

STOCKLAND



STOCKLAND

Annual Report 2002

“While this is our 50th year and we note the significant achievements of the past, our attention is entirely focused on the future and seeking out opportunities to grow earnings and shareholder value.”

PETER DALY CHAIRMAN

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RESULTS IN BRIEF

| | 2002 | 2001 | |
|---|------------|------------|--------|
| Members' equity | \$2,642.7m | \$2,337.5m | +13.1% |
| Total assets | \$3,327.1m | \$3,386.2m | -1.7% |
| Gross revenue | \$837.3m | \$631.5m | +32.6% |
| Net profit | \$249.8m | \$198.2m | +26.0% |
| Distribution/dividend | \$241.3m | \$192.4m | +25.4% |
| Units/shares on issue | 832.1m | 770.0m | +8.1% |
| Earnings per unit/share | 30.8c | 29.2c | +5.5% |
| Distribution/dividend per ordinary unit/share | 29.7c | 28.3c | +4.9% |
| Net tangible assets per unit/share | \$3.14 | \$3.01 | +4.3% |
| Gearing ⁽¹⁾ | 12.6% | 16.4% | -23.2% |

(1) Interest bearing liabilities less cash over total assets

CHAIRMAN'S REPORT



PETER DALY CHAIRMAN

2002 was a milestone year for Stockland, it being our 50th year of business.

This is a noteworthy achievement, not only to have survived, but also to have grown and prospered over those 50 years through periods of significant change and varying economic circumstances.

I am delighted to report that Group net profit grew by over \$50 million to \$250 million for the 2002 financial year, an increase of 26% on the prior year.

Earnings per security increased by 5.5% to 30.8 cents and distributions to shareholders increased by 4.9% to 29.7 cents per security.

On a much sadder note, on 20 July, only days after our 50th anniversary, Mr Ervin Graf, a founding director, guiding force and Chairman until his retirement in October 2000, passed away suddenly. I pay special tribute to Ervin later in this report.

2002 was the first full year of the significantly enlarged Stockland Trust Group following the acquisition of the Flinders, Advance and Australian Commercial Property Trusts. Our increased size has enabled us to improve the depth and capability of our management team, and during the year we recruited a number of highly skilled and experienced executives to drive the business forward.

Each year brings its challenges, some of which are well anticipated but others come totally unexpected. In recent years we have experienced an Asian economic crisis, a millennium transition and the introduction of a goods and services tax.

2001 presented two unexpected challenges, namely the bursting of the technology bubble and the horrific events of September 11. Perhaps the first might have been anticipated but the second is something that no one could have expected. In addition, some significant corporate failures have occurred both here and abroad, largely as a consequence of a breakdown in good corporate governance procedures, greed and unrealistic expectations and behaviour in industries with soft assets.

The Australian economy has survived the recent global downturn much better than most others, largely as a result of good management and a low dollar. The economy enters the 2003 financial year with reasonable growth prospects but with investment markets looking decidedly uncertain and lacking confidence as more corporate credibility issues unfold in the United States.

Investor confidence has been seriously shaken. Indirectly this has benefited our industry, as there has been a flight to organisations with quality earnings, conservative underlying philosophies and hard assets, that is, the tried and true.

Corporate governance issues are obviously high on current agendas and while we have a very transparent business with physical real estate assets which are readily valued by traditional techniques, we have nevertheless closely examined our corporate governance procedures.

Our Board comprises a majority of non executive directors who draw upon their extensive business experience to guide the strategic direction of the group. We have an active and independent Compliance Committee, an Audit Committee and a Nominations and Remuneration Committee, each of which is chaired by a Non Executive Director. We have recently reviewed the relationship with our auditors and have put in place policies relating to the calling of tenders for audit work, the rotation of the senior audit partner and the limiting of extra consulting services that the audit firm may provide.

Another issue currently under scrutiny is the matter of executive share options and their accounting treatment. It is significant to note that Stockland has never issued any such options. We do have an executive share plan but it requires the executive to purchase fully paid securities for which the company makes an interest bearing repayable loan. There are no consequent accounting issues.

Our stakeholders should take great confidence in our corporate procedures and general governance behaviour.

While this is our 50th year and we note the significant achievements of the past, our attention is entirely focused on the future and seeking out opportunities to grow earnings and shareholder value.

Your Directors are confident that, subject to any unforeseen circumstances, distribution and dividend levels for the current year will continue to improve.

I close this report by returning to the very sad and unexpected death of Ervin Graf on 20 July 2002, at the age of 77.

Ervin migrated to Australia from Hungary in 1949 at the age of 25. The business which a few years later became the listed company Stocks & Holdings Ltd, was commenced by him in 1952 in conjunction with the brothers, Albert Scheinberg and John Hammond. He considered Stockland to be like one of his children.

Ervin combined an unusual array of talents and characteristics: extremely intelligent and quick of mind, pioneering yet conservative, private and unpretentious, totally focused on the interests of all shareholders large and small, and lacking in personal greed. I had the privilege and benefit of working with Ervin over a period of 30 years.

In recent years Stockland has grown significantly larger and has changed to meet the requirements for success in the future. Nevertheless, the Ervin legacy is well entrenched and his values and principles will not be soon forgotten.

He is sadly missed.



Peter Daly
Chairman



ERVIN GRAF, THE FOUNDER OF STOCKLAND IN 1952 AND FORMER CHAIRMAN, DIED SUDDENLY IN JULY 2002 AT THE AGE OF 77. HE WILL BE DEEPLY MISSED BY ALL OF US BUT HIS LEGACY LIVES ON.



“Our continued success will rest on the development and retention of strong and enduring relationships with our shareholders and all of our other stakeholders including staff, tenants, customers, suppliers and all levels of government.”

MATTHEW QUINN MANAGING DIRECTOR

MANAGING DIRECTOR'S REPORT



MATTHEW QUINN MANAGING DIRECTOR

I am very proud to present my report to you as Managing Director of Stockland in our 50th year.

Stockland has gone through some important changes over the last few years and we have grown significantly. However, the fundamental principles that have guided the Group over our long history still remain embedded in our culture. These are:

- We are merely the custodians of shareholders' funds and we act at all times in their best interests.

Our stapled security structure still provides the only true structure in the listed property trust sector that ensures alignment of management and

shareholder interests without leakage of management fees or a conflicting accountability to a third party manager. Indeed, our management team are all shareholders in their own right.

- Our continued success will rest on the development and retention of strong and enduring relationships with all of our other stakeholders including staff, tenants, customers, suppliers and all levels of government. I am pleased that a number of our stakeholders in each area of our business have agreed to be included in this Annual Report as a reflection of the strength of these relationships.



THE OUTLOOK, KELLYVILLE, NSW

The 2002 financial year was quite dramatic for all markets in Australia and around the globe. Investors in many sectors suffered a harsh reality check resulting in a growing realisation that listed property trust groups, such as Stockland, are capable of outperforming other investment classes

by delivering a quality, high yielding income stream plus capital growth.

I am pleased to report that we have delivered another strong performance, producing increased profits and shareholder returns well in excess of the wider market.

Looking forward, our businesses have strong fundamentals and we are well positioned to continue our track record of consistent profit growth. We have active strategies in place to profitably grow the business from this solid platform and we have a very strong balance sheet with low debt levels of only 13% of total assets, giving us significant capacity to fund this growth strategy.

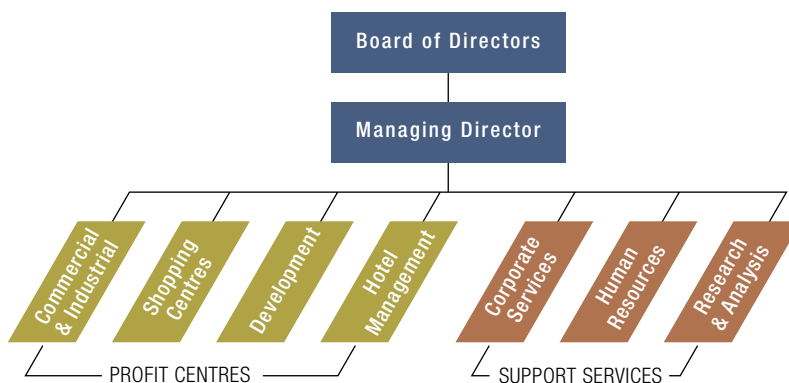
Our business basically comprises two components, Stockland Trust and Stockland Corporation Limited, which collectively form the Stockland Trust Group stapled security.

Stockland Trust owns investment property assets across Australia comprising shopping centres, commercial offices, industrial parks and office parks. We manage all of these assets in house with our own on site and head office staff. We have proactive strategies for the management, leasing and development of our assets to produce consistently increasing rental returns, thus providing a growing annuity style income stream for our investors.

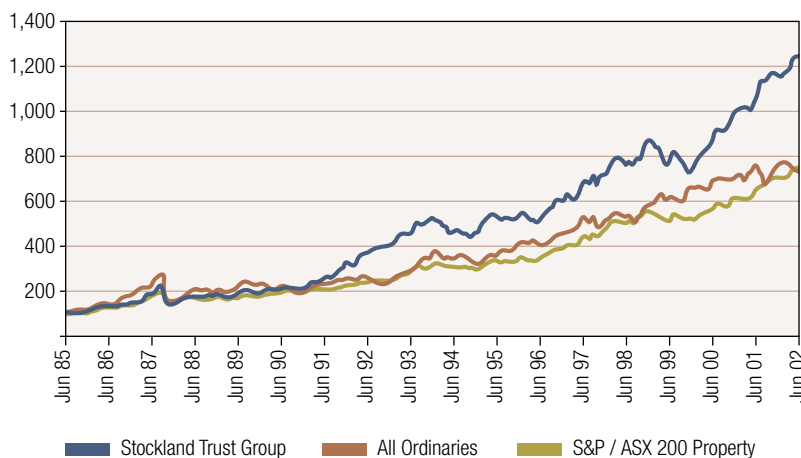
We have strategies in place to grow our investment portfolio by judicious acquisition in key growth markets.

Stockland Corporation Limited is one of the largest and most successful real estate development businesses in Australia spanning residential estates, apartments, hotels and large mixed use sites across the country.

GROUP MANAGEMENT STRUCTURE

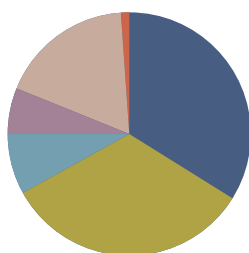


MARKET PERFORMANCE

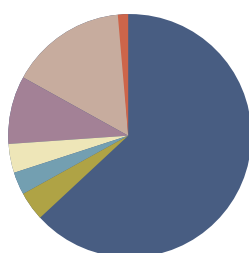
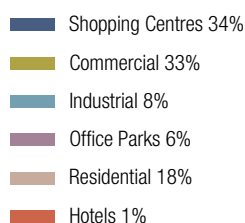


Total return, June 1985 = Common base of 100
Source: UBS Warburg

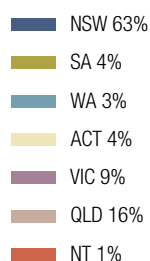
MANAGING DIRECTOR'S REPORT



ASSET DIVERSITY OF GROUP



GEOGRAPHIC DIVERSITY OF GROUP



Many of these residential based projects have a retail or commercial component and we capitalise on our core competencies as long term owners and managers of these asset classes through the Trust to ensure the synergies that exist across our group are maximised. These projects are often in partnership with government agencies or other corporate entities and our ability to bring a whole of organisation approach to mixed use development and urban consolidation provides added value both for Stockland and for the other party.

The Corporation also manages a chain of apartment style hotels trading under the successful 'Saville' brand across Australia.

Our businesses performed extremely well in the 2002 financial year, producing significant growth in profits.

Our investment property assets have a total value of \$2.6 billion and achieved a profit before tax of \$231 million, an increase of 11% on the previous year. This growth came partly from strong organic rental growth as a result of our proactive asset management strategies and also from the acquisition of the \$892 million Advance portfolio in late 2000, which had its first full year profit contribution in the 2002 financial year.

Our development business had another record year, achieving profit before tax of \$62 million, an increase of 22% on the previous year. The development business represents only 18% of total group assets and we have the capacity to significantly grow this business while still maintaining a prudent balance between annuity style rental income and development profits.

In line with this objective, we acquired a number of strategic development sites during the financial year, which will provide the platform for further profit growth. We now control over 23,500 future residential lots (subdivided land and apartments) across Australia.

The spread of assets between the Trust and Corporation makes Stockland one of the most diversified property groups in Australia and this diversification enhances our ability to reduce volatility in earnings by spreading risk across the various sectors and geographic locations.

Despite the legal structure of a separate Trust and Corporation, we manage Stockland as one business with one Board of Directors and below that, an Executive Committee comprising myself, the Chief Executive Officers of the main operating divisions and our Finance Director, who oversees the Corporate Services Division. This structure is shown diagrammatically on the previous page and later in this Report each executive will provide more details on the performance of their respective divisions.

Our Executive Committee structure ensures that there is a strong sense of teamwork between each operating division and through this, our diversification becomes not just a mechanism to spread risk across asset classes, but also a means to add value for our shareholders.

Our Board and management structure enable us to react quickly to opportunities with efficient decision making, while at the same time ensuring the best standards of corporate governance.

We significantly strengthened our management team during the year and Stockland now has one of the most experienced and capable teams in the Australian property industry.

This, together with our strong balance sheet gives us the platform to create significant further value for our shareholders.

In summary, we are well positioned to continue the success achieved throughout our 50 year history.

I would like to thank all of our shareholders for your support during the last year and all of our staff for their hard work and dedication.

Matthew Quinn
Managing Director

“The Board comprises a majority of non executive directors who draw upon their extensive business experience to guide the strategic direction of the group.”

PETER DALY CHAIRMAN

THE DIRECTORS



Peter Daly Chairman
Non Executive Director
B.E., M.I.E. Aust Age 61

Mr Daly was appointed Chairman of the Board in October 2000 and was Managing Director from March 1990 to October 2000, prior to which he was Group General Manager. Mr Daly has been involved in the real estate industry for the past thirty-one years, thirty of which have been with the Stockland Trust Group. During those years he has filled a number of executive positions within the Group. Mr Daly is a member of the Nominations and Remuneration Committee.



Nicholas Greiner Deputy Chairman
Non Executive Director
B.Ec (Hons), M.B.A. Age 55

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. Mr Greiner was a Member of the New South Wales Parliament from 1980 to 1992 and Premier for the last five years of that period. Prior to entering Parliament, and after a distinguished academic career, he held executive positions in the United States of America and Australia. Mr Greiner is chairman of Boulderstone Hornibrook Limited and a director of McGuigan Simeon Wines and QBE Insurance Group. Mr Greiner is chairman of the Nominations and Remuneration Committee.



Matthew Quinn Managing Director
B.Sc (Hons), A.C.A., A.R.C.S. Age 40

Mr Quinn has an extensive background in commercial, retail, industrial and residential property investment and development. Mr Quinn started his career in the United Kingdom as a chartered accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined Rockingham Park Group, a substantial Western Australian private property investor and developer. Mr Quinn joined Stockland Trust Group in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn is a member of the Nominations and Remuneration Committee and Risk Management Committee.



Bruce Corlett

Non Executive Director

B.A., LLB Age 57

Mr Corlett was appointed to the Board in November 1996. Over the past 30 years he has been director of many publicly listed companies including TNT Limited, Advance Bank Limited and the Australian Maritime Safety Authority. Mr Corlett is currently a director of a number of other companies including Servcorp Ltd (chairman), Adsteam Marine Limited (chairman) and Trust Company of Australia Limited. Mr Corlett is a member of the Audit Committee.



David Fairfull

Non Executive Director

B.Comm, C.P.A., A.C.I.S., A.S.I.A. Age 60

Mr Fairfull was appointed to the Board in March 1990. He is non executive director of Australian Pharmaceutical Industries Limited, Gazal Corporation Limited, Keith Harris & Company Limited, SP Telecommunications Limited and Washington H Soul Pattinson & Company Limited. Mr Fairfull is chairman of the Audit and Compliance Committees.



John Pettigrew Finance Director

F.C.P.A., F.C.I.S. Age 56

Mr Pettigrew has had extensive commercial and financial experience with a number of major corporations and 28 years of involvement in the property industry, including 25 years with the Stockland Trust Group. Mr Pettigrew was Company Secretary and Chief Financial Officer from 1977 and has held the position of Finance Director since his appointment in 1982. Mr Pettigrew is a member of the Compliance Committee and Risk Management Committee.



Barry Thornton

Non Executive Director

K.S.J., F.C.A., FAICD, FAIM Age 62

Mr Thornton was appointed to the Board in October 1995. He is chairman of GWA International Limited and Brisbane Airport Corporation Limited. Mr Thornton is currently chairman of the Salvation Army Brisbane Advisory Board and deputy chancellor of Bond University Limited. Mr Thornton is a member of the Audit Committee.

“As Chairman of the Audit Committee I meet with the external auditors a minimum of four times a year and the full Committee meets with the external auditors as required, but at least twice per year.”

DAVID FAIRFULL NON EXECUTIVE DIRECTOR AND CHAIRMAN OF THE AUDIT COMMITTEE

CORPORATE GOVERNANCE

The stapled security structure of the Stockland Trust Group means that governance of the Group is undertaken by two parties.

- Stockland Trust and sub-trusts Advance Property Fund, Flinders Industrial Property Trust, Australian Commercial Property Trust and Property Trust of Australasia, are governed by the Responsible Entity, Stockland Property Management Limited (SPML).
- Stockland Corporation Limited (Corporation) is governed by its Board of Directors. As SPML is a wholly owned subsidiary of Corporation, the corporate governance procedures for both entities are the same.

The Trust became a registered scheme under the Corporations Law on 18 May 2000. Trust Company of Australia Limited (“TCA”) retired as trustee on this date and SPML became the Responsible Entity. TCA was subsequently appointed as custodian of the assets of the Trust.

The Directors of SPML and Corporation are responsible for the overall corporate governance of the Group, including the protection of unit/shareholder interests, establishing strategic direction, and overseeing the management of the operating business units. While working together, each of SPML and Corporation has separate legal responsibilities in relation to corporate governance activities.

Composition of Corporation/SPML Board

The Boards of Directors of Corporation and SPML are identical. They comprise seven directors, five non-executive directors and two executive directors.

All directors are appointed for a period of three years. The performance of directors is reviewed annually and, after each three year period, re-endorsement of a director by the Board is subject to the recommendation of the Directors’ Nominations and Remuneration Committee. The reappointment of directors every three years and the appointment of new directors are subject to approval by shareholders at a general meeting.

The remuneration of non-executive directors is determined by the full Board of Corporation, subject to the limits approved by shareholders. No separate remuneration is paid in relation to SPML board membership.

The Board meets monthly to discuss Group strategy and direction, pertinent business issues and to review the operating results of the Group.

External directors have access to the Group’s executives at all times and may engage independent consultants, where required, to advise on relevant matters.

Policies are in place applicable to all directors and employees governing conflicts of interest and trading in Stockland securities.

Duties of the Responsible Entity

The Responsible Entity is the party primarily responsible for the operation of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the Constitution and the Corporations Law in the best interests of unitholders, and ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

- ongoing management, research and selection of property investments
- maintenance of all accounting and statutory records of the Trust
- management of all equity and debt raisings, and
- preparation of all notices and reports issued to unitholders

Committees

The Boards of Corporation and SPML have established a number of committees to assist both Boards in relation to specific areas of responsibility.

Each Board Committee reports in summary to the next full Board meeting with minutes of each meeting circulated to all Board members.

Audit Committee

The Audit Committee consists of non-executive directors, David Fairfull (Committee Chairman), Bruce Corlett, and Barry Thornton, who meet as required but at least twice each year with the external auditors, prior to the release of the results for each half-year period. Executive directors and senior executives are invited to Committee meetings as required by the Committee.

The role of the Committee includes:

- review of financial reports prior to public release
- monitoring internal control procedures and internal audit of the Group, and
- liaising with the Group's external auditors in relation to the effective conduct of the audit function and any other issues in relation to the financial management and control of the Group which the auditors may bring to the attention of the Committee.

At the recommendation of the Audit Committee, the full Board has adopted a policy in respect of its relationship with external auditors effective from January 2002. The key elements of this policy are:

- the audit is to be put to tender every 7 years,
- the audit partner is to be changed every 5 years, and
- certain non-audit work such as management consulting, internal audit and staff recruitment must be given to other firms.

KPMG in its current and previous structure has been the auditor of Stockland Trust Group since inception in 1982.

The Audit Committee is completely satisfied that the current auditor, KPMG, is fulfilling its statutory obligations in an entirely independent and professional manner.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee comprises Nick Greiner (Committee Chairman), Peter Daly and Matthew Quinn. They meet as and when required, but at least annually to review the remuneration of executive directors and other senior executives as referred from management or the full Board.

The role of the Committee is:

- to nominate new members to the Board as and when required, to either replace a retiring director or to appoint an additional director,
- to review the performance of directors and decide whether to recommend their re-endorsement as directors at the end of three year appointments,
- to review and recommend to the Board, for its approval, the remuneration of executive directors and other senior executives, and

- to monitor the general remuneration policies of the Group.

Environmental Committee

Annually, the full Board convenes as the Environmental Committee, to consider how issues associated with the environment impact on the Group's operations and to ensure that the Group is complying with all relevant statutory requirements.

Compliance Committee

The role of the Compliance Committee includes responsibility for evaluation of the effectiveness of the Responsible Entity's compliance system which is designed to protect the interests of Unitholders. The compliance plan has been approved by ASIC.

The Compliance Committee must report breaches of the law and Constitution to the Board which must report to ASIC any circumstances where the Board considers that appropriate action has not or will not be taken on a reported breach.

Members of the Committee are David Fairfull (Committee Chairman), John Pettigrew and Robert Sully. Mr Sully, a retired chartered accountant, is an independent member of this Committee.

Risk Management Committee

This Committee was formed during the year to consolidate and formalise the Group's various structures to manage day to day business risks. The Committee comprises executive directors Matthew Quinn and John Pettigrew and Divisional Chief Executive Officers Denis Hickey, Darren Steinberg and Steve Mann.

An external consulting firm has been appointed to assist the Committee in the structuring and documentation of the Group's Risk Management Program, as well as ongoing audit of the Program.

Communication to Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders as follows:

- by forwarding to shareholders the half-year and annual reports.
- notice of meetings are sent to all applicable shareholders/unitholders, and
- by providing details to the Australian Stock Exchange of significant or share price sensitive matters for release to the market.

All documents released to the market are made available on the Group's internet website.



RAY WAGNER, DEPUTY CHAIRMAN, AUSTRALIAN SHAREHOLDERS' ASSOCIATION (1993 TO 2001)

"As a long time unitholder in Stockland Trust Group, I have always been impressed with the board and senior management's willingness to recognise the right of unitholders to be inquisitive about the company's performance and activities. Not only has the company been ready and willing to listen to the matters raised by me on my own behalf and on behalf of other minority unitholders, they also get my nod and respect for being helpful, efficient, effective and informative."

“Our people are our greatest asset and we are committed to ensuring Stockland is a recognised employer of choice.”

MATTHEW QUINN MANAGING DIRECTOR

OUR PEOPLE

SCOTT TAYLOR AND SUSIL CHAND, FINANCE



STEPHANIE ZIU, DEVELOPMENT



TROY WAINWRIGHT AND STEPHEN GASSMAN, DEVELOPMENT



JO MCKELLAR AND LILIAN CLARKE, HUMAN RESOURCES



↑
RICK COOPER, SHOPPING CENTRES

↓
DAVID TAN, HOTELS



←
FRED BIRA AND DANIEL O'CONNELL,
SHOPPING CENTRES



↑
PETER SAMUEL, RACHELLE CROWTHER
AND LIZA MARIS, SHOPPING CENTRES



↑
PETER MORLEY AND ANDREW HODGSON, COMMERCIAL



↑
SCOTT TRAVERS, RACHAEL BAILEY AND TIM McENALLAY, INDUSTRIAL



↑
BOB WALSH AND NICK DUNCAN, DEVELOPMENT



Commercial investment
portfolio of more than
\$1 billion

25 properties
located along the
Eastern Seaboard

In excess of
350,000 square
metres of lettable
space and over
400 tenants

Industrial and Office Park
investment portfolio of
12 properties
valued at more than
\$450 million

In excess of
760,000 square
metres of lettable
space and more
than **80** tenants

Inhouse property
management,
development
and leasing

“Capital markets have been reweighted strongly in favour of property investment and this has caused continued growth in values in most commercial and industrial markets.”

STEVE MANN CEO COMMERCIAL & INDUSTRIAL

COMMERCIAL & INDUSTRIAL OVERVIEW



STEVE MANN CEO COMMERCIAL & INDUSTRIAL

Our Commercial, Industrial and Office Park portfolios performed very well in the 2002 financial year, achieving strong rental growth under quite difficult market conditions.

The demand from Australian companies for commercial and industrial space has been impacted by the weakness in global markets which created uncertainty as to their short and long term space requirements. This resulted in the previous trend of rental growth in the office markets stalling in 2001, particularly due to increasing sub-lease space which has undercut the market.

Vacancy rates for the major office markets in which we operate are shown below:

Office Market Vacancy

| | Jun 01 | Jun 02 |
|--------------|--------|--------|
| Sydney | 5.4% | 6.7% |
| Melbourne | 5.8% | 7.8% |
| Canberra | 5.7% | 6.3% |
| North Sydney | 5.0% | 8.3% |

Source: JLL Advisory.



↑
234 SUSSEX STREET, SYDNEY, NSW



↑
RIVERSIDE PLAZA, MELBOURNE, VIC

Strong white-collar employment growth of 3.5% in 2001 is likely to be followed by a decline in 2002, lead by the IT & communications and business services sectors. Despite this, the limited amount of new office supply during the year, by historical standards, has ensured that vacancy rates have not dramatically blown out and although significant construction has commenced, these projects are mostly not due for completion until 2004 and onwards. Melbourne is the market which is most advanced in the development cycle with several projects under construction which could dampen rental returns in the medium term. By comparison, Sydney should remain fairly robust.

The most direct consequence of the bursting of the technology bubble was a sudden reduction in the demand for office space in locations favoured by those industries. Indeed, many such tenants are now competing in the market place to sub-lease surplus space. Fortunately, these events have occurred at a time when there is not a significant increase in the supply pipeline and the worst case scenario of simultaneous oversupply and falling demand has not occurred such as it did in the late eighties.

The performance of the industrial markets has been more stable with reasonably high leasing take-up of new buildings.

Capital markets have been reweighted strongly in favour of property investment as an asset class due to poor returns from other equity markets and this has caused continued growth in values in most commercial and industrial markets, despite there being limited evidence of significant rental growth.

COMMERCIAL & INDUSTRIAL OVERVIEW



PICCADILLY COMPLEX
133-145 CASTLEREAGH ST, SYDNEY, NSW



EDMUND BARTON BUILDING, CANBERRA, ACT



77 PACIFIC HIGHWAY, NORTH SYDNEY, NSW

Commercial Portfolio

The Commercial office portfolio performed well, with like for like income growth of 4%. Our strong focus on renewing leases on expiry was the foundation for this result, with tenant retention of 86% being achieved resulting in relatively high occupancy levels and a portfolio vacancy rate of only 3%.

Management of the portfolio lease expiry profile remains a key focus for the management team and large renewals achieved include ANZ Bank (15,000 square metres) Westpac (11,600 square metres) and Optus (9,900 square metres).

In August 2001 we completed the takeover of the Australian Commercial Property Trust, which has allowed us to pursue a strategy to sell smaller non-core assets while market conditions are strong. Five assets were sold for a total of \$71 million during the year.

The \$26 million redevelopment of 77 Pacific Highway, North Sydney was completed in July 2002, providing a well located "A grade" 9,700 square metre office tower, with extensive city and harbour views. Current leasing conditions in North Sydney are soft, however the product has been well received by the market.



ROBYN MCKEOWN, WESTPAC
HEAD OF GROUP PROCUREMENT

"Westpac and Stockland value their relationship and the opportunities it offers both organisations, from both a property and financial perspective."

COMMERCIAL & INDUSTRIAL OVERVIEW



↑
HEATHER MORRIS, FACILITIES MANAGER, SONY



↑
CENTRECOURT ESTATE, NORTH RYDE, NSW

“Stockland appreciate our needs and concerns. A good relationship has developed because they are very tenant focused and liaise regularly.”

Office Park Portfolio

The Office Park portfolio is predominantly located in Sydney's premier suburban office precinct of North Ryde. This portfolio has extensive development potential which could more than double the size of the portfolio over the next few years in line with market demand. Masterplanning for these developments has been completed and development approvals are now in place for over 100,000 square metres of new space.

Tenant demand in North Ryde has been slow this year impacted by the soft conditions in the broader office market, however we are confident the market will improve in the medium term, with vacant land sales showing significant price increases during the year.

The portfolio has a strong lease expiry profile with a blue chip tenant base and our strategy as a major land owner in North Ryde is to work with our tenants to ensure we are able to meet their growth requirements within our developments.



↑
WATERLOO ROAD, NORTH RYDE, SYDNEY

COMMERCIAL & INDUSTRIAL OVERVIEW



YENNORA DISTRIBUTION PARK, SYDNEY, NSW

Industrial Portfolio

Our industrial assets comprise large distribution centres in strategic locations across Australia.

Yennora Distribution Park, in Sydney, is our largest property with over 280,000 square metres of lettable area.

The site includes a six track private railway siding, one of only six spur lines in NSW. The rail siding will be of major future strategic benefit following the recent sale of Freightcorp to the private sector and the NSW State Government's commitment to reduce truck movements from Sydney's roads. We have commenced a \$40 million redevelopment of 80,000 square metres in Building 1 on the site, to provide high clearance modern warehouse accommodation and container storage with frontage to the railway siding. Some of this space is already precommitted.

Income performance from the portfolio for the 2002 financial year was strong with some excellent leasing results.



YENNORA DISTRIBUTION PARK, SYDNEY, NSW



HENDRA DISTRIBUTION PARK, BRISBANE, QLD



Investment portfolio of
14 Shopping Centres
valued at over
\$1 billion

In excess of
340,000 square
metres of lettable
space and over
1,000 tenants

Over **1 million**
customers per week

Annual retail sales
in excess of
\$1.4 billion

Active
development focus

Inhouse property
management,
development,
marketing
and leasing

“Retail sales from our centres increased by 4.3% on a comparable basis, vacancies are at an all time low and a number of successful developments were completed and are fully let.”

DARREN STEINBERG CEO SHOPPING CENTRES

SHOPPING CENTRES OVERVIEW



↑
DARREN STEINBERG CEO SHOPPING CENTRES

The 2002 financial year was very successful for the Shopping Centre Division.

Retail sales from our centres increased by 4.3% on a comparable basis, vacancies are at an all time low and a number of successful developments were completed and are fully let.

During the year the Division was restructured into the key areas of retail management, development, acquisitions, leasing and marketing. Several experienced senior executives were added to the team to assist in unlocking the potential of our centres and to identify and execute growth opportunities. This is in line with our strategy to become a market leader in specialty and sub regional shopping centres in Australia.

Economic conditions were fairly positive for the retailing environment throughout the year, fuelled by key drivers such as low interest rates, strong activity in the housing sector and a positive employment outlook.



GLENDALE, NSW



WETHERILL PARK, NSW



BAY VILLAGE, BATEAU BAY, NSW



GREEN HILLS, EAST MAITLAND, NSW

Despite recent interest rate rises and a subsequent erosion in consumer confidence, the sales performance of our centres will be boosted by our focus on the non-discretionary food and convenience retail offer.

Performance

Retail sales at Stockland Shopping Centres during the 2002 financial year totalled \$1.463 billion.

On a comparable basis, specialty store sales increased by 5.5%, an exceptionally strong result providing enhanced rental growth opportunities. A highlight during the year was several Stockland centres occupying key positions in the annual "Shopping Centre News" performance ratings for centres under 40,000 square metres. Stockland Bay Village retained number one position for specialty shop sales per square metre with Merrylands, Jesmond and Townsville numbers two, nine and eleven respectively.

The enhanced strength and experience of our leasing team resulted in a total of 242 leasing deals being completed with an average increase in rent of 7.4% from these transactions.

Vacancies reduced from 3.0% of GLA in December 2001 to 0.8% in June 2002 and of Stockland's 1,000 specialty shops only 18 were vacant as at 30 June 2002.

SHOPPING CENTRES OVERVIEW



TOWNSVILLE, QLD

Redevelopment continues to be a key driver within the Shopping Centre portfolio. During the year Stage 2 of our Wetherill Park Centre was completed. Stage 3 has now commenced and is due for completion by May 2003 comprising Target and approximately 25 specialty tenancies.

The \$115m redevelopment of Stockland Green Hills at Maitland is due for completion in September 2002 and will comprise Woolworths, Coles, Big W and specialty shops. The \$8 million expansion of Glendale was also completed during the year showing a return of 15% on project costs.

During the year both Franklins and Harris Scarfe underwent changes in ownership due to previous poor performance. New leasing arrangements have been finalised in all affected stores within Stockland centres ensuring the continuation of the income stream and in many cases a stronger retail mix, with retailers such as Woolworths, Coles and Aldi leasing the stores.



GREEN HILLS, EAST MAITLAND, NSW

Outlook

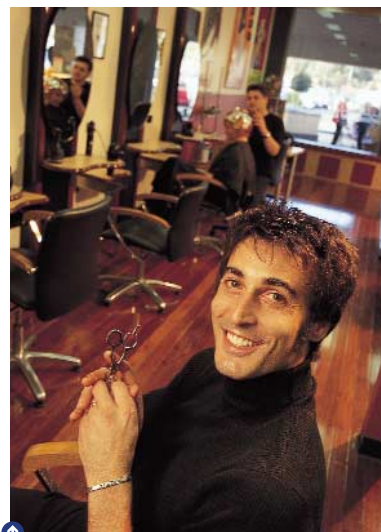
We envisage that the addition of more centres to our portfolio from our proactive acquisition strategies will be a major component of our future growth.

We have been successful in securing the much sought after \$45 million Batemans Bay development and this centre will comprise two supermarkets, a discount department store and specialty shops when it opens in 2004.

In late 2001 we acquired the Totem Centre at Balgowlah, Sydney, which we intend to redevelop as a high quality mixed use precinct including a 15,000 square metre shopping centre and over 200 residential apartments.

We are investigating further acquisition opportunities with a focus on the sub regional sector which offers value and convenience to customers.

In addition, we will continue to focus on adding value to our existing centres to secure further rental growth and market penetration. Medium term development opportunities are in the pre-planning phase for our centres at Merrylands, Bateau Bay, Jesmond and Glendale.



LARRY GERACE, ILLUSION IN HAIR AND BEAUTY
STOCKLAND WETHERILL PARK, NSW

"I believe Stockland lead the way in shopping centres, compared to their competitors. They have not lost sight of their tenants and are very proactive in ensuring their tenants' success. If you want to succeed in shopping centres, then Stockland would be a good place to start."



76 projects
throughout Australia
with an end market
value in excess of
\$2.5 billion

Over **23,500**
future residential
lots to be delivered

Active public and private
sector joint venture
development partner

Net profit before tax
increased **22%**
to **\$62 million**

More than
11,000 allotments
acquired for future
development
during the past year

Inhouse urban
design, marketing
and development
management

“Stockland’s Development Division delivered another record performance for the year driven by a combination of healthy market conditions and an increased focus by management on implementing innovative design, marketing and development strategies.”

DENIS HICKEY CEO DEVELOPMENT DIVISION

DEVELOPMENT DIVISION OVERVIEW



DENIS HICKEY CEO DEVELOPMENT DIVISION

Market Overview

The Australian residential development industry enjoyed a period of strong demand during the 2002 financial year with new dwelling commencements rising 43% from 116,300 to 166,000. This increase was primarily due to the following factors:

- A natural recovery from the post GST downturn
- The extension of the Federal Government’s \$14,000 “First Home Owners Scheme”
- Continued high affordability levels due to low interest rates

- A previous under supply of quality development stocks within key markets
- Investors shifting to property as a safe haven following poor returns from equity markets

Across Australia a large number of new projects were launched to the market during the past year and strong demand allowed many developers to achieve the first “real” price growth since the introduction of the GST.

Despite recent talk of an “overheated” residential market, an analysis of annual new dwelling commencements since 1990 reveals that there has been strong underlying demand of around 140,000 to 145,000 dwellings per year. Accordingly, last year’s strong market effectively balanced the shortfall of the previous year.

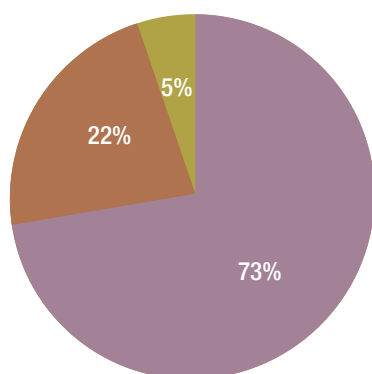
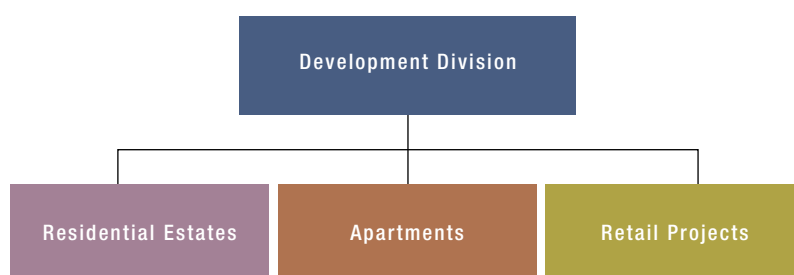


SALES AND MARKETING SUITE AT THE OUTLOOK, KELLYVILLE, NSW



SUBIACO SQUARE, PERTH, WA

DEVELOPMENT DIVISION STRUCTURE



DEVELOPMENT DIVISION ASSET DISTRIBUTION



There remains a strong push by all State Governments toward greater urban consolidation and higher density living, however traditional detached housing still represents more than 60% of the national market.

Most capital cities continue to hold sufficient undeveloped zoned land resources to satisfy future demand for this style of housing, however a shortage of future land supply in Sydney remains a most critical issue. Despite the NSW State Government recently placing an additional 52,000 lots on the future metropolitan development program, the delays associated with achieving rezoning and delivery of the necessary infrastructure to these release areas means that the current land shortage is unlikely to be alleviated for at least the next three years.

Stockland however, is well positioned to take advantage of this current undersupply with an inventory of more than 4,500 developable lots within this market.

The residential apartment market remained quite strong throughout the year however, there has been some recent evidence of an oversupply of lower grade investor driven product in specific markets.

The owner occupier segment of the market remains buoyant with solid demand still being displayed for quality product that focuses on lifestyle and amenity.

The market for small to medium sized retail based projects proved to be quite healthy during the 2002 financial year due to increased confidence from retailers to expand their operations. There was also strong demand from syndicate investors looking to acquire small suburban retail developments.

DEVELOPMENT DIVISION OVERVIEW



↑
BROOKLAND GREENS, PERTH, WA

Performance

Stockland's Development Division delivered another record performance for the year driven by a combination of healthy market conditions and an increased focus by management on implementing innovative design, marketing and development strategies to effectively improve our margins and stock turnover rates.

Net profit before tax increased by 22% to \$62 million and the book value of our assets increased by 34% to \$578 million as a result of several strategic acquisitions during the year.

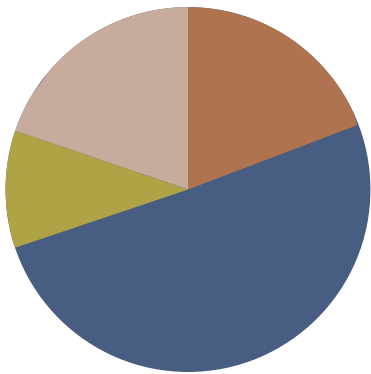
The division's three core development activities, being Residential Estates, Apartments and Retail Projects, allows us to be able to target a wide variety of development opportunities throughout Australia.

Residential Estates

Our Residential Estates business specialises in the development of master planned and integrated community based projects and we actively participate in the New South Wales, Queensland, Victorian and Western Australian markets. This is the primary activity within the Development Division accounting for 73% of the Division's assets.

The business is resourced with teams of experienced personnel who specialise in project acquisition, design, marketing, construction and development management.

Our primary objective is to ensure that all development projects achieve Stockland's financial and design quality benchmarks and to ensure that we create projects that deliver outstanding urban outcomes and outstanding returns to our shareholders.



RESIDENTIAL ESTATES

INVENTORY OF FUTURE LOTS 30 JUNE 2002

| | |
|--------------|---------------|
| NSW | 4,500 |
| QLD | 11,800 |
| VIC | 2,500 |
| WA | 4,500 |
| TOTAL | 23,300 |

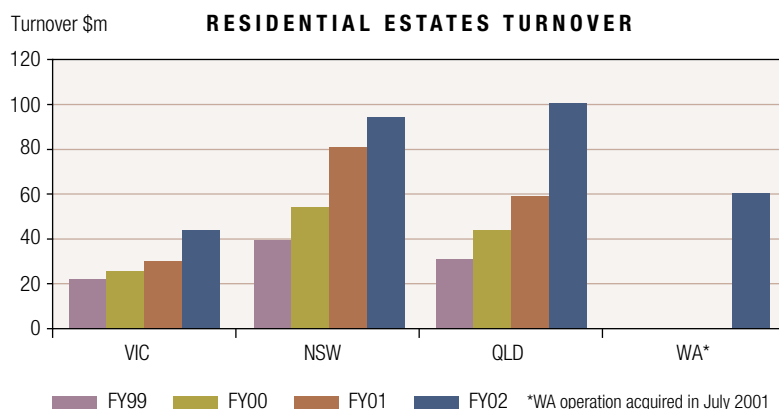


↑
MICHAEL AND WENDY WEBSTER,
RESIDENTS OF RIDGEWOOD ESTATE, QLD
AND PRINCIPALS OF MYCALL HOMES

“As builders and residents, we see Ridgewood offering a secure investment and unique environment to raise a family. Stockland's ongoing investment has been our primary motivation for recommending this estate to our friends.”



THE OUTLOOK, KELLYVILLE, NSW



Last year, all state operations achieved record turnover results due to a variety of new projects being launched to the market and a focused strategy to improve our stock turn.

We currently have 65 active projects located in strategic residential growth areas within New South Wales, Queensland, Victoria and Western Australia.

During the year considerable effort was given to restocking our Residential Estates land portfolio across the country to ensure we are well positioned to meet our future growth requirements.

We successfully acquired 11,030 future lots and we now control more than 23,000 residential allotments for future development.

We successfully completed the integration of the Taylor Woodrow business (acquired in July 2001) into the Stockland operation and have since acquired additional land in Western Australia to further grow our market share.

A complete review of our urban design practices was also undertaken during the year to ensure we meet our objective of creating residential developments that provide amenity, implement sustainable development practices and seamlessly integrate with the existing environment and community.

| Acquisitions during the 2002 Financial Year | | Lots |
|---|----------------|--------|
| New South Wales | Penrith | 620 |
| | Greystanes | 500 |
| | Campbelltown | 1,000 |
| Queensland | Thuringowa | 5,000 |
| | Reedy Creek | 750 |
| | Mt Coolum | 430 |
| | Upper Coomera | 750 |
| Victoria | Berwick | 370 |
| | Plenty | 650 |
| Western Australia | Southern River | 570 |
| | Banjup | 390 |
| Total Lots Acquired | | 11,030 |
| Total Lots Sold During The Year | | 3,048 |

DEVELOPMENT DIVISION OVERVIEW



↑
SUBIACO SQUARE, PERTH, WA

Last year also saw the successful launch of the following new projects with sales results exceeding expectations in all instances.

- The Promontory (Queensland)
- Country Club (Queensland)
- Ashdale Gardens (Western Australia)
- The Reserve (Western Australia)
- Lilly Tree Hill (New South Wales)
- Berwick Springs (Victoria)

We anticipate launching eight new projects during the 2003 financial year, all of which will reflect the new development and marketing philosophies of the Division.

Apartments

Our Apartments business specialises in the development of infill, residential and mixed-use developments that focus on the quality segment of the owner occupier market.

Due to the changing demographics within Australia's major urban markets and the continued push toward urban consolidation, this business presents a major growth opportunity for Stockland over the next three to four years. Our goal is for this business to deliver approximately 30% of the Development Division's overall profit by 2006.

Accordingly, during the year we successfully expanded our resources and skill base and now have a very experienced and capable team that will enable us to drive this business forward.

We successfully acquired two new mixed-use apartment sites during the year:

- **St Leonards (New South Wales)**
\$125 million development which will deliver 190 apartments and over 2,000 square metres of retail space. This project, branded "Abode", was successfully launched in May 2002.
- **Balgowlah (New South Wales)**
\$225 million mixed-use development consisting of a 15,000 square metre shopping centre and over 200 residential apartments. The shopping centre will be retained by the Trust on completion.

Following these acquisitions we now have five active projects in New South Wales, Victoria and Western Australia, which will yield more than 500 dwelling units.

Retail Projects

Our Retail Projects business specialises in the development and sale of small to medium sized bulky goods, homemaker, supermarket and convenience based centres.

The business' charter is to take strategic advantage of Stockland's wide retail tenant relationships and to seek development opportunities in emerging retailing markets and within existing Stockland mixed-use projects.

We currently have six active projects located in New South Wales and Queensland and future development opportunities are actively being sought in Victoria and Western Australia.



↑
TONY ABRUZZESE, ABODE PURCHASER

"Design, quality, location - these are the key factors I was looking for and I am pleased to have found them all in Stockland's Abode project."



More than
1,600
apartments in
11 hotels
across Australia

Trading under our
own 'Saville' brand

One of Australia's
leading apartment
style hotel operators

Mix of studio, one
and two bedroom
apartments

“Saville has 11 apartment style hotels in key locations around Australia, comprising more than 1,600 hotel apartments predominantly within the 4 - 4 ½ star market and catering mainly for the corporate sector.”

GREG SEAR CEO SAVILLE HOTEL GROUP

SAVILLE HOTEL GROUP OVERVIEW



GREG SEAR CEO SAVILLE HOTELS

Stockland has participated in the hospitality industry since the early 1980's through the management of apartment style hotels.



Our business operates under our own “Saville” brand which we formed in 1999 and has since become one of the leading apartment style hotel brands in Australia.

We developed several of our hotel properties using Stockland's inhouse development expertise and our business plan is to sell these buildings on completion on long term leaseback to Saville. Through this process we free up capital for reinvestment elsewhere in the Group, while also achieving security of tenure for our hotel business without substantial capital investment. Our investment in the hotel management operation and back of house facilities was approximately \$15 million at 30 June 2002.



↑ SAVILLE CHATSWOOD, SYDNEY, NSW



↑ SAVILLE 2 BOND ST, SYDNEY, NSW

Saville has 11 apartment style hotels in key locations around Australia, comprising a total of 1,624 apartments predominantly within the 4 to 4½ star market and catering mainly to the corporate sector.

The apartment style concept combines fully self-contained accommodation including kitchens and laundries, with full hotel services and facilities such as room service, restaurants, pools and other guest facilities.

“Saville Deluxe” and “Saville Park Suites” are the two key brands operated by Saville. We have two Deluxe properties in Sydney and Melbourne and seven Park Suites properties located in Sydney, Melbourne, Adelaide, Perth, Canberra and Darwin. We also manage two three star properties located in Brisbane and Adelaide.

Performance

The financial performance of the hotel division concluded more positively than we had originally forecast after the events of September 11. This is largely due to our market positioning which was more resilient to the downturn in the hotel industry, compared with those hotels exposed to the leisure and the five star corporate markets.

There was an immediate downturn in international visitors to Australia after September 11 and the inability of many travellers to fly during the period immediately following the collapse of Ansett, meant that many business and leisure guests cancelled their travel plans.

SAVILLE HOTEL GROUP OVERVIEW



↑
SAVILLE 2 BOND ST, SYDNEY, NSW



↑
SAVILLE ON RUSSELL, MELBOURNE, VIC

While most of our hotels rebounded quickly, our Sydney hotels had the added challenge of an oversupply of rooms post the 2000 Olympics. Canberra has also suffered from a highly competitive market.

Despite these events, the Saville Hotel Group retained good occupancy levels and market share against our competitor set and we achieved a net profit for the 2002 financial year of \$2.2 million, down from the \$3.8 million achieved in the 2001 financial year, which was boosted significantly by the Olympic period. This was a very good result under the circumstances.

The Future

The outlook for international tourism is more positive as our key markets of the UK, Europe, USA and New Zealand have all rebounded reasonably well and the increase in air capacity around Australia has resulted in our corporate occupancy rates almost returning to levels prior to the Ansett collapse, although room rates have not fully recovered. Demand is slowly growing to meet supply levels in Sydney.

The Saville brand continues to gain strength, and our consistency in hotel product and service puts us in a strong position for growing both our corporate and leisure business.

We continue to drive our brand and to deliver a quality product to ensure the expectations of our guests and freehold owners are met.



↑
KELLY O'BRIEN, NATIONAL ACCOUNT MANAGER
CARLSON WAGONLIT TRAVEL

"Saville Hotel Group never fail to meet the high expectations of my clients. As Travel Manager for Deloitte Touche Tohmatsu, I have full confidence in Saville's consistent quality product and friendly customer service."



“Our gearing (debt/assets) was only 13% at year’s end. We are therefore ideally positioned for major acquisitions, with the ability to debt fund purchases up to \$500 million, while remaining within our preferred gearing levels.”

JOHN PETTIGREW FINANCE DIRECTOR

CORPORATE SERVICES

The operating divisions of Stockland are well supported by highly professional teams for:

- Finance
- Procurement
- Legal
- Information Technology
- Internal Audit and Compliance
- Risk Management

Executives and staff in these areas have worked with much skill and commitment during the year to fully integrate the systems and records of the property trusts taken over by Stockland. They have built a solid platform to support the future growth of the Group.

Following 100% acquisition of Advance Property Fund and Flinders Industrial Property Trust in 2000, it was possible to have all sub-trusts deregistered with the approval of the Australian Securities and Investments Commission, with the resultant simplification of statutory compliance plans.



JOHN PETTIGREW FINANCE DIRECTOR

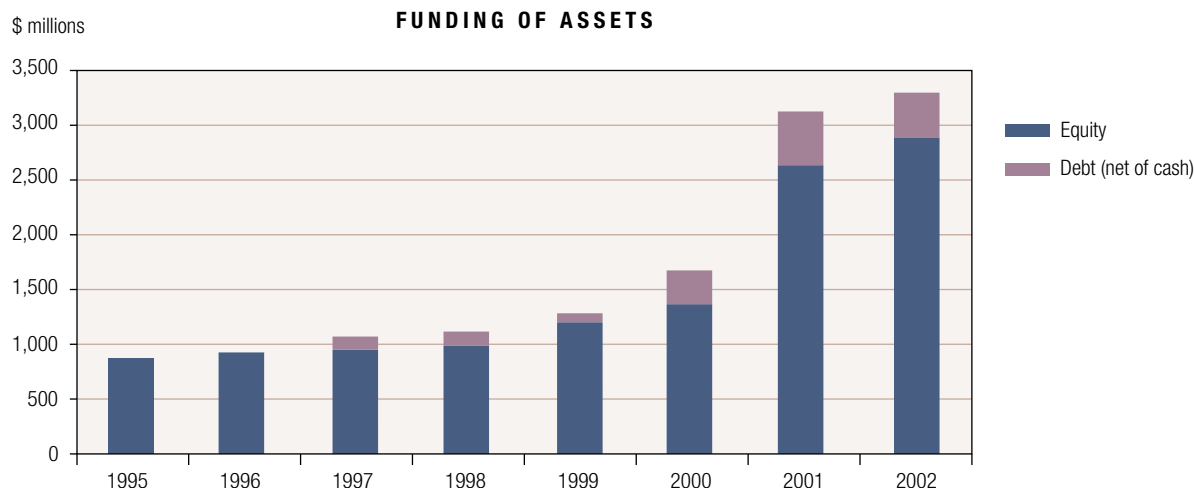
Our Group structure and reporting systems were simplified and significant progress was made during the year with a program to enhance our computer systems to provide the level of information and support required by management to extend the range and scope of Stockland’s already diversified activities.

During the year, we restructured to consolidate our procurement across operating divisions Australia wide. We expect this to generate significant cost savings.

Our internal Audit and Compliance team has been enlarged to ensure that all systems and procedures are followed. This team also works with external consultants and our Executive Committee in the development of the Group’s Risk Management program.

Equity

During the year, we acquired the minority unit holdings in Australian Commercial Property Trust (“ACY”) following approval from unitholders. This was effected in cash from the proceeds of a placement to institutional investors of 25 million Stapled Securities, raising \$103 million. This completed the takeover of ACY, commenced by Stockland in 1999.



Further issues of equity were made in August, 2001 and February, 2002 under our Distribution Reinvestment Plan ("DRP") raising a total of \$124 million.

Our policy is to raise equity to meet our business objectives. Cost of capital is critical to our earnings growth objectives. Equally important is maintaining our gearing level at 20% to 25% of total assets. As gearing has fallen below our preferred range, the DRP was suspended for the August 2002 distribution/dividend payment.

Debt

Our gearing (debt/assets) was only 13% at year's end. We are therefore ideally positioned for major acquisitions, with the ability to debt fund purchases up to \$500 million, while remaining within our preferred gearing levels.

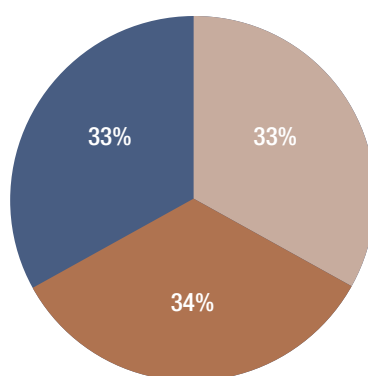
We have an active interest rate hedging program with the objective of having at least 50% of all debt hedged against future changes in interest rates. At 30 June 2002, over 90% of our debt was hedged, with the average length of hedging at 2.65 years and a weighted average cost of debt, including all margins and costs, of 5.97% per annum.

At the close of the year, our debt facilities comprised:

- multi-use unsecured facility with Commonwealth Bank of Australia maturing in December 2005 (undrawn) \$125 million
- multi-use unsecured facility with Westpac Banking Corporation maturing in May 2005 (undrawn) \$100 million
- Stockland unsecured Medium Term Note and Commercial Paper Program supported by an A- rating from Standard & Poors, with an initial limit of \$750 million

From this Program, the following issues have been made:

- Notes maturing in February 2006 at a total cost of 6.03% per annum \$150 million
- Notes maturing in August 2003 at a total cost of 5.98% per annum \$150 million
- Notes maturing in September 2004 priced at 52 points over bank bill rates \$150 million



DEBT MATURITY

AS AT 30 JUNE 2002

- Maturing 1-2 years
- Maturing 2-3 years
- Maturing 3-4 years

TAXATION

During the year, Stockland Trust has derived taxation benefits from allowable depreciation on the Trust's buildings, plant and equipment. These taxation benefits are available to Unitholders and have been distributed as follows:

- 24 percent of the distribution paid in February 2002 is tax deferred, and
- 27.8 percent of the distribution paid in August 2002 is tax deferred.

Whilst the abovementioned proportions of the income distributed to Unitholders are tax free

in the year they are earned, there are capital gains tax implications which should be understood. The tax deferred component will reduce the indexed cost base of units, when determining any capital gain which may arise, if units purchased after 19th September 1985 are sold.

The dividend paid by Stockland Corporation Limited is fully franked and the imputed credit is set out for members on the payment advices.

Set out below is the history of the dividend/distribution payment since introduction of capital gains tax.

Members are required to include trust distributions in the taxation year in which the income is earned, whereas the dividends should be included in the year in which they are received.

| Stockland Corporation Limited | | | | Stockland Trust | | |
|-------------------------------|---|------------------------|--|---|----------------------|------------|
| Half year ended | Dividend paid per ordinary share ¢ | Franking rate % | Distribution paid per ordinary unit ¢ | Percentage Distribution Paid Building Deprec. % | Other % | Total % |
| 30th June, 1986 | | | 8.00 | 1.44 | 4.36 | 5.80 |
| 31st December, 1986 | | | 8.35 | 1.45 | 4.10 | 5.55 |
| 30th June, 1987 | | | 8.75 | 1.37 | 5.10 | 6.47 |
| 31st December, 1987 | | | 9.10 | 1.36 | 4.52 | 5.88 |
| 30th June, 1988 | 0.80 | 49 | 9.30 | 1.32 | 2.36 | 3.68 |
| 31st December, 1988 | 1.10 | 49 | 9.40 | 1.77 | 7.41 | 9.18 |
| 30th June, 1989 | 1.40 | 49 | 9.50 | 3.83 | 8.93 | 12.76 |
| 31st December, 1989 | 1.60 | 39 | 9.70 | 2.92 | 9.71 | 12.63 |
| 30th June, 1990 | 1.70 | 39 | 9.85 | 4.71 | 13.35 | 18.06 |
| 31st December, 1990 | 1.80 | 39 | 9.95 | 5.12 | 11.80 | 16.92 |
| 30th June, 1991 | 1.85 | 39 | 10.00 | 5.10 | 11.40 | 16.50 |
| 31st December, 1991 | 1.90 | 39 | 10.05 | 5.09 | 11.39 | 16.48 |
| 30th June, 1992 | 1.95 | 39 | 10.00 | 5.00 | 21.31 | 26.31 |
| 31st December, 1992 | 1.95 | 39 | 10.00 | 5.18 | 10.16 | 15.34 |
| 30th June, 1993 | 1.95 | 39 | 10.00 | 5.39 | 11.76 | 17.15 |
| 31st December, 1993 | 2.00 | 39 | 10.00 | 5.00 | 9.96 | 14.96 |
| 30th June, 1994 | 2.00 | 39 | 10.00 | 5.74 | 11.85 | 17.59 |
| 31st December, 1994 | 2.15 | 39 | 10.00 | 5.65 | 9.85 | 15.50 |
| 30th June, 1995 | 2.15 | 39(42.6%) 33(57.4%) | 10.05 | 5.53 | 11.34 | 16.87 |
| 31st December, 1995 | 2.15 | 33 | 10.10 | 5.44 | 12.65 | 18.09 |
| 30th June, 1996 | 2.15 | 36 | 10.10 | 5.65 | 17.48 | 23.13 |
| 31st December, 1996 | 2.15 | 36 | 10.10 | 7.04 | 14.26 | 21.30 |
| 30th June, 1997 | 2.15 | 36 | 10.10 | 8.49 | 14.07 | 22.56 |
| 31st December, 1997 | 2.15 | 36 | 10.15 | 8.38 | 10.27 | 18.65 |
| 30th June, 1998 | 2.15 | 36 | 10.25 | 8.21 | 10.41 | 18.62 |
| 31st December, 1998 | 2.20 | 36 | 10.30 | 8.05 | 9.40 | 17.45 |
| 30th June, 1999 | 2.20 | 36 | 10.40 | 8.37 | 14.06 | 22.43 |
| 31st December, 1999 | 2.30 | 36 | 10.60 | 8.57 | 11.08 | 19.65 |
| 30th June, 2000 | 2.40 | 34 | 10.80 | 8.62 | 9.48 | 18.10 |
| 31st December, 2000 | 1.80 | 34 | 12.10 | 9.10 | 14.60 | 23.70 |
| 30th June, 2001 | 1.80 | 30 | 12.60 | 10.27 | 21.73 | 32.00 |
| 31st December, 2001 | 1.90 | 30 | 12.60 | | 24.00 ⁽¹⁾ | 24.00 |
| 30th June, 2002 | 2.20 | 30 | 13.00 | | 27.80 ⁽¹⁾ | 27.80 |

Footnote 1: Due to amendments to the income tax legislation, building allowances claimed by Stockland Trust ceased to give rise to "tax free" distributions from 1 July 2001. The entire amount of the 2002 distribution not considered to be taxable is categorised as "tax deferred". Accordingly the entire percentage Distribution Paid not considered to be taxable has been classified as "Other" in the above table.

ISSUE HISTORY AND REINVESTMENT PLAN

The Stockland Trust Group offers members a simple means of investing all or part of their income distributions and dividends in new units in the Trust and shares in the Corporation.

This opportunity is offered through the Group's Distribution Reinvestment Plan (DRP). Members may obtain a booklet explaining the operations of the DRP from the Share Registry, Computershare Registry Services, on (02) 8234 5000 or toll free on 1800 804 985. Application forms are included in these booklets.

The primary benefit of the DRP is that the units/shares are issued at a discount of 2.5% (to the average market price during the five trading days immediately following announcement to ASX of the Group's financial results). The units/shares are issued free of any costs, such as brokerage and stamp duty.

The operation of the DRP is reasonably simple.

Members who wish to reinvest all of their income, should lodge an application to participate. This participation will remain effective for all future payments, unless a variation request is lodged.

Members who wish to receive part income, and reinvest the balance, should lodge an application nominating the part of their holding to participate in future issues.

Members who do not wish to reinvest any of the income they receive, simply do nothing.

Members are advised to read the DRP booklet and seek some advice, either from their own financial advisers or from the office of the Secretary on (02) 9321 1500. Members are reminded that the total amount of the distribution receivable is still to be included by them for taxation purposes, even though it may be reinvested under the DRP.

Directors retain the right to temporarily suspend the DRP for any particular payout, if their view is that it would not be in the best long term interest of all members for the Plan to be applied.

Stockland Unit/Share Issue History

| Date | Type | Number | Price \$ |
|----------|-------------------------------|-------------|----------|
| 30.09.82 | Prospectus | 150,000,000 | 1.00 |
| 31.08.83 | DRP | 2,893,420 | 1.17 |
| 31.08.84 | DRP | 987,110 | 1.50 |
| 28.12.84 | 1 for 10 issue | 16,860,622 | 1.35 |
| 28.02.85 | DRP | 1,076,577 | 1.55 |
| 31.08.85 | DRP | 2,800,827 | 1.53 |
| 28.02.86 | Placement | 12,000,000 | 1.50 |
| 28.02.86 | DRP | 3,301,205 | 1.54 |
| 31.08.86 | DRP | 3,017,790 | 1.67 |
| 28.02.87 | DRP | 2,917,440 | 1.86 |
| 31.08.87 | 1 for 10 issue | 21,063,049 | 2.10 |
| 31.08.87 | DRP | 2,474,446 | 2.46 |
| 28.02.88 | DRP | 4,018,991 | 1.67 |
| 31.08.88 | DRP | 4,268,689 | 1.93 |
| 28.02.89 | DRP | 5,063,273 | 1.77 |
| 31.08.89 | DRP | 3,339,277 | 1.78 |
| 28.02.90 | DRP | 4,222,184 | 1.84 |
| 31.08.90 | DRP | 5,202,431 | 1.73 |
| 31.03.92 | CPUS | 38,000,000 | 2.60 |
| 31.03.92 | Shareholder Options | 19,000,000 | 0.00 |
| 31.08.92 | DRP | 5,215,129 | 2.69 |
| 28.02.93 | DRP | 5,607,925 | 2.71 |
| 30.06.93 | Shareholder Options exercised | 9,083,850 | 2.60 |
| 31.08.93 | DRP | 5,082,629 | 3.35 |
| 31.12.93 | Shareholder Options exercised | 1,202,600 | 2.60 |
| 28.02.94 | DRP | 5,867,096 | 3.17 |
| 31.06.94 | Shareholder Options exercised | 377,800 | 2.60 |
| 31.12.94 | Shareholder Options exercised | 7,680,018 | 2.60 |
| 31.08.95 | DRP | 6,602,255 | 3.01 |
| 28.02.96 | DRP | 6,204,233 | 3.00 |
| 31.08.97 | DRP | 6,549,843 | 3.32 |
| 28.02.98 | DRP | 5,755,465 | 3.60 |
| 31.8.98 | DRP | 6,639,692 | 3.54 |
| 15.2.99 | Bond Conversion | 22,857,120 | 3.50 |
| 28.2.99 | DRP | 5,365,088 | 3.64 |
| 28.2.99 | Placement | 15,000,000 | 3.80 |
| 31.8.99 | DRP | 5,531,810 | 3.50 |
| 01.07.00 | Flinders Takeover | 81,028,987 | 3.06 |
| 14.08.00 | Placement | 34,800,000 | 3.60 |
| 31.12.00 | Advance Takeover | 169,889,992 | 3.25 |
| 28.02.01 | DRP | 11,282,045 | 3.85 |
| 31.03.01 | Bond Conversion | 5,714,280 | 3.50 |
| 30.06.01 | Shareholder Options exercised | 35,218,750 | 3.85 |
| 22.08.01 | Placement | 25,000,000 | 4.15 |
| 31.08.01 | DRP | 13,950,069 | 4.06 |
| 28.02.02 | DRP | 16,469,684 | 4.08 |

TEN YEAR HISTORY

| | | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|------------|-------|-------|-------|-------|---------|---------|---------|---------|---------|----------------|
| Members' equity | \$m | 722.6 | 760.7 | 792.0 | 857.8 | 873.8 | 920.7 | 1,130.1 | 1,179.3 | 2,337.5 | 2,642.7 |
| Total assets | \$m | 805.0 | 843.7 | 863.3 | 932.3 | 1,073.2 | 1,124.9 | 1,278.4 | 1,683.1 | 3,386.2 | 3,327.1 |
| Gross revenue | \$m | 149.7 | 168.9 | 180.5 | 184.2 | 192.5 | 214.7 | 250.6 | 345.0 | 631.5 | 837.3 |
| Net profit | \$m | 75.2 | 82.2 | 86.3 | 87.7 | 88.4 | 92.2 | 100.8 | 115.1 | 198.2 | 249.8 |
| Distribution/dividend paid | \$m | 74.8 | 80.2 | 83.8 | 87.3 | 88.6 | 90.6 | 99.5 | 111.8 | 192.4 | 241.3 |
| Units/shares on issue | | | | | | | | | | | |
| - ordinary | m | 286.0 | 299.7 | 311.1 | 325.2 | 327.7 | 371.8 | 422.6 | 429.2 | 770.0 | 832.1 |
| - convertible preference | m | 38.0 | 38.0 | 34.3 | 34.3 | 31.8 | - | - | - | - | - |
| - options | m | 9.9 | 8.3 | - | - | - | - | - | - | - | - |
| Payout per unit/share | ¢ | 23.9 | 24.0 | 24.35 | 24.50 | 24.51 | 24.71 | 25.11 | 26.11 | 28.3 | 29.7 |
| Net assets per unit/share | \$ | 2.23 | 2.25 | 2.29 | 2.39 | 2.43 | 2.48 | 2.67 | 2.70 | 3.01 | 3.14 |
| Closing market price | \$ | 3.13 | 3.05 | 3.28 | 2.90 | 3.48 | 3.69 | 3.45 | 3.52 | 4.02 | 4.39 |
| Lettable area - ,000 sq.m. | | | | | | | | | | | |
| - retail | | 177.5 | 169.2 | 166.9 | 209.4 | 236.0 | 238.6 | 238.9 | 228.7 | 356.8 | 371.8 |
| - commercial | | 61.1 | 61.1 | 60.1 | 60.3 | 76.2 | 97.4 | 97.4 | 158.3 | 360.0 | 321.9 |
| - office parks/industrial | | - | - | - | - | - | - | - | 12.2 | 703.2 | 707.2 |
| Residential development inventory | \$m | 93.7 | 115.4 | 131.2 | 141.3 | 134.1 | 170.0 | 210.6 | 406.1 | 412.2 | 542.4 |



FINANCIAL AND OTHER INFORMATION

Stockland Trust Group

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DIRECTORS' REPORT

Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

The Directors present their report together with the combined financial report of Stockland Trust Group for the year ended 30 June 2002 and the auditor's report thereon. The combined financial report of Stockland Trust Group comprises the consolidated financial report of Stockland Trust and its controlled entities ("the Trust"), and Stockland Corporation Limited and its controlled entities ("the Corporation"), which form the consolidated entity.

Directors

The directors of Stockland Corporation Limited and Stockland Property Management Limited, the Responsible Entity of Stockland Trust ("the Responsible Entity"), at any time during or since the end of the financial year are:

| | |
|------------------|---------------------------------|
| Peter Daly | Chairman (Non-executive) |
| Nicholas Greiner | Deputy Chairman (Non-executive) |
| Matthew Quinn | Managing Director |
| John Pettigrew | Finance Director |
| Bruce Corlett | Non-executive director |
| David Fairfull | Non-executive director |
| Barry Thornton | Non-executive director |

Details of the directors' qualifications, age, experience and special responsibilities is set out on pages 8 to 9 of the Annual Report.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company and the Responsible Entity during the financial year are:

| Director | Board Meetings | | Audit Committee Meetings | | Nominations and Remuneration Committee Meetings | | Compliance Committee Meetings | | Risk Management Committee Meetings | |
|------------------|----------------|----|--------------------------|---|---|---|-------------------------------|---|------------------------------------|---|
| | A | B | A | B | A | B | A | B | A | B |
| Peter Daly | 11 | 11 | - | - | 2 | 2 | - | - | - | - |
| Nicholas Greiner | 10 | 11 | - | - | 2 | 2 | - | - | - | - |
| Matthew Quinn | 11 | 11 | - | - | 2 | 2 | - | - | 1 | 1 |
| John Pettigrew | 11 | 11 | - | - | - | - | 7 | 8 | 1 | 1 |
| Bruce Corlett | 11 | 11 | 2 | 2 | - | - | - | - | - | - |
| David Fairfull | 11 | 11 | 2 | 2 | - | - | 8 | 8 | - | - |
| Barry Thornton | 10 | 11 | 2 | 2 | - | - | - | - | - | - |

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

DIRECTORS' REPORT

Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

Principal activities

The principal activities of the consolidated entity during the course of the financial year were:

- investment in income producing retail, commercial, industrial and office park properties;
- development of retail and commercial properties;
- residential property development;
- property trust management;
- property management; and
- hotel management.

There has been no significant change in the nature of these activities of the consolidated entity during the year.

Review and results of operations

The review of the consolidated entity's operations is included in the various reports commencing on page 5 of the Annual Report.

Distributions/dividends

Distributions/dividends paid or declared by the Trust and the Corporation to members since the end of the previous financial year are set out in Note 27 of the Financial Statements.

State of affairs

Changes in the state of affairs of the consolidated entity during the financial year are set out in the various reports commencing on page 5 of the Annual Report.

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

Environmental regulation

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The consolidated entity undertakes an environmental due diligence and risk assessment of all properties it acquires. Also, management monitors on a regular basis the consolidated entity's compliance with environmental regulations.

The directors are not aware of any significant breaches during the period covered by this report.

Events subsequent to balance date

There has not arisen in the interval between the end of the 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 of the Corporation and the Responsible Entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely developments

Information about certain likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years is included in the various reports commencing on page 5 of the Annual Report. Further information about likely developments has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT

Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

Directors' and senior executives' emoluments

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Corporation. The broad remuneration policy is to ensure that each remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive directors do not receive any performance related remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Corporation and each of the five named officers of the consolidated entity receiving the highest emolument are:

| | Base remuneration \$ | Performance Bonuses \$ | Non-cash Benefits \$ | Superannuation \$ | Retirement benefits Accrued leave entitlements \$ | Other payments \$ | Total \$ |
|---|-------------------------|---------------------------|-------------------------|----------------------|---|----------------------|-------------|
| Directors | | | | | | | |
| <i>Executive</i> | | | | | | | |
| Matthew Quinn | 559,378 | 250,000 | 68,557 | 8,803 | - | - | 886,738 |
| John Pettigrew | 276,723 | 100,000 | 44,474 | 8,803 | - | - | 430,000 |
| <i>Non Executive</i> | | | | | | | |
| Peter Daly ³ | 165,760 | - | 15,133 | 8,803 | 180,000 | 189,045 | 558,741 |
| Nicholas Greiner | 80,000 | - | - | 6,400 | - | - | 86,400 |
| Bruce Corlett ¹ | 64,000 | - | - | 5,120 | - | - | 69,120 |
| David Fairfull ² | 86,000 | - | - | 6,880 | - | - | 92,880 |
| Barry Thornton ¹ | 64,000 | - | - | 5,120 | - | - | 69,120 |
| Executive officers (excluding directors) | | | | | | | |
| <i>Current</i> | | | | | | | |
| Denis Hickey | 275,264 | 112,000 | 45,933 | 8,803 | - | - | 442,000 |
| Darren Steinberg | 231,437 | 80,000 | 43,333 | 8,307 | - | - | 363,077 |
| Steven Mann | 224,167 | 100,000 | 17,030 | 8,803 | - | - | 350,000 |
| <i>Former</i> | | | | | | | |
| Andrew Forbes ⁴ | 202,423 | - | 25,297 | 6,253 | 207,921 | 309,500 | 751,394 |
| Nelson Hinchcliff ⁵ | 131,309 | - | 25,290 | 11,543 | 81,346 | 419,179 | 668,667 |

1 Includes fees from Audit Committee.

2 Includes fees from Audit and Compliance Committees.

3 Peter Daly ceased employment as an executive on 22 October 2001.

4 Andrew Forbes ceased employment on 15 March 2002.

5 Nelson Hinchcliff ceased employment on 30 April 2002. He was a long term employee of Taylor Woodrow Pty Limited prior to the acquisition of the company by Stockland Corporation Limited in July 2001. The benefits reflect the accrued entitlements relating to his employment by Taylor Woodrow Pty Limited.

DIRECTORS' REPORT

Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

Directors' interests

The relevant interest of each director in the stapled securities issued by entities within the consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Number of securities held |
|------------------|---------------------------|
| Director | |
| Peter Daly | 1,869,758 |
| Nicholas Greiner | 35,587 |
| Matthew Quinn | 2,350,000 |
| John Pettigrew | 1,375,000 |
| Bruce Corlett | 68,464 |
| David Fairfull | 11,104 |
| Barry Thornton | - |

Indemnities and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the consolidated entity has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the consolidated entity or an auditor of the consolidated entity.

Insurance premiums

Since the end of the previous financial year, the consolidated entity has paid insurance premiums in respect of directors' and officers' liability insurance contracts, for directors, executive directors, secretaries and officers of the consolidated entity. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been directors and officers of the consolidated entity.

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

Rounding off

The Corporation and the Trust are of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 29th day of August 2002.

Signed in accordance with a resolution of the directors:



Peter Daly
Chairman



Matthew Quinn
Managing Director

THE GROUP

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Notes | Consolidated 2002 \$'000 | 2001 \$'000 |
|---|-------|--------------------------------|------------------|
| Revenue from ordinary activities | | | |
| <i>From operating activities</i> | | | |
| Rent from investment properties | | 290,952 | 255,448 |
| Property development sales | | 388,402 | 287,097 |
| Hotel operation revenue | | 55,307 | 56,513 |
| Management and agency fee income | | 1,976 | 2,024 |
| Interest income | 2 | 5,221 | 4,596 |
| Other revenue | | 4,764 | 7,231 |
| <i>From outside operating activities</i> | | | |
| Gross proceeds from sale of non-current assets | | 90,693 | 18,545 |
| Total revenue from ordinary activities | | 837,315 | 631,454 |
| Expenses from ordinary activities | | | |
| Investment property expenses | | (70,017) | (57,914) |
| Cost of property developments sold | | (283,331) | (212,337) |
| Hotel operation expenses | | (53,027) | (53,135) |
| Management, administration, marketing and selling expenses | 3 | (55,146) | (38,985) |
| Borrowing costs | 3 | (24,673) | (35,899) |
| Book value of non-current assets sold | | (88,880) | (18,545) |
| Total expenses from ordinary activities | | (575,074) | (416,815) |
| Share of net profits of investments accounted for using the equity method | 31 | 5,447 | 5,719 |
| Profit from ordinary activities before related income tax expense | | 267,688 | 220,358 |
| Income tax expense relating to ordinary activities | 5(a) | (17,785) | (15,068) |
| Net profit after income tax before outside equity interests | | 249,903 | 205,290 |
| Net profit attributable to outside equity interests | 25 | (152) | (7,064) |
| Net profit attributable to members of the parent entity | 24 | 249,751 | 198,226 |
| Non-owner transaction changes in equity | | | |
| Increase in asset revaluation reserve | | 42,556 | 18,623 |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity | | 42,556 | 18,623 |
| Total changes in equity from non-owner related transactions attributable to the members of the parent entity | 26 | 292,307 | 216,849 |
| Basic earnings per unit/share | 6 | 30.8¢ | 29.2¢ |

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out in pages 49 to 84.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Notes | Consolidated | |
|---|-------|------------------|------------------|
| | | 2002 \$'000 | 2001 \$'000 |
| Current assets | | | |
| Cash assets | 8 | 34,567 | 254,500 |
| Receivables | 9 | 16,236 | 30,281 |
| Capital works for Stockland Trust | 10 | 31,580 | 44,356 |
| Inventories | 11 | 287,361 | 259,959 |
| Other assets | 12 | 16,054 | 15,241 |
| Total current assets | | 385,798 | 604,337 |
| Non-current assets | | | |
| Receivables | 9 | 34,659 | 15,251 |
| Inventories | 11 | 281,455 | 172,860 |
| Investment properties | 13 | 2,509,503 | 2,482,490 |
| Other financial assets | 14 | 45 | 507 |
| Property, plant and equipment | 15 | 15,789 | 13,067 |
| Investments accounted for using the equity method | 16 | 68,514 | 74,598 |
| Intangible assets | 17 | 22,460 | 14,353 |
| Deferred tax assets | 5(d) | 4,319 | 2,425 |
| Other assets | 12 | 4,605 | 6,345 |
| Total non-current assets | | 2,941,349 | 2,781,896 |
| Total assets | | 3,327,147 | 3,386,233 |
| Current liabilities | | | |
| Payables | 18 | 85,477 | 69,436 |
| Interest-bearing liabilities | 19 | - | 300,250 |
| Current tax liabilities | 5(b) | 1,304 | 7,632 |
| Provisions | 20 | 130,026 | 110,944 |
| Other liabilities | 21 | 863 | 394 |
| Total current liabilities | | 217,670 | 488,656 |
| Non-current liabilities | | | |
| Payables | 18 | 7,900 | 12,800 |
| Interest-bearing liabilities | 19 | 448,171 | 467,634 |
| Deferred tax liabilities | 5(c) | 9,129 | 6,410 |
| Provisions | 20 | 345 | 299 |
| Other liabilities | 21 | 1,250 | 1,250 |
| Total non-current liabilities | | 466,795 | 488,393 |
| Total liabilities | | 684,465 | 977,049 |
| Net assets | | 2,642,682 | 2,409,184 |
| Equity | | | |
| Contributed equity | 22 | 2,242,400 | 1,988,223 |
| Reserves | 23 | 335,409 | 292,049 |
| Retained profits | 24 | 64,873 | 57,179 |
| Total parent entity interest | | 2,642,682 | 2,337,451 |
| Outside equity interests | 25 | - | 71,733 |
| Total equity | | 2,642,682 | 2,409,184 |

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 49 to 84.

THE GROUP

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Notes | Consolidated | |
|--|-------|------------------|------------------|
| | | 2002 \$'000 | 2001 \$'000 |
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 860,953 | 646,107 |
| Cash payments in the course of operations | | (545,294) | (447,654) |
| Payments to joint venture entities | | (2,996) | (186) |
| Payments from joint venture entities | | 14,526 | 1,406 |
| Interest received | | 4,462 | 4,573 |
| Borrowing costs paid | | (34,985) | (44,171) |
| Income taxes paid | | (23,951) | (14,281) |
| Net cash provided by operating activities | 33(b) | 272,715 | 145,794 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investment properties | | 83,837 | 18,545 |
| Payments for investment properties | | (100,583) | (82,428) |
| Proceeds from sale of property, plant and equipment | | 5,417 | 375 |
| Payments for plant and equipment | | (4,897) | (3,423) |
| Proceeds from sale of investment securities | | 882 | 2,036 |
| Payments for investments | | - | (925) |
| Repayment of loans by directors and executives under the executive securities plan | | 8,324 | 1,983 |
| Advances to directors and executives under the executive securities plan | | (27,772) | (10,493) |
| Repayment of loans from other entities | | 465 | - |
| Payments for controlled entities | | (177,466) | (217,567) |
| Net cash used in investing activities | | (211,793) | (291,897) |
| Cash flows from financing activities | | | |
| Proceeds from issue of units/shares | | 257,633 | 332,591 |
| Proceeds from borrowings | | 346,160 | 582,926 |
| Repayment of borrowings | | (667,246) | (377,118) |
| Distributions/dividends paid | | (222,528) | (178,838) |
| Net cash (used in)/provided by financing activities | | (285,981) | 359,561 |
| Net (decrease)/increase in cash held | | (225,059) | 213,458 |
| Cash from purchase of controlled entities during the year | 30(b) | 5,126 | 34,129 |
| Cash at the beginning of the financial year | | 254,500 | 6,913 |
| Cash at the end of the financial year | 33(a) | 34,567 | 254,500 |

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 49 to 84.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared to satisfy the requirements of Urgent Issues Group Consensus View 13, "The presentation of the Financial Report of Entities Whose Securities are Stapled". The financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of consolidation

The combined financial report of Stockland Trust Group comprises the consolidated financial report of Stockland Trust and its controlled entities ("the Trust"), and Stockland Corporation Limited and its controlled entities ("the Corporation"), which form the consolidated entity. Stockland Trust Group was established for the purpose of facilitating a joint quotation of both entities on the Australian Stock Exchange. The Constitution of the Trust and the Articles of Association of the Corporation ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Corporation shall be equal, and that Unitholders and Shareholders be identical.

Urgent Issues Group Consensus View 13, "The presentation of the Financial Report of Entities Whose Securities are Stapled" requires stapled securities, such as those of Stockland Trust Group, to prepare combined accounts in accordance with certain requirements of AASB 1024 "Consolidated Accounts". This combined financial report has been prepared in accordance with those requirements.

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

Joint venture entities

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles.

Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Joint venture operations

The consolidated entity's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint ventures' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with joint venture entities are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

1 Statement of significant accounting policies (continued)

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Property development sales

Revenue from development sales are recognised when contracts are settled.

Hotel operations and management income

Revenue from hotel and property management is recognised when service is rendered.

Rental revenue

Rent is brought to account when legally due and, if not received at balance date, is reflected in the Statement of Financial Position as a receivable. Turnover rent and charges for the recovery of certain outgoings are brought to account when invoiced to the respective tenants.

Interest revenue

Interest revenue is brought to account when earned and, if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

Distributions/dividends

Revenue from distributions/dividends from controlled entities is recognised by Stockland Trust and Stockland Corporation Limited when they are declared by the controlled entities.

Distributions/dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the 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 ATO is included as a current asset or liability in the Statement of Financial Position.

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

(e) Derivatives

The consolidated entity is exposed to changes in interest rates from its activities. It is the consolidated entity's policy to use interest rate swap agreements to hedge this risk. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are effective as hedges of underlying exposures and are accounted for on the same basis as the underlying exposure.

Interest rate swaps

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis, in the Statement of Financial Performance, as an adjustment to borrowing costs during the period.

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are revenue generating. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(g) Taxation

Stockland Corporation Limited

The Corporation adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses and capital losses are only brought to account when their realisation is virtually certain.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

1 Statement of significant accounting policies (continued)

(g) Taxation (continued)

Stockland Trust

Under current income tax legislation, the Trust and its controlled entities are not liable for income tax, provided that the taxable income is fully distributed to unitholders each year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

(h) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred. Borrowing costs are capitalised to qualifying assets as set out in Note 1(f).

(i) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(j) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors which are not considered to be doubtful are carried at amounts due.

(k) Land and property held for resale

Development properties are carried 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. Borrowing costs and other holding costs incurred after completion of development are expensed.

(l) Construction work in progress

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

(m) Investments

Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Land and buildings, comprising investment properties, are regarded as composite assets and are disclosed as such in the accompanying financial statements. Directors' valuations of investment properties are performed for each financial period or where the consolidated entity believes that there has been a significant change in the value of the property.

Where property is acquired during the reporting period and not revalued at balance date, the costs of acquisition are capitalised and included in the book value of the property.

Where a property is undergoing redevelopment it is carried at the latest valuation with subsequent additions at cost. Included in the cost of redevelopment (as the project is taking more than 12 months to complete) are the borrowing costs incurred on funds used to finance the development, as set out in Note 1(f).

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

1 Statement of significant accounting policies (continued)

(m) Investments (continued)

Investment properties (continued)

Valuation

The consolidated entity's accounting policy is to carry these investment properties at fair value. In addition, the Trust's Constitution requires independent valuations to be performed at regular intervals appropriate to the nature of the property. These valuations are considered by the directors when determining fair value. When assessing fair value, the directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind
- (iii) that the property will be reasonably exposed to that market
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued
- (v) it only takes into account instructions given by the consolidated entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the consolidated entity.

Revaluation increments are credited directly to the asset revaluation reserve. Revaluation decrements are taken to the asset revaluation reserve to the extent that such losses are covered by amounts previously credited to the reserve and still available in that reserve. Revaluation decrements in excess of the amounts available in the reserves are first charged to the Statement of Financial Performance. Subsequent revaluation increments which recover amounts previously charged to the Statement of Financial Performance are to that extent, credited to the Statement of Financial Performance and then transferred to the asset revaluation reserve.

Depreciation

In accordance with AASB 1021 "Depreciation of Non-Current Assets", investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

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 proceeds on disposal and is included in the Statement of Financial Performance in the year of disposal.

(n) Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(o) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

(p) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Except where specifically stated, non-current assets are recorded at the lower of cost and recoverable amount.

(q) Depreciation and amortisation

All assets, including intangibles, having limited useful lives are depreciated/amortised using the diminishing value or the straight line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

1 Statement of significant accounting policies (continued)

(q) Depreciation and amortisation (continued)

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

| | 2002 | 2001 |
|---|---------------|----------|
| Plant and equipment: | | |
| Leasehold improvements | 10 - 20% | 6.7% |
| Plant and equipment | 2 - 50% | 2 - 50% |
| Intangibles: | | |
| Hotel management rights | 10 years | 10 years |
| Trust management rights | 84 years | 84 years |
| Goodwill | 10 - 20 years | 20 years |
| Other non-current assets: | | |
| Deferred expenditure is amortised over the underlying lease term. | | |

(r) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(s) Interest-bearing liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in payables.

Notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(t) Employee entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date, calculated at undisclosed amounts based on current wage and salary rates including related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the value of the estimated future cash outflows to be made resulting from employees' services provided up to the reporting date.

Superannuation plan

The Corporation contributes to several contribution superannuation funds. Contributions are charged against income as they are made.

(u) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, 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 the risks specific to the liability.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|--|--------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |

2 Revenue from ordinary activities

Revenue from ordinary activities includes the following items:

Interest income

| | | |
|---------------------------------|--------------|--------------|
| Other parties | 4,393 | 4,228 |
| Interest on loans to directors* | 828 | 368 |
| | 5,221 | 4,596 |

*: Represents interest on loans to directors for the purchase of units/shares under Stockland Trust Group's executive securities plan as approved by shareholders.

3 Net profit from ordinary activities

Profit from ordinary activities before income tax expense has been arrived at after (charging)/crediting the following items:

Net bad and doubtful debts expense including movements in provision for doubtful debts

(1,577) (739)

Depreciation of plant and equipment

(1,974) (1,412)

Amortisation of:

goodwill

(790) (43)

trust and hotel management rights

(712) (714)

leasehold improvements

(497) (64)

hotel pre-opening costs

(501) (452)

Total depreciation and amortisation expense

(4,474) (2,685)

Borrowing costs:

other parties

(38,376) (45,266)

less interest paid capitalised to development projects

13,703 9,367

(24,673) (35,899)

Net gain/(loss) on disposal of non-current assets:

investment properties

746 -

property, plant and equipment

428 (116)

investments

639 -

1,813 (116)

Net expense from movements in provision for:

legal claims

(900) -

employee entitlements

(2,699) (875)

Operating lease rental expense

(20,132) (18,821)

Management, administration, marketing and selling expenses such as trust management, property management, leasing, marketing, selling and administration expenses

(55,146) (38,985)

Individually significant items included in net profit from ordinary activities before income tax expense:

Sale of investment properties

| | | |
|--|------------|----------|
| Gross proceeds | 83,837 | 18,545 |
| Book value of investment properties sold | (83,091) | (18,545) |
| Gross profit on sale | 746 | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|--|--------------|------|
| | 2002 | 2001 |
| | \$ | \$ |

4 Auditors' remuneration

Audit services

| | | |
|--|----------------|----------------|
| Auditors of the consolidated entity - KPMG | 445,732 | 435,400 |
| Other auditors | - | 47,500 |
| | 445,732 | 482,900 |

Other services

| | | |
|--|----------------|----------------|
| Auditors of the consolidated entity - KPMG | 274,765 | 232,000 |
| KPMG related practices | 38,950 | 256,630 |
| Other auditors | - | 8,000 |
| | 313,715 | 496,630 |

The major component of the fees payable to KPMG for non audit services were for the following services: accounting, tax, systems advice and financial due diligence.

| | Consolidated | |
|--|--------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |

5 Taxation

(a) Income tax expense

Prima facie income tax expense calculated at 30% (2001: 34%)
on Corporation profit from ordinary activities

| | | |
|--|--------|--------|
| | 17,740 | 15,528 |
|--|--------|--------|

Increase in income tax expense due to:

| | | |
|------------------------------|------------|------------|
| amortisation | 529 | 279 |
| non-deductible entertainment | 47 | 53 |
| capital gain | 184 | - |
| other | 47 | 9 |
| | 807 | 341 |

Decrease in income tax expense due to:

| | | |
|---|--------------|--------------|
| rebate on dividend income | (3) | - |
| tax depreciation on buildings and equipment | (470) | (658) |
| accounting profit on sale of non-current assets | (189) | - |
| other | (6) | - |
| | (668) | (658) |

Income tax expense on the profit from ordinary activities
before individually significant income tax items

| | | |
|--|--------|--------|
| | 17,879 | 15,211 |
|--|--------|--------|

Individually significant income tax items:

| | | |
|--|-------|-------|
| restatement of deferred tax balances due to change in company tax rate | 32 | (369) |
| Income tax (over)/under provided in prior year | (126) | 226 |

Income tax expense attributable to Corporation profit from ordinary activities

| | | |
|--|---------------|---------------|
| | 17,785 | 15,068 |
|--|---------------|---------------|

Income tax expense attributable to Corporation profit
from ordinary activities is made up of:

| | | |
|--|---------------|---------------|
| current income tax provision | 17,494 | 16,717 |
| deferred income tax provision | 1,191 | (1,355) |
| future income tax benefit | (774) | (520) |
| (over)/under provision of income tax in prior year | (126) | 226 |
| | 17,785 | 15,068 |

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|--|--------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |

5 Taxation (continued)

(b) Current tax liabilities

Provision for current income tax

Movements during the year:

| | | |
|--|--------------|--------------|
| Balance at the beginning of the financial year | 7,632 | 4,941 |
| Income tax paid on operating activities | (23,951) | (14,281) |
| Addition through acquisition of a controlled entity | 255 | 29 |
| Current year's income tax expense on Corporation profit from ordinary activities | 17,494 | 16,717 |
| (Over)/under provision in prior year | (126) | 226 |
| | 1,304 | 7,632 |

(c) Deferred tax liabilities

Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2001: 30%) on expenditure currently deductible for tax but deferred and amortised for accounting purposes

| | |
|--------------|--------------|
| 9,129 | 6,410 |
|--------------|--------------|

(d) Deferred tax assets

Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2001: 30%) on the following items:

| | | |
|---|--------------|--------------|
| provisions and accrued employee entitlements not currently deductible | 2,712 | 1,254 |
| sundry items | 1,607 | 1,171 |
| | 4,319 | 2,425 |

The potential future income tax benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

6 Earnings per unit/share

Earnings reconciliation

| | | |
|---|----------------|----------------|
| Net profit after income tax | 249,903 | 205,290 |
| Net income attributable to outside equity interests | (152) | (7,064) |
| Basic earnings | 249,751 | 198,226 |

| | 2002 | 2001 |
|--|--------------------|--------------------|
| Weighted average number of units/shares used as the denominator | 811,952,434 | 679,159,494 |

There are no dilutive potential ordinary units/shares therefore diluted EPU/S has not been calculated or disclosed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

7 Segment reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

- Property development
- Property management and investment (including trust management)
- Hotel management
- Other industries and finance

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the underlying assets.

| Primary reporting Business segments | Property Development | | Property Management and Investment | | Hotel Management | | Other (including Finance) | | Eliminations | | Consolidated | |
|---|-------------------------|----------------|--|----------------|---------------------|----------------|---------------------------------|----------------|------------------|-----------------|------------------|------------------|
| | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 | 2002 \$'000 | 2001 \$'000 |
| Revenue | | | | | | | | | | | | |
| External segment revenue | 387,836 | 287,215 | 392,396 | 289,438 | 56,208 | 57,170 | 34,615 | 24,814 | (33,740) | (27,183) | 837,315 | 631,454 |
| Inter-segment revenue | 63,473 | 3,929 | 4,874 | 5,161 | - | - | - | - | (68,347) | (9,090) | - | - |
| Total segment revenue | 451,309 | 291,144 | 397,270 | 294,599 | 56,208 | 57,170 | 34,615 | 24,814 | (102,087) | (36,273) | 837,315 | 631,454 |
| Other unallocated revenue | | | | | | | | | | | - | - |
| Total revenue | | | | | | | | | | | 837,315 | 631,454 |
| Result | | | | | | | | | | | | |
| Segment result before interest | 68,140 | 58,153 | 225,923 | 203,863 | 2,177 | 3,757 | 6,467 | 4,648 | - | - | 302,707 | 270,421 |
| Interest expense | - | - | - | - | - | - | (24,673) | (35,899) | - | - | (24,673) | (35,899) |
| Interest expense included in cost of goods sold | (6,349) | (8,509) | - | - | - | - | - | - | - | - | (6,349) | (8,509) |
| Segment result after interest | 61,791 | 49,644 | 225,923 | 203,863 | 2,177 | 3,757 | (18,206) | (31,251) | - | - | 271,685 | 226,013 |
| Share of net profit of equity accounted investments | 352 | 1,406 | 5,095 | 4,313 | - | - | - | - | - | - | 5,447 | 5,719 |
| Unallocated corporate expenses | | | | | | | | | | | (9,444) | (11,374) |
| Profit from ordinary activities before income tax | 62,143 | 51,050 | 231,018 | 208,176 | 2,177 | 3,757 | (18,206) | (31,251) | | | 267,688 | 220,358 |
| Income tax expense | | | | | | | | | | | (17,785) | (15,068) |
| Net profit | | | | | | | | | | | 249,903 | 205,290 |
| Net profit arrived at after crediting/ (charging) the following items: | | | | | | | | | | | | |
| Depreciation and amortisation | (1,363) | (438) | (570) | (450) | (1,709) | (1,494) | (832) | (303) | - | - | (4,474) | (2,685) |
| Non-cash expenses other than depreciation and amortisation | - | - | (1,764) | (653) | - | - | (551) | (162) | - | - | (2,315) | (815) |
| Individually significant items: | | | | | | | | | | | | |
| Proceeds on sale of property | - | - | 83,837 | 18,545 | - | - | - | - | - | - | 83,837 | 18,545 |
| Written-down value of property sold | - | - | (83,091) | (18,545) | - | - | - | - | - | - | (83,091) | (18,545) |
| | - | - | 746 | - | - | - | - | - | - | - | 746 | - |
| Assets | | | | | | | | | | | | |
| Segment assets | 595,113 | 453,049 | 2,570,597 | 2,549,953 | 14,575 | 22,124 | 38,063 | 255,798 | - | - | 3,218,348 | 3,280,924 |
| Equity accounted investments | 5,792 | 8,764 | 62,722 | 65,833 | - | - | - | - | - | - | 68,514 | 74,597 |
| Unallocated corporate assets | | | | | | | | | | | 40,285 | 30,712 |
| Consolidated total assets | | | | | | | | | | | 3,327,147 | 3,386,233 |
| Liabilities | | | | | | | | | | | | |
| Segment liabilities | 47,463 | 56,256 | 27,383 | 19,781 | 4,376 | 4,126 | 457,823 | 774,848 | - | - | 537,045 | 855,011 |
| Unallocated corporate liabilities | | | | | | | | | | | 147,420 | 122,038 |
| Consolidated total liabilities | | | | | | | | | | | 684,465 | 977,049 |
| Acquisitions of non-current assets* | 137,574 | 98,205 | 103,224 | 87,119 | 389 | 546 | 1,760 | 1,213 | - | - | 242,947 | 187,083 |

*: Includes acquisition of land for development, capital expenditure on investment properties and acquisition of plant and equipment.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

7 Segment reporting (continued)

| Secondary reporting Geographical segments | New South Wales | | Queensland | | Victoria | | Western Australia | | ACT | |
|--|-----------------|-----------|------------|---------|----------|---------|-------------------|--------|---------|---------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| External segment revenue by location of assets | 396,429 | 396,318 | 171,468 | 105,623 | 139,467 | 82,935 | 70,129 | 9,550 | 34,254 | 18,859 |
| Segment assets by location of assets | 2,046,912 | 1,951,651 | 524,159 | 498,780 | 309,296 | 349,826 | 104,256 | 17,363 | 114,038 | 117,327 |
| Acquisitions of non-current assets* | 122,392 | 149,348 | 49,576 | 21,172 | 20,411 | 14,217 | 48,982 | 62 | 1,196 | 2,129 |

| Secondary reporting Geographical segments | South Australia | | Northern Territory | | Other (incl. Finance) | | Consolidated | |
|--|-----------------|--------|--------------------|--------|-----------------------|---------|--------------|-----------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| External segment revenue by location of assets | 9,437 | 8,529 | 14,234 | 6,724 | 1,897 | 2,916 | 837,315 | 631,454 |
| Segment assets by location of assets | 56,563 | 56,693 | 25,067 | 33,566 | 38,057 | 255,718 | 3,218,348 | 3,280,924 |
| Acquisitions of non-current assets* | 354 | 93 | 36 | 62 | - | - | 242,947 | 187,083 |

*: Includes acquisition of land for development, capital expenditure on investment properties and acquisition of plant and equipment.

| | Notes | Consolidated | |
|--|-------|--------------|--------|
| | | 2002 | 2001 |
| | | \$'000 | \$'000 |

8 Cash assets

Current

| | | | |
|--------------------------|-------|--------|---------|
| Cash at bank and on hand | | 14,067 | 37,500 |
| Bank short term deposits | | 20,500 | 217,000 |
| | 33(a) | 34,567 | 254,500 |

The bank short term deposits are at call and pay interest at a weighted average interest rate of 4.85% at 30 June 2002 (2001: 5.05%).

9 Receivables

Current

| | | | |
|--|----|---------|---------|
| Trade debtors | | 13,952 | 25,422 |
| Less: provision for doubtful trade debtors | | (2,204) | (1,283) |
| | | 11,748 | 24,139 |
| Other loans | | 1,220 | 465 |
| Less: provision for doubtful loans | | (503) | - |
| | | 717 | 465 |
| Other debtors | | 2,985 | 5,500 |
| Loans to directors * | 37 | 786 | 177 |
| | | 16,236 | 30,281 |

Non-current

| | | | |
|---------------------|----|--------|--------|
| Loans to directors* | 37 | 16,799 | 6,997 |
| Other loans | | 17,860 | 8,254 |
| | | 34,659 | 15,251 |

* Includes interest-bearing loans to directors for the purchase of units/shares under Stockland Trust Group's executive securities plan as approved by shareholders.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|--|--------------|--------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |

10 Capital works for Stockland Trust

Capital works in progress by Corporation entities for Stockland Trust investment properties (to be transferred upon completion)

31,580 44,356

11 Inventories

Current

Land and property held for resale - at cost:

| | | |
|--|---------------|---------------|
| cost of acquisition | 16,880 | 21,990 |
| development costs | 46,874 | 47,590 |
| other costs: rates, borrowing costs, taxes and other amounts capitalised | 902 | 558 |
| | 64,656 | 70,138 |

Medium density development - at cost:

| | | |
|--|----------------|----------------|
| cost of acquisition | 89,603 | 36,170 |
| development costs | 29,070 | 62,955 |
| other costs: rates, borrowing costs, taxes and other amounts capitalised | 3,944 | 8,242 |
| | 122,617 | 107,367 |

Retail projects - at cost:

| | | |
|---------------------|---------------|---------------|
| cost of acquisition | 13,334 | 17,057 |
| development costs | 12,854 | 3,151 |
| | 26,188 | 20,208 |

Construction work in progress:

| | | |
|------------------------------------|----------------|----------------|
| residential land development costs | 73,604 | 61,932 |
| other | 296 | 314 |
| | 73,900 | 62,246 |
| | 287,361 | 259,959 |

Non-current

Undeveloped land held for resale - at cost:

| | | |
|--|----------------|----------------|
| cost of acquisition | 271,928 | 167,742 |
| other costs: rates, borrowing costs, taxes and other amounts capitalised | 9,527 | 5,118 |
| | 281,455 | 172,860 |

Borrowing costs were capitalised at a weighted average interest rate of 6.25% from 1 July 2001 to 31 December 2001 and 6.0% from 1 January 2002 to 30 June 2002 (2001: 6.5%).

12 Other assets

Current

| | | |
|-------------|---------------|---------------|
| Prepayments | 5,458 | 6,778 |
| Deposits | 7,390 | 5,505 |
| Other | 3,206 | 2,958 |
| | 16,054 | 15,241 |

Non-current

Hotel pre-opening costs:

| | | |
|--------------------------|--------------|--------------|
| at cost | 3,218 | 4,306 |
| accumulated amortisation | (1,590) | (1,005) |
| | 1,628 | 3,301 |

Deferred interest on land purchase

| | | |
|-------|--------------|--------------|
| | 797 | 1,802 |
| Other | 2,180 | 1,242 |
| | 4,605 | 6,345 |

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

13 Investment properties

Details of the individual properties comprising Investment Properties are set out below:

| Description | Title | Acquisition date | Original purchase price \$'000 | Cost including additions \$'000 | Valuation date | Valuation \$'000 | Book value 2002 \$'000 | Book value 2001 \$'000 |
|---|--------|------------------|--------------------------------|---------------------------------|------------------------|------------------|------------------------|------------------------|
| 175-183 Castlereagh Street Sydney NSW | F/hold | Sept 1982 | 18,000 | 27,139 | Dec 2001 | 43,000 | 43,000 ¹ | 42,000 |
| 33-35 York Street Sydney NSW | F/hold | June 1985 | 12,052 | - | Dec 2001 | 23,800 | - ¹ | 22,500 |
| Parkview 157 Liverpool Street Sydney NSW | F/hold | June 1988 | 41,688 | 49,181 | Mar 2000 | 52,100 | 52,100 ¹ | 52,100 |
| 50 Pitt Street Sydney NSW | F/hold | June 1998 | 44,830 | 44,830 | April 2001 | 48,500 | 48,500 ¹ | 48,500 |
| 367 George Street Sydney NSW | F/hold | June 1998 | 35,757 | 35,757 | April 2001 | 36,000 | 36,000 ¹ | 36,000 |
| 333 Exhibition Street Melbourne VIC | F/hold | Aug 1985 | 4,379 | 21,984 | - | - ² | 33,002 | 46,554 |
| 77 Pacific Highway North Sydney NSW | F/hold | Jan 2000 | 25,897 | 25,897 | April 2000 | 23,400 | 23,508 | 23,400 |
| 333 Kent Street Sydney NSW | F/hold | Jan 2000 | 32,771 | 32,771 | May 2001 | 32,500 | 32,650 | 32,500 |
| 197 London Circuit Canberra ACT | L/hold | Jan 2000 | 10,200 | - | May 2001 | 10,800 | - | 10,800 |
| 100 Eagle Street Brisbane QLD | F/hold | Jan 2000 | 10,600 | - | May 2001 | 10,000 | - | 10,000 |
| 50 Miller Street North Sydney NSW | F/hold | Jan 2000 | 30,000 | 30,104 | May 2001 | 35,300 | 35,567 | 35,300 |
| 504 Pacific Highway & 95 Nicholson Street St Leonards NSW | F/hold | Jan 2000 | 25,000 | 25,000 | May 2001 | 26,500 | 26,622 | 26,500 |
| 16-18 Bridge Street Epping NSW | F/hold | Jan 2000 | 10,038 | - | May 2001 | 10,850 | - | 10,850 |
| 541 St Kilda Road Melbourne VIC | F/hold | Jan 2000 | 17,100 | 17,256 | May 2001 | 20,750 | 21,002 | 20,750 |
| 33 Herbert Street St Leonards NSW | F/hold | Jan 2000 | 20,895 | 20,895 | May 2001 | 21,500 | 21,599 | 21,500 |
| 164-174 Liverpool Road Ashfield NSW | F/hold | Jan 2000 | 17,303 | 17,303 | June 2002 | 12,500 | 12,500 | 14,200 |
| Amory Gardens 2, 4-6 Cavill Avenue Ashfield NSW | F/hold | July 2000 | 33,200 | 33,204 | June 2002 | 22,000 | 22,000 | 29,260 |
| Piccadilly Complex 133-145 Castlereagh Street Sydney NSW | L/hold | Oct 2000 | 210,061 | 210,553 | June 2000 ³ | 210,000 | 210,553 | 210,244 |
| Riverside 452 Flinders Street Melbourne VIC | F/hold | Oct 2000 | 124,500 | 124,619 | June 2002 | 135,000 | 135,000 | 124,538 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

13 Investment properties (continued)

| Description | Title | Acquisition date | Original purchase price \$'000 | Cost including additions \$'000 | Valuation date | Valuation \$'000 | Book value 2002 \$'000 | Book value 2001 \$'000 |
|--|--------|------------------|--------------------------------|---------------------------------|------------------------|------------------|------------------------|------------------------|
| Edmond Barton Building Barton ACT | L/hold | Oct 2000 | 76,887 | 78,211 | Dec 2001 | 85,200 | 85,334 | 78,070 |
| 2-10 Wentworth Street Parramatta NSW | F/hold | Oct 2000 | 29,701 | 29,867 | June 2002 | 26,200 | 26,200 | 29,867 |
| 110 Walker Street North Sydney NSW | F/hold | Oct 2000 | 22,665 | 22,665 | June 2000 ³ | 22,750 | 22,665 | 22,665 |
| Clemenger Building 118-120 Pacific Highway St Leonards NSW | F/hold | Oct 2000 | 19,148 | 19,801 | Dec 2001 | 20,000 | 20,000 | 19,801 |
| 51-57 Pitt Street Sydney NSW | F/hold | Oct 2000 | 17,275 | 17,908 | June 2000 ³ | 17,300 | 17,908 | 17,292 |
| Underwood House 37-49 Pitt Street Sydney NSW | F/hold | Oct 2000 | 47,408 | 47,462 | June 2000 ³ | 47,400 | 47,462 | 47,462 |
| Cox & Drakeford Buildings Northbourne Avenue & Mort Street Canberra ACT | L/hold | Oct 2000 | 11,004 | 12,921 | June 2000 ³ | 11,100 | 12,921 | 12,908 |
| 234 Sussex Street Sydney NSW | F/hold | Oct 2000 | 42,013 | 42,089 | March 2002 | 43,000 | 43,000 | 42,089 |
| Trace/Todd Buildings Cooyong & Mort Streets Canberra ACT | L/hold | Oct 2000 | 10,562 | 14,112 | March 2002 | 14,100 | 14,100 | 14,020 |
| Stockland Baulkham Hills Baulkham Hills NSW | F/hold | Sept 1982 | 15,500 | 23,671 | April 2001 | 48,250 | 49,340 ¹ | 48,250 |
| Stockland Merrylands Merrylands NSW | F/hold | Sept 1982 | 18,000 | 34,891 | Dec 2001 | 91,000 | 91,000 ¹ | 76,750 |
| Stockland Imperial Arcade Pitt Street Sydney NSW | F/hold | Sept 1982 | 9,500 | 48,967 | June 2000 | 65,500 | 65,500 ¹ | 65,500 |
| Stockland Wetherill Park Wetherill Park NSW | F/hold | Aug 1983 | 11,950 | 78,218 | Dec 2001 | 129,000 | 129,000 ¹ | 84,400 |
| Stockland Jesmond Jesmond NSW | F/hold | Feb 1984 | 9,212 | 35,158 | Dec 2000 | 64,000 | 64,133 ¹ | 64,000 |
| Stockland Townsville Townsville QLD | F/hold | June 1987 | 27,655 | 90,239 | Dec 1999 | 140,500 | 147,724 ^{1,4} | 140,500 |
| Stockland Cairns Cairns QLD | F/hold | June 1992 | 47,843 | 137,642 | Dec 2001 | 110,000 | 110,000 ¹ | 112,000 |
| Stockland Glendale Glendale NSW | F/hold | Mar 1996 | 50,634 | 62,199 | June 2002 | 100,400 | 100,400 ¹ | 73,000 |
| Stockland Greenhills Maitland NSW | F/hold | Dec 2000 | 51,667 | 85,551 | - | - | 85,551 ^{1,4} | 61,551 |
| Stockland Batemans Bay Batemans Bay NSW | F/hold | June 2002 | 6,250 | 6,250 | - | - | 6,250 ¹ | - |
| Harris Scarfe Department Store Oxenham Drive Elizabeth SA | F/hold | Oct 2000 | 12,000 | 12,000 | June 2002 | 8,500 | 8,500 | 12,000 |

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

13 Investment properties (continued)

| Description | Title | Acquisition date | Original purchase price \$'000 | Cost including additions \$'000 | Valuation date | Valuation \$'000 | Book value 2002 \$'000 | Book value 2001 \$'000 |
|---|--------|------------------|--------------------------------|---------------------------------|------------------------|------------------|------------------------|------------------------|
| Woolworths High Street Toowong QLD | F/hold | Oct 2000 | 4,830 | 4,836 | June 2000 ³ | 4,800 | 4,836 | 4,836 |
| Bay Village Shopping Centre The Entrance Road Bateau Bay NSW | F/hold | Oct 2000 | 63,913 | 63,959 | Dec 2001 | 70,000 | 70,003 | 63,956 |
| Kin Kora Centre Cnr Dawson Highway & Phillip Street Gladstone QLD | F/hold | Oct 2000 | 52,206 | 52,206 | June 2000 ³ | 52,200 | 52,206 | 52,206 |
| City Centre Plaza Cnr Fitzroy & Bolsover Streets Rockhampton QLD | F/hold | Oct 2000 | 24,987 | 25,108 | June 2002 | 27,600 | 27,600 | 25,108 |
| Auckland Creek Gladstone QLD | F/hold | Oct 2000 | 6,739 | 7,363 | June 2001 | 3,100 | 3,100 | 3,100 |
| Yennora Distribution Park Yennora NSW | F/hold | July 2000 | 141,890 | 142,322 | June 2000 ³ | 141,500 | 142,322 | 142,150 |
| Hendra Distribution Park Hendra QLD | F/hold | July 2000 | 41,717 | 41,990 | June 2001 | 37,000 | 37,159 | 37,000 |
| Port Adelaide Distribution Park Gillman SA | F/hold | July 2000 | 42,945 | 43,578 | June 2002 | 47,400 | 47,400 | 43,225 |
| Altona Distribution Park Altona VIC | F/hold | July 2000 | 24,334 | 24,462 | Dec 1999 ³ | 24,250 | 24,462 | 24,340 |
| Spearwood Distribution Park Bibra Lake WA | F/hold | July 2000 | 16,370 | 16,375 | Mar 2000 ³ | 16,370 | 16,375 | 16,375 |
| 3 Byfield Street North Ryde NSW | F/hold | Jan 2000 | 8,975 | 8,975 | May 2001 | 6,900 | 6,931 | 6,900 |
| 18 Rodborough Road Frenchs Forest NSW | F/hold | Jan 2000 | 8,713 | 8,713 | May 2001 | 8,550 | 8,589 | 8,550 |
| 28 Rodborough Road Frenchs Forest NSW | F/hold | Jan 2000 | 13,984 | 13,984 | May 2001 | 13,000 | 13,059 | 13,000 |
| Centre Court Estate North Ryde NSW | F/hold | July 2000 | 68,657 | 70,345 | March 2001 | 77,300 | 78,937 | 77,477 |
| 11-17 Khartoum Road North Ryde NSW | F/hold | Oct 2000 | 36,540 | 36,679 | June 2000 ³ | 36,600 | 36,679 | 36,679 |
| 60-66 Waterloo Road North Ryde NSW | F/hold | Oct 2000 | 20,757 | 23,274 | June 2000 ³ | 23,250 | 23,274 | 22,890 |
| Lot 21 Riverside Corporate Park North Ryde NSW | F/hold | June 2001 | 15,980 | 15,980 | - | - | 15,980 | 15,980 |
| 52 Park Street Melbourne VIC | F/hold | June 1984 | 476 | - | - | - | - ⁵ | 1,200 |
| 545 Queen Street Brisbane QLD | F/hold | Nov 1989 | 13,266 | - | - | - | - | 15,341 |
| 88 The Esplanade Darwin NT | F/hold | March 1997 | 32,556 | - | - | - | - ⁶ | 32,556 |
| Total investment properties | | | | | | 2,509,503 | 2,482,490 | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

13 Investment properties (continued)

Footnotes from table on previous page

¹ Property held by Stockland Trust.

² Sale of strata units at 333 Exhibition Street commenced during the year ended 30 June 2001. The book value at 30 June 2002 represents the last independent valuation less the cost of units sold. The directors consider the book value of the property at 30 June 2002 to reflect fair value.

³ Date of latest valuation preceding acquisition by Stockland Trust Group.

⁴ Capital works in progress – fair value at 30 June 2002 has been assessed by the directors after consideration of the latest valuation and capital works incurred to 30 June 2002. An independent valuation of the property will be undertaken to assess book value upon completion of the capital works.

⁵ Property reallocated to Inventory pending development or sale.

⁶ Property reallocated to Inventory.

In the above table, Valuation Date and Valuation refer to the most recent independent valuation undertaken in relation to an investment property. Directors' valuations have been undertaken as at 30 June 2002 for all properties when determining fair value. Directors' valuations are on the basis of open market values for the existing use of the respective properties.

With respect to properties held by Australian Commercial Property Trust, Flinders Industrial Property Trust and Advance Property Fund, the Acquisition Date reflects the date Stockland Trust gained control of the sub-trust and the Original Purchase Price reflects the fair value of the property at that date.

| | Consolidated | |
|---|------------------|------------------|
| | 2002 | 2001 |
| | \$'000 | \$'000 |
| Reconciliation - investment properties | | |
| Carrying amount at the beginning of the financial year | 2,482,490 | 1,188,330 |
| Additions | 99,889 | 89,368 |
| Disposals | (82,906) | (18,545) |
| Transfer to inventory | (33,756) | - |
| Investment property of entities consolidated for the first time | - | 1,202,758 |
| Valuation increment | 43,786 | 20,579 |
| Carrying amount at the end of the financial year | 2,509,503 | 2,482,490 |

14 Other financial assets

Non-current

Investment in other entities

| | | |
|-------------------------|-----------|------------|
| listed shares at cost | 36 | - |
| unlisted shares at cost | 9 | 507 |
| | 45 | 507 |

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Note | Consolidated | |
|--|------|----------------|----------------|
| | | 2002 \$'000 | 2001 \$'000 |

15 Property, plant and equipment

| | | | |
|--------------------------|--|---------|---------|
| Strata units at cost | | 5,720 | 5,720 |
| Leasehold improvements: | | | |
| at cost | | 1,996 | 958 |
| accumulated depreciation | | (608) | (111) |
| | | 1,388 | 847 |
| Plant and equipment: | | | |
| at cost | | 17,928 | 14,278 |
| accumulated depreciation | | (9,247) | (7,778) |
| | | 8,681 | 6,500 |
| | | 15,789 | 13,067 |

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| | | | |
|--|--|---------|---------|
| Strata units: | | | |
| Carrying amount at the beginning of the financial year | | 5,720 | 4,795 |
| Additions | | - | 925 |
| Carrying amount at the end of the financial year | | 5,720 | 5,720 |
| Leasehold improvements: | | | |
| Carrying amount at the beginning of the financial year | | 847 | 658 |
| Additions | | 1,038 | 300 |
| Amortisation | | (497) | (111) |
| Carrying amount at the end of the financial year | | 1,388 | 847 |
| Plant and equipment: | | | |
| Carrying amount at the beginning of the financial year | | 6,500 | 5,365 |
| Additions | | 5,621 | 3,170 |
| Disposals | | (1,449) | (711) |
| Depreciation | | (1,991) | (1,324) |
| Carrying amount at the end of the financial year | | 8,681 | 6,500 |

16 Investments accounted for using the equity method

Non-current

| | | | |
|------------------------|----|--------|--------|
| Joint venture entities | 31 | 68,514 | 74,598 |
|------------------------|----|--------|--------|

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|--|----------------|----------------|
| | 2002 \$'000 | 2001 \$'000 |

17 Intangible assets

| | | |
|--------------------------|---------------|---------------|
| Hotel management rights: | | |
| at deemed cost | 7,312 | 7,312 |
| accumulated amortisation | (1,726) | (1,110) |
| | 5,586 | 6,202 |
| Goodwill: | | |
| at cost | 9,303 | 1,016 |
| accumulated amortisation | (833) | (118) |
| | 8,470 | 898 |
| Trust management rights: | | |
| at cost | 7,500 | 7,500 |
| accumulated amortisation | (342) | (247) |
| | 7,158 | 7,253 |
| Heritage floor space | 1,246 | - |
| | 22,460 | 14,353 |

18 Payables

| | | |
|----------------------------------|---------------|---------------|
| Current | | |
| Trade creditors and accruals | 62,284 | 39,626 |
| Trade creditors – land purchases | 23,035 | 29,810 |
| Other loans | 158 | - |
| | 85,477 | 69,436 |
| Non-current | | |
| Trade creditors – land purchases | 7,900 | 12,800 |

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| Consolidated | |
|--------------|--------|
| 2002 | 2001 |
| \$'000 | \$'000 |

19 Interest-bearing liabilities

Current

| | | |
|--------------------|---|---------|
| Bank bill facility | - | 300,250 |
|--------------------|---|---------|

Non-current

| | | |
|--------------------|----------------|----------------|
| Bank bill facility | - | 170,000 |
| Medium term notes | 448,171 | 297,634 |
| | 448,171 | 467,634 |

Bank bill facility

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

| Facility 30 June 2002 \$'000 | Facility 30 June 2001 \$'000 | Security | Maturity Date | Utilised at 30 June 2002 \$'000 | Utilised at 30 June 2001 \$'000 |
|------------------------------------|------------------------------------|-----------|---------------|---------------------------------------|---------------------------------------|
| 100,000 | - | Unsecured | May 2005 | - | - |
| - | 45,000 | Secured | Matured | - | 38,000 |
| - | 120,000 | Unsecured | Matured | - | 120,000 |
| 125,000 | 255,000 | Unsecured | Dec 2005 | - | 255,000 |
| - | 38,000 | Unsecured | Matured | - | 37,250 |
| - | 22,500 | Secured | Matured | - | 20,000 |
| 225,000* | 480,500 | | | - | 470,250 |

*These facilities are multi-use facilities which may be used partially for bank guarantees, refer to Note 28.

Medium term notes

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

| | 2002 \$'000 | 2001 \$'000 |
|----------------------|----------------|----------------|
| Maturity date | | |
| August 2003 | 150,000 | 150,000 |
| September 2004 | 150,000 | - |
| February 2006 | 150,000 | 150,000 |

Coupon interest payments under each issue are made semi-annually. The September 2004 notes have been swapped to floating rate through an interest rate hedge. The weighted average interest rate of the medium term notes at 30 June 2002 is 5.94% (30 June 2001: 6.10%).

The medium term notes have been issued at a discount to face value. The discount is amortised as interest expense over the term of the notes. The notional face value of the notes is \$450 million (2001: \$300 million). The current book value is \$448.17 million (2001: \$297.63 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Notes | Consolidated | |
|--|-------|------------------|----------------|
| | | 2002 \$'000 | 2001 \$'000 |
| 20 Provisions | | | |
| Current | | | |
| Distribution / dividend | 27 | 125,640 | 106,765 |
| Employee entitlements | 35 | 2,919 | 3,007 |
| Legal claims | | 900 | - |
| Other | | 567 | 1,172 |
| | | 130,026 | 110,944 |
| Non-current | | | |
| Employee entitlements | 35 | 345 | 299 |
| 21 Other liabilities | | | |
| Current | | | |
| Tenant security deposits and other | | 863 | 394 |
| Non-current | | | |
| Loan from associated company | | 1,250 | 1,250 |
| 22 Contributed equity | | | |
| Unit/share capital | | | |
| 832,139,735 (30 June 2001: 770,004,982) units/shares, at issue price | | 2,242,400 | 1,988,223 |
| Movement in ordinary units/shares | | | |
| Balance at the beginning of the financial year | | 1,988,223 | 854,446 |
| Dividend reinvestment plan | | | |
| February 2002 - 16,469,684 units/shares at \$4.08 | | 67,196 | - |
| August 2001 - 13,950,069 units/shares at \$4.06 | | 56,637 | - |
| February 2001 - 11,282,045 units/shares at \$3.85 | | - | 43,436 |
| Executive securities plan | | | |
| February 2002 - 210,000 units/shares at \$4.08 | | 857 | - |
| December 2001 - 4,100,000 units/shares at \$4.16 | | 17,056 | - |
| November 2001 - 500,000 units/shares at \$4.25 | | 2,125 | - |
| August 2001 - 1,905,000 units/shares at \$4.06 | | 7,734 | - |
| June 2001 - 150,000 units/shares at \$3.85 | | - | 578 |
| February 2001 - 1,500,000 units/shares at \$3.85 | | - | 5,775 |
| August 2000 - 1,183,000 units/shares at \$3.50 | | - | 4,140 |
| Acquisitions - units/shares issued | | | |
| Flinders Industrial Property Trust allotment | | | |
| July 2000 - 81,028,987 units/shares at \$3.06 | | - | 248,061 |
| Advance Property Fund allotment | | | |
| October 2000 - 169,889,992 units/shares at \$3.25 | | - | 552,177 |
| Stockland option conversions ¹ | | | |
| June 2001 - 35,218,750 units/shares at \$3.85 | | - | 135,596 |
| Placement | | | |
| August 2001 - 25,000,000 units/shares at \$4.15 | | 103,750 | - |
| July 2000 - 34,800,000 units/shares at \$3.60 | | - | 125,280 |
| less: transaction costs | | (1,178) | (1,266) |
| Conversion of Stockland Trust convertible bonds | | | |
| March 2001 - 5,714,280 units/shares at \$3.50 | | - | 20,000 |
| Balance at the end of the financial year | | 2,242,400 | 1,988,223 |

¹ Offer of Stockland options in connection with the acquisition of Advance Property Fund.

Terms and Conditions

Holders of units/shares are entitled to receive distributions/dividends as declared from time to time and are entitled to one vote per stapled security at unitholder/shareholder meetings.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Notes | Consolidated | |
|--|-------|------------------|------------------|
| | | 2002 \$'000 | 2001 \$'000 |
| 23 Reserves | | | |
| Capital redemption | | 1 | 1 |
| Realised capital profits | | 27,593 | 26,789 |
| Asset revaluation reserve | | 307,815 | 265,259 |
| | | 335,409 | 292,049 |
| Realised capital profits reserve | | | |
| Balance at the beginning of the financial year | | 26,789 | 26,789 |
| Profit on sale of investment properties transferred to reserve | 24 | 804 | - |
| Balance at the end of the financial year | | 27,593 | 26,789 |
| Asset revaluation reserve | | | |
| Balance at the beginning of the financial year | | 265,259 | 246,636 |
| Net increase in the valuation of investment property | | 43,786 | 20,579 |
| Movement in outside equity interests in reserve | | (1,230) | (1,956) |
| Balance at the end of the financial year | | 307,815 | 265,259 |
| The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with accounting standard AASB 1041 "Revaluation of Non-current Assets". | | | |
| 24 Retained profits | | | |
| Retained profits at the beginning of the financial year | | 57,179 | 51,398 |
| Net profit attributable to members of the parent entity | | 249,751 | 198,225 |
| Transfer to capital profits reserve | 23 | (804) | - |
| Distributions/dividends provided for or paid | 27 | (241,253) | (192,444) |
| Retained profits at the end of the financial year | | 64,873 | 57,179 |
| 25 Outside equity interests | | | |
| Outside equity interests in controlled entities comprise: | | | |
| Interest in undistributed income at the beginning of the financial year | | | |
| after adjusting for outside equity interests acquired during the financial year | | 86 | 96 |
| Interest in net operating income | | 152 | 7,064 |
| Interest in distributions provided for or paid | | (238) | (7,074) |
| Interest in undistributed income at the end of the financial year | | - | 86 |
| Interest in issued capital | | - | 73,078 |
| Interest in reserves | | - | (1,431) |
| Total outside equity interests | | - | 71,733 |
| 26 Total equity reconciliation | | | |
| Total equity at the beginning of the financial year | | 2,409,184 | 1,250,854 |
| Total changes in parent entity interest in equity recognised in the Statement of Financial Performance | | 292,308 | 216,847 |
| Transactions with owners as owners: | | | |
| Contributions of equity | | 254,177 | 1,133,778 |
| Distributions / dividends | | (241,253) | (192,444) |
| Total changes in outside equity interest | | (71,733) | 149 |
| Total equity at the end of the financial year | | 2,642,683 | 2,409,184 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

27 Distributions/dividends

Distributions/dividends recognised in the current year by the Trust and Corporation are:

| | Cents per unit/share | Total amount \$'000 | Date of payment | Tax rate for franking credit % | Percentage franked |
|----------------------|----------------------|---------------------|-----------------|--------------------------------|-------------------------|
| 2002 | | | | | |
| Interim dividend | 1.9¢ | 15,150 | 28 Feb 2002 | 30 | 100 |
| Final dividend | 2.2¢ | 18,185 | 30 Aug 2002 | 30 | 100 |
| Total dividends | | 33,335 | | | |
| | | | | Tax deferred ¹ % | |
| Interim distribution | 12.6¢ | 100,463 | 28 Feb 2002 | 24.0 | |
| Final distribution | 13.0¢ | 107,455 | 30 Aug 2002 | 27.8 | |
| Total distribution | | 207,918 | | | |
| | | | | Tax rate for franking credit % | Percentage franked |
| 2001 | | | | | |
| Interim dividend | 1.8¢ | 11,355 | 28 Feb 2001 | 34 | 100 |
| Final dividend | 1.8¢ | 13,095 | 31 Aug 2001 | 30 | 100 |
| Total dividends | | 24,450 | | | |
| | | | | Tax deferred ¹ % | Tax free ¹ % |
| Interim distribution | 12.1¢ | 76,327 | 28 Feb 2001 | 14.6 | 9.1 |
| Final distribution | 12.6¢ | 91,667 | 31 Aug 2001 | 21.7 | 10.3 |
| Total distribution | | 167,994 | | | |

¹ Due to amendments to the income tax legislation, building allowances claimed by Stockland Trust ceased to give rise to "tax free" distributions from 1 July 2001.

The entire amount of the 2002 distribution not considered to be taxable is categorised as "tax deferred".

No unfranked dividends have been declared or paid during the year.

| | Corporation | |
|--|-------------|-------------|
| | 2002 \$'000 | 2001 \$'000 |
| Dividend franking account | | |
| 30% franking credits available to shareholders of the Corporation for subsequent financial years | 40,308 | 30,979 |

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent on there being sufficient available profits to declare dividends.

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after-tax profits. As a result the "franking credits available" were converted from \$40,308,033 to \$17,274,871 as at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| Consolidated | |
|--------------|--------|
| 2002 | 2001 |
| \$'000 | \$'000 |

28 Commitments and contingent liabilities

Capital expenditure commitments

Investment properties

Contracted but not provided for and payable:

| | | |
|--|---------------|---------------|
| Within one year | 60,920 | 50,082 |
| One year or later and no later than five years | 9,200 | - |
| | 70,120 | 50,082 |

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments are receivable:

| | | |
|--|----------------|----------------|
| Within one year | 244,925 | 241,303 |
| One year or later and no later than five years | 576,285 | 529,533 |
| Later than five years | 57,195 | 69,791 |
| | 878,405 | 840,627 |

Hotel lease commitments

The consolidated entity has entered into non-cancellable operating leases in respect of several all-suite hotel developments, to be operated by the consolidated entity, for terms of up to ten years. The leases generally provide the consolidated entity with a right to renew at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either the movements in the Consumer Price Index or operating criteria.

Non-cancellable operating lease commitments are payable:

| | | |
|--|----------------|---------------|
| Within one year | 17,467 | 11,460 |
| One year or later and no later than five years | 53,849 | 35,108 |
| Later than five years | 44,088 | 20,216 |
| | 115,404 | 66,784 |

Contingent liabilities

Joint and several liability

A controlled entity, as a 33.33% partner in a joint venture partnership, is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership as at 30 June 2002 are sufficient to meet such liabilities.

A controlled entity, as a 50% partner in the Elizabeth City Centre Partnership, is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership as at 30 June 2002 are sufficient to meet such liabilities.

Bank guarantees

The consolidated entity has given joint and several guarantees and a negative pledge to a bank in support of the following:

Bank guarantees issued to semi and local government authorities against performance contracts, total facility \$100 million included within bank multi-use facilities, refer Note 19 (2001: \$55 million)

| | |
|---------------|---------------|
| 59,919 | 46,048 |
|---------------|---------------|

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

29 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed in Note 30 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that Stockland Corporation Limited ("the Company") and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated Statement of Financial Performance and Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2002 are set out below:

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| Statement of Financial Performance | | |
| Profit from ordinary activities before related income tax expense | 61,520 | 41,725 |
| Income tax expense relating to ordinary activities | (16,902) | (13,309) |
| Profit from ordinary activities after related income tax expense | 44,618 | 28,416 |
| Retained profits at the beginning of the financial year | 52,200 | 48,233 |
| | 96,818 | 76,649 |
| Dividends provided for or paid | (33,335) | (24,449) |
| Retained profits at the end of the financial year | 63,483 | 52,200 |
| Statement of Financial Position | | |
| Current assets | | |
| Cash assets | 5,206 | 4,265 |
| Receivables | 6,084 | 27,664 |
| Capital works for Stockland Trust | 31,580 | 44,356 |
| Inventories | 287,131 | 128,504 |
| Other assets | 9,359 | 6,693 |
| Total current assets | 339,360 | 211,482 |
| Non-current assets | | |
| Receivables | 41,400 | 14,861 |
| Inventories | 281,455 | 304,050 |
| Other financial assets | 10,122 | 4,865 |
| Investment properties | - | 49,097 |
| Property, plant and equipment | 7,606 | 5,059 |
| Intangibles | 15,628 | 8,151 |
| Investments accounted for using the equity method | 5,792 | 8,764 |
| Other assets | 4,617 | 2,194 |
| Total non-current assets | 366,620 | 397,041 |
| Total assets | 705,980 | 608,523 |
| Current liabilities | | |
| Payables | 48,330 | 43,139 |
| Interest-bearing liabilities | 329,794 | 274,048 |
| Current tax liabilities | 1,034 | - |
| Provisions | 20,964 | 21,470 |
| Total current liabilities | 400,122 | 338,657 |
| Non-current liabilities | | |
| Payables | 7,900 | 12,800 |
| Deferred tax liabilities | 8,442 | 5,318 |
| Provisions | 275 | 299 |
| Total non-current liabilities | 16,617 | 18,417 |
| Total liabilities | 416,739 | 357,074 |
| Net assets | 289,241 | 251,449 |
| Equity | | |
| Contributed equity | 220,088 | 191,995 |
| Reserves | 5,670 | 7,254 |
| Retained profits | 63,483 | 52,200 |
| Total equity | 289,241 | 251,449 |

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

Unit/share capital
Consolidated entity interest
2002 2001
% %

30 Controlled entities

(a) Particulars in relation to controlled entities

Parent entity (Trust)

Stockland Trust

Controlled entities of Stockland Trust

| | | |
|--------------------------------------|-----|-------|
| Stocks & Holdings Property Trust | 100 | 100 |
| Advance Property Fund | 100 | 100 |
| Flinders Industrial Property Trust | 100 | 100 |
| Australian Commercial Property Trust | 100 | 60.75 |

Controlled entities of Advance Property Fund

| | | |
|--|-----|-------|
| Advance Property Fund No. 3 (Growth) | 100 | 100 |
| Advance Property Fund No. 5 (Capital Growth) | 100 | 99.99 |

Controlled entities of Flinders Industrial Property Trust

| | | |
|-------------------------------|-----|-------|
| Property Trust of Australasia | 100 | 95.23 |
|-------------------------------|-----|-------|

Parent entity (Corporation)

Stockland Corporation Limited

Controlled entities of Stockland Corporation Limited

| | | |
|--|-----|-----|
| Albert & Co. Pty Limited | 100 | 100 |
| Colony Town Estates Pty Limited | 100 | 100 |
| Gold Star Homes Pty Limited | 100 | 100 |
| Gold Star Real Estate Pty Limited | 100 | 100 |
| Stockland (Russell Street) Pty Limited | 100 | 100 |
| Stockland (Alamein) Pty Limited | 100 | 100 |
| Stockland (Constructors) Pty Limited | 100 | 100 |
| Stockland (Co-Ordinators) Pty Limited | 100 | 100 |
| Stockland (Enterprises) Pty Limited | 100 | 100 |
| Stockland (Macquarie) Pty Limited | 100 | 100 |
| Stockland (Mapledown) Pty Limited | 100 | 100 |
| Stockland (Master) Pty Limited | 100 | 100 |
| Stockland (Park) Pty Limited | 100 | 100 |
| Stockland (Promoters) Pty Limited | 100 | 100 |
| Stockland (Properties) Pty Limited | 100 | 100 |
| Stockland (Queensland) Pty Limited | 100 | 100 |
| Stockland (Sales) Pty Limited | 100 | 100 |
| Stockland (Subdividers) Pty Limited | 100 | 100 |
| Stockland (Victoria) Pty Limited | 100 | 100 |
| Stockland Property Services Pty Limited | 100 | 100 |
| Stockland Management Services Pty Limited | 100 | 100 |
| Stockland Property Management Limited | 100 | 100 |
| Stockland Funds Management Limited | 100 | 100 |
| Stockland Retirement Management Pty Limited | 100 | 100 |
| Stocks and Realty (Security Finance) Pty Limited | 100 | 100 |
| Thermotech Building Maintenance Services Pty Limited | 100 | 100 |
| Stockland WA Holdings Pty Limited | 100 | - |
| Stockland Hotel Group Pty Limited | 100 | 100 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Unit/share capital Consolidated entity interest | |
|---|--|-----------|
| | 2002 % | 2001 % |
| 30 Controlled entities (continued) | | |
| (a) Particulars in relation to controlled entities (continued) | | |
| Controlled entities of Stockland WA Holdings Pty Limited | | |
| Stockland WA (Constructors) Pty Limited | 100 | - |
| Stockland WA (Estates) Pty Limited | 100 | - |
| Stockland WA Property Company of Australia Pty Limited | 100 | - |
| Heritage Constructions Pty Limited | 100 | - |
| Stockland WA Corser Pty Limited | 100 | - |
| Stockland WA Realty Pty Limited | 100 | - |
| Stockland WA Enterprises Pty Limited | 100 | - |
| Stockland WA Home Builders Pty Limited | 100 | - |
| Stockland WA (Rockingham) Pty Limited | 100 | - |
| North Whitfords Estates Pty Limited | 100 | - |
| Controlled entities of Stockland Hotel Group Pty Limited | | |
| Ezoperli Pty Limited | 100 | 100 |
| The Park at Melbourne (Australia) Pty Limited | 100 | 100 |
| Directors Management Pty Limited | 100 | 100 |
| West End Apartments Management Pty Limited | 100 | 100 |
| West End Apartments Management Unit Trust | 100 | 100 |
| Controlled entities of Stockland (Constructors) Pty Limited | | |
| Centenary Park Developments No. 1 Pty Limited | 100 | 100 |
| Controlled entities of Stockland (Sales) Pty Limited | | |
| Stockland (General) Pty Limited | 100 | 100 |

Stockland Trust, Stockland Corporation Limited and all their respective controlled entities were formed / incorporated in Australia.

Stockland Trust and Stockland Corporation Limited own all the issued units/shares of their respective controlled entities and such units/shares carry the voting, distribution/dividend and equitable rights.

Each of the controlled entities of Stockland Corporation Limited ("the Company") listed above, (except Stockland Hotel Group Pty Limited and its controlled entities and Stockland Funds Management Limited), has entered into a Deed of Cross Guarantee with the Company in respect of relief granted from specific accounting requirements in accordance with a Class Order.

Stockland WA Holdings Pty Limited and each of its controlled entities as listed above became parties to the Deed on 13 December 2001, effective for the financial year ended 30 June 2002, by virtue of a Deed of Assumption. Colony Town Estates Pty Limited, Gold Star Homes Pty Limited, Gold Star Real Estate Pty Limited, Stockland (Co-Ordinators) Pty Limited, Stockland (Enterprises) Pty Limited, Stockland (Macquarie) Pty Limited and Stockland (Promoters) Pty Limited have been released from their obligations under the Deed, effective for the financial year ended 30 June 2002, by executing Revocation Deeds on 13 December 2001.

These companies will be deregistered.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| Consolidated | |
|--------------|--------|
| 2002 | 2001 |
| \$'000 | \$'000 |

30 Controlled entities (continued)

(b) Acquisition of entities

During the financial year the consolidated entity acquired 100% of the voting shares of Taylor Woodrow Pty Limited, a residential property developer. The consolidated operating results of the acquired entity and its controlled entities were included in consolidated net income from 1 July 2001.

During the year ended 30 June 2001 the consolidated entity purchased 100% of the ordinary units of Flinders Industrial Property Trust and 100% of the ordinary units of Advance Property Fund. The operating results of the acquired entities were included in consolidated net income from 1 July 2000 for Flinders Industrial Property Trust and from 1 October 2000 for Advance Property Fund.

Details of the acquisitions are as follows:

| | | |
|---|----------|-----------|
| Cash consideration | 104,472 | 211,898 |
| Cash acquired | (5,126) | (34,129) |
| Outflow of cash | 99,346 | 177,769 |
| Fair value of net assets of entities acquired: | | |
| Investment property | - | 1,202,758 |
| Inventories | 96,011 | - |
| Cash assets | 5,126 | 34,129 |
| Receivables | 3,464 | 5,763 |
| Interest in partnership | - | 61,572 |
| Property, plant and equipment | 5,044 | - |
| Other assets | 431 | 8,549 |
| Interest-bearing liabilities | - | (261,150) |
| Payables | (11,885) | (9,862) |
| Other provision | (1,420) | (27,796) |
| Other liabilities | (662) | (1,604) |
| | 96,109 | 1,012,359 |
| Outside equity interests at acquisition | - | (2,732) |
| | 96,109 | 1,009,627 |
| Goodwill on acquisition | 8,363 | - |
| | 104,472 | 1,009,627 |
| Less: Issue of Stockland Trust units as consideration | - | (797,729) |
| Cash consideration | 104,472 | 211,898 |

During the financial year the consolidated entity also acquired further units in:

- Australian Commercial Property Trust, increasing its ownership to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$69,896,497 (2001: \$4,727,841).
- Property Trust of Australasia, increasing its ownership interest to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$3,038,574.
- Advance Property Fund No. 5, increasing its ownership interest to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$57,248.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

31 Interest in joint venture entities

| | Principal activity | Balance date | Ownership interest |
|-----------------------------------|-----------------------|--------------|--------------------|
| Subiaco Joint Venture | Property development | 30 June | 33.33% |
| Elizabeth City Centre Partnership | Property investment | 30 June | 50% |
| Elizabeth City Centre Pty Limited | Agent for Partnership | 30 June | 50% |

| | Note | Consolidated 2002 \$'000 | 2001 \$'000 |
|--|------|--------------------------------|----------------|
|--|------|--------------------------------|----------------|

Results of joint venture entities

The consolidated entity's share of the joint venture entities' results consists of:

| | | |
|--|---------|----------|
| Revenue from ordinary activities | 12,874 | 19,375 |
| Expenses from ordinary activities | (7,427) | (13,656) |
| Net profit - accounted for using the equity method | 5,447 | 5,719 |

Statement of Financial Position

| | | |
|--|--------|--------|
| Current assets | 8,755 | 15,405 |
| Non-current assets | 60,806 | 58,553 |
| Total assets | 69,561 | 73,958 |
| Current liabilities | 584 | 831 |
| Total liabilities | 584 | 831 |
| Share of net assets before equity accounting adjustments | 68,977 | 73,127 |
| Other adjustments arising from equity accounting | (463) | 1,471 |
| Share of net assets after equity accounting adjustments | 68,514 | 74,598 |

Share of post-acquisition retained profits attributable to joint venture entities

| | | |
|--|---------|---------|
| Share of joint venture entities' retained profits at the beginning of the financial year | 1,059 | (347) |
| Share of joint venture entities' net profit | 5,447 | 5,719 |
| Distributions of joint venture entities' net profit | (5,095) | (4,313) |
| Share of joint venture entities' retained profits at the end of the financial year | 1,411 | 1,059 |

Movements in carrying amount of joint venture entities

| | | |
|---|----------|----------|
| Carrying amount at the beginning of the financial year | 74,598 | 13,652 |
| Contributions to the partnerships | 2,491 | 5,275 |
| Interest in partnership acquired through acquisition of controlled entity | - | 61,572 |
| Share of joint venture entities' net profit | 5,447 | 5,719 |
| Drawings/distributions from the partnerships | (14,526) | (11,754) |
| Other expenses | 504 | 134 |
| Carrying amount at the end of the financial year | 16 | 68,514 |

Elizabeth City Centre Pty Limited acts as the agent for the Elizabeth City Centre Partnership and does not trade in its own right. As agent, it records the liabilities with a corresponding right of indemnity over the assets of the partnership. The investment in Elizabeth City Centre Pty Limited is valued at the lower of cost, which is 50% of the net tangible assets of the company, and recoverable amount.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

32 Joint venture operation

| | Principal activity | Balance date | Ownership interest |
|--------------------------|----------------------|--------------|--------------------|
| Carrington Joint Venture | Property development | 30 June | 50% |

Carrington Joint Venture's principle activity is the development and sale of sub divided land. For the year ended 30 June 2002 the contribution of the joint venture to the operating profit of the consolidated entity was \$488,396 (2001: \$3,444,884).

Included in inventory of the consolidated entity is \$2,628 (2001: \$626,230), representing the consolidated entity's interest in the inventory employed in the joint venture operation.

| | Note | Consolidated 2002 \$'000 | 2001 \$'000 |
|--|------|--------------------------------|----------------|
|--|------|--------------------------------|----------------|

33 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | | | |
|-------------|---|---------------|---------|
| Cash assets | 8 | 34,567 | 254,500 |
|-------------|---|---------------|---------|

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

| | | |
|--|----------------|---------|
| Profit from ordinary activities after income tax | 249,903 | 205,290 |
|--|----------------|---------|

Add/(less) items classified as investing/ financing activities:

| | | |
|---|-----------------|---------|
| decrease in distribution receivable from joint venture entities | 6,083 | 1,220 |
| (profit)/loss on sale of non-current assets | (1,813) | 116 |
| medium term note interest capitalised | 536 | - |
| interest capitalised to inventory and investment properties | (13,703) | (9,367) |
| other items | (605) | 384 |

Add/(less) non-cash items:

| | | |
|---|----------------|---------|
| depreciation | 1,974 | 1,412 |
| amortisation | 2,500 | 1,273 |
| (decrease)/increase in income tax payable | (6,583) | 2,691 |
| increase/(decrease) in deferred taxes payable | 418 | (1,904) |

| | | |
|---|----------------|---------|
| Net cash provided by operating activities before change in assets and liabilities | 238,710 | 201,115 |
|---|----------------|---------|

Change in assets and liabilities adjusted for the effects of purchase of controlled entities during the financial year:

| | | |
|--|----------------|----------|
| Decrease/(increase) in receivables | 17,960 | (7,907) |
| Increase in other assets | (6,143) | (936) |
| Increase in payables and other liabilities | 543 | 22,415 |
| (Decrease)/increase in employee entitlements | (1,461) | 876 |
| Increase in other provisions | 900 | - |
| Decrease/(increase) in inventories | 22,206 | (69,769) |
| Net cash provided by operating activities | 272,715 | 145,794 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

34 Additional financial instrument disclosures

Financial arrangements

At 30 June 2002 the consolidated entity had bank bill facilities of \$225 million (2001: \$480.5 million), of which \$nil was used (2001: \$470.3 million used).

In addition, at 30 June 2002 the consolidated entity had a \$750.0 million (2001: \$750.0 million) medium term note facility, of which \$450.0 million has been issued (2001: \$300.0 million).

Interest rate risk

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating.

Interest rate swaps

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and four years. Each contract involves quarterly payment or receipt of the net amount of interest.

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| | Notes | Weighted average interest rate % | Floating interest rate \$'000 | One year Or less \$'000 | Fixed interest maturing in One to five years \$'000 | More than five years \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|--|-------|--|--|-------------------------------|--|-----------------------------------|---------------------------------------|-----------------|
| 2002 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash | 8 | 4.60% | 34,567 | - | - | - | - | 34,567 |
| Receivables | 9 | 7.35% | 35,949 | 54 | - | - | 14,892 | 50,895 |
| | | | 70,516 | 54 | - | - | 14,892 | 85,462 |
| Financial liabilities | | | | | | | | |
| Payables | 18 | | - | - | - | - | 93,377 | 93,377 |
| Interest-bearing liabilities | 19 | 5.94% | - | - | 448,171 | - | - | 448,171 |
| Other liabilities | 21 | 4.25% | 296 | - | - | - | 1,817 | 2,113 |
| | | | 296 | - | 448,171 | - | 95,194 | 543,661 |
| Interest rate swaps (notional principal) | | | | | | | | |
| - undrawn bank facilities | | | (120,000) | - | 120,000 | - | - | - |
| - medium term notes | | | 150,000 | - | (150,000) | - | - | - |

Weighted average interest rates include fees, margins and the effect of interest rate swaps.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

34 Additional financial instrument disclosures (continued)

| | Notes | Weighted average interest rate % | Floating interest rate \$'000 | Fixed interest maturing in | | | Non- interest bearing \$'000 | Total \$'000 |
|------------------------------|-------|--|--|-------------------------------|--------------------------------|-----------------------------------|---------------------------------------|-----------------|
| | | | | One year Or less \$'000 | One to five years \$'000 | More than five years \$'000 | | |
| 2001 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash | 8 | 5.03% | 254,500 | - | - | - | - | 254,500 |
| Receivables | 9 | 7.79% | 7,174 | - | - | - | 38,358 | 45,532 |
| | | | 261,674 | - | - | - | 38,358 | 300,032 |
| Financial liabilities | | | | | | | | |
| Payables | 18 | | - | - | - | - | 82,236 | 82,236 |
| Interest-bearing liabilities | 19 | 5.94% | 470,250 | - | 297,634 | - | - | 767,884 |
| Other liabilities | 21 | 4.85% | 394 | - | - | - | 1,250 | 1,644 |
| | | | 470,644 | - | 297,634 | - | 83,486 | 851,764 |
| Interest rate swaps | | | | | | | | |
| - notional principal | | | (248,250) | 85,000 | 163,250 | - | - | - |

Weighted average interest rates include fees, margins and the effect of interest rate swaps.

Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the consolidated entity, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts. The consolidated entity is not materially exposed to any individual debtor.

Unrecognised financial instruments

Swap contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks.

The credit risk on swap contracts is limited to the net amount to be received from counterparties on contracts that are favourable to the consolidated entity. The accrued amount due to the consolidated entity at 30 June 2002 was \$2,625,000.

Net fair values of financial assets and liabilities

The consolidated entity's financial assets and liabilities included in current and non-current assets and liabilities on the Statement of Financial Position are carried at amounts that approximate fair value.

The valuation of financial instruments not recognised on the Statement of Financial Position reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts, or replace the contracts at their current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques. The net fair value of interest rate swaps not recognised on the Statement of Financial Position held at 30 June 2002 was \$(12,722).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Note | Consolidated 2002 \$'000 | 2001 \$'000 |
|---|------|--------------------------------|----------------|
| 35 Employee entitlements | | | |
| Aggregate liability for employee entitlements, including on-costs | | | |
| Current | 20 | 2,919 | 3,007 |
| Non-current | 20 | 345 | 299 |
| | | 3,264 | 3,306 |
| | | Number | Number |
| Number of employees at year end | | 964 | 971 |

Superannuation commitments

The Corporation contributes to a superannuation fund being an accumulation fund. The consolidated entity and the employees make contributions based on various percentages of gross salaries. Employees are entitled to benefits on retirement. In addition, the consolidated entity contributes to several award related superannuation funds in order to satisfy award entitlements of certain employees.

Employee securities plan

Stockland does not have in place any option scheme for employees and has never issued any executive options.

The Group does have an Executive Securities Plan, the purpose of which is to provide executives with an additional incentive to create value for shareholders and to participate in the long-term success of Stockland Trust Group. The plan operates as follows:

General provisions

Offers to purchase securities in Stockland are made to executives based on individual merit pursuant to the Executive Securities Plan, after approval by the Nominations and Remuneration Committee and on the following conditions:

- The executives pay the prevailing market price, less 2.5%.
- If required by the executives, interest-bearing loans shall be provided by a Stockland Group Company for a maximum of five years, at which time the loan is repayable.
- Ownership of the securities shall become unconditional two years after the date of allotment, subject to the executive remaining an employee of Stockland Trust Group.
- For general executives, no performance hurdles apply. However, for certain senior executives (including executive directors), the hurdle is set out below.

Non-executive directors

Non-executive directors do not participate.

Executive directors

With respect to executive directors, any offer of securities requires a special resolution to be passed at a general meeting. The most recent special resolution was passed at the Annual General Meeting on 22 October 2001, the effect of which was to allot a combined 3,000,000 stapled securities to the two executive directors, Matthew Quinn and John Pettigrew ("the executive directors"), pursuant to the Executive Securities Plan on the following conditions:

- No further approvals for issues under the Executive Securities Plan shall be sought for the executive directors for a period of four years.
- The executive directors shall purchase the securities at the prevailing market price, less 2.5%, being the same discount as applies to the Distribution/Dividend Reinvestment Plan.
- If required by the executive directors, interest-bearing loans shall be provided by a Stockland Group Company for a maximum of five years.
- Ownership of the securities shall become unconditional progressively over a four year period, as stipulated in the resolution, and only if the set performance hurdle is met or exceeded. The set performance hurdle is that Stockland Trust Group securities outperform the ASX LPT 200 Index on a cumulative basis from the initial base index date over the four year period. If the set performance hurdle is not met, the securities to which the executive directors would have been entitled will be sold at the end of the four year period for no benefit to the executive directors.

Details of loans made to directors, including executive directors and directors of the consolidated entity, are set out in Note 37.

Senior Executives

The Executive Securities Plan operates in the same manner for certain senior executives as it does for executive directors, with the exception that any allotments made pursuant to the Executive Securities Plan must be approved by the Nominations and Remuneration Committee and do not require the passing of a special resolution at a general meeting.

As at 30 June 2002, the number of securities on issue under the Executive Securities Plan was 8,555,000 (2001: 3,925,000).

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

Consolidated
2002 2001

36 Directors' and executives' remuneration

Directors

The number of directors of Stockland Corporation Limited and wholly owned controlled entities, whose income from Stockland Corporation Limited or any related party is within the following bands is:

| | | |
|-----------------------|---|---|
| \$ 50,000 - \$ 59,999 | - | 2 |
| \$ 60,000 - \$ 69,999 | 2 | 1 |
| \$ 80,000 - \$ 89,999 | 2 | 1 |
| \$ 90,000 - \$ 99,999 | 1 | - |
| \$120,000 - \$129,999 | 1 | - |
| \$130,000 - \$139,999 | - | 1 |
| \$150,000 - \$159,999 | 1 | - |
| \$200,000 - \$209,999 | 1 | - |
| \$210,000 - \$219,999 | - | 1 |
| \$280,000 - \$289,999 | - | 1 |
| \$300,000 - \$309,999 | 1 | - |
| \$330,000 - \$339,999 | - | 1 |
| \$350,000 - \$359,999 | - | 1 |
| \$430,000 - \$439,999 | 1 | - |
| \$550,000 - \$559,999 | 1 | - |
| \$560,000 - \$569,999 | - | 1 |
| \$670,000 - \$679,999 | - | 1 |
| \$880,000 - \$889,999 | 1 | - |

Total income paid or payable, or otherwise made available, to all directors of Stockland Corporation Limited and controlled entities from Stockland Corporation Limited or any related party

\$3,053,093 **\$2,821,132**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

| | Consolidated | |
|---|---------------------|--------------------|
| | 2002 | 2001 |
| 36 Directors' and executives' remuneration (continued) | | |
| Executives | | |
| The number of executive officers of Stockland Corporation Limited and of controlled entities (including directors), whose remuneration from Stockland Corporation Limited or related parties, and from entities in the consolidated entity, falls within the following band is: | | |
| \$100,000 - \$109,999 | 11 | 6 |
| \$110,000 - \$119,999 | 12 | 1 |
| \$120,000 - \$129,999 | 14 | 3 |
| \$130,000 - \$139,999 | 2 | 5 |
| \$140,000 - \$149,999 | 5 | 3 |
| \$150,000 - \$159,999 | 6 | - |
| \$160,000 - \$169,999 | 5 | 1 |
| \$170,000 - \$179,999 | 1 | 1 |
| \$180,000 - \$189,999 | 1 | 1 |
| \$190,000 - \$199,999 | 3 | 2 |
| \$200,000 - \$209,999 | 4 | - |
| \$210,000 - \$219,999 | 3 | 2 |
| \$220,000 - \$229,999 | 1 | - |
| \$230,000 - \$239,999 | 1 | 1 |
| \$240,000 - \$249,999 | - | 1 |
| \$250,000 - \$259,999 | 1 | - |
| \$260,000 - \$269,999 | - | 2 |
| \$270,000 - \$279,999 | 2 | - |
| \$280,000 - \$289,999 | - | 1 |
| \$300,000 - \$309,999 | 1 | - |
| \$330,000 - \$339,999 | - | 1 |
| \$350,000 - \$359,999 | 1 | 1 |
| \$360,000 - \$369,999 | 1 | - |
| \$420,000 - \$429,999 | - | 1 |
| \$430,000 - \$439,999 | 1 | - |
| \$440,000 - \$449,999 | 1 | - |
| \$660,000 - \$669,999 | 1 | - |
| \$670,000 - \$679,999 | - | 1 |
| \$750,000 - \$759,999 | 1 | - |
| \$880,000 - \$889,999 | 1 | - |
| Total income in respect of the financial year received, or due and receivable, from Stockland Corporation Limited, entities in the consolidated entity or related parties by executive officers of Stockland Corporation Limited and of controlled entities whose income is \$100,000 or more | \$14,859,607 | \$6,666,642 |

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

37 Related party disclosures

Directors

The names of each person holding a position of director of Stockland Corporation Limited and Stockland Property Management Limited, the Responsible Entity of Stockland Trust, during the financial year were:

| | |
|------------------|---------------------------------|
| Peter Daly | Chairman (Non-executive) |
| Nicholas Greiner | Deputy Chairman (Non-executive) |
| Matthew Quinn | Managing Director |
| John Pettigrew | Finance Director |
| Bruce Corlett | Non-executive director |
| David Fairfull | Non-executive director |
| Barry Thornton | Non-executive director |

Directors' holdings of units/shares

The aggregate interests of the directors of Stockland Corporation Limited and Stockland Property Management Limited, the Responsible Entity of the Trust, and their director-related entities, in units of Stockland Trust and shares of Stockland Corporation Limited at the end of the financial year is 5,958,853 units/shares (2001: 3,514,505).

Directors' transactions with the consolidated entity

Nicholas Greiner is Chairman of Boulderstone Hornibrook Limited, which provided construction services to the consolidated entity during the financial year. Amounts paid to Boulderstone Hornibrook Limited for the financial year were \$21,245,358.

Bruce Corlett is a director of Trust Company of Australia Limited, which provided custodial services to Stockland Trust and its controlled entities during the financial year. Custodian fees paid to Trust Company of Australia Limited for the financial year were \$150,000.

The terms and conditions of the above transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

| Consolidated | |
|--------------|--------|
| 2002 | 2001 |
| \$'000 | \$'000 |

Loans to Directors

Executive Securities Plan

Interest-bearing directors' loans outstanding at balance date:

Maturing:

| | | |
|------------------|---------------|--------------|
| August 2003 | - | 850 |
| August 2004 | 70 | 1,435 |
| August 2005 | 910 | 2,205 |
| February 2006 | 2,502 | 2,117 |
| August 2006 | 792 | - |
| November 2006 | 2,125 | - |
| December 2006 | 10,400 | - |
| Accrued interest | 627 | 177 |
| | 17,426 | 6,784 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

37 Related party disclosures (continued)

Interest bearing loans varying between \$40,600 and \$9,699,900 have been made by a wholly owned controlled entity of Stockland Corporation Limited ("the Company") to eight (2001:six) directors in full-time employment of the consolidated entity, to finance the purchase of shares in the Company and units in Stockland Trust, pursuant to an executive securities plan approved at general meetings of the Trust and the Company. Interest is payable six monthly at an amount equal to the distribution/dividend receivable in respect of the relevant units/shares. The effective rates for the year ended 30 June 2002 were between 6.99% and 7.32% per annum (2001: between 7.92% and 7.98% per annum). The loans have varying commencement dates with each loan having a 5 year term. Security is held by the lender company over the units/shares.

Of these loans, an amount totaling \$14,975,000 (2001: \$5,468,000) is to directors of the Company, ranging in value from \$5,275,100 to \$9,699,900 (2001: from \$1,056,000 to \$2,607,500).

During the year \$13,316,700 was advanced for further plan issues to Matthew Quinn, John Pettigrew, Wayne Rex, Matthew Mears, Andrew Coffey, Ian Jansen, Paul Wilkin and Nick Duncan. In addition, \$1,260,000 and \$702,000 of the principal of the loans was repaid by Matthew Quinn and John Pettigrew respectively.

In addition to the loans advanced under the executive securities plan, Matthew Quinn has a housing loan of \$159,000 (2001: \$390,000) approved at general meetings of the Company. This loan is interest free and is repayable on or before 30 June 2009 or within six months of him ceasing to be an employee of the Company, whichever is the earlier and is secured. During the year Matthew Quinn repaid \$231,000 of the principal of the loan.

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

Related party transactions

Loan from Stockland Trust to Stockland Corporation Limited

| | | |
|-----------------------|--------|--------|
| Interest paid on loan | 22,389 | 17,862 |
|-----------------------|--------|--------|

Stockland Corporation Limited has an unsecured loan repayable at call to Stockland Trust of \$329,794,151 (2001: \$274,047,511). Interest was payable monthly in arrears at an interest rate of 6.25% p.a. from 1 July 2001 to 31 December 2001 and 6.0% from 1 January 2002 to 30 June 2002 (2001: 7.0% p.a. from 1 July 2000 to 28 February 2001, 6.5% p.a. from 1 March 2001 to 30 June 2001).

Provision of services to Stockland Trust by Stockland Corporation Limited

Revenue was brought to account by Stockland Corporation Limited on the following services provided to Stockland Trust on normal terms and conditions:

| | | |
|---------------------------------|--------|-------|
| Management of Trust | 2,983 | 3,084 |
| Property management and leasing | 5,557 | 4,611 |
| Property maintenance | - | 1,030 |
| Property development | 63,473 | 3,929 |

Rent paid to Stockland Trust by Stockland Corporation Limited

Rent was paid by Stockland Corporation Limited to Stockland Trust amounting to \$1,891,000 (2001: \$2,716,000).

Rent paid is in the normal course of business and on normal terms and conditions.

THE GROUP

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2002 Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

37 Related party disclosures (continued)

Wholly owned group

Details of wholly-owned controlled entities are set out in Note 30. Details of dealings with these entities are set out below:

Loans

Loans from Stockland Corporation Limited to entities in the Corporation wholly-owned group are repayable at call. Interest was payable monthly in arrears at an interest rate of 6.25% p.a. from 1 July 2001 to 31 December 2001 and 6.0% p.a. from 1 January 2002 to 30 June 2002 (2001: 7.0% p.a. from 1 July 2000 to 28 February 2001, 6.5% p.a. from 1 March 2001 to 30 June 2001).

The loan from Stockland Trust to Stocks & Holdings Property Trust is non interest-bearing and is repayable at call.

All other loans from Stockland Trust to entities in the Trust wholly-owned group incur interest at the 90 day bill rate plus 0.6%, payable quarterly in arrears. The loans are repayable at call. Interest charged on these loans during the financial year was:

| | 2002 \$'000 | 2001 \$'000 |
|---|----------------|----------------|
| Loan to Advance Property Fund | 5,487 | - |
| Loan to Flinders Industrial Property Trust | 3,122 | 490 |
| Loan to Property Trust of Australasia | 2,281 | 392 |
| Loan to Australian Commercial Property Trust | 2,048 | - |
| Distributions/dividends | | |
| Distributions received or due and receivable by | | |
| Stockland Trust from Trust wholly-owned controlled entities | 121,376 | 72,766 |
| Dividends received or due and receivable by Stockland | | |
| Corporation Limited from Corporation wholly-owned controlled entities | 38,659 | 25,640 |

38 Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transactions or event of a material or unusual nature likely, in the opinion of the directors of Stockland Corporation Limited and the Responsible Entity of Stockland Trust, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

DIRECTORS' DECLARATION

Stockland Trust Group comprising Stockland Trust and Stockland Corporation Limited

In the opinion of the directors of the Responsible Entity of Stockland Trust, Stockland Property Management Limited, and the directors of Stockland Corporation Limited, the combined financial report of Stockland Trust Group, as set out in pages 46 to 84, is drawn up in accordance with the requirements of UIG 13 "The Presentation of the Financial Report of Entities Whose Securities are Stapled" and the summary of accounting policies set out in Note 1, so as to present fairly the performance, as represented by the results of its operations and its cash flows, of Stockland Trust Group for the financial year ended 30 June 2002 and the financial position of Stockland Trust Group as at that date.

In the opinion of the directors of Stockland Property Management Limited, as Responsible Entity of Stockland Trust, and Stockland Corporation Limited, at the date of this statement there are reasonable grounds to believe that Stockland Trust Group will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 29th day of August 2002.

Signed in accordance with a resolution of the directors.



Peter Daly
Chairman



Matthew Quinn
Managing Director

THE GROUP

INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED

Scope

We have audited the combined financial report of Stockland Trust Group for the financial year ended 30 June 2002, consisting of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes, and the Directors' Declaration set out on pages 46 to 85. The combined financial report of Stockland Trust Group comprises the financial statements of the Stockland Trust consolidated entity, being Stockland Trust and its controlled entities, and the Stockland Corporation Limited consolidated entity, being Stockland Corporation Limited and its controlled entities. The directors of the Responsible Entity of Stockland Trust, Stockland Property Management Limited, and the directors of Stockland Corporation Limited are responsible for the financial report.

We have conducted an independent audit of the combined financial report in order to express an opinion on it to the stapled security holders of Stockland Trust and Stockland Corporation Limited.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the combined financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the combined financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the combined financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the stapled entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the combined financial report presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, the financial position of Stockland Trust Group at 30 June 2002 and its performance for the financial year ended on that date.

KPMG

R M Amos
Partner

Sydney

30 August 2002

Unitholders/Shareholders

The information set out below was prepared as at 13 August 2002 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 of the Australian Stock Exchange. There are on issue 832,139,735 ordinary units in the Trust and ordinary shares in the Corporation.

| Largest Twenty Ordinary Unitholders/Shareholders | Number of Units/Shares | Percentage of Issued Units/Shares |
|---|------------------------|-----------------------------------|
| JP Morgan Nominees Australia Limited | 97,179,184 | 11.68% |
| Westpac Custodian Nominees Limited | 73,079,600 | 8.78% |
| National Nominees Limited | 62,402,435 | 7.50% |
| Citicorp Nominees Pty Limited CFS WSLE Property Secs A/C | 38,133,267 | 4.58% |
| Commonwealth Custodial Services Limited | 31,127,677 | 3.74% |
| AMP Life Limited | 23,470,702 | 2.82% |
| Cogent Nominees Pty Limited | 22,829,361 | 2.74% |
| MLC Limited | 22,488,268 | 2.70% |
| Cogent Nominees Pty Limited <SMP Accounts> | 22,271,525 | 2.68% |
| Queensland Investment Corporation | 18,565,726 | 2.23% |
| Citicorp Nominees Pty Limited | 14,225,195 | 1.71% |
| Bond Street Custodians <Property Securities A/C> | 12,684,661 | 1.52% |
| NRMA Nominees Pty Limited | 12,256,687 | 1.47% |
| HSBC Custody Nominees (Australia) Limited | 11,713,883 | 1.41% |
| RBC Global Services Australia Nominees Pty Limited (RA A/C) | 10,341,066 | 1.24% |
| Westpac Financial Services Limited | 9,855,820 | 1.18% |
| RBC Global Services Australia Nominees Pty Limited <AX A/C> | 9,670,108 | 1.16% |
| RBC Global Services Australia Nominees Pty Limited | 8,813,502 | 1.06% |
| Transport Accident Commission | 8,178,020 | 0.98% |
| ING Life Limited | 7,851,199 | 0.94% |

The largest twenty members held 62.15% of the ordinary units/shares on issue.

Distribution of equity security holders

| Category | Number of Units/Shares | Number of equity security holders |
|------------------|------------------------|-----------------------------------|
| 1 – 1,000 | 2,314,472 | 4,787 |
| 1,001 – 5,000 | 44,096,403 | 15,737 |
| 5,001 – 10,000 | 45,218,006 | 6,303 |
| 10,001 - 100,000 | 74,952,157 | 3,865 |
| 100,001 and over | 665,558,697 | 198 |
| | 832,139,735 | 30,890 |

The number of unitholders/shareholders holding less than a marketable parcel was 112.

| Substantial Unitholders/Shareholders | Number of Units/Shares |
|---|------------------------|
| AMP Limited | 56,820,913 |
| National Australia Bank Limited Group | 51,976,068 |
| Commonwealth Bank of Australia Limited/Colonial Limited | 48,052,071 |
| Lend Lease Corporation Limited | 42,140,107 |

THE GROUP

MEMBERS' 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.

Annual Report

Members have a choice as to whether they receive:-

- (i) no Annual Report;
- (ii) an Annual Report in this form; or
- (iii) the Annual Report plus detailed Financial Statements.

The Share Registry will send a form to enable Unitholders to choose.

Members' Enquiries

To assist in providing quality service to its investors, Stockland has established the following sources for those wishing to obtain information in relation to the Group.

Stockland Website

www.stockland.com.au

The Stockland site contains a variety of investor information, including market presentations, financial results, property news, announcements to the ASX, and the latest annual and interim reports.

Registry

Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland. If you have any questions with regards to any of the following matters:-

- change of address details of a member;
- request to have payments made directly to a bank account;
- request not to receive annual or half yearly report; and
- provision of tax file numbers, then

please call the freecall hotline
number:- **1800 804 985**

Reinvestment Plan

Stockland operates a Distribution/Dividend Reinvestment Plan which allows members to have their payments used to buy more Stapled Securities in Stockland at a discount of 2.5%, with no costs. Application forms can be sent to you by Computershare.

The plan is not in operation for the current distribution period.

Distribution Periods

1 July - 31 December 2001
1 January - 30 June 2002

Distribution banking or mailing dates

28 February 2002
30 August 2002

Ex-distribution dates

21 December 2002
24 June 2002

DIRECTORY

Corporation/Responsible Entity

Stockland Corporation Limited
ACN 000 181 733
Stockland Property Management Limited
ACN 001 900 741
16th Floor
157 Liverpool Street
Sydney NSW 2000
Telephone (02) 9321 1500
Toll Free 1800 251 813

Custodian

Trust Company of Australia Limited
ACN 004 027 749
80-84 New South Head Road
Edgecliff NSW 2027
Telephone (02) 9362 3366

Directors

Non-Executive

Peter Daly - Chairman
Nicholas Greiner - Deputy Chairman
Bruce Corlett
David Fairfull
Barry Thornton

Executive

Matthew Quinn - Managing Director
John Pettigrew - Finance Director

Secretary

Phillip Hepburn

Unit/Share Registry

Computershare Registry
Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone (02) 8234 5000
Toll Free 1800 804 985

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation Limited

Auditor

KPMG

Quoted Securities

SGP Ordinary Units/Shares