockland Trust Group.

Interest

Interest was received from Stockland Corporation Limited, a related party of the Responsible Entity, by the Stockland Trust Group.

Interest income	**-**	-	**285.5**	233.2

The Stockland Trust Group has an unsecured loan to Stockland Corporation Limited repayable at call to the Stockland Trust Group of $3,239.8 million (2010: $2,762.4 million). The Stockland Trust Group also has an unsecured loan to Stockland Development Pty Limited repayable at call to the Stockland Trust Group of $157.7 million (2010: $365.1 million). Interest on both loans was payable monthly in arrears at interest rates within the range of 7.7% to 8.8% during the year ended 30 June 2011 (2010: 7.0% to 7.8%).

Rent

Rent paid to the Stockland Trust Group by Stockland Corporation Limited, a related party of the Responsible Entity.

Rent paid	**-**	-	**10.3**	9.9

Rent paid is in the normal course of business and on normal terms and conditions.

49 Other related party disclosures (continued)

Other related parties

The major transactions between Stockland and the unlisted property funds managed by Stockland during the financial year, which have been received or are due and receivable, are outlined below.

	Stockland Consolidated Group		Stockland Trust Group	
	2011	2010	**2011**	2010
	$M	$M	**$M**	$M
Responsible Entity fees	**3.2**	3.3	**-**	-
Management and service fees	**0.5**	0.6	**-**	-
Performance fees expense/(written back)	**0.2**	(1.0)	**-**	-
Property management and leasing fees	**6.3**	9.7	**-**	-
Limited debt guarantee fee	**0.1**	0.6	**-**	-

Stockland has trade receivables of $5.6 million (2010: $8.6 million) due from the unlisted property funds.

As at 30 June 2011, the carrying amount of Stockland's investment in the unlisted property funds was $26.4 million (2010: $32.5 million).

Loan facility offer

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) has provided loan facility offers to three unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. A loan facility offer of $52.0 million expires on 20 January 2012 and loan facility offers totalling $100.8 million expire on 31 August 2012.

50 Events subsequent to the end of the year

On 1 July 2011, Stockland sold its 50% interest in BankWest Tower, 108 St Georges Terrace, Perth, WA. This property was classified as held for sale at 30 June 2011 (refer to Note 16) at the fair value of $130.0 million. As part of the same transaction, Stockland acquired two residential projects in the North East corridor of Perth for $271.0 million. The transaction was funded from the sale of other assets, and from cash reserves.

There were no other material events subsequent to the year end.

Stockland Consolidated Group
Directors' Declaration
For the year ended 30 June 2011

1. In the opinion of the Directors of Stockland Corporation Limited ("the Company"), and the Directors of the Responsible Entity of Stockland Trust ("the Trust"), Stockland Trust Management Limited (collectively referred to as "the Directors"):

   (a) the Financial Statements and Notes, and the Remuneration Report in the Directors' Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ("Stockland Consolidated Group") and Stockland Trust and its controlled entities ("Stockland Trust Group"), set out on pages 29 to 160, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of Stockland Consolidated Group's and Stockland Trust Group's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that both Stockland Consolidated Group and Stockland Trust Group will be able to pay their debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 42 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those Group entities pursuant to ASIC Class Order 98/1418.

3. The Trust has operated during the year ended 30 June 2011 in accordance with the provisions of the Trust Constitution as amended dated 24 October 2006.

4. The Register of Unitholders has, during the year ended 30 June 2011, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

5. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the year ended 30 June 2011.

6. The Directors draw attention to Note 1(a) to the Financial Statements, which includes a Statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Graham Bradley	Matthew Quinn
Chairman	*Managing Director*

Dated at Sydney, 10 August 2011

Independent auditor's report to the stapled securityholders of Stockland Consolidated Group and the unitholders of Stockland Trust Group

Report on the financial report

We have audited the accompanying financial report which has been prepared in accordance with ASIC Class Order 05/642 and comprises:

- the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 50 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Stockland Corporation Limited which comprises the consolidation of Stockland Corporation Limited and the entities it controlled at the year end and from time to time during the financial year including Stockland Trust and entities it controlled at the year end and from time to time during the financial year, which form the consolidated entity ("Stockland Consolidated Group").

- the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 50 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Stockland Trust Group which comprises the consolidation of Stockland Trust and the entities it controlled at the year end and from time to time during the financial year, which form the consolidated entity ("Stockland Trust Group").

Directors' responsibility for the financial report

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust (collectively referred to as "the directors") 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 Australian 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. These Auditing 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 preparation of the financial report that gives a true and fair view 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 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of Stockland Consolidated Group's and Stockland Trust Group's financial position and of their performance.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of Stockland Consolidated Group and Stockland Trust Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Stockland Consolidated Group's and Stockland Trust Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Stockland Consolidated Group including Stockland Trust Group for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Andrew Dickinson
Partner

Sydney
10 August 2011

Independent auditor's report to the directors of Stockland Trust Management Limited

We have audited the compliance plans of the Schemes listed in Appendix 1 which were established by Stockland Trust Management Limited as the responsible entity for the schemes for the year ended 30 June 2011. The compliance plans were approved by the directors of the responsible entity, and last lodged with the Australian Securities and Investments Commission as listed in Appendix 1.

Directors' responsibility for the compliance plan

The directors of the responsible entity are responsible for ensuring that the schemes' compliance plans meet the requirements of Section 601HA of the *Corporations Act 2001*, including that they set out adequate measures that the responsible entity is to apply in operating the schemes to ensure compliance with the *Corporations Act 2001* and the schemes' constitution, and for complying with the compliance plans. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001*. The directors' assertions regarding the design and operation of the compliance plans have been acknowledged in the attached directors' declaration dated 10 August 2011.

Auditor's responsibility

Our responsibility is to express an opinion on whether the responsible entity complied with the compliance plans during the year ended 30 June 2011 and the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date, in all material respects.

We conducted our audit in accordance with Standards on Assurance Engagements. These Standards on Assurance Engagements require that we comply with relevant ethical requirements relating to assurance engagements and plan and perform the engagement to obtain reasonable assurance that the responsible entity complied with the compliance plans and the plans met the requirements of the *Corporations Act 2001*. Our procedures included obtaining an understanding of the compliance plans and the measures which they contain and examining, on a test basis, evidence supporting the operation of these measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plans during the year ended 30 June 2011, and the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

Use of report

This audit report has been prepared for Stockland Trust Management Limited as the responsible entity of the schemes listed in Appendix 1 in accordance with section 601HG of the

Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report, or the compliance plans to which it relates to any person or users other than the directors of the responsible entity, or for any purpose other than that for which it was prepared.

Inherent limitations

Because of the inherent limitations of any compliance measures, as documented in the compliance plans, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the measures in the plans, as an audit is not performed continuously throughout the year and the procedures performed on the compliance plans and measures were undertaken on a test basis.

Any projection of the evaluation of the compliance plans to future periods is subject to the risk that the compliance measures in the plans may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

Auditor's opinion

In our opinion, in all material respects:

a) Stockland Trust Management Limited has complied with each of the compliance plans for the Schemes listed in Appendix 1 for the year ended 30 June 2011; and

b) the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

KPMG

KPMG

Brendan Twining
Partner

Sydney

10 August 2011

Appendix 1

Scheme name	ARSN	Last modified and lodged with ASIC
Stockland Trust	092 897 348	9 July 2004
Macquarie Park Trust	116 396 804	23 September 2005