Financial Report 2013

Stockland was founded in 1952 to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country."

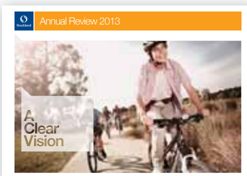
When Stockland was founded in 1952, Ervin Graf had a vision "to not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country".

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – owning, developing and managing a large portfolio of shopping centres, office and industrial assets, residential communities and retirement living villages.

With the benefit of our diverse property skills, we connect different types of properties in shared locations, to create places that inspire people to gather, to share and to live life. We recognise our responsibilities to the environment and are a leader in sustainable business practices.

For over 60 years, we have worked hard to grow our portfolio of assets and projects. We have a long and proud history of creating places that meet the needs of our customers and communities.

Shareholder Review
Snapshot of our year



Annual Review
Our integrated financial, social and environmental review

Property Portfolio
Details of assets in our portfolio

Sustainability Reporting
Our online detailed sustainability performance

Contents

Further information

For more information on Stockland including the latest financial information, announcements, property news and corporate governance information visit our website at **www.stockland.com.au**

From the Chairman

For Stockland, the past year was one of transition. In January, we appointed our new Managing Director and CEO, Mark Steinert, following the retirement of our long-serving Managing Director, Matthew Quinn. We have refreshed our senior executive team with new appointments from both within and outside the Company. We reviewed and redirected our strategy for future growth to better build on our key strengths, but also to retain the ability to respond to market opportunities with greater agility and discipline. We rebased our Residential business by adopting more conservative project valuations and revised our approach to capitalised interest to make our projects more financially robust. We raised $400 million in equity capital to help fund our accretive development pipeline and build our industrial asset portfolio while maintaining low gearing to reduce the volatility of future earnings.

The Board is confident that we have in place the right plan to improve returns for securityholders as the property market recovers, and the right leadership team to achieve that plan.

Stockland has embedded sustainability in all aspects of our business over many years. Both our employees and the Board take great pride in working for a group with a deep commitment to being a diverse, socially concerned and environmentally responsible organisation.

Our FY13 results

As previously reported, our results in FY13 were disappointing, largely reflecting the prolonged downturn in the Australian residential land market and related impairments. While earnings in our Residential business were hit hard, our Commercial Property and Retirement Living businesses performed well in difficult market conditions. In FY13 we substantially completed three major shopping centre projects – Merrylands, Shellharbour and Townsville – in which we have invested some $900 million over the past two to three years.

Our Underlying Profit in FY13 was $494.8 million, down from $676 million in FY12. Underlying earnings per share was 22.4 cents, 24 per cent lower than in FY12.

Our statutory profit in FY13 fell by $382 million from FY12 to $104.6 million, largely due to impairment in the value of a number of residential land holdings of $355 million. The majority of the impaired projects were acquired prior to the Global Financial Crisis, and many were "lifestyle projects" for which the market has declined steeply in recent years. We plan to work out or sell these impaired projects as soon as market conditions permit to return cash to reinvest for stronger returns in other areas.

Distributions

Despite reduced earnings in FY13, our strong balance sheet enabled us to deliver on our commitment to maintain full-year distributions at the FY12 level of 24 cents per security even though this payout ratio was above our target range. It is our intention to again hold our distribution at 24 cents in FY14, in the absence of a major market downturn, and this is a mark of the Board's confidence that our earnings should improve steadily.

We maintained our prudent balance sheet management in FY13, retained our A-/stable credit rating and reduced our gearing to 22.7 percent as at 30 June 2013. While the Group's overall financial position is strong, the recent Residential impairment provisions make it sensible to move up to $510 million of capital from the Stockland Trust to the Corporation to better position our development businesses for future growth. We will seek securityholder approval for this at the October AGM.

Our new team

Our new CEO, Mark Steinert, commenced in January 2013. Mark has 25 years of experience in property and financial services, and came with a strong reputation for his analytical and strategic approach, together with his experience in fostering an engaging work environment for employees.

We have made a number of further changes to our senior management team to give us the right mix of skills and experience to lead the business in the years to come. Pleasingly, two of these senior appointments were made from within the Group (Andrew Whitson – Residential, and Stephen Bull – Retirement Living) reflecting the success of our talent development and succession planning. Simon Shakesheff – Strategy and Stakeholder Relations, and Tiernan O'Rourke – Chief Financial Officer, bring to us valuable expertise from other organisations.

Responsible remuneration

We continued our policy of recent years of executive remuneration restraint, and for the second successive year senior executive pay was unchanged in FY13. We have also awarded no pay rises in FY14 except where there has been a change of responsibilities.

Total annual bonuses paid across the Group were significantly down on prior years, demonstrating a clear alignment between performance and reward. In line with our new policies, a third of annual bonuses for senior executives was awarded in Stockland securities with deferred vesting. No senior executives earned any long-term incentive vesting in FY13 as the relevant performance hurdles were not met.

Our commitment to sustainability

Stockland has embedded sustainability in all aspects of our business over many years. Both our employees and the Board take great pride in working for a group with a deep commitment to being a diverse, socially concerned and environmentally responsible organisation.

In FY13, Stockland again achieved international recognition for its leadership in sustainable management with our continued listing on several global indexes, including being ranked second globally for real estate companies on the RobecoSAM Index (formerly DJSI).

In conclusion

I conclude by thanking my board colleagues, especially the chairs of our committees, for their dedication and hard work during a year which presented many challenges. On behalf of all securityholders, I would also like to thank our dedicated employees for their steadfast commitment during a year of change, challenge and achievement.

I look forward to reporting Stockland's progress to you at the AGM in October.

From the Managing Director and CEO

I have seen what sets our business apart – quality assets, a strong and ethical corporate culture, and people with a passion for creating great places to live, shop and work.

Mark Steinert
Managing Director and CEO

It was a great privilege to be invited by the Board last December to lead the management team at Stockland, a company I have respected and followed closely for over 20 years.

Since joining Stockland in January 2013 I have visited dozens of our assets and the people who operate them. I have not been disappointed: I have seen what sets our business apart – quality assets, a strong and ethical corporate culture and people with a passion for creating great places to live, shop and work.

Clearly the business has faced performance headwinds in recent years. I am, however, confident that we have re-established strong foundations from which to deliver growing and predictable returns for our securityholders.

Clear direction

A key task in my first six months was to conduct a detailed strategic review and to put our revised plan quickly into action. In defining our strategy we set a clear objective in relation to our securityholders: to deliver earnings per share growth and total risk-adjusted returns above our sector.

To achieve this we have identified optimal target weightings for each asset class in our portfolio to guide our allocation of capital within a disciplined risk/return framework. We are executing plans to maximise returns from our existing assets and we have restructured the business to improve our efficiency. Unchanged in the strategy is a firm commitment to prudently managing our balance sheet, retaining our A-/Stable credit rating and managing our gearing within our target range, ensuring we are able to fund our growth plans.

We have begun to execute a plan to make our business more resilient and profitable in the future by reshaping our portfolio, improving capital and operating efficiency and growing revenue.

Commercial Property

Our Commercial Property business, which accounts for around 70 per cent of our assets, continues to deliver a solid and reliable stream of recurring income for the Group. Overall, our Commercial Property profit in FY13 was lower than the previous year, reflecting our strategy of divesting non-core, mainly Office, assets that do not meet our risk/return hurdles.

Retail: We achieved a five per cent increase in net operating income in our portfolio of shopping centres. This reflected the contribution of newly developed centres and demonstrated the particularly resilient nature of the assets in our portfolio which tend to have a relatively high proportion of non-discretionary and service-based retailers and have sustainable tenant occupancy costs.

We are strongly committed to continuing to grow our retail business through the redevelopment of centres in our portfolio which are well-suited to being upgraded and expanded. We opened stages at three major redevelopments in FY13 and have commenced our next project at Hervey Bay in Queensland.

Office: By tightly managing our office assets we lifted our comparable net operating income, which measures like-for-like assets, by two per cent and improved occupancy and weighted average lease expiry.

Our strategy is to maintain a tactical exposure to Office, optimising the performance of our assets to maximise returns, lowering our total weighting to Office when we view market conditions as being right.

Industrial: Net operating income in our Industrial business decreased 18 per cent from the previous year, mainly due to asset sales in FY12 and a high number of leases expiring in FY13.

Pleasingly we executed leases on 288,000 sqm of space during the year positioning the portfolio for income growth in FY14.

Our strategic review confirmed that industrial assets are an important part of our diversified portfolio and accordingly we intend to grow our exposure to this sector over time. We are optimising the performance of our existing assets and assessing growth opportunities within and outside our existing portfolio.

Residential

The performance of the Residential business was significantly impacted by market softness which affected both volume and prices and required impairment of non-core holdings. The profit decline in FY13 also reflected the shift in sales mix, with a lower proportion coming from higher margin projects in Victoria, and the adoption of a more conservative approach to interest capitalisation, a change which should deliver more consistent returns over time. Overall, Residential operating profit declined from $198 million in FY12 to $60 million in FY13. The change in interest approach accounted for $34 million of the decrease.

We have begun to execute a plan to make our business more resilient and profitable in the future by reshaping our portfolio, improving capital and operating efficiency and growing revenue. We are already accelerating the sale of impaired projects and bringing higher margin projects to market. We have restructured our business to reduce costs and identified opportunities to apply our Group Project Management and Procurement capabilities to greater advantage. We have also identified projects in our portfolio where we can increase revenue and broaden market reach by expanding our medium density offering.

Retirement Living

We have a clear strategy to continue to grow returns in the Retirement Living business by improving scale and efficiency. Our ability to grow is largely in our control, with a strong development pipeline at sites we already own, efficiency improvements well in train, and a commitment to maintain consistently high customer satisfaction.

The Retirement Living business continues to deliver against its strategy with a solid result despite the soft residential market. Operating profit was up six per cent on the previous year and return on assets also rose, thanks to a record number of settlements.

Outlook

Having assessed the business and put our revised strategy into action, I am confident we will see a steady improvement in Stockland's earnings from FY14 as new Retail, Residential and Retirement Living projects begin to contribute, and as recent Industrial letting, rental growth and cost reduction initiatives begin to come through.

However, improvement in Residential earnings will likely be constrained as we continue to trade through impaired and low margin projects. It will also take some time to see the full benefits of our new strategic priorities, particularly in Industrial and medium density housing development.

We are targeting FY14 earnings per share of four to six per cent above FY13, assuming there is no material decline in market conditions.

I am confident that the strategic direction we have set, the new leadership appointments we have made and the actions we have taken this year will position us well to deliver sustainable, competitive and growing returns into the future.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 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") were:

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 Non-Executive Chairman on 25 October 2005. He is Non-Executive Chairman of HSBC Bank Australia Limited (appointed December 2004), Virgin Australia International Holdings Limited (appointed March 2012), EnergyAustralia Holdings Limited (appointed June 2012) and Po Valley Energy Limited (appointed September 2004). He is a Non-Executive Director of GI Dynamics Inc. (appointed June 2011) and The Hongkong and Shanghai Banking Corporation Limited (appointed November 2012) and was appointed Chairman of Infrastructure NSW (appointed July 2013). He also chairs the Australian Advisory Board of Anglo American Australia Limited (appointed August 2006). He was formerly Chairman of the Film Finance Corporation of Australia Limited (January 2004-June 2008) and a Director of MBF Australia Limited (November 2003-November 2007), Singapore Telecommunications Limited (May 2004-July 2011) and Boart Longyear (June 2006-August 2010). Mr Bradley is a member of the Human Resources Committee and was appointed Chairman of the Sustainability Committee on 1 July 2012.

Former Directorships of listed entities in last three years

Mr Bradley was a Director and Chairman of Boart Longyear Limited from June 2006 to August 2010 and a Director of Singapore Telecommunications Limited from May 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 forty years' experience within the insurance industry in Australia, New Zealand, the United Kingdom and Europe. Mr Boyle is a Director of QBE Insurance Group Limited (appointed September 2006), Clayton Utz (appointed November 2008) and was a Director of O'Connell Street Associates Pty Limited until 30 June 2013. Mr Boyle served as Chairman of the Sustainability Committee until 30 June 2012. Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Former Directorships of listed entities in last three years

None.

CAROLYN HEWSON

BEc (Hons), MA (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 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, the Economic Development Board of South Australia and Westpac Banking Corporation. 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 October 2006 to March 2009 and Westpac Banking Corporation from February 2003 to June 2012.

Directors (continued)

BARRY NEIL

BEng (Civil)

(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty nine years' experience in property, both in Australia and overseas. He is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited, a Director of Terrace Tower Group Pty Ltd and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit 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. Ms Schwartz is on the Board of a number of organisations including Yarra Capital Partners, the Sydney Institute, Bank of Melbourne, Qualitas Property Partners, St James Ethics Foundation, National Australia Day Council and the Centre for Advanced Journalism, (University of Melbourne). Her other appointments include Chairman of Our Community and Founding Chair of the Women's Leadership Institute of Australia, Executive in Residence at Melbourne Business School, council member of the Australian Innovation Research Centre (University of Tasmania), member of the Enterprise Melbourne Advisory Board, member of the Milken Global Advisory Council, member of the Harvard Kennedy Women's Leadership Board and she is the Co-Chair in Australia for Women Corporate Directors. Ms Schwartz is past National President of the Property Council of Australia. She has also previously been Chairman of Industry Superannuation Property Trust, Director of 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.
Ms Schwartz serves on the Risk Committee and was a member of the Stockland Audit and Corporate Responsibility and Sustainability Committees until June 2012.

Former Directorships of listed entities in last three years

None.

PETER SCOTT

BE (Hons), MEng 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 Igniting Change, a not-for-profit making organisation and O'Connell Street Associates Pty Limited. He was a member of 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 and 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.

MARK STEINERT

G Dip App Fin (Sec Inst)

Managing Director
(appointed 29 January 2013)

Mr Steinert was appointed Managing Director & CEO of Stockland on 29 January 2013. He has 25 years of experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and 10 years in listed real estate with UBS. Mr Steinert was appointed as Head of Australasian Equities at UBS in 2004 and as Global Head of Research in New York in late 2005. In 2012 he was appointed as Global Head of Product Development and Management for Global Asset Management at UBS, a $559 billion Global Fund Manager.
Mr Steinert is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds.

Former Directorships of listed entities in last three years

None.

Directors (continued)

TERRY WILLIAMSON

BEc, MBA, FCA, FCIS, MACS

(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Avant Insurance Limited, The Doctors Health Fund, Chairman of OnePath Life Limited, Chairman of OnePath General Insurance Pty Limited, a member of the Audit Committee of the Reserve Bank of Australia and 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 Pricewaterhouse for 17 years. Mr Williamson is Chair of the Stockland Audit Committee, the Stockland Capital Partners Audit and Risk Committee and Stockland Capital Partners Financial Services Compliance Committees.

Former Directorships of listed entities in last three years

None.

MATTHEW QUINN

BSc (Hons), ACA, ARCS, FAPI, FRICS

Managing Director
(ceased employment 11 January 2013)

Mr Quinn, who retired in January 2013, 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. 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 the 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. Mr Quinn is a Director of the Business Council of Australia. 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 was a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds until his retirement in January 2013 and a member of the Sustainability Committee until 30 June 2012.

Former Directorships of listed entities in last three years

None.

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

ANTHONY SHERLOCK

BEc, FCA, MAICD

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a Non-Executive Director of Equatorial Mining Limited and Kerrygold Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former Non-Executive Director of Austral Coal Limited, Sydney Attractions Group Limited, IBA Health Limited and Export Finance Insurance Corporation Limited and has acted on a number of committees for both Federal and State Governments. He is a member of the Stockland Capital Partners Audit and Risk Committee, the Stockland and the Stockland Capital Partners Financial Services Compliance Committees and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Company Secretaries

PHILLIP HEPBURN

BEc, LLM, Grad Dip CSP, FCIS, FCSA, MAICD

Company Secretary

Mr Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over seventeen 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

BComm, CPA, FCIS, FCSA, MAICD

Company Secretary

Mr Williams has over twenty years' experience as a Company Secretary, joining Stockland in December 2004 and appointed as Deputy Group Secretary in May 2005. Prior to joining Stockland he was General Manager of Corporate Governance & Group 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 (STOCKLAND CORPORATION LIMITED AND STOCKLAND TRUST MANAGEMENT LIMITED)

	Scheduled Board		Audit Committee		Financial Services Compliance Committee		Human Resources Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	14	14	–	–	–	–	5	5	3	3	–	–
Mr D Boyle	13	14	6	6	–	–	–	–	2	3	–	–
Ms C Hewson	12	14	–	–	–	–	5	5	3	3	4	4
Mr B Neil	13	14	6	6	–	–	–	–	3	3	–	–
Mr M Quinn	6	6	–	–	–	–	–	–	1	1	–	–
Ms C Schwartz	12	14	–	–	–	–	–	–	2	3	3	4
Mr P Scott	14	14	–	–	–	–	5	5	3	3	4	4
Mr M Steinert	8	8	–	–	–	–	–	–	2	2	–	–
Mr T Williamson	14	14	6	6	4	4	–	–	3	3	–	–
Other members												
Mr P Hepburn	–	–	–	–	4	4	–	–	–	–	–	–
Mr A Sherlock	–	–	–	–	4	4	–	–	–	–	–	–

A – Meetings attended   B – Meetings eligible to attend

Directors' meetings (continued)

STOCKLAND CAPITAL PARTNERS

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr B Neil	9	9	–	–	–	–
Mr M Quinn	2	3	–	–	–	–
Mr A Sherlock	8	9	5	5	4	4
Mr M Steinert[1]	3	6	–	–	–	–
Other members						
Mr P Hepburn	–	–	–	–	4	4
Mr T Williamson	–	–	5	5	4	4
Mr T Foster[1]	1	1	–	–	–	–

[1] Tim Foster has acted as an Alternate Director for Mark Steinert at one additional meeting.

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, 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 Secretaries 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;
9. monitors compliance with laws and regulations which apply to Stockland and its business; and
10. appoints and monitors the independence of Stockland's external auditors.

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.

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 5 to 7, including details of their other listed and unlisted 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:

- 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;
- is not and has not within the last three years been an employee of Stockland;
- is not a principal of a material professional advisor to Stockland;
- is not a material supplier or customer of Stockland or an officer of, or directly or indirectly associated with a significant supplier or customer;
- has no material contractual relationship with Stockland or any of its associates other than as a Director of Stockland; and
- 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.

Corporate Governance
(continued)

COMPOSITION OF THE BOARD (continued)

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 38 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 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. Refer to the Directors section on pages 5 to 7 of the Directors' Report for the individual Directors' skills, experience and expertise.

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 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 Stockland's operations.

Stockland has for many years had a policy of actively encouraging gender diversity at all levels within the organisation and a culture that supports workplace diversity. For example, in 2012 we set targets to increase the proportion of women in management from 35% to 40%. These targets are regularly reviewed by the Human Resources Committee. In the 2013 financial year we exceeded our goal, and we have now set a new five-year goal to achieve 45% by 2017. In addition, we have a formal Diversity and Inclusion Policy which is available on the Stockland website (www.stockland.com.au). Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in the 2013 Remuneration Report on page 27 within the Directors' Report as well as the 2013 financial year Corporate Responsibility & Sustainability Report which is also posted on the Stockland 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 regular opportunities 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 apprised 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.

Corporate Governance (continued)

TERMS OF APPOINTMENT AND RETIREMENT OF NON-EXECUTIVE DIRECTORS (continued)

The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditor" on page 49.

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 10 scheduled meetings each financial year. Additional meetings are convened as required. During the 2013 financial year, the Board held 14 meetings. 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.

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.

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 on a regular basis 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 SECURITIES OWNERSHIP

Non-Executive Directors receive fees for their services which is 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 2011, 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.

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. Risk Committee;
4. Sustainability Committee; and
5. Financial Services Compliance 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 Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as Members.

All Board Committees have written charters which are reviewed on a regular basis. 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. Each Committee also reviews its charter each year and recommends any appropriate changes to the Board.

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).

Corporate Governance
(continued)

BOARD COMMITTEES (continued)

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 recommends it for approval by the Board.

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 27 to 49 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 5 meetings during the financial year.

The Committee has written terms of reference, consistent with ASX Guidelines, which are posted on the Stockland website (www.stockland.com.au).

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

The Board has delegated oversight for the preparation of the Group's Financial Statements and the maintenance of a sound financial reporting control environment to the Audit Committee.

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

- the integrity of Stockland's Financial Reports and external audit;
- the appropriateness of Stockland's accounting policies and processes;
- the effectiveness of Stockland's financial reporting controls and procedures;
- the effectiveness of Stockland's internal control environment; and
- compliance with relevant laws and regulations including any prudential supervision procedures to the extent that they impact the integrity of Stockland's financial statements.

The Audit Committee works in conjunction with the Sustainability Committee, Financial Services Compliance Committee, Human Resources Committee and Risk Committee to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures.

The membership and the procedures for the Committee meetings are set out in the Board Committee Charter.

The Audit Committee's responsibilities include:

- review of 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 together with reports and opinions from external auditors prior to the approval by the Board for release to the shareholders and the ASX;
- review the way financial information is presented to investors and analysts;
- review and monitor compliance with applicable laws, regulations and accounting standards, to the extent that they impact the integrity of Stockland's Financial Statements;
- review and assess the appropriateness of management's responses and actions to remedy any compliance breaches that may impact the integrity of Stockland's Financial Statements;
- 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 assess the appropriateness of applicable accounting policies and methods, particularly those involving significant estimates and judgements;
- approve the appointment of the internal auditor and the annual internal audit fee;
- oversee and approve the performance of the internal auditor;
- review and approve Internal Audit's annual program of work;

Corporate Governance (continued)

BOARD COMMITTEES (continued)

AUDIT COMMITTEE (continued)

- periodically assess the adequacy of resourcing and capability of Stockland's Finance and Internal Audit functions;
- oversee and appraise the performance of the external auditors 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;
- approve all work conducted by the external auditor subject to agreed delegations to management to approve the scope and fees applicable to such work;
- review and monitor as appropriate the ongoing independence of the external auditor;
- review reports on the adequacy of Stockland's internal control environment from Internal Audit and the external auditors;
- review the appropriateness of and monitor the timely implementation of management's actions to address internal control weaknesses identified by Internal Audit and the external auditors;
- at least twice each year arrange discussions with both the external auditor and internal auditor in the absence of management, including matters the auditor may wish to discuss in Management's absence;
- conduct annual reviews of the adequacy of Stockland's fraud controls and policy, the whistleblowing policy, approve amendments to these policies and monitor ongoing compliance;
- review and assess the appropriateness of responses and actions to matters raised under the whistleblowing policy;
- review and approve any emissions, NGER's or energy efficiency reporting by the Group;
- undertake such further investigations which the Committee considers necessary or may be requested by the Board; and
- carry out an annual review of the ongoing appropriateness of this Charter and recommend any amendments to the Board.

In order to appropriately discharge its responsibilities, the Audit Committee is specifically authorised to amend Stockland's accounting policies which the Committee determines do not require Board approval; and review and approve any NGER's or emissions reporting by the Group.

The external auditor provides a declaration of independence each reporting period, consistent with the requirements of the *Corporations Act 2001*. The Audit Committee also adopts safeguards to maintain audit independence as follows:

- designating the types of services that may be and may not be performed by the external auditor;
- ensuring management retains responsibility for decision-making on all Non-Audit Services provided by the external auditor; and
- reviewing and approving the external auditor's process for the rotation and succession of audit and review partners including the approach to managing the transition.

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 meets privately with the external auditor and internal auditor in the absence of management at least once a year. The Committee has written terms of reference consistent with the ASX Guidelines, which are posted on the Stockland website (www.stockland.com.au).

The Committee has at least three independent Non-Executive members with the majority being 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 members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director
Mr B Neil – Non-Executive Director
Mr D Boyle – Non-Executive Director (appointed 1 July 2012)

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board. The Committee met 6 times during the 2013 financial year.

RISK COMMITTEE

In order to facilitate a more comprehensive oversight of strategic, 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 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 reviewing 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;
- monitor management's performance in addressing in a timely manner improvements in risk management recommended through Stockland's risk review functions;
- 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;

Corporate Governance
(continued)

BOARD COMMITTEES (continued)

AUDIT COMMITTEE (continued)

- 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; and
- undertake investigations which the Committee considers necessary or 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 during or since the end of the financial year were:

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

The Committee met 4 times during the 2013 financial year.

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 oversee Stockland's commitment to operate its businesses ethically, responsibly and sustainably.

The purpose of the Sustainability Committee is to consider 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 on major initiatives related to Stockland's corporate responsibility and sustainability policies, principles and practices to meet changing stakeholder expectations; and
- monitor compliance with Stockland's published policies and guidelines relating to sustainability and the environment and monitor management's progress in implementing agreed initiatives.

The Committee:

- approves external reporting on major corporate responsibility and sustainability policies, principles and initiatives, including the annual Corporate Responsibility and Sustainability Report;
- approves reports to Government agencies related to sustainability performance; and
- acts as a 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 Committee comprises the whole Board and its members which included:

Mr G Bradley (Chair) – Non-Executive Director
Mr D Boyle – Non-Executive Director
Mr B Neil – Non-Executive Director
Mr M Quinn – Managing Director
(ceased employment 11 January 2013)
Ms C Schwartz – Non-Executive Director
Ms C Hewson – Non-Executive Director
Mr P Scott – Non-Executive Director
Mr M Steinert – Managing Director
(appointed 29 January 2013)
Mr T Williamson – Non-Executive Director

The Committee met 3 times during the 2013 financial year.

Environmental Regulation

Stockland is committed to achieving high standards of environmental performance. The Sustainability Committee regularly considers 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 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 Plans 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 Plans for Stockland Trust and its controlled entities and for Macquarie Park Trust have 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 Non-Executive Director
Mr P Hepburn – Executive Member

The Committee met 4 times during the 2013 financial year.

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, except for Macquarie Park Trust. Stockland Trust Management Limited is the Responsible Entity of Macquarie Park Trust.

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has one independent Non-Executive Director who is not a member of the Stockland Board. The independent Director 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 consent of the independent Director 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
Mr M Quinn – Managing Director
(ceased employment 11 January 2013)
Mr A Sherlock – External Independent
Non-Executive Director
Mr M Steinert – Managing Director
(appointed 29 January 2013)

The SCPL Board met 9 times during the 2013 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 the unlisted funds for which SCPL is the Responsible Entity or Manager.

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

The Committee met 5 times during the 2013 financial year.

STOCKLAND CAPITAL PARTNERS FINANCIAL SERVICES COMPLIANCE COMMITTEE

A Financial Services Compliance Committee oversees the Compliance Plan approved by SCPL for 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

The Committee met 4 times during the 2013 financial year.

RISK MANAGEMENT

Stockland adopts a rigorous approach to understanding and proactively managing the risks we face in our business. Stockland recognises that making business decisions which involve 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 recognises the importance of building and fostering a risk aware culture, such that every individual takes responsibility for risk and controls in their area of authority. Stockland's approach to risk management is guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), the ASX Corporate Governance Principles and other applicable regulatory standards.

Risk management is the responsibility of every employee, and is assured according to the "Three Lines of Defence":

1. **First Line of Defence:** All functions (Business Units and Group, including the Executive Committee) are responsible for managing risk through identification, assessment, and treatment of risks. This includes developing, implementing, and following appropriate processes, procedures, checklists and other controls, and monitoring those controls to ensure they are, and remain, effective.
2. **Second Line of Defence:** The Group Risk functions assist the First Line of Defence, and are 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. They are jointly responsible for building risk management capabilities throughout the business through actively engaging with employees in risk management processes and supporting training initiatives. The Group Risk functions report to Executive management and separately to the relevant Board Committees. Their responsibilities include:
   - Strategy: Provides advice to management and the Board on strategic risks, and includes leading Group wide strategic risk reviews.

Corporate Governance (continued)

RISK MANAGEMENT (continued)

- Operational Risk: Oversees the active management of all classes of operational risk and supports the systematic identification of risks through embedding an operational risk framework, systems, and reporting. This includes the development, implementation and monitoring of systems and processes for work, health and safety, environment, business continuity, public and physical asset protection, and generally insurances. Operational Risk provides oversight and assurance through the establishment of common practices, standards and accreditations across the business to ensure, as a minimum, regulatory compliance in these areas.
- Group Compliance: Oversees the operation and suitability of the compliance framework, and its review and continuous improvement. This includes advising on adequacy of proposed controls, developing and implementing policies and associated procedures, training, and periodic monitoring and reporting, to assist the First Line of Defence in compliance with their obligations under law, regulation, policies, and governance expectations.

3. **Third Line of Defence:** Independent oversight and checking from:
   - The Board and Board Committees, including the Risk Committee, Audit Committee, Financial Services Compliance Committee, Sustainability Committee, and Human Resources Committee, in respect of the matters set out in their respective charters;
   - Internal Audit, which regularly and independently assesses the effectiveness and efficiency of the risk management framework, and periodic reporting. This includes supporting and advising on implementing appropriate risk management processes and controls, and undertaking projects to provide independent assessment of internal controls; and
   - External audit, which regularly and independently assesses the effectiveness of financial controls and processes in connection with the preparation of the Group's Financial Statements.

The ongoing monitoring of risks by the Board and Executive management is achieved through regular reports and briefings from the Business Units, Group Risk functions and Internal and external audit.

A copy of Stockland's Risk Management Policy is available on the Corporate Governance section of the Stockland website (www.stockland.com.au).

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 2013, to the best of their knowledge and belief:

With regard to Stockland's Financial Reports:

1. Stockland's financial records have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
2. 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:

1. 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
2. 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 2013, 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.

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 is encouraged to report the breach to their line manager or the Group Risk functions. Where a report is received, the matter must be investigated.

Corporate Governance (continued)

CODE OF CONDUCT AND ETHICAL BEHAVIOUR (continued)

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 ASX 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 and 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. Directors and employees are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration scheme.

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

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).

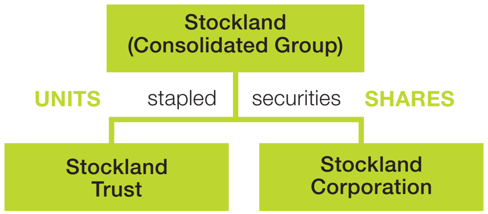
Stockland encourages securityholders to receive electronic communications. It is now possible to update securityholder information, elect to participate in the Dividend and Distribution Reinvestment Plan (when operating), or elect to receive electronic communications from the Stockland website (www.stockland.com.au).

Operating and Financial Review

ABOUT STOCKLAND

Stockland is one of the largest diversified property groups in Australia with more than $13 billion of real estate assets. Stockland owns, manages and develops a range of assets including shopping centres, office and industrial, residential communities, and retirement villages.

Stockland is structured as a stapled security; a combination of a unit in a trust and a share in a company. This allows the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation), which are traded together on the ASX.



The company was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Through its diversified model, Stockland helps create thriving communities which experience a better way to live.

Today the company's vision is to be a great Australian property company that delivers value to all its stakeholders. Stockland's primary objective is to deliver earnings per share (EPS) growth and total risk-adjusted shareholder returns above the Australian Real Estate Investment Trust (A-REIT) index average, by creating quality property assets and delivering value for its customers.

GROUP STRATEGY

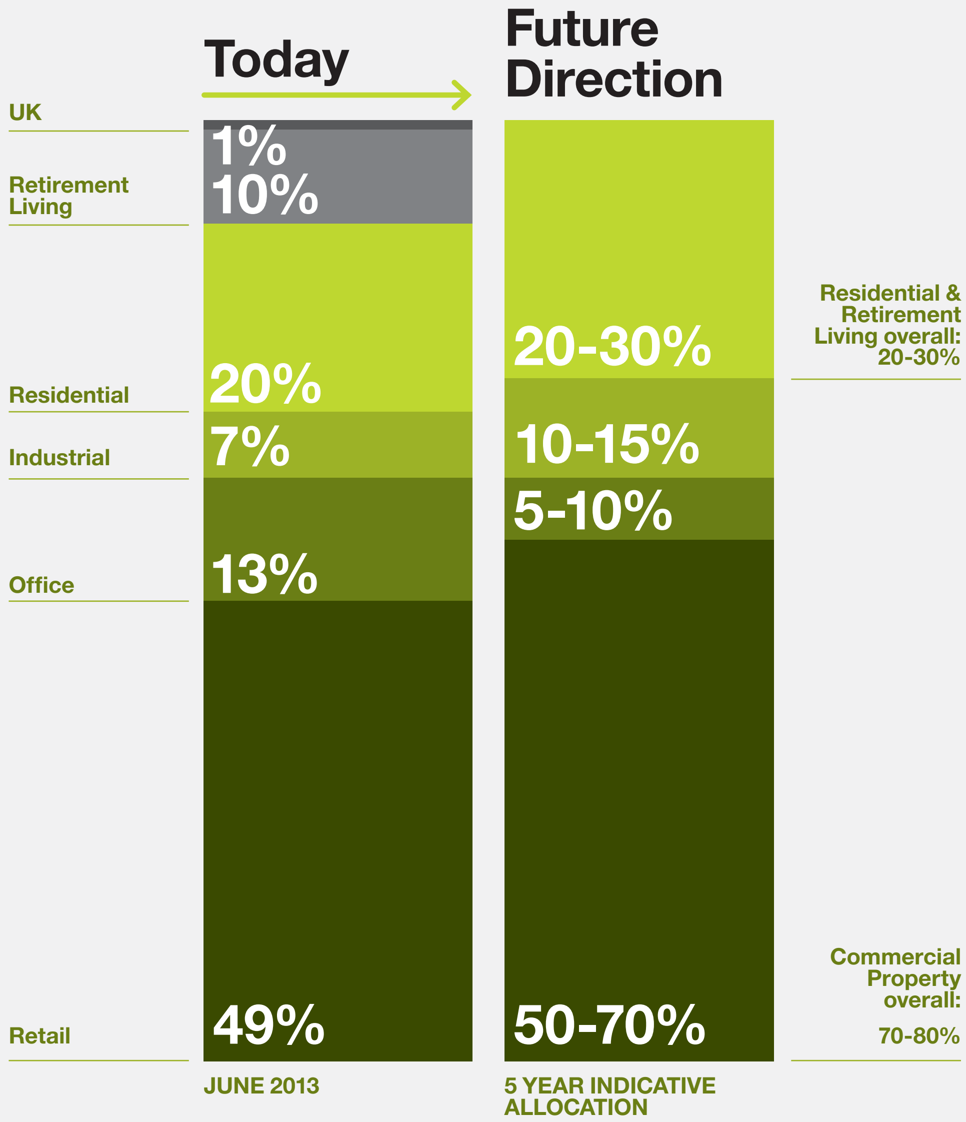
Stockland outlined its strategy in May 2013. The Group will continue to leverage its asset and development strengths in shopping centres, residential and retirement living, while retaining and, over time, increasing exposure to industrial property as a core capability. Stockland will be tactical in its exposure to office assets, optimising the value of its current portfolio and progressively down-weighting. The Group will also actively divest assets that don't meet defined risk-adjusted hurdle rates.

Capital management and operational efficiency are key areas of focus. Stockland remains committed to maintaining its strong balance sheet with an A-/Stable credit rating, gearing of 20-30 per cent, and diversified sources of funding. This includes pursuing additional capital partnering opportunities where this will improve the Group's risk-return profile.

In executing this strategy Stockland is focused on five immediate business priorities:

- Improve profitability of the Residential business.
- Improve Retirement Living return on assets.
- Grow Commercial Property through development and acquisition.
- Reduce overheads and improve organisational efficiency.
- Strengthen the Corporation through capital reallocation.

INDICATIVE STRATEGIC ASSET MIX



Operating and Financial Review (continued)

STOCKLAND RESULTS 30 JUNE 2013

FY13 was a difficult year with profit impacted by continuation of challenging residential market conditions which began in FY12 and ongoing portfolio transition. Stockland responded with a number of important strategic decisions to position the business to deliver reliable and growing future returns.

An organisational restructure was undertaken in FY13 to reduce costs, improve core processes and improve skills sharing. Stockland reviewed its land bank to create a clear classification of 'core' and 'workout' (impaired) projects, and maintained its strong balance sheet and A-/Stable credit rating.

KEY METRICS

- Stockland's full year distribution was 24 cents per security.
- Underlying Profit was $494.8 million, down 27% from FY12.
- Underlying EPS was 22.4 cents, down 24% from FY12.

This result reflects soft housing market conditions, the impact of asset sales in the current and prior year, and adoption of a more conservative approach to capitalisation of interest.

- Statutory profit was $104.6 million, down from $487.0 million in FY12.
- Statutory EPS was 4.7 cents, down 78% from FY12.

The decline in statutory profit after tax reflects a number of non-cash items which are excluded from Underlying Profit. The decline in statutory profit was primarily driven by an impairment charge on Residential inventory of $354.8 million (2012: $48.9 million) as a result of the protracted market downturn and more conservative assumptions.

Valuation movements in Commercial Property contributed $64.7 million (2012: $65.7 million) to statutory profit, primarily due to valuation uplifts recognised on the Shellharbour and Merrylands retail redevelopments. A review of unit pricing assumptions during the year led to a net reduction of $49.8 million (2012: $13.7 million) in the fair value of the Retirement Living business. Other movements which affected the statutory profit were non-cash changes in the market values of the Group's financial instruments and investment in FKP.

An income tax benefit of $106.4 million, which is equivalent to the income tax benefit related to the write-down of inventory in the year ended 30 June 2013, has not been recognised as this benefit is not currently deemed to be recoverable with sufficient certainty.

Operating and Financial Review (continued)

STOCKLAND RESULTS 30 JUNE 2013 (continued)

GROUP RESULTS SUMMARY

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Underlying Profit before tax	**440.3**	669.2	**620.2**	678.1
Income tax benefit	**54.5**	6.9	**–**	–
Underlying Profit	**494.8**	676.1	**620.2**	678.1
Certain significant items:				
Non-cash adjustment to inventories and development profits				
Net provision for write-down of inventories – Australia	**(354.8)**	(48.9)	**–**	–
Net provision for write-down of inventories – UK	**(12.3)**	(14.2)	**–**	–
Non-cash adjustment to cost of sales	**–**	1.9	**–**	–
	(367.1)	(61.2)	**–**	–
Unrealised fair value adjustment to investment properties				
Net gain from fair value adjustment of investment properties – Commercial Property	**59.7**	42.2	**39.8**	43.0
Share of net gain from fair value adjustment of investment properties in associates and joint ventures	**5.0**	23.5	**4.7**	22.2
DMF base fees earned, unrealised	**3.1**	5.9	**–**	–
Net loss from fair value adjustment of investment properties – Retirement Living operating villages and villages under development	**(110.5)**	(33.0)	**–**	–
Retirement Living resident obligations fair value movement	**60.7**	19.3	**–**	–
	18.0	57.9	**44.5**	65.2
Fair value adjustment of other financial assets and net (loss)/gain on sale of other non-current assets				
Net unrealised loss from fair value adjustment of other financial assets	**(37.2)**	(55.5)	**–**	–
Net realised (loss)/gain on sale of other non-current assets	**(8.4)**	1.5	**(9.3)**	1.0
	(45.6)	(54.0)	**(9.3)**	1.0
Fair value adjustment of financial instruments and foreign exchange movements				
Net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**(4.6)**	(129.6)	**(4.4)**	(131.2)
Net loss from hedged items and financial instruments treated as fair value hedges	**(4.4)**	(7.0)	**(4.4)**	(7.0)
Net foreign exchange loss transferred from the foreign currency translation reserve	**(3.9)**	(18.2)	**–**	–
	(12.9)	(154.8)	**(8.8)**	(138.2)
Income tax benefit on significant items	**17.4**	23.0	**–**	–
Total net significant items	**(390.2)**	(189.1)	**26.4**	(72.0)
Statutory profit for the year attributable to securityholders/unitholders	**104.6**	487.0	**646.6**	606.1

Operating and Financial Review (continued)

STOCKLAND RESULTS 30 JUNE 2013
(continued)

GROUP RESULTS SUMMARY (continued)

Underlying Profit

Underlying Profit is a non-IFRS[1] measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) (such as Residential impairment) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties).

Other Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. Underlying Profit is also the basis on which distributions are determined.

Underlying Profit is determined following the principles of AICD/Finsia for reporting Underlying Profit, having regard to the guidance from ASIC's RG 230 "Disclosing non-IFRS information" ("RG 230"). The reconciliation between Underlying Profit and Statutory Profit is provided below for both the Stockland Consolidated Group and Stockland Trust Group.

Stockland has reported consistently on this basis for more than five years to help investors understand the performance of our business.

Statutory profit

Statutory profit measures profit in accordance with Australian Accounting Standards. Non-cash adjustments to inventory and unrealised fair value adjustment to investment property comprises movements in the carrying value of inventory and investment property required by Australian Accounting Standards for valuation purposes.

BUSINESS UNIT PERFORMANCE AND PRIORITIES

COMMERCIAL PROPERTY

Stockland's Commercial Property business comprises three asset types – retail centres, industrial and office properties. Stockland is one of the largest retail property owners, developers and managers in Australia. Stockland's 41 retail centres accommodate more than 3,200 tenants, creating nearly $6 billion of retail sales per annum. The industrial portfolio comprises 13 properties with just under one million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The office portfolio comprises 16 properties in key locations with 90 per cent of assets A-Grade and above.

Commercial Property as at 30 June 2013

Portfolio	Value approx.
41 retail centres	$5.3 billion
13 industrial properties	$0.8 billion
16 office buildings	$1.6 billion

Performance

Commercial Property ($M, unless otherwise stated)	FY13	FY12	Change %
Net operating income:			
– Retail	**324**	310	▲ 5%
– Office	**119**	142	▼ 16%
– Industrial	**63**	77	▼ 18%
Total net operating income (NOI)	**506**	529	▼ **4%**
Trading Profit	**–**	4	
Fees	**2**	4	
Net operating costs	**(26)**	(27)	▼ 4%
Operating Profit	**482**	510	▼ **5%**
ROA	**8.2%**	8.0%	

The Commercial Property portfolio continued to deliver a solid and reliable stream of recurring income for the Group. Although the overall result was lower than the previous year this was due mainly to having fewer assets generating income, having sold around $1.5 billion of non-core assets over the previous two years to reinvest in the accretive share buyback and retail redevelopments.

Retail

The retail sector faced a challenging consumer environment in FY13. Sales growth has moderated in recent years as consumers have become more cautious and continue to deleverage. Despite subdued market conditions, the Retail business achieved solid sales growth with net operating income (NOI) increasing 5%. Comparable NOI, which measures the growth in operating income on like for like assets, was up 2.6% demonstrating the resilient nature of the assets in the portfolio. The Retail business also benefited from higher income from recently completed developments. Occupancy remains high at 99.4%.

In FY13 Stockland made significant progress on its Retail redevelopment pipeline with the official openings of centres at Merrylands in NSW and Townsville in Queensland in late 2012, and the grand opening of Myer at Stockland Shellharbour in NSW in May 2013. Work commenced on a $116 million redevelopment at Hervey Bay in March 2013 with a 7.5% pre-IFRS[2] stabilised yield and 13.5% incremental IRR.

Industrial

Demand for well-placed industrial properties remains solid. Industrial NOI decreased 18% from FY12 (comparable NOI down 10.9%) mainly due to FY12 asset sales and FY13 lease expiries. Leases were executed on around 288,000 sqm of space during the year and as a result Weighted Average Lease Expiry increased to 3.3 years (from 2.7 years in FY12).

[1] International Financial Reporting Standards.

[2] Pre-IFRS excludes IFRS adjustments for straight-lining rental income, amortisation of lease fees and amortisation of incentives.

Operating and Financial Review (continued)

BUSINESS UNIT PERFORMANCE AND PRIORITIES (continued)

COMMERCIAL PROPERTY (continued)

Office

Overall, office demand is weak relative to supply. Office vacancy and high incentives remain an industry issue. By tightly managing its office assets Stockland lifted comparable NOI 1.8% from FY12 or 6.6% pre-IFRS. Occupancy increased to 96% and Weighted Average Lease Expiry was higher at 4.6 years. Total NOI was down 16% compared to FY12, reflecting the business strategy of divesting non-core office assets that do not meet our hurdles.

Strategic priorities

The Retail business has a clear focus on developing its most productive assets to maximise trade area share and create community and entertainment hubs. A further 14 projects, representing $1.5 billion of investment, with an average incremental internal rate of return[1] (IRR) of 12-14% are planned over the next five to six years.

The rate of growth in online retail spending is slowing and online sales currently account for 6.4[2] per cent of total Australian retail sales. Stockland's diverse retail mix, underpinned by supermarkets, mini majors and speciality food and retail services, is proving to be resilient to online leakage. The business will continue to focus on the deep, mass customer segment, retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape.

Stockland expects continued solid underlying demand for industrial space with market conditions likely to remain stable. As a result of re-letting and redevelopment activity already underway, Stockland expects to achieve NOI growth from its industrial portfolio in FY14. Stockland will look to grow its this portfolio, targeting $1.2 – $1.5 billion in assets in five years. The business will focus on actively leasing, upgrading and developing the existing portfolio, sourcing pre-commitments and completing design and construct, and assessing assets that fit strategic filters and investment criteria.

Stockland will retain a tactical exposure to office and will continue to focus on maximising returns from the portfolio. Income will be optimised in the short to medium term with a focus on active management, refurbishment and leasing. The business will also look to take advantage of value-add opportunities within the existing portfolio, consider joint ventures (or part sales) as appropriate, and progressively down-weight when market conditions are optimal.

RESIDENTIAL

Stockland is the largest residential developer in Australia. The business is focused on delivering a range of master-planned communities in growth areas across the country.

Residential as at 30 June 2013[1]

Portfolio – active	Portfolio – inactive	Total end value
25,200 lots approx.	54,400 lots approx.	$21.2 billion approx.

[1] Excluding properties identified for disposal.

Performance

Residential Communities ($M, unless otherwise stated)	FY13	FY12	Change %
Lots settled (no. of lots)	**4,641**	5,388	▼ 14%
Revenue	**914**	1,080	▼ 15%
EBIT (before interest in COGS)	**182**	270	▼ 33%
EBIT margin	**19.9%**	25.0%	▼
Operating Profit	**60**	198	▼ 70%
Operating Profit margin	**6.6%**	18.3%	▼
ROA – total portfolio	**5.5%**	11.3%	▼

In FY13 the Residential business was significantly impacted by market softness which affected both volume and prices. The profit also reflected the shift in sales mix with a lower proportion coming from higher margin projects in Victoria. Profit was also affected by a change in approach to capitalised interest, which reduced profit by $34 million in the current financial year. FY12 has not been adjusted, however, if the policy had been applied in the previous period, operating profit would have been $29 million lower.

The business has been actively managed through the cycle, reducing finished goods by 50%, ensuring a good mix of affordable products and accelerating the sale of impaired lots to release capital for reinvestment. To improve efficiency the business was restructured and has identified opportunities to leverage the Group Project Management and Procurement capabilities, to reduce costs and improve outcomes on projects.

Strategic priorities

The Residential business plans to make the portfolio more resilient and profitable in the future by focusing on:

1. Reshaping the portfolio – accelerate the launch of new projects to create greater geographic diversity and scale; actively manage the portfolio to improve returns; right size the land bank; and retain its preference to acquire land on capital efficient terms.
2. Improving efficiency – continue to tightly manage costs.
3. Delivering revenue growth – increase revenue by creating a better community value proposition that drives high customer referrals; and broaden market reach through medium density offering.

[1] Based on the unlevered 10 year IRR on incremental development from completion.
[2] Source: Quantium year ended 30 June 2013.

Operating and Financial Review (continued)

BUSINESS UNIT PERFORMANCE AND PRIORITIES (continued)

RETIREMENT LIVING

Stockland is a top three retirement living operator within Australia, with a deep development pipeline and just over 8,000 established units across five states and the Australian Capital Territory.

Retirement Living as at 30 June 2013

Portfolio	Short-medium term development pipeline	Estimated end value
8,082 established units	4,050 units approx.	$1.7 billion

Performance

Retirement Living ($M, unless otherwise stated)	FY13	FY12	Change %
Transaction value	**303**	270	▲ 12%
Operating Profit	**38**	36	▲ 6%
ROA	**4.5%**	4.2%	▲
Established			
Established turnovers	**547**	519	▲ 5%
Average re-sale price	**$310k**	$324k	▼ 4%
Turnover cash per unit	**$78k**	$87k	▼ 10%
Turnover cash margin	**25%**	27%	▼
Reservations on hand	**129**	115	▲ 12%
Established occupancy	**94%**	94%	
Development			
New unit settlement	**304**	268	▲ 13%
– Average price	**$406k**	$378k	▲ 7%
– Average margin	**18%**	17.8%	▲
Reservations on hand	**63**	98	▼ 36%

The Retirement Living business continues to deliver on its growth strategy with a solid result despite the soft residential market. Operating Profit was up 6% on FY12 and return on assets rose from 4.2% to 4.5% year-on-year, reflecting a record number of new and established settlements.

The Retirement Living business has a strong development pipeline, is driving resident referrals for more cost-effective sales, and is improving the efficiency of processes such as reducing the time it takes to refurbish and sell vacant homes. Resident satisfaction ratings are consistently high and the business continues to use the feedback received to improve its offering.

Strategic priorities

The Retirement Living business' strategy is to achieve high occupancy, happy residents and greater scale by targeting the middle market with affordable products and services. The business has a clear strategy to achieve a target return on assets of 8.0% by FY18 focusing on improving returns by managing costs, differentiating the customer experience and growing development volumes.

UNITED KINGDOM AND APARTMENTS

Stockland's wind down of its holdings in Apartments and the United Kingdom is on track. No further material contribution is expected from these businesses.

CAPITAL MANAGEMENT

FINANCIAL POSITION

The Group maintained its strong focus on prudent balance sheet management and retained its A-/Stable credit rating. Gearing was down to 22.7% at 30 June 2013 following effective cash management in difficult trading conditions and a $400 million equity raising in May 2013. The equity placement replaced the proposed underwritten Distribution Reinvestment Plan. As part of Stockland's ongoing commitment to active capital management, the Group will maintain balanced and diverse funding sources and continue to review its fixed interest hedging in line with prudent risk management.

Operating and Financial Review (continued)

CAPITAL MANAGEMENT (continued)

FINANCIAL POSITION: (continued)

Stockland Group Balance Sheet:

$M	30 June 2013	30 June 2012	Change %
Cash	**227.1**	135.6	▲ 67%
Real estate assets			
– Commercial Property	**7,866.0**	8,134.5	▼ 3%
– Residential	**2,310.5**	2,554.7	▼ 10%
– Retirement Living	**2,897.3**	2,834.0	▲ 2%
– UK	**72.2**	93.4	▼ 23%
Other assets	**696.6**	781.7	▼ 11%
Total assets	**14,069.7**	14,533.9	–
Interest bearing loans and borrowings	**2,461.5**	2,867.6	▼ 14%
Resident loan obligations	**1,829.4**	1,753.4	▲ 4%
Other liabilities	**1,583.9**	1,685.5	▼ 6%
Total liabilities	**5,874.8**	6,306.5	–
Net assets/total equity	**8,194.9**	8,227.4	▼ **1%**

The value of the Commercial Property investment portfolio has decreased by $268.5 million to $7,866.0 million, primarily due to the sale of Office properties and the Bay Village retail centre. This was offset by valuation uplift on development assets at Shellharbour, Merrylands and Townsville.

Residential assets (mainly land under development) decreased by $244.2 million to $2,310.5 million at 30 June 2013. Excluding the $354.8 million impairment of inventory in the current year, total inventories increased slightly. This was largely driven by the commencement of development on land purchased on deferred payment terms, such as East Leppington.

The Group's investment in Retirement Living property, net of resident loan obligations, was $1,068 million, down marginally on FY12. A record number of new unit settlements as well as continued spend on units under construction offset a reduction in the asset values of the established portfolio, following a reduction in unit pricing assumptions during the year.

The Group's total debt decreased by $406.1 million to $2,461.5 million at 30 June 2013 mainly due to bank debt repayments from the proceeds of the capital raising in May 2013. Movements in other assets and liabilities mainly reflect the changes in values of the Group's financial instruments and strategic investments.

CASH FLOWS

Stockland Group cash flows

$M	2013	2012	Change %
Operating cash flows	**625.2**	398.7	▲ 57%
Investing cash flows	**104.5**	275.3	▼ 62%
Financing cash flows, including FX on cash	**(638.2)**	(733.0)	▼ 13%
Net change in cash and cash equivalents	**91.5**	(59.0)	▲ 255%
Cash at the end of the period	**227.1**	135.6	▲ 67%

Despite a decrease in Underlying Profit, operating cash flows remained strong, as a result of a focus on capital efficient residential development and on cost efficiency. Prior year operating cash flows were also affected by $271 million paid for land under an asset swap agreement.

Cash flows from investing in the portfolio were lower in FY13 compared to FY12. Lower proceeds from the sale of Commercial Property assets in FY13 were offset by a reduction in development costs in Commercial Property as the re-development of Shellharbour, Merrylands and Townsville shopping centres neared completion.

Proceeds from the May 2013 capital raising were used to repay bank debt during FY13, while distribution payments to securityholders remained largely the same.

EQUITY

On-market buyback

During the year ended 30 June 2012, Stockland announced that it would undertake an accretive on-market buyback of up to 10% of its issued capital.

Securities acquired through the buyback were purchased on-market at a price no more than 5% above their last five trading day average closing market price at the time. On 13 February 2013, Stockland announced that the on-market buyback would cease with immediate effect.

During the year ended 30 June 2013, 889,265 securities were bought back at a price of $2.8 million (2012: 179,489,489 securities at a price of $545.3 million). A total of 180,378,754 securities (8.19% of issued capital) have been bought back at a total price of $548.1 million for an average price of $3.04. These securities have been cancelled.

Operating and Financial Review (continued)

CAPITAL MANAGEMENT (continued)

EQUITY (continued)

Capital raising

On 22 May 2013, Stockland raised $400 million (pre-fees) through a fully underwritten placement to institutional investors of 103,092,784 securities at $3.88 each. This was a 2.5% discount to the closing price on Tuesday 21 May 2013.

Stockland also announced a non-underwritten Security Purchase Plan ("SPP") inviting eligible securityholders to participate in a non-underwritten SPP capped at $100 million. The SPP was subsequently withdrawn due to the decrease in share price during the offering period.

Capital restructure

On 13 February 2013, Stockland noted that whilethe Group's capital position remains strong, following the residential inventory impairments Stockland should consider prudently moving capital between the Trust and Corporation. As a result, shareholders will be asked to support a reallocation of around $500 million of capital from the Trust to Corporation at the AGM in October 2013.

Distributions

The dividend and distribution payable is 24.0 cents per stapled security, consistent with 24.0 cents paid for the previous corresponding period. Stockland remains confident earnings will begin to improve from FY14 and for this reason distributions are above our target 75-85% payout ratio. The distribution comprises:

Stockland Consolidated Group	2013 cents	2012 cents
Trust distribution, 15.5% tax preferred (prior year actual 2.3% tax preferred)	**24.0**	24.0
Corporation dividend, fully franked	**–**	–
Total dividend and distribution	**24.0**	24.0

Registers closed at 5.00pm on 30 June 2013 to determine entitlement to the year-end dividend and distribution, which will be paid on 31 August 2013.

OUTLOOK

ECONOMIC OUTLOOK

Although global economic conditions have improved over the last six months, there is still considerable uncertainty and volatility. In Australia, business confidence remains low and consumer spending is relatively soft as households continue to deleverage.

Stockland expects consumer sentiment will remain relatively subdued, however does anticipate continued moderate economic growth. While the housing market is showing clear signs of improvement, the recovery is likely to be modest and uneven.

BUSINESS OUTLOOK

Stockland has commenced executing its strategy to deliver stronger future returns through agile allocation of capital within a disciplined risk/return framework, driving returns from existing and development assets, and tightly controlling costs. Steady improvement in earnings are expected from FY14 with new Retail, Residential and Retirement Living projects beginning to contribute, recent Industrial letting, rental growth and as benefits of cost reduction initiatives come through.

However, improvement in Residential earnings will likely be constrained as Stockland continues to work through a number of impaired and low margin projects. It will also take some time to see the full benefits of the Group's new strategic priorities, particularly in Industrial and medium density housing development.

The Group has made the decision to hold its distribution at 24.0 cents per share, despite being outside our target payout ratio. This demonstrates Stockland's confidence that earnings should continue to improve from FY14. Stockland is targeting earnings per share growth for FY14 of 4-6% above FY13, assuming no material decline in market conditions.

State of affairs

STOCKLAND CONSOLIDATED GROUP

Changes in the state of affairs of the Stockland Consolidated Group during the financial year are set out in the various reports in this Stockland Annual Report. Refer to Note 27 of the accompanying Financial Statements for securities issued and Notes 22 for debt movements.

The Stockland Consolidated Group is proceeding with the winding down and exit of the business in the UK.

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

STOCKLAND TRUST GROUP

Changes in the state of affairs of the Stockland Trust Group during the financial year are set out in the various reports in this Stockland Annual Report. Refer to Note 27 of the accompanying Financial Statements for securities issued and Notes 22 for debt movements.

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

Likely developments

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

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 this Stockland Annual Report.

Events subsequent to the end of the year

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

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

Remuneration Report – Audited

The Board is pleased to present the Remuneration Report ("Report") for Stockland for the year ended 30 June 2013 ("FY13"), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the *Corporations Act 2001*. The Remuneration Report covers the Stockland Consolidated Group and the Stockland Trust Group.

The format of our Report is consistent with last year's format when we substantially rewrote the Report in the interests of clarity and ease of understanding.

REMUNERATION POLICIES

The Board is committed to ensuring that Stockland's remuneration policies are fair, responsible and competitive and that we communicate our remuneration arrangements with full transparency. As reported in last year's Report, we undertook a thorough review of our remuneration policies and practices in FY12. On an ongoing basis, the Board monitors these policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective to meet Stockland's changing business priorities and market challenges.

There are no material changes to the remuneration arrangements for our existing Senior Executives but the remuneration arrangements for our new Managing Director and CEO, Mark Steinert, who commenced in January 2013, differ from those of our previous Managing Director, Matthew Quinn. Specifically, Fixed Pay is lower by $400,000 and a greater portion (50%) of any STI award up to Target will be awarded in Stockland securities with vesting deferred over 2 years. Any STI above Target will be awarded fully in securities with deferred vesting. There is a Long Term Incentive target of 100% of Fixed Pay (formerly 90% of Fixed Pay).

REMUNERATION OUTCOMES

For the second consecutive year, we awarded no Fixed pay increases to our Senior Executives in FY13 continuing our prudent approach to remuneration management.

The total Short Term Incentives for all employees and those awarded to our Senior Executives are significantly down from FY12. These outcomes reflect the Board's assessment of performance against the measures outlined in our Corporate Scorecard. We believe that these measures create appropriate alignment for our employees with our securityholders' interests and encourage proper management of risk in delivering business objectives.

Base fees for our Non-Executive Directors were not changed in FY13 and will not increase in FY14.

REMUNERATION GOVERNANCE

HUMAN RESOURCES COMMITTEE

The Human Resources ("HR") Committee assists the Board exercise sound governance of its responsibility for the appointment, performance and remuneration of the Managing Director and Senior Executives.

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

In FY13, the Human Resources Committee comprises three independent Non-Executive Directors: Peter Scott (Chair), Graham Bradley and Carolyn Hewson.

The roles and responsibilities of the Human Resources Committee are outlined in the Board Human Resources Committee charter which is available on Stockland's website.

USE OF REMUNERATION CONSULTANTS

Stockland seeks relevant benchmarking and commentary on a number of remuneration issues from a variety of consultants including Ernst & Young. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt and Mercer. During FY13, there were no remuneration recommendations in relation to Key Management Personnel as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001* (the "Act").

DIVERSITY AND INCLUSION

At Stockland we value diversity and aim to create a vibrant and inclusive workplace which is reflective of the communities in which we operate. Building a more inclusive workplace enables greater diversity of thought, more informed decision making and ultimately better business outcomes.

Diversity, including gender diversity, forms an integral part of our People Strategy. To reflect our focus on this, we have put in place a new and more comprehensive Diversity and Inclusion policy that incorporates our existing gender diversity policy and includes policies to promote diversity more widely, including policies to support the employment of people with a wider range of ethnic backgrounds and people with disabilities. Our Diversity and Inclusion Policy is available on our website, with a detailed update against objectives provided in our Annual Review.

At a management level, the Diversity Steering Committee chaired by the Managing Director, Mark Steinert, helps guide implementation of our diversity and inclusion strategy, which spans multiple diversity dimensions including gender, disability inclusiveness and cultural diversity.

Increasing the number of women in leadership positions continues to be a focus for us. At the end of FY13, we had met our target for women in management (43%) and we remain on track to achieve the Board endorsed target of 45% by FY17.

A comprehensive analysis of all proposed remuneration decisions concerning gender, as well as work status (full-time compared to part-time), is undertaken as part of the annual remuneration review and we continue to improve on our gender pay metrics.

KEY MANAGEMENT PERSONNEL ("KMP")

KMP are those people who have the authority and responsibility for planning, directing and controlling Stockland's activities directly or indirectly. They include Non-Executive Directors, the Managing Director and those of the Managing Director's direct reports who are members of the Executive Committee i.e. heads of businesses and functional areas ("Senior Executives"). The KMP are listed on page 49 and were KMP of the Stockland Consolidated Group at any time during the financial year and, unless otherwise indicated, were KMP for the entire year.

Stockland has defined the term "Executive" to include the Managing Director and Senior Executives. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation 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*.

Remuneration Report – Audited (continued)

REMUNERATION PHILOSOPHY AND PRINCIPLES

Stockland's remuneration policies are framed around several key principles:

- Fixed Pay should be fair, competitive and regularly benchmarked against relevant market evidence;
- A significant portion of Executive remuneration should be "at risk";
- "At risk" or variable pay should be aligned to securityholder interests and individuals should have clear performance criteria set in advance;
- The level of variable pay increases as a portion of total remuneration as responsibility increases;
- Performance-based pay or Short-Term Incentives ("STIs") must be affordable and funded from annual Underlying Profit;
- STI awards depend on individual performance against measures reflecting progress against a Balanced Scorecard of Key Performance Indicators ("KPIs"). A portion of performance-based pay for Executives is awarded as Stockland equity with deferred vesting;
- Long-Term Incentives ("LTIs") with vesting dependent on achievement of long-term goals not only help motivate and retain key Executives but also build a sense of ownership of business performance that benefits all securityholders;
- Remuneration policies, framework and decisions take account of risk management and capital management considerations; and
- Unvested incentive awards are subject to broadly framed clawback provisions which give the Board discretion to adjust or forfeit these awards in certain circumstances.

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY13

KEY FINANCIAL PERFORMANCE MEASURES

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

	FY09	FY10	FY11	FY12	**FY13**
Underlying Profit[1] ($M)	631.4	692.3	726.3	676.1	**494.8**
Net Tangible Assets per Security ($)	3.61	3.59	3.65	3.68	**3.50**
Security Price as at 30 June ($)	3.21	3.72	3.41	3.08	**3.48**
Dividends/Distributions Per Security (¢)	34.0	21.8	23.7	24.0	**24.0**
Underlying Earnings Per Security (¢)	36.5	29.1	30.5[1]	29.3	**22.4**
Stockland TSR – 1 year (%)	(30.4)	22.5	(5.3)	0.5	**17.5**
A-REIT 200 TSR (exc SGP) – 1 year (%)	(42.3)	20.4	4.4	9.9	**24.8**

1 The reconciliation of Underlying Profit to statutory profit is provided in Note 3 to the Financial Statements of the Annual Report and on page 21 of the Operating and Financial Review.

SHORT-TERM INCENTIVE ("STI")

STI is awarded only when an agreed level of performance is achieved by individual employees against a combination of objectives set at the beginning of each year. For Stockland, the Board uses a Corporate Balanced Scorecard to set financial and non-financial Key Performance Indicators ("KPIs") that are aligned to overall business strategy. The Board's assessment of the company's performance against these KPIs informs the quantum of the annual STI pool.

Remuneration Report – Audited (continued)

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY13 (continued)

The Board's assessment of performance against the Corporate Balanced Scorecard is provided in the following table:

CORPORATE BALANCED SCORECARD

Key Performance Indicators	Commentary	Overall rating[1]
Business and Financial Performance (75% weighting)		
Underlying Profit Performance		
• Earnings per security ("EPS") growth target of (10.0%); and	• Actual EPS growth was negative 24%.	Below target
• Return on Equity ("RoE") of 8.3%.	• RoE was 6.2%.	Below target
Business Performance		
• Operating Business performance in line with plan;	• Business unit profitability was mixed:	
	– Commercial Property profit of $482m was in line with plan with key developments completed in Townsville, Shellharbour and Merrylands;	At target
	– Residential profit of $60m was well below target. 4,641 lots settled but with lower than planned margins; and	Below target
	– Retirement Living profit of $38m in line with plan, sales and development outcomes and performance in managing overheads.	At target
• Improve operational efficiency by implementing and embedding the new organisational structure;	• Corporate Overheads were well within plan and lower than FY12.	At target
• Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile; and	• Debt maturity profile above 5 years with gearing within our guidelines.	At target
• Improved Return on Assets ("RoA") for new investments.	• ROA outcomes were mixed with Commercial Property and Retirement Living in line with plan and Residential below plan.	Below target
Customer and Stakeholder Performance		
• Achieve independently assessed customer satisfaction ratings goals for each business unit.	• Customer satisfaction scores were at or above targets across all business groups.	At target
Organisational Performance (25% weighting)		
People Management		
• Reduce Employee-Initiated turnover – < 12%;	• Employee-Initiated turnover of 15.7%;	Below target
• Achieve Employee Engagement score – 80%; and	• Employee engagement score of 80%; and	At target
• Increase women in management roles to 43%	• Women in management was 43%.	At target
Sustainability and Operational Risk/Safety		
• Continue to engrain sustainable business practices across Stockland;	• Recognised as one of the top two ranked Real Estate firms globally by DJSI;	At target
• Progress against three year environment improvement goals; and	• Continued progress with key targets; and	At target
• Embed strong risk and safety management practices.	• An excellent safety record with no major preventable injuries.	At target

[1] Rating Scale – Below target, At target, Above target.

Remuneration Report – Audited (continued)

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY13 (continued)

SHORT-TERM INCENTIVES ("STI")

Under our revised reward policies, the potential STI pool in any year is capped at a maximum of 5% of Stockland's Underlying Profit. The approved STI pool for all employees in FY13 was $21.5 million ($4.3 million or 17% below FY12) which was 4.3% of Underlying Profit.

Details of the FY13 and previous years' STI pools for all employees are provided below. The Total STI pool includes Cash STI awards as well as Deferred STI awards subject to vesting in future years, subject only to service conditions.

	FY10	FY11	FY12	**FY13**
Underlying Profit ($M)	692.3	726.3	676.1	**494.8**
Cash STI ($M)[1]	25.3	27.2	21.6	**17.9**
Deferred STI ($M)[2]	5.6	6.3	4.2	**3.6**
Total STI pool ($M)[2]	30.9	33.5	25.8	**21.5**

1 Includes applicable superannuation.

2 The STI pools for FY10 to FY12 have been restated using the STI/LTI mix including deferred STI that applied for employees in FY13 to ensure comparison on a like with like basis.

Remuneration Report – Audited (continued)

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY13 (continued)

LONG-TERM INCENTIVES ("LTI")

Our LTI awards are linked to target underlying EPS growth and relative TSR performance. There was no LTI vesting in FY13 based on performance against these two hurdles measured over the period from 1 July 2010 to 30 June 2013.

Half of the LTI allocated to employees is linked to Stockland's performance against Underlying EPS Targets. The group exceeded the target in FY11 but fell short in FY12 and FY13. Accordingly, there was no vesting for the EPS portion of the 2010 (FY11) LTI awards to any employee.

The other half of the LTI award is linked to the TSR performance hurdle. From 1 July 2010 to 30 June 2013, Stockland's TSR returned a positive absolute return of 11.7% but underperformed against its peer group (as measured by the A-REIT Accumulation Index excluding Stockland) over the period so there was no vesting of the TSR portion of the 2010 LTI awards to any employee.

Details on the performance of each hurdle are outlined in the table below:

Hurdle	Target/benchmark performance	Actual performance	Under performance	% vested	Weight	Vesting outcome
EPS						
FY11 EPS Growth	7.0%	8.5%				
FY12 EPS Growth	6.0%	(3.9%)				
FY13 EPS Growth	(10.0%)	(23.5%)				
Aggregate EPS Growth	3.0%	(18.9%)	(21.9%)	0%	50%	0%
TSR						
Relative TSR FY11-FY13	43.5%	11.7%	(31.8%)	0%	50%	0%
					Total	**0%**

FY13 LTI AWARDS – UNDERLYING EPS GROWTH TARGET

Prior to FY13 underlying EPS Growth targets were advised retrospectively on an annual basis with the three year hurdle based on the aggregate of the three annual targets. As part of our remuneration review, we announced that we would advise a prospective three year Compound Annual Growth Rate ('CAGR') target for underlying EPS Growth.

As advised at the October 2012 AGM, the three year CAGR target for LTI awards granted during FY13 was 3.5% for the three years from 1 July 2012 to 30 June 2015.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13

Executives received a mix of remuneration during FY13 including Fixed Pay, STI awarded as cash and as deferred securities which may vest one or two years later subject to continued employment, and a LTI which may vest three and four years later subject to performance hurdles and continued employment.

The table below outlines the cash remuneration that was received in relation to the FY13 which includes Fixed Pay and the non-deferred portion of any FY13 STI. The table also includes the value of a portion of the deferred STI award from FY12 which vested during FY13. No previous years' LTI vested during FY13. This information differs from that provided in the statutory remuneration of Executives set out in the table on page 33 which was calculated in accordance with statutory rules and applicable Accounting Standards.

		Fixed pay[1]	STI awarded and received as cash	Total cash payments in relation to financial year	Previous years' Deferred STI which were realised[3]	Previous years' LTI which were realised LTI	Awards which lapsed or were forfeited[4]
		$	$	$	$	$	$
Executive Director							
Mark Steinert Managing Director and CEO	**2013**	**690,410**	**207,500**[2]	**897,910**	**–**	**–**	**–**
	2012	–	–	–	–	–	–
Senior Executives							
Tim Foster Chief Financial Officer	**2013**	**875,000**	**163,333**	**1,038,333**	**56,989**	**–**	**2,540,400**
	2012	875,000	210,000	1,085,000	–	–	696,080
Mark Hunter Group Executive and CEO, Residential	**2013**	**800,000**	**–**	**800,000**	**119,405**	**–**	**3,476,520**
	2012	800,000	220,000	1,020,000	–	–	1,191,960
David Pitman Group Executive and CEO, Retirement Living	**2013**	**700,000**	**210,000**	**910,000**	**56,989**	**–**	**3,045,000**
	2012	700,000	210,000	910,000	–	–	1,062,600
Michael Rosmarin Group Executive, Strategy and Human Resources	**2013**	**550,000**	**176,667**	**726,667**	**50,657**	**–**	**741,240**
	2012	550,000	186,667	736,667	–	–	–
John Schroder Group Executive and CEO, Commercial Property	**2013**	**1,030,000**	**403,333**	**1,433,333**	**90,458**	**–**	**1,510,320**
	2012	1,030,000	333,333	1,363,333	–	–	1,635,480
Former Executives							
Karyn Munsie Former EGM, Corporate Affairs	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	394,000	90,000	484,000	–	–	668,360
Matthew Quinn Former Managing Director	**2013**	**1,308,316**	**650,000**	**1,958,316**	**–**	**–**	**3,580,920**
	2012	1,900,000	665,000	2,565,000	–	–	3,880,800

1 Fixed Pay includes salary, superannuation and salary sacrificed items.

2 For Mark Steinert this is 50% (two-thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one-third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.

3 This represents the value of all prior years' deferred STI which vested during FY13 using the 30 June 2013 closing security price of $3.48. No LTI vested during FY13 or in FY12.

4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY13 values are based on the closing 30 June 2013 security price of $3.48 (FY12: $3.08).

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13 (continued)

FY13 STATUTORY REMUNERATION

		Short-term					Post-employment		Other long-term	Share-based payments			Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] cash $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	Deferred STI ("DSTI") $	LTI $	Total $	(STI+LTI) Percent of Total $	(DSTI+LTI) Percent of Total $
Executive Director														
M Steinert Managing Director	**2013**	**736,865**	**–**	**–**	**207,500**	**944,365**	**8,235**	**–**	**2,490**	**55,333**	**108,825**	**1,119,248**	**33.2**	**14.7**
	2012	–	–	–	–	–	–	–	–	–	–	–	–	–
Senior Executives														
T Foster Chief Financial Officer	**2013**	**875,245**	**–**	**–**	**163,333**	**1,038,578**	**16,470**	**875,000**	**4,470**	**77,778**	**113,813**	**2,126,109**	**16.7**	**9.0**
	2012	863,391	–	–	210,000	1,073,391	15,775	–	2,922	43,750	112,521	1,248,359	29.3	12.5
M Hunter CEO Residential	**2013**	**771,370**	**–**	**–**	**–**	**771,370**	**15,810**	**707,700**	**(25,236)**	**64,167**	**44,649**	**1,578,460**	**6.9**	**6.9**
	2012	800,216	–	–	220,000	1,020,216	15,789	–	(8,774)	45,833	58,695	1,131,759	28.7	9.2
D Pitman CEO Retirement Living	**2013**	**661,980**	**10,781**	**–**	**210,000**	**882,761**	**16,470**	**–**	**11,063**	**8,750**	**39,038**	**958,082**	**26.9**	**5.0**
	2012	665,204	10,763	–	210,000	885,967	15,789	–	6,349	43,750	49,002	1,000,857	30.2	9.3
M Rosmarin Group Executive, Strategy & HR	**2013**	**537,881**	**4,102**	**–**	**176,667**	**718,650**	**16,470**	**–**	**1,848**	**75,694**	**147,283**	**959,945**	**41.6**	**23.2**
	2012	539,893	3,709	–	186,667	730,269	15,775	–	913	38,889	94,734	880,580	36.4	15.2
J Schroder CEO Commercial Property	**2013**	**1,030,419**	**10,781**	**–**	**403,333**	**1,444,533**	**16,470**	**–**	**16,279**	**84,028**	**286,773**	**1,848,083**	**41.9**	**20.1**
	2012	965,908	10,763	–	333,333	1,310,004	15,775	–	9,342	69,444	65,585	1,470,150	31.9	9.2
Former Executives														
K Munsie[5] Former EGM Corporate Affairs	**2013**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,064)**	**–**	**–**	**(5,064)**	**–**	**–**
	2012	408,852	–	–	90,000	498,852	12,998	500,000	2,562	–	(170,823)	843,589	(9.6)	(20.2)
M Quinn[6] Former Managing Director	**2013**	**1,266,256**	**–**	**30,330**	**650,000**	**1,946,586**	**12,339**	**997,353**	**(23,614)**	**–**	**–**	**2,932,664**	**22.2**	**–**
	2012	1,869,822	–	–	665,000	2,534,822	15,775	–	(106,850)	–	(225,750)	2,217,997	19.8	(10.2)
Total consolidated remuneration	**2013**	**5,880,016**	**25,664**	**30,330**	**1,810,833**	**7,746,843**	**102,264**	**2,580,053**	**(17,764)**	**365,750**	**740,381**	**11,517,527**	**25.3**	**9.6**
	2012	6,113,286	25,235	–	1,915,000	8,053,521	107,676	500,000	(93,536)	241,666	(16,036)	8,793,291	24.3	2.6

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary scarified items and FBT payable on these items.
3 STIs (in cash) 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 Ms K Munsie's employment terminated on 2 July 2012 and the amounts shown for FY13 represent the amounts paid for her statutory leave entitlements. Her contractual termination payment was included in her 2012 remuneration.
6 Mr M Quinn ceased employment on 11 January 2013.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13 (continued)

TERMINATION ARRANGEMENTS FOR FORMER MANAGING DIRECTOR MATTHEW QUINN AND OTHER EXECUTIVES

In July 2012, Matthew Quinn advised of his intention to retire from the position of Managing Director. His retirement became effective on 11 January 2013 after he worked out his contractual notice period.

Mr Quinn's remuneration outlined in the FY13 Statutory Remuneration table on page 33 included Fixed Pay and a pro rata STI for FY13 as well as LTI accruals for an earlier LTI award grant from FY11. Mr Quinn received no LTI award in FY12 or FY13. He remained eligible to participate in the FY11 LTI award post retirement but there was no subsequent vesting as the required performance hurdles were not met.

In addition to Fixed Pay, STI and LTI accrual, Mr Quinn also received a termination payment which was in line with the revised arrangements agreed in FY12, of 12 months Fixed Pay less applicable notice plus STI for his notice period. As outlined in FY12 Remuneration Report these revised termination arrangements were a significant reduction of $2,250,000 from his entitlements under prior contractual arrangement.

During FY13, Stockland also announced that Mark Hunter and Tim Foster would be leaving Stockland after the end of FY13. Each of these Senior Executives will receive a termination payment in line with their previously disclosed contractual arrangements. David Pitman resigned effective 17 September 2013 and accordingly he is not entitled to any termination payment.

SHORT-TERM INCENTIVES FOR EXECUTIVES

STIs are directly linked to Group, Business Unit and individual performance measures based on a Balanced Scorecard approach. The objectives for the Executive Committee are approved by the Managing Director, after review by the Human Resources Committee. The actual performance against the objectives is assessed by the Managing Director and approved by the Human Resources Committee. The STI awarded for FY13 is outlined below with the amounts paid as cash and/or awarded and deferred into Stockland securities shown in the last two columns.

A minimum of one-half of any STI awarded for the current Managing Director and one-third for Senior Executives is deferred into Stockland securities which will vest over two years, subject to continued service. The maximum STI that can be awarded to Executives is 125% of Target STI.

	Target STI (as % of Fixed Pay)	STI awarded (as % of Maximum)	STI paid in cash[1]		STI deferred into equity[2]	
	%	%	$	%	$	%
Managing Director						
Mark Steinert[3]	100	48	207,500	50	207,500	50
Senior Executives						
Tim Foster	80	28	163,333	67	81,667	33
Mark Hunter	90	–	–	–	–	–
David Pitman[4]	90	40	210,000	100	–	–
Michael Rosmarin	80	48	176,667	67	88,333	33
John Schroder	90	52	403,333	67	201,667	33

1 The portion of STI awarded for the FY13 performance year which is paid as cash.
2 The portion of STI awarded for FY13 performance that is deferred into Stockland securities which will vest over the next two years.
3 Calculations are pro rata based on Mark Steinert's employment which commenced 29 January 2013.
4 David Pitman resigned his employment effective 17 September 2013 and forfeited the deferred portion of his FY13 STI.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13 (continued)

EQUITY AWARDS RECEIVED BY EXECUTIVES

The table below outlines for the Managing Director and Senior Executives the number of vested and unvested equity units as at the end of FY13 as well as ordinary holdings held. This table is intended to reflect the direct exposure that each executive has to the Stockland security price. Further detail on current equity incentives then follows.

Employee	Holding	Balance 1 July 2012	Acquired or granted	Equity incentives which lapsed	Equity incentives which vested	Balance 30 June 2013
Executive Director						
Mark Steinert	Vested/Personal	65,800	182,000	–	–	247,800
	PRP rights (unvested)	–	528,000	–	–	528,000
	Deferred STI Securities (unvested)	–	58,451	–	–	58,451
Senior Executives						
Tim Foster	Vested/Personal	–	–	–	16,376	16,376
	PRP rights (unvested)	730,000	370,000	(738,000)	–	362,000
	Deferred STI Securities (unvested)	32,752	23,005	–	(16,376)	39,381
Mark Hunter	Vested/Personal	68,894	–	–	34,312	103,206
	PRP rights (unvested)	668,000	338,500	(1,006,500)	–	–
	Deferred STI Securities (unvested)	34,312	–	–	(34,312)	–
David Pitman	Vested/Personal	108,500	–	–	16,376	124,876
	PRP rights (unvested)	585,000	296,000	(881,000)	–	–
	Deferred STI Securities (unvested)	32,752	–	(16,376)	(16,376)	–
Michael Rosmarin	Vested/Personal	–	–	–	14,556	14,556
	PRP rights (unvested)	441,000	232,500	(213,000)	–	460,500
	Deferred STI Securities (unvested)	29,113	24,883	–	(14,556)	39,440
John Schroder	Vested/Personal	330,500	–	–	25,994	356,494
	PRP rights (unvested)	860,000	435,000	(434,000)	–	861,000
	Deferred STI Securities (unvested)	51,987	56,808	–	(25,994)	82,801

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13 (continued)

VESTING PROFILE OF DEFERRED STI

A minimum of one-third of any STI awarded for the KMP is deferred into Stockland securities which will vest over two years, subject to continued service. The vesting profile of current deferred STI awards and Fair Value ("FV") is shown below:

	Deferred STI plan	Securities Granted[1]	Total FV deferred	FV expensed	FV expensed in prior years	Vesting date[2]	Maximum value to be recognised in future years
Executive Director							
Mark Steinert	FY13 – Tranche 1	29,225	$103,749	$34,583	–	30/06/2014	$69,166
	FY13 – Tranche 2	29,225	$103,749	$20,750	–	30/06/2015	$82,999
Senior Executives							
Tim Foster	FY12 – Tranche 1	16,376	$52,500	$26,250	$26,250	30/06/2013	–
	FY12 – Tranche 2	16,376	$52,500	$17,500	$17,500	30/06/2014	$17,500
	FY13 – Tranche 1	11,502	$40,832	$20,416	–	30/06/2014	$20,416
	FY13 – Tranche 2	11,502	$40,832	$13,611	–	30/06/2015	$27,221
Mark Hunter	FY12 – Tranche 1	17,156	$55,000	$27,500	$27,500	30/06/2013	–
	FY12 – Tranche 2	17,156	$55,000	$36,667	$18,333	30/06/2014	–
David Pitman	FY12 – Tranche 1	16,376	$52,500	$26,250	$26,250	30/06/2013	–
	FY12 – Tranche 2	16,376	$52,500	$(17,500)	$(17,500)	30/06/2014	–
Michael Rosmarin	FY12 – Tranche 1	14,556	$46,667	$23,334	$23,333	30/06/2013	–
	FY12 – Tranche 2	14,557	$46,667	$15,556	$15,556	30/06/2014	$15,555
	FY13 – Tranche 1	12,441	$44,167	$22,083	–	30/06/2014	$22,084
	FY13 – Tranche 2	12,442	$44,667	$14,722	–	30/06/2015	$29,945
John Schroder	FY12 – Tranche 1	25,993	$83,333	$41,667	$41,666	30/06/2013	–
	FY12 – Tranche 2	25,994	$83,333	$27,778	$27,778	30/06/2014	$27,777
	FY13 – Tranche 1	28,404	$100,834	$50,417	–	30/06/2014	$50,417
	FY13 – Tranche 2	28,404	$100,834	$33,611	–	30/06/2015	$67,223

1 Securities granted are based on the 30 day volume weighted average price over June of the applicable performance year.
2 Vesting dates refer to when service conditions are met. The Human Resources Committee then confirms vesting during July in the following year considering whether clawback provisions will apply.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY13 (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]	No. Vested during the year[3]	No. lapsed during the year[4]	Maximum value to be recognised in future years[5]
Executive Director								
Mark Steinert[6]	–	264,000	14/01/2013	$1.20	30/06/2015	–	–	$253,926
	–	264,000	14/01/2013	$1.20	30/06/2016	–	–	$272,063
Senior Executives								
Tim Foster	368,000	–	31/08/2010	$1.75	30/06/2013	–	368,000	–
	362,000	–	31/08/2011	$1.10	30/06/2014	–	–	$65,160
	–	185,000	31/08/2012	$1.20	30/06/2015	–	185,000	–
	–	185,000	31/08/2012	$1.20	30/06/2016	–	185,000	–
Mark Hunter	337,000	–	31/08/2010	$1.75	30/06/2013	–	337,000	–
	331,000	–	31/08/2011	$1.10	30/06/2014	–	331,000	–
	–	169,250	31/08/2012	$1.20	30/06/2015	–	169,250	–
	–	169,250	31/08/2012	$1.20	30/06/2016	–	169,250	–
David Pitman	295,000	–	31/08/2010	$1.75	30/06/2013	–	295,000	–
	290,000	–	31/08/2011	$1.10	30/06/2014	–	290,000	–
	–	148,000	31/08/2012	$1.20	30/06/2015	–	148,000	–
	–	148,000	31/08/2012	$1.20	30/06/2016	–	148,000	–
Michael Rosmarin	213,000	–	31/08/2010	$1.75	30/06/2013	–	213,000	–
	228,000	–	31/08/2011	$1.10	30/06/2014	–	–	$41,040
	–	116,250	31/08/2012	$1.20	30/06/2015	–	–	$93,000
	–	116,250	31/08/2012	$1.20	30/06/2016	–	–	$104,625
John Schroder	434,000	–	31/08/2010	$1.75	30/06/2013	–	434,000	–
	426,000	–	31/08/2011	$1.10	30/06/2014	–	–	$76,680
	–	217,000	31/08/2012	$1.20	30/06/2015	–	–	$174,000
	–	217,000	31/08/2012	$1.20	30/06/2016	–	–	$195,750
Former Executives								
Matthew Quinn	1,029,000	–	20/10/2010	$1.75	30/06/2013	–	1,029,000	–

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 26 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 the vesting date of 30 June. The securities remain in holding lock until the 10th anniversary of the grant date except at Board discretion.

3 There was no vesting reflecting no meeting of performance conditions (see page 31). The full balance of the original grant will lapse.

4 This includes the rights which lapsed due to not meeting performance conditions as well as rights which were forfeited due to termination of employment.

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

6 The grant to Mark Steinert is subject to approval by securityholders at the 2013 AGM in October 2013.

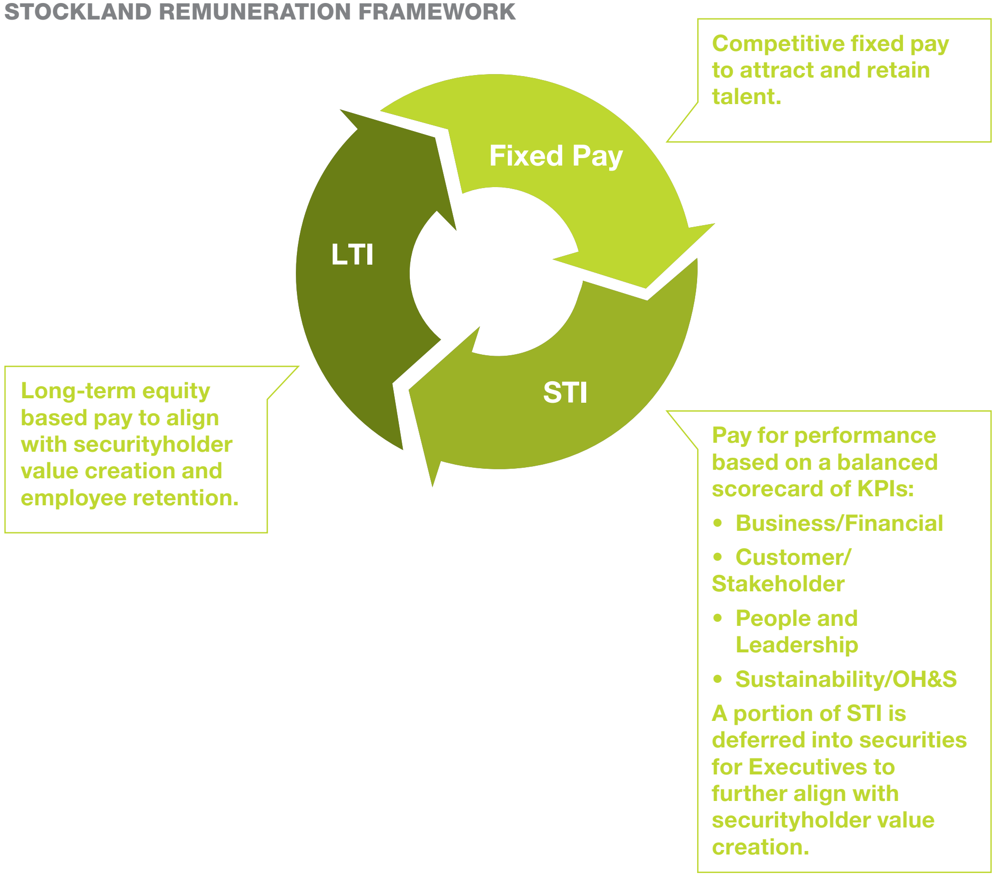
Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK

Stockland's remuneration structure has three components:

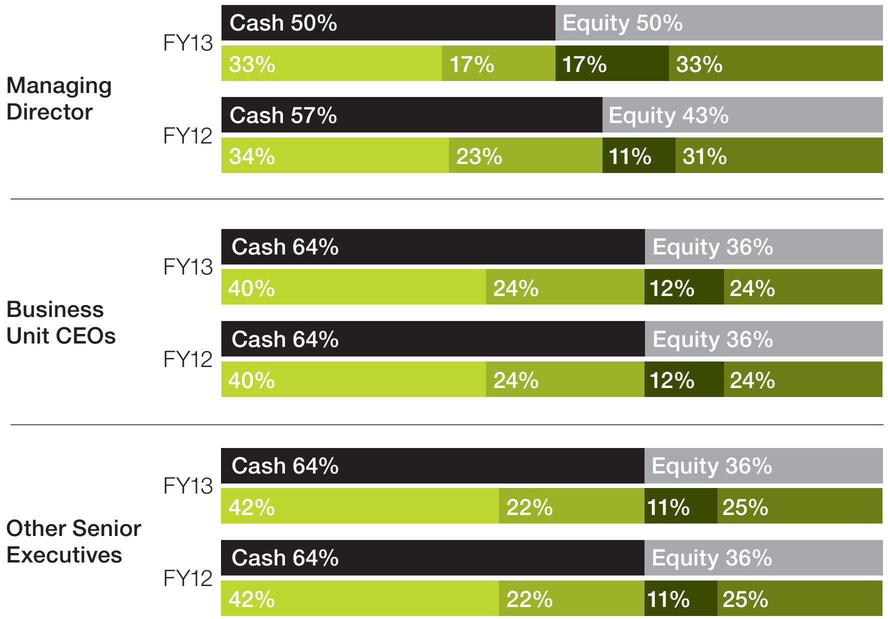
- fixed remuneration ("Fixed Pay");
- performance-based pay, or short-term incentives ("STI"); and
- long-term incentives ("LTI").

STOCKLAND REMUNERATION FRAMEWORK



REMUNERATION AND VARIABLE PAY MIX

Variable pay (STI and LTI) is a key component of Executives' remuneration packages. Stockland's remuneration mix has historically had a greater proportion of the remuneration package "at risk" than is typical of comparable companies. There was no change in FY13 to the total remuneration mix at target for Executives (as a percentage of Fixed Pay) or the weighting of equity-based awards (Deferred STI and LTI) to cash-based awards (Fixed Pay and Cash STI) other than for the new Managing Director.



- **Fixed Pay** – Includes salary, superannuation and salary sacrifice items.
- **STI paid as cash** – Maximum of two-thirds of any STI award (less for outperformance) for Managing Director and Senior Executives. Paid in August following performance year.
- **Deferred STI – Stockland Securities** – At least one-third of STI award for Managing Director and Senior Executives. Vesting over a maximum of two years following performance year.
- **LTI – Performance Rights Plan** – Three year performance period. Portion of vesting is based on Stockland's performance against performance hurdles for relative TSR and EPS growth.
- **Total Cash-based awards** – STI paid as cash plus Fixed Pay
- **Total Equity-based award** – Deferred STI plus LTI

Remuneration Report – Audited (continued)

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.

How and when is Fixed Pay determined?	Fixed Pay at Stockland is reviewed annually with changes effective from 1 July. When reviewing Fixed Pay a number of factors are considered including individuals' skills and experience relevant to their roles, internal and external relativities and a prudent approach to cost. We use external benchmarking surveys sourced by a number of organisations including Ernst & Young and AON Hewitt.
What comparator groups are used to benchmark Fixed Pay?	Fixed Pay for the Executives is reviewed against appropriate market benchmarks from the ASX50 group of companies and larger property firms.

SHORT-TERM INCENTIVES

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

Who participates?	All permanent Stockland employees employed at 30 June of the applicable financial year and who have greater than three months service are eligible.
What is the STI opportunity?	An individual's STI opportunity is based on a percentage of Fixed Pay and varies by job level as defined by employees' "job band".

Job Band	Target STI (as percentage of Fixed Pay)	Maximum STI (as percentage of Fixed Pay)
Managing Director	100%	125%
Senior Executives	80% to 90%	100% to 112.5%
General Managers	45%	90%
Senior Managers	30%	60%
Other Employees	5% to 15%	30%

How is the size of the STI pool determined?	The size of the STI pool is based on the Board's assessment of Stockland's performance against its Balance Scorecard objectives as set out on page 29.
Is the overall STI pool capped?	Yes. The maximum overall STI pool is capped at 5% of Stockland's Underlying Profit in the applicable year.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

SHORT-TERM INCENTIVES (continued)

When and how are individual STI outcomes decided?

Employees' objectives are established at the start of the performance year by their manager with reference to Stockland's Balanced Scorecard.

STI is awarded on an annual basis with any cash STI paid in August. STI outcomes are recommended by the employee's manager after consideration of their performance against objectives and the size of the relevant year's STI pool.

Recommendations are calibrated across businesses to ensure consistency and are subject to review and approval by the Executive Committee and Human Resources Committee, and for the Managing Director by the Board.

How is STI delivered?

Stockland awards STI as a combination of cash and Stockland securities.

	Percentage of STI awarded as Deferred STI	
Job Band	**Up to and including target STI**	**Above target STI**
Managing Director	50%	100%
Senior Executives	33%	100%
General Managers	33%	50%
Senior Managers	33%	33%

The balance of STI not deferred is awarded in cash. The Board retains discretion to award STI entirely in cash in certain circumstances.

How are the number of deferred STI securities determined?

The number of securities awarded is based on the dollar value of the deferred STI award divided by the volume weighted average price for Stockland securities over the 30 days up to and including 30 June for the applicable year of award.

When does the deferred STI vest?

Deferred STI vests in two equal annual tranches over two years (50% 12 months after award and 50% 24 months after award). Vesting is subject to continued employment with Stockland at the applicable vesting dates.

What happens if an Executive leaves Stockland?

Any unvested deferred STI will lapse. The Board retains discretion to review this in certain circumstances where termination is Stockland initiated, such as redundancy or mutually agreed resignation.

Do participants receive distributions/dividends on Stockland's securities during the vesting period?

Yes. Unlike LTI awards, deferred STI awards are not subject to additional performance hurdles other than continued employment until vesting. Consistent with LTI awards, distributions are only payable once performance has been assessed against applicable objectives and/or hurdles.

Do clawback provisions apply to the deferred STI?

Yes, the Board may at its absolute discretion determine that some or all of an employee's deferred STI award be forfeited if, in the Board's reasonable opinion, adverse circumstances affecting the performance or reputation of the Company have come to their attention.

.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES

Long-term incentive ("LTI") aligns Executive remuneration with securityholder returns and helps retain key talent.

Who participates?

The Managing Director, Senior Executives, General Managers and Senior Managers participate in LTI. This group represents approximately 13% of all employees.

Annual participation is reviewed and approved by the Board.

What is the LTI opportunity?

An individual's LTI participation is based on their Fixed Pay and Job Band as follows:

Job Band	LTI participation (as % of Fixed Pay)
Managing Director	100%
Senior Executives	60%
General Managers	25%
Senior Managers	10%

How is LTI delivered?

Employees are granted a number of rights in the Performance Rights Plan ("PRP"). Each right is granted over an ordinary security at no cost to the employee.

What are the performance hurdles?

Each performance rights grant is divided into two equal tranches, with the following performance 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 Underlying Earnings Per Security ("EPS") measured against a three year target set by the Board.

How are the number of rights determined for each LTI grant?

The number of rights granted is determined by dividing the dollar value of LTI participation by a grant value which includes assumptions for the expected vesting for the EPS growth target.

The grant value of the TSR component is determined based on an accounting valuation methodology using assumptions for expected life of the right, volatility, risk-free interest rate, market price of the Stockland securities at the time of grant and dividend yield.

From FY13, the grant value for the EPS performance hurdle will be based on the volume weighted average price for Stockland securities over the 30 days up to and including 30 June 2013 and adjusted for the probability of vesting.

The valuation of both hurdles is calculated by an independent external consultant.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

When does the LTI vest?

The number of rights which convert to Stockland securities is determined at the end of the three year performance period based on the Board's assessment of actual performance against the applicable performance hurdles, as advised by an independent external consultant.

For grants made prior to FY12, 100% of any rights which convert to securities following the three year performance period immediately vest.

For Senior Executives grants from FY12 (FY13 for General Managers and Senior Managers), 50% of rights will be subject to an additional twelve month vesting requirement post the performance period subject to continued employment with Stockland.

Vested securities are also subject to a seven year holding lock following vesting so that they may only be traded subject to approval of the Board or its delegated authority.

What happens if an Executive leaves Stockland?

Any unvested rights lapse. The Board retains discretion to review this in certain circumstances where termination is Stockland initiated such as redundancy or mutually agreed resignation.

Are rights which convert to securities purchased on-market?

At the Board's discretion, securities which convert are either purchased on-market or issued.

No rights vested in FY13. However, in previous years where vesting did occur, securities have been purchased on-market to avoid dilution.

Do participants receive distributions or dividends on LTI grants?

No. Participants do not receive distributions on any rights during the three year performance period. If any rights convert to securities post the performance period, distributions will be paid as per other Stockland securities.

Is performance retested if performance hurdles are not exceeded?

No. Any rights which do not exceed the applicable performance hurdles lapse at the end of the performance period.

Are there any minimum securityholding requirements for Executives?

Yes. Stockland requires that minimum securityholdings for the Managing Director (equal to two times Fixed Pay) and Executive Committee members (equal to one times Fixed Pay) must be maintained if the Executive wishes to sell any Stockland securities which were granted after 1 July 2010 and vest after 1 July 2012.

Do clawback provisions apply to LTI?

Yes. The Board may at its absolute discretion determine that some or all of an employee's LTI award be forfeited if, in the Board's reasonable opinion, adverse circumstances affecting the performance or reputation of the Company have come to their attention.

How is performance assessed and rewarded against these hurdles?

The number of performance rights which convert to Stockland securities are based on the following schedule:

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	5% or more greater than EPS Target	100%

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

How is TSR defined and how is it calculated?	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. 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. Actual TSR for both Stockland and A-REIT is calculated by an independent external consultant.
Why was TSR chosen as a hurdle?	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.
Why was EPS growth chosen as a 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.
How is the EPS Growth target set?	Following the remuneration review undertaken during FY12, it was agreed that for LTI grants after 1 July 2013, a three year compound annual growth rate for EPS will be set and advised prospectively for the performance period. The Board believes this approach will provide a more transparent basis for communicating the EPS performance hurdle to both securityholders and LTI participants.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

Other equity-based benefit programs

Are there any other equity-based benefits granted to employees?	Stockland also offers the Tax Exempt Employee Security Plan ("$1,000 Plan") to eligible permanent employees. Annual participation is reviewed and approved by the Board.
Who participates?	Permanent employees who have completed their probation period as at the time of grant excluding those who participate in the LTI plan. This group represents approximately 87% of all permanent employees.
What is the value of Tax Exempt Employee Security Plan?	Eligible employees receive up to $1,000 worth of Stockland securities. Securities may be either issued or purchased on-market, at the Board's discretion. Stockland typically purchases securities on-market.
What are the other key terms and conditions of the plan?	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.

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).

Are there any restrictions on employees or Directors entering into hedging arrangements?	Yes. 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)

REMUNERATION FRAMEWORK (continued)

EMPLOYMENT AND TERMINATION ARRANGEMENTS FOR MANAGING DIRECTOR AND SENIOR EXECUTIVES

Do any Senior Executives have fixed term contracts?

No. Senior Executives are on rolling contracts until notice is given by either Stockland or the Executive.

What notice period is required under these contracts?

Job Band	Notice period
Managing Director	Six months
Senior Executives	Three months

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 (termination for cause), Stockland may terminate employment immediately without notice or payment in lieu of notice.

Does the Executive receive a termination payment if Stockland initiates termination?

Where Stockland initiates termination, including mutually agreed resignation, the Managing Director or Senior Executive would receive a termination of twelve months Fixed Pay (including applicable notice).

Where termination is made for cause, the Executive is terminated with no payment in lieu of notice or any other termination payment.

On termination (other than for cause or non-mutual resignation) is the Executive eligible for STI?

STI is determined in line with the annual assessment process with any STI awarded.

On termination, how are unvested equity awards (LTI and Deferred STI) treated?

In cases of termination for cause or resignation, all unvested securities or rights lapse. In other circumstances, the Board has the discretion to adjust the vesting conditions. Typically, this discretion is applied as outlined below.

Death or Total and Permanent Disablement	Full vesting of any unvested equity awards.
For termination other than for cause or resignation	For unvested Deferred STI, full vesting on 30 June in the financial year of termination. For LTI, full vesting of LTI awards whose performance period ends in year of termination subject to exceeding applicable performance hurdles. Other unvested LTI awards forfeited.

Remuneration Report – Audited (continued)

NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION POLICY

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 and remunerate them appropriately for their time and expertise and for their responsibilities and liabilities as public company Directors.

The Human Resources Committee is responsible for reviewing and recommending to the Board any changes to Board Committees' 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 Human Resources Committee may take advice from external consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board Committees. Where a special purpose Board Committee is established by the Board, a special committee may be payable in line with fees paid for existing Board Committees. Non-Executive Directors do not receive performance-related remuneration or termination benefits other than accumulated superannuation.

The Board decided to continue to take a prudent approach to Board remuneration with no increases in base Board or Committee fees in FY13.

The Board has also confirmed that there will again be no increases in base fees for FY14.

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

BOARD FEES

		FY14	FY13
Stockland Board			
Chairman		**$500,000**	$500,000
Non-Executive Director		**$170,000**	$170,000
Stockland Board Committees			
Audit	Chair	**$40,000**	$40,000
	Member	**$20,000**	$20,000
Risk	Chair	**$25,000**	$25,000
	Member	**$12,500**	$12,500
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540
Human Resources	Chair	**$30,000**	$30,000
	Member	**$15,000**	$15,000
SCPL Board			
Chairman		**$32,700**	$32,700
Non-Executive Director		**$32,700**	$32,700
Independent Non-Executive Director[1]		**$45,000**	$45,000
SCPL Board Committees			
Audit	Chair	**$15,260**	$15,260
	Member	**$8,720**	$8,720
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540

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

Remuneration Report – Audited (continued)

NON-EXECUTIVE DIRECTOR REMUNERATION (continued)

APPROVED REMUNERATION POOL

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. No increase in the total fee pool is proposed for FY13.

Total fees of $1,764,760 (71% of the approved limit) were paid to Non-Executive Directors in FY13 which was a reduction of 3.0% compared to FY12 total fees of $1,814,760 (73% of approved limit). The nature and amount of each element of remuneration for each Non-Executive Director of Stockland are detailed below:

REMUNERATION PAID IN FY13

			Short-term	Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total[1] $
Non-Executive Directors					
G Bradley (Chairman)	**2013**	**495,882**	**–**	**4,118**	**500,000**
	2012	484,225	–	15,775	500,000
D Boyle	**2013**	**185,882**	**–**	**4,118**	**190,000**
	2012	191,725	–	15,775	207,500
C Hewson	**2013**	**205,882**	**–**	**4,118**	**210,000**
	2012	194,225	–	15,775	210,000
B Neil	**2013**	**218,582**	**–**	**4,118**	**222,700**
	2012	219,425	–	15,775	235,200
C Schwartz	**2013**	**178,382**	**–**	**4,118**	**182,500**
	2012	186,725	–	15,775	202,500
P Scott	**2013**	**208,382**	**–**	**4,118**	**212,500**
	2012	196,725	–	15,775	212,500
T Williamson	**2013**	**242,942**	**–**	**4,118**	**247,060**
	2012	231,285	–	15,775	247,060
Total consolidated remuneration	**2013**	**1,735,934**	**–**	**28,826**	**1,764,760**
	2012	1,704,335	–	110,425	1,814,760

1 The fees for each Director are paid on a total cost basis which includes any applicable compulsory superannuation. The amount of superannuation included in the total fees will vary depending on the timing of payments and in line with applicable legislation.

Remuneration Report – Audited (continued)

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:

		Stockland Securities	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	**2013**	**180,723**	**–**	**750,000**	**–**	**–**
	2012	180,723	–	750,000	–	–
D Boyle	**2013**	**61,169**	**–**	**–**	**–**	**–**
	2012	61,169	–	–	–	–
C Hewson	**2013**	**17,809**	**–**	**–**	**–**	**–**
	2012	17,809	–	–	–	–
B Neil	**2013**	**51,607**	**–**	**–**	**–**	**–**
	2012	51,607	–	–	–	–
C Schwartz	**2013**	**10,000**	**–**	**–**	**–**	**–**
	2012	10,000	–	–	–	–
P Scott	**2013**	**28,049**	**–**	**25,000**	**20,000**	**20,000**
	2012	28,049	–	25,000	20,000	20,000
T Williamson	**2013**	**94,430**	**–**	**100,000**	**–**	**–**
	2012	94,430	–	100,000	–	–
Executive Director						
M Steinert	**2013**	**247,800**	**–**	**–**	**–**	**–**
	2012	65,800	–	–	–	–
Former Executive Director						
M Quinn	**2013**	**2,246,000**	**–**	**25,000**	**10,000**	**10,000**
	2012	2,246,000	–	25,000	10,000	10,000
Total	**2013**	**2,937,587**	**–**	**900,000**	**30,000**	**30,000**
	2012	2,755,587	–	900,000	30,000	30,000

1 Stockland Direct Office Trust.
2 Stockland Direct Retail Trust.

Remuneration Report – Audited (continued)

DIRECTORS' SECURITYHOLDINGS
(continued)

The above holdings of Executive Directors include vested securities acquired under LTI plans but do not include unvested performance rights or securities detailed on page 35 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 by the policy requiring Directors to acquire a minimum securityholding. Non-Executive Directors are required to build over a reasonable time, a holding of at least 10,000 Stockland stapled securities. All Non-Executive Directors have met this requirement as at 30 June 2013. The policies requiring Executive Directors to retain securities acquired under the Group's incentive schemes are set out on page 17.

KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Mr Graham Bradley, Chairman

Mr Duncan Boyle

Ms Carolyn Hewson

Mr Barry Neil

Ms Carol Schwartz

Mr Peter Scott

Mr Terry Williamson

EXECUTIVE DIRECTOR

Mr Mark Steinert, Managing Director
(appointed 29 January 2013)

SENIOR EXECUTIVES

Mr Tim Foster, Chief Financial Officer ("CFO")
(ceasing employment 31 October 2013)

Mr Mark Hunter, CEO, Residential
(ceased employment 28 June 2013)

Mr David Pitman, CEO, Retirement Living
(ceasing employment 17 September 2013)

Mr Michael Rosmarin, Group Executive, Strategy and Human Resources

Mr John Schroder CEO, Commercial Property

FORMER SENIOR EXECUTIVES

Ms Karyn Munsie, EGM, Corporate Affairs
(ceased employment 2 July 2012)

Mr Matthew Quinn, Managing Director
(ceased employment 11 January 2013)

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, PwC 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 PwC 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 PwC, as auditor of Stockland.

Details of the amounts paid to the auditor of Stockland, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in Note 7 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 50 and forms part of the Directors' Report for the year ended 30 June 2013.

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
Chairman

Mark Steinert
Managing Director

Dated at Sydney,
13 August 2013

Lead Auditor’s Independence Declaration

pwc

Auditor’s Independence Declaration

As lead auditor for the audit of Stockland Consolidated Group and Stockland Trust Group for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Stockland Consolidated Group and the entities it controlled during the period and Stockland Trust Group and the entities it controlled during the period.

IL Hammond
Partner

PricewaterhouseCoopers

Sydney, 13 August 2013

Consolidated Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

		Stockland Consolidated Group		Stockland Trust Group	
	Notes	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Revenue					
Property development sales		**954.8**	1,243.5	**–**	–
Rent from investment properties		**674.1**	672.5	**680.1**	676.9
Deferred Management Fees from Retirement Living	35(e)	**54.7**	60.8	**–**	–
Dividend and distribution income		**0.9**	6.1	**0.9**	1.2
Other revenue		**43.7**	46.8	**0.3**	0.5
Total revenue		**1,728.2**	2,029.7	**681.3**	678.6
Finance income	5	**6.2**	8.1	**353.2**	365.6
Net gain/(loss) from fair value adjustment of investment properties:					
– Commercial Property	15(a)	**59.7**	42.2	**39.8**	43.0
– Retirement Living	35(e)	**(88.2)**	(14.9)	**–**	–
Share of profits of investments accounted for using the equity method	16, 17	**44.1**	92.1	**42.6**	81.6
Cost of property developments sold:					
– Land and development		**(731.6)**	(856.1)	**–**	–
– Capitalised interest		**(124.8)**	(83.9)	**–**	–
– Utilisation of provision for write-down of inventories		**89.0**	42.5	**–**	–
Net Provision for write-down of inventories		**(367.1)**	(63.1)	**–**	–
Existing Retirement Living resident obligations fair value movement	35(e)	**60.7**	19.3	**–**	–
Net loss from fair value adjustment of other financial assets		**(37.2)**	(55.5)	**–**	–
Net (loss)/gain on sale of other non-current assets		**(8.4)**	4.7	**(9.3)**	1.0
Investment property expenses		**(223.4)**	(211.8)	**(215.1)**	(209.1)
Management, administration, marketing and selling expenses		**(276.6)**	(286.0)	**(28.5)**	(11.1)
Finance expense	5	**(97.9)**	(210.2)	**(217.4)**	(343.5)
Profit before income tax benefit		**32.7**	457.1	**646.6**	606.1
Income tax benefit	8	**71.9**	29.9	**–**	–
Profit for the year attributable to securityholders/unitholders		**104.6**	487.0	**646.6**	606.1
Other comprehensive income which may be recycled through Profit or Loss					
Net exchange differences on translation of foreign controlled entity	28	**11.6**	31.8	**–**	–
Effective portion of change in fair value of cash flow hedges during the year	28	**10.3**	(1.0)	**10.3**	(1.0)
Changes in fair value of cashflow hedges transferred to profit	28	**(2.1)**	(2.2)	**(2.1)**	(2.2)
Other comprehensive income/(expense) for the year, net of tax		**19.8**	28.6	**8.2**	(3.2)
Total comprehensive income for the year attributable to securityholders/unitholders		**124.4**	515.6	**654.8**	602.9
Basic earnings per security/unit (cents)	9	**4.7**	21.1	**29.2**	26.3
Diluted earnings per security/unit (cents)	9	**4.7**	21.1	**29.2**	26.3

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

Consolidated Balance Sheets

AS AT 30 JUNE 2013

		Stockland Consolidated Group		Stockland Trust Group	
	Notes	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Current assets					
Cash and cash equivalents	10	**227.1**	135.6	**137.8**	40.6
Trade and other receivables	11(a)	**154.3**	186.0	**48.0**	3,871.2
Inventories	12	**668.2**	907.2	**–**	–
Other assets	13(a)	**66.7**	104.4	**48.9**	55.2
		1,116.3	1,333.2	**234.7**	3,967.0
Non-current assets held for sale	14	**90.6**	194.5	**83.5**	191.4
Total current assets		**1,206.9**	1,527.7	**318.2**	4,158.4
Non-current assets					
Trade and other receivables	11(b)	**89.7**	98.2	**3,966.3**	38.9
Inventories	12	**1,690.1**	1,798.0	**–**	–
Investment properties – Commercial Property	15	**6,991.4**	7,020.6	**6,987.7**	7,013.2
Investment properties – Retirement Living	35(d)	**2,807.6**	2,747.4	**–**	–
Investments accounted for using the equity method	16,17	**543.0**	608.9	**506.5**	563.2
Other financial assets	18	**78.3**	91.1	**19.4**	24.8
Property, plant and equipment	19	**220.7**	214.6	**–**	–
Deferred tax assets	25	**58.5**	–	**–**	–
Intangible assets	20	**116.6**	116.6	**–**	–
Other assets	13(b)	**266.9**	310.8	**274.1**	315.5
Total non-current assets		**12,862.8**	13,006.2	**11,754.0**	7,955.6
Total assets		**14,069.7**	14,533.9	**12,072.2**	12,114.0

Consolidated Balance Sheets (continued)

AS AT 30 JUNE 2013

	Notes	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Current liabilities					
Trade and other payables	21(a)	**298.5**	365.2	**113.7**	106.7
Interest-bearing loans and borrowings	22(a)	**143.3**	144.5	**143.3**	144.5
Retirement Living resident obligations	35(d)	**1,632.6**	1,531.5	**–**	–
Provisions	23(a)	**175.5**	140.2	**0.6**	0.6
Other liabilities	24(a)	**551.9**	342.9	**542.5**	324.0
Total current liabilities		**2,801.8**	2,524.3	**800.1**	575.8
Non-current liabilities					
Trade and other payables	21(b)	**34.2**	39.0	**–**	–
Interest-bearing loans and borrowings	22(b)	**2,318.2**	2,723.1	**2,318.2**	2,723.1
Retirement Living resident obligations	35(d)	**196.8**	221.9	**–**	–
Deferred tax liabilities	25	**–**	15.2	**–**	–
Provisions	23(c)	**92.4**	4.0	**–**	–
Other liabilities	24(b)	**431.4**	779.0	**431.4**	779.0
Total non-current liabilities		**3,073.0**	3,782.2	**2,749.6**	3,502.1
Total liabilities		**5,874.8**	6,306.5	**3,549.7**	4,077.9
Net assets		**8,194.9**	8,227.4	**8,522.5**	8,036.1
Securityholders'/unitholders' funds					
Issued capital	27	**8,348.1**	7,962.5	**7,553.9**	7,179.8
Reserves	28(a)	**13.8**	(5.2)	**28.4**	21.0
Retained earnings/undistributed income		**(167.0)**	270.1	**940.2**	835.3
Total equity/unitholders' funds		**8,194.9**	8,227.4	**8,522.5**	8,036.1

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

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

ATTRIBUTABLE TO SECURITYHOLDERS OF THE STOCKLAND CONSOLIDATED GROUP

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Foreign currency translation reserve $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2012		**7,962.5**	**19.7**	**3.4**	**(28.3)**	**270.1**	**8,227.4**
Profit for the period		**–**	**–**	**–**	**–**	**104.6**	**104.6**
Other comprehensive income		**–**	**–**	**8.2**	**11.6**	**–**	**19.8**
Total comprehensive income		**–**	**–**	**8.2**	**11.6**	**104.6**	**124.4**
Securities bought back during on-market buyback, net of transaction costs	27	**(2.8)**	**–**	**–**	**–**	**–**	**(2.8)**
Securities issued from capital raising, net of transaction costs	27	**393.3**	**–**	**–**	**–**	**–**	**393.3**
Securities purchased and held in Employee Share Plan (Treasury Shares)	27	**(4.9)**	**–**	**–**	**–**	**–**	**(4.9)**
Dividends and distributions to securityholders	29	**–**	**–**	**–**	**–**	**(541.7)**	**(541.7)**
Expense relating to rights and securities granted under share plans, net of tax	28	**–**	**(0.8)**	**–**	**–**	**–**	**(0.8)**
		385.6	**(0.8)**	**–**	**–**	**(541.7)**	**(156.9)**
Balance as at 30 June 2013		**8,348.1**	**18.9**	**11.6**	**(16.7)**	**(167.0)**	**8,194.9**
Balance as at 1 July 2011		8,504.6	23.7	6.6	(60.1)	324.6	8,799.4
Profit for the period		–	–	–	–	487.0	487.0
Other comprehensive (expense)/income		–	–	(3.2)	31.8	–	28.6
Total comprehensive (expense)/income		–	–	(3.2)	31.8	487.0	515.6
Securities bought back during on-market buyback, net of transaction costs	27	(546.6)	–	–	–	–	(546.6)
Equity issued during the year, net of transaction costs	27	4.5	–	–	–	–	4.5
Dividends and distributions to securityholders	29	–	–	–	–	(542.4)	(542.4)
Securities exercised under share plans transferred to retained earnings	28	–	(0.9)	–	–	0.9	–
Vested securities purchased on-market	28	–	(6.8)	–	–	–	(6.8)
Expense relating to rights and securities granted under share plans, net of tax	28	–	3.7	–	–	–	3.7
		(542.1)	(4.0)	–	–	(541.5)	(1,087.6)
Balance as at 30 June 2012		7,962.5	19.7	3.4	(28.3)	270.1	8,227.4

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

Consolidated Statements of Changes in Equity (continued)

FOR THE YEAR ENDED 30 JUNE 2013

ATTRIBUTABLE TO UNITHOLDERS OF THE STOCKLAND TRUST GROUP

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2012		**7,179.8**	**17.6**	**3.4**	**835.3**	**8,036.1**
Profit for the period		**–**	**–**	**–**	**646.6**	**646.6**
Other comprehensive income		**–**	**–**	**8.2**	**–**	**8.2**
Total comprehensive income		**–**	**–**	**8.2**	**646.6**	**654.8**
Securities bought back during on-market buyback, net of transaction costs	27	**(2.8)**	**–**	**–**	**–**	**(2.8)**
Securities issued from capital raising, net of transaction costs	27	**381.5**	**–**	**–**	**–**	**381.5**
Securities purchased and held in Employee Share Plan (Treasury Shares)	27	**(4.6)**	**–**	**–**	**–**	**(4.6)**
Distributions to unitholders	29	**–**	**–**	**–**	**(541.7)**	**(541.7)**
Expense relating to rights and securities granted under share plans, net of tax	28	**–**	**(0.8)**	**–**	**–**	**(0.8)**
		374.1	**(0.8)**	**–**	**(541.7)**	**(168.4)**
Balance as at 30 June 2013		**7,553.9**	**16.8**	**11.6**	**940.2**	**8,522.5**
Balance as at 1 July 2011		7,700.3	21.3	6.6	771.2	8,499.4
Profit for the period		–	–	–	606.1	606.1
Other comprehensive expense		–	–	(3.2)	–	(3.2)
Total comprehensive (expense)/income		–	–	(3.2)	606.1	602.9
Securities bought back during on-market buyback, net of transaction costs	27	(524.7)	–	–	–	(524.7)
Units issued during the year, net of transaction costs	27	4.2	–	–	–	4.2
Distributions to unitholders	29	–	–	–	(542.4)	(542.4)
Units exercised under share plans transferred to undistributed income	28	–	(0.4)	–	0.4	–
Vested units purchased on-market	28	–	(6.8)	–	–	(6.8)
Expense relating to rights and securities granted under share plans, net of tax	28	–	3.5	–	–	3.5
		(520.5)	(3.7)	–	(542.0)	(1,066.2)
Balance as at 30 June 2012		7,179.8	17.6	3.4	835.3	8,036.1

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

Consolidated Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**1,812.6**	2,053.7	**738.4**	751.4
Cash payments in the course of operations (including GST)		**(1,053.8)**	(1,278.9)	**(354.8)**	(289.9)
Payments for land		**(116.4)**	(368.7)	**–**	–
Distributions received from associates and joint venture entities		**30.2**	69.2	**29.4**	55.3
Distributions received from investments in managed funds		**0.6**	1.2	**0.6**	1.2
Receipts from Retirement Living residents		**284.7**	273.8	**–**	–
Payments to Retirement Living residents, net of DMF		**(123.4)**	(146.3)	**–**	–
Interest received		**6.2**	8.1	**353.3**	365.6
Interest paid		**(215.5)**	(213.4)	**(214.4)**	(213.4)
Net cash inflow from operating activities	36	**625.2**	398.7	**552.5**	670.2
Cash flows from investing activities					
Proceeds from sale of investment properties		**499.2**	464.0	**499.2**	464.0
Payments for and development of investment properties					
– Commercial Property		**(312.2)**	(531.9)	**(305.4)**	(499.9)
– Retirement Living		**(121.1)**	(152.1)	**–**	–
Payments for plant and equipment		**(20.1)**	(23.0)	**–**	–
Proceeds from sale/capital returns from investments		**91.0**	526.3	**79.0**	506.9
Payments for investments, including joint ventures and associates		**(34.8)**	(13.2)	**(3.8)**	(12.9)
Distributions received from other entities		**2.5**	5.2	**–**	–
Net cash inflow from investing activities		**104.5**	275.3	**269.0**	458.1
Cash flows from financing activities					
Proceeds from capital raising, net of transaction costs		**393.3**	–	**381.5**	–
Payment for securities/units under employee share plans		**(4.9)**	(6.8)	**(4.7)**	(6.8)
Payments for on-market buyback, net of transaction costs		**(2.8)**	(546.6)	**(2.7)**	(524.7)
Proceeds from vesting of equity instruments under employee share plans		**–**	4.5	**–**	4.2
Proceeds from borrowings		**4,176.2**	4,217.9	**4,176.2**	4,217.9
Repayment of borrowings		**(4,666.7)**	(3,839.6)	**(4,666.7)**	(3,839.6)
Loans to related entities		**–**	–	**(71.1)**	(451.9)
Payments for termination and restructuring of derivatives		**(4.6)**	(0.8)	**(8.1)**	(13.8)
Dividends and distributions paid		**(528.7)**	(561.6)	**(528.7)**	(561.6)
Net cash utilised in financing activities		**(638.2)**	(733.0)	**(724.3)**	(1,176.3)
Net increase/(decrease) in cash and cash equivalents		**91.5**	(59.0)	**97.2**	(48.0)
Cash and cash equivalents at the beginning of the year		**135.6**	194.6	**40.6**	88.6
Cash and cash equivalents at the end of the year	10	**227.1**	135.6	**137.8**	40.6

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

Contents

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 for profit entities that were incorporated and formed in Australia respectively, and are both 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 Statements of the Stockland Consolidated Group as at and for the year ended 30 June 2013 comprises the consolidated Financial Statements of the Company and its controlled entities including the Trust and its controlled entities ("Stockland" or "Stockland Consolidated Group").

The Financial Statements of the Stockland Trust Group as at and for the year ended 30 June 2013 comprises the consolidated Financial Statements of the Trust and its controlled entities ("Stockland Trust Group").

The Financial Statements as at and for the year ended 30 June 2013 were authorised for issue by the Directors on 13 August 2013.

(a) STATEMENT OF COMPLIANCE

The Financial Statements 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 Statements 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 AND AMENDED ACCOUNTING STANDARDS

The Stockland Consolidated Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the current reporting period. Of the Accounting Standards that have been amended and published that are mandatory for this reporting period, the following have been noted for their potential impact on Stockland:

- AASB 112 *Income Taxes*: Addressing the determination of deferred tax on investment property measured at fair value. This has no impact on investment properties measured at fair value held in the Stockland Trust Group. This has no significant impact on investment properties held by Stockland Corporation Group as the value is expected to be derived from sale and therefore the tax base will continue to be measured at the CGT tax base; and
- AASB 101 *Presentation of Financial Statements*: The change in accounting policy only relates to disclosure and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require Stockland to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss.

There are no new Accounting Standards issued by the Australian Accounting Standards Board which are applicable for reporting periods beginning on or before 1 July 2012.

(c) BASIS OF PREPARATION

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, these Financial Statements are combined financial statements that presents the financial statements and accompanying notes of both the Stockland Consolidated Group and the Stockland Trust Group.

The Financial Statements are 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 Statements have been prepared on the basis of the going concern (after the considerations noted below) 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.

GOING CONCERN – STAPLED GROUP NET CURRENT ASSET DEFICIENCY POSITION

Stockland Consolidated Group has a net current asset deficiency at 30 June 2013.

This is due to a number of liabilities being classified as current under Accounting Standards that will not actually result in net cash outflows as any anticipated cash outflows are covered by cash inflows (in particular Retirement Living Resident Obligations). Similarly, some assets held as non-current will generate cash income in the next 12 months (including Retirement Living DMF, development work in progress and vacant stock). In addition, current inventory (predominantly Residential finished goods) is held on the balance sheet at the lower of cost and net realisable value, whereas this is expected to generate cash inflows above the carrying value. The Stockland Consolidated Group also has available undrawn bank facilities of $1.1 billion (refer to Note 22) should they need to be drawn down.

In relation to Retirement Living Resident Obligations for existing residents (2013: $1,545.7 million, 2012: $1,441.4 million), based on actuarial turnover calculations, in the short term 8% of residents are estimated to leave each year and therefore it is not expected that the majority of the obligation to residents will fall due within one year. Then where there is a turnover of a unit, in the vast majority of cases the resident obligations are able to be repaid by receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least twelve months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the offsetting Retirement Living assets are classified as non-current under Accounting Standards as the majority are not expected to be realised within twelve months.

1 Summary of significant accounting policies (continued)

(c) BASIS OF PREPARATION (continued)

GOING CONCERN – STOCKLAND CORPORATION LIMITED NET ASSET DEFICIENCY POSITION

Stockland Corporation Limited is in a net asset deficiency position of $302.8 million at 30 June 2013 (2012: n/a as net asset position).

In order to support the going concern assumption for Stockland Corporation a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited Group to confirm that the intercompany debt of $3,902.9 million (30 June 2012: $3,831.4 million) will not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter being 13 February 2013.

On 13 February 2013, Stockland noted that whilst the Group's capital position remains strong, following the residential inventory impairments Stockland intends to reallocate capital between the Trust and Corporation. As a result, shareholders will be asked to support at the AGM in October 2013 a reallocation of approximately $500 million of capital from the Trust to Corporation.

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS APPLIED IN PREPARING FINANCIAL STATEMENTS

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 critical accounting estimates and judgements.

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.

(d) 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 2013 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 obtained. 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.

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 Statements 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.

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 on an equity accounted basis. Investments in joint venture entities are assessed for impairment when indicators of impairment are present and if required, written down to the recoverable amount.

Stockland's share of the joint venture entity's net profit and other comprehensive income is recognised in the Profit or Loss and Statement of Other Comprehensive Income respectively 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 interest in the joint venture 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 the joint venture operations' assets, liabilities, revenues and expenses and the jointly controlled operation's 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 financial assets which are managed in accordance with Stockland's documented risk policy based on their fair value and held-for-trading purposes will be designated as financial assets carried at fair value through profit or loss. Investments in other financial assets apart from those held-for-trading or in accordance with Stockland's documented risk policy will be recognised at fair value with movements recognised in Other 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".

1 Summary of significant accounting policies (continued)

(d) INVESTMENTS AND PRINCIPLES OF CONSOLIDATION (continued)

OTHER INVESTMENTS (continued)

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".

(e) 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 (including sundry properties and remaining apartments) is recognised in the Profit or Loss when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, there is a risk of return or there is continuing management involvement to the degree usually associated with ownership.

RENT FROM INVESTMENT PROPERTIES

Rent from investment properties is recognised in the Profit or Loss 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.

RETIREMENT LIVING DEFERRED MANAGEMENT FEES

Deferred Management Fees are recognised in the Profit and Loss as Stockland fulfils its management service obligations to residents over the tenancy period in accordance with contractual arrangements. Deferred Management Fees include both fixed fees recognised on a straight line basis and contingent fees recognised when earned which will vary according to individual contracts. Refer to note 35(b) for further information on the accounting policy for Deferred Management Fees.

DIVIDENDS AND DISTRIBUTIONS

Revenue from dividends and distributions are recognised in the Profit or Loss 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 Profit or Loss as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

(f) 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.

(g) SEGMENT REPORTING

Stockland Consolidated Group and Stockland Trust Group determine and present operating segments based on the information that is internally provided to the Managing Director and the Executive Committee, 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.

(h) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("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.

(i) 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 Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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.

1 Summary of significant accounting policies (continued)

(i) INCOME TAX (continued)

STOCKLAND CORPORATION LIMITED (continued)

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

The Company and its wholly owned Australian resident subsidiaries are part of a tax consolidated group ("TCG"). As a consequence, all members of the TCG are taxed as a single entity. The head entity in the TCG is Stockland Corporation Limited.

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.

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 and its sub-trusts are 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.

(j) 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 Australian dollars at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit or Loss.

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 recycled into the Profit or Loss 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.

(k) 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 37(f) for the determination of fair value for derivative financial instruments. The gain or loss on re-measurement to fair value is recognised in the Profit or Loss. 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(l).

1 Summary of significant accounting policies (continued)

(l) 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 Profit or Loss.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Profit or Loss, 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 matures 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 Profit or Loss 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 that is attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect the Profit or Loss.

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 Profit or Loss.

Amounts in the cash flow hedge reserve are recognised in the Profit or Loss in the periods when the hedged item is recognised in the Profit or Loss.

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 matures 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 Profit or Loss. 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 Profit or Loss.

(m) FINANCE INCOME AND EXPENSES

Finance income includes interest receivable on funds invested, any net gains on fair value movement of hedged items and financial instruments (both treated as fair value hedges and those that do not qualify as effective under hedge accounting), and any net foreign exchange gains recognised in the Profit and Loss.

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 Profit or Loss 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 such as investment properties or inventories. 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 whilst in active development 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 or the decision is taken to dispose of the asset, 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.

(n) 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. As at 30 June 2013 Stockland does not have any bank overdrafts.

(o) 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.

(p) 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. Investment Property held for sale will continue to be carried at fair value. 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.

Income and expenses from discontinued operations are reported separately from income and expenses from continuing operations in the Profit and Loss, down to the level of profit after taxes, even when Stockland retains a non-controlling interest in the subsidiary after the sale. Comparative information is restated to conform with the current year presentation.

Property, plant and equipment are not depreciated once classified as held for sale.

1 Summary of significant accounting policies (continued)

(q) 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 Profit or Loss.

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 rectification provisions as well as financing costs on qualifying assets are also included.

LAND AND PROPERTY HELD FOR RESALE

Development properties held for resale 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.

(r) 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, property, plant and equipment (refer Note 1(t)) and inventories (refer Note 1(q)) 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.

(s) 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 Profit or Loss in the period.

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 development or redevelopment are included in the cost of the development as set out in Note 1(m).

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 Profit or Loss 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 Profit or Loss 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

Refer to Note 15(b) for accounting policies for Investment property including Investment property under construction.

(ii) Retirement Living

Refer to Note 35(a) for accounting policies for Retirement Living investment properties (including Retirement Living Community assets).

(t) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 Profit or Loss 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.

1 Summary of significant accounting policies (continued)

(t) PROPERTY, PLANT AND EQUIPMENT (continued)

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

- Leasehold improvements 10-20%
- Plant and equipment (including IT hardware and software) 2-50%
- Owner-occupied property 2%
- 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.

(u) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations 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 Profit or Loss 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.

(v) 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 (refer to Note 20). 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).

(w) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value less transaction costs and subsequently 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.

(x) 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 Profit or Loss 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 Profit or Loss.

(y) 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. This includes constructive obligations that are recognised in relation to put options. Refer to Note 1(z).

(z) LAND UNDER OPTIONS

Stockland has a number of arrangements with third parties primarily relating to the purchase of land on capital efficient terms, through call or put and call option arrangements.

Where the arrangement uses call options only, the decision to proceed with a purchase is controlled by Stockland and at their discretion. A future obligation under a call option is only triggered if Stockland exercises the option. No asset or liability for the land under option is recognised on the balance sheet until the option has been exercised. The call option is not disclosed as a capital commitment as there is no commitment to purchase until such time as the option is exercised.

Stockland has entered in to put and call options with a fixed exercise price. Where such an arrangement exists, the put option requires Stockland to purchase the land at the discretion of the seller, creating a constructive obligation.

For both put and call options, any costs incurred in relation to the options including option fees are included in inventory.

(aa) 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.

1 Summary of significant accounting policies (continued)

(bb) COMPARATIVES

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.

(cc) EMPLOYEE BENEFITS

(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 the Managing Director and Senior Executives under Executive Share Plans are required to be accounted for as equity settled share-based payments. The fair values of rights granted are recognised as an employee expense with a corresponding increase in the Executive remuneration reserve.

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 rights 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.

(dd) RETIREMENT LIVING

For all accounting policies relating to Retirement Living, including investment properties, revenue recognition and resident obligations refer to Note 35.

(ee) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2013. Stockland's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular Stockland's accounting for its available-for-sale financial assets, but no impact is expected on Stockland's financial liabilities. Stockland has not yet decided when to adopt AASB 9.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition guidance and other Amendments* (effective for annual periods commencing on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The group has performed detailed analysis and does not expect the new standard to have a significant impact on its composition.

1 Summary of significant accounting policies (continued)

(ee) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group has performed detailed analysis and this standard will not have any impact on the recognition of joint arrangements in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

Stockland will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for annual periods commencing on or after 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The introduction of this Standard has provided a framework for measuring fair value, however as Stockland currently uses the valuation techniques included in the Standard for its assets and liabilities, there is no impact of AASB 13 to Stockland in terms of calculating fair value. Application of the new standard may impact the type of information disclosed in the notes to the financial statements. Stockland will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 2012-3 *Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-2 *Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of Stockland's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from periods commencing on or after 1 January 2013. When they become applicable, Stockland will have to provide a number of additional disclosures in relation to its offsetting arrangements. Stockland intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

AASB 2012-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 July 2014.

AASB 2012-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (effective 1 January 2014)

The AASB has made small amendments to AASB 139 *Financial Instruments: Recognition and measurement*. The amendments will allow entities to continue hedge accounting, where a derivative contract that was designated as a hedge has been novated to a central counterparty as a consequence of laws or regulations. The group intends to apply the amendments from 1 July 2014. Since the group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

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 in section (a) below. Due to the change in market conditions since 30 June 2012, certain assumptions underlying management's estimates of fair value have changed, as set out in section (b) below.

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY

ASSUMPTIONS UNDERLYING MANAGEMENT'S ESTIMATES OF FAIR VALUE

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

Refer to Note 15(b) for details of assumptions underlying management's estimates of fair value for both investment property and investment property under construction.

(ii) Retirement Living

Refer to Note 35(a) for details of assumptions underlying management's estimates of fair value for investment property, investment property under construction, community assets, community assets under development and the liability value.

(iii) Inventories

Refer to Note 12 for details of assumptions underlying management's estimates of net realisable value for inventories. Note 2(b) below discusses the change in accounting estimate for capitalised interest made during the current financial year impacting on the carrying value of inventories.

(iv) Goodwill

Refer to Note 20 for details on assumptions underlying management's estimates of recoverable value of goodwill.

(v) Fair value of derivatives

Refer to Note 37(f) for details on assumptions underlying management's estimates of the fair value of the derivatives.

(vi) Valuation of share-based payments

Refer to Note 26 for details on assumptions underlying management's estimates of fair value of share-based payments.

(vii) Tax losses

Refer to Note 25 for details on assumptions underlying management's estimates of recoverability of deferred tax assets relating to tax losses.

(b) CHANGE IN ACCOUNTING ESTIMATE FOR CAPITALISED INTEREST

Inventories are expensed within "Cost of property developments sold" upon sale. Management uses its judgement in determining the apportionment of cost of property development sales through percentage of revenue and the quantum of total cost of property development sales, which includes both costs incurred to date and forecast final costs.

Forecast final costs include project wide costs such as infrastructure, capitalised interest and other rates and taxes. The capitalised interest allocation methodology changed effective 1 July 2012 to now allocate a share of incurred and future interest for each lot sold, rather than a share of incurred interest to date. This change in estimate has resulted in an increase in cost of property development sales recognised during the year of $34 million and a corresponding decrease in current inventory (if applied for the year ended 30 June 2012 the impact would have been $29 million). This change in estimate is deemed a more reasonable and appropriate method to allocate costs across projects, and leads to interest spread more evenly over the life of the project.

3 Operating segments

The Stockland Consolidated Group has five reportable segments, as listed below.

- Residential – delivers a range of master planned and mixed use residential communities in growth areas and apartment developments;
- Retirement Living – designs, develops and manages communities for retirees and also operates Aged Care facilities;
- Commercial Property – invests in, develops and manages retail, office and industrial properties;
- UK – develops and manages retail, office and mixed use properties; and
- Unallocated – includes Responsible Entity fees relating to property asset management, dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

Stockland determine and present operating segments based on the information that is internally provided to the Managing Director and the Executive Committee, whom are Stockland's chief operating decision makers.

Underlying Profit (as defined within the Operating and Financial Review section of the Directors Report) is the primary measure provided to the Managing Director and the Executive Committee in relation to the performance of the group. Segment Operating Profit, which excludes interest and tax, is the primary measure provided to the Managing Director and Executive Committee to assess segment performance.

The Stockland Trust Group has one reportable segment in which it operates, being Commercial Property. The reportable measure is Underlying Profit and all revenues are external, therefore no separate segment note has been prepared for the Stockland Trust Group.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP

30 June 2013	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Elimination $M	Consolidated $M
External segment revenue	955.7	77.8[3,4]	682.6	9.0	–	–	1,725.1[4]
Inter-segment revenue[2]	–	–	–	–	12.7	(12.7)	–
Total segment revenue	955.7	77.8	682.6	9.0	12.7	(12.7)	1,725.1
Segment Operating Profit[1]	55.8	38.3[5]	482.2	2.7	–	–	579.0
Interest income							6.2
Net borrowing costs							(85.0)
Unallocated corporate other expenses							(59.9)
Underlying Profit before tax benefit							440.3
Income tax benefit on Underlying Profit							54.5
Underlying Profit after tax benefit							494.8
1 Included within Segment Operating Profit:							
Interest expense in cost of sales	(124.8)	–	–	–	–	–	(124.8)
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))	0.1	–	38.7	0.3	–	–	39.1
Total share of profit on investments accounted for using the equity method	0.1	–	43.7	0.3	–	–	44.1

2 Transactions between segments are completed on an arm's length basis.
3 Includes $25.3 million (2012: $23.7 million) of revenue from Aged Care properties.
4 $3.1 million (2012: $5.9 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of Underlying Profit to statutory profit on page 70.
5 Includes $4.0 million (2012: $3.4 million) of profit from Aged Care properties.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

30 June 2012	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Elimination $M	Consolidated $M
External segment revenue	1,175.3	78.6[3,4]	698.3	66.7	4.9	–	2,023.8[4]
Inter-segment revenue[2]	–	–	–	–	9.8	(9.8)	–
Total segment revenue	1,175.3	78.6	698.3	66.7	14.7	(9.8)	2,023.8
Segment Operating Profit[1]	197.9	36.1[5]	509.9	17.3	4.9	–	766.1
Interest income							8.1
Net borrowing costs							(55.4)
Unallocated corporate other expenses							(49.6)
Underlying Profit before tax benefit							669.2
Income tax benefit on Underlying Profit							6.9
Underlying Profit after tax benefit							676.1
1 Included within Segment Operating Profit:							
Interest expense in cost of sales	(81.1)	–	(0.9)	(1.9)	–	–	(83.9)
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))	1.0	–	59.5	8.1	–	–	68.6
Total share of profit on investments accounted for using the equity method	1.0	–	83.0	8.1	–	–	92.1

2 Transactions between segments are completed on an arm's length basis.
3 Includes $25.3 million (2012: $23.7 million) of revenue from Aged Care properties.
4 $3.1 million (2012: $5.9 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of Underlying Profit to statutory profit on page 70.
5 Includes $4.0 million (2012: $3.4 million) of profit from Aged Care properties.

3 Operating segments (continued)

RECONCILIATION OF UNDERLYING PROFIT TO STATUTORY PROFIT

Underlying Profit is determined following the principles of AICD/Finsia for reporting Underlying Profit having regard to the guidance from ASIC's RG 230. These principles include providing clear reconciliation between statutory profit and Underlying Profit in the Directors' Report and Financial Report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration property industry practices.

		Stockland Consolidated Group		Stockland Trust Group	
	Notes	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Underlying Profit before tax		**440.3**	669.2	**620.2**	678.1
Income tax benefit		**54.5**	6.9	**–**	–
Underlying Profit		**494.8**	676.1	**620.2**	678.1
Certain significant items:					
Non-cash adjustment to inventories and development profits[1]					
Net provision for write-down of inventories – Australia		**(354.8)**	(48.9)	**–**	–
Net provision for write-down of inventories – UK		**(12.3)**	(14.2)	**–**	–
Non-cash adjustment to cost of sales[2]		**–**	1.9	**–**	–
	12	**(367.1)**	(61.2)	**–**	–
Unrealised fair value adjustment to investment properties[1]					
Net gain from fair value adjustment of investment properties – Commercial Property		**59.7**	42.2	**39.8**	43.0
Share of net gain from fair value adjustment of investment properties in associates and joint ventures		**5.0**	23.5	**4.7**	22.2
DMF base fees earned, unrealised	35(f)	**3.1**	5.9	**–**	–
Net loss from fair value adjustment of investment properties – Retirement Living operating villages and villages under development	35(f)	**(110.5)**	(33.0)	**–**	–
Retirement Living resident obligations fair value movement	35(f)	**60.7**	19.3	**–**	–
		18.0	57.9	**44.5**	65.2
Fair value adjustment of other financial assets and net (loss)/gain on sale of other non-current assets					
Net unrealised loss from fair value adjustment of other financial assets		**(37.2)**	(55.5)	**–**	–
Net realised (loss)/gain on sale of other non-current assets		**(8.4)**	1.5	**(9.3)**	1.0
		(45.6)	(54.0)	**(9.3)**	1.0
Fair value adjustment of financial instruments and foreign exchange movements					
Net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	5	**(4.6)**	(129.6)	**(4.4)**	(131.2)
Net loss from hedged items and financial instruments treated as fair value hedges	5	**(4.4)**	(7.0)	**(4.4)**	(7.0)
Net foreign exchange loss transferred from the foreign currency translation reserve	5,28	**(3.9)**	(18.2)	**–**	–
		(12.9)	(154.8)	**(8.8)**	(138.2)
Income tax benefit on significant items[3]		**17.4**	23.0	**–**	–
Total net significant items		**(390.2)**	(189.1)	**26.4**	(72.0)
Profit for the year attributable to securityholders/unitholders		**104.6**	487.0	**646.6**	606.1

[1] Non-cash adjustments to inventory development profits and unrealised fair value adjustment to investment property comprises movements in the fair value of inventory and investment property required by Australian Accounting Standards for valuation purposes and are non-cash. Therefore, Stockland has excluded these amount from Underlying Profit to better reflect a cash basis in Underlying Profit.

[2] Stockland Consolidated Group: A proportion of the profit on sale of property development sold during the 2012 financial year has been eliminated from Underlying Profit, given this 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] An income tax benefit of $106.4 million, which is equivalent to the income tax benefit related to the write-down of inventory in the year ended 30 June 2013, has not been recognised as this benefit is not currently deemed to be recoverable with sufficient certainty. Refer to Note 25 for analysis of deferred taxes.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP

30 June 2013	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	227.1	227.1
Real estate related assets[1,2]	2,310.5	2,897.4[3]	7,787.4	72.2	78.6	13,146.1
Intangibles	–	116.6	–	–	–	116.6
Derivative assets	–	–	–	–	159.2	159.2
Other assets	134.7	5.3	77.6	5.3	197.8	420.7
Total assets	2,445.2	3,019.3	7,865.0	77.5	662.7	14,069.7
Liabilities						
Interest-bearing liabilities	–	–	–	–	2,461.5	2,461.5
Retirement Living resident obligations	–	1,829.4	–	–	–	1,829.4
Derivative liabilities	–	–	–	–	668.2	668.2
Other liabilities	384.0	18.9	284.0	1.3	227.5	915.7
Total liabilities	384.0	1,848.3	284.0	1.3	3,357.2	5,874.8
Net assets/(liabilities)	2,061.2	1,171.0	7,581.0	76.2	(2,694.5)	8,194.9
[1] Investments accounted for using the equity method	24.4	–	518.6	–	–	543.0
Other items						
Acquisition of investment properties	–	–	5.1	–	–	5.1

[2] Includes non-current assets held for sale, inventory, investment properties, investments accounted for using the equity method and certain other assets.
[3] Includes $82.7 million (2012: $83.5 million) of Aged Care.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

30 June 2012	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	135.6	135.6
Real estate related assets[1,2]	2,554.7	2,834.0[3]	8,052.6	93.4	81.9	13,616.6
Intangibles	–	116.6	–	–	–	116.6
Derivative assets	–	–	–	–	212.7	212.7
Other assets	206.5	6.5	55.0	5.3	179.1	452.4
Total assets	2761.2	2,957.1	8,107.6	98.7	609.3	14,533.9
Liabilities						
Interest-bearing liabilities	–	–	–	–	2,867.6	2,867.6
Retirement Living resident obligations	–	1,753.4	–	–	–	1,753.4
Derivative liabilities	–	–	–	–	809.6	809.6
Other liabilities	320.7	21.7	104.5	3.0	426.0	875.9
Total liabilities	320.7	1,775.1	104.5	3.0	4,103.2	6,306.5
Net assets/(liabilities)	2,440.5	1,182.0	8,003.1	95.7	(3,493.9)	8,227.4
[1] Investments accounted for using the equity method	24.4	–	573.5	11.0	–	608.9
Other items						
Acquisition of investment properties	–	29.5	38.7	–	–	68.2

[2] Includes non-current assets held for sale, inventory, investment properties, investments accounted for using the equity method and certain other assets.

[3] Includes $82.7 million (2012: $83.5 million) of Aged Care.

4 Rent from investment properties

	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Included within rent from investment properties:				
Contingent rent billed to tenants and recognised in gross lease income	**7.8**	8.3	**7.1**	8.3
Percentage of gross lease income	**1%**	1%	**1%**	1%

5 Finance income and expense

	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Interest income from related parties	**–**	–	**351.9**	362.1
Interest income from other parties	**6.2**	8.1	**1.3**	3.5
Finance income	**6.2**	8.1	**353.2**	365.6
Interest expense relating to interest-bearing financial liabilities[1]	**216.9**	210.1	**215.6**	209.1
Interest paid or payable on other financial liabilities at amortised cost	**9.3**	11.0	**–**	–
Less interest capitalised to property developments in inventories	**(125.3)**	(138.6)	**–**	–
Less interest capitalised to investment properties	**(15.9)**	(27.1)	**(7.0)**	(3.8)
Net borrowing costs	**85.0**	55.4	**208.6**	205.3
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges[2]	**4.4**	7.0	**4.4**	7.0
Net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules[3,4]	**4.6**	129.6	**4.4**	131.2
Net foreign exchange loss transferred from the foreign currency translation reserve	**3.9**	18.2	**–**	–
Finance expense	**97.9**	210.2	**217.4**	343.5

1 Stockland Consolidated Group and Stockland Trust Group: Of this amount, $131.0 million (2012: $139.0 million) relates to interest-bearing financial liabilities at amortised cost.

2 Stockland Consolidated Group and Stockland Trust Group: The net loss from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the interest-bearing liabilities of $17.0 million (2012: loss of $73.5 million) and a gain arising on the fair value movement of the derivatives of $12.6 million (2012: gain of $66.5 million).

3 Stockland Consolidated Group: The net gain on fair value movement of financial instruments that do not qualify for hedge accounting is $48.9 million (2012: loss of $85.2 million) and the net unrealised foreign exchange loss from financial instruments that do not qualify for hedge accounting is $53.5 million (2012: loss of $44.4 million). Stockland Trust Group: The net gain on fair value movement of financial instruments that do not qualify for hedge accounting is $49.1 million (2012: loss of $86.0 million) and the net unrealised foreign exchange loss for financial instruments that do not qualify for hedge accounting of $53.5 million (2012: loss of $45.2 million).

4 Stockland Consolidated Group: During the year financial instruments were realised at a cash cost of $4.6 million (2012: $0.8 million). As fair value losses of $6.6 million had previously been recognised in the income statement, a gain of $2.0 million was recognised for the current period (2012: $2.1 million gain). The remaining loss of $6.6 million (2012: $131.7 million) is unrealised. Stockland Trust Group: During the year financial instruments were realised at a cash cost of $8.1 million (2012: $14.1 million). As fair value losses of $9.8 million had previously been recognised in the income statement, a gain of $1.7 million was recognised for the current period (2012: $1.9 million). The remaining loss of $6.1 million (2012: $133.1 million) is unrealised.

6 Personnel expenses

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Wages and salaries (including on-costs)	**173.3**	205.2	**–**	–
Contributions to defined contribution plans	**11.4**	13.2	**–**	–
Equity-settled share-based payment transactions	**0.8**	3.5	**–**	–
Increase in annual and long service leave provision	**1.0**	0.1	**–**	–
$1,000 Employee Security Plan including associated costs	**1.2**	1.2	**–**	–
	187.7	223.2	**–**	–

7 Auditor's remuneration

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Audit services				
Auditor of the Stockland Consolidated Group				
Audit and review of the Financial Report				
PwC Australia	**1,373**	–	**494**	–
KPMG Australia	**50**	1,921	**–**	556
Regulatory audit and assurance services				
PwC Australia	**613**	–	**331**	–
KPMG Australia	**118**	1,027	**–**	649
Other audit and assurance services				
PwC Australia	**111**	–	**–**	–
KPMG Australia	**314**	336		
Regulatory audit and assurance services (Overseas firms)				
KPMG UK	**16**	25	**–**	–
Overseas KPMG firms	**–**	114	**–**	–
	2,595	3,423	**825**	1,205

7 Auditor's remuneration (continued)

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Other services				
Other non-audit related services				
Taxation compliance services				
PwC Australia	**108**	–	**92**	–
KPMG Australia	**11**	240	**–**	209
Taxation compliance services (Overseas firms)				
Overseas KPMG firms	**57**	83	**–**	–
Other taxation and restructuring services				
PwC Australia	**127**	–	**15**	–
KPMG Australia	**23**	39	**–**	–
Total other services	**326**	362	**107**	209
Total audit and other services	**2,921**	3,785	**932**	1,414

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

8 Income tax benefit

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Current tax benefit				
Current year	**(111.9)**	(38.8)	**–**	–
Adjustments for prior years	**(0.6)**	(4.2)	**–**	–
	(112.5)	(43.0)	**–**	–
Deferred tax expense				
Origination and reversal of temporary differences	**(65.8)**	13.1	**–**	–
Deferred tax losses not recognised	**106.4**	–	**–**	–
Total income tax benefit in the Statement of Profit or Loss and Other Comprehensive Income	**(71.9)**	(29.9)	**–**	–
Numerical reconciliation between income tax benefit and pre-tax net profit				
Profit before income tax benefit	**32.7**	457.1	**–**	–
Prima facie income tax benefit calculated at 30%	**9.8**	137.1	**–**	–
Less prima facie income tax on profit from Trust	**(194.0)**	(181.8)	**–**	–
	(184.2)	(44.7)	**–**	–
Increase/(decrease) in income tax expense due to:				
Non-assessable items	**(0.3)**	(28.5)	**–**	–
Other non-deductible expenses	**5.3**	28.2	**–**	–
Assessable income not recognised in profit before income tax expense	**0.7**	3.5	**–**	–
Other deductible expenses	**(0.4)**	(2.4)	**–**	–
Tax effect of FX loss transferred from Foreign Currency Translation Reserve	**1.7**	10.2	**–**	–
Derecognition of current period tax (UK)	**(0.5)**	(0.1)	**–**	–
Over-provided in prior years	**(0.6)**	(4.2)	**–**	–
Non-recognition of tax loss in relation to impairment	**106.4**	–	**–**	–
Change in deductible temporary differences from prior periods	**–**	8.1	**–**	–
Income tax benefit	**(71.9)**	(29.9)	**–**	–

9 Earnings per security/unit

	Stockland Consolidated Group		Stockland Trust Group	
	2013 Cents	2012 Cents	**2013 Cents**	2012 Cents
Basic earnings per security/unit	**4.7**	21.1	**29.2**	26.3
Diluted earnings per security/unit	**4.7**	21.1	**29.2**	26.3
Basic Underlying earnings per security/unit	**22.4**	29.3	**28.0**	29.4
Diluted Underlying earnings per security/unit	**22.3**	29.3	**28.0**	29.4

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 by the weighted average number of ordinary securities/units outstanding during the financial year after adjusting for the effect of dilutive securities/units granted under share plans accounted for as rights granted under the employee share plans.

(a) RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SECURITY/UNIT

		Stockland Consolidated Group		Stockland Trust Group	
	Note	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Basic and diluted earnings					
Profit attributable to securityholders/unitholders		**104.6**	487.0	**646.6**	606.1
Basic and diluted Underlying earnings					
Underlying Profit[1]	3	**494.8**	676.1	**620.2**	678.1

[1] Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Refer to the Directors' Report for further information.

9 Earnings per security/unit (continued)

(b) WEIGHTED AVERAGE NUMBER OF SECURITIES/UNITS USED AS THE DENOMINATOR

	Stockland Consolidated Group and Stockland Trust Group	
	2013 No.	2012 No.
Weighted average number of securities/units (basic)		
Weighted average number of securities/units as at 30 June	**2,212,035,375**	2,306,487,233
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic) as at 30 June	**2,212,035,375**	2,306,487,233
Effect of rights and securities/units granted under share plans	**5,524,753**	188,312
Weighted average number of securities/units (diluted) as at 30 June	**2,217,560,128**	2,306,675,545

The weighted average number of securities/units has been impacted by the on-market buyback undertaken during the previous and current year and the capital raising undertaken in the current year issued at a discount to the market value. The impact of the capital raising on the current and prior year basic and diluted earnings per share had it been issued at market value is less than $0.0001 and therefore the 30 June 2012 EPS has not been required to be restated.

Rights and securities/units granted under share plans are only included in diluted earnings per security/unit where Stockland Consolidated Group are meeting performance hurdles for contingently issuable share based payment rights.

10 Cash and cash equivalents

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Cash and cash equivalents	**227.1**	135.6	**137.8**	40.6

11 Trade and other receivables

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(a) CURRENT					
Trade receivables		**105.8**	121.8	**9.5**	5.1
Provision for impairment		**(0.6)**	(0.7)	**(0.2)**	(0.1)
		105.2	121.1	**9.3**	5.0
Receivables due from related companies	39	**–**	–	**–**	3,831.4
Other receivables		**49.1**	64.9	**38.7**	34.8
		154.3	186.0	**48.0**	3,871.2
(b) NON-CURRENT					
Straight-lining of rental income		**46.0**	33.1	**50.6**	37.0
Deferred settlements		**24.4**	52.7	**–**	–
Receivables due from related companies	39	**–**	–	**3,902.9**	–
Other		**19.3**	12.4	**12.8**	1.9
		89.7	98.2	**3,966.3**	38.9

12 Inventories

ESTIMATES OF NET REALISABLE VALUE (“NRV”) OF INVENTORIES

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. NRV is estimated based on the most reliable evidence available at the time, of the amount the inventories are expected to realise (using estimates such as revenue escalations) and the estimate of total costs (including 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 estimates require the use of management judgement and are reviewed on a frequent basis.

Consistent with previous periods, key estimates have been reviewed including the estimated costs of completion, estimated dates of completion and estimated revenue escalations. As a result of this review, impairment provisions of $367.1 million (2012: $63.1 million) have been recognised in the Statement of Comprehensive Income relating to:

- $12.3 million (2012: $14.2 million) of actual and estimated selling prices and costs of properties in the UK;
- $80.4 million (2012: $48.3 million) of changes in estimates of future selling prices and costs of certain residential communities’ projects;
- $247.4 million (2012: $Nil) to reduce the carrying value to net estimated sales proceeds for certain residential communities’ projects which have been identified for disposal as a result of the review;
- $15.0 million (2012: $0.6 million) for apartments; and
- $12.0 million (2012: $Nil) for industrial land identified for disposal as a result of the review.

The net impact of these provisions was to reduce current and non-current inventories by $367.1 million.

12 Inventories (continued)

	Stockland Consolidated Group			
	Current		Non-current	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Finished development stock held for sale[1,4,5]				
– cost of acquisition	**111.5**	102.7	**–**	11.3
– development and other costs[2]	**230.0**	263.7	**–**	9.7
– interest capitalised[3]	**70.9**	40.5	**–**	6.3
– impairment provision	**(106.6)**	(25.0)	**–**	(8.7)
	305.8	381.9	**–**	18.6
Development work in progress[1]				
Residential communities under development				
– cost of acquisition	**191.2**	175.2	**1,223.1**	1,168.6
– development and other costs[2]	**134.6**	165.5	**338.9**	326.7
– interest capitalised[3]	**86.0**	63.8	**351.7**	392.8
– impairment provision	**(171.0)**	(35.2)	**(245.7)**	(182.4)
	240.8	369.3	**1,668.0**	1,705.7
Apartments				
– cost of acquisition	**34.6**	46.1	**–**	20.2
– development and other costs[2]	**31.0**	26.5	**–**	12.3
– interest capitalised[3]	**8.2**	7.7	**–**	2.8
– impairment provision	**(46.3)**	(40.1)	**–**	(13.2)
	27.5	40.2	**–**	22.1
Retail projects[4]				
– cost of acquisition	**88.8**	99.0	**–**	–
– development and other costs[2]	**8.9**	7.6	**–**	0.5
– interest capitalised[3]	**–**	–	**–**	–
– impairment provision	**(57.7)**	(58.9)	**–**	–
	40.0	47.7	**–**	0.5
Office and Industrial projects[4]				
– cost of acquisition	**49.3**	57.7	**20.0**	31.3
– development and other costs[2]	**28.8**	18.1	**2.1**	16.9
– interest capitalised[3]	**0.2**	5.7	**–**	2.9
– impairment provision	**(24.2)**	(13.4)	**–**	–
	54.1	68.1	**22.1**	51.1
	668.2	907.2	**1,690.1**	1,798.0

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 6.0% to 6.9% during the financial year (2012: 6.0% to 6.4%).

4 Included in current inventories are Stockland UK assets as follows: $7.2 million (2012: $7.7 million) of Finished development stock held for sale, $40.0 million (2012: $47.7 million) of Retail projects and $25.0 million (2012: $26.9 million) of Office and Industrial projects.

5 Included within current finished development stock held for sale are Apartments of $23.1 million (2012: $42.5 million).

12 Inventories (continued)

The following provisions are netted off against the inventory balances with the net expense for the period (reversed and created) separately disclosed in the Statement of Comprehensive Income:

	UK $M	Apartments $M	Residential Communities[1] $M	Total $M
Balance as at 1 July 2012	76.8	58.8	241.3	376.9
Amounts utilised	(10.0)	(16.6)	(62.4)	(89.0)
Additional provisions created	12.3	15.0	339.8	367.1
Transferred to other provisions	–	(4.5)	(0.3)	(4.8)
Impact of foreign exchange	1.3	–	–	1.3
Balance as at 30 June 2013	80.4	52.7	518.4	651.5

[1] Includes industrial land.

13 Other assets

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(a) CURRENT					
Prepayments		**14.8**	14.8	**10.4**	10.6
Deposits on land purchases		**3.9**	36.6	**–**	–
Lease incentives (net of amortisation)		**29.7**	27.0	**27.7**	28.3
Lease fees (net of amortisation)		**6.4**	5.4	**6.4**	5.4
Derivatives assets	37(f)	**4.4**	10.9	**4.4**	10.9
Other		**7.5**	9.7	**–**	–
		66.7	104.4	**48.9**	55.2
(b) NON-CURRENT					
Lease incentives (net of amortisation)		**94.1**	93.8	**99.8**	97.3
Lease fees (net of amortisation)		**17.7**	14.9	**17.7**	14.9
Derivatives assets	37(f)	**154.8**	201.8	**156.6**	203.3
Other		**0.3**	0.3	**–**	–
		266.9	310.8	**274.1**	315.5

14 Non-current assets held for sale

	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Investment Properties transferred from Retirement Living	**7.1**	3.1	**–**	–
Investment Properties transferred from Commercial Property	**83.5**	191.4[1]	**83.5**	191.4[1]
	90.6	194.5	**83.5**	191.4

[1] These properties were sold during the current financial year.

15 Investment properties

(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Retail	**5,281.0**	4,746.0	**5,256.2**	4,715.4
Office	**1,663.1**	1,920.4	**1,667.2**	1,924.6
Industrial	**832.0**	831.4	**832.0**	831.4
Capital works in progress and sundry properties	**175.0**	365.7	**89.7**	283.3
Book value of real estate assets	**7,951.1**	7,863.5	**7,845.1**	7,754.7
Less amounts classified as:				
– Property, plant and equipment	**(92.8)**	(94.5)	**–**	–
– Non-current assets held for sale	**(83.5)**	–	**(83.5)**	–
– Other assets (including lease incentives and lease fees)	**(147.9)**	(142.1)	**(151.6)**	(147.2)
– Other assets (including lease incentives and lease fees) attributable to investments accounted for using the equity method	**(20.4)**	(18.2)	**(19.3)**	(17.3)
– Other receivables (straight-lining of operating lease rental income)	**(46.0)**	(34.2)	**(50.6)**	(38.1)
– Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method	**(13.6)**	(11.0)	**(12.3)**	(10.7)
Total investment properties (including share of investment property held by associates and joint ventures)	**7,546.9**	7,563.5	**7,527.8**	7,541.4
Less: Stockland's share of investment properties held by associates and joint venture entities	**(555.5)**	(542.9)	**(540.1)**	(528.2)
Carrying value of investment properties	**6,991.4**	7,020.6	**6,987.7**	7,013.2
Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**7,020.6**	6,890.9	**7,013.2**	6,924.1
Acquisitions	**5.1**	38.7	**5.1**	38.7
Expenditure capitalised	**262.0**	465.7	**285.6**	424.3
Transfers to assets classified as held for sale	**(356.0)**	(416.9)	**(356.0)**	(416.9)
Net gain from fair value adjustment of investment properties[1]	**59.7**	42.2	**39.8**	43.0
Carrying amount at the end of the financial year	**6,991.4**	7,020.6	**6,987.7**	7,013.2

[1] The net gain from fair value adjustment of investment properties includes a loss of $1.3 million (2012: loss of $1.7 million) on Non-current assets held for sale in both the Stockland Consolidated Group and the Stockland Trust Group.

15 Investment properties (continued)

(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES (continued)

Description	Independent valuation Date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2013[1] $M	Book value 30 June 2012[1] $M
Retail					
Stockland Shellharbour, Shellharbour NSW[2]	Dec 2009	265.0	6.25	**634.8**	414.3
Stockland Merrylands, Merrylands NSW	Dec 2012	473.7	6.25	**472.9**	350.9
Stockland Townsville, Townsville QLD[2]	Jun 2010	200.0	6.50	**424.0**	331.5
Stockland Rockhampton, Rockhampton QLD	Dec 2012	365.0	6.50	**364.6**	347.9
Stockland Wetherill Park, Western Sydney NSW	Dec 2011	358.0	6.75	**362.3**	359.6
Stockland Green Hills, East Maitland NSW	Jun 2012	271.0	6.75	**276.8**	271.0
Stockland Glendale, Newcastle NSW	Jun 2012	255.0	6.75	**259.4**	255.0
Stockland Cairns, Cairns QLD	Jun 2013	217.0	6.75	**217.0**	216.6
Stockland Point Cook, Point Cook VIC	Jun 2012	183.5	7.25	**187.0**	183.5
Stockland Burleigh Heads, Burleigh Heads QLD	Jun 2013	167.8	7.50	**167.8**	162.0
Stockland The Pines, Doncaster East VIC	Dec 2012	138.5	7.50	**139.2**	146.3
Stockland Forster, Forster NSW	Jun 2013	135.5	7.50	**135.5**	132.0
Stockland Jesmond, Newcastle NSW	Dec 2012	122.5	7.88	**123.4**	121.4
Stockland Gladstone, Gladstone QLD	Dec 2012	118.0	7.50	**118.5**	101.1
Stockland Balgowlah, Balgowlah NSW	Dec 2012	115.0	7.25	**115.2**	112.7
Stockland Wendouree, Wendouree VIC	Jun 2012	114.0	7.50	**114.7**	114.0
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2012	108.0	7.50	**109.6**	108.0
Stockland Caloundra, Caloundra QLD	Jun 2012	103.0	7.50	**106.4**	103.0
Stockland Bull Creek, Bull Creek WA	Jun 2013	90.5	7.25	**90.5**	81.9
Stockland Nowra, Nowra NSW	Dec 2012	88.0	7.75	**88.8**	85.7
Stockland Cleveland, Cleveland QLD	Dec 2012	86.0	7.50	**86.6**	82.0
Stockland Traralgon, Traralgon VIC	Jun 2012	79.0	7.75	**79.7**	79.0
Stockland Bathurst, Bathurst NSW	Dec 2011	76.0	8.00	**77.6**	76.8
Stockland Hervey Bay, Hervey Bay QLD[2]	Jun 2012	63.7	7.50	**64.5**	63.7
Stockland Corrimal, Corrimal NSW	Dec 2012	61.1	8.00	**61.8**	59.6

1 Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.

2 Capital works are in progress. Fair value at 30 June 2013 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2013. An independent valuation of the property will be undertaken upon completion of the works.

15 Investment properties (continued)

(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES (continued)

Description	Independent valuation Date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2013[1] $M	Book value 30 June 2012[1] $M
Retail (continued)					
Stockland Riverton, Riverton WA (50%)[3]	Jun 2013	60.5	7.25	**60.5**	55.6
Stockland Wallsend, Wallsend NSW	Jun 2012	52.5	8.25	**53.1**	52.5
Stockland Tooronga, Tooronga VIC	Dec 2012	50.1	7.25	**50.3**	49.7
Shellharbour Retail Park, Shellharbour NSW	Dec 2011	46.1	8.25	**48.0**	46.5
Stockland Baldivis, Baldivis WA	Jun 2011	45.4	7.50	**46.1**	45.5
Stockland Cammeray, Cammeray NSW	Dec 2012	32.0	7.50	**32.2**	31.0
Stockland Highlands, Craigieburn VIC	Jun 2012	25.2	8.00	**24.8**	25.2
North Shore Townsville, Townsville QLD	Jun 2011	19.0	7.50	**19.8**	19.7
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jun 2011	15.9	8.75	**16.5**	16.1
Woolworths Toowong, Toowong QLD[4]	Jun 2013	13.5	–	**13.5**	13.6
Adelaide Street Plaza, Fremantle WA	Jun 2012	11.3	9.75	**11.4**	11.3
Stockland Vincentia Shopping Centre, Vincentia NSW	Jun 2012	10.7	10.00	**10.9**	10.7
Stockland Merrylands Court, Merrylands NSW	Dec 2011	9.1	9.00	**9.5**	9.1
Hervey Bay Central Square, Hervey Bay, QLD	Aug 2012	5.1	9.00	**5.8**	–
Total Retail				**5,281.0**	4,746.0

1 Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.

2 Capital works are in progress. Fair value at 30 June 2013 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2013. An independent valuation of the property will be undertaken upon completion of the works.

3 Property held by associates and joint venture entities.

4 This property is valued as land.

15 Investment properties (continued)

(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES (continued)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2013[1] $M	Book value 30 June 2012[1] $M
Office					
133-145 Castlereagh Street, Sydney NSW[2,3]	Dec 2011	361.0	7.25-8.25	**364.0**	359.8
Waterfront Place, Eagle Street, Brisbane QLD (50%)[4]	Jun 2013	264.0	7.25	**264.0**	245.0
Triniti Business Campus, North Ryde NSW	Jun 2013	170.2	7.75	**170.2**	168.8
Durack Centre, 263 Adelaide Terrace, Perth WA[3]	Jun 2013	152.5	9.00	**152.5**	150.5
135 King Street, Sydney NSW (50%)[2,4]	Dec 2012	128.0	7.25	**131.9**	139.4
Optus Centre, Macquarie Park NSW (31%)[4]	Jun 2013	116.3	7.50	**116.3**	116.3
78 Waterloo Road, Macquarie Park NSW	Dec 2012	71.0	7.75	**72.1**	71.1
601 Pacific Highway, St Leonards NSW	Dec 2011	66.3	8.50	**68.5**	66.9
60-66 Waterloo Road, Macquarie Park NSW	Dec 2012	65.8	8.80	**65.6**	68.6
77 Pacific Highway, North Sydney NSW	Jun 2013	55.0	8.50	**55.0**	55.7
40 Cameron Avenue, Belconnen ACT[3,5]	Jun 2013	44.1	10.25	**44.1**	23.0
Garden Square, Mt Gravatt QLD	Dec 2012	37.5	9.38	**38.2**	38.4
16 Giffnock Avenue, Macquarie Park NSW	Dec 2012	35.6	8.75	**35.9**	34.9
Macquarie Technology Centre, Macquarie Park NSW	Dec 2012	34.0	8.71	**34.3**	35.1
110 Walker Street, North Sydney NSW	Dec 2012	24.4	8.75	**25.0**	22.7
80-88 Jephson Street, Toowong QLD	Jun 2013	18.5	9.00	**18.5**	18.5
23 High St, Toowong QLD	Jun 2013	3.8	8.25	**3.8**	3.9
27-29 High Street, Toowong QLD	Jun 2013	3.2	8.50	**3.2**	3.3
9 Castlereagh Street, Sydney NSW[6]	Dec 2012	168.5	7.25	**–**	172.3
45 St Georges Terrace, Perth WA[6]	Jun 2011	54.8	8.75	**–**	55.2
175-181 Castlereagh Street, Sydney NSW[6]	Jun 2012	50.5	9.00	**–**	50.5
118-120 Pacific Highway, St Leonards NSW[6]	Dec 2010	20.0	9.00	**–**	20.5
Total Office				**1,663.1**	1,920.4

1 Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.
2 Includes Retail.
3 This property is a leasehold property.
4 Property held by associates and joint venture entities.
5 Capital works are in progress.
6 This property was sold during the period.

15 Investment properties (continued)

(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES (continued)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2013[1] $M	Book value 30 June 2012[1] $M
Industrial					
Yennora Distribution Centre, Yennora NSW	Jun 2012	343.0	8.00	**347.6**	343.0
Hendra Distribution Centre, Brisbane QLD	Dec 2012	81.5	9.25	**82.6**	81.8
Port Adelaide Distribution Centre, Port Adelaide SA	Jun 2013	81.9	10.00	**81.9**	83.3
Brooklyn Estate, Brooklyn VIC	Dec 2012	79.7	9.25	**80.3**	82.8
9-11a Ferndell Street, Granville NSW	Dec 2012	42.2	9.46	**42.5**	42.1
1090-1124 Centre Road, Oakleigh VIC	Dec 2012	31.8	9.25	**31.9**	33.6
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Jun 2013	31.8	9.50	**31.8**	32.8
Altona Distribution Centre, Altona VIC	Jun 2013	27.7	9.25	**27.7**	26.5
11-25 Toll Drive, Altona North VIC	Dec 2012	16.4	8.25	**16.4**	17.3
2 Davis Road, Wetherill Park NSW	Dec 2011	16.0	9.25	**16.2**	16.0
32-54 Toll Drive, Altona VIC	Dec 2012	15.4	8.25	**15.3**	15.8
56-60 Toll Drive, Altona North VIC	Jun 2013	14.9	8.25	**14.9**	13.7
76-82 Fillo Drive, Somerton VIC	Jun 2013	14.2	9.00	**14.2**	13.9
Export Park, 9-13 Viola Place, Brisbane Airport QLD[2]	Jun 2013	12.6	9.75	**12.0**	12.6
M1 Yatala Enterprise Park, Yatala QLD	Jun 2013	8.5	n/a	**8.5**	8.5
40 Scanlon Drive, Epping VIC	Jun 2013	8.2	8.50	**8.2**	7.7
Total Industrial				**832.0**	831.4

1 Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.
2 This property is a leasehold property.

15 Investment properties (continued)

(b) FAIR VALUES

Directors' valuations are undertaken every reporting period. External valuations are performed at the earlier of every three years or if the Directors' valuation results in a revaluation movement of 5% or greater either way. External valuations are performed by independent valuers that hold a recognised and relevant professional qualification and have experience in the location and category of the property being valued.

Directors' valuations have been undertaken as at 30 June 2013 for all properties (including properties classified as non-current assets held for sale) when determining fair value using the assumptions below.

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:

- 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;
- 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;
- 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
- 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.

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 key assumptions that have been used for each period are as follows:

	Retail		Office		Industrial	
	30 June 2013	30 June 2012	**30 June 2013**	30 June 2012	**30 June 2013**	30 June 2012
Weighted average capitalisation rates	**7.0%**	7.1%	**8.0%**	7.9%	**8.8%**	8.7%
Lease vacancy rates	**0.6%**	0.6%	**4.0%**	5.5%	**10.9%**	2.7%
Weighted average lease expiry	**6.4 years**	5.9 years	**4.6 years**	4.1 years	**3.3 years**	2.7 years

15 Investment properties (continued)

(b) FAIR VALUES (continued)

INVESTMENT PROPERTY ASSETS UNDER DEVELOPMENT

Investment property assets under development are valued using a Directors' valuation, based on an internal project feasibility and are then valued by an independent external valuer on completion.

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.

16 Investments in associates

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
(a) MOVEMENTS IN CARRYING AMOUNT OF INVESTMENT IN ASSOCIATES				
Carrying amount at the beginning of the financial year	**108.4**	254.9	**115.4**	251.2
Contributions to associates	**–**	0.4	**–**	–
Share of net profit (excluding fair value loss on investment properties)	**9.3**	16.5	**9.3**	16.5
Share of fair value loss on investment properties	**(1.1)**	(1.4)	**(1.1)**	(2.0)
Disposal of investment in associate	**–**	(145.1)	**–**	(133.5)
Distributions received/receivable	**(7.3)**	(16.8)	**(7.3)**	(16.8)
Effect of movements in exchange rates	**–**	(0.1)	**–**	–
Carrying amount at the end of the financial year	**109.3**	108.4	**116.3**	115.4

16 Investments in associates (continued)

	Location	Ownership interest %	Assets[1] $M	Liabilities[1] $M	Revenues[1] $M	Profit[1] $M
(b) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES						
2013						
Stockland Trust Group						
Macquarie Park Trust	Australia	**31**	**117.8**	**(1.5)**	**8.6**	**8.2**
			117.8	**(1.5)**	**8.6**	**8.2**
Stockland Consolidated Group						
Tyburn Stockland No. 2 LP[2,5]	UK	**30**	**–**	**–**	**–**	**–**
Tyburn Stockland No. 3 LP[2,5]	UK	**30**	**–**	**–**	**–**	**–**
Halladale Nelson Limited Partnership[2,5,7]	UK	**9**	**–**	**–**	**–**	**–**
CReAM Trust and subsidiary limited partnerships[2,5,7]	UK	**10**	**–**	**–**	**–**	**–**
Capita Portfolio Limited Partnership[2,5]	Jersey	**30**	**–**	**–**	**–**	**–**
Elimination[8]			**(7.0)**	**–**	**–**	**–**
			110.8	**(1.5)**	**8.6**	**8.2**
2012						
Stockland Trust Group						
Moorebank Industrial Property Trust[3,4]	Australia	–	–	–	11.4	7.9
Macquarie Park Trust	Australia	31	116.9	(1.5)	10.2	6.6
			116.9	(1.5)	21.6	14.5
Stockland Consolidated Group						
Hammersmith Grove Limited Partnership[4]	UK	–	–	–	2.2	(0.5)
Tyburn Stockland No. 2 LP[5,6]	UK	30	–	–	–	–
Tyburn Stockland No. 3 LP[5,6]	UK	30	–	–	–	–
Halladale Nelson Limited Partnership[5,7]	UK	9	–	–	–	–
CReAM Trust and subsidiary limited partnerships[7]	UK	10	–	–	6.1	1.1
Capita Portfolio Limited Partnership[5,6]	Jersey	30	–	–	–	–
Elimination[8]			(7.0)	–	–	–
			109.9	(1.5)	29.9	15.1

1 Stockland Consolidated Group and/or Stockland Trust Group's share of assets, liabilities, revenues and profits.
2 As at 30 June 2013, this associate is in liquidation.
3 During the time Stockland owned an interest in the Moorebank Industrial Property Trust ("MIPT"), Stockland had significant influence over MIPT, but not control due to Stockland having less than half the voting rights. Stockland Trust Group/Stockland Consolidated Group sold its interest in MIPT during the year ended 30 June 2012.
4 Stockland Consolidated Group sold its interest in this associate during the year ended 30 June 2012.
5 Equity accounting has ceased for associates with a carrying value of $Nil.
6 As at 30 June 2012, this associate was in liquidation.
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 Elimination of $7.0 million (30 June 2012: $7.0 million) in retained earnings within the Stockland Consolidated Group in relation to previously unrealised profit on the sale of assets from Macquarie Park Trust to a joint venture.

17 Investments in joint venture entities

	Location	2013 %	2012 %	2013 $M	2012 $M
Stockland Trust Group					
SDOT Sub Trust No. 1 (Waterfront Place)	Australia	**50.0**	50.0	**193.5**	249.0
The King Trust (135 King Street)	Australia	**50.0**	50.0	**132.6**	140.4
Willeri Drive Trust (Stockland Riverton)	Australia	**50.0**	50.0	**64.1**	58.4
				390.2	447.8
Stockland Consolidated Group					
Stockland Ormeau Trust[1]	Australia	**50.0**	50.0	**24.4**	24.4
Eagle Street Pier Pty Limited	Australia	**50.0**	50.0	**19.1**	17.4
Compam Property Management Pty Limited	Australia	**50.0**	50.0	**–**	–
Subiaco Joint Venture	Australia	**33.3**	33.3	**–**	–
Stockland Ventures Limited	UK	**50.0**	50.0	**–**	0.2
Stockland Muir Limited[2]	UK	**50.0**	50.0	**–**	10.7
				433.7	500.5

1 Stockland Ormeau Trust is a Residential related joint venture entity. All other Australian located joint venture entities are Commercial Property related.
2 Interest in this joint venture was sold during the year ended 30 June 2013.

17 Investments in joint venture entities (continued)

	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Movements in carrying amount of investments in joint venture entities				
Carrying amount at the beginning of the financial year	**500.5**	840.1	**447.8**	783.2
Contributions to the joint venture entities	**13.3**	4.3	**11.8**	4.3
Share of net profit (excluding fair value gain on investment properties)	**29.8**	52.1	**28.6**	42.7
Share of fair value gain on investment properties	**6.1**	24.9	**5.8**	24.4
Disposal of interests in joint ventures	**(11.3)**	(383.1)	**–**	(371.9)
Distributions received/receivable	**(31.7)**	(37.9)	**(30.8)**	(34.9)
Effects of movements in exchange rates	**–**	0.1	**–**	–
Return of capital from interests in joint ventures	**(73.0)**	–	**(73.0)**	–
Carrying amount at the end of the financial year	**433.7**	500.5	**390.2**	447.8
Share of joint venture entities' assets and liabilities[1]				
Current assets	**43.6**	61.5	**13.8**	15.7
Non-current assets	**465.8**	446.3	**454.2**	438.0
Total assets	**509.4**	507.8	**468.0**	453.7
Current liabilities	**27.4**	6.5	**26.7**	5.6
Non-current liabilities	**48.3**	0.8	**51.1**	0.3
Total liabilities	**75.7**	7.3	**77.8**	5.9
Net assets	**433.7**	500.5	**390.2**	447.8
Share of joint venture entities' revenues, expenses and results[1]				
Revenues	**52.2**	106.9	**39.6**	83.5
Expenses	**(16.3)**	(29.9)	**(5.2)**	(16.4)
Net profit accounted for using the equity method	**35.9**	77.0	**34.4**	67.1

[1] Equity accounting has ceased for joint ventures with carrying values of $Nil.

18 Non-current other financial assets

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Investments in other entities at fair value through Profit and Loss				
Units in unlisted entities	**19.9**	25.2	**19.4**	24.8
Securities in listed entities	**58.4**	65.9	**–**	–
	78.3	91.1	**19.4**	24.8

19 Property, plant and equipment

	Aged Care properties $M	Owner-occupied property $M	Leasehold improvements, plant and equipment $M	Total $M
STOCKLAND CONSOLIDATED GROUP				
Cost				
Balance as at 1 July 2011	84.4	96.2	76.3	256.9
Additions	2.8	–	20.2	23.0
Disposals	–	–	(5.8)	(5.8)
Effects of movements in exchange rates	–	–	(0.4)	(0.4)
Balance as at 30 June 2012	87.2	96.2	90.3	273.7
Balance as at 1 July 2012	**87.2**	**96.2**	**90.3**	**273.7**
Additions	**0.3**	**–**	**22.5**	**22.8**
Disposals	**–**	**–**	**(5.2)**	**(5.2)**
Effects of movements in exchange rates	**–**	**–**	**0.5**	**0.5**
Balance as at 30 June 2013	**87.5**	**96.2**	**108.1**	**291.8**

19 Property, plant and equipment (continued)

	Aged Care properties $M	Owner-occupied property $M	Leasehold improvements, plant and equipment $M	Total $M
STOCKLAND CONSOLIDATED GROUP (continued)				
Depreciation and impairment losses				
Balance as at 1 July 2011	0.9	11.1	31.3	43.3
Depreciation charge for the year	2.8	3.2	14.9	20.9
Disposals	–	–	(4.8)	(4.8)
Effects of movements in exchange rates	–	–	(0.3)	(0.3)
Balance as at 30 June 2012	3.7	14.3	41.1	59.1
Balance as at 1 July 2012	**3.7**	**14.3**	**41.1**	**59.1**
Depreciation charge for the year	**1.1**	**3.3**	**12.4**	**16.8**
Disposals	**–**	**–**	**(5.1)**	**(5.1)**
Effects of movements in exchange rates	**–**	**–**	**0.3**	**0.3**
Balance as at 30 June 2013	**4.8**	**17.6**	**48.7**	**71.1**
Carrying amounts				
As at 30 June 2012	**83.5**	**81.9**	**49.2**	**214.6**
As at 30 June 2013	**82.7**	**78.6**	**59.4**	**220.7**

STOCKLAND TRUST GROUP

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

20 Non-current intangible assets

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Goodwill				
Opening carrying amount	**116.6**	116.6	**–**	–
Impairment	**–**	–	**–**	–
Closing carrying amount	**116.6**	116.6	**–**	–

All goodwill is allocated to the Retirement Living 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 (2012: $Nil).

The 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 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 development cashflows on formal budgets approved by management covering up to a seven year period and future development pipeline assumptions, (including associated DMF cashflows, using consistent valuation assumptions applied to Operating Villages as set out in Note 35(a)) at a discount rate of 16.0% (2012: 16.0%). Deferred repayment contract conversion cash flows are discounted over their forecast maturity at 12.8% (2012: 12.8%). Cash flows beyond the seven year period have been determined by applying a steady 3.9% p.a. (2012: 3.9% 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.

21 Trade and other payables

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
(a) CURRENT				
Trade payables and accruals	**252.3**	235.1	**115.8**	107.3
Trade payables – land purchases	**27.8**	100.0	**–**	–
Goods and services tax ("GST") payable/(receivable)	**18.4**	30.1	**(2.1)**	(0.6)
	298.5	365.2	**113.7**	106.7
(b) NON-CURRENT				
Trade payables – land purchases	**34.2**	36.7	**–**	–
Other	**–**	2.3	**–**	–
	34.2	39.0	**–**	–

22 Interest-bearing loans and borrowing

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
(a) CURRENT				
Unsecured				
Domestic medium term notes	**–**	75.4	**–**	75.4
Foreign medium term notes[1]	**143.3**	69.1	**143.3**	69.1
	143.3	144.5	**143.3**	144.5
(b) NON-CURRENT				
Unsecured				
Domestic medium term notes	**607.4**	606.6	**607.4**	606.6
Foreign medium term notes[1]	**1,710.8**	1,581.5	**1,710.8**	1,581.5
Bank facilities	**–**	535.0	**–**	535.0
	2,318.2	2,723.1	**2,318.2**	2,723.1

1 The above movement in foreign medium term notes is due to the change in fair value recorded in accordance with effective hedge accounting under AASB 139 "Financial Instruments: Recognition and Measurement" ("AASB 139") as well as the repayment and issue of certain foreign medium term notes during the financial year. Refer to the section below on foreign medium term notes for further detail.

22 Interest-bearing loans and borrowing (continued)

(c) FINANCING ARRANGEMENTS

BANK FACILITIES

Stockland Consolidated Group and Stockland Trust Group

The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are carried at amortised cost. Details of maturity dates and security for facilities are set out below:

Facility limit				Utilised	
2013 $M	2012 $M	**Security**	**Maturity date**	**2013 $M**	2012 $M
–	120.0	Unsecured	August 2012	**–**	–
–	450.0	Unsecured	September 2012	**–**	–
–	25.0	Unsecured	November 2012	**–**	–
100.0	–	Unsecured	November 2013	**–**	–
100.0	–	Unsecured	July 2014	**–**	–
120.0	–	Unsecured	August 2014	**–**	–
100.0	–	Unsecured	September 2014	**–**	–
–[2]	175.0	Unsecured	November 2014	**–**	125.0
100.0	–	Unsecured	December 2014	**–**	–
100.0	100.0	Unsecured	November 2015	**–**	100.0
175.0	175.0	Unsecured	December 2015	**–**	175.0
150.0	150.0	Unsecured	February 2017	**–**	135.0
175.0[2]	–	Unsecured	November 2017	**–**	–
1,120.0[1]	1,195.0[1]			**–**	535.0

1 Excludes bank guarantee facility of $300.0 million (2012: $300.0 million), of which $164.9 million (2012: $256.3 million) has been utilised. Refer to Note 31.

2 This facility has been extended during the current financial year and is now due to mature in November 2017.

22 Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (continued)

DOMESTIC MEDIUM TERM NOTES

Stockland Consolidated Group and Stockland Trust Group

During the previous financial year, Stockland repurchased medium term notes from the domestic market. The total face value of these notes was $8.0 million which were due to mature in May 2013.

During the current financial year $75.5 million of maturing medium term notes were repaid.

Medium term notes have been issued at either face value, or at a discount or premium to face value and are carried at amortised cost. 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 2013 is $666.5 million (2012: $743.0 million). Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	Fixed rate coupon	Floating rate coupon[1]	2013 $M	2012 $M
May 2013	6.00%	0.91%	–	75.5
February 2015	8.50%	–	300.0	300.0
July 2016	7.50%	–	150.0	150.0
November 2020	8.25%	–	160.0	160.0
Total			610.0	685.5
Less: attributable transaction costs			(2.6)	(3.5)
Total Balance Sheet carrying amount at amortised cost			607.4	682.0

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2013 was 2.82% (2012: 3.49%).

22 Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (continued)

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 to AUD floating coupons through cross-currency principal and interest rate swaps ("CCIRS").

During the prior financial year, Stockland repurchased GBP 189.9 million (AUD 295.1 million) of its GBP 250.0 million (AUD 619.3 million) medium term notes issued into the UK private placement market which are due in October 2013.

The fair value of the UK notes as at 30 June 2013 is $99.9 million (2012: $89.4 million). 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]	2013 $M	2012 $M
October 2013	5.63%	0.63%	100.1	96.7
Less: attributable transaction costs			–	(0.1)
Total Balance Sheet carrying amount			**100.1**	96.6

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2013 was 2.82% (2012: 3.49%).

US private placement

During previous financial years, Stockland issued notes in the US private placement market. All notes were issued at a fixed coupon and all notes that were issued in USD were converted back to AUD principal and AUD floating coupons through CCIRS.

During the year, Stockland repaid USD 70.0 million (AUD 97.2 million) of its notes that were issued in the US private placement market that matured in July and October 2012. In addition, Stockland issued USD 40.5 million (AUD 40.4 million) and AUD 65.0 million of 10 year notes and USD 50.0 million (AUD 49.9 million) of 12 year notes in the US private placement market. The principal and interest of the foreign denominated notes have been swapped back to Australian dollars through CCIRS.

The fair value of the US private placements as at 30 June 2013 is $1,636.5 million (2012: $1,393.3 million). Details of the foreign medium term notes on issue in the US private placement market are set out below:

22 Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (continued)

FOREIGN MEDIUM TERM NOTES (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

			Face value[1]		Balance Sheet carrying amount	
Maturity date	**Fixed rate coupon**	**Floating CCIRS[2]**	**2013 $M**	2012 $M	**2013 $M**	2012 $M
July 2012	4.68%	0.57%-0.55%	–	51.4	–	39.3
October 2012	5.42%	0.79%	–	45.8	–	29.8
July 2013	4.79%	0.65%-0.63%	51.4	51.4	43.2[3]	40.6
July 2014	4.89%	0.71%-0.70%	28.3	28.3	24.5	22.9
June 2015	5.81%	0.39%	74.7	74.7	72.1	68.1
July 2015	4.99%	0.78%-0.77%	64.3	64.3	55.2	51.1
October 2015	5.72%	0.70%-0.60%	99.2	99.2	76.8	72.4
July 2016	5.04%	0.79%-0.78%	61.7	61.7	53.2	49.1
October 2016	5.87%	0.76%	27.5	27.5	21.9	20.7
June 2017	5.93%	0.48%[2], 0.41%[4]	170.2	164.0	208.9	196.7
October 2017	5.96%	0.76%	61.1	61.1	49.9	47.5
June 2018	5.98%	0.25%	250.0	250.0	183.1	168.5
October 2018	6.01%	0.73%-0.65%	268.7	268.7	223.3	213.8
July 2019	5.19%	0.85%-0.83%	70.7	70.7	61.6	56.6
July 2020	5.24%	0.87%-0.86%	90.0	90.0	79.3	73.0
September 2021	4.32%	2.44%-2.48%	175.9	175.9	198.6	191.9
June 2022	6.15%	1.00%	27.7	27.7	35.5	33.6
August 2022	3.99%/6.80%	2.93%-3.08%	105.4	–	99.1	–
August 2024	4.14%	2.99%	49.9	–	45.3	–
June 2027	6.28%	0.87%	20.5	20.5	28.4	27.0
Total			1,697.2	1,632.9	1,559.9	1,402.6
Less: attributable transaction costs					(3.5)	(5.0)
Total Balance Sheet carrying amount					1,556.4	1,397.6

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 2013 was 2.82% (2012: 3.49%).
3 Classified as a current liability.
4 Variable interest rate margin above the 90 day Libor rate. The 90 day Libor rate as at 30 June 2013 was 0.51% (2012: 0.90%).

22 Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (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. During the current financial year, Stockland also issued medium term notes with a face value of $61.8 million (HKD 470 million) into the Asian private placement market.

All notes were issued at a fixed coupon payable in USD or HKD and converted back to AUD floating coupons through cross currency principal and interest rate swaps.

The fair value of the notes as at 30 June 2013 is $222.1 million (2012: $166.7 million). 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]	2013 $M	2012 $M
May 2025	3.37%	1.83%	60.2	–
August 2035	3.99%	0.80%	138.1	156.8
Less: attributable transaction costs			(0.7)	(0.4)
Total Balance Sheet carrying amount			**197.6**	156.4

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2013 was 2.82% (2012: 3.49%).

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 37 for details.

23 Provisions

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(a) CURRENT					
Employee benefits	26	**10.4**	11.1	**–**	–
Development costs[1]		**163.2**	127.4	**–**	–
Other		**1.9**	1.7	**0.6**	0.6
		175.5	140.2	**0.6**	0.6

[1] For the Stockland Consolidated Group, the provision for development costs relates to obligated future costs associated with and allocated to land lots. This includes constructive obligations under put options. Stockland has entered in to put and call options with a fixed exercise price. Where such an arrangement exists, the put option requires Stockland to purchase the land at the discretion of the seller, creating a constructive obligation. See Note 1(z) for further treatment of the corresponding asset.

(b) 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	**127.4**	**1.7**	**–**	0.6
Additional provisions recognised	**155.7**	**0.2**	**–**	–
Unused amounts reversed	**(2.4)**	**–**	**–**	–
Amounts used during the financial year	**(117.5)**	**–**	**–**	–
Carrying amount at the end of the financial year	**163.2**	**1.9**	**–**	0.6

23 Provisions (continued)

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(c) NON-CURRENT					
Employee benefits	26	**3.7**	3.6	**–**	–
Development costs[1]		**88.5**	–	**–**	–
Other		**0.2**	0.4	**–**	–
		92.4	4.0	**–**	–

[1] For the Stockland Consolidated Group, the provision for development costs relates to obligated future costs associated with and allocated to land lots. This includes constructive obligations under put options. Stockland has entered in to put and call options with a fixed exercise price. Where such an arrangement exists, the put option requires Stockland to purchase the land at the discretion of the seller, creating a constructive obligation. See Note 1(z) for further treatment of the corresponding asset.

24 Other liabilities

	Notes	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(a) CURRENT					
Dividends and distributions payable	29	**277.4**	264.4	**277.4**	264.4
Derivative liabilities	37(f)	**236.8**	30.6	**237.8**	35.0
Rents in advance		**11.9**	14.7	**11.8**	14.7
Other liabilities		**25.8**	33.2	**15.5**	9.9
		551.9	342.9	**542.5**	324.0
(b) NON-CURRENT					
Derivative liabilities	37(f)	**431.4**	779.0	**431.4**	779.0
		431.4	779.0	**431.4**	779.0

25 Deferred tax assets and liabilities

STOCKLAND CONSOLIDATED GROUP

(a) RECOVERABILITY OF DEFERRED TAX ASSETS ("DTA")

Stockland has recognised DTA relating to carried forward losses and deductible temporary differences to the extent these are expected to be realised in future periods and to the extent there are sufficient taxable temporary differences (deferred tax liabilities ("DTL")) against which the unused tax losses can be utilised.

An assessment of the recoverability of the resulting net DTA has been made to determine if the carrying value of the net DTA should be reduced. The assessment for the period has determined that a tax benefit of $106.4 million (2012: $Nil) is not currently considered to be recoverable with sufficient certainty and accordingly has not been recognised. The DTA not recognised during the period is equivalent to the tax benefit related to the write-down of inventory in Australia. The remaining net DTA of $58.5 million (June 2012: net DTL of $15.2 million) is deemed to be recoverable. Refer to section (b) below.

At each reporting period, the recovery of the net DTA will be reassessed. Depending on the outcome, this may lead to the partial or full recognition of this unrecognised tax benefit in future reporting periods.

(b) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 $M	2012 $M	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Trade and other receivables	**0.1**	0.1	**(0.5)**	(0.6)	**(0.4)**	(0.5)
Inventories	**181.4**	98.9	**(177.2)**	(176.3)	**4.2**	(77.4)
Other assets	**–**	0.9	**–**	–	**–**	0.9
Investment properties	**12.4**	9.7	**(186.4)**	(162.5)	**(174.0)**	(152.8)
Property, plant and equipment	**–**	–	**(0.4)**	(0.1)	**(0.4)**	(0.1)
Other financial assets	**31.5**	20.1	**–**	(0.9)	**31.5**	19.2
Trade and other payables	**10.6**	11.2	**–**	–	**10.6**	11.2
Retirement Living resident obligations	**13.3**	17.8	**–**	–	**13.3**	17.8
Interest-bearing loans and borrowings	**–**	–	**(0.5)**	(0.5)	**(0.5)**	(0.5)
Provisions	**4.2**	7.2	**–**	–	**4.2**	7.2
Reserves	**4.2**	4.5	**–**	–	**4.2**	4.5
Tax losses carried forward	**305.4**	188.5	**–**	–	**305.4**	188.5
Tax assets/(liabilities)	**563.1**	358.9	**(365.0)**	(340.9)	**198.1**	18.0
Less: Tax losses not recognised	**(139.6)**	(33.2)	**–**	–	**(139.6)**	(33.2)
Recognised tax assets/(liabilities)	**423.5**	325.7	**(365.0)**	(340.9)	**58.5**	(15.2)
Set-off of tax balances	**(365.0)**	(325.7)	**365.0**	325.7	**–**	–
Net tax asset/(liabilities)	**58.5**	–	**–**	(15.2)	**58.5**	(15.2)

25 Deferred tax assets and liabilities (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

The group has $139.6 million (2012: $33.2 million) of unrecognised deferred tax assets. This balance consists of $106.4 million (2012: $Nil) Australian income tax losses, $3.4 million (2012: $3.2 million) Australian capital losses; $10.0 million (2012: $10.0 million) of UK capital losses and $10.0 million (2012: $20.0 million) of UK trading losses.

The group has recognised deferred tax assets relating to carry forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) against which the unused tax losses can be utilised.

However, utilisation of the tax losses also depends on the achievement of future taxable income forecasts.

(c) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	Balance 1 July $M	Recognised as income (expense)/benefit $M	Current year tax loss recognised $M	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2013					
Trade and other receivables	(0.5)	0.1	–	–	(0.4)
Inventories	(77.4)	81.6	–	–	4.2
Other assets	0.9	(0.9)	–	–	–
Investment properties	(152.8)	(21.2)	–	–	(174.0)
Property, plant and equipment	(0.1)	(0.3)	–	–	(0.4)
Other financial assets	19.2	12.3	–	–	31.5
Trade and other payables	11.2	(0.6)	–	–	10.6
Retirement Living resident obligations	17.8	(4.5)	–	–	13.3
Interest-bearing loans and borrowings	(0.5)	–	–	–	(0.5)
Provisions	7.2	(3.0)	–	–	4.2
Reserves	4.5	(0.3)	–	–	4.2
Recognised tax losses carried forward	155.3	–	7.3	3.2	165.8
	(15.2)	63.2	7.3	3.2	58.5

25 Deferred tax assets and liabilities (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

(c) 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	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2012					
Trade and other receivables	0.3	(0.8)	–	–	(0.5)
Inventories	(68.4)	(9.0)	–	–	(77.4)
Other assets	(3.1)	4.0	–	–	0.9
Investment properties	(131.6)	(21.2)	–	–	(152.8)
Property, plant and equipment	(0.2)	0.1	–	–	(0.1)
Other financial assets	1.2	18.0	–	–	19.2
Trade and other payables	17.1	(5.9)	–	–	11.2
Retirement Living resident obligations	39.0	(21.2)	–	–	17.8
Interest-bearing loans and borrowings	(28.6)	28.1	–	–	(0.5)
Provisions	11.2	(4.0)	–	–	7.2
Reserves	5.7	(1.2)	–	–	4.5
Recognised tax losses carried forward	102.1	–	49.0	4.2	155.3
	(55.3)	(13.1)	49.0	4.2	(15.2)

STOCKLAND TRUST GROUP

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

26 Employee benefits

	Notes	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Aggregate liability for employee benefits, including on-costs:					
Liability for employee benefits – Current	23(a)	**10.4**	11.1	**–**	–
Liability for employee benefits – Non-current	23(c)	**3.7**	3.6	**–**	–
		14.1	14.7	**–**	–
Number of full-time equivalent employees at year end		**1,013**	1,181	**–**	–

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.

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 2013 was 5,918,020 (2012: 10,114,208).

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 the Managing Director, 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.

DEFERRED STI AWARDS

In the 2012 financial year, Stockland introduced a compulsory deferral of at least one third of Short term incentives (“STI”) into Stockland securities for Executives and Senior Management to further align remuneration outcomes with securityholders. Half of the awarded STI securities will vest 12 months after award with the remaining half vesting 24 months after award, provided employment continues to the applicable vesting date. The first allocation was made in August 2012.

26 Employee benefits (continued)

LONG-TERM INCENTIVE PLANS (continued)

ESS RETENTION INCENTIVE

The Executive Share Scheme ("ESS") was a long term incentive plan pre-dating the introduction of the PRP which was applicable for senior employees below Executive. The scheme ceased grants in 2006 and no options were outstanding in either 2012 or 2013.

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 original (now discontinued) ESS with loans provided by Stockland and subsequently refinanced by the individuals with bank loan facilities. As at 30 June 2013, the arrangement is no longer applicable to any employees (2012: 5 employees).

The ESS retention incentive operated by Stockland placed 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 was refunded to Stockland during the financial year as the guarantee period has now lapsed (2012: $3.2 million cash on deposit was recognised).

CALCULATION OF FAIR VALUE OF RIGHTS GRANTED UNDER SHARE PLANS

The fair values of the rights granted under the PRP (including the modification) during the current and previous financial 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

	2013		2012
	Grant at 31 August 2012	Modification on 19 April 2012	Grant at 31 August 2011
Fair value of rights granted under plan	**$1.79**	$1.60	$1.66
Spot price of the Stapled Securities at grant date	**$3.19**	$3.01	$2.95
Exercise price	**–**	–	–
Volatility of security price[1]	**25.0%**	25.0%	35.0%
Distribution yield	**9.0%**	10.3%	9.6%
Risk-free rate at grant date	**2.4%**	3.2%	3.8%
Expected remaining life at grant date	**2.8 years**	2.2 years	2.8 years
Volatility of Index price[1]	**25.0%**	15.0%	25.0%
Correlation (Stockland and the Index)[2]	**77.0%**	77.0%	75.0%

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).

26 Employee benefits (continued)

LONG-TERM INCENTIVE PLANS (continued)

CALCULATION OF FAIR VALUE OF RIGHTS GRANTED UNDER SHARE PLANS (continued)

Deferred STI

The fair value of securities granted under the Deferred STI has been calculated based on the 30 day volume weighted average price over June 2013 of $3.55 (2012: $3.21).

MOVEMENT IN RIGHTS/SECURITIES UNDER SHARE PLANS 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	
	2013	2012	**2013**	2012
Rights/securities outstanding at the beginning of the year	**$2.10**	$2.94	**15,905,805**	22,239,516
Rights granted during the year	**$1.79**	$1.66	**5,918,020**	10,114,208
Rights/securities forfeited and lapsed during the year	**$1.38**	$2.25	**(6,203,739)**	(12,658,940)
Securities exercised during the year	**–**	$3.04	**–**	(1,472,333)
Rights converted to Stockland stapled securities	**–**	$2.71	**–**	(2,316,646)
Rights/securities outstanding at the end of the year	**$1.74**	$2.10	**15,620,086**	15,905,805

Rights under the PRP

The PRP rights outstanding as at 30 June 2013 have fair values ranging from $1.66 to $1.79 (2012: $1.66 to $2.55) per right and a weighted average restricted period remaining of 1.5 years (2012: 1.5 years).

As at 30 June 2013, no rights vested (2012: Nil). As no rights vested, the weighted average fair value of vested rights during the financial year was $Nil (2012: $Nil).

During the current financial year, no rights converted to Stockland stapled securities, as vesting conditions determined during the previous financial year were not met (2012: 2,316,646).

Deferred STI awards

The Deferred STI rights outstanding as at 30 June 2013 are 624,431 (2012: 408,666). The rights outstanding have fair values ranging from $3.21 to $3.55 (2012: $3.21) per right.

As at 30 June 2013, no rights vested (2012: n/a). The weighted average fair value of vested rights during the financial year was $Nil (2012: n/a).

STOCKLAND TRUST GROUP

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

27 Issued capital

	Stockland Consolidated Group and Stockland Trust Group 2013 Number of securities/units	Stockland Consolidated Group and Stockland Trust Group 2012 Number of securities/units	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(a) ORDINARY SECURITIES/UNITS ON ISSUE						
Issued and fully paid	**2,305,750,747**	2,203,547,228	**8,353.0**	7,962.5	**7,558.5**	7,179.8
(b) OTHER EQUITY SECURITIES/UNITS						
Treasury Shares	**(1,374,761)**	–	**(4.9)**	–	**(4.6)**	–
Total Issued Capital	**2,304,375,986**	2,203,547,228	**8,348.1**	7,962.5	**7,553.9**	7,179.8

(a) ORDINARY SECURITIES/UNITS

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 2011	Opening balance	2,381,564,384	8,504.6	7,700.3
	Issued securities/units which have either matured, been sold or forfeited and sold under share plans	1,472,333	4.5	4.2
	Securities/units bought back as part of the on-market buyback and cancelled	(179,489,489)	(545.3)	(523.5)
	Less: transaction costs from on-market buyback	–	(1.3)	(1.2)
1 July 2012	Balance	2,203,547,228	7,962.5	7,179.8
	Issued securities/units which have either matured, been sold or forfeited and sold under share plans			
	Securities/units bought back as part of the on-market buyback and cancelled	(889,265)	(2.8)	(2.8)
	Securities/units issued as part of the capital raising	103,092,784	400.0	388.0
	Less: transaction costs from capital transactions during the financial year	–	(6.7)	(6.5)
30 June 2013	**Closing balance**	**2,305,750,747**	**8,353.0**	**7,558.5**

(i) ISSUE PRICE

On 22 May 2013, Stockland raised $400 million through a fully underwritten placement to institutional investors of 103,092,784 securities at $3.88 each. This was a 2.5% discount to the closing price on Tuesday 21 May 2013. All other issues relate to securities/units under share plans, which do not require a cash outflow or inflow for Stockland and therefore have an issue price of $Nil.

27 Issued capital (continued)

(a) ORDINARY SECURITIES/UNITS (continued)

(ii) ON-MARKET BUYBACK

During the year ended 30 June 2012, Stockland announced that it would undertake an on-market buyback of up to 10% of its issued capital.

Securities acquired through the buyback were purchased on-market at a price no more than 5% above their last five trading day average closing market price at the time.

During the current financial year, 889,265 securities were bought back at a price of $2.8 million (June 2012: 179,489,489 securities at a price of $545.3 million). A total of 180,378,754 securities (8.19% of issued capital) have been bought back at a total price of $548.1 million for an average price of $3.04. These securities have been cancelled.

On 13 February 2013, Stockland announced that the on-market buyback would cease with immediate effect.

(iii) CAPITAL RAISING

On 22 May 2013, Stockland raised $400 million (pre-fees) through a fully underwritten placement to institutional investors of 103,092,784 securities at $3.88 each. This was at a 2.5% discount to the closing price on Tuesday 21 May 2013.

Stockland also dispatched a non-underwritten Security Purchase Plan ("SPP") inviting eligible securityholders to participate in a non-underwritten SPP capped at $100 million. The SPP was subsequently withdrawn due to the decrease in share price during the offering period.

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.

(b) OTHER EQUITY SECURITIES/UNITS

Movement of other equity securities/units

Details	Note	Stockland Consolidated Group and Stockland Trust Group Number of securities/units	Stockland Consolidated Group $M	Stockland Trust Group $M
Opening balance as at 1 July 2012		–	–	–
Acquisition of securities/units by the Trust	(i)	1,374,761	(4.9)	(4.6)
Issuance of securities/units on vesting	(i)	–	–	–
Balance as at 30 June 2013		**1,374,761**	**(4.9)**	**(4.6)**

(i) TREASURY SHARES

Treasury shares are securities/units in Stockland that are held by the Stockland Employee Securities Plan Trust for the purpose of issuing shares under the Deferred Short Term Incentive ("DSTI") scheme.

The securities/units are held on behalf of Executives and Senior Management eligible under the scheme until the end of the vesting period. During the vesting period, the Executives and Senior Management are entitled to the distributions and dividends.

28 Reserves

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
(a) RESERVES				
Executive remuneration reserve	**18.9**	19.7	**16.8**	17.6
Cash flow hedge reserve	**11.6**	3.4	**11.6**	3.4
Foreign currency translation reserve	**(16.7)**	(28.3)	**–**	–
	13.8	(5.2)	**28.4**	21.0
Movements in reserves				
Executive remuneration reserve				
Balance at the beginning of the financial year	**19.7**	23.7	**17.6**	21.3
Expense relating to rights and securities/units granted under share plans	**(0.8)**	3.7	**(0.8)**	3.5
Vested securities/units purchased on-market	**–**	(6.8)	**–**	(6.8)
Securities/units exercised under share plans transferred to retained earnings	**–**	(0.9)	**–**	(0.4)
Balance at the end of the financial year	**18.9**	19.7	**16.8**	17.6
Cash flow hedge reserve				
Balance at the beginning of the financial year	**3.4**	6.6	**3.4**	6.6
Effective portion of changes in the fair value of cash flow hedges during the year	**10.3**	(1.0)	**10.3**	(1.0)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	**(2.1)**	(2.2)	**(2.1)**	(2.2)
Balance at the end of the financial year	**11.6**	3.4	**11.6**	3.4
Foreign currency translation reserve				
Balance at the beginning of the financial year	**(28.3)**	(60.1)	**–**	–
Net realised foreign exchange loss transferred to the Statement of Comprehensive Income on partial redemption of foreign controlled entity	**6.0**	28.4	**–**	–
Net exchange differences on translation of foreign controlled entity	**5.6**	3.4	**–**	–
Balance at the end of the financial year	**(16.7)**	(28.3)	**–**	–

(b) NATURE AND PURPOSE OF RESERVES

(i) EXECUTIVE REMUNERATION RESERVE

The Executive remuneration reserve has arisen under AASBs due to the PRP and Deferred STI 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, options under share plans are transferred to retained earnings. Refer accounting policy at Note 1(cc)(vi).

28 Reserves (continued)

(b) NATURE AND PURPOSE OF RESERVES (continued)

(ii) 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(l).

(iii) 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.

29 Dividends and distributions

Dividends and distributions recognised in the financial year by the Stockland Consolidated Group and the Stockland Trust Group are detailed below.

2013
STOCKLAND CORPORATION LIMITED

There was no dividend from the Stockland Corporation Limited during the current financial year.

The dividend franking account balance as at 30 June 2013 is $12.2 million based on a 30% tax rate (2012: $12.1 million).

STOCKLAND TRUST	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution	**12.0**	**264.3**	28 February 2013	15.5
Final distribution	**12.0**	**277.4**	31 August 2013	15.5
Total distribution	**24.0**	**541.7**		

2012
STOCKLAND CORPORATION LIMITED

There was no dividend from the Stockland Corporation Limited during the previous financial year.

STOCKLAND TRUST	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution	12.0	278.0	29 February 2012	2.3
Final distribution	12.0	264.4	31 August 2012	2.3
Total distribution	24.0	542.4		

30 Commitments

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Capital expenditure commitments				
Commitments for the acquisition of land and future development costs not recognised in the Financial Statements at balance date:				
Inventory commitments	**114.3**	212.6	**–**	–
Investment property commitments	**103.1**	195.1	**93.0**	150.4
	217.4	407.7	**93.0**	150.4
Operating lease commitments				
Commitments for the operating lease expenditure not recognised in the Financial Statements at balance date:				
Within one year	**4.0**	4.7	**–**	–
Later than one year but not later than five years	**9.6**	10.3	**–**	–
Later than five years	**–**	0.1	**–**	–
	13.6	15.1	**–**	–

During the current financial year, $4.9 million was recognised as an expense in the Stockland Consolidated Group Statement of Comprehensive Income in respect of operating leases (2012: $6.1 million).

	Stockland Consolidated Group		Stockland Trust Group	
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	**486.0**	505.4	**495.1**	510.1
Later than one year but not later than five years	**1,265.7**	1,344.9	**1,295.1**	1,363.4
Later than five years	**727.2**	686.0	**727.4**	678.2
	2,478.9	2,536.3	**2,517.6**	2,551.7

Annual rent receivable by Stockland under current leases from tenants is from property held by the Commercial Property business.

31 Contingent liabilities

There are no known contingent liabilities other than the bank guarantees (as disclosed in Note 22 (c)) and insurance bonds at 30 June 2013.

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Guarantees				
Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $450.0 million (2012: $449.1 million)	**225.6**	292.3	**225.6**	292.3

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

32 Parent entity disclosures

As at and for the year ended 30 June 2013 and 30 June 2012 the parent entity of the Stockland Consolidated Group was Stockland Corporation Limited ("the Company"). The parent entity of the Stockland Trust Group was Stockland Trust.

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 Restated $M	**2013 $M**	2012 Restated $M
Results of the parent entity				
Provision for write down of investments in controlled entities and intercompany receivables	**(494.8)**	(655.2)	**–**	–
(Loss)/profit for the year	**(529.6)**	(638.7)	**637.5**	727.1
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**(529.6)**	(638.7)	**637.5**	727.1
Financial position of the parent entity at year end				
Current assets	**3,447.5**	3,922.8	**1,577.9**	7,439.6
Total assets[1]	**3,600.1**	4,046.6	**13,758.6**	14,647.1
Current liabilities	**–**	3,831.4	**4,350.2**	5,106.8
Total liabilities	**3,902.9**	3,831.4	**5,462.2**	6,836.5
Net assets	**(302.8)**	215.2	**8,296.4**	7,810.6
Total equity of the parent entity comprising of:				
Issued capital	**794.3**	782.7	**7,553.9**	7,179.8
Reserves	**2.0**	2.1	**23.1**	16.4
Retained earnings	**(1,099.1)**	(569.6)	**719.4**	614.4
Total equity	**(302.8)**	215.2	**8,296.4**	7,810.6

[1] No intangible assets are included in total assets (2012: $Nil).

The 30 June 2012 Stockland Corporation Limited and Stockland Trust positions have been restated by $655.2 million and $254.7 million respectively to reflect the carrying value of investments and loans in the Stockland Corporation Consolidated Group and Stockland Trust Group respectively.

On 13 February 2013, Stockland noted that whilst the Stockland Consolidated Group's capital position remains strong, following the residential inventory impairments Stockland intends to reallocate capital between the Trust and Corporation. As a result, shareholders will be asked to support at the AGM in October 2013 a reallocation of approximately $500 million of capital from the Trust to Corporation.

GOING CONCERN – STOCKLAND CORPORATION LIMITED GROUP NET ASSET DEFICIENCY POSITION

Stockland Corporation Limited Group is in a net asset deficiency position of $302.8 million at 30 June 2013 (2012: net asset position $215.2 million).

In order to support the going concern assumption for Stockland Corporation a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited Group to confirm that the intercompany debt of $3,902.9 million (30 June 2012: $3,831.4 million) will not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter being 13 February 2013.

32 Parent entity disclosures (continued)

PARENT ENTITY CONTINGENCIES

There are no contingencies within either parent entity as at 30 June 2013 (2012: $Nil).

PARENT ENTITY CAPITAL COMMITMENTS

Neither parent entity has entered into any capital commitments as at 30 June 2013 (2012: $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 33.

33 Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the "Closed Group"), identified in Note 34, 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.

The 30 June 2012 position has been restated to reflect the carrying value of investments and loans in the Stockland Corporation Consolidated Group.

In order to support the going concern assumption for Stockland Corporation (and therefore the Closed Group) a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited Group to confirm that the intercompany debt of $3,902.9 million (30 June 2012: $3,831.4 million) will not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter being 13 February 2013.

On 13 February 2013, Stockland noted that whilst the Group's capital position remains strong, following the residential inventory impairments Stockland intends to reallocate capital between the Trust and Corporation. As a result, shareholders will be asked to support at the AGM in October 2013 a reallocation of approximately $500 million of capital from the Trust to Corporation.

Pursuant to the requirements of this Class Order, a summarised consolidated Comprehensive Income Statement for the year ended 30 June 2013 and consolidated Balance Sheet as at 30 June 2013, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following page.

	Closed Group	
	2013 $M	2012 Restated $M
SUMMARISED COMPREHENSIVE INCOME STATEMENT		
Loss before income tax benefit	**(583.8)**	(241.2)
Income tax benefit	**71.9**	29.9
Loss for the year/Total comprehensive expense	**(511.9)**	(211.3)

33 Deed of Cross Guarantee (continued)

	Closed Group 2013 $M	Closed Group 2012 Restated $M
BALANCE SHEET		
Current assets		
Cash and cash equivalents	**75.2**	80.2
Trade and other receivables	**675.7**	744.8
Inventories	**589.2**	810.6
Other assets	**14.5**	52.9
	1,354.6	1,688.5
Non-current assets held for sale	**7.1**	3.1
Total current assets	**1,361.7**	1,691.6
Non-current assets		
Trade and other receivables	**55.0**	48.9
Inventories	**1,690.1**	1,798.0
Investment properties	**1,551.7**	1,505.9
Other financial assets	**80.9**	101.5
Investments accounted for under the equity method	**19.1**	17.4
Property, plant and equipment	**141.5**	132.5
Deferred tax assets	**58.5**	–
Intangible assets	**10.2**	10.2
Other assets	**–**	4.1
Total non-current assets	**3,607.0**	3,618.5
Total assets	**4,968.7**	5,310.1

33 Deed of Cross Guarantee (continued)

	Closed Group 2013 $M	Closed Group 2012 Restated $M
BALANCE SHEET (continued)		
Current liabilities		
Trade and other payables	**169.1**	223.2
Interest-bearing loans and borrowings	**–**	3,831.4
Retirement Living resident obligations	**826.9**	788.6
Provisions	**173.3**	137.2
Other liabilities	**11.9**	23.9
Total current liabilities	**1,181.2**	5,004.3
Non-current liabilities		
Other payables	**34.2**	39.0
Interest-bearing loans and borrowings	**3,902.9**	–
Retirement Living resident obligations	**37.6**	38.4
Deferred tax liabilities	**–**	15.2
Provisions	**92.4**	4.0
Other liabilities	**1.4**	1.5
Total non-current liabilities	**4,068.5**	98.1
Total liabilities	**5,249.7**	5,102.4
Net (liabilities)/assets	**(281.0)**	207.7
Equity		
Issued capital	**794.3**	782.7
Reserves	**(14.5)**	(26.1)
Accumulated losses	**(1,060.8)**	(548.9)
Total equity	**(281.0)**	207.7

34 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]
SDRT 3 Property # 1 Trust
Stockland Brisbane Office Trust
ADP (NZ) Trust
Capricornia Property Trust
Industrial Property Trust
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
Hervey Bay Holding Trust
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 # 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 Direct Diversified Fund
Hervey Bay Sub 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
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[2]
Stockland Development (NAPA NSW) Pty Limited[2]
Stockland Development (NAPA VIC) Pty Limited[2]
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[2]
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]
Stockland PR1 Trust
Stockland PR2 Trust
Stockland PR3 Trust
Stockland PR4 Trust
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

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 33, as at 30 June 2013.

2 These companies are parties to the Deed but are currently ineligible for relief under the Class Order.

34 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)

Templestowe Unit Trust
Retirement Living Unit Trust No. 1
Retirement Living Unit Trust No. 2
Stockland Services (UK) Limited[1,3]
Stockland Holdings Limited[1,3]
Stockland Asset Management Limited[1,3]
Stockland Management (UK) Limited[1,3]
Stockland (Queen Street) Limited[1, 3]
Stockland (Stafford) Limited[1,3]
Stockland Land Limited[1,3]
Stockland (CReAM) Limited[1,3,4]
Stockland LP Limited[1,3,4]
Stockland GP Limited[1,3,4]
Stockland (Dalgety Bay) Limited[1,3]
Stockland (Billingham) Limited[1,3]
Stockland Developments (UK) Limited[1,3]
Stockland (Gracechurch) Limited[1,3,4]
CReAM (GP) Limited (75%)[1,3,4]
CReAM (GP No. 3) Limited (75%)[1,3,4]
CReAM Nominees (No. 3) Limited (75%)[1,3,4]
CReAM (GP No. 4) Limited (75%)[1,3,4]
CReAM (GP No. 5) Limited (75%)[1,3,4]
CReAM Nominees (No. 5) Limited (75%)[1,3,4]
Stockland (Rylands) No. 1 Pty Limited[1]
Stockland (Rylands) No. 2 Pty Limited[1]
Stockland (St Andrew) Limited[1, 3]
Stockland (Yeovil) Limited[1, 3]
Stockland Property Holdings Limited[1,3]
Stockland (Lowestoft) Limited[1, 3]
Stockland (William Hunter) Limited[1,3]
Stockland General Partner (Brook) Limited[1,3,4]
Stockland LP (Hammersmith) Limited[1,3,4]
Stockland (Warminster) Limited[1,3]
Stockland (Cumbernauld) Limited[1,3]
Stockland (Boardwalk Sub2) Pty Limited[1]
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
Aevum Limited[2]
Hibernian Investment Company Pty Limited
IOR Group Pty Limited
IOR Friendly Society Pty Limited[2]
Salford Living Pty Limited[2]
Stockland Financial Services Pty Limited[2]
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 (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]
Castleridge Pty Limited[1]
Willows Retirement Village Services Pty Limited[1]
Maybrook Manor Pty Limited[1]
Aevum SPV Finance No. 1 Pty Limited[1]
Affinity Retirement Village Pty Limited[1]
Macquarie Waratah Management Pty Limited[1]
Macquarie Waratah Holdings Pty Limited[1,4]
Macquarie Waratah Holdings (NSW) Pty Limited[1,4]
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[1]
Greenleaves Village Pty Limited[1]
Mount Gravatt Retirement Village Unit Trust
Pine Lake Management Services Unit Trust
Stockland Catering Pty Limited[1]
Selandra Rise Retirement Village Pty Limited[1]
Bellevue Gardens Pty Limited[1]
ARVT1 Trust[2]
ARVT2 Trust[2]
ARVT3 Trust[2]
ARVT4 Trust[2]
ARVT5 Trust[2]
ARVT6 Trust[2]
Lincoln Gardens Pty Limited[1]
Macquarie Waratah Holdings Trust
Macquarie Waratah Holdings (NSW) Trust
Rogan's Hill Retirement Village Trust
Ridgecrest Village Pty Limited[1]
RVG (Queensland) Pty Limited[1]
Greenleaves Management Services Pty Limited[1]
Ridgecrest Village Management Services Pty Limited[1]
Pine Lake Village Pty Limited[1]
Farrington Grove Retirement Village Pty 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 33, as at 30 June 2013.

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 These companies/trusts are in liquidation as at 30 June 2013.

34 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
Mernda Retirement Village Pty Limited

The following entities are no longer controlled entities and were terminated or liquidated during the financial year:

STOCKLAND TRUST

Controlled entities of Stockland Trust
Advance Property Fund No. 3 (Growth)
Advance Property Fund No. 5 (Capital Growth)
SDOT3 Property No 2 Trust
SDOT3 Property No 3 Trust
SDOT3 Property No 4 Trust
SDOT3 Property No 5 Trust

STOCKLAND CORPORATION LIMITED

Controlled entities of Stockland Corporation Limited
Stockland Investments Limited
Stockland (Capital LP) Limited
Stockland Investments (London) Limited
Stockland General Partner (Brook) Limited
Stockland (Derby) Limited
Stockland Office (One) Limited
CReAM (GP No. 1) Limited (75%)
Stockland (UK) Limited
Stockland Developments (Fountain) Ltd
Stockland (Newport) Limited
Stockland Nelson Nominee Limited
CReAM Nominees (No. 1) Limited (75%)
CReAM (GP No. 2) Limited (75%)

All Stockland entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust which was formed 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.

35 Retirement Living

As at 30 June 2013 Stockland owned 62 Retirement Living villages (2012: 62 Retirement Living villages).

When residents move into retirement units, they lend Stockland an amount equivalent to the value of the unit. This loan is recorded as a resident obligation liability. In exchange for the loan, Stockland gives the resident a lease to live in the unit and to access the community facilities. During the resident's tenure, Stockland earns Deferred Management Fees ("DMF") recognised as revenue over the length of tenure. DMF is calculated based on the individual resident contract ("DMF contract"). There are various contractual arrangements, however a typical contract will provide for an annual management fee for a fixed period, plus a share of any capital gain when the unit is re-leased. When a resident's tenure ends, the unit is re-leased to a new resident and Stockland receive the associated accumulated DMF in cash.

(a) RETIREMENT LIVING INVESTMENT PROPERTIES

Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. Retirement villages comprise independent living units, serviced apartments, community facilities and integral plant and equipment. The fair value of Retirement Living investment properties is the value of these assets and of the future cashflows associated with the DMF contracts. Changes in fair value of investment properties are recognised directly in the Statement of Comprehensive Income.

The fair value is determined by the Directors' using a discounted cash flow methodology and is based on projected cash flows using the current value of individual units and DMF contracts.

OPERATING VILLAGES AND VILLAGES UNDER DEVELOPMENT

To support the Directors' valuation of operating villages, independent valuations are undertaken on a rolling two year program allowing more frequent substantiation of Director valuations to external valuations. The most recent independent valuations were obtained at 30 June 2013. During the intervening periods, management assesses the valuation of individual units on a six-monthly basis to revise valuations based on current market values.

The Directors' valuation of villages under development is based on future cash flows discounted to their present value.

The key assumptions used for operating villages and villages under development are:

- weighted average discount rate of 12.8% (2012: 12.8%);
- weighted average 20 year growth rate 3.8% (2012: 3.9%);
- average length of stay of future residents 11.4 years (2012: 11.4 years);
- future anticipated contract terms between Stockland and future residents;
- forecast cost of village developments for projects under development;
- risks associated with the forecast completion of these developments; and
- current market evidence for similar villages.

RECOGNITION OF DEVELOPMENT PROFIT

Settled development margin represents the development profit from newly developed units, being the unit price realised on first lease less cost of development. Settled development margin is recognised in Underlying Profit. Profit recognised for the creation of the associated DMF entitlement is recognised in the "Net gain/(loss) from fair value adjustment of investment properties – operating villages and villages under development" line.

35 Retirement Living (continued)

(b) DEFERRED MANAGEMENT FEES FROM RETIREMENT LIVING

DMF BASE FEES EARNED BUT UNREALISED

DMF base fees earned represent the DMF income earned on the entry price of the unit, recognised annually as Stockland becomes contractually entitled to it.

DMF BASE FEES EARNED AND REALISED

DMF base fees are realised when the existing resident departs and recognised in Retirement Living Underlying Profit segment result.

DMF CONTINGENT INCOME REALISED

DMF contingent income realised represents the DMF income earned on the exit price of the unit, recognised at the end of the resident's tenure as Stockland becomes contractually entitled to it. This amount includes additional income earned on the conversion of certain legacy contacts to current contract terms ("conversion profit").

(c) RESIDENT OBLIGATIONS

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and recognised at fair value. Fair value is the amount payable on demand and comprises the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less DMF earned to date. Changes in fair value of resident obligations are recognised directly in the Statement of Comprehensive Income. Resident obligations are expected to be covered by receipts from incoming residents, refer to Note 37(d).

CURRENT RESIDENT OBLIGATIONS

Based on actuarial turnover calculations, in the short term 8% of residents are estimated to leave each year and therefore it is not expected that the full obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid by receipts from incoming residents.

Accounting Standards require that resident obligations are classified as current as all residents have the right to terminate their occupancy contract with immediate effect, with no unconditional contractual right to defer settlement for at least twelve months.

NON-CURRENT RESIDENT OBLIGATIONS

Certain legacy contracts are classified as non-current as these contracts give Stockland a right to defer settlement for up to eight years.

35 Retirement Living (continued)

(d) STOCKLAND'S NET INVESTMENT IN RETIREMENT LIVING	Notes	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
Operating villages		**2,571.8**	2,494.1	**–**	–
Villages under development		**235.8**	253.3	**–**	–
	35(d)(i)	**2,807.6**	2,747.4	**–**	–
Existing resident obligations	35(d)(ii)	**(1,730.8)**	(1,645.7)	**–**	–
Net investment in Retirement Living villages		**1,076.8**	1,101.7	**–**	–
Plant, property and equipment – Aged Care	19	**82.7**	83.5	**–**	–
Aged Care accommodation bonds	35(d)(ii)	**(55.6)**	(53.5)	**–**	–
Net investment in Aged Care		**27.1**	30.0	**–**	–
Net tangible investment in Retirement Living		**1,103.9**	1,131.7	**–**	–

35 Retirement Living (continued)

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(d) STOCKLAND'S NET INVESTMENT IN RETIREMENT LIVING (continued)					
Comprising of the following:					
(i) Retirement Living investment properties					
Carrying amount at the beginning of the financial year		**2,747.4**	2,495.8	**–**	–
Acquisitions		**–**	29.5	**–**	–
Transfers to assets held for sale		**(7.1)**	–	**–**	–
Expenditure capitalised		**103.9**	181.0	**–**	–
Realised fair value movements		**51.6**	56.0	**–**	–
Change in fair value of investment properties	35(e)	**(88.2)**	(14.9)	**–**	–
Carrying amount at the end of the financial year	35(d)	**2,807.6**	2,747.4	**–**	–
(ii) Current and Non-current liabilities – Retirement Living resident obligations					
Current resident obligations					
Existing resident obligations		**1,545.7**	1,441.4	**–**	–
Ex-resident obligations		**31.3**	36.6	**–**	–
Aged Care accommodation bonds		**55.6**	53.5	**–**	–
		1,632.6	1,531.5	**–**	–
Non-current resident obligations					
Existing resident obligations		**185.1**	204.3	**–**	–
Ex-resident obligations		**11.7**	17.6	**–**	–
		196.8	221.9	**–**	–
Total resident obligations					
Existing resident obligations	35(d)	**1,730.8**	1,645.7	**–**	–
Ex-resident obligations		**43.0**	54.2	**–**	–
Aged Care accommodation bonds	35(d)	**55.6**	53.5	**–**	–
		1,829.4	1,753.4	**–**	–

35 Retirement Living (continued)

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(e) RETIREMENT LIVING CONTRIBUTION TO THE STATEMENT OF COMPREHENSIVE INCOME					
Revenue					
Total realised revenue[1]		**51.6**	54.9	**–**	–
DMF base fees earned, unrealised	35(f)	**3.1**	5.9	**–**	–
		54.7	60.8	**–**	–
Net gain/(loss) from fair value adjustment of investment properties:					
– settled development margin[2]		**22.3**	18.1	**–**	–
– operating villages and villages under development	35(f)	**(110.5)**	(33.0)	**–**	–
		(88.2)	(14.9)	**–**	–
Net gain from change in fair value of resident obligations	35(f)	**60.7**	19.3	**–**	–
Investment property expenses		**(6.5)**	(2.7)	**–**	–
Management, administration, marketing and selling expenses		**(33.1)**	(37.6)	**–**	–
Net contribution from Retirement Living villages		**(12.4)**	24.9	**–**	–
Net contribution from Aged Care		**4.0**	3.4	**–**	–
Retirement Living statutory (loss)/profit		**(8.4)**	28.3	**–**	–

1 Includes realised profit on conversion of certain legacy contracts to current contract terms of $6.5 million (2012: $9.9 million).

2 Settled development margin represents the "development profit" achieved upon settlement of the first lease on newly developed units excluding the fair value gain recognised on the creation of the DMF entitlement. The profit recognised for creation of the DMF entitlement is included within "Net gain/(loss) from fair value adjustment of investment properties – Operating villages and villages under development". The profit recognised in relation to DMF creation is $13.8 million (2012: $8.9 million).

35 Retirement Living (continued)

	Note	Stockland Consolidated Group 2013 $M	Stockland Consolidated Group 2012 $M	Stockland Trust Group 2013 $M	Stockland Trust Group 2012 $M
(f) RECONCILIATION OF RETIREMENT LIVING STATUTORY PROFIT TO SEGMENT RESULTS					
Total realised revenue[1]		**51.6**	54.9	**–**	–
Net gain from fair value adjustment of investment properties – settled development margin[2]		**22.3**	18.1	**–**	–
Investment property expenses		**(6.5)**	(2.7)	**–**	–
Management, administration, marketing and selling expenses		**(33.1)**	(37.6)	**–**	–
Net contribution from Aged Care		**4.0**	3.4	**–**	–
Retirement Living Underlying Profit segment result	3	**38.3**	36.1	**–**	–
Add:					
DMF base fees earned, unrealised		**3.1**	5.9	**–**	–
Net loss from change in fair value of Retirement Living investment properties – operating villages and villages under development		**(110.5)**	(33.0)	**–**	–
Net gain from change in fair value of resident obligations		**60.7**	19.3	**–**	–
Retirement Living statutory (loss)/profit		**(8.4)**	28.3	**–**	–

1 Includes realised profit on conversion of certain legacy contracts to current contract terms of $6.5 million (2012: $9.9 million).

2 Settled development margin represents the “development profit” achieved upon settlement of the first lease on newly developed units excluding the fair value gain recognised on the creation of the DMF entitlement. The profit recognised for creation of the DMF entitlement is included within “Net gain/(loss) from fair value adjustment of investment properties – Operating villages and villages under development”. The profit recognised in relation to DMF creation is $13.8 million (2012: $8.9 million).

36 Notes to the Cash Flow Statements

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Reconciliation of profit to net cash inflow from operating activities:				
Profit	**104.6**	487.0	**646.6**	606.1
Add/(less) items classified as investing/financing activities:				
Unwinding of present value of Retirement Living obligation	**1.2**	2.1	**–**	–
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**4.4**	7.0	**4.4**	7.0
Net (gain)/loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**(48.9)**	87.3	**(49.1)**	86.0
Net loss/(gain) on sale of non-current assets	**8.4**	(4.7)	**9.3**	(1.0)
Interest capitalised to investment properties	**(15.9)**	(27.1)	**(7.0)**	(3.8)
Medium term note interest capitalised	**–**	1.1	**–**	1.1
Dividends and distributions income	**(0.9)**	(5.2)	**(0.9)**	–
Net loss from fair value adjustment of other financial assets	**37.2**	55.5	**–**	–
Add/(less) non-cash items:				
Fair value adjustment for investment properties (including associates and joint ventures)	**(14.9)**	(68.8)	**(44.5)**	(65.3)
Net loss on foreign exchange	**57.4**	60.3	**53.5**	45.2
Depreciation	**16.8**	20.9	**–**	–
Provision for write-down of inventories	**367.1**	63.1	**–**	–
Straight-line rent adjustment	**(15.6)**	(1.9)	**(15.4)**	(1.9)
Share of profits of investments accounted for using the equity method	**(8.9)**	(16.7)	**(8.9)**	–
Equity-settled share-based payments	**0.8**	3.7	**0.8**	3.1
Other items	**(0.4)**	(3.3)	**(4.8)**	–
Net cash inflow from operating activities before change in assets and liabilities	**492.4**	660.3	**584.0**	676.5
Decrease/(increase) in receivables	**42.0**	(10.4)	**(103.4)**	(14.6)
Decrease/(increase) in other assets	**124.8**	(70.7)	**48.9**	23.3
Decrease in prepayments	**–**	3.1	**0.3**	0.8
(Increase) in inventories	**(20.2)**	(130.1)	**–**	–
(Decrease)/increase in payables and other liabilities	**(63.8)**	(34.4)	**22.7**	(15.8)
(Decrease) in deferred taxes payable	**(73.7)**	(38.0)	**–**	–
(Decrease)/Increase in employee benefits	**(0.6)**	0.7	**–**	–
Increase in other provisions	**124.3**	18.2	**–**	–
Net cash inflow from operating activities	**625.2**	398.7	**552.5**	670.2

37 Financial instruments

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.

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.

(a) 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 an optimal capital structure to minimise the cost of capital.

The capital structure of Stockland consists of cash and cash equivalents, interest-bearing loans and borrowings and securityholders' funds.

Stockland continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis are available to assist the Group's property management, development and trading businesses;
- sufficient liquid buffer is maintained; and
- distributions to securityholders are in line with the stated distribution policy.

Stockland can alter its capital structure 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.

Management monitors 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 2013 is A-/Stable (2012: A-/Stable).

In addition to Stockland monitoring its financial covenants and S&P metrics, management also 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 20% and 30% (2012: 20% and 30%). The gearing ratio as at 30 June 2013 is 22.7% (2012: 25.8%).

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 excludes 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 2013 and 30 June 2012, Stockland was in compliance with all the above financial covenants.

(b) FINANCIAL RISK MANAGEMENT

Stockland's activities expose it to a variety of financial risks:

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange, interest rate and equity price risks).

Stockland seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board as discussed above.

(c) 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 to any single counterparty 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. 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. As at 30 June 2013, these financial institutions had an S&P credit rating of A- or above (2012: A or above).

Bank guarantees and mortgages over land are held as security over certain trade and other receivables balances.

As at 30 June 2013 and 30 June 2012, there were no significant financial assets that were past due.

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 Notes 10, 11, 13 and 18 for a breakdown of these financial assets.

(d) LIQUIDITY RISK

Liquidity risk is the risk that Stockland will not be able to meet its financial obligations as they fall due. 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 5.4 years (2012: 5.3 years).

The following table 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.

37 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	Over 5 years $M
						Stockland Consolidated Group
30 June 2013						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	**(314.3)**	**(316.2)**	**(280.2)**	**(17.3)**	**(18.7)**	**–**
Dividends and distributions payable	**(277.4)**	**(277.4)**	**(277.4)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(2,461.5)**	**(3,188.0)**	**(291.0)**	**(535.5)**	**(1,025.5)**	**(1,336.0)**
Retirement Living resident obligations[2]	**(1,829.4)**	**(1,832.5)**	**(1,632.6)**	**(2.3)**	**(6.8)**	**(190.8)**
Derivative financial liabilities[1]						
Interest rate derivatives	**(305.1)**	**(340.7)**	**(89.7)**	**(81.4)**	**(128.9)**	**(40.7)**
Cross currency interest rate swaps	**(361.3)**					
– inflow		**1,423.5**	**197.6**	**144.4**	**536.1**	**545.4**
– outflow		**(1,953.1)**	**(425.3)**	**(149.0)**	**(702.4)**	**(676.4)**
Forward exchange contracts	**(1.8)**	**(1.8)**	**–**	**(1.8)**	**–**	**–**
	(5,550.8)	**(6,486.2)**	**(2,798.6)**	**(642.9)**	**(1,346.2)**	**(1,698.5)**
30 June 2012						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(407.0)	(409.1)	(366.4)	(15.5)	(27.2)	–
Dividends and distributions payable	(264.4)	(264.4)	(264.4)	–	–	–
Interest-bearing loans and borrowings	(2,867.6)	(3,536.7)	(333.0)	(287.3)	(1,686.9)	(1,229.5)
Retirement Living resident obligations[2]	(1,753.4)	(1,757.7)	(1,531.5)	(10.0)	(6.5)	(209.7)
Derivative financial liabilities[1]						
Interest rate derivatives	(386.3)	(426.2)	(80.3)	(81.3)	(165.6)	(99.0)
Cross currency interest rate swaps	(421.8)					
– inflow		1,979.1	152.4	792.5	379.9	654.3
– outflow		(2,649.3)	(188.8)	(1,035.7)	(496.3)	(928.5)
Forward exchange contracts	(1.5)	(1.9)	–	(1.9)	–	–
	(6,102.0)	(7,066.2)	(2,612.0)	(639.2)	(2,002.6)	(1,812.4)

1 The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. Refer to Note 13 for the fair value of the derivative assets to provide a meaningful analysis of Stockland Consolidated Group's total derivatives.

2 For the Retirement Living resident obligations, under an exit or entry 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, $1,730.8 million (2012: $1,645.7 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

37 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	Over 5 years $M
						Stockland Trust Group
30 June 2013						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	**(115.8)**	**(115.8)**	**(115.8)**	**–**	**–**	**–**
Distributions payable	**(277.4)**	**(277.4)**	**(277.4)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(2,461.5)**	**(3,188.0)**	**(291.0)**	**(535.5)**	**(1,025.5)**	**(1,336.0)**
Derivative financial liabilities[1]						
Interest rate derivatives	**(305.1)**	**(340.7)**	**(89.7)**	**(81.4)**	**(128.9)**	**(40.7)**
Cross currency interest rate swaps	**(361.3)**					
– inflow		**1,423.5**	**197.6**	**144.4**	**536.1**	**545.4**
– outflow		**(1,953.1)**	**(425.3)**	**(149.0)**	**(702.4)**	**(676.4)**
Forward exchange contracts	**(2.8)**	**(2.8)**	**(1.0)**	**(1.8)**	**–**	**–**
	(3,523.9)	**(4,454.3)**	**(1,002.6)**	**(623.3)**	**(1,320.7)**	**(1,507.7)**
30 June 2012						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(117.2)	(117.2)	(117.2)	–	–	–
Distributions payable	(264.4)	(264.4)	(264.4)	–	–	–
Interest-bearing loans and borrowings	(2,867.6)	(3,536.7)	(333.0)	(287.3)	(1,686.9)	(1,229.5)
Derivative financial liabilities[1]						
Interest rate derivatives	(386.3)	(426.2)	(80.3)	(81.3)	(165.6)	(99.0)
Cross currency interest rate swaps	(421.8)					
– inflow		1,979.1	152.4	792.5	379.9	654.3
– outflow		(2,649.3)	(188.8)	(1,035.7)	(496.3)	(928.5)
Forward exchange contracts	(5.9)	(6.7)	(4.9)	(1.8)	–	–
	(4,063.2)	(5,021.4)	(836.2)	(613.6)	(1,968.9)	(1,602.7)

[1] The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. Refer to Note 13 for the fair value of the derivative assets to provide a meaningful analysis of Stockland Trust Group's total derivatives.

37 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

LOAN FACILITY OFFER

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) has provided loan facility offers to two unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. Loan facility offers of $40.0 million and $40.0 million expire on 28 February 2015 and 30 September 2016 respectively.

As the loan facilities have not been drawn down on, they have been excluded from the above liquidity analysis.

(e) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Stockland's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) FOREIGN EXCHANGE RISK

Foreign exchange risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars. Stockland has currency exposures to the Pound Sterling, US Dollar, Yen, Euro and Hong Kong Dollar.

Stockland manages its foreign exchange exposure by using cross currency interest rate swap contracts ("CCIRS") and forward exchange contracts ("FEC").

The following table provides a summary of the face values of Stockland's foreign exchange risk exposures together with the derivatives which have been entered into to manage these exposures.

	Stockland Consolidated Group					Stockland Trust Group			
	GBP £M	USD $M	Yen ¥M	Euro €M	HKD $HK	GBP £M	USD $M	Yen ¥M	HKD $HK
2013									
Borrowings	**(60.1)**	**(1,425.8)**	**(13,000.0)**	**–**	**(470.0)**	**(60.1)**	**(1,425.8)**	**(13,000.0)**	**(470.0)**
Other net assets	**48.4**	**–**	**–**	**2.4**	**–**	**–**	**–**	**–**	**–**
CCIRS	**6.4**	**1,425.8**	**13,000.0**	**–**	**470.0**	**6.4**	**1,425.8**	**13,000.0**	**470.0**
FEC	**0.2**	**–**	**–**	**(3.0)**	**–**	**–**	**–**	**–**	**–**
Total exposure	**(5.1)**	**–**	**–**	**(0.6)**	**–**	**(53.7)**	**–**	**–**	**–**
2012									
Borrowings	(60.1)	(1,405.3)	(13,000.0)	–	–	(60.1)	(1,405.3)	(13,000.0)	–
Unrecognised firm commitment	–	(90.5)	–	–	–	–	(90.5)	–	–
Other net assets	65.7	–	–	2.2	–	–	–	–	–
CCIRS	6.5	1,495.8	13,000.0	–	–	6.5	1,495.8	13,000.0	–
FEC	(10.8)	–	–	(3.0)	–	–	–	–	–
Total exposure	1.3	–	–	(0.8)	–	(53.6)	–	–	–

37 Financial instruments (continued)

(e) MARKET RISK (continued)

(i) FOREIGN EXCHANGE RISK (continued)

Cross currency interest rate swap contracts ("CCIRS")

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 CCIRS which cover 100% of the US, UK and Asian 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.

When Swaps held are no longer effective in hedging the interest rate and foreign currency risk exposure, management will reassess the value in continuing to hold the Swap. Due to the strong AUD and low interest rates experienced during the year ended 30 June 2013, 11 derivatives have been terminated or restructured for a cost of $4.6 million. The cash cost is reflected in the Statement of Cash Flow and the accounting cost is reflected in Note 5.

These CCIRS 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(l). During the previous financial years, certain CCIRS no longer qualified as effective under hedge accounting rules. Whilst this is the case, management believe the hedges in place as at 30 June 2013 are economic hedges. Refer to Note 37(f) for the carrying values of these CCIRS.

Sensitivity analysis – foreign exchange risk

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% (2012: 10%) at balance date with all other variables held constant.

	Stockland Consolidated Group			
	Statement of Comprehensive Income		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2013				
AUD/GBP exchange rate movement of 6 pence	**7.6**	**(9.6)**	**(7.2)**	**8.9**
AUD/USD exchange rate movement of 9 cents	**(10.3)**	**11.8**	**(13.2)**	**16.0**
AUD/YEN exchange rate movement of 9 Yen	**(3.7)**	**(1.5)**	**–**	**–**
AUD/EUR exchange rate movement of 7 cents	**0.1**	**–**	**–**	**–**
AUD/HKD exchange rate movement of 72 cents	**–**	**–**	**(0.7)**	**0.9**
Total impact[1]	**(6.3)**	**0.7**	**(21.1)**	**25.8**
30 June 2012				
AUD/GBP exchange rate movement of 7 pence	8.0	(9.7)	(9.1)	11.2
AUD/USD exchange rate movement of 10 cents	(10.7)	12.8	(3.7)	4.9
AUD/YEN exchange rate movement of 8 Yen	0.7	(3.5)	–	–
AUD/EUR exchange rate movement of 8 cents	0.2	(0.1)	–	–
Total impact[1]	(1.8)	(0.5)	(12.8)	16.1

1 The (decrease)/increase in exchange rates would have $Nil (2012: $Nil) impact on the Stockland Consolidated Group's Underlying Profit.

37 Financial instruments (continued)

(e) MARKET RISK (continued)

(i) FOREIGN EXCHANGE RISK (continued)

Sensitivity analysis – foreign exchange risk (continued)

				Stockland Trust Group
	Statement of Comprehensive Income		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2013				
AUD/GBP exchange rate movement of 6 pence	**7.6**	**(9.6)**	**–**	**–**
AUD/USD exchange rate movement of 9 cents	**(10.3)**	**11.8**	**(13.2)**	**16.0**
AUD/YEN exchange rate movement of 9 Yen	**(3.7)**	**(1.5)**	**–**	**–**
AUD/HKD exchange rate movement of 72 cents	**–**	**–**	**(0.7)**	**0.9**
Total impact[1]	**(6.4)**	**0.7**	**(13.9)**	**16.9**
30 June 2012				
AUD/GBP exchange rate movement of 7 pence	6.3	(8.0)	–	–
AUD/USD exchange rate movement of 10 cents	(10.7)	12.8	(3.7)	4.9
AUD/YEN exchange rate movement of 8 Yen	0.7	(3.5)	–	–
Total impact[1]	(3.7)	1.3	(3.7)	4.9

[1] The increase/(decrease) in exchange rates would have $Nil (2012: $Nil) impact on the Stockland Trust Group's Underlying Profit.

(ii) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to 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 and fixed-to-floating interest rate swaps.

Interest rate derivatives

Stockland's treasury policy allows Stockland to enter into a variety of approved derivative instruments to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures. These derivatives have been recorded on the Balance Sheet at their fair value in accordance with AASB 139. These derivatives 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 to accounting policy at Note 1(l).

Refer to Note 37(f) for the carrying values of these interest rate derivatives.

37 Financial instruments (continued)

(e) MARKET RISK (continued)

(ii) INTEREST RATE RISK (continued)

Interest rate derivatives (continued)

The table below provides a summary of Stockland's interest rate risk exposure on interest-bearing loans and borrowings after the effect of the interest rate derivatives.

	Net exposure (after the effect of derivatives) 2013 $M	2012 $M
Stockland Consolidated Group and Stockland Trust Group		
Fixed rate interest-bearing loans and borrowings[1]	**2,436.0**	2,138.5
Floating rate interest-bearing loans and borrowings[1]	**408.4**	1,190.4
	2,844.4	3,328.9

[1] Notional principal amounts.

Sensitivity analysis – interest rate risk

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 (2012: 100 basis points) with all other variables held constant.

	Stockland Consolidated Group			
	Statement of Comprehensive Income		Equity	
	100bp higher $M	100bp lower $M	100bp higher $M	100bp lower $M
30 June 2013				
Effect of market interest rate movement	**72.7**[1]	**(92.0)**[2]	**8.1**	**(9.1)**
30 June 2012				
Effect of market interest rate movement	45.3[1]	(28.3)[2]	7.8	(8.3)

[1] The impact on the Statement of Comprehensive Income would be reflected as $70.4 million gain (2012: $44.0 million gain) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $2.3 million gain (2012: $1.3 million gain) in "Interest income from other parties". The impact to Stockland Consolidated Group's Underlying Profit would be limited to the interest income gain of $2.3 million gain (2012: $1.3 million gain).

[2] The impact on the Statement of Comprehensive Income would be reflected as $89.7 million loss (2012: $27.0 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $2.3 million loss (2012: $1.3 million loss) in "Interest income from other parties". The impact to Stockland Consolidated Group's Underlying Profit would be limited to the interest income loss of $2.3 million loss (2012: $1.3 million loss).

37 Financial instruments (continued)

(e) MARKET RISK (continued)

(ii) INTEREST RATE RISK (continued)

Sensitivity analysis – interest rate risk (continued)

	Stockland Trust Group			
	Statement of Comprehensive Income		Equity	
	100bp higher $M	100bp lower $M	100bp higher $M	100bp lower $M
30 June 2013				
Effect of market interest rate movement	**110.7[1]**	**(130.0)[2]**	**8.1**	**(9.1)**
30 June 2012				
Effect of market interest rate movement	83.0[1]	(66.0)[2]	7.8	(8.3)

1 The impact on the Statement of Comprehensive Income would be reflected as $70.4 million gain (2012: $44.0 million gain) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $40.3 million gain (2012: $39.0 million gain) in "Interest income from other parties". The impact to Stockland Trust Group's Underlying Profit would be limited to the interest income gain of $40.3 million gain (2012: $39.0 million gain).

2 The impact on the Statement of Comprehensive Income would be reflected as $89.7 million loss (2012: $27.0 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $40.3 million loss (2012: $39.0 million loss) in "Interest income from other parties". The impact to Stockland Trust Group's Underlying Profit would be limited to the interest income loss of $40.3 million loss (2012: $39.0 million loss).

(iii) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of investments in listed/unlisted entities fluctuate due to changes in the underlying share/unit price. Stockland's equity price risk arises from investments in listed securities and units in unlisted funds. These investments are classified as financial assets carried at fair value, with any resultant gain or loss recognised in the Profit or Loss.

Sensitivity analysis – equity price risk

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income if the market price of the underlying equity securities/units at balance date had been 10% higher/lower (2012: 10%) with all other variables held constant.

	Stockland Consolidated Group		Stockland Trust Group	
	10% higher $M	10% lower $M	10% higher $M	10% lower $M
30 June 2013				
Market price of securities	**7.8**	**(7.8)**	**1.9**	**(1.9)**
30 June 2012				
Market price of securities	9.1	(9.1)	2.5	(2.5)

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES

Determination of fair value

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 derivatives and CCIRS 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.

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 at balance date.

Fair values versus carrying amounts

All financial instruments recognised on the balance sheet are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

	Stockland Consolidated Group and Stockland Trust Group			
	Carrying amount 2013 $M	**Fair value 2013 $M**	Carrying amount 2012 $M	Fair value 2012 $M
Domestic medium term notes	**(607.4)**	**(666.5)**	(682.0)	(743.0)
Foreign medium term notes	**(1,854.1)**	**(1,958.5)**	(1,650.6)	(1,649.4)
	(2,461.5)	**(2,625.0)**	(2,332.6)	(2,392.4)

The difference of $163.5 million (2012: $59.8 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.

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES (continued)

Fair values of derivatives

	Current other assets		Non-current other assets		Current other liabilities		Non-current other liabilities	
	2013 $M	2012 $M	**2013 $M**	2012 $M	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Stockland Consolidated Group								
Derivatives that do qualify as effective under hedge accounting rules:								
Fair value hedges	**–**	–	**22.5**	13.0	**(8.2)**	(18.7)	**(88.1)**	(101.4)
Cash flow hedges	**–**	–	**0.1**	–	**–**	–	**3.1**	(5.1)
Derivatives that do not qualify as effective under hedge accounting rules:								
CCIRS	**–**	–	**65.9**	76.1	**(223.3)**	(9.3)	**(47.1)**	(288.7)
Interest rate derivatives	**3.4**	6.5	**66.3**	112.7	**(5.3)**	(2.6)	**(297.5)**	(382.3)
Foreign exchange contracts	**1.0**	4.4	**–**	–	**–**	–	**(1.8)**	(1.5)
	4.4	10.9	**154.8**	201.8	**(236.8)**	(30.6)	**(431.4)**	(779.0)
Stockland Trust Group								
Derivatives that do qualify as effective under hedge accounting rules:								
Fair value hedges	**–**	–	**22.5**	13.0	**(8.2)**	(18.7)	**(88.1)**	(101.4)
Cash flow hedges	**–**	–	**0.1**	–	**–**	–	**3.1**	(5.1)
Derivatives that do not qualify as effective under hedge accounting rules:								
CCIRS	**–**	–	**65.9**	76.1	**(223.3)**	(9.3)	**(47.1)**	(288.7)
Interest rate derivatives	**3.4**	6.5	**66.3**	112.7	**(5.3)**	(2.6)	**(297.5)**	(382.3)
Foreign exchange contracts	**1.0**	4.4	**1.8**	1.5	**(1.0)**	(4.4)	**(1.8)**	(1.5)
	4.4	10.9	**156.6**	203.3	**(237.8)**	(35.0)	**(431.4)**	(779.0)

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

			Stockland Consolidated Group	
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2013				
Financial assets carried at fair value				
Securities in listed entities	**58.4**	**–**	**–**	**58.4**
Units in unlisted entities	**–**	**–**	**19.9**	**19.9**
Derivative assets	**–**	**158.6**	**0.6**	**159.2**
	58.4	**158.6**	**20.5**	**237.5**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(668.2)**	**–**	**(668.2)**
Financial liabilities designated at fair value through profit or loss	**–**	**(837.1)**	**–**	**(837.1)**
Retirement Living resident obligations	**–**	**–**	**(1,829.4)**	**(1,829.4)**
	–	**(1,505.3)**	**(1,829.4)**	**(3,334.7)**
	58.4	**(1,346.7)**	**(1,808.9)**	**(3,097.2)**
2012				
Financial assets carried at fair value				
Securities in listed entities	65.9	–	–	65.9
Units in unlisted entities	–	–	25.2	25.2
Derivative assets	–	53.8	158.9	212.7
	65.9	53.8	184.1	303.8
Financial liabilities carried at fair value				
Derivative liabilities	–	(262.4)	(547.2)	(809.6)
Financial liabilities designated at fair value through profit or loss	–	(643.5)	–	(643.5)
Retirement Living resident obligations	–	–	(1,753.4)	(1,753.4)
	–	(905.9)	(2,300.6)	(3,206.5)
	65.9	(852.1)	(2,116.5)	(2,902.7)

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES (continued)

Fair value hierarchy (continued)

There were no transfers between Level 1 and Level 2 fair value measurements during the financial year. During 2013 the Group terminated or restructured a number of derivatives that were reported within Level 3 in the prior year, as part of a process to simplify the hedging portfolio. Certain other financial instruments that were Level 3 in the prior year have been transferred to Level 2 in the current year due to the refinement of the Group's valuation methodologies, resulting in an increased use of observable market inputs.

				Stockland Trust Group
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2013				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**19.4**	**19.4**
Derivative assets	**–**	**160.4**	**0.6**	**161.0**
	–	**160.4**	**20.0**	**180.4**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(669.2)**	**–**	**(669.2)**
Financial liabilities designated at fair value through profit or loss	**–**	**(837.1)**	**–**	**(837.1)**
	–	**(1,506.3)**	**–**	**(1,506.3)**
	–	**(1,345.9)**	**20.0**	**(1,325.9)**
2012				
Financial assets carried at fair value				
Units in unlisted entities	–	–	24.8	24.8
Derivative assets	–	55.3	158.9	214.2
	–	55.3	183.7	239.0
Financial liabilities carried at fair value	–			
Derivative liabilities	–	(266.8)	(547.2)	(814.0)
Financial liabilities designated at fair value through profit or loss	–	(643.5)	–	(643.5)
	–	(910.3)	(547.2)	(1,457.5)
	–	(855.0)	(363.5)	(1,218.5)

There were no transfers between Level 1 and Level 2 fair value measurements during the financial year.

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES (continued)

Fair value hierarchy (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Stockland Consolidated Group			
	Units in unlisted entities $M	Derivatives $M	Retirement Living resident obligations $M	Total $M
2013				
Balance at 1 July	**25.2**	**(388.3)**	**(1,753.4)**	**(2,116.5)**
Total gains and losses recognised in:				
– profit or loss	**–**	**(18.1)**	**85.3**	**67.2**[1]
– other comprehensive income	**0.1**	**–**	**–**	**0.1**[2]
Transfer to Level 2		**407.0**	**–**	**407.0**
Purchases	**0.6**	**–**	**–**	**0.6**
Net cash settled on resident turnover	**–**	**–**	**(161.3)**	**(161.3)**
Capital distributions	**(6.0)**	**–**	**–**	**(6.0)**
Balance at 30 June	**19.9**	**0.6**	**(1,829.4)**	**(1,808.9)**
2012				
Balance at 1 July	26.4	(357.8)	(1,629.2)	(1,960.6)
Total gains and losses recognised in:				
– profit or loss	0.4	(25.6)	24.3	(0.9)[1]
– other comprehensive income	–	(4.9)	–	(4.9)[2]
Purchases				
Acquisitions through business combinations	0.6	–	(21.0)	(20.4)
Net cash settled on resident turnover	–	–	(127.5)	(127.5)
Capital distributions	(2.2)	–	–	(2.2)
Balance at 30 June	25.2	(388.3)	(1,753.4)	(2,116.5)

1 Of this amount, $18.0 million loss (2012: $53.4 million loss) represents the total gains/(losses) for the year included in profit or 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.

37 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES (continued)

Fair value hierarchy (continued)

During 2013 the Group terminated or restructured a number of derivatives that were reported within Level 3 in the prior year, as part of a process to simplify the hedging portfolio. Certain other financial instruments that were Level 3 in the prior year have been transferred to Level 2 in the current year due to the refinement of the Group's valuation methodologies, resulting in an increased use of observable market inputs.

	Stockland Trust Group		
	Units in unlisted entities $M	Derivatives $M	Total $M
2013			
Balance at 1 July	**24.8**	**(388.3)**	**(363.5)**
Total gains and losses recognised in:			
– profit or loss	**–**	**(18.1)**	**(18.1)**[1]
– other comprehensive income	**–**	**–**	**–**
Transfer out of level 3	**–**	**407.0**	**407.0**
Purchases	**0.6**	**–**	**0.6**
Capital distributions	**(6.0)**	**–**	**(6.0)**
Balance at 30 June	**19.4**	**0.6**	**20.0**
2012			
Balance at 1 July	25.9	(357.8)	(331.9)
Total gains and losses recognised in:			
– profit or loss	0.5	(25.6)	(25.1)[1]
– other comprehensive income	–	(4.9)	(4.9)[2]
Purchases	0.6	–	0.6
Capital distributions	(2.2)	–	(2.2)
Balance at 30 June	24.8	(388.3)	(363.5)

1 Of this amount, $18.0 million loss (2012: $53.4 million loss) represents the total losses for the year included in profit or 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.

38 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
Mr Peter Scott
Mr Terry Williamson

EXECUTIVE DIRECTOR

Mr Mark Steinert, Managing Director (appointed 29 January 2013)

SENIOR EXECUTIVES

Mr Tim Foster	Chief Financial Officer ("CFO") (ceasing employment 31 October 2013)
Mr Mark Hunter	CEO Residential (ceased employment 28 June 2013)
Mr David Pitman	CEO Retirement Living (ceasing employment 17 September 2013)
Mr Michael Rosmarin	Group Executive, Strategy and Human Resources
Mr John Schroder	CEO Commercial Property

FORMER SENIOR EXECUTIVES

Ms Karyn Munsie	EGM, Corporate Affairs (ceased employment 2 July 2012)
Mr Matthew Quinn	Managing Director (ceased employment 11 January 2013)

Stockland has defined the term Executive to include the Managing Director and Senior Executives. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited.

38 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] cash $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	Deferred STI $	LTI[5,6] $	Total $
Total remuneration												
Key Management Personnel	**2013**	**7,615,950**	**25,664**	**30,330**	**1,810,833**	**9,482,777**	**131,090**	**2,580,053**	**(17,764)**	**365,750**	**740,382**	**13,282,288**
	2012	7,817,621	25,235	–	1,915,000	9,757,856	218,101	500,000	(93,536)	241,666	(16,036)	10,608,051

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary sacrificed items and FBT payable on these items.
3 STIs (in cash) 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 grants. 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 27 to 49 of the Directors' Report.

38 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION

Equity and rights holdings and transactions

Stockland securities and rights held

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. The movement during the year in the number of stapled securities and rights held, directly, indirectly or beneficially, by KMP, including parties related to them, is as follows:

Employee	Type	Balance at 1 July 2012	Acquired or Granted	Equity Incentives which lapsed	Equity Incentives which vested	Balance 30 June 2013[1]
Managing Director						
Mark Steinert	Ordinary	65,800	182,000	–	–	**247,800**
	PRP Rights (unvested)	–	528,000	–	–	**528,000**
	Deferred STI (unvested)	–	58,451	–	–	**58,451**
Senior Executives						
Tim Foster	Ordinary	–	–	–	16,376	**16,376**
	PRP Rights (unvested)	730,000	370,000	(738,000)	–	**362,000**
	Deferred STI (unvested)	32,752	23,005	–	(16,376)	**39,381**
Mark Hunter	Ordinary	68,894	–	–	34,312	**103,206**
	PRP Rights (unvested)	668,000	338,500	(1,006,500)	–	**–**
	Deferred STI (unvested)	34,312	–	–	(34,312)	**–**
David Pitman	Ordinary	108,500	–	–	16,376	**124,876**
	PRP Rights (unvested)	585,000	296,000	(881,000)	–	**–**
	Deferred STI (unvested)	32,752	–	(16,376)	(16,376)	**–**
Michael Rosmarin	Ordinary	–	–	–	14,556	**14,556**
	PRP Rights (unvested)	441,000	232,500	(213,000)	–	**460,500**
	Deferred STI (unvested)	29,113	24,883	–	(14,556)	**39,440**
John Schroder	Ordinary	330,500	–	–	25,994	**356,494**
	PRP Rights (unvested)	860,000	435,000	(434,000)	–	**861,000**
	Deferred STI (unvested)	51,987	56,808	–	(25,994)	**82,801**
Former Executives						
Matthew Quinn[2]	Ordinary	2,246,000	–	–	–	**2,246,000**
	PRP Rights (unvested)	1,029,000	–	(1,029,000)	–	**–**
	Deferred STI (unvested)	–	–	–	–	**–**

1 Balance excludes rights that have vested/lapsed on 30 June.
2 Mr M Quinn ceased employment during the current financial year. Movements in his shareholdings and rights are disclosed in relation to his time of employment during the financial year to the date of his resignation.

38 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION (continued)

Equity and rights holdings and transactions (continued)

Stockland securities and rights held (continued)

Employee	Type	Balance at 1 July 2011	Acquired or Granted	Equity Incentives which lapsed	Equity Incentives which vested	Sold	Balance 30 June 2012[1]	Vested rights at 30 June 2012
Managing Director								
Matthew Quinn	Ordinary	1,884,500	–	–	361,500	–	2,246,000	–
	PRP Rights (unvested)	2,289,000	–	(1,260,000)	–	–	1,029,000	794,000
	Deferred STI (unvested)	–	–	–	–	–	–	–
Senior Executives								
Tim Foster	Ordinary	–	–	–	–	–	–	–
	PRP Rights (unvested)	594,000	362,000	(226,000)	–	–	730,000	–
	Deferred STI (unvested)	–	32,752	–	–	–	32,752	–
David Pitman	Ordinary	39,000	–	–	69,500	–	108,500	–
	PRP Rights (unvested)	640,000	290,000	(345,000)	–	–	585,000	108,500
	Deferred STI (unvested)	–	32,752	–	–	–	32,752	–
Michael Rosmarin	Ordinary	–	–	–	–	–	–	–
	PRP Rights (unvested)	213,000	228,000	–	–	–	441,000	–
	Deferred STI (unvested)	–	29,113	–	–	–	29,113	–
John Schroder	Ordinary	175,000	–	–	155,000	–	330,000	–
	PRP Rights (unvested)	965,000	426,000	(531,000)	–	–	860,000	330,500
	Deferred STI (unvested)	–	51,987	–	–	–	51,987	–
Mark Hunter	Ordinary	58,345	–	–	40,549	(30,000)	68,894	–
	PRP Rights (unvested)	724,000	331,000	(387,000)	–	–	668,000	65,394
	Deferred STI (unvested)	–	34,312	–	–	–	34,312	–
Former Executive								
Karyn Munsie[2]	Ordinary	–	–	–	–	–	–	–
	PRP Rights (unvested)	428,000	207,000	(635,000)	–	–	–	–
	Deferred STI (unvested)	–	–	–	–	–	–	–

1 Balance excludes rights that have vested/lapsed on 30 June.
2 Ms K Munsie left Stockland during the previous financial year. Movements in her rights held under the PRP during the financial year up until her retirement are disclosed above.

38 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION (continued)

Equity and rights holdings and transactions (continued)

Measurement

Refer Note 26 for details regarding the calculation of fair values for the PRP.

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(cc)(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.

Stockland securities held by Non-Executive Directors

		Total securities held at 1 July	Purchased	Sold	Total securities held at 30 June
Non-Executive Directors					
G Bradley	**2013**	**180,723**	**–**	**–**	**180,723**
	2012	180,723	–	–	180,723
D Boyle	**2013**	**61,169**	**–**	**–**	**61,169**
	2012	61,169	–	–	61,169
C Hewson	**2013**	**17,809**	**–**	**–**	**17,809**
	2012	17,809	–	–	17,809
B Neil	**2013**	**51,607**	**–**	**–**	**51,607**
	2012	51,607	–	–	51,607
C Schwartz	**2013**	**10,000**	**–**	**–**	**10,000**
	2012	10,000	–	–	10,000
P Scott	**2013**	**28,049**	**–**	**–**	**28,049**
	2012	28,049	–	–	28,049
T Williamson	**2013**	**94,430**	**–**	**–**	**94,430**
	2012	94,430	–	–	94,430

38 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP
(continued)

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 $13,776,414 (2012: $12,416,966), and total expenses of $14,969,760 (2012: $17,218,189). Details of the transactions are as follows:

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 at 30 June 2013 of $2.7 million (2012: $2.3 million). During the financial year, Stockland entered into a revolving bank facility of $100 million with HSBC due to mature in July 2014, and HSBC also acted as lead manager on a HK$470 million debt placement. Fees paid to HSBC during the financial year were $0.4 million (2012: $1.0 million).

Mr G Bradley is also a Director of EnergyAustralia Holdings Limited (formerly TRUenergy Holdings Limited), the parent of EnergyAustralia Pty Limited which provides energy related products and services to Stockland and its controlled entities. Amounts paid or payable to EnergyAustralia Pty Limited during the financial year were $7,961,903 (2012: $5,736,022).

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 $144,252 (2012: $335,978). Sinclair Knight Merz is paying commercial rent at various Stockland properties. Rents received and receivable from Sinclair Knight Merz for the financial year were $9,330,455 (2012: $9,944,795).

Mr P Scott is also Chairman of Perpetual Limited ("Perpetual"). Amounts paid and payable to Perpetual during the financial year were $63,877 (2012: $47,746).

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 $6,346,247 (2012: $2,863,345).

Ms C Hewson is a Director of BT Investment Management, which are Stockland's preferred superannuation fund manager.

Ms C Hewson is also a Director of BHP Billiton Limited ("BHP"). BHP is paying commercial rent on various Stockland properties. Rents received and receivable from BHP during the financial year were $4,044,863 (2012: $1,740,431).

Ms C Hewson was a Director of Westpac Banking Corporation ("Westpac") until 30 June 2012. Westpac 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 Schwartz is a member of the City of Melbourne's Enterprise Melbourne Advisory Board. Amounts paid and payable to the City of Melbourne during the financial year were $nil (2012: $793,979).

Ms C Schwartz is also a member of The Sydney Institute. Amounts paid and payable to The Sydney Institute during the financial year were $20,000 (2012: $20,627).

Mr T Williamson is a member of the University of Sydney School of Business Advisory Board. Amounts paid and payable to the University of Sydney during the financial year were $12,749 (2012: $nil).

39 Other related party disclosures

Details of dealings with the Stockland Consolidated Group and Stockland Trust Group companies are set out below:

Stockland Trust Management Limited as Responsible Entity for Stockland Trust has agreed to not demand payment of the intercompany debt with Stockland Corporation Limited Group ($3,902.9 million at 30 June 2013) and provide financial and other support until the earliest of the time Stockland Corporation has net assets of at least $100 million, or twenty months from the date of the agreement (which was 12 February 2013).

RESPONSIBLE ENTITY FEES AND OTHER TRANSACTIONS

PROPERTY MANAGEMENT EXPENSES

Property management expenses were paid by Stockland Trust Group to Stockland Trust Management Limited (the Responsible Entity) or its related parties on the following services provided in the normal course of business and on normal terms and conditions.

	Stockland Consolidated Group		Stockland Trust Group	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Responsible Entity management fees	**–**	–	**(12.1)**	(8.1)
Property management and leasing	**–**	–	**(22.1)**	(22.0)
Recoupment of expenses	**–**	–	**(52.6)**	(58.1)
	–	–	**(86.8)**	(88.2)

The Responsible Entity management fees are calculated at 0.2% of gross assets of the Stockland Trust Group from 1 January 2013 (0.1% up to 31 December 2012).

DEVELOPMENT MANAGEMENT FEE

A development management deed was executed between Stockland Trust and Stockland Development Pty Limited (a controlled entity of Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for Corporation's property development expertise and is calculated as 50 per cent of the total valuation gain or loss on the completion of a development. Fees are paid by Stockland Trust to Stockland Development Pty Limited.

Development management fee	**–**	–	**(29.1)**	–

INTEREST

Interest was paid by Stockland Corporation Limited to the Stockland Trust Group, a related party of the Responsible Entity provided in the normal course of business and on normal terms and conditions.

Interest income	**–**	–	**351.8**	362.1

The Stockland Trust Group has an unsecured loan to Stockland Corporation Limited Group repayable at call to the Stockland Trust Group of $3,902.9 million (2012: $3,831.4 million). Interest on both loans was payable monthly in arrears at interest rates within the range of 8.4% to 9.4% during the year ended 30 June 2013 (2012: 8.5% to 8.9%). The Stockland Trust Group has not called on this loan at 30 June 2013.

RENT

Rent was paid by Stockland Corporation Limited, a related party of the Responsible Entity to the Stockland Trust Group in the normal course of business and on normal terms and conditions.

Rent income	**–**	–	**10.2**	10.5

39 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	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Responsible Entity fees	**2.0**	2.4	**–**	–
Management and service fees	**0.5**	0.5	**–**	–
Performance fees expense	**–**	1.3	**–**	–
Property management and leasing fees	**1.6**	1.4	**–**	–

Stockland has trade receivables of $5.5 million (2012: $5.1 million) due from the unlisted property funds.

As at 30 June 2013, the carrying amount of Stockland's investment in the unlisted property funds was $19.9 million (2012: $25.2 million).

LOAN FACILITY OFFER

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of the Stockland Consolidated Group has provided loan facility offers to two 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 to Stockland Direct Retail Trust No. 1 ("SDRT No. 1") of $40.0 million expires on 28 February 2015. SDRT No. 1 is charged a line fee of 30 basis points on this facility offer. A loan facility offer to Stockland Residential Estates Equity Fund No. 1 ("SREEF No.1") of $40.0 million expires on 30 September 2016. SREEF No. 1 is not charged a line fee on this facility offer.

40 Events subsequent to the end of the year

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

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

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2013

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 51 to 149, 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 2013 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 34 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 2013 in accordance with the provisions of the Trust Constitution of 24 October 2006, as amended.
4. The Register of Unitholders has, during the year ended 30 June 2013, 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 2013.
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
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 13 August 2013

Independent Auditor's Report

pwc

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 comprises:

- the Consolidated Balance Sheet as at 30 June 2013, and the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, selected explanatory notes and the directors' declaration for Stockland Consolidated Group, being the consolidated stapled entity ("Stockland Consolidated Group"). The consolidated stapled entity, as described in Note 1 to the financial report, comprises Stockland Corporation Limited and the entities it controlled during that year, including Stockland Trust and the entities it controlled during that year, and
- the Consolidated Balance Sheet as at 30 June 2013, and the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, selected explanatory notes and the directors' declaration for Stockland Trust Group, being the consolidated entity ("Stockland Trust Group"). The consolidated entity comprises Stockland Trust and the entities it controlled during that year.

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 (including the Australian Accounting Interpretations) 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.

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 Stockland Consolidated Group and Stockland Trust Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stockland Consolidated Group and Stockland Trust Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Independent auditor's report to the stapled securityholders of Stockland Consolidated Group and the unitholders of Stockland Trust Group (continued)

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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 Stockland Consolidated Group and Stockland Trust Group's financial positions as at 30 June 2013 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the remuneration report included in pages 27 to 49 of the directors' report for the year ended 30 June 2013. The directors of Stockland Consolidated Group 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 Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Stockland Consolidated Group for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers	I L Hammond *Partner*	S J Hadfield *Partner*

Sydney, 13 August 2013

Securityholders

FOR THE YEAR ENDED 30 JUNE 2013

The information set out below was prepared as at 28 August 2013 and applies equally to Stockland Trust and Stockland Corporation Limited, as members are required to hold equal numbers of units in the Trust and shares in the Corporation under the terms of the joint quotation on the Australian Securities Exchange. There are on issue 2,305,750,747 ordinary units in the Trust and ordinary shares in the Corporation.

There is no current on-market buyback.

Largest twenty ordinary Unitholders/Securityholders	Number of securities	Percentage of issued securities
HSBC Custody Nominees (Australia) Limited	576,069,200	24.98
J P Morgan Nominees Australia Limited	448,928,855	19.47
National Nominees Limited	404,017,158	17.52
Citicorp Nominees Pty Limited	129,094,052	5.60
BNP Paribas Noms Pty Ltd <DRP>	89,700,298	3.89
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	60,955,578	2.64
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	55,231,407	2.40
AMP Life Limited	43,588,916	1.89
J P Morgan Nominees Australia Limited <Cash Income A/C>	43,021,475	1.87
RBC Investor Services Australia Nominees Pty Limited <APN A/C>	18,991,641	0.82
Equity Trustees Limited <EQT SGH Property Inc Fund>	11,994,527	0.52
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	10,199,352	0.44
Merrill Lynch (Australia) Nominees Pty Limited <MI Pro A/C>	9,268,000	0.40
Questor Financial Services Limited <TPS RF A/C>	8,317,611	0.36
RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	6,884,514	0.30
EG Holdings Pty Ltd	6,411,632	0.28
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	6,078,630	0.26
Bond Street Custodians Limited <ENH Property Securities A/C>	5,959,963	0.26
UBS Wealth Management Australia Nominees Pty Ltd	5,568,808	0.24
UBS Nominees Pty Ltd	5,510,000	0.24

Distribution of Securityholders	Number of securities	Percentage of securityholders
1 – 1,000	4,155,809	20%
1,001 – 5,000	57,269,792	47%
5,001 – 10,000	63,117,023	20%
10,001 – 100,000	118,904,928	13%
100,001 and over	2,062,308,195	Less than 1%

There were 1,919 securityholders holding less than a marketable parcel (135) at close of trading on 28 August 2013.

Substantial Securityholders	Number of units/shares
Vanguard Investments Australia Limited/Vanguard Group Inc	169,936,759
Blackrock Investment Management (Australia) Limited and Associated Entities (Blackrock Group)	131,344,992
Commonwealth Bank Of Australia/Colonial First State Limited	123,771,773
AMP Limited (and its related bodies corporate)	117,294,838
Perpetual Limited and Subsidiaries	116,676,892

Securityholder information

End of financial year tax statement

After 30 June each year you will receive a comprehensive tax statement. This statement summarises the distributions and dividends paid to you during the year, and includes information required to complete your tax return.

Shareholder Review and Financial Report

Members have a choice of whether they receive:

- the Shareholder Review only;
- a Financial Report in this form;
- the Shareholder Review plus detailed Financial Report; or
- electronic versions of the Shareholder Review and Financial Report.

Further information

For more information about Stockland including the latest financial information, announcements, property news and corporate governance information visit our website at www.stockland.com.au

Registry

Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland. Contact Computershare on 1800 804 985 for:

- change of address details;
- request to receive communications online;
- request to have payments made directly to a bank account;
- provision of tax file numbers; or
- general queries about your securityholding.

Distribution periods

1 July – 31 December
1 January – 30 June

Record dates

31 December 2013
30 June 2014

Annual General Meeting

Will be held at Four Seasons Hotel, 199 George St, Sydney NSW 2000 at 2.30pm on Tuesday 29 October 2013.

Directory

Head office

Level 25, 133 Castlereagh Street,
Sydney NSW 2000
Toll free: 1800 251 813
Telephone: (61 2) 9035 2000

Corporation/ Responsible Entity

Stockland Corporation Limited
ACN 000 181 733
Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

Custodian

The Trust Company Limited
ACN 004 027 749
35 Clarence Street
Sydney NSW 2000

Directors

NON-EXECUTIVE

Graham Bradley – Chairman
Duncan Boyle
Carolyn Hewson
Barry Neil
Carol Schwartz
Peter Scott
Terry Williamson

EXECUTIVE

Mark Steinert – Managing Director

COMPANY SECRETARIES

Phillip Hepburn
Derwyn Williams

Unit/Share registry

Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street,
Sydney NSW 2000
Freecall: 1800 804 985
Telephone: (61 3) 9415 4000
Email: stockland@computershare.com.au

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation Limited
Australia and New Zealand Banking Group Limited

Auditor

PricewaterhouseCoopers

Quoted Securities

SGP ordinary units/shares on the
Australian Securities Exchange

This page has been left blank intentionally.

Designed and produced by Designworks.

Stockland

30 June 2013

Stockland Corporation Ltd
ACN 000 181 733

Head Office
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Sydney
Telephone 02 9035 2000

Melbourne
Telephone 03 9095 5000

Brisbane
Telephone 07 3305 8600

Perth
Telephone 08 9368 9222

www.stockland.com.au

This report is printed on Impact, made with 100% post consumer waste recycled fibre. Impact is FSC® certified and produced with a carbon neutral manufacturing process. Paper production and the printing process were carried out under the ISO 14001 certified systems.

FSC www.fsc.org FSC® C008478 The mark of responsible forestry

Certified System Environment ISO 14001 SAI GLOBAL Certification applies to Offset Alpine Printing

Process Chlorine Free PCF

Paper Made Carbon Neutral CN

Note: All figures are in Australian dollars unless otherwise indicated.