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Annual Report 30 June 2004



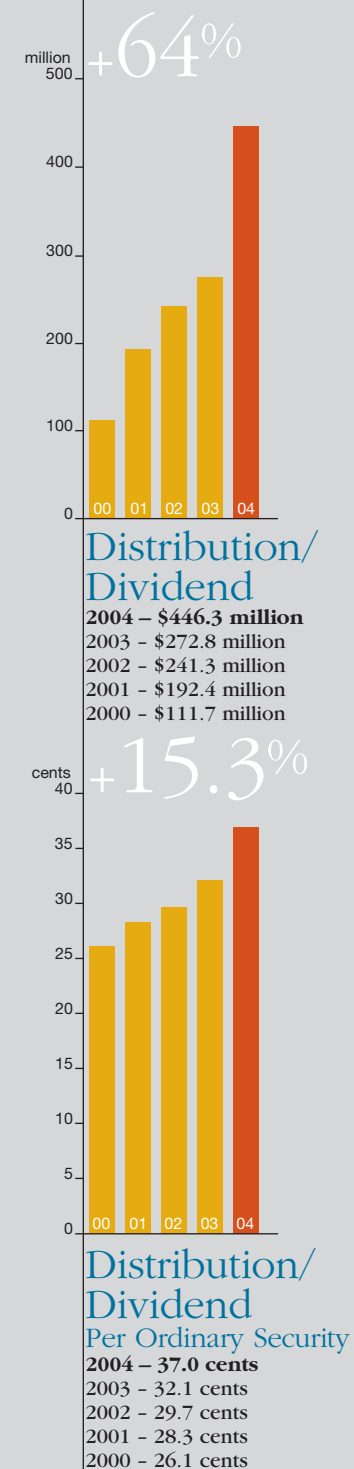
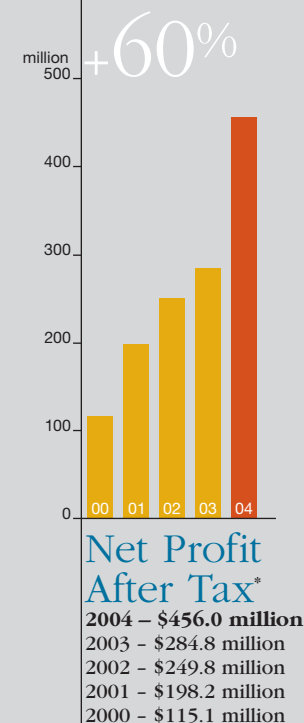
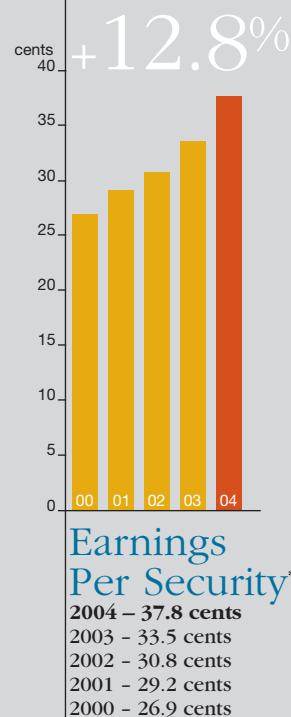
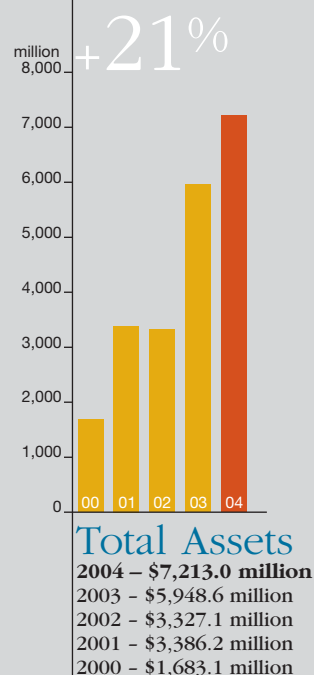
Stockland

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## Results in Brief

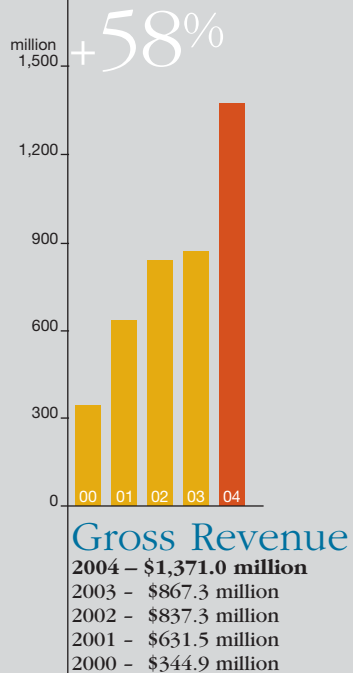
- Gross revenue increased by 58% to \$1,371 million and the net profit\* of \$456 million represents a 60% increase on the previous year.
- Earnings per security\* increased 12.8% to 37.8c and distribution/dividend per ordinary security increased 15.3% to 37.0c.
- Total assets increased by 21% to \$7.2 billion.



Cover Image: Waterfront Place, Brisbane, acquired by Stockland in February 2004.

\* Before amortisation of goodwill on acquisition of ADP and unrealised gains on financial instruments.





Stockland is one of Australia's most diversified property groups, in both asset class and location of assets.

Our diversity is our greatest competitive edge and the driver behind our continued delivery of outstanding results.

With a market capitalisation in excess of \$6 billion, Stockland is one of Australia's most progressive property investment and development organisations, leading the way in design, development and management of large scale projects across Australia.

# Diverse


## Businesses

“Stockland has a truly diversified business model. In our division alone we own and manage 34 Commercial properties, an expansive and growing Industrial portfolio as well as a number of large Office Parks across Australia.”

Fiona Denison, ASSET MANAGER, STOCKLAND COMMERCIAL AND INDUSTRIAL







# Future

Growth

“ Stockland carefully assesses future growth opportunities and takes action. With Stockland’s \$650m+ shopping centre development program, we are ensuring that we create the right mix of retailers and focus on what customers really desire. ”

Paul Doherty, CENTRE MANAGER, STOCKLAND WETHERILL PARK SHOPPING CENTRE

# Sustainable

## Growth

“We focus on the needs of the home owner, the community and the environment when we create our projects. We aim to lead the market in environmentally sustainable housing design and construction principles.”

Siobhan Toohill, NATIONAL URBAN DESIGN MANAGER, STOCKLAND DEVELOPMENT DIVISION







# Quality

## Portfolio

“The Saville Hotel Group is an important part of Stockland’s quality portfolio. At Saville, we pride ourselves on excellence in all areas of the hotel – from a friendly face on arrival, to superior quality of rooms. The end result is that customers feel extraordinary every day.”

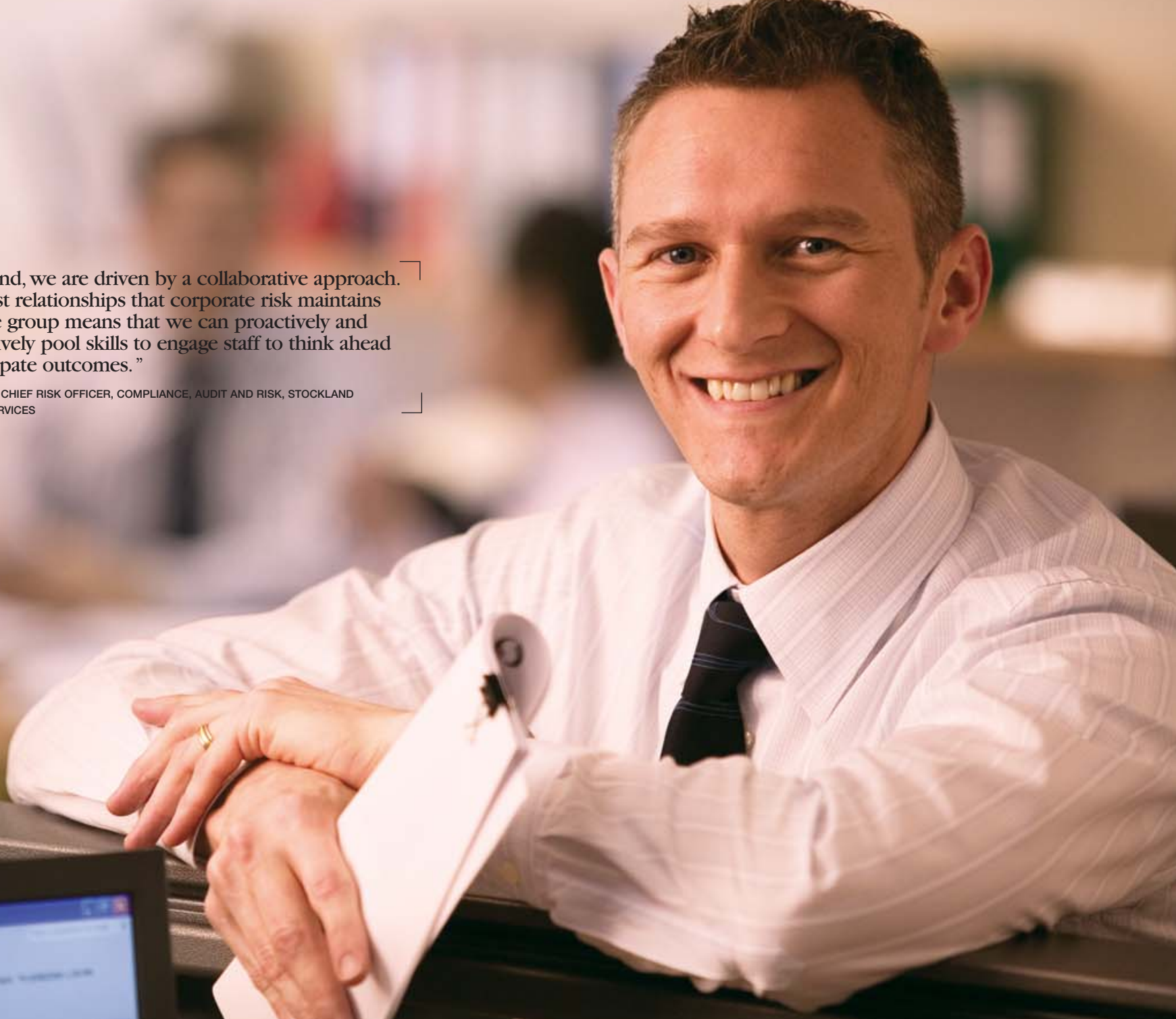
Felipe Lagos-Guichard, EXECUTIVE ASSISTANT MANAGER, SAVILLE 2 BOND STREET, SYDNEY

# Strong

## Relationships

“At Stockland, we are driven by a collaborative approach. The robust relationships that corporate risk maintains across the group means that we can proactively and co-operatively pool skills to engage staff to think ahead and anticipate outcomes.”

John Wilkes, CHIEF RISK OFFICER, COMPLIANCE, AUDIT AND RISK, STOCKLAND CORPORATE SERVICES







**“Twenty-two years of sustained profit growth and reliable securityholder returns confirm our approach is working and will enable us to deliver consistently in the future.”**

**Peter Daly** CHAIRMAN



The Reserve, Canning Vale, WA

Stockland has delivered its 22nd consecutive year of profit growth. An unwavering commitment to our diversified business model and stapled structure, a rigorous approach to risk management and dynamic yet disciplined pursuit of growth opportunities have enabled the group to report strong returns and consistent growth.

A final distribution/dividend of 19 cents per security will be paid on 31 August 2004. The total 2004 distribution/dividend of 37 cents represents an increase of 15.3% from the previous year.

Stockland derives income from various streams across the Shopping Centre, Commercial, Industrial and Office Park assets held in Stockland Trust, overlaid with growth opportunities from the development business.

This business model provides securityholders with a reliable yield and access to growth with an enviable low risk profile.

The group is also well placed to deliver growth despite property cycles. The strong full year result has been achieved during a slowdown in demand for residential property, predominantly investor driven. Stockland's Residential business has performed well as we continue to focus on the owner occupier market with the majority of our residential assets positioned in our high quality land subdivision business.

Recent activity in the listed property trust sector, where the stapled security structure has been adopted by several other leading property groups, highlights the success of the structure we pioneered almost 20 years ago.

The structure emphasises alignment of management and investor interests, creating a common goal to maximise returns.

Stockland's success has been characterised by a structured, open approach to building long term relationships and being sensitive to stakeholders' particular needs. Our focus on quality and the creation of smarter solutions is carried out in a collaborative manner.

Stockland's financial rigour and due process flow right from the top. Ethics and corporate governance continue to be a key focus of your Board and the depth and calibre of the Board's management experience and collective skill set is well complemented by a passionate and trusted management team.

We welcomed Graham Bradley to the Board on 9 February 2004.

Mr Bradley was the Managing Director of Perpetual Trustees Australia Limited for eight years until 2003 and was the national Managing Partner of Blake Dawson Waldron and a Principal of McKinsey & Company prior to that. Mr Bradley is a member of the Audit Committee and Chairman of our subsidiary, Stockland Funds Management Limited.

Hugh Thorburn was appointed as Chief Financial Officer in February 2004, to replace John Pettigrew who retired in February 2004. Mr Thorburn joined the Board as Finance Director in July 2004 and his extensive knowledge and depth of experience as a company director and CFO has already added significant value to the Board and management team.

Barry Thornton has served as a Director since 1995 and has been an invaluable member of our Audit Committee during that time.

He is not seeking re-election this year upon expiry of his current term and we thank him sincerely for his dedication and sound counsel given to Stockland over the last nine years.

The business model pioneered by Stockland is now widely recognised as the investors' preference and we remain committed to it. Twenty-two years of sustained profit growth and reliable securityholder returns confirm our approach is working and will enable us to deliver consistently in the future.

Thank you for your continued support.

**Peter Daly**

# Managing Director's Report



*Matthew Quinn*

**"I am delighted to report Stockland has achieved another outstanding result for the 2004 financial year."**

**Matthew Quinn** MANAGING DIRECTOR



Waterfront Place, Brisbane

The strong growth in securityholder returns is a result of a disciplined, strategic focus that leverages the diversity of our asset base and the active management of our known competencies in property management, leasing, development and acquisition.

The net profit after tax (before goodwill of ADP Trust and unrealised gain on financial instruments) explained on page 60, increased by 60% to \$456 million, with gross revenue increasing 58% to \$1.4 billion. Our total assets increased 21% to \$7.2 billion.

After successfully completing the integration of the ADP portfolio of properties in the first half of the year, we concentrated on maximising organic growth from our expanded and diverse asset base. Concurrent to these activities has been a considered and rigorous assessment of the market for new opportunities that have the

potential to complement our business and deliver securityholder value.

Continued low interest rates and strong consumer demand have supported growth in Stockland's operations. Importantly, each operating division has contributed significantly to our overall success.

Stockland Shopping Centres reported a record operating profit of \$199 million, with comparable income growth of 4.6%. The retail vacancy rate is currently just 0.03% of lettable area, with 280 new lease transactions and 208 lease renewals completed. After three years of accumulating a national Shopping Centre portfolio, Stockland Shopping Centres has now embarked on a significant long term development program, worth in excess of \$650 million.

Within a difficult market, Stockland Commercial and Industrial successfully delivered 2.4% comparable net income growth and a profit of \$218.4 million. Vacancy rates were halved in the Commercial portfolio to 1.7% resulting from an excellent tenant retention rate of 92%. Vacancies in the Industrial portfolio were reduced from 6% in June 2003 to 1.7% in June 2004 with impressive tenant retention levels also being achieved.

Stockland Development Division delivered a record profit of \$167.2 million, representing an outstanding 77% increase on the previous year. The core Residential Estates business took several new projects to market and acquired 11 sites for development over the coming years. In addition, five new premium sites were acquired for apartment development which will focus on high quality and sustainable outcomes.



Two Apartment projects were launched this year with considerable success. Furthermore, the Retail Projects business delivered a record profit of \$10 million and three new projects are in development.

The Saville Hotel Group also delivered a record result, increasing its profit 58% to \$4.8 million and culminating in Saville's most successful year since we launched the brand in 1999.

Our divisional structure continues to build upon a culture in which our people balance measured decision making with an ability to move swiftly on market opportunities, acting with speed, rigour, full diligence and risk management.

Our market agility, coupled with proven experience, will continue to add value and deliver a powerful sense of momentum.

Stockland has demonstrated a well-recognised capability to withstand changing property and market cycles because we understand our securityholders' needs and are focused on delivering consistent and sustainable value to them. Our corporate values of openness, commitment, teamwork, empowerment and enjoyment help steer the manner in which we achieve our success.

Our management team are highly motivated professionals with multiple skill sets who work to a common goal of expert team performance with fresh thinking, in both tactics and product delivery. I would like to thank them for their contribution and dynamic leadership this year.

Stockland's continued growth is due wholly to the focus, discipline and passion of our people, whom I would like to congratulate both individually and for what they have achieved as teams.

Our strategic and operational focus means that we are well positioned to meet the challenges of continued growth of securityholder returns.



**Matthew Quinn**

Members of the Stockland Design House team



# Board of Directors



Stockland is committed to having a Board with the composite skills to optimise Stockland's financial performance and returns to securityholders. The Board carries out these responsibilities through a rigorous system of internal control, risk management and appropriate ethical standards.



**PETER DALY**

Chairman (Non-Executive)  
B.E., M.I.E. Aust  
Age 63

Mr Daly was appointed Chairman of the Board in October 2000. He was Managing Director of Stockland 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 33 years, serving in a number of executive positions within Stockland over that time. He is a member of the Nominations and Remuneration Committee.



**NICHOLAS GREINER**

Deputy Chairman (Non-Executive)  
B.E.C. (Hons), M.B.A.  
Age 57

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He 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 in Australia. Mr Greiner is Chairman of Bilfinger Berger Australia and a director of McGuigan Simeon Wines Limited and QBE Insurance Group and a number of other private groups. Mr Greiner is Chairman of the Nominations and Remuneration Committee.



**MATTHEW QUINN**

Managing Director  
B.SC. (Hons), A.C.A., A.R.C.S., F.A.P.I.  
Age 42

Mr Quinn has an extensive background in commercial, retail, industrial and residential property investment and development. He began his career in the United Kingdom as a chartered accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn was appointed National President of the Property Council of Australia in March 2003. Mr Quinn is a Fellow of the Australian Property Institute.





**GRAHAM BRADLEY**

Non-Executive Director  
B.A., L.L.B. (Hons 1), L.L.M., F.A.I.C.D.  
(appointed 9 February 2004)  
Age 56

Mr Bradley was appointed to the Board on 9 February 2004. He is Chairman of Film Finance Corporation of Australia Limited, Proteome Systems Limited, Garvan Research Foundation and Sydney Community Foundation. He is also a director of MBF Australia Limited, MBF Life Limited, HSBC Bank Australia Limited, Queensland Investment Corporation, Singapore Telecommunications Limited, Brandenburg Ensemble Limited and the Garvan Institute of Medical Research. Mr Bradley was the Managing Director of Perpetual Trustees Australia Limited for eight years until 2003 and was the national Managing Partner of Blake Dawson Waldron and a Principal of McKinsey & Company prior to that. Mr Bradley became a member of the Audit Committee on 9 February 2004 and was a member of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.



**BRUCE CORLETT**

Non-Executive Director  
B.A., L.L.B.  
Age 59

Mr Corlett was appointed to the Board in November 1996. He is Chairman of Adsteam Marine Limited, Servcorp Limited and Trust Company of Australia Limited. He is also a Senate Fellow at the University of Sydney. Mr Corlett is a member of the Audit Committee and the Nominations and Remuneration Committee.



**DAVID FAIRFULL**

Non-Executive Director  
B.COMM., C.P.A., A.C.I.S., A.S.I.A.,  
F.A.I.C.D.  
Age 62

Mr Fairfull was appointed to the Board in March 1990. He is a non-executive director of Australian Pharmaceutical Industries Limited, Gazal Corporation Limited, SP Telecommunications Limited, Washington H Soul Pattinson & Company Limited, New Hope Corporation Ltd and Pitt Capital Partners Ltd. Mr Fairfull is the Chairman of the Compliance Committee and was the Chairman of the Audit Committee until his resignation from that Committee on 28 July 2003.



**BARRY THORNTON**

Non-Executive Director  
K.S.J., F.C.A., F.A.I.C.D., F.A.I.M.  
Age 64

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 a member of the Audit Committee and was a member of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.



**TERRY WILLIAMSON**

Non-Executive Director  
M.B.A., B.EC., F.C.A. F.C.I.S.,  
M.A.C.S.  
Age 56

Mr Williamson was appointed to the Board in April 2003. He is a director of St. Vincent's and Mater Health Group Sydney, Excel Coal Limited and a member of the Sydney University Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that, he was a partner of Price Waterhouse for 17 years. Mr Williamson became Chairman of the Audit Committee on 28 July 2003 and was the Chairman of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.



**HUGH THORBURN**

Finance Director  
B.COMM., F.C.A.  
(appointed 1 July 2004)  
Age 52

Mr Thorburn was appointed to the Board as Finance Director on 1 July 2004, having been Chief Financial Officer since his commencement at Stockland on 16 February 2004. Mr Thorburn is a chartered accountant and has held a number of senior financial and general management roles in Australian companies.



*Phillip Hepburn*

**“For there to be good governance, the Board and management must maintain open, honest communication and high ethical standards of conduct.”**

**Phillip Hepburn** GENERAL COUNSEL AND GROUP SECRETARY

The Board is responsible for the governance, direction and performance of Stockland Corporation Limited and Stockland Trust Management Limited as Responsible Entity for Stockland Trust.

The Board has established a framework for the management of the group including a system of internal control, risk management and the establishment of appropriate ethical standards. The Board delegates authorities to the Managing Director and his executive team to manage the business operations of Stockland.

For further details see page 40.

Stockland is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of Stockland and returns to securityholders. The Board currently comprises two Executive Directors, six Non-Executive Directors and the Chairman. Stockland has set criteria for

determining the independence of its Directors. Two new Directors have recently been appointed to foster new thinking in Board deliberations. Board members and all Directors are appointed for a period of three years.

Directors are encouraged to hold securities in Stockland to more closely align Directors' interests with those of securityholders.

For a detailed statement on Board composition and security ownership, see pages 38 and 49.

Board Committees assist with the execution of the Board's responsibilities to securityholders. These Committees include:

#### **Nominations and Remuneration**

Reviews the composition of the Board and ensures a composite set of skills and experience is represented. The Committee also ensures that Directors' fees and executive remuneration are appropriate.

#### **Audit**

Responsible for the accuracy of financial statements, appointment of external auditors and reviews the scope and results of operational risk and external audits.

#### **Compliance**

Monitors and reviews the effectiveness of compliance functions in respect of Stockland Trust Management Limited's role as Responsible Entity for Stockland Trust and its controlled entities.

#### **Environment**

Convenes annually as a full Board to consider the impact of environmental issues on Stockland operations and to ensure all statutory requirements are met.

#### **Unlisted Property Funds Due Diligence**

Reviews the disclosures required as part of the Unlisted Property Funds syndication business established in January this year.

For further details about the various committees see pages 41 to 43.

The Board formally reassesses its performance annually, including a performance review of each Committee and of individual Directors required to stand for re-election.

Directors and employees are expected to maintain high ethical standards of conduct. Stockland has a code of conduct covering its dealings with external parties and how people deal with their colleagues internally.

For a detailed statement see page 44.

An annual risk profile exercise is undertaken to assess, monitor and manage the financial, operational and strategic risks across all business processes within the Stockland divisions. This is performed in accordance with the Australia, New Zealand Risk Management Standard AS/NZS4360.

For a detailed statement see pages 43 to 44.

The Board believes that securityholders, and the investment market generally, should be informed in a timely and widely available manner of all major business events that influence Stockland. Stockland's policy includes a formal procedure for dealing with potentially price-sensitive information. All relevant statements are placed on the Stockland website: [www.stockland.com.au](http://www.stockland.com.au).

Directors may only trade in Stockland securities within nominated trading periods, typically the four weeks immediately following full and half year statutory reports to the market and the annual general meeting. Specific consent is required if Stockland executives wish to buy or sell Stockland securities.

For a detailed statement see page 44.



## Our People



Members of Compliance, Audit and Risk team

At Stockland, we aim to capture the hearts and minds of our people and provide a supportive environment which encourages all our people to deliver their best.

We continually “lift the bar”, clearly articulate business goals and objectives and ensure each team member understands their required contribution to our success.

Our team at Stockland consists of passionate and highly skilled people working together to deliver consistently strong and sustainable dividends and growth through fresh and smart thinking. Our “heads down” work style is driven by a strong sense of mutual interest for our customers and our team members – we respect each other and are empowered to deliver.

Stockland employees say they enjoy their work and are inspired by a management team that is open, direct in communication style and expert at running the business.

In July 2004, we were one of 18 employers to be awarded a Best Employers in Australia and New Zealand Award, based on a study by Hewitt and Associates which measures the level of emotional and intellectual connection between employees and the workplace.

Stockland people are recruited for their ability to deliver our uncompromising high standards and live the company's vision, mission and particularly our values of openness, commitment, teamwork, innovation, empowerment and enjoyment.

In return, we provide a work environment that is respectful of different points of view and employs a flat management structure to foster accountability, empowerment and communication. We link employee rewards closely to business results and celebrate our successes together.

We believe good people practices are at the heart of winning companies and at Stockland we are committed to attracting, developing, rewarding and retaining the best.

## Operational Divisions

Stockland is one of the largest diversified property group in Australia with total assets of over \$7.2 billion. As a property owner, manager and developer, Stockland is active in Commercial, Industrial, Residential, Retail and Hotel sectors across all Australian mainland states and New Zealand.

### Commercial and Industrial Division



#### Commercial

The Commercial portfolio is concentrated in long-term growth markets on the eastern seaboard and particularly in the Sydney CBD. The properties offer opportunities for strategic redevelopment and asset growth.

- 34 properties
- 576,225m<sup>2</sup> NLA
- Valued at \$1.9 billion



#### Industrial

The Industrial portfolio comprises 16 properties positioned adjacent to major transport, underpinning long term demand. Recent acquisitions have further strengthened the portfolio.

- 16 properties
- 1.07 million m<sup>2</sup> GLA
- Valued at \$562 million



#### Office Parks

Stockland's Office Park properties are predominantly located in the North Ryde area of Sydney, servicing a blue-chip tenant base providing both yield and future development potential.

- 7 properties
- 72,314m<sup>2</sup> NLA
- Valued at \$194 million

### Shopping Centre Division



#### Shopping Centres

The Shopping Centre portfolio is diversified in both size and location, with properties valued at \$2.7 billion. Accommodating more than 2,700 tenants, the centres generate in excess of \$4.0 billion in retail sales per annum with over 128 million visitations per year.

- 40 properties
- 878,216m<sup>2</sup> NLA
- Valued at \$2.7 billion



# 2

## Development Division



### Residential Estates

Stockland's Residential Estates portfolio comprises over 62 projects containing more than 32,300 lots throughout Australia.

- 62 projects
- End market valued at \$5.5 billion



### Apartments

Stockland has a range of apartment projects throughout Australia that have more than 1,500 units with an end market value of \$1.4 billion.

- 11 projects
- End market valued at \$1.4 billion



### Retail Projects

Specialises in acquiring and developing small to medium scale retail projects for on-sale to other investors.

- 10 projects
- 116,594m<sup>2</sup> NLA

# 4

## Saville Hotel Group Division



### Saville Hotel Group

One of the leaders in apartment style accommodation, Saville Hotel Group manages and operates nine hotels in key locations across Australia.

- 9 hotels across Australia
- 1,430 apartments

# Commercial and Industrial



Comprising 34 Commercial properties (\$1.9 billion value), 16 Industrial properties (\$562 million value) and 7 Office Park properties (\$194 million value), the Commercial and Industrial portfolio offers strategic redevelopment potential as well as opportunities for yield and asset growth.



Top: 601 Pacific Highway, St Leonards, NSW  
Right: Yennora Distribution Centre, Yennora, NSW



# Commercial and Industrial Division Review



## Key Facts

### COMMERCIAL

- 34 office properties.
- Comprises 576,225m<sup>2</sup> of net lettable area.
- Portfolio valued at \$1.9 billion.
- 70% of the portfolio is situated in Sydney.

### INDUSTRIAL AND OFFICE PARKS

- 23 properties.
- Comprising over 1.1m<sup>2</sup> of gross lettable area.
- Portfolio valued at \$756 million.
- Portfolio comprises:
  - 8 large distribution centres.
  - 8 office and warehouse facilities.
  - 7 office parks.

“ We will continue to leverage our internal management expertise to drive maximum performance from our quality portfolio. We are committed to exceptional customer service and by gaining an in-depth understanding of our tenants, we will deliver optimum accommodation solutions. ”

Steve Mann CEO, COMMERCIAL AND INDUSTRIAL DIVISION

The Commercial and Industrial Division (C&I) recorded an operating profit of \$218.4 million for the year to June 2004, which delivered 2.4% comparable net income growth, due to strong leasing results and increased portfolio occupancy.

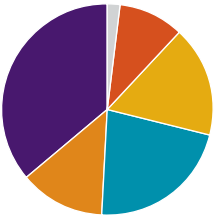
Despite difficult conditions, our proactive leasing approach drove improved occupancy for the Commercial portfolio. We leased 92,000m<sup>2</sup> and for the second year in a row halved our vacancy to 1.7% in June 2004, with strong tenant retention of 92%. This improved our weighted average lease term to 3.8 years and reduced our near term lease expiry risk.

	Stockland Portfolio %	Market Vacancy %*	Stockland Vacancy %
Sydney CBD	45	10.3	2.9
North Sydney	15	11.6	2.8
Suburban Sydney	9	11.7	0.3
Melbourne	9	10.2	0.0
Brisbane	8	6.9	1.7
Canberra	7	5.1	0.0
Perth	4	13.9	4.5
Adelaide	3	10.6	0.0

\* Source: Property Council of Australia.

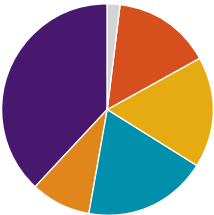
The Industrial market performed well in 2004, boosted by an increase in take up, particularly from the transport/logistics sector. Increases in land prices together with escalating development costs have resulted in rental growth, particularly in Sydney's western suburbs.

Excellent leasing results were achieved in the Industrial and Office Parks portfolio, leasing 340,000m<sup>2</sup> – more than one third of the total portfolio. Industrial vacancies were reduced from 6% in June 2003, to 1.7% in June 2004 with 92% tenant retention. The largest leasing deal in the Industrial market was completed this year by Stockland C&I with ACI Glass for a six year lease renewal of 103,000m<sup>2</sup> in Port Adelaide, delivering an annual income of \$4 million.



**COMMERCIAL  
Lease Expiry Profile**

Vacant:	2%
FY05:	10%
FY06:	17%
FY07:	22%
FY08:	13%
FY09 <sup>+</sup> :	36%



**INDUSTRIAL AND  
OFFICE PARKS  
Lease Expiry Profile**

Vacant:	2%
FY05:	15%
FY06:	17%
FY07:	19%
FY08:	9%
FY09 <sup>+</sup> :	38%

**FOCUS**

Stockland C&I's key achievement in FY04 was the successful integration of the ADP portfolio of 19 buildings, valued at \$946 million. We increased management depth and capability to service these assets and moved to in-house property management for 15 of the properties.

To address difficult conditions in the North Sydney office market, we located a North Sydney property management office in the formerly ADP Northpoint Tower. The team has leased 12 floors in the building, reducing vacancy from 3,290m<sup>2</sup> to 530m<sup>2</sup> and reducing lease expiries for next year.

The acquisition of Waterfront Place in Brisbane continued to improve the asset quality of our Commercial portfolio, increasing the weighting of our portfolio to almost two-thirds prime buildings. Waterfront Place is considered Brisbane's premier office tower and was acquired by Stockland in February 2004. The \$307 million transaction (including Eagle Street Pier) represents Brisbane's biggest commercial sale in 15 years and is structured with Westpac purchasing a 50% stake in the office tower, based on an initial yield of 7.9%.

The acquisition included the adjoining Eagle Street Pier restaurant precinct, which will provide Stockland with medium term development opportunity.

Consistent with our active management approach we have continued to reposition the Commercial portfolio with the disposal of non-core assets. Four assets were sold during the year and contracts were exchanged on another property, representing a total value of \$139 million which was 15% above book values.

In September 2003, we launched our internally managed and centralised facilities management operation to our office tenants, known as the Stockland Service Centre (SSC). The SSC provides tenants with one contact point to handle all queries about their building. The web based platform tracks service calls and dashboard reporting is available for management and our tenants. The operation is globally benchmarked and represents an industry first for Australia.

The redevelopment of Building 7 at Yennora has been a major achievement for our Industrial team. The project outperformed its benchmark return, achieving

a 9.6% return on investment and the strong leasing performance secured a 12% increase in the valuation for Yennora after development costs. We continued to acquire modern distribution warehouses in Sydney's west with two further acquisitions totalling \$30.4 million in Wetherill Park and Smeaton Grange.

**CHALLENGES**

The leasing market for commercial office space continued to decline, due to weak tenant demand and increasing supply. Vacancies across Australia are now in excess of 10%, up from 8.8% in June 2003 and lease incentives have increased.

Lead indicators including white collar employment, business conditions and company profits, suggest the market will move into recovery after three years of negative net absorption. The timing of completions for new supply under construction is likely to result in Melbourne under-performing the stronger markets of Sydney and Brisbane.

**OUTLOOK**

The industrial market is experiencing rental growth driven by increased land values and building costs, infrastructure improvements and economic growth. The commercial office market will continue to be challenging; however, lead indicators are suggesting an upswing is likely to be led by the Sydney market.

**STRATEGY**

We will leverage our industrial development capability to unlock projects totalling 250,000m<sup>2</sup>. In Sydney, we will secure pre-commitments to develop a total of 150,000m<sup>2</sup> worth of warehouse facilities at Sydney Orbital Park, Smeaton Grange, Yennora Distribution Centre and Greystanes in addition to our office park developments.

We will continue to leverage our internal management expertise to drive maximum performance and value add to our quality portfolio. We are committed to exceptional customer service and, by gaining an in-depth understanding of our tenants, we will deliver optimum accommodation solutions.





Stockland Service Centre

### **Stockland Service Centre**

Our internally managed and centralised facilities management operation provides tenants with one point of contact.

### **Yennora Distribution Centre, NSW**

Now 100% leased, Yennora Distribution Centre represents a premium redevelopment and leasing showcase for Stockland, delivering a yield of 9.6% on a total cost of \$42 million.

### **7 Macquarie Place, Sydney**

7 Macquarie Place is an A grade boutique commercial and retail building located in the heart of Sydney's financial district with views over Sydney Cove to the Opera House.

7 Macquarie Place, Sydney



# Commercial and Industrial

Yennora Distribution Centre, Yennora, NSW



# Shopping Centres

The Shopping Centre portfolio is diversified in both size and location, with properties valued at \$2.7 billion. Accommodating more than 2,700 tenants, the centres generate in excess of \$4.0 billion in retail sales per annum with over 128 million visitations per year.



Top: Stockland Burleigh Heads, QLD  
Right: Stockland Glendale, NSW



# Shopping Centre Division Review



## Key Facts

### SHOPPING CENTRES

- 40 properties.
- Comprises 878,216m<sup>2</sup> of net lettable area.
- Portfolio value around \$2.7 billion.
- 7 centres ranked in top 10 nationally for specialty Moving Annual Turnover (MAT) per square metre (centres 15,000m<sup>2</sup> to 40,000m<sup>2</sup>).
- Centres generate in excess of \$4.0 billion in sales per year.
- Over 2,700 tenants.

“ Our continued focus and rigour has resulted in Stockland becoming a preferred retail partner now having seven centres in the top 10 nationally for specialty MAT turnover per square metre for sub-regional sized centres. ”

**Darren Steinberg** CEO, SHOPPING CENTRE DIVISION

Another strong year of consumer spending combined with the performance of our experienced management team has enabled Stockland to maintain steady growth. A key strength is that our Shopping Centres offer the convenience of supermarkets, discount department stores and high performing specialty stores, capturing a high proportion of each market's non-discretionary retail spend.

Performance highlights this year include:

- divisional operating profit of \$199 million;
- full integration of ADP portfolio;
- FY04 comparable income growth of 4.6%;
- arrears 0.10% of annual billings;
- revaluation increment of \$167 million to year end 2004, and increase of 8.5% over last year's book value;

- vacancy rate currently less than 0.03%;
- completion of 280 new lease transactions; and
- completion of 208 lease renewals with an average 14% increase.

### CHALLENGES

The market is now fully aware of the attractive nature of the sub-regional sector, tightening the availability of new acquisitions and, in some cases, driving prices unrealistically high.

The amalgamation of national retail chains will also present challenges, impacting on lease negotiations as these chains become greater users of retail space.

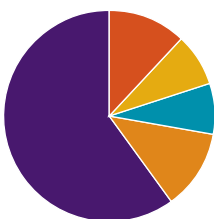
Changes in retail lease legislation are increasing compliance pressure on the business. Legislation still differs significantly

state by state, creating a variety of management issues.

The performance of the retail sector in 2004/05 will be influenced by key industry drivers of interest rates, inflation, employment and the performance of the housing sector.

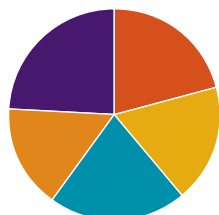
A projected softening of the housing sector and the possibility of minor interest rate rises may realise a slightly negative effect on retail spending with consumers adopting an observational approach. This will require intensified marketing initiatives. Stockland's high specialty sales per square metre and low occupancy costs will also help provide a buffer against these trends.

Our main challenge is to drive and encourage retail spending with a view to establishing Stockland Shopping Centres as the first choice convenience shopping destination.



**SHOPPING CENTRES  
Lease Expiry Profile  
Total NLA**

FY05:	12%
FY06:	8%
FY07:	8%
FY08:	12%
FY09 <sup>+</sup> :	60%



**SHOPPING CENTRES  
Lease Expiry Profile  
Specialty NLA**

FY05:	21%
FY06:	18%
FY07:	21%
FY08:	16%
FY09 <sup>+</sup> :	24%

<b>MAT GROWTH BY CATEGORY</b>	Actual \$m	Actual % Growth	% Comparable Growth
Supermarkets	1,445	2.1	1.2
DDS	755	6.0	4.9
Specialties	1,315	11.4	9.8
Mini Majors	236	11.7	2.9
Cinemas	70	24.3	6.9
<b>Total</b>	<b>3,821</b>	<b>6.9</b>	<b>4.9</b>

\* Include GST / Excludes N.Z.

## FOCUS

The major focus this year has been the successful and total integration of the ADP portfolio, consisting of 16 centres valued at \$1 billion, and branding the Shopping Centre portfolio to Stockland.

Another major focus has been our development book of over \$650 million and the commencement of developments at Bathurst, Bay Village, Burleigh Heads, Botany Town Centre and Batemans Bay, the latter opening in August 2004.

Significant emphasis has also been placed on upgrading our overall retail offer by improving retail mixes through sourcing national retailers previously unrepresented in the sub-regional shopping centre sector.

Stockland Shopping Centres has also focused on becoming a preferred retail partner, and along with conducting several retail forums has established innovative direct communication channels to advise and inform retailers of leasing, management, marketing and development news and opportunities.

Another area of focus is our commitment to customer service, where our customer facilities upgrade program has delivered significant approval and impact. This combined with our mainstream marketing activity has supported our sales driven strategy.

## OUTLOOK

Our outlook is positive with a firm commitment to drive upper quartile sales and return performance.

Over the next 12 months economic fundamentals indicate the retail sector will continue to perform in line with current trends, as the key drivers of interest rates, inflation, employment and housing remain relatively stable.

This will provide Stockland Shopping Centres with the stability in consumer confidence to deliver another strong trading year.

## STRATEGY

The Shopping Centre Division's strategy for growth is to capitalise on our market leading position in the sub-regional sector by focusing on our vision: "To be acknowledged as the market leader in the development, management, marketing and leasing of sub-regional and specialty shopping centres throughout Australia".

We will continue to improve the asset quality of the portfolio and deliver current and future developments to exceed the benchmark standards set by Wetherill Park and Green Hills.

While the market is tightening, continued acquisition of properties with growth potential remains a key strategy.

We are committed to the retention and development of a high performance team, reinforcing our commitment to innovation and standards and, finally, a continued effort to simply be the best.





Stockland Wetherill Park, NSW

### **Stockland Wetherill Park, NSW**

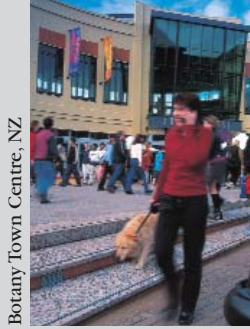
Stockland Wetherill Park is a highly successful centre in the western Sydney trade area, comprising over 57,000m<sup>2</sup> of retail space and augmented community services.

### **Stockland Traralgon, VIC**

Stockland Traralgon is the largest centre in the La Trobe Valley region with a site area of 4.1 hectares.

### **Botany Town Centre, NZ**

Originally developed as a greenfield project, the centre is located in an area of high population growth, 15 kilometres south-east of the Auckland CBD.



Botany Town Centre, NZ

# Shopping Centres

Stockland Traralgon, VIC



# Development Division

Stockland's Development Division specialises in acquiring, designing, marketing and delivering residential estates, integrated housing, apartments and mixed use projects throughout Australia.



Top: Abode, St Leonards, Sydney, NSW  
Right: The Boardwalk, Mount Coolum, QLD



# Development Division Review



## Key Facts

### RESIDENTIAL ESTATES

- Comprises over 75% of Gross Development Division Assets.
- Land bank of 62 projects, comprising 32,300 lots.
- Operations in NSW, Victoria, Queensland and Western Australia.
- End value of current projects in excess of \$5.5 billion.
- Annual sales in excess of 2,810 lots.

### APARTMENTS

- Comprises 17% of Gross Development Division Assets.
- Portfolio of 11 projects.
- Concentration on Sydney, Brisbane and Perth markets.
- End value of current projects in excess of \$1.4 billion.

### RETAIL PROJECTS

- Comprises 7% of Gross Development Division Assets.
- Portfolio of 10 projects.
- End value of current projects in excess of \$200 million.

*Denis Hickey*  
“Our strategy to focus on design excellence, customer service and marketing innovation has contributed to a record profit this year.”

Denis Hickey CEO, DEVELOPMENT DIVISION

Stockland's Development Division performed strongly in FY04, delivering a record profit of \$167.2 million, up 77% on last year's result.

This profit result has been driven by our strategy to focus on design excellence, customer service and marketing innovation as the key elements of our delivery. Over the past three years this focus has enabled us to achieve strong margin growth and create a premium brand within the market as buyers become more selective and look for greater value in their purchase decision.

During FY04 our Residential Estates business launched several new projects to market as well as acquiring 11 new projects for future development. Stockland now has over 60 residential estate projects throughout Australia that contain 32,300 lots, with an end market value in excess of \$5.5 billion.

Our Apartments business laid the foundations for future growth with five new projects acquired during the year. Our new projects are strategically located in premium locations such as Little Bay and Gordon in Sydney and the landmark Eagle Street Pier site on the Brisbane river. These tightly held locations provide solid markets for growth over the next three years.

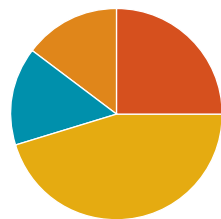
We launched two new apartment projects during the year, being the final stage at our Subiaco Square development in Perth and our Saville Southbank development in Brisbane. Both projects are in excess of 90% sold and construction is well under way.

Our Retail Projects business recorded a profit of over \$10 million for the year and we have three new projects under construction to be completed this financial year.

Several of our projects were recognised and awarded for environmental excellence. Our internal Stockland Design House is committed to leading the market in sustainability and is quickly gaining recognition for this area. During the year, NSW Premier Bob Carr launched Australia's first BASIX compliant sustainable demonstration village, at our Bridgewater estate in Sydney. We were also awarded the landmark Prince Henry project at Little Bay, a Joint Venture with Landcom, largely due to our commitment to sustainable design solutions.

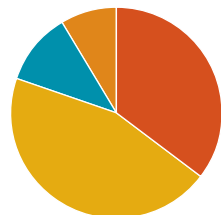
### MARKET CONDITIONS

After three years of strong growth, the residential market softened over the past six months due to interest rate uncertainties, negative media sentiment and unsustainable price growth which led to affordability issues.



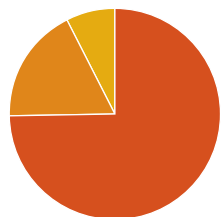
#### RESIDENTIAL ESTATES AND APARTMENTS Lots Controlled – No. of Lots

NSW & ACT:	8,500
QLD:	15,300
VIC:	5,100
WA:	4,900



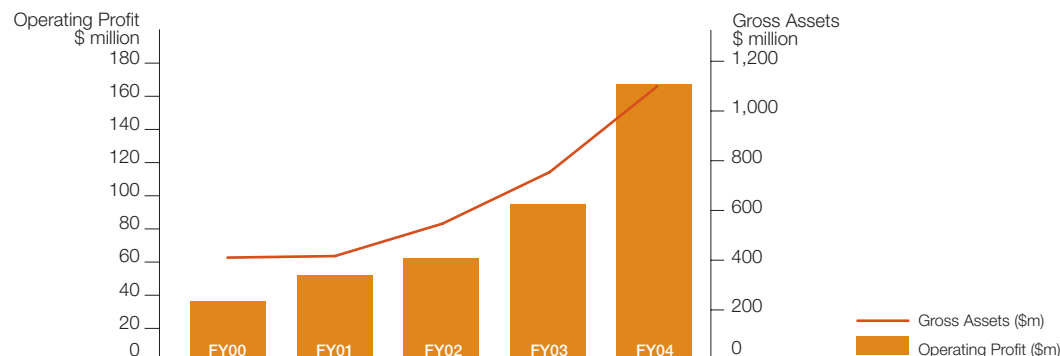
#### RESIDENTIAL ESTATES AND APARTMENTS Lots Controlled – Estimated End Value – (\$ million)

NSW & ACT:	\$2,450
QLD:	\$3,100
VIC:	\$780
WA:	\$580



#### GROSS ASSETS

Residential Estates:	\$819 million
Apartments:	\$195 million
Retail Projects:	\$82 million



While sentiment towards property softened, the key economic fundamentals that traditionally drive the housing market (employment, inflation, immigration and interest rates) remained positive and the market is still trading above its 10 year average levels.

We forecast the tight market conditions will remain in the short term, however, the underlying strength of the Australian economy, together with a supply shortage in the markets where we operate and an increasing population, will prevent the occurrence of a material market downturn.

Development costs have increased sharply over the past 18 months, however, these are starting to plateau. We expect these costs may ease as the impact of the current market softening takes effect.

#### FOCUS

Our focus over the past year has been to deliver strong sales on existing projects. All sales targets for the year were achieved and there is a solid amount of business carried forward into the new financial year.

Our key medium term focus is to concentrate on delivering the new projects acquired over the past three to four years. During FY05 we expect to release approximately 20 new projects to market. These will provide Stockland with a broader geographic and demographic market catchment underpinning our future sales growth targets.

#### CHALLENGES

The residential development market is going through a period of change with barriers to entry increasing as a result of tougher compliance issues and tightening market supply. The key challenges for Stockland in the medium term will be:

- developing our people to ensure that we have the intellectual capital to enable us to achieve our goals;

- meeting community, consumer and Government expectations of a more sustainable approach to development;
- navigating through increasingly complex planning approval processes; and
- continued sourcing of new development opportunities in areas of tightening supply.

Stockland is focused on these challenges and we are implementing strategies to turn these into opportunities for growth and market expansion. This approach will ensure we continue to be recognised and awarded as a market leader throughout Australia, delivering outstanding and innovative community developments.

#### STRATEGY

Our mission remains “To be recognised as Australia’s leading development company” and we adopt a culture of delivering excellence in everything that we do.

We are focused on growing our current activities in the core markets in which we operate and we are looking to expand into new market segments and new geographical locations throughout Australia. As we continue to grow, we are committed to maintaining a balance of 75% of our activities in Residential Estates with the balance being in Apartments and Retail Projects.

We will continue to operate under our cross-functional structure that encourages sharing best practices between our businesses throughout Australia and enables us to leverage the intellectual capital of our people.





Bridgewater, South Camden, NSW

### **Bridgewater, NSW**

Bridgewater features Australia's first SmartLiving display village showcasing principles of both GreenSmart and environmentally sustainable housing design.

### **Berwick Springs, VIC**

In Melbourne's south-eastern growth corridor, over 1,600 families form part of the Berwick Springs community.

### **Southbank, QLD**

Saville Southbank offers a riverside lifestyle situated within the Brisbane arts precinct featuring unique architectural design and contemporary interior styling.

Southbank, QLD



# Development

Berwick Springs, VIC





# Saville Hotel Group

One of the leaders in apartment style accommodation, Saville Hotel Group manages and operates nine hotels in key locations across Australia.



Top: Saville on Russell, Melbourne  
Right: Saville 2 Bond Street, Sydney

# Saville Hotel Group Division Review



## Key Facts

### SAVILLE HOTEL GROUP

- 9 apartment hotels across Australia.
- 1,430 apartments.
- Net profit of \$4.8 million FY04.
- \$20 million funds invested in hotel management.
- FY04 occupancy rate of 75%.
- Saville Southbank, due for completion in late 2005.

“ We have worked hard to deliver our most successful year ever, achieving the highest possible rates and occupancy levels within a very challenging and competitive environment. ”

**Greg Sear** CEO, SAVILLE HOTEL GROUP

For Saville Hotel Group, the 2004 financial year has been our most successful to date. A focus on yield management has achieved the highest possible occupancies and rates after two years of tough challenges in a competitive environment.

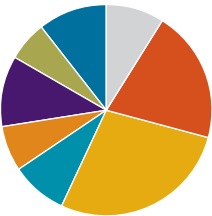
A net profit of \$4.8 million was delivered, representing a 58% improvement on the previous year. This is an excellent result in a competitive industry in which rates and occupancy levels are under considerable pressure.

All hotels exceeded performance expectations with the exception of Adelaide, due to oversupply of product in this market. Despite increased hotel capacity in Melbourne, both Melbourne hotels achieved good results against our competitor set.

The NSW properties, Saville 2 Bond Street and Saville Park Suites, Chatswood, performed extremely well. Saville Park Suites, Canberra achieved its strongest financial results with increases in both rate and occupancy. Serviced apartment hotels have continued to outperform the traditional hotel sector, producing higher yields and record results most notably throughout the months of September and October due to Rugby World Cup 2003.

Saville performed strongly across all markets by extracting value from the domestic market and priority international markets such as UK, Europe and New Zealand.

	2004 Financial Year	2003 Financial Year
Occupancy (%)	75	73
Average Room Rate (\$)	146	140
Net Operating Profit (\$ million)	4.8	3.0



HOTEL GROUP Percentage of Room Nights Sold per segment Year to date June 2004	
	%
Rack Private	9.1
Corporate Direct	20.1
Corporate Retail	28.1
Government	8.7
Leisure Domestic	6.8
Leisure International	10.6
Leisure Package	6.1
Other	10.5

**CHALLENGES**

While key international markets continue to be affected by the war in Iraq and ongoing terrorism threats, the stronger global economy is resulting in an increase in travel. Furthermore, people are more comfortable travelling despite travel warnings. The strength of the Australian dollar has impacted on outbound travel, with more Australians travelling internationally than in previous years.

Our ongoing challenge is to ensure Saville is well positioned to capitalise on the increased travel patterns predicted.

**FOCUS**

To further build Saville's strong brand and reputation in the hotel market, we will leverage our competitive edge in the provision of exceptional service and value. Ongoing training and development of our people will ensure that we consistently deliver extraordinary service every day and that our powerful service culture is embedded.

Our successful strategy of focusing on apartment accommodation will enable us to trade ahead of the market, in both occupancy and average room rates.

**OUTLOOK**

Market conditions are expected to improve with growth of 10% predicted for inbound tourism arrivals for FY05 period. Expansion of low cost domestic airlines is expected to grow the domestic market.

Saville will continue to benefit from the robust relationships our sales networks have formed with major travel companies who specialise in corporate and leisure travel.

We will continue to focus on opportunities that will expand the Saville brand across Australia through the development of new hotel product or acquisition of existing properties.

**STRATEGY**

With a consistent product in key capital locations, combined with excellent service delivery, we will concentrate on driving revenue growth and managing costs.

Through the development of on-line marketing strategies we will maximise yield to ensure we increase market share across all segments.

With a continued focus on maintaining strong relationships with international partners and key domestic wholesalers, our sales networks will deepen via new corporate and customer relationships.

The group's latest project, Saville Southbank in Brisbane, which combines residential, commercial and hotel uses, will be a great addition to the Saville network and further strengthen our deluxe sub-brand, already in operation with Saville 2 Bond Street, Sydney and Saville on Russell in Melbourne.





Saville 2 Bond Street, Sydney

### **Saville 2 Bond Street, Sydney**

Saville 2 Bond Street is located in the heart of Sydney's CBD and features 169 studio, one and two bedroom apartments.

### **Saville Park Suites, Adelaide**

Centrally located within the Adelaide CBD, Saville Park Suites, Adelaide is an apartment style hotel, featuring a combination of studio and two bedroom apartments.

### **Saville Park Suites, Darwin**

Overlooking Darwin Harbour, Saville Park Suites, Darwin is within easy walking distance of the CBD, Cullen Bay Marina and the wharf precinct.

Saville Park Suites, Darwin



# Hotels

Saville Park Suites, Adelaide







The integration of sustainable development into everything we do continues to be a key driver of long term securityholder value.



Left: The StocklandSmartLiving™ Display Village at Bridgewater, South Camden, NSW  
Top: The WA Minister (pictured left) for Housing and Works helped Stockland to launch Australia's first water-wise display village

Stockland seeks to balance the economic, social and environmental contribution of our business while striving to maximise returns for securityholders. The integration of sustainable development into everything we do continues to be a key driver of long term securityholder value.

The following projects and awards are real life examples of Stockland's practical approach to environmental sustainability.

### STOCKLANDSMARTLIVING™ AT BRIDGEWATER

The StocklandSmartLiving™ Display Village was listed as a finalist for the Housing Industry Association GreenSmart Design Concept Award 2004 due to the environmental vision driving the design of Bridgewater in Sydney's South Camden.

The first display village of its kind in Australia, the StocklandSmartLiving™ Display Village was judged on its measures of energy, waste, water and site management, and innovative construction techniques. The StocklandSmartLiving™ Display Village embraces and complies with the principles of both BASIX (NSW Government's Building Sustainability Index) and GreenSmart. Both are leaders in the field of environmentally sustainable housing design and construction principles. The display village is not only the first to achieve BASIX compliance, but exceeds the requirements. Most importantly, the village shows how sustainability initiatives can be simply and easily incorporated into family homes.

### WA ENVIRONMENTAL LEADERSHIP

State based recognition from the Urban Development Industry of Australia resulted in Stockland's residential development "The Reserve" receiving an award for Environmental Excellence in 2003. "The Reserve" was recognised for its outstanding achievement in the areas of environmental best practice, conservation principles, urban form, community creation, stakeholder consultation and the preservation of an adjoining wetland into a community amenity.

More efficient use of scarce water supplies has driven the launch of Australia's first water-wise display village at Settlers Hills – a Stockland residential estate in Baldviss.



The Settlers Hill display village has set aside an additional four land lots dedicated to show how careful design can greatly reduce water needs, while maintaining a garden's attraction.

#### SHOPPING BAGS

In partnership with Clean Up Australia, Stockland became the first national shopping centre group to actively support an ambitious community project to reduce the use of plastic bags throughout our shopping centres across Australia. With plastic bags now a significant environmental issue, Stockland has set an ambitious objective of reducing plastic bag usage in our centres by 25% and recycling 2 million plastic bags by the end of 2005.

#### STOCKLAND SPORTS ENCOURAGEMENT AWARDS

After a successful pilot program in the Cairns junior sporting community, the Stockland Sports Encouragement Awards program is now being introduced across the national Shopping Centre portfolio. The awards program is free to all registered junior sporting clubs supported by Stockland retailers and is a powerful way for Stockland to put something back into local communities.



Stockland Green Hills Shopping Centre

#### Stockland Shopping Bags

Stockland's shopping bag project aims to reduce plastic bag usage by 25% across all Stockland Shopping Centres.

#### Settlers Hill, Baldy, WA

The first water-wise display village in Australia has been established at Settlers Hill, Baldy to showcase water reduction principles.

#### Jana Pittman

Stockland is proud to be a major sponsor of Australian athlete and current world champion, Jana Pittman.

Jana Pittman



Settlers Hill, Baldy, WA





# Stockland Securities Issue History



Date	Type	Number	Price
30.09.82	Prospectus	150,000,000	\$1.00
31.08.83	Distribution/Dividend Reinvestment Plan	2,893,420	\$1.17
30.11.83	Stocks and Holdings Property Trust takeover	14,725,694	\$1.34
31.08.84	Distribution/Dividend Reinvestment Plan	987,110	\$1.50
28.12.84	1 for 10 issue	16,860,622	\$1.35
28.02.85	Distribution/Dividend Reinvestment Plan	1,076,577	\$1.55
31.08.85	Distribution/Dividend Reinvestment Plan	2,800,827	\$1.53
28.02.86	Placement	12,000,000	\$1.50
28.02.86	Distribution/Dividend Reinvestment Plan	3,301,205	\$1.54
31.08.86	Distribution/Dividend Reinvestment Plan	3,017,790	\$1.67
28.02.87	Distribution/Dividend Reinvestment Plan	2,918,440	\$1.86
31.08.87	Distribution/Dividend Reinvestment Plan	2,474,446	\$2.46
31.08.87	1 for 10 issue	21,063,048	\$2.10
28.02.88	Distribution/Dividend Reinvestment Plan	4,018,991	\$1.67
28.02.88	Executive Securities Plan	2,300,000	\$1.67
31.08.88	Distribution/Dividend Reinvestment Plan	4,268,689	\$1.93
28.02.89	Distribution/Dividend Reinvestment Plan	5,063,273	\$1.77
28.02.89	Executive Securities Plan	1,220,000	\$1.77
31.08.89	Distribution/Dividend Reinvestment Plan	3,339,277	\$1.78
28.02.90	Distribution/Dividend Reinvestment Plan	4,222,184	\$1.84
28.02.90	Executive Securities Plan	1,250,000	\$1.84
31.08.90	Distribution/Dividend Reinvestment Plan	5,202,431	\$1.73
31.03.92	Preference securities conversion	38,000,000	\$2.60
31.08.92	Distribution/Dividend Reinvestment Plan	5,215,129	\$2.69
28.02.93	Distribution/Dividend Reinvestment Plan	5,617,276	\$2.71
28.02.93	Executive Securities Plan	1,065,000	\$2.71
30.06.93	Securityholder options exercised	9,083,850	\$2.60
31.08.93	Distribution/Dividend Reinvestment Plan	5,082,629	\$3.35
31.12.93	Securityholder options exercised	1,202,600	\$2.60
28.02.94	Distribution/Dividend Reinvestment Plan	5,867,096	\$3.17
28.02.94	Executive Securities Plan	1,220,000	\$3.17
30.06.94	Securityholder options exercised	377,800	\$2.60
31.12.94	Securityholder options exercised	7,680,018	\$2.60
31.08.95	Distribution/Dividend Reinvestment Plan	6,602,255	\$3.01
31.08.95	Executive Securities Plan	1,245,000	\$3.01

Date	Type	Number	Price
28.02.96	Distribution/Dividend Reinvestment Plan	6,204,233	\$3.00
31.08.97	Distribution/Dividend Reinvestment Plan	6,549,843	\$3.32
28.02.98	Distribution/Dividend Reinvestment Plan	5,755,465	\$3.60
31.08.98	Distribution/Dividend Reinvestment Plan	6,639,692	\$3.54
31.08.98	Executive Securities Plan	1,010,000	\$3.54
15.02.99	Bond conversion	22,857,120	\$3.50
28.02.99	Distribution/Dividend Reinvestment Plan	5,365,088	\$3.64
28.02.99	Placement	15,000,000	\$3.80
31.08.99	Distribution/Dividend Reinvestment Plan	5,531,810	\$3.50
31.08.99	Executive Securities Plan	1,062,000	\$3.50
01.07.00	Flinders Industrial Property Trust takeover	81,028,987	\$3.06
14.08.00	Placement	34,800,000	\$3.60
31.08.00	Executive Securities Plan	1,183,000	\$3.50
27.09.00	Advance Property Fund takeover	169,889,992	\$3.25
28.02.01	Distribution/Dividend Reinvestment Plan	11,282,045	\$3.85
28.02.01	Executive Securities Plan	1,500,000	\$3.85
31.03.01	Bond conversion	5,714,280	\$3.50
30.06.01	Securityholder options exercised	35,218,750	\$3.85
30.06.01	Executive Securities Plan	150,000	\$3.85
22.08.01	Placement	25,000,000	\$4.15
31.08.01	Distribution/Dividend Reinvestment Plan	13,950,069	\$4.06
31.08.01	Executive Securities Plan	1,905,000	\$4.06
02.11.01	Executive Securities Plan	500,000	\$4.25
31.12.01	Executive Securities Plan	4,100,000	\$4.16
28.02.02	Distribution/Dividend Reinvestment Plan	16,469,684	\$4.08
28.02.02	Executive Securities Plan	210,000	\$4.08
30.08.02	Executive Securities Plan	2,660,000	\$4.17
30.04.03	Placement	60,000,000	\$4.75
12.06.03	AMP Diversified Property Trust takeover	10,978,165	\$5.01
18.06.03	AMP Diversified Property Trust takeover	21,299,063	\$5.01
28.02.03	Executive Securities Plan	480,000	\$4.81
24.06.03	AMP Diversified Property Trust takeover	8,489,408	\$5.01
30.06.03	AMP Diversified Property Trust takeover	50,494,425	\$5.01
04.07.03	AMP Diversified Property Trust takeover	76,926,586	\$5.01
10.07.03	AMP Diversified Property Trust takeover	19,133,032	\$5.01
15.07.03	AMP Diversified Property Trust takeover	27,877,991	\$5.01
21.07.03	AMP Diversified Property Trust takeover	3,203,804	\$5.01
24.07.03	AMP Diversified Property Trust takeover	2,230,900	\$5.01
29.08.03	Distribution/Dividend Reinvestment Plan	17,130,177	\$4.81
29.08.03	Executive Securities Plan	4,345,000	\$4.81
29.08.03	Employee Securities Plan	32,250	\$4.81
29.08.03	AMP Diversified Property Trust takeover	7,398,808	\$5.01
26.09.03	Placement	50,000,000	\$4.65
23.10.03	Share Purchase Plan	6,710,250	\$4.65
27.02.04	Institutional placement	39,000,000	\$5.20
27.02.04	Distribution/Dividend Reinvestment Plan	24,312,522	\$5.17
27.02.04	Executive Securities Plan	790,000	\$5.17



# Ten Year History



		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Members' equity	\$m	792.0	857.8	873.8	920.7	1,130.1	1,179.3	2,337.5	2,642.7	3,600.6	5,033.1
Total assets	\$m	863.3	932.3	1,073.2	1,124.9	1,278.4	1,683.1	3,386.2	3,327.1	5,948.6	7,213.0
Gross revenue	\$m	180.5	184.2	192.5	214.7	250.6	344.9	631.5	837.3	867.3	1,371.0
Net profit	\$m	86.3	87.7	88.4	92.2	100.8	115.1	198.2	249.8	284.8	456.0
– Trust	\$m	68.7	71.5	72.3	74.9	82.2	92.1	167.6	208.4	226.1	356.0
– Corporation	\$m	17.6	16.2	16.1	17.3	18.6	23.0	30.6	41.4	58.7	100.0
Distribution/Dividend paid	\$m	83.8	87.3	88.6	90.6	99.5	111.7	192.4	241.3	272.8	446.3
Securities on issue											
– ordinary	m	311.1	325.2	327.7	371.8	422.6	429.2	770.0	832.1	1,038.8	1,265.6
– convertible preference	m	34.3	34.3	31.8	–	–	–	–	–	–	–
Payout per security	¢	24.4	24.5	24.5	24.7	25.1	26.1	28.3	29.7	32.1	37.0
Earnings/security	¢	25.2	24.6	24.5	25.1	25.4	26.9	29.2	30.8	33.5	37.8
Net tangible assets/security	\$	2.29	2.39	2.43	2.48	2.67	2.70	3.01	3.14	3.41	3.76
Closing market price	\$	3.28	2.90	3.48	3.69	3.45	3.52	4.02	4.39	5.04	5.18
Lettable area											
– Retail	,000m <sup>2</sup>	166.9	209.4	236.0	238.6	238.9	228.7	356.8	371.8	809.6	878.2
– Commercial	,000m <sup>2</sup>	60.1	60.3	76.2	97.4	97.4	158.3	360.0	321.9	534.9	576.2
– Office Parks/Industrial	,000m <sup>2</sup>	–	–	–	–	–	12.2	703.2	707.2	1,202.9	1,142.3
Residential development inventory	\$m	131.2	141.3	134.1	170.0	210.6	406.1	412.2	512.4	682.4	1,013.4



# 04

## Financial Report

STOCKLAND COMPRISING STOCKLAND TRUST  
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# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report together with the combined Financial Report of Stockland for the year ended 30 June 2004 and the Auditor's Report thereon. The combined Financial Report of Stockland comprises the consolidated Financial Reports of Stockland Trust and its controlled entities ("the Trust") and Stockland Corporation Limited and its controlled entities ("the Corporation"), which form the combined entity ("Stockland").

## DIRECTORS

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

### Peter Daly

Chairman  
(Non-Executive)  
B.E., M.I.E. Aust

Age 63

Mr Daly was appointed Chairman of the Board in October 2000. He was Managing Director of Stockland 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 33 years, serving in a number of executive positions within Stockland over that time. He is a member of the Nominations and Remuneration Committee.

### Nicholas Greiner

Deputy Chairman  
(Non-Executive)  
B.E.C. (Hons), M.B.A.

Age 57

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He 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 in Australia. Mr Greiner is Chairman of Bilfinger Berger Australia and a director of McGuigan Simeon Wines Limited and QBE Insurance Group and a number of other private groups. Mr Greiner is Chairman of the Nominations and Remuneration Committee.

### Matthew Quinn

Managing Director  
B.SC. (Hons), A.C.A.,  
A.R.C.S., F.A.P.I.

Age 42

Mr Quinn has an extensive background in commercial, retail, industrial and residential property investment and development. He began his career in the United Kingdom as a chartered accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn was appointed National President of the Property Council of Australia in March 2003. Mr Quinn is a Fellow of the Australian Property Institute.

### John Pettigrew

Finance Director  
F.C.P.A., F.C.I.S.  
(resigned 13 February 2004)

Age 58

Mr Pettigrew has had extensive commercial and financial experience with a number of major corporations and 30 years of involvement in the property industry, of which 27 years have been

with Stockland. He served as Stockland's Company Secretary and Chief Financial Officer from 1977 and held the position of Finance Director since his appointment in 1982 until his retirement this year.

Mr Pettigrew was a member of the Compliance Committee until his resignation on 13 February 2004.

### Graham Bradley

Non-Executive Director  
B.A., L.L.B. (Hons 1), L.L.M., F.A.I.C.D.  
(appointed 9 February 2004)

Age 56

Mr Bradley was appointed to the Board on 9 February 2004. He is Chairman of Film Finance Corporation of Australia Limited, Proteome Systems Limited, Garvan Research Foundation and Sydney Community Foundation. He is also a director of MBF Australia Limited, MBF Life Limited, HSBC Bank Australia Limited, Queensland Investment Corporation, Singapore Telecommunications Limited, Brandenburg Ensemble Limited and the Garvan Institute of Medical Research. Mr Bradley was the Managing Director of Perpetual Trustees Australia Limited for eight years until 2003 and was the national Managing Partner of Blake Dawson Waldron and a Principal of McKinsey & Company prior to that. Mr Bradley became a member of the Audit Committee on 9 February 2004 and was a member of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.

### Bruce Corlett

Non-Executive Director  
B.A., L.L.B.

Age 59

Mr Corlett was appointed to the Board in November 1996. He is Chairman of Adsteam Marine Limited, Servcorp Limited and Trust Company of Australia

Limited. He is also a Senate Fellow at the University of Sydney. Mr Corlett is a member of the Audit Committee and the Nominations and Remuneration Committee.

### David Fairfull

Non-Executive Director  
B.COMM., C.P.A., A.C.I.S., A.S.I.A.,  
F.A.I.C.D.

Age 62

Mr Fairfull was appointed to the Board in March 1990. He is a non-executive director of Australian Pharmaceutical Industries Limited, Gazal Corporation Limited, SP Telecommunications Limited, Washington H Soul Pattinson & Company Limited, New Hope Corporation Limited and Pitt Capital Partners Limited. Mr Fairfull is the Chairman of the Compliance Committee and was the Chairman of the Audit Committee until his resignation from that Committee on 28 July 2003.

### Barry Thornton

Non-Executive Director  
K.S.J., F.C.A., F.A.I.C.D., F.A.I.M.

Age 64

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 a member of the Audit Committee and was a member of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## Terry Williamson

Non-Executive Director

M.B.A., B.EC., F.C.A., F.C.I.S., M.A.C.S.

Age 56

Mr Williamson was appointed to the Board in April 2003. He is a director of St. Vincent's and Mater Health Group Sydney, Excel Coal Limited and a member of the Sydney University Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that, he was a partner of Price Waterhouse for 17 years. Mr Williamson became Chairman of the Audit Committee on 28 July 2003 and was the Chairman of the Unlisted Property Funds Due Diligence Committee when it was convened in the period.

A new director was appointed after the end of the financial year:

## Hugh Thorburn

Finance Director

B.COMM., F.C.A.

(appointed 1 July 2004)

Age 52

Mr Thorburn was appointed to the Board as Finance Director on 1 July 2004, having been Chief Financial Officer since his commencement at Stockland on 16 February 2004. Mr Thorburn is a chartered accountant and has held a number of senior financial and general management roles in Australian companies.

## DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of Committees of directors) and number of meetings attended by each of the directors during the financial year are:

Director	Board		Audit Committee		Nominations and Remuneration Committee		Compliance Committee		Unlisted Property Funds Due Diligence Committee	
	A	B	A	B	A	B	A	B	A	B
Peter Daly	16	16	–	–	8	8	–	–	–	–
Nicholas Greiner	16	16	–	–	8	8	–	–	–	–
Matthew Quinn	16	16	–	–	–	–	–	–	–	–
John Pettigrew <sup>1</sup>	8	9	–	–	–	–	3	5	–	–
Graham Bradley <sup>2</sup>	7	7	2	2	–	–	–	–	3	3
Bruce Corlett	16	16	5	5	8	8	–	–	–	–
David Fairfull	14	16	1	1	–	–	7	7	–	–
Barry Thornton	15	16	5	5	–	–	–	–	8	9
Terry Williamson	15	16	5	5	–	–	–	–	8	9
<i>Appointed after 30 June 2004</i>										
Hugh Thorburn <sup>3</sup>	–	–	–	–	–	–	–	–	–	–

A – Meetings attended

B – Meetings eligible to attend

<sup>1</sup> Resigned 13 February 2004<sup>2</sup> Appointed 9 February 2004<sup>3</sup> Appointed 1 July 2004, therefore Mr Thorburn did not attend any meetings during the financial year.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## CORPORATE GOVERNANCE

Outlined below are the main corporate governance practices in place throughout the year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### Role of the Board

The Board of Directors ("Board") is responsible for the management and governance of Stockland Corporation Limited and Stockland Trust Management Limited, the Responsible Entity of Stockland Trust. The primary role of the Board is to ensure the long-term health and prosperity of Stockland, which it accomplishes by:

- setting and monitoring objectives, goals and strategic direction for Management with a view to maximising security holder value;
- adopting an annual budget and monitoring financial performance;
- approving of financial and other reporting to security holders;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring the integrity of management information systems;
- ensuring significant business risks are identified and appropriately managed;
- setting remuneration policy;
- selecting, appointing and reviewing the performance of the Managing Director;
- selecting and appointing new Non-Executive Directors; and
- setting the highest business standards and code of ethical behaviour.

Details of the Board's charter are set out on the website under Investor Information (refer [www.stockland.com.au](http://www.stockland.com.au)). The directors of Stockland Corporation Limited and Stockland Trust Management Limited are identical. All directors are appointed for periods of three years. 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 Stockland Trust Constitution and the Corporations Act 2001 in the best interests of security holders and ensure 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;
- management of the Trust's property portfolio;
- 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 security holders.

The Board has delegated authorities to the Managing Director to manage the business of Stockland and to its various Board Committees to deal with specific areas described later. Matters which are not covered by those delegations require Board approval. Such matters include approvals above delegated levels of capital expenditure or expenditure outside the ordinary course of business, major acquisitions and sales, approval of major elements of strategy, approval of the half-year and yearly financial accounts and related reports, proposals for the issue of securities by Stockland and risk management policies.

### Board processes

The Board has established a framework for the management of Stockland including a system of internal control, risk management processes and the establishment of appropriate ethical standards.

The Board currently holds 11 scheduled meetings each year plus any extraordinary meetings as required. The agenda for meetings is prepared by the

Company Secretary in conjunction with the Chairman and Managing Director. Standing items include the Managing Director's report, reports from each of the Division CEO's, financial report, strategic matters, governance and compliance. The Board papers are circulated in advance. Executives are directly involved in Board discussions and directors have other opportunities, including visits to business operations, to contact a wider group of employees.

The monthly Board papers make the Board aware of current and forthcoming issues relevant to Stockland's operations and performance. These contain the monthly and year-to-date performance of all Divisions compared with budget, a report from any Board Committee which may have met since the last Board meeting and papers relating to particular issues. Senior Management present significant matters to the Board. The Board may seek further information on any issue, including requesting that a particular Division CEO present to it on the performance, strategy or outlook for a Division.

### Director education

Stockland has a formal process to educate new directors about the nature of the business, current issues, corporate strategies and the expectations of Stockland concerning performance of directors. Directors also have the opportunity to visit Stockland facilities and meet with Management to gain a better understanding of business operations. Directors have the right of access to all Stockland information and Executives.

### Composition of the Board

At the date of this report, the Board comprises two Executive Directors, six Non-Executive Directors and the Chairman. The members of the Board are listed in the table under "Directors" on pages 38 and 39 with their brief resumes.

Stockland recognises that independent directors are important in assuring security holders that the Board is properly fulfilling its role and is diligent in holding senior Management accountable for its performance. The Board resolved that its composition should continue to have a majority of Non-Executive Directors and that the Chairman and Managing Director be and remain separate persons. The Board is comprised of directors with a wide range of experience, including some with expertise in financial reporting. For further details of other areas of experience and expertise refer to "Directors" on pages 38 and 39.

Stockland has set criteria for determining the independence of its Board members. Directors will be considered independent if not a member of Management (a Non-Executive Director) and if they meet the following criteria:

- is not a substantial security holder of Stockland or of a company holding more than five per cent of Stockland's voting securities, or an officer of or directly or indirectly associated with a security holder holding more than five per cent of Stockland's voting securities;
- has not within the last three years been employed in an Executive capacity by Stockland or been a director after ceasing to hold any such employment;
- is not a principal or employee of a professional advisor to Stockland. A director who is a principal or employee of a professional advisor will not participate in any consideration of the possible appointment of the professional advisor and will not participate in the provision of any service to Stockland by the professional advisor, unless the Board otherwise resolves;

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## CORPORATE GOVERNANCE (continued)

### Composition of the Board (continued)

- is not a material supplier or customer of Stockland or an officer of or directly or indirectly associated with a significant supplier or customer;
- has no material contractual relationship with Stockland or any of its associates other than as a director of Stockland;
- has no other interest or relationship that could interfere with the director's ability to act in the best interests of Stockland and independently of Management; and
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Stockland.

In this context the Board considers material, any director-related business relationship that is or is likely in the future to be more than 10 per cent of the director-related business's revenue.

All directors are expected to act in the best interests of Stockland. Some directors have been appointed to the Board for a considerable length of time. Stockland considers these directors add value as they understand Stockland's businesses and processes and can provide meaningful contribution to Board discussion, strategy and policy. Stockland has recently appointed two new directors to introduce new ideas and views to the Board deliberations and will continue its policy of appointing the appropriately qualified people.

In 2003, the Board also resolved that a majority of the members of each Board Committee should be independent directors. The Audit Committee and the Nominations and Remuneration Committee comprise only Non-Executive Directors. The Compliance

Committee is chaired by an independent director and has a majority of independent directors/members.

The Board has also approved a policy that all independent directors will meet at least twice per year in the absence of Management and executive directors and at other times as they determine. The convenor of the meetings will be the Chairman.

Stockland is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of Stockland and returns to security holders. Stockland has a high dependence on the performance of its staff and its operations are complex both financially and in business terms. Stockland believes it to be in security holders' interest to have Board members with first-hand experience of the business and a Chairman who has extensive knowledge of Stockland and the industry. The Chairman was previously an Executive Director of Stockland but resigned from this position on 22 October 2001. It is noted that the Deputy Chairman is a Non-Executive Director.

The Constitution of Stockland Trust and the Articles of Association of Stockland Corporation Limited provide that:

- the maximum number of directors shall be 10;
- one third of the directors must retire from office at each annual general meeting ("AGM"). Such retiring directors are eligible for re-election;
- directors appointed to fill casual vacancies must submit to election at the next general meeting; and
- the number of directors necessary to constitute a quorum is not less than two.

### Terms and conditions of appointment and retirement of Non-Executive Directors

The terms and conditions of the appointment and retirement of Non-Executive Directors are set out in a letter of appointment, which prescribes:

- remuneration;
- term of appointment, subject to security holder approval;
- expectation of the Board in relation to attending and preparing for all Board meetings;
- procedures for dealing with conflicts of interest;
- induction procedures;
- restrictions on excessive membership of other boards and a requirement to discuss any proposed memberships with the Chairman;
- restrictions on trading in Stockland's securities (refer to "Staff and director trading in Stockland's securities" on page 44);
- indemnification and director's liability insurance; and
- disclosure obligations.

The Constitution of Stockland Trust and the Articles of Association of Stockland Corporation Limited provide that a director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosures in the Corporations Act 2001, common law directors' duties and Stockland's policy on the independence of directors. The indemnity and insurance arrangements for directors are described under "Indemnities and insurance of officers and auditors" on page 49.

It is the practice of the directors that when a potential conflict of interest arises the director may be required to withdraw from the Board Meeting while the matter is being considered.

The Board has a policy of enabling directors to seek independent

professional advice for company related matters at Stockland's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable. Directors can communicate directly with Stockland's own advisors and share advice obtained with other directors.

In order to encourage long-term commitment and more closely align the interests of the Board with security holders, the Board encourages security holding by Non-Executive Directors.

### Board Committees

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

- Nominations and Remuneration Committee;
- Audit Committee; and
- Compliance Committee.

These Committees have written mandates which are reviewed on a regular basis. All Board members are free to attend any meeting of any Board Committee. All Committees have access to professional advice from the employees within Stockland and from appropriate external advisors. Committees may meet these external advisors without Management being present.

The full Board convenes annually to consider issues associated with the environmental impact on Stockland's operations and to ensure Stockland is complying with all relevant statutory requirements. Stockland is committed to achieving a high standard of environmental performance. Stockland's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. Stockland undertakes an environmental due diligence and risk assessment of all

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## CORPORATE GOVERNANCE (continued)

### Board Committees (continued)

properties it acquires. The Board monitors environmental performance by setting objectives, monitoring progress against these objectives and identifying remedial action where required.

The Unlisted Property Funds Due Diligence Committee was set up during the year. The purpose of the Committee was to syndicate a half interest in Waterfront Place, Brisbane as part of the Unlisted Property Funds business established in January this year. The Committee is reviewing the disclosures and receiving reports from its advisors on compliance with the Corporations Act 2001 relating to a product distribution statement which is intended to be released in the 2005 financial year for public subscription. The Committee will report to and make a recommendation to the Board on the transaction. Once this transaction is complete the Committee will be disbanded as it operates under a specific charter for this transaction.

During the year, the following directors were temporary members of this Committee:

Mr T Williamson (Chairman)  
– Non-Executive  
Mr G Bradley – Non-Executive  
Mr B Thornton – Non-Executive

The Treasury Risk Management Committee was abolished this year as the Board resolved that treasury issues should be discussed at each Board meeting and the full Board make any decisions which are outside Management's delegations.

### Nominations and Remuneration Committee

The Nominations and Remuneration Committee meets as frequently as required and at least twice annually.

It periodically reviews the composition of the Board and ensures that the Non-Executive Directors bring a mix of qualifications, skills and experience to the Board. In addition, the Committee has the following responsibilities in respect of the appointment of directors and composition of the Board:

- the review of Board succession plans;
- the evaluation of the Board's performance and that of individual directors;
- review and recommend Committee structure and membership;
- recommendations for the appointment and removal of Executive and Non-Executive Directors; and
- assisting the Board in developing and recommending policies relating to:
  - the composition and size of the Board; and
  - the independence of directors.

The Committee is comprised of Non-Executive Directors. There were no changes to the members of the Committee during the year. The Nominations and Remuneration Committee comprised the following members:

Mr N Greiner (Chairman)  
– Non-Executive  
Mr P Daly – Non-Executive  
Mr B Corlett – Non-Executive

The Committee has a charter which is consistent with ASX Best Practice Guidelines. Further details of the Nominations and Remuneration Committee's charter and policies can be viewed on the website under Investor Information.

When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new director, the Committee selects one or more candidates with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm.

Candidates are then submitted to the Board for approval. During the year, Mr Graham Bradley was appointed as a new Non-Executive Director and on 1 July 2004, Mr Hugh Thorburn was appointed to the Board as an Executive Director.

The Nominations and Remuneration Committee assists the Board in ensuring that Stockland's remuneration levels are appropriate in the markets in which it operates and are applied fairly to attract and retain appropriately qualified and experienced directors and senior Executives. The Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies.

The Committee also has the responsibility to review and approve, on behalf of the Board, recommendations for annual staff remuneration made by Management and review and recommend to the Board:

- proposals for changes to remuneration policies and human resources issues which are referred to the Board by the Managing Director;
- remuneration recommendations relating to the Chairman, Non-Executive Directors, the Managing Director and senior Management, including incentive policies for the Managing Director and the senior Management team;
- Stockland's recruitment, retention and termination policies and procedures for senior Management;
- incentive schemes;
- superannuation arrangements;
- creation or amendment of any employee or executive share schemes; and
- the remuneration framework for Non-Executive Directors including the amount of directors' fees, any increase in the overall amount of directors' fees and any increase requiring security holder approval.

### Audit Committee

Audit Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Finance Director, Stockland's external auditors and, as required, other Stockland Executives and external advisors. The Managing Director and Finance Director have declared in writing to the Board that Stockland's Financial Report for the year ended 30 June 2004 presents fairly, in all material respects, Stockland's financial condition and operational results and are in accordance with applicable Accounting Standards. The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Committee has a documented charter which incorporates the ASX Best Practice Guidelines (for further information refer to the website under Investor Information).

Under its terms of reference, the Audit Committee must be comprised of at least three directors, all of whom must be Non-Executive Directors. The Chairman of the Audit Committee may not also be the Chairman of the Board.

The members of the Audit Committee during the year were:

Mr T Williamson (Chairman)  
– Non-Executive  
Mr B Corlett – Non-Executive  
Mr B Thornton – Non-Executive  
Mr G Bradley – Non-Executive  
(appointed 9 February 2004)  
Mr D Fairfull – Non-Executive (resigned 28 July 2003)

The Company Secretary acts as secretary to the Committee and attends its meetings.

The Committee assists the Board to fulfil its corporate governance and disclosure responsibilities in relation to financial reporting, internal control structure, risk management systems and internal and external audit. This includes:



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## CORPORATE GOVERNANCE (continued)

### Audit Committee (continued)

- exercising oversight of the accuracy and completeness of the financial statements and their adequacy for security holders, compliance with the Corporations Act 2001, ASX Listing Rules and other regulatory requirements;
- making informed decisions regarding accounting policies, practices and disclosures;
- reviewing Stockland's policies and procedures for convergence with the International Financial Reporting Standards ("IFRS") for reporting periods beginning on 1 July 2005;
- reviewing the scope and results of operational risk reviews and external audits;
- assessing the performance and adequacy of Stockland's internal control framework including accounting, compliance and operational risk management controls;
- annual review of the performance of the internal audit team, including a review of their independence, coordination with external auditors, resource levels and a review of their findings and management responses;
- annual review of the external auditor's performance taking into account the duration of the appointments, date of partner rotation, fees paid and considering matters requiring discussion in the absence of Management; and
- other related matters including monitoring insurance coverage, related party transactions and monitoring litigation other than in the normal course of business.

The Audit Committee also has responsibility for the oversight and monitoring of risk management (refer "Risk Management" below). It is also

responsible for the nomination and removal of external auditors. The following principles and practices were adopted in April 2002:

- the external auditor must remain independent of Stockland at all times;
- the external auditor must be appointed by the Audit Committee;
- the external auditor is to be appointed to all controlled entities in the Group;
- the external auditor must not undertake staff recruitment, internal audit or management and IT consulting;
- the external auditor is not to provide non-audit services under which the auditor assumes the role of Management, becomes an advocate for Stockland or audits its own professional expertise;
- the statutory audit will be tendered at least every seven years, effective 2002; and
- the external audit engagement partner and review partner will be rotated every five years.

The external auditor provides an annual declaration of independence which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies.

### Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan and function and in ensuring adherence to applicable laws and regulations.

The Compliance Committee comprised the following members during the year:

Mr D Fairfull (Chairman)  
 – Non-Executive Director  
 Mr R Sully – External Independent Member  
 Mr P Hepburn – Executive Member (appointed 12 May 2004)  
 Mr J Pettigrew – Executive Director (resigned 13 February 2004)

The role of the Compliance Committee includes responsibility for evaluation of the effectiveness of the Responsible Entity's compliance systems which are designed to protect the interests of security holders. The Compliance Plan has been approved by ASIC and was updated this year. The Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which must report to ASIC any material breach of the Compliance Plan.

### Board and director performance

The Board has a formal annual performance self-assessment, including assessment of the Board's Committees and individual assessment of those directors who are required to stand for re-election at the next AGM. One third of the Board must retire at each AGM.

The self-assessment process involves each Board member answering questions relating to the role, composition, procedures, practices and behaviour of the Board and its members. Assessments are confidential other than to the Chairman who discusses the results with each member personally. As part of this process, each Board member has the opportunity to raise any matter, new idea or criticism with the Chairman.

All directors who have offered themselves for re-election at the 2004 AGM have been reviewed and the Board has resolved to support their re-elections.

The Board is aware of the long tenure of some of its members. While the Board considers their experience invaluable, it has embarked on a process of renewing the composition of the Board. This will occur over time to ensure an element of continuity within the Board.

## Risk management

### Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of Stockland's risk management system with assistance from the Audit Committee. Management has established and implemented a risk management system for assessing, monitoring and managing operational financial reporting and compliance risk for Stockland.

The Managing Director and the Finance Director have declared, in writing to the Board that Stockland's financial reporting, risk management and associated compliance and controls have been assessed and are operating efficiently and effectively.

After each Audit Committee meeting the Audit Committee reports to the Board on the status of risks through integrated risk management programmes aimed at ensuring all risks are identified, assessed and appropriately managed.

Each Division is responsible and accountable for implementing and managing the standards required by the programme. Major risks arise from such matters as adverse actions by competitors, government policy changes, changes in demand and supply in the property market, environmental issues, delays in development plans, resource related issues, occupational health and safety issues, property financial reporting and the purchase, development and use of operational systems.

In addition the Managing Director and Finance Director have declared in writing to the Board that:

- a) Stockland's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## CORPORATE GOVERNANCE (continued)

### Risk management (continued)

#### *Oversight of the risk management system (continued)*

- b) Stockland's risk management, internal compliance and control systems are operating efficiently and effectively in all material respects.

#### *Risk profile*

In order to identify the material risks facing Stockland and prioritise the actions necessary to mitigate these risks, an annual risk review is undertaken to identify, assess, monitor and manage the financial, operational and strategic risks across all business processes within the Divisions. This is performed in accordance with the Australia, New Zealand Risk Management Standard AS/NZS4360.

Priorities are continuously re-assessed in light of changes to Stockland's business operations, regulations and other industry factors.

#### *Risk management and compliance and control*

A robust risk management framework coupled with thorough internal reporting processes and highly qualified, competent and reliable staff provides Stockland with a solid platform from which Stockland manages the main areas of risk impacting the business.

#### *Assessment of effectiveness*

The effectiveness of risk management practices is assessed by the internal audit function and reported to both Executive Management and the Audit Committee. The annual work programme for the internal audit function is based upon the outcome of the annual risk review and internal control issues identified by the external auditors. The work programme is considered and approved by the Audit Committee.

Please refer to the Stockland website (Investor Information section) for a copy of the Stockland Risk Management Policy.

#### *Ethical standards*

Stockland directors and staff are required to maintain high ethical standards of conduct. Stockland's code of ethics covers its dealings with external parties and internal operations. It is periodically reviewed and fully endorsed by the Board. A copy is distributed to all staff and its standards communicated and reinforced at Stockland wide induction programmes.

#### *Code of Conduct*

All staff including directors must comply with Stockland's Code of Conduct. The Code covers the following:

- aligning the behaviour of the Board and Management with the Code of Conduct by maintaining appropriate core values and objectives;
- fulfilling responsibilities to security holders by delivering value;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value and safety for goods produced;
- employment practices such as occupational health and safety, employment opportunity and conflict resolution;
- responsibilities to the individual such as privacy, use or provision of confidential information and conflict resolution;
- conflicts of interest;
- protecting corporate opportunities by preventing directors and key Executives from taking advantage of information or their position for personal gain; and
- fair dealing, protection and proper use of Stockland's assets.

## Commitment to security holders and an informed market

The Board believes that security holders and the investment market generally, should be informed of all major business events that influence Stockland in a timely and widely available manner. In 2003 the Board amended its Continuous Disclosure Policy.

The policy includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how Stockland meets its disclosure obligations under ASX Listing Rule 3.1. Stockland's policy is to lodge with the ASX and place on its website market-sensitive information, including annual and interim result announcements and analyst presentations as soon as practically possible. Stockland's website contains recent announcements, presentations, past and current reports to security holders and a five year summary of key financial data.

Stockland produces two sets of financial information annually, the half-yearly Financial Report for the six months to 31 December and the Annual Report and Financial Report for the year to 30 June which are made available to security holders.

Security holders have the right to attend Stockland's AGM, usually held towards the end of October each year. Security holders are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is posted on the website. Security holders are encouraged to vote on all resolutions. Unless specifically stated in the Notice of Meeting, all holders of securities are eligible to vote on all resolutions. In the event that security holders cannot attend the AGM they are able to lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile. Stockland's auditor also

attends the AGM and is available to answer any questions about the conduct of the audit and the audit report from security holders.

While Stockland does not web cast its AGM proceedings, a transcript of the Chairman's and Managing Director's reports to security holders is released to the ASX. These transcripts are available on Stockland's website.

## Staff and director trading in Stockland's securities

Stockland Board members may only trade in Stockland's securities during nominated trading "windows" which are typically of four weeks duration and follow Stockland's announcements of its interim and full year profits and after the AGM. At other times, they can trade with the concurrence of two Non-Executive Directors, one of which must be the Chairman or Deputy Chairman. Trading in securities by Executive Directors and specified Executives as disclosed in Note 35, at any time requires the consent of two Non-Executive Directors; one must be the Chairman or Deputy Chairman. All other employees require the prior consent of the Managing Director to trade in securities. However, irrespective of these designated windows and approval requirements, if an individual possesses material non-public price-sensitive information about Stockland, that person is prohibited from trading.

## PRINCIPAL ACTIVITIES

The principal activities of Stockland during 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.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## PRINCIPAL ACTIVITIES (continued)

Stockland operates in mainland Australia and New Zealand.

During the year Stockland also launched an Unlisted Property Funds Division. There has been no other significant change in the nature of the activities of Stockland during the year.

## REVIEW AND RESULTS OF OPERATIONS

Stockland achieved a net profit before goodwill on acquisition of the ADP Trust, amortisation of the goodwill and unrealised gain on financial instruments of \$456.0 million (refer to table on right) for the year ended 30 June 2004. This compares with the \$284.8 million result achieved in the corresponding period in 2003, representing an increase of 60%.

Earnings before goodwill on acquisition of ADP Trust, amortisation of the goodwill and unrealised gains on financial instruments per stapled security increased by 12.8% from 33.5 cents to 37.8 cents (refer to table on right) for the year. Basic earnings per stapled security is 47.7 cents.

The Board has agreed with ASIC to amend its accounting treatment of the write off of the premium on the acquisition of ADP Trust and recognise the excess consideration over fair value of the net assets of ADP Trust as goodwill and amortise it over three years, rather than expense immediately (refer Note 2). During the year AMP Diversified Property Trust changed its name to ADP Trust.

## DISTRIBUTIONS/DIVIDENDS

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

	Consolidated 2004 \$'000	2003 \$'000
Net profit	574,705	64,410
Goodwill on acquisition of ADP Trust written (back)/off	(220,387)	220,387
Amortisation of goodwill on acquisition of ADP Trust	106,940	–
Unrealised gain on financial instruments	(5,245)	–
Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised gain on financial instruments	456,013	284,797

## STATE OF AFFAIRS

Changes in the state of affairs of Stockland during the financial year are set out in the Annual Report. Refer to Note 22 for securities issued and Note 19 for debt movements during the year.

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

## EVENTS SUBSEQUENT TO BALANCE DATE

Other than the matters discussed below, 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 and unusual nature which is likely, in the opinion of the directors, to affect significantly the operations of Stockland, the results of those operations, or the state of affairs of Stockland in future financial years.

For reporting periods beginning on or after 1 January 2005, Stockland must comply with IFRS as issued by the Australian Accounting Standards Board. The first financial report completed under IFRS will be for the financial year ending 30 June 2006, with the comparatives also restated to comply with IFRS. At balance date the financial impacts of the conversion to IFRS have not yet been quantified. Refer to Note 37 for an outline of Stockland's IFRS project.

## LIKELY DEVELOPMENTS

Stockland will continue to increase the profitability and market share of its principal activities during the next financial year. It is also expected that the contribution from the new Unlisted Property Funds Division will increase.

A project dealing with the adoption of IFRS from 1 July 2005 will also be completed during the next financial year.

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

## DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

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, responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality (refer to

"Nominations and Remuneration Committee" on page 42).

## Remuneration policy for Non-Executive Directors

The remuneration policy for Non-Executive Directors is designed to remunerate them at market levels for their time, commitment and responsibilities. Non-Executive Directors are paid director's fees (as detailed below) and do not participate in any share plan or receive any retirement benefits (other than statutory superannuation) and do not receive any performance related benefits. Non-Executive Directors' fees are reviewed annually. In 2003, security holders resolved that the maximum amount payable to Non-Executive Directors should not exceed \$950,000 in total for all directors, plus superannuation. The Chairman received \$185,000 and the Deputy Chairman received \$100,000. The base fee for other Non-Executive Directors was \$75,000 per annum. These fees cover all main Board activities and all meetings relating to environmental issues. Additional fees were paid for the Chair of the following Board Committees: Audit Committee \$10,000, Nominations and Remuneration Committee \$7,500, Compliance Committee \$10,000 and Unlisted Property Funds Due Diligence Committee \$10,000. Members of these Committees receive an additional \$1,500 for each meeting attended, capped at \$6,000.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)

### *Remuneration policy for Non-Executive Directors (continued)*

Effective 1 July 2004 the Chairman will receive \$195,000 and the Deputy Chairman will receive \$105,000. The base fee for other Non-Executive Directors will be \$80,000 per annum. The additional fees for the following Board Committees are: Audit Committee Chair \$20,000, members \$10,000; Nominations and Remuneration Committee Chair \$10,000, members \$7,000; Compliance Committee Chair \$15,000 and members \$6,000.

### *Remuneration policy for Executive Directors and Senior Executives*

To encourage superior performance and long-term commitment to Stockland, remuneration packages for Executive Directors and senior Management include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration. The total remuneration package includes superannuation and other benefits on a salary sacrifice basis and is in accordance with remuneration policies. There is no separate profit-share plan.

Performance-based remuneration and incentives are based on specific objectives, measures and targets for performance. With the broader aim of increasing Stockland's net profit, earnings per security and security holder returns, the Board sets the objectives, measures and targets for the Managing Director. The Managing Director sets the objectives, measures and targets for the members of the senior Management team. These key performance indicators are subject to approval by the Nominations and Remuneration Committee, as are the remuneration, incentives and bonuses for the

Executive Directors and the senior Management team. Remuneration structures take into account:

- the overall level of remuneration for each individual;
- each individual's ability to control performance; and
- the amount of incentives within each individual's remuneration.

The Executive Directors and the senior Management team may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of Stockland's performance against industry benchmarks and each relevant Division's result exceeding certain pre-determined targets. Generally, cash-based incentives are applied to annual targets while equity remuneration applies to longer-term incentives.

The Board considers that performance-linked objectives that have a financial focus are best suited to the outcomes desired by security holders. The evidence for this is sustained performance and growth compared to industry peers, including very strong growth in profits in recent years. Non-financial measures are also to be taken into consideration, though account for a smaller part of the incentive arrangement than the financial measures.

### *Other benefits*

Executive Directors' and senior Executives' remuneration packages are set on a total cost to company basis. The total package may include base salary, motor vehicle, car parking, superannuation and other specified benefits and applicable fringe benefits tax.

Under remuneration related policies, motor vehicles are costed to the individual's package and include fringe benefits tax, interest costs and depreciation. Where the Executive leaves within two and a half years of purchase of the vehicle, any loss on

sale is recoverable from the Executive. Superannuation contributions are only payable by Stockland while directors are Board members and Executives are employees of Stockland. Statutory entitlements to superannuation, subject to age-based limits, are included in the total cost to company based limit.

Like all employees of Stockland, directors and Executives are entitled to discounts on purchase of Stockland properties held for sale. These discounts approximately represent the savings in agent's commissions and are effectively between 2.5% and 4.0%, depending on whether they are for investment use or "owner-occupied" use. This discount is not included in remuneration as there is no net cost to Stockland.

There are certain concessionary benefits and shared facilities available to staff generally, including discounted Stockland managed hotel accommodation. However, these are only included as a remuneration benefit where there is a net cost to Stockland. There is no net cost to Stockland for hotel accommodation.

The premiums on insurance policies relating to directors and Executives are separately disclosed as "Other compensation – insurance premiums" in the table under "Directors' and senior Executives remuneration". These amounts are not considered to be part of the total package arrangements for salary negotiation purposes. The premiums included relate to Directors' and Officers' insurance, Fidelity insurance and Professional Indemnity insurance policies.

Stockland has an Executive Securities Plan, the purpose of which is to provide Executives with a long-term incentive to create value for security holders and an opportunity for the Managing Director and the Management team to participate in the long-term success of Stockland.

Issues of Stockland securities to Executive Directors and other Executives under the Executive Securities Plan are explained below. The Executive Securities Plan entitles these individuals to purchase Stockland securities at a discount of approximately 2.5% to the market price at the time of issue, being the same discount as applies to the Dividend Reinvestment Plan. All outstanding issues have been funded by loans made to the individuals by Stockland for a maximum term of five years.

The number of securities which each individual is entitled to purchase from time to time varies, taking account of the individual's responsibilities, performance and other aspects of their remuneration arrangements as discussed above. There are two ways in which securities issued become owned on an unconditional basis (i.e. become unrestricted):

- performance-based issues (requiring Stockland's security price to outperform others in the same industry for each issue); and
- service-based issues (requiring two years continuous service from the Executive after the issue).

Any offer of securities to Executive Directors requires a special resolution to be passed at a General Meeting. The most recent special resolution was passed at the General Meeting on 22 October 2001, the effect of which was to allot a combined 3,000,000 stapled securities to two Executive Directors, Mr J Pettigrew (who resigned on 13 February 2004) and Mr M Quinn, pursuant to the 2001 Executive Securities Plan. No further issues under the 2001 Executive Securities Plan shall be sought for these Executive Directors for a period of four years from the date of the General Meeting. There have been no issues outside of these approved thresholds for these individuals.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)

### *Other benefits (continued)*

Non-Executive Directors are not entitled to participate in the Executive Securities Plan.

Stockland does not have any options on issue.

### *Methods and assumptions used to calculate the fair value of share-based payments*

The equity compensation provided by Stockland under the Executive Securities Plan involves a benefit to the recipients of the issues, which is disclosed as remuneration and calculated in accordance with Australian Accounting Standards as follows:

#### *Measurement*

The total value of equity compensation issued to Executive Directors and Executives is determined at grant date. Stockland securities are allotted to the individuals, though ultimate beneficial ownership is dependent on meeting pre-determined performance and/or service criteria set over several years (depending on the type of issue). In determining the fair value of the securities issued, it is assumed that the service and performance hurdles will be met.

The remuneration benefit to the individual of each equity instrument issued is the market price of Stockland securities at grant date reduced by the price paid per security by the individual. This figure is multiplied by the number of equity instruments issued to the individual to determine the total value of the remuneration benefit for each issue. The period over which the restrictions on full beneficial ownership apply is not taken into account in determining the total value of the equity compensation, though it is taken into account in

determining the period over which the benefit is apportioned.

#### *Allocation*

Where the benefit from equity compensation is expected to be earned over several reporting periods, the total benefit determined at the grant date of the equity compensation is apportioned on a straight line basis over the periods in which it is expected to be earned.

For the equity compensation issued by Stockland, where the individual forfeits the securities due to failure to meet a service or performance condition, no remuneration in respect of that grant is reflected in the remuneration disclosures in that period.

Where amendments are made to the terms and conditions of the issue subsequent to the grant date, the value of the grant is re-determined. An exception to this occurs upon resignation or termination where the amendment relates to securities becoming unrestricted in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service or performance conditions. In the latter situation, the value that would have been recognised in future periods in respect of the securities not forfeited is brought to account in the period that the securities become unrestricted.

#### *Related Loans*

Where loans are advanced to cover the purchase of securities issued under the Executive Securities Plan, to the extent that the interest paid on the loan is less than Stockland's funding cost, an amount is disclosed as a "Non-monetary" benefit in the table under "Directors' and senior Executives' remuneration". A further benefit is included where Stockland pays fringe benefits tax on the loan interest.

#### *Other loans*

Housing loans may be made available to senior Executives on an interest free basis for a maximum period of 10 years where they are required to relocate in order to work at a designated Stockland location. The cost to Stockland including fringe benefits tax is included in the table as a "Non-monetary" benefit under "Directors' and senior Executives' remuneration".

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION (continued)

Details of the nature and amount of each element of the remuneration of each director of Stockland and each of the five named officers of Stockland receiving the highest remuneration are:

	Base remuneration (salary & fees) \$	Bonuses <sup>5</sup> \$	Non-monetary benefits <sup>5</sup> \$	Super-annuation benefits \$	Termination & retirement benefits \$	Equity compensation <sup>7</sup> \$	Other compensation: insurance premiums <sup>8</sup> \$	Sub-total \$	Annual leave entitlements <sup>9</sup> \$	Long service leave entitlements <sup>10</sup> \$	Total <sup>11</sup> \$
<b>DIRECTORS</b>											
<b>Non Executive Directors</b>											
Mr Peter Daly (Chairman) <sup>3</sup>	191,000	–	–	11,002	–	–	10,251	212,253	–	–	212,253
Mr Nicholas Greiner <sup>3</sup> (Deputy Chairman)	107,500	–	–	9,675	–	–	10,251	127,426	–	–	127,426
Mr Graham Bradley <sup>1</sup>	39,288	–	–	3,536	–	–	4,272	47,096	–	–	47,096
Mr Bruce Corlett <sup>1,3</sup>	87,000	–	–	7,830	–	–	10,251	105,081	–	–	105,081
Mr David Fairfull <sup>1,2</sup>	86,500	–	–	7,785	–	–	10,251	104,536	–	–	104,536
Mr Barry Thornton <sup>1</sup>	87,000	–	–	7,830	–	–	10,251	105,081	–	–	105,081
Mr Terry Williamson <sup>1</sup>	95,000	–	–	8,550	–	–	10,251	113,801	–	–	113,801
<b>Executive Directors</b>											
Mr Matthew Quinn	937,715	750,000	70,567	11,002	–	42,133	10,251	1,821,668	38,012	100,110	1,959,790
Mr Hugh Thorburn <sup>12</sup>	297,699	100,000	3,082	4,090	–	3,354	3,845	412,070	24,296	–	436,366
<b>Former Executive Directors</b>											
Mr John Pettigrew <sup>4</sup>	298,969	–	42,449	6,709	1,688,251	27,781	10,251	2,074,410	(1,985)	103,090	2,175,515
<b>EXECUTIVE OFFICERS (excluding directors)</b>											
Mr Anthony Gilchrist GM Development & Acquisition	304,854	150,000	4,144	11,002	–	8,850	10,251	489,101	(8,326)	–	480,775
Mr Denis Hickey CEO Development Division	543,711	350,000	81,742	11,002	–	23,848	10,251	1,020,554	25,580	–	1,046,134
Mr Steve Mann CEO Commercial & Industrial Division	393,164	250,000	46,568	11,002	–	27,384	10,251	738,369	8,394	–	746,763
Mr Darren Steinberg CEO Shopping Centre Division	504,845	350,000	59,567	11,002	–	29,059	10,251	964,724	21,017	–	985,741
<b>Former Executive Officers</b>											
Mr Robert Walsh GM Retail Projects	55,938	88,400	42,650	11,002	360,000	10,768	10,251	579,009	(1,010)	–	577,999

<sup>1</sup> Includes fees for membership of Audit Committee.

<sup>2</sup> Includes fees for membership of Compliance Committee.

<sup>3</sup> Includes fees for membership of Nominations & Remuneration Committee.

<sup>4</sup> Mr J Pettigrew retired on 13 February 2004. In consideration for his 26.5 years of service, an amount of twice his annual salary was paid. This amount is included in "Termination & retirement benefits".

<sup>5</sup> All cash bonuses are earned in the current year. They will be paid in August 2004.

<sup>6</sup> Comprises motor vehicle costs, car parking, grossed up cost to company for interest-free loans and fringe benefits tax payable in respect of the current period. These are the non-salary and non-superannuation amounts.

<sup>7</sup> The methods and assumptions used to calculate the fair value of share based payments are the same as those detailed in Note 35.

<sup>8</sup> Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance, Fidelity insurance and Professional Indemnity insurance policies.

<sup>9</sup> Movement in accrued annual leave entitlements during the year.

<sup>10</sup> Movement in accrued long service leave entitlements during the year.

<sup>11</sup> The individuals and remuneration amounts disclosed in Note 35 differ from those in this table due to differences in definitions of individuals about whom disclosure is required between the Corporations Act 2001 and AASB 1046 "Directors and Executive Disclosures by Disclosing Entities".

<sup>12</sup> Mr H Thorburn was appointed director 1 July 2004.

All amounts included in the above table "Directors' and senior Executives' remuneration" are included on a cost to company basis.

Amounts which have not been included in remuneration, as they do not represent a cost to Stockland, include hotel accommodation and the purchase of Stockland land and apartment developments.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2004

## DIRECTORS' INTERESTS

The relevant interest of each director in the stapled securities issued by entities within Stockland, 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:

Director <sup>1</sup>	Number of securities held <sup>2</sup>
Mr Peter Daly	1,873,968
Mr Nicholas Greiner	39,095
Mr Matthew Quinn <sup>3</sup>	2,351,000
Mr Graham Bradley	38,780
Mr Bruce Corlett	121,741
Mr David Fairfull	11,882
Mr Hugh Thorburn	200,000
Mr Barry Thornton	253,940
Mr Terry Williamson	6,192

<sup>1</sup> Mr John Pettigrew was a director until his resignation on 13 February 2004. As he was not a director as at the date of this report, his security holdings at the date of this report are not shown.

<sup>2</sup> Securities held are those held at the date of this Directors' Report and include the holdings of personally-related entities. A personally-related entity in relation to an individual are the relatives of the individual, the spouses of those relatives and any other entity under the joint or several control or significant influence of the individual, or relatives of the individual, spouses or relatives. Relatives of the individual are the individual's spouse, parents (or remoter lineage), son, daughter (or remoter lineage) and siblings.

<sup>3</sup> Other than for 1,000 securities, all of Mr Quinn's securities were issued under the Executive Securities Plan (refer Note 35).

Mr N Greiner was Chairman of Baulderstone Hornibrook Limited during the financial year. Baulderstone Hornibrook Limited provided construction services to Stockland during the financial year. The terms and conditions of the 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. Amounts paid to Baulderstone Hornibrook Limited during the financial year were \$31,055,953 (2003:\$32,801,393).

Mr N Greiner was a consultant for Deloitte. This arrangement ended on 30 June 2004. The terms and conditions of transactions with Deloitte, including the payment terms, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related entities on an arm's length basis.

Mr B Corlett is Chairman of Trust Company of Australia Limited, which provided custodial services to Stockland Trust and its controlled entities during the financial year. The terms and conditions of this transaction were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related entities on an arm's length basis. Custodian fees paid and payable to Trust Company of Australia Limited for the financial year were \$278,925 (2003: \$158,660).

Mr B Corlett was a consultant to KPMG Corporate Finance. This arrangement ended on 30 June 2004. During the current financial year, Stockland had engaged KPMG as auditors for Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities and Compliance Plan auditors for Stockland. The terms and conditions of transactions with KPMG, including the payment terms, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related entities on an arm's length basis.

Mr D Fairfull is a consultant for Ernst & Young Corporate Finance. The terms and conditions of transactions with Ernst & Young, including the payment terms, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related entities on an arm's length basis.

## INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

### Indemnification

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

### Insurance premiums

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

In addition, premiums are also paid for Fidelity insurance and Professional Indemnity insurance policies to cover certain risks for a broad range of employees, including directors and executives.

While details of the nature of 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), details of the relevant premiums paid or payable that can be attributed to each director and executive are disclosed in the remuneration table above.

## ROUNDING

Stockland is an entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 10th day of August 2004.

Signed in accordance with a resolution of the directors:



Peter Daly  
Chairman



Matthew Quinn  
Managing Director

# Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Revenue from ordinary activities</b>			
<i>From operating activities</i>			
Property development sales		610,669	409,503
Rent from investment properties		512,737	304,471
Hotel operation revenue		63,319	58,898
Management and agency fee income		476	533
Interest income	3	11,450	6,112
Dividend/distribution income		1,417	166
Other revenue		1,525	1,245
<i>From outside operating activities</i>			
Gross proceeds from sale of non-current assets		164,197	86,381
Unrealised gain on financial instruments		5,245	–
<b>Total revenue from ordinary activities</b>		<b>1,371,035</b>	<b>867,309</b>
Cost of property developments sold		(363,609)	(258,842)
Investment property expenses		(134,765)	(77,113)
Hotel operation expenses		(58,537)	(55,793)
Management, administration, marketing and selling expenses <sup>1</sup>		(113,522)	(69,765)
Borrowing costs	4	(69,907)	(20,264)
Book value of non-current assets sold		(164,000)	(84,676)
Goodwill on acquisition of ADP Trust written-off	2,30(b)	–	(220,387)
Correction of prior period treatment	2	220,387	–
Amortisation of goodwill on acquisition of ADP Trust	2,4	(106,940)	–
Share of net profits of investments accounted for using the equity method	31	38,399	9,132
<b>Profit from ordinary activities before related income tax expense</b>	4	<b>618,541</b>	<b>89,601</b>
Income tax expense relating to ordinary activities	6	(43,836)	(25,191)
<b>Net profit</b>		<b>574,705</b>	<b>64,410</b>
<b>Non-owner transaction changes in equity</b>			
Increase in asset revaluation reserve			
– fair value adjustment		163,352	151,820
– equity accounted		14,517	–
Net exchange differences relating to self sustaining foreign operations		9,581	–
Total revenues, expenses, valuation adjustments and net exchange differences attributable to members of Stockland recognised directly in equity		187,450	151,820
<b>Total changes in equity from non-owner related transactions attributable to the members of Stockland</b>		<b>762,155</b>	<b>216,230</b>
<b>Basic earnings per security</b>	7	<b>47.7¢</b>	<b>7.6¢</b>
Basic earnings per security before goodwill on acquisition of ADP Trust and unrealised gain on financial instruments	7	37.8¢	33.5¢

<sup>1</sup> Also includes indirect property management, leasing, project and development management expenses.

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 53 to 109.

## Statement of Financial Position

AS AT 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Current assets</b>			
Cash assets	9	206,652	34,869
Receivables	10	67,148	41,597
Inventories	11	300,888	347,344
Other assets	12	44,800	56,441
<b>Total current assets</b>		<b>619,488</b>	<b>480,251</b>
<b>Non-current assets</b>			
Receivables	10	87,716	77,526
Inventories	11	794,883	406,079
Investment properties	13	4,750,045	4,421,934
Other financial assets	14	22,230	22,299
Property, plant and equipment	15	21,762	17,938
Investments accounted for using the equity method	16	627,466	451,075
Intangible assets	17	269,685	57,082
Deferred tax assets		8,345	6,048
Other assets	12	11,348	8,367
<b>Total non-current assets</b>		<b>6,593,480</b>	<b>5,468,348</b>
<b>Total assets</b>		<b>7,212,968</b>	<b>5,948,599</b>
<b>Current liabilities</b>			
Payables	18	125,744	227,990
Interest-bearing liabilities	19	150,000	377,000
Current tax liabilities		28,287	238
Provisions	20	249,147	173,918
Other liabilities	21	24,909	8,243
<b>Total current liabilities</b>		<b>578,087</b>	<b>787,389</b>
<b>Non-current liabilities</b>			
Payables	18	58,007	38,222
Interest-bearing liabilities	19	1,523,717	1,108,876
Deferred tax liabilities		19,248	13,868
Provisions	20	857	443
<b>Total non-current liabilities</b>		<b>1,601,829</b>	<b>1,161,409</b>
<b>Total liabilities</b>		<b>2,179,916</b>	<b>1,948,798</b>
<b>Net assets</b>		<b>5,033,052</b>	<b>3,999,801</b>
<b>Equity</b>			
Contributed equity	22	4,373,508	3,256,945
Reserves	23	575,850	269,176
Retained profits	24	83,694	74,504
<b>Total equity attributable to members of Stockland</b>		<b>5,033,052</b>	<b>3,600,625</b>
Outside equity interests	25	–	399,176
<b>Total equity</b>	26	<b>5,033,052</b>	<b>3,999,801</b>

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 53 to 109.



# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,313,471	815,293
Cash payments in the course of operations		(1,066,787)	(669,602)
Payments to joint venture entities		(6,558)	(3,048)
Payments from joint venture entities		139	9,484
Distributions received from associates and joint venture entities		33,307	–
Distributions received from other entities		1,527	–
Interest received		11,061	5,313
Borrowing costs paid		(126,611)	(37,419)
Income taxes paid		(12,705)	(23,247)
<b>Net cash provided by operating activities</b>	32(b)	146,844	96,774
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties		163,718	24,446
Payments for investment properties		(321,600)	(321,755)
Proceeds from sale of property, plant and equipment		442	526
Payments for plant and equipment		(9,360)	(5,289)
Proceeds from sale of investment		37	–
Payments for investments		(151,000)	(22,143)
Proceeds from sale of partnership interest	31(b)	–	61,409
Payments for intangible assets		(39,324)	–
Repayment of loans by directors and executives under the Executive Securities Plan		11,588	2,224
Loans to directors and executives under the Executive Securities Plan		(24,985)	(13,401)
Repayment of loans from other entities		–	109
Loans to other entities		(7,999)	(35,595)
Payments for controlled entities	30(b)	(131,040)	(342,784)
<b>Net cash used in investing activities</b>		(509,523)	(652,253)
<b>Cash flows from financing activities</b>			
Proceeds from issue of securities		699,732	298,401
Proceeds from borrowings		1,749,356	490,140
Repayment of borrowings		(1,562,000)	–
Dividends/distributions paid		(352,626)	(255,730)
<b>Net cash provided by financing activities</b>		534,462	532,811
<b>Net increase / (decrease) in cash held</b>		171,783	(22,668)
<b>Cash from purchase of controlled entities during the year</b>	30(b)	–	22,970
<b>Cash at the beginning of the financial year</b>		34,869	34,567
<b>Cash at the end of the financial year</b>	32(a)	206,652	34,869

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 53 to 109.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

Stockland was established for the purpose of facilitating a joint quotation of Stockland Trust and its controlled entities ("the Trust") and Stockland Corporation Limited and its controlled entities ("the Corporation") on the Australian Stock Exchange. The Constitution of Stockland Trust and the Articles of Association of Stockland Corporation Limited 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. Both the Responsible Entity and the Corporation must at all times act in the best interest of Stockland.

The stapling arrangement will cease upon the earliest of either the winding up of the Trust or the Corporation or either entity terminating the stapling arrangements.

The combined Financial Report is a general purpose financial report which has been drawn up for the purpose of fulfilling the requirements of the Australian Stock Exchange. The combined Financial Report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB").

The Financial Report has been prepared on the basis of the going concern and historical cost conventions 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 within Stockland and, except where there is a change in accounting policy, are consistent with those of the previous year.

### (b) Principles of combination

The Financial Report of Stockland combines the separate consolidated financial reports of Stockland Trust and its controlled entities and Stockland Corporation Limited and its controlled entities.

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, 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.

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

### (c) Investments

#### 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 Stockland are shown as a separate item in the combined Financial Statements.

#### Associates

Associates are those entities, other than partnerships, over which Stockland exercises significant influence and which are not intended for sale in the near future.

Investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount. Stockland's equity accounted share of the associate's net profit or loss is recognised in the combined Statement of Financial Performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in reserves.

#### Joint ventures

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

#### Joint venture entities

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 the recoverable amount.

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

#### Joint venture operations

Stockland's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint venture operations' assets, liabilities and expenses and Stockland'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 resulting from transactions with controlled entities, associates and joint venture entities are eliminated to the extent of Stockland'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.

### (d) Revenue recognition

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

#### 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 or if paid in advance, as rents in advance.

#### Property development sales

##### Residential land sales

Revenue from residential land sales is recognised when contracts are settled.

##### High and medium density residential property development sales

High and medium density residential property development revenues and expenses are recognised on a project basis by applying the percentage of completion method to the proportion of exchanged sales when the project outcome can be reliably estimated.

Stage of completion is measured by reference to project costs (excluding land costs) to date as a percentage of estimated total costs for the project and the proportion of exchanged sales is measured as the value of exchanged sales to date as a percentage of total estimated sales for the project.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue recognition (continued)

#### *Property development sales (continued)*

An expected loss on a project is recognised immediately as an expense.

For "reliable" measurement of revenues and expenses to occur the following conditions must be satisfied before any profit is recognised:

- a signed construction contract is in place and Development Approval received;
- financing for the development has been arranged; and
- construction is substantially underway.

At each reporting date all projects on which pre-sales have occurred are analysed to establish the level of reliability on which profits may be accurately reported.

#### *Hotel operations and management income*

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

#### *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.

#### *Dividends/distributions*

Revenue from dividends/distributions from controlled entities and other investments are recognised by Stockland Corporation Limited and Stockland Trust when they are declared by those entities.

Dividends/distributions 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 recognised 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.

#### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 taxation authority 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 taxation authority are classified as operating cash flows.

### (f) Foreign currency

#### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting dates are translated at the rates of exchange ruling at that date.

Exchange differences relating to amounts payable or receivable in foreign currencies are brought to account as

exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change, except where:

- (i) hedging specific anticipated transactions or net investments in self-sustaining operations (see Note 1(g));
- (ii) relating to amounts payable or receivable in foreign currency forming part of a net investment in self-sustaining foreign operations. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency reserve on consolidation; or
- (iii) relating to the acquisition of qualifying assets (see Note 1(h)).

#### *Translation of financial reports of foreign entities*

The foreign operations of Stockland are self-sustaining operations. The assets and liabilities of the operations are translated at the rates of exchange at reporting date. Equity items are translated at historical rates. The Statement of Financial Performance is translated at a monthly average rate. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal of the operations.

#### (g) Derivatives

Stockland is exposed to changes in interest rates and foreign exchange rates from its activities. It is Stockland's policy to use interest rate swap agreements and forward exchange contracts to hedge this risk. Derivative financial instruments are not held for speculative purposes.

#### *Interest rate swaps*

Derivative financial instruments which are designated as effective hedges of underlying exposures are accounted for on the same basis as the underlying exposure. Interest payments and receipts under interest rate swap contracts are recognised in the Statement of Financial Performance on an accruals basis, as an adjustment to borrowing costs.

Other interest rate swaps not meeting the accounting requirements for hedges are valued at reporting date and any gains and losses are brought to account in the Statement of Financial Performance. Due to the fluctuating nature of these unrealised gains or potential unrealised losses, these amounts are not included in dividends/distributions payable.

#### *Forward exchange contracts*

Where forward exchange contracts are entered into to minimise the risk of exchange rate fluctuations in respect of a portion of foreign currency denominated revenues from operations, the value of the forward exchange contracts are brought to account in conjunction with the income to which the hedge relates.

#### *Net investment in foreign operations*

Foreign exchange differences relating to foreign currency transactions hedging a net investment in a self-sustaining foreign operation, together with any related income tax expense/revenue, are transferred to the foreign currency translation reserve on consolidation.

### (h) 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.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Borrowing costs (continued)

Where interest rates are hedged or swapped, the borrowing costs are recognised net of any effect of the hedge or swap.

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 reach the stage of their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs incurred in relation to that asset is capitalised, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

### (i) 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.

Stockland Corporation Limited has elected to enter tax consolidation from 1 July 2003. The effect is that Stockland Corporation Limited, as the head entity will recognise all the current and deferred tax balances relating to wholly-owned subsidiaries included in the Tax Consolidation Group ("TCG"). The tax liabilities of the entities included in the TCG will be governed by the Deed of Cross Guarantee and an agreement between Stockland Corporation Limited and the entities of the TCG which outlines the methodology under which the current income tax expense will be allocated to the individual entities.

Under this methodology an effective income tax expense rate will be calculated based on the TCG's income tax expense expressed as a percentage of the TCG's consolidated profit or loss. The effective income tax expense rate will then be applied to each member's accounting profit or loss for the reporting period.

#### **Stockland Trust**

Under current Australian income tax legislation, the Trust is 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.

The New Zealand operations of Stockland are subject to New Zealand tax on their taxable earnings.

### (j) Earnings per security

Basic earnings per security ("EPS") is calculated by dividing the net profit by the weighted average number of securities of Stockland for the reporting period.

### (k) Acquisitions of assets

All assets acquired, including property, plant and equipment and intangibles, are initially recorded at their cost of acquisition plus incidental costs directly attributable to the acquisition, being the fair value of the consideration provided. 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.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received and are otherwise expensed.

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 Stockland if similar borrowings were obtained from an independent financier under comparable terms and conditions. The discount is treated as interest expense and is amortised over the deferred period.

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 Stockland 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(h).

### (l) Revisions to accounting estimates

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

### (m) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors, except for those considered to be doubtful, are carried at amounts due.

### (n) Inventories

#### **Net realisable value**

Net realisable value is determined on the basis of each class of inventory's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

#### **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. Holding costs incurred after completion of development are expensed.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Inventories (continued)

#### **Construction work in progress**

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

### (o) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing 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 Stockland 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. When the project is expected to take more than 12 months to complete, the borrowing costs incurred on funds used to finance the development are

included in the cost of development, as set out in Note 1(h).

#### **Valuation**

Stockland's accounting policy is to carry 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; and
- (v) that it only takes into account instructions given by Stockland 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 Stockland.

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 charged to the Statement of Financial Performance. 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 the balance transferred to the asset revaluation reserve.

#### **Depreciation**

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

#### **(p) 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.

#### **(q) Goodwill**

Goodwill represents future benefits from unidentifiable assets measured as the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

#### **(r) 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.

#### **(s) Depreciation and amortisation**

All assets 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.

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

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Depreciation and amortisation (continued)

	2004	2003
<i>Plant and equipment:</i>		
Leasehold improvements	10% – 20%	10% – 20%
Plant and equipment	2% – 50%	2% – 50%
<i>Intangibles:</i>		
Hotel management rights	10%	10%
Trust management rights	–	1.2%
Goodwill – ADP Trust acquisition	33.3%	–
Goodwill – other	5% – 10%	5% – 10%

#### *Other non-current assets:*

Deferred expenditure including leasing fees, lease incentives and borrowing costs are amortised over the term of the underlying transaction.

Trust and property management rights acquired are not amortised as it is considered they have an indefinite useful life pursuant to the stapled structure of Stockland.

#### (t) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

#### (u) 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.

#### (v) Employee benefits

##### *Wages, salaries and annual leave*

The provisions for employee benefits for wages, salaries and annual leave expecting to be settled within 12 months of the year end, represent present obligations resulting from employees' services provided up to the reporting date. These are calculated at undiscounted amounts based on remuneration, wage and salary rates that Stockland expects to pay as at reporting date including related on-costs.

##### *Long service leave*

The provision for employee benefits for 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. Long service leave accrues after an employee has completed five years of service.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of

maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

#### *Superannuation plan*

The Corporation contributes to several defined contribution superannuation plans. Contributions are charged against income as they are required to be made.

#### (w) Provisions

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

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.

#### *Dividends and distributions*

A provision for dividends and distributions payable is recognised in the reporting period in which the dividends and distributions are declared.

## 2 CORRECTION OF PRIOR PERIOD TREATMENT

In the financial year ended 30 June 2003 and half-year ended 31 December 2003 the premium on acquisition of ADP Trust of \$220.4 million and \$99.2 million respectively was written off to the Statements of Financial Performance on the basis that the directors did not consider it represented goodwill to be carried forward and amortised. The Board has agreed with the Australian Securities and Investments Commission ("ASIC") to amend its accounting treatment of the write-off of the premium on acquisition of ADP Trust and recognise the excess consideration over fair value of the net assets of ADP Trust as goodwill and amortise it over three years, rather than expense immediately. This revised accounting treatment has been reflected in the current financial year.

The net impact of the change in accounting treatment is an increase in net profit of \$213.9 million for the year ended 30 June 2004 which represents capitalised goodwill at balance date to be amortised over the two years ending 30 June 2005 and 2006.

The net impact on the half -year ended 31 December 2003 had the change in accounting treatment been implemented at 1 July 2003 would have been an increase in net profit of \$267.5 million representing unamortised goodwill at 31 December 2003.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>3 REVENUE FROM ORDINARY ACTIVITIES</b>		
Revenue from ordinary activities includes the following items:		
<b>Interest income</b>		
Other parties <sup>1</sup>	10,328	4,799
Interest on loans to executive directors <sup>2</sup>	1,122	1,313
	<b>11,450</b>	<b>6,112</b>
<sup>1</sup> Includes interest on loans under the Executive Securities Plan, refer Note 35.		
<sup>2</sup> Represents interest on loans to executive directors for the purchase of securities under Stockland's 2001 Executive Securities Plan as approved by security holders, described in Note 35.		
<b>4 PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Profit from ordinary activities before related income tax expense has been arrived at after (charging)/crediting the following items:</b>		
Net bad and doubtful debts expense including movements in provision for doubtful debts	691	246
Amortisation/depreciation of:		
plant and equipment	(4,182)	(2,115)
goodwill – other	(1,134)	(1,332)
trust and hotel management rights	(616)	(712)
leasehold improvements	(540)	(428)
hotel pre-opening costs	(1,097)	(468)
	<b>(7,569)</b>	<b>(5,055)</b>
Borrowing costs:		
other parties	(103,242)	(40,712)
less interest capitalised to development projects	33,335	20,448
	<b>(69,907)</b>	<b>(20,264)</b>
Net gain/(loss) on disposal of non-current assets:		
investment properties	533	305
partnership interest	–	1,471
property, plant and equipment	(340)	(71)
investments	4	–
	<b>197</b>	<b>1,705</b>
Net expense from movements in provision for:		
legal claims	(1,815)	–
employee benefits	(1,851)	(1,329)
Operating lease rental expense	(19,010)	(19,544)
<b>Individually significant items included in net profit from ordinary activities before income tax expense:</b>		
<b>Sale of investment properties</b>		
Gross proceeds	163,718	24,446
Book value	(163,185)	(24,141)
Gross profit on sale	<b>533</b>	<b>305</b>

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>4 PROFIT FROM ORDINARY ACTIVITIES (continued)</b>			
Profit from ordinary activities before related income tax expense has been arrived at after (charging)/crediting the following items (continued):			
Individually significant items included in net profit from ordinary activities before income tax expense (continued):			
<b>Sale of partnership interests</b>			
Gross proceeds		–	61,409
Book value		–	(59,938)
Gross profit on sale		–	1,471
<b>Other</b>			
Goodwill on acquisition of ADP Trust written back/(off)	2	220,387	(220,387)
Amortisation of goodwill on acquisition of ADP Trust		(106,940)	–
Unrealised gain on financial instruments		5,245	–
		2004 \$	2003 \$
<b>5 AUDITORS' REMUNERATION</b>			
<b>Audit services</b>			
Auditors of Stockland – KPMG		660,230	402,500
Other auditors		62,544	–
		722,774	402,500
<b>Other services</b>			
Auditors of Stockland – KPMG and related practices		1,012,000	1,234,555
Other auditors		217,104	–
		1,229,104	1,234,555
The major components of the fees payable to KPMG for other services were for the following: accounting advice, tax and financial due diligence and other assurance services. KPMG related practices received \$nil (2003: \$1,033,555) for corporate finance and transaction services in relation to the acquisition of ADP Trust. These fees, which were approved in accordance with Stockland's Corporate Governance Statement (see Directors' Report), have been included as a cost of acquisition (Note 30(b)).			
		2004 \$'000	2003 \$'000
<b>6 TAXATION</b>			
<b>Income tax expense</b>			
Prima facie income tax expense calculated at 30% of Stockland profit from ordinary activities		185,562	26,880
Increase in income tax expense due to:			
amortisation		510	613
non-deductible entertainment		134	88
other		83	80
		727	781
Decrease in income tax expense due to:			
tax depreciation on buildings, plant and equipment		(54)	(60)
		(54)	(60)
Less prima facie income tax on profit from Trust		(142,399)	(1,722)
Income tax expense on profit from ordinary activities		43,836	25,879
<i>(carried forward to next page)</i>			

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>6 TAXATION (continued)</b>			
<b>Income tax expense (continued)</b>			
Income tax expense on profit from ordinary activities		43,836	25,879
<i>(carried over from previous page)</i>			
Income tax over provided in prior year		–	(688)
Income tax expense attributable to Stockland profit from ordinary activities		43,836	25,191
Income tax expense attributable to Stockland profit from ordinary activities is made up of:			
current income tax provision		40,753	22,976
deferred income tax provision		5,380	4,870
future income tax benefit		(2,297)	(1,967)
(over)/under provision of income tax in prior year		–	(688)
		43,836	25,191
<b>7 EARNINGS PER SECURITY</b>			
<b>Earnings reconciliation</b>			
Net profit		574,705	64,410
Goodwill on acquisition of ADP Trust written (back)/off	2	(220,387)	220,387
Amortisation of goodwill on acquisition of ADP Trust		106,940	–
Unrealised gain on financial instruments		(5,245)	–
<b>Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised gain on financial instruments</b>		<b>456,013</b>	<b>284,797</b>
		2004 No.	2003 No.
<b>Weighted average number of units/shares used as the denominator</b>		<b>1,205,134,968</b>	<b>849,516,402</b>

There are no potential dilutive ordinary securities under the Employee Share Plan, Executive Securities Plan, Distribution/Dividend Reinvestment Plan or otherwise. Therefore diluted EPS has not been calculated or disclosed.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 8 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, liabilities 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

Stockland comprises the following main business segments, based on its management reporting system:

- property development;
- property management and investment (including trust management);
- hotel management; and
- other.

### 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.

Property development and hotel management operate in all geographic segments except New Zealand. Property management and investment operates in all geographic segments.

Primary reporting Business segments	Property Development		Property Management and Investment		Hotel Management		Other		Eliminations		Combined	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenue</b>												
External segment revenue	612,219	409,428	678,320	391,519	63,325	59,055	17,170	7,307	–	–	1,371,035	867,309
Inter-segment revenue	91,428	97,881	35,466	24,072	–	–	47,935	30,313	(174,829)	(152,266)	–	–
<b>Total segment revenue</b>	<b>703,647</b>	<b>507,309</b>	<b>713,786</b>	<b>415,591</b>	<b>63,325</b>	<b>59,055</b>	<b>65,105</b>	<b>37,620</b>	<b>(174,829)</b>	<b>(152,266)</b>	<b>1,371,035</b>	<b>867,309</b>
<b>Result</b>												
Segment result before interest	176,858	100,463	384,966	233,151	4,775	3,013	17,435 <sup>1</sup>	5,803	–	–	584,034	342,430
Interest expense	–	–	–	–	–	–	(69,907)	(20,264)	–	–	(69,907)	(20,264)
Interest expense included in cost of sales	(10,467)	(5,844)	–	–	–	–	–	–	–	–	(10,467)	(5,844)
Segment result after interest	166,391	94,619	384,966	233,151	4,775	3,013	(52,472)	(14,461)	–	–	503,660	316,322
Share of net profit of equity accounted investments	816	31	37,583	9,101	–	–	–	–	–	–	38,399	9,132
Unallocated corporate expenses											(36,965)	(15,466)
Profit from ordinary activities before goodwill on acquisition of ADP Trust and income tax expense	167,207	94,650	422,550	242,252	4,775	3,013	(52,472)	(14,461)			505,094	309,988
Goodwill on acquisition of ADP Trust written back/(off)											220,387	(220,387)
Amortisation of goodwill on acquisition of ADP Trust											(106,940)	–
Profit from ordinary activities before income tax expense											618,541	89,601
Income tax expense											(43,836)	(25,191)
<b>Net profit</b>											<b>574,705</b>	<b>64,410</b>

<sup>1</sup> Includes \$5.2 million (2003:\$nil) unrealised gain on financial instruments and \$4.9 million (2003:\$3.3 million) interest on Executive Securities Plan loans.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>8 SEGMENT REPORTING (continued)</b>										
	Property Development		Property Management and Investment		Hotel Management		Other		Combined	
Primary reporting (continued)	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Business segments	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation	(1,487)	(1,257)	(566)	(169)	(2,117)	(1,628)	(3,399)	(2,001)	(7,569)	(5,055)
Non-cash expenses other than depreciation and amortisation	–	–	(1,165)	(633)	–	–	(79)	(53)	(1,244)	(686)
Individually significant items										
– sale of non-current assets:										
Proceeds on sale of non-current assets	–	–	163,718	85,855	–	–	–	–	163,718	85,855
Book value of non-current assets sold	–	–	(163,185)	(84,079)	–	–	–	–	(163,185)	(84,079)
	–	–	533	1,776	–	–	–	–	533	1,776
<b>Assets</b>										
Segment assets	1,175,631	809,096	5,057,978	4,525,750	17,530	18,532	211,898	42,984	6,463,037	5,396,362
Equity accounted investments	8,165	3,952	619,301	439,356	–	–	–	–	627,466	443,308
Unallocated corporate assets									122,465	108,929
<b>Combined total assets</b>									<b>7,212,968</b>	<b>5,948,599</b>
<b>Liabilities</b>										
Segment liabilities	124,679	64,449	78,388	123,944	5,537	5,016	1,673,717	1,540,488	1,882,321	1,733,897
Unallocated corporate liabilities									297,595	214,901
<b>Combined total liabilities</b>									<b>2,179,916</b>	<b>1,948,798</b>
Acquisitions of non-current assets <sup>1</sup>	328,196	210,656	520,750	2,093,124	730	419	5,688	787	855,364	2,304,986
<b>Secondary reporting</b>										
<b>Geographical segments</b>										
	New South Wales		Queensland		Victoria		Western Australia		ACT	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External segment revenue by location of assets	665,836	382,462	347,708	172,109	131,231	122,436	109,789	77,033	26,927	16,213
Segment assets by location of assets	3,689,146	2,972,550	1,249,345	982,626	549,709	580,857	231,823	260,825	167,716	115,105
Acquisitions of non-current assets <sup>1</sup>	329,817	1,233,431	449,856	316,390	5,273	237,525	5,520	210,102	48,960	28
<b>Secondary reporting</b>										
<b>Geographical segments</b>										
	South Australia		Northern Territory		New Zealand		Other		Combined	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External segment revenue by location of assets	26,267	79,935	30,680	12,176	21,784	–	10,813	4,945	1,371,035	867,309
Segment assets by location of assets	173,013	227,088	1,984	21,276	188,403	167,936	211,898	68,099	6,463,037	5,396,362
Acquisitions of non-current assets <sup>1</sup>	12,631	119,687	78	37	3,229	167,936	–	19,850	855,364	2,304,986

<sup>1</sup> Includes acquisition of land for development, acquisition of and capital expenditure on investment properties and acquisition of plant and equipment.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>9 CASH ASSETS</b>			
<b>Current</b>			
Cash at bank and on hand		33,123	29,345
Bank short term deposits		50,000	5,524
Bank bills		123,529	–
	32(a)	206,652	34,869
The weighted average interest rate for Cash at bank and on hand as at 30 June 2004 was 5.03% p.a. (2003: 4.60% p.a.). The bank short term deposits are at call and pay interest at a weighted average interest rate of 5.20% at 30 June 2004 (2003: 4.70%). The bank bills are for a fixed maturity and pay interest at a weighted average rate of 5.48% at 30 June 2004 (2003: nil).			
<b>10 RECEIVABLES</b>			
<b>Current</b>			
Trade debtors		18,253	9,695
Less: provision for doubtful trade debtors		(1,556)	(2,061)
		16,697	7,634
Loans to executive directors <sup>1</sup>	35	447	660
Loans to senior executives <sup>2</sup>		1,710	978
Investment property sales		7,798	442
Prepaid land deposits (secured) <sup>3</sup>		21,027	15,213
Accrued income		8,188	9,507
		39,170	26,800
Other debtors		11,631	7,619
Less: provision for doubtful loans		(350)	(456)
		67,148	41,597
<b>Non-current</b>			
Loans to executive directors <sup>1</sup>	35	9,859	16,793
Loans to senior executives <sup>2</sup>		50,004	29,045
Prepaid land deposits (secured) <sup>3</sup>		16,545	20,380
Other loans <sup>4</sup>		11,308	11,308
		87,716	77,526

<sup>1</sup> Includes interest-bearing loans to executive directors for the purchase of securities under Stockland's 2001 Executive Securities Plan as approved by the security holders.

<sup>2</sup> Includes interest-bearing loans to senior Executives for the purchase of securities under Stockland's Executive Securities Plan as approved by the security holders.

<sup>3</sup> Prepaid land deposits are secured by a first mortgage over the underlying land in favour of Stockland.

<sup>4</sup> Schroeders Building Fund (Note 30(a)) has made an unsecured, non-interest bearing loan to Martin Place Property Trust (Note 31(b)).



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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	2004 \$'000	2003 \$'000
<b>11 INVENTORIES</b>		
<b>Current</b>		
Land and property held for resale – at cost:		
cost of acquisition	44,386	27,943
development costs	64,059	67,951
other costs	5,996	7,658
	114,441	103,552
Land and property under development – at cost:		
cost of acquisition	48,933	52,082
development costs	35,843	44,600
other costs	9,838	2,551
	94,614	99,233
Apartments – at cost:		
cost of acquisition	9,866	49,910
development costs	17,312	51,901
other costs	2,858	4,482
	30,036	106,293
Retail projects – at cost:		
cost of acquisition	34,567	14,394
development costs	23,766	21,537
other costs	3,464	2,335
	61,797	38,266
	300,888	347,344
<b>Non-current</b>		
Land and property under development – at cost:		
cost of acquisition	532,200	313,794
development costs	64,099	34,864
other costs	29,745	16,475
	626,044	365,133
Apartments – at cost:		
cost of acquisition	122,991	7,609
development costs	17,685	202
other costs	7,609	426
	148,285	8,237
Retail projects – at cost:		
cost of acquisition	13,761	27,634
development costs	4,487	3,180
other costs	2,306	1,895
	20,554	32,709
	794,883	406,079

Other costs include borrowing costs, rates and taxes. Borrowing costs were capitalised at a weighted average interest rate of 6.00% p.a. from 1 July 2003 to 30 June 2004 (1 July 2002 to 31 March 2003: 6.50% p.a. and from 1 April 2003 to 30 June 2003: 6.25% p.a.).

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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	2004 \$'000	2003 \$'000
<b>12 OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	12,491	8,443
Deposits	14,853	31,136
Lease incentives	4,577	3,727
Unrealised gain on financial instruments	5,245	–
Other	7,634	13,135
	<b>44,800</b>	<b>56,441</b>
<b>Non-current</b>		
Hotel pre-opening costs:		
at cost	3,155	3,155
accumulated amortisation	(3,155)	(2,058)
	–	1,097
Lease incentives	6,513	3,105
Other	4,835	4,165
	<b>11,348</b>	<b>8,367</b>

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 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	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
<b>Commercial</b>								
175 Castlereagh Street Sydney NSW	F/hold	Sept 1982	18,000	27,321	June 2004	46,000	<b>46,000</b> <sup>1</sup>	43,164
157 Liverpool Street Sydney NSW	F/hold	June 1988	41,688	54,942	June 2004	47,800	<b>47,800</b> <sup>1</sup>	51,000
50 Pitt Street Sydney NSW	F/hold	June 1998	44,830	44,841	June 2004	48,500	<b>48,500</b> <sup>1</sup>	48,500
367 George Street Sydney NSW	F/hold	June 1998	35,757	36,980	Dec 2003	46,000	<b>46,159</b> <sup>1,6</sup>	36,000
77 Pacific Highway North Sydney NSW	F/hold	Jan 2000	25,897	56,945	June 2003	45,000	<b>48,607</b> <sup>8</sup>	45,000
333 Kent Street Sydney NSW	F/hold	Jan 2000	32,771	32,815	June 2004	30,000	<b>30,000</b>	32,664
50 Miller Street North Sydney NSW	F/hold	Jan 2000	30,000	30,107	June 2004	36,000	<b>36,000</b>	35,568
504 Pacific Highway & 95 Nicholson Street St Leonards NSW	F/hold	Jan 2000	25,000	–	Dec 2002	32,000	–	32,018
541 St Kilda Road Melbourne VIC	F/hold	Jan 2000	17,100	19,991	June 2004	22,300	<b>22,300</b>	21,521
33 Herbert Street St Leonards NSW	F/hold	Jan 2000	20,895	–	May 2001	21,500	–	21,755
Amory Gardens 2-6 Cavill Avenue Ashfield NSW	F/hold	July 2000	33,200	37,062	June 2002	22,000	<b>25,854</b> <sup>8</sup>	25,283
Piccadilly 133-145 Castlereagh Street Sydney NSW	L/hold	Oct 2000	210,061	224,860	June 2003	237,500	<b>249,478</b> <sup>8,9</sup>	237,500
Riverside 452 Flinders Street Melbourne VIC	F/hold	Oct 2000	124,500	124,634	Dec 2003	122,500	<b>122,501</b>	135,014
Edmond Barton Building Barton ACT	L/hold	Oct 2000	76,887	78,486	Dec 2001	85,200	<b>85,609</b>	85,515
2-10 Wentworth Street Parramatta NSW	F/hold	Oct 2000	29,701	–	June 2002	26,200	–	26,269
110 Walker Street North Sydney NSW	F/hold	Oct 2000	22,665	22,777	June 2003	23,000	<b>23,112</b>	23,000
118-120 Pacific Hwy St Leonards NSW	F/hold	Oct 2000	19,148	19,885	Dec 2001	20,000	<b>20,084</b>	20,000



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>13 INVESTMENT PROPERTIES (continued)</b>								
Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
51-57 Pitt Street Sydney NSW	F/hold	Oct 2000	17,275	17,965	June 2003	20,000	<b>20,040</b>	20,000
37-49 Pitt Street Sydney NSW	F/hold	Oct 2000	47,408	48,686	Dec 2002	48,000	<b>49,217</b>	48,441
Cox & Drakeford Buildings Northbourne Avenue & Mort Street Canberra ACT	L/hold	Oct 2000	11,004	13,114	Dec 2002	14,000	<b>14,193</b>	14,042
234 Sussex Street Sydney NSW	F/hold	Oct 2000	42,013	42,248	March 2002	43,000	<b>43,159</b>	43,014
Trace/Todd Buildings Cooyong & Mort Sts Canberra ACT	L/hold	Oct 2000	10,562	14,509	March 2002	14,100	<b>14,497</b>	14,447
6-8 Underwood Street Sydney NSW	F/hold	Aug 2002	12,001	12,006	June 2003	10,000	<b>10,004</b>	10,000
Colonial Centre Sydney NSW (50%)	L/hold	June 2003	173,811	175,181	March 2003 <sup>3</sup>	173,500	<b>175,181<sup>5</sup></b>	173,811
Northpoint North Sydney NSW	F/hold	June 2003	173,281	177,945	Dec 2003	169,000	<b>169,387</b>	173,281
135 King Street Sydney NSW (50%)	F/hold	June 2003	96,506	97,668	March 2003 <sup>3</sup>	96,000	<b>97,668<sup>5,9</sup></b>	96,506
Exchange Plaza Perth WA (50%)	L/hold	June 2003	67,774	68,536	March 2003 <sup>3</sup>	67,200	<b>68,536<sup>5</sup></b>	67,774
601 Pacific Highway St Leonards NSW	F/hold	June 2003	61,064	61,135	March 2003 <sup>3</sup>	61,000	<b>61,135</b>	61,064
7 Macquarie Place Sydney NSW (50%)	F/hold	June 2003	48,140	48,240	Dec 2003	48,250	<b>48,328<sup>5</sup></b>	48,140
72 Christie Street St Leonards NSW	F/hold	June 2003	46,000	46,001	June 2004	37,000	<b>37,000</b>	46,000
81-95 Waymouth Street Adelaide SA	F/hold	June 2003	41,000	41,001	March 2003 <sup>3</sup>	41,000	<b>41,001</b>	41,000
75 George Street Parramatta NSW	F/hold	June 2003	30,041	30,087	March 2003 <sup>3</sup>	30,000	<b>30,087</b>	30,041
Chesser House Adelaide SA	F/hold	June 2003	22,600	22,601	March 2003 <sup>3</sup>	22,600	<b>22,601</b>	22,600
90 Mount Street North Sydney NSW	F/hold	June 2003	21,427	21,810	March 2003 <sup>3</sup>	21,400	<b>21,810</b>	21,427
68 Northbourne Avenue Canberra ACT	F/hold	Aug 2003	21,492	21,502	Oct 2003	21,000	<b>21,502<sup>1</sup></b>	–
Waterfront Place Eagle Street Brisbane QLD	F/hold	Feb 2004	151,635	151,635	Dec 2003 <sup>3</sup>	145,500	<b>151,635<sup>5,8</sup></b>	–
<b>Commercial total</b>							<b>1,948,985</b>	1,851,359

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>13 INVESTMENT PROPERTIES (continued)</b>								
Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
<b>Shopping Centres</b>								
Stockland Baulkham Hills Baulkham Hills NSW	F/hold	Sept 1982	15,500	26,318	June 2003	57,000	<b>57,242<sup>1</sup></b>	57,000
Stockland Merrylands Merrylands NSW	F/hold	Sept 1982	18,000	35,472	June 2003	110,000	<b>110,418<sup>1</sup></b>	110,000
Stockland Imperial Arcade Sydney NSW	F/hold	Sept 1982	9,500	49,504	June 2003	77,000	<b>77,168<sup>1,10</sup></b>	77,000
Stockland Wetherill Park Wetherill Park NSW	F/hold	Aug 1983	11,950	104,362	June 2003	190,000	<b>190,672<sup>1</sup></b>	190,000
Stockland Jesmond Jesmond NSW	F/hold	Feb 1984	9,212	35,825	June 2004	81,700	<b>81,700<sup>1</sup></b>	72,000
Stockland Townsville Townsville QLD	F/hold	June 1987	27,655	91,951	June 2004	160,000	<b>160,000<sup>1</sup></b>	150,788
Stockland Cairns Cairns QLD	F/hold	June 1992	47,843	141,617	June 2004	131,000	<b>131,000<sup>1</sup></b>	124,000
Stockland Glendale Glendale NSW	F/hold	Mar 1996	50,634	63,605	June 2004	121,200	<b>121,200<sup>1</sup></b>	110,300
Stockland Green Hills Maitland NSW	F/hold	Dec 2000	51,667	112,316	June 2004	132,000	<b>132,000<sup>1</sup></b>	120,124
Stockland Batemans Bay Batemans Bay NSW	F/hold	June 2002	6,250	51,556	–	–	<b>51,556<sup>1,4</sup></b>	21,737
Woolworths Toowong QLD	F/hold	Oct 2000	4,830	4,836	June 2003	5,300	<b>5,300</b>	5,300
Stockland Bay Village Bateau Bay NSW	F/hold	Oct 2000	63,913	64,413	June 2003	79,000	<b>79,299</b>	79,000
Stockland Gladstone Gladstone QLD	F/hold	Oct 2000	52,206	53,057	June 2004	71,000	<b>71,000</b>	64,000
City Centre Plaza Rockhampton QLD	F/hold	Oct 2000	24,987	–	June 2003	33,500	–	33,500
Auckland Creek Gladstone QLD	F/hold	Oct 2000	6,739	7,431	June 2004	3,200	<b>3,200</b>	3,100
Stockland Cleveland Cleveland QLD	F/hold	Oct 2002	63,254	63,780	June 2004	64,000	<b>64,000<sup>1</sup></b>	63,334
Merrylands Court Merrylands NSW	F/hold	Dec 2002	15,782	15,810	June 2004	16,000	<b>16,000<sup>1</sup></b>	15,782
Stockland Glenrose Glenrose NSW	F/hold	Jan 2003	39,615	39,735	Dec 2002 <sup>3</sup>	36,700	<b>39,735<sup>1,8</sup></b>	39,615
Stockland Vincentia Vincentia NSW	F/hold	June 2003	6,798	7,429	–	–	<b>7,429<sup>1</sup></b>	6,798
Stockland Rockhampton Rockhampton QLD	F/hold	June 2003	132,553	133,548	June 2004	138,100	<b>138,100</b>	132,553

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>13 INVESTMENT PROPERTIES (continued)</b>								
Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
Stockland Shellharbour Shellharbour NSW	F/hold	June 2003	140,223	141,075	June 2004	163,000	<b>163,000</b>	140,223
Karrinyup Shopping Centre Karrinyup WA (25%)	F/hold	June 2003	69,910	70,815	March 2004	85,000	<b>85,244<sup>5</sup></b>	69,910
Botany Town Centre Auckland NZ (50%)	F/hold	June 2003	86,316	92,200	Dec 2003	99,499 <sup>7</sup>	<b>101,665</b>	86,316
Lynnmall Shopping Centre Auckland NZ (50%)	F/hold	June 2003	56,348	58,900	Dec 2003	60,620 <sup>7</sup>	<b>60,727</b>	56,348
Stockland Parabanks Salisbury SA	F/hold	June 2003	55,711	56,071	Dec 2003	61,700	<b>61,761</b>	55,711
Stockland Bullcreek Bullcreek WA	F/hold	June 2003	53,000	53,127	June 2004	59,000	<b>59,000</b>	53,000
Stockland Nowra Nowra NSW	F/hold	June 2003	50,750	50,998	June 2004	62,250	<b>62,250</b>	50,750
Stockland Caloundra Caloundra QLD	F/hold	June 2003	46,504	46,762	Dec 2003	49,200	<b>49,282</b>	46,504
Stockland Bathurst Bathurst NSW	F/hold	June 2003	40,413	40,818	June 2004	47,200	<b>47,200</b>	40,413
Stockland Wendouree Ballarat VIC	F/hold	June 2003	42,042	43,045	June 2004	53,800	<b>53,800</b>	42,042
Stockland Traralgon Traralgon VIC	F/hold	June 2003	44,000	44,155	June 2004	51,000	<b>51,000</b>	44,000
Stockland Corrimal Corrimal NSW	F/hold	June 2003	36,504	36,649	June 2004	41,400	<b>41,400</b>	36,504
Shellharbour Supa Centre Shellharbour NSW	F/hold	June 2003	33,500	33,512	June 2004	40,000	<b>40,000</b>	33,500
Manukau Supa Centre Auckland NZ (50%)	F/hold	June 2003	22,090	24,100	Dec 2003	25,296 <sup>7</sup>	<b>26,300</b>	22,090
Stockland Forster Forster, NSW	F/hold	July 2003	39,000	48,449	June 2003	39,000	<b>48,449<sup>1,8</sup></b>	–
Bridge Plaza Bateman's Bay NSW	F/hold	Sept 2003	13,300	13,612	June 2004	14,500	<b>14,500<sup>1</sup></b>	–
Stockland Burleigh Heads Burleigh Heads QLD	F/hold	Aug 2003	82,367	83,156	June 2004	83,500	<b>83,500<sup>1</sup></b>	–
Burleigh Central Burleigh Heads QLD	F/hold	Aug 2003	14,800	14,890	June 2004	15,000	<b>15,000<sup>1</sup></b>	–
Benowa Gardens Burleigh Heads QLD	F/hold	Aug 2003	21,300	22,000	June 2004	22,000	<b>22,000<sup>1</sup></b>	–
8 North Street Bateman's Bay NSW	F/hold	Feb 2004	2,425	2,425	Feb 2004	–	<b>750<sup>1</sup></b>	–
Totem Shopping Centre Balgowlah NSW	F/hold	April 2002	29,060	39,738	–	–	–	39,738
<b>Shopping Centres total</b>							<b>2,623,847</b>	<b>2,292,980</b>



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>13 INVESTMENT PROPERTIES (continued)</b>								
Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
<b>Industrial and Office Parks</b>								
Yennora Distribution Centre Yennora NSW	F/hold	July 2000	141,890	183,873	June 2004	205,500	<b>205,500</b>	142,430
Hendra Distribution Centre Hendra QLD	F/hold	July 2000	41,717	45,119	June 2004	43,500	<b>43,500</b>	40,209
Port Adelaide Distribution Centre Gillman SA	F/hold	July 2000	42,945	43,806	June 2002	47,400	<b>47,628</b>	47,574
Altona Distribution Centre Altona VIC	F/hold	July 2000	24,334	24,712	Dec 2002	19,000	<b>18,535</b>	19,000
Spearwood Distribution Centre Bibra Lake WA	F/hold	July 2000	16,370	–	Dec 2002	14,250	–	14,274
2 Davis Road Wetherill Park NSW	F/hold	April 2003	15,642	15,644	March 2003	15,000	<b>15,644</b> <sup>1</sup>	15,642
11A Ferndell Street Granville NSW	F/hold	April 2003	14,439	14,453	Feb 2003	13,600	<b>14,453</b> <sup>1,8</sup>	14,439
11 Amour Street Revesby NSW	F/hold	June 2003	11,049	12,658	March 2003	12,500	<b>12,658</b> <sup>1</sup>	11,710
Brooklyn Estate Brooklyn VIC	F/hold	June 2003	52,436	55,787	March 2003 <sup>3</sup>	51,700	<b>55,787</b> <sup>8</sup>	52,436
9-11 Ferndell Street Granville NSW	F/hold	June 2003	32,891	36,225	March 2003 <sup>3</sup>	36,000	<b>36,225</b>	32,891
Century Estate Alexandria NSW	F/hold	June 2003	24,500	24,967	March 2003 <sup>3</sup>	24,500	<b>24,967</b>	24,500
55-63 Bourke Road Alexandria NSW	F/hold	June 2003	20,100	20,424	March 2003 <sup>3</sup>	20,100	<b>20,424</b>	20,100
29-35 Gibbes Street Chatswood NSW	F/hold	June 2003	13,300	–	March 2003 <sup>3</sup>	13,300	–	13,300
1 Skyline Place Frenchs Forest NSW	F/hold	June 2003	9,000	5,550	March 2003 <sup>3</sup>	9,000	<b>5,550</b> <sup>2</sup>	9,000
509 Boundary Road Richlands QLD	F/hold	June 2003	8,131	8,132	March 2003 <sup>3</sup>	8,100	<b>8,132</b>	8,131
60 Fulcrum Street Richlands QLD	F/hold	June 2003	5,700	5,850	March 2003 <sup>3</sup>	5,700	<b>5,850</b>	5,700
3 Byfield Street North Ryde NSW	F/hold	Jan 2000	8,975	9,338	June 2004	8,000	<b>8,000</b>	7,218
18 Rodborough Road Frenchs Forest NSW	F/hold	Jan 2000	8,713	8,713	Dec 2003	7,900	<b>7,900</b>	8,589
28 Rodborough Road Frenchs Forest NSW	F/hold	Jan 2000	13,984	13,984	May 2001	13,000	<b>13,059</b>	13,059
Centrecourt Estate North Ryde NSW	F/hold	July 2000	68,657	70,992	June 2004	82,600	<b>82,600</b>	79,047

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

<b>13 INVESTMENT PROPERTIES (continued)</b>								
Description	Title	Acquisition date	Original purchase price \$'000	Cost including additions \$'000	Independent Valuation date	Independent Valuation \$'000	Book value 30 June 2004 \$'000	Book value 30 June 2003 \$'000
Macquarie Technology Centre 11-17 Khartoum Road North Ryde NSW	F/hold	Oct 2000	36,540	38,864	June 2003	38,500	<b>38,846</b>	38,500
60-66 Waterloo Road North Ryde NSW	F/hold	Oct 2000	20,757	23,695	June 2003	26,700	<b>27,122</b>	26,700
Lot 21 Riverside Corporate Park North Ryde NSW	F/hold	June 2001	15,980	16,465	June 2004	16,500	<b>16,500</b>	15,980
159-163 Newton Road Wetherill Park NSW	F/hold	Oct 2003	11,092	11,105	June 2003 <sup>3</sup>	10,500	<b>11,105</b> <sup>1</sup>	–
Sydney Orbital Park Sydney NSW	F/hold	Sept 2003	11,949	19,319	July 2003	18,149	<b>19,319</b> <sup>1,4</sup>	–
<b>Industrial and Office Parks total</b>							<b>739,304</b>	660,429
<b>Other</b>								
333 Exhibition Street Melbourne VIC	F/hold	Aug 1985	4,379	17,990	June 2004	30,930	<b>30,930</b>	29,863
210-222 Russell Street Melbourne VIC	F/Hold	June 2004	16,840	16,840	–	–	<b>16,840</b>	–
88 The Esplanade Darwin NT	F/Hold	June 2004	1,855	1,855	–	–	<b>1,855</b>	–
Capital works in progress							<b>14,875</b>	43,444
<b>Total Investment Properties</b>							<b>5,376,636</b>	4,878,075

<sup>1</sup> Property held by Stockland Trust.<sup>2</sup> These properties are under sale as strata units. The book value at 30 June 2004 represents the latest independent valuation less the cost of units sold. The directors consider the book value of the property at 30 June 2004 to reflect fair value.<sup>3</sup> Date of latest valuation preceding acquisition by the Trust.<sup>4</sup> Capital works are in progress. Fair value at 30 June 2004 has been assessed by the directors after consideration of the latest valuation and capital works incurred to 30 June 2004. An independent valuation of the property will be undertaken to assess book value upon completion of the works.<sup>5</sup> Property held by associates and joint venture entities.<sup>6</sup> Contract for sale exchanged, not yet settled.<sup>7</sup> Valuation movements are due to exchange rate fluctuations between the Australian dollar and the New Zealand dollar.<sup>8</sup> Book value at 30 June 2004 includes capital expenditure incurred since latest valuation.<sup>9</sup> Includes Retail.<sup>10</sup> Includes Commercial.

Directors' valuations have been undertaken as at 30 June 2004 for all properties when determining fair value. Directors' valuations are on the basis of open market values for the highest and best use of the respective properties.

With respect to properties held by Australian Commercial Property Trust, Flinders Industrial Property Trust, Advance Property Fund and ADP Trust and their controlled entities, 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.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>13 INVESTMENT PROPERTIES (continued)</b>		
<b>Reconciliation of ownership</b>		
Combined investment properties	4,750,045	4,421,934
Stockland's share of investment properties held by associates and joint venture entities	626,591	456,141
Total interest in investment properties	5,376,636	4,878,075
<b>Reconciliation – investment properties</b>		
<b>Direct investments and controlled entities</b>		
Carrying amount at the beginning of the financial year	4,421,934	2,539,503
Additions	348,717	353,336
Disposals	(163,185)	(24,141)
Transfer to inventory	(39,738)	–
Transfer from inventory	18,965	–
Investment properties of entities consolidated for the first time	–	1,401,425
Valuation increment	163,352	151,811
Carrying amount at the end of the financial year	4,750,045	4,421,934
<b>14 OTHER FINANCIAL ASSETS</b>		
<b>Non-current</b>		
Investment in other entities		
listed shares at cost	–	36
unlisted shares at cost	–	120
unlisted units at cost	22,230	22,143
	22,230	22,299
<b>15 PROPERTY, PLANT AND EQUIPMENT</b>		
Strata units at cost	5,778	5,720
Leasehold improvements:		
at cost	1,567	1,814
accumulated depreciation	(507)	(754)
	1,060	1,060
Plant and equipment:		
at cost	24,034	21,552
accumulated depreciation	(9,110)	(10,394)
	14,924	11,158
	21,762	17,938
<b>Reconciliations</b>		
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	5,720
Additions	58	–
Carrying amount at the end of the financial year	5,778	5,720



## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>15 PROPERTY, PLANT AND EQUIPMENT (continued)</b>			
<b>Reconciliations (continued)</b>			
Leasehold improvements:			
Carrying amount at the beginning of the financial year		1,060	1,388
Additions		540	656
Disposals		–	(556)
Depreciation		(540)	(428)
Carrying amount at the end of the financial year		1,060	1,060
Plant and equipment:			
Carrying amount at the beginning of the financial year		11,158	8,681
Additions		9,672	5,189
Disposals		(1,724)	(597)
Depreciation		(4,182)	(2,115)
Carrying amount at the end of the financial year		14,924	11,158
<b>16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>			
<b>Non-current</b>			
Associates	31(a)	85,819	70,249
Joint venture entities	31(b)	541,647	380,826
		627,466	451,075
<b>17 INTANGIBLE ASSETS</b>			
Hotel management rights:			
at cost		7,312	7,312
accumulated amortisation		(2,959)	(2,343)
		4,353	4,969
Goodwill:			
at cost		332,963	11,670
accumulated amortisation		(110,239)	(2,165)
		222,724	9,505
Trust management rights:			
at cost		32,500	32,500
accumulated amortisation		(438)	(438)
		32,062	32,062
Property management rights:			
at cost		9,300	9,300
Heritage floor space:			
at cost		1,246	1,246
		269,685	57,082

## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>18 PAYABLES</b>		
<b>Current</b>		
Trade creditors and accruals	89,413	152,286
Trade creditors – land purchases	36,331	41,404
Management rights payable	–	34,300
	<b>125,744</b>	<b>227,990</b>
<b>Non-current</b>		
Trade creditors – land purchases	58,007	38,222
<b>19 INTEREST-BEARING LIABILITIES</b>		
<b>Current</b>		
Bank bill facility	–	–
Medium term notes	150,000	300,000
Commercial paper	–	77,000
	<b>150,000</b>	<b>377,000</b>
<b>Non-current</b>		
Bank bill facility	–	240,000
Medium term notes	1,523,717	868,876
	<b>1,523,717</b>	<b>1,108,876</b>

**Financing arrangements****(a) Bank bill facility**

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

Facility 30 June 2004 \$'000	Facility 30 June 2003 \$'000	Security	Maturity date	Utilised at 30 June 2004 \$'000	Utilised at 30 June 2003 \$'000
–	50,000	Unsecured	September 2003	–	–
–	150,000	Unsecured	December 2003	–	–
250,000	250,000	Unsecured	May 2005	–	125,000
250,000	250,000	Unsecured	December 2005	–	115,000
500,000 <sup>1</sup>	700,000 <sup>1</sup>			–	240,000

<sup>1</sup> These facilities are multi-use facilities which may be used partially for bank guarantees. They are subject to floating interest rates.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 19 INTEREST-BEARING LIABILITIES (continued)

### Financing arrangements (continued)

#### (b) Medium term notes

##### Domestic

Details of unsecured medium term notes on issue are set out below, at face value:

	2004 \$'000	2003 \$'000
<b>Maturity date</b>		
August 2003	–	300,000
September 2004	150,000	150,000
July 2005	100,000	175,000
February 2006	150,000	150,000
October 2007	340,000	395,000
August 2008	250,000	–
May 2013	150,000	–
<b>Total</b>	<b>1,140,000</b>	<b>1,170,000</b>

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 \$1,140.0 million (2003: \$1,170.0 million). The current book value is \$1,139.4 million (2003: \$1,168.9 million). The weighted average interest rate of the medium term notes at 30 June 2004 is 5.73% (2003: 5.97%).

##### Foreign

During the year Stockland issued notes in the US private placement market. All notes were issued at a fixed coupon in USD and converted back to AUD floating coupons through cross currency interest rate swaps. The total amount issued in the US private placement market for this period was A\$534.4 million (US\$350.0 million). The weighted average interest rate of the foreign medium term notes at 30 June 2004 is 6.17% (2003: nil).

Details of unsecured foreign medium term notes on issue are set out below, at face value:

	2004 \$'000	2003 \$'000
<b>Maturity date</b>		
October 2011	32,061	–
October 2012	45,802	–
October 2015	99,237	–
October 2016	27,481	–
October 2017	61,069	–
October 2018	268,701	–
<b>Total</b>	<b>534,351</b>	<b>–</b>

#### (c) Commercial paper

Commercial paper is a short-term funding instrument and therefore has less than one year to maturity. The commercial paper is unsecured and is issued at a margin above bank bill rates. At 30 June 2004 there was no commercial paper on issue (2003: \$77.0 million). The weighted average interest rate incurred during the year was 4.88% (2003: 4.87%) per annum (including margins).

#### (d) Committed standby facilities

Standby facilities were in place specifically to provide liquidity support for commercial paper issued under the commercial paper programme. As there is currently no commercial paper on issue, these facilities have been cancelled (2003: \$80.0 million facility unutilised at year end).

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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	Notes	2004 \$'000	2003 \$'000
<b>20 PROVISIONS</b>			
<b>Current</b>			
Dividend/distribution	27	236,410	142,745
Employee benefits	34	5,205	3,768
Contracted development costs		4,110	–
Legal claims		2,965	1,150
ADP Trust debt restructure costs		–	25,798
Hotel refurbishments		457	457
		249,147	173,918
<b>Non-current</b>			
Employee benefits	34	857	443
<b>Reconciliations</b>			
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:			
<b>Current</b>			
<b><i>Dividend/distribution</i></b>			
Carrying amount at the beginning of the financial year		142,745	125,640
Provisions made during the year			
Interim dividend/distribution		209,881	130,091
Final dividend /distribution		236,410	142,745
Payments made during the year		(352,626)	(255,731)
Carrying amount at the end of the financial year		236,410	142,745
<b><i>Contracted development costs</i></b>			
Carrying amount at the beginning of the financial year		–	–
Provisions made during the year		4,110	–
Payments made during the year		–	–
Carrying amount at the end of the financial year		4,110	–
<b><i>Legal claims</i></b>			
Carrying amount at the beginning of the financial year		1,150	1,150
Provisions made during the year		1,815	–
Payments made during the year		–	–
Carrying amount at the end of the financial year		2,965	1,150
<b><i>ADP Trust debt restructure costs</i></b>			
Carrying amount at the beginning of the financial year		25,798	–
Provisions recognised on acquisition		–	25,798
Payments made during the year		(25,798)	–
Carrying amount at the end of the financial year		–	25,798
<b><i>Hotel refurbishments</i></b>			
Carrying amount at the beginning of the financial year		457	317
Provisions made during the year		–	1,231
Payments made during the year		–	(1,091)
Carrying amount at the end of the financial year		457	457



## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>21 OTHER LIABILITIES</b>		
<b>Current</b>		
Tenant security and other deposits	4,182	2,132
Rents in advance	14,577	5,777
Other	6,150	334
	24,909	8,243
<b>22 CONTRIBUTED EQUITY</b>		
<b>Unit/share capital</b>		
1,265,632,116 (2003: 1,038,791,357) securities, at issue price	4,373,508	3,256,945
<b>Movement in securities</b>		
Balance at the beginning of the financial year	3,256,945	2,242,400
Dividend Reinvestment Plan		
August 2003 – 17,130,177 securities at \$4.81	82,396	–
February 2004 – 24,312,522 securities at \$5.17	125,696	–
Executive Securities Plan		
August 2002 – 2,660,000 securities at \$4.17	–	11,092
February 2003 – 480,000 securities at \$4.81	–	2,309
August 2003 – 4,345,000 securities at \$4.81	20,899	–
February 2004 – 790,000 securities at \$5.17	4,085	–
Employee Share Plan		
August 2003 – 32,250 securities at \$4.81	155	–
Share Purchase Plan		
October 2003 – 6,710,250 securities at \$4.65	31,202	–
Acquisitions – securities issued		
ADP Trust allotment		
June 2003 – 143,511,622 securities at \$5.01	–	718,993
July 2003 – 77,121,752 securities at \$5.01	386,380	–
August 2003 – 7,398,808 securities at \$5.01	37,068	–
Placements		
April 2003 – 60,000,000 securities at \$4.75	–	285,000
less: transaction costs	–	(2,849)
September 2003 – 50,000,000 securities at \$4.65	232,500	–
less: transaction costs	(3,486)	–
February 2004 – 39,000,000 securities at \$5.20	202,800	–
less: transaction costs	(3,132)	–
Balance at the end of the financial year	4,373,508	3,256,945

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

**22 CONTRIBUTED EQUITY (continued)****Terms and Conditions**

Holders of stapled securities are entitled to receive dividends/distributions as declared from time to time and are entitled to one vote per stapled security at security holder meetings. The liability of a member is limited to the amount if any remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

	2004 \$'000	2003 \$'000
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**23 RESERVES**

Capital redemption	1	1
Realised capital profits	29,903	8,645
Asset revaluation	531,120	260,530
General	5,245	–
Foreign currency translation	9,581	–
	575,850	269,176

**Movements in reserves****Realised capital profits reserve**

Balance at the beginning of the financial year	8,645	27,593
Profit on sale of investment properties transferred from retained profits	533	305
Profit on sale of partnership interest transferred to reserve	–	1,471
Transfer from/(to) retained profits	20,725	(20,724)
Balance at the end of the financial year	29,903	8,645

**Asset revaluation reserve**

Balance at the beginning of the financial year	260,530	307,815
Net increase in the valuation of investment property		
– fair value	163,352	151,820
– equity accounted	14,517	–
Transfer from/(to) retained profits	92,721	(199,105)
Balance at the end of the financial year	531,120	260,530

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value.

**General reserve**

Balance at the beginning of the financial year	–	–
Unrealised gain on financial instruments	5,245	–
Balance at the end of the financial year	5,245	–

The general reserve is used for unrealised gains on financial instruments.

**Foreign currency translation reserve**

Balance at the beginning of the financial year	–	–
Exchange difference on foreign operations	9,581	–
Balance at the end of the financial year	9,581	–

## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>24 RETAINED PROFITS</b>		
Retained profits at the beginning of the financial year	74,504	64,873
Net profit	574,705	64,410
Transfer (to)/from capital profits reserve	(21,258)	18,952
Transfer (to)/from asset revaluation reserve	(92,721)	199,105
Transfer to general reserve	(5,245)	–
Dividends/distributions provided for or paid	(446,291)	(272,836)
Retained profits at the end of the financial year	83,694	74,504
<b>25 OUTSIDE EQUITY INTERESTS</b>		
<b>Outside equity interests in controlled entities comprise:</b>		
Interest in undistributed income at the beginning of the financial year after adjusting for outside equity interests acquired during the financial year	–	2,840
Interest in issued capital	–	332,056
Interest in reserves	–	64,280
Total outside equity interests	–	399,176
<b>26 TOTAL EQUITY RECONCILIATION</b>		
Total equity at the beginning of the financial year	3,999,801	2,642,683
Total changes in Stockland's interest in equity recognised in the Statement of Financial Performance	762,155	216,230
Transactions with owners as owners:		
Contributions of equity	1,116,563	1,014,548
Dividends/distributions	(446,291)	(272,836)
Total changes in outside equity interest	(399,176)	399,176
Total equity at the end of the financial year	5,033,052	3,999,801

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 27 DIVIDENDS /DISTRIBUTIONS

Dividends/distributions recognised in the current year by the Corporation and Trust are:

	Cents per unit/share	Total amount \$'000	Date of payment	Tax rate for franking credit %	Percentage franked %	
<b>2004</b>						
<b><i>The Corporation</i></b>						
Interim dividend	3.4¢	<b>39,644</b>	27 Feb 2004	30	100	
Final dividend	4.1¢	<b>51,015</b>	31 Aug 2004	30	100	
Total dividends	7.5¢	<b>90,659</b>				
				<b>Total Tax Preferred %</b>	<b>Tax deferred %</b>	<b>CGT Concession %</b>
<b><i>The Trust</i></b>						
Interim distribution	14.6¢	<b>170,237</b>	27 Feb 2004	20.1	17.5	2.6
Final distribution	14.9¢	<b>185,395</b>	31 Aug 2004	20.1	17.5	2.6
Total distribution	29.5¢	<b>355,632</b>				

Dividends/distributions recognised in the prior year by the Corporation and Trust were:

	Cents per unit/share	Total amount \$'000	Date of payment	Tax rate for franking credit %	Percentage franked %	
<b>2003</b>						
<b><i>The Corporation</i></b>						
Interim dividend	2.5¢	<b>20,848</b>	28 Feb 2003	30	100	
Final dividend	3.2¢	<b>27,684</b>	29 Aug 2003	30	100	
Total dividends	5.7¢	<b>48,532</b>				
				<b>Total Tax Preferred %</b>	<b>Tax deferred %</b>	<b>CGT Concession %</b>
<b><i>The Trust</i></b>						
Interim distribution	13.1¢	<b>109,243</b>	28 Feb 2003	25.1	25.1	0.0
Final distribution	13.3¢	<b>115,061</b>	29 Aug 2003	22.4	8.9	13.5
Total distribution	26.4¢	<b>224,304</b>				

Where capital gains are included in the distribution, the CGT concession percentage has been calculated using the 50% discount capital gain method.

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



## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	Corporation 2003 \$'000
<b>27 DIVIDENDS /DISTRIBUTIONS (continued)</b>		
<b>Dividend franking account</b>		
30% franking credits available to shareholders of the Corporation for subsequent financial years	23,015	27,533
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 current tax liability; and		
(b) franking debits that will arise from the payment of dividends recognised as a liability at year end.		
The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.		
<b>Tax consolidation legislation</b>		
On 1 July 2003, Stockland adopted the Tax Consolidation legislation which requires a TCG to keep a single franking account. The amount of franking credits available to shareholders of Stockland Corporation Limited (being the head entity in the TCG) disclosed at 30 June 2004 has been measured under the new legislation as those available from the TCG.		
The comparative information has not been restated for this change in measurement.		
	2004 \$'000	2003 \$'000
<b>28 COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>Capital expenditure commitments</b>		
<i>Investment properties</i>		
Contracted but not provided for and payable:		
Within one year	6,161	63,700
One year or later and no later than five years	–	2,300
	6,161	66,000
<b>Lease commitments</b>		
<i>Exchange Plaza</i>		
There is a contractual commitment for ground rent on Exchange Plaza of 10% p.a. (the Trust's share 5% p.a.) of the net income of the leased premises for each lease year, or \$0.75 million (the Trust's share: \$0.38 million), whichever is greater. This commitment expires in 2122.		

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>28 COMMITMENTS AND CONTINGENT LIABILITIES (continued)</b>		
<b>Non-cancellable operating lease receivable from investment property tenants</b>		
Non-cancellable operating lease commitments are receivable:		
Within one year	453,422	450,801
One year or later and no later than five years	965,431	1,076,644
Later than five years	106,903	206,216
	<b>1,525,756</b>	<b>1,733,661</b>
Annual rent receivable by Stockland under current leases from tenants is from commercial, industrial and retail property held. Rent reviews are generally performed on an annual basis.		
<b>Hotel lease commitments</b>		
Stockland has entered into non-cancellable operating leases in respect of several all-suite hotel developments, to be operated by Stockland, for terms of up to ten years. Rent reviews are generally performed on an annual basis and are based on market rent or fixed increases. The leases generally provide Stockland 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	20,001	19,438
One year or later and no later than five years	75,971	64,823
Later than five years	10,512	20,668
	<b>106,484</b>	<b>104,929</b>
<b>Contingent liabilities</b>		
<b>Joint and several liability</b>		
Stockland, as a 33.33% partner in a joint venture partnership (Subiaco Joint Venture) is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership as at 30 June 2004 are sufficient to meet such liabilities (refer Note 31(b)).		
<b>Bank guarantees</b>		
Stockland 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 and other authorities against performance contracts, maximum facility \$500.0 million (2003: \$175.0 million) included within bank multi-use facilities (refer Note 19).	143,321	90,775

## 29 DEED OF CROSS GUARANTEE

Stockland Corporation Limited and certain wholly-owned companies (the "Closed Group"), identified in Note 30, are parties to a Deed of Cross Guarantee (the "Deed").

The effect of the Deed is that the members of the Closed Group guarantees to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

ASIC Class Order 98/1418 (as amended) dated 13 August 1998, provides relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports, subject to certain conditions as set out therein. This Class Order does not apply to trusts.

Pursuant to the requirements of this Class Order, a combined Statement of Financial Performance and Statement of Financial Position for 30 June 2004, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following page:

## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Closed Group	
	2004	2003
	\$'000	\$'000
<b>29 DEED OF CROSS GUARANTEE (continued)</b>		
<b>Statement of Financial Performance</b>		
<b>Profit from ordinary activities before related income tax expense</b>	<b>143,364</b>	<b>83,023</b>
Income tax expense relating to ordinary activities	(43,680)	(24,101)
<b>Profit from ordinary activities after related income tax expense</b>	<b>99,684</b>	<b>58,922</b>
Retained profits at the beginning of the financial year	74,254	63,602
Dividends provided for or paid	(90,659)	(48,532)
<b>Retained profits at the end of the financial year</b>	<b>83,279</b>	<b>73,992</b>
<b>Statement of Financial Position</b>		
<b>Current assets</b>		
Cash assets	20,840	4,287
Receivables	18,555	19,874
Capital works in progress for Stockland Trust	14,875	43,444
Inventories	295,075	347,140
Other assets	26,295	15,982
<b>Total current assets</b>	<b>375,640</b>	<b>430,727</b>
<b>Non-current assets</b>		
Receivables	614,541	66,218
Inventories	778,249	406,079
Other financial assets	409	146
Investment properties	18,695	42,270
Property, plant and equipment	21,762	9,929
Investments accounted for using the equity method	8,165	3,952
Intangibles	54,559	50,867
Deferred tax assets	8,345	5,468
<b>Total non-current assets</b>	<b>1,504,725</b>	<b>584,929</b>
<b>Total assets</b>	<b>1,880,365</b>	<b>1,015,656</b>
<b>Current liabilities</b>		
Payables	83,093	110,171
Interest-bearing liabilities	691,094	488,047
Current tax liabilities	28,287	–
Provisions	61,031	31,367
<b>Total current liabilities</b>	<b>863,505</b>	<b>629,585</b>

## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Closed Group	
	2004 \$'000	2003 \$'000
<b>29 DEED OF CROSS GUARANTEE (continued)</b>		
<b>Statement of Financial Position (continued)</b>		
<b>Non-current liabilities</b>		
Payables	58,007	38,222
Interest-bearing liabilities	534,351	–
Deferred tax liabilities	19,248	13,383
Provisions	857	314
<b>Total non-current liabilities</b>	<b>612,463</b>	<b>51,919</b>
<b>Total liabilities</b>	<b>1,475,968</b>	<b>681,504</b>
<b>Net assets</b>	<b>404,397</b>	<b>334,152</b>
<b>Equity</b>		
Contributed equity	315,448	254,490
Reserves	5,670	5,670
Retained profits	83,279	73,992
<b>Total equity</b>	<b>404,397</b>	<b>334,152</b>
	Unit/share capital Consolidated entity interest	
	2004 %	2003 %
<b>30 CONTROLLED ENTITIES</b>		
<b>(a) Particulars in relation to controlled entities</b>		
Stockland Trust		
<b>Controlled entities of Stockland Trust</b>		
ADP Trust	100	69
Advance Property Fund	100	100
Australian Commercial Property Trust	100	100
Flinders Industrial Property Trust	100	100
Stockland Finance Pty Limited <sup>3</sup>	100	–
Stockland Industrial Property Trust	100	100
Stockland Office Trust	100	100
Stocks & Holdings Property Trust	100	100
UHT 1 Trust	100	–
UHT 2 Trust	100	–
UHT 3 Trust	100	–
UHT 4 Trust	100	–
UHT 5 Trust	100	–
UHT 6 Trust	100	–
Underwood Street (No 1) Unit Trust	100	100
Underwood Street (No 2) Unit Trust	100	100



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Unit/share capital Consolidated entity interest	
	2004 %	2003 %
<b>30 CONTROLLED ENTITIES (continued)</b>		
<b>(a) Particulars in relation to controlled entities (continued)</b>		
<b><i>Controlled entities of Advance Property Fund</i></b>		
Advance Property Fund No. 3 (Growth)	100	100
Advance Property Fund No. 5 (Capital Growth)	100	100
<b><i>Controlled entities of Flinders Industrial Property Trust</i></b>		
Property Trust of Australasia	100	100
<b><i>Controlled entities of Underwood Street (No's 1 and 2) Unit Trust</i></b>		
Stockland Commercial Office Trust <sup>5</sup>	100	100
<b><i>Controlled entities of ADP Trust</i></b>		
ADP NZ Finance Company Limited	100	69
ADP (NZ) Trust (formerly known as AMP Diversified Property (NZ) Trust)	100	69
ADP Property Trust No.1	100	69
ADP Property Trust No.2	100	69
Capricornia Property Trust	100	69
Industrial Property Trust	100	69
North Sydney Property Trust	100	69
Schroeders Building Fund	100	69
Shellharbour Property Trust	100	69
Stockland Corporation Limited		
<b><i>Controlled entities of Stockland Corporation Limited</i></b>		
Albert & Co. Pty Limited	100	100
Colony Town Estates Pty Limited <sup>1</sup>	–	100
Gold Star Homes Pty Limited <sup>1</sup>	–	100
Gold Star Real Estate Pty Limited <sup>1</sup>	–	100
Stockland (Alamein) Pty Limited	100	100
Stockland (Co-Ordinators) Pty Limited <sup>1</sup>	–	100
Stockland Development Pty Limited	100	100
Stockland (Enterprises) Pty Limited <sup>1</sup>	–	100
Stockland Funds Management Limited <sup>4</sup>	100	100
Stockland Hotel Group Pty Limited <sup>3</sup>	100	100
Stockland (Macquarie) Pty Limited <sup>1</sup>	–	100
Stockland Management Services Pty Limited	100	100
Stockland (Mapledown) Pty Limited	100	100
Stockland (Master) Pty Limited	100	100
Stockland (Park) Pty Limited	100	100

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Unit/share capital Consolidated entity interest	
	2004 %	2003 %
<b>30 CONTROLLED ENTITIES (continued)</b>		
<b>(a) Particulars in relation to controlled entities (continued)</b>		
Stockland (Promoters) Pty Limited <sup>1</sup>	–	100
Stockland Property Management Pty Limited	100	100
Stockland Property Services Pty Limited	100	100
Stockland (Queensland) Pty Limited	100	100
Stockland (Russell Street) Pty Limited	100	100
Stockland (Sales) Pty Limited	100	100
Stockland Singapore Pte Limited <sup>2</sup>	100	–
Stockland (Subdividers) Pty Limited	100	100
Stockland Trust Management Limited	100	100
Stockland (Victoria) Pty Limited	100	100
Stockland WA Holdings Pty Limited	100	100
Stocks and Realty (Security Finance) Pty Limited	100	100
Thermotech Building Maintenance Services Pty Limited	100	100
<b>Controlled entities of Stockland WA Holdings Pty Limited</b>		
Heritage Constructions Pty Limited	100	100
Stockland WA Corser Pty Limited	100	100
Stockland WA Development Pty Limited	100	100
Stockland WA (Estates) Pty Limited	100	100
Stockland WA Property Company of Australia Pty Limited	100	100
<b>Controlled entities of Stockland WA Development Pty Limited</b>		
North Whitfords Estates Pty Limited	100	100
Stockland South Beach Holdings Pty Limited <sup>2</sup>	100	–
Stockland WA Enterprises Pty Limited	100	100
Stockland WA Home Builders Pty Limited	100	100
Stockland WA Realty Pty Limited	100	100
Stockland WA (Rockingham) Pty Limited	100	100
<b>Controlled entities of Stockland Hotel Group Pty Limited</b>		
Directors Management Pty Limited	100	100
Ezoperli Pty Limited	100	100
The Park at Melbourne (Australia) Pty Limited	100	100
West End Apartments Management Pty Limited	100	100
West End Apartments Management Unit Trust	100	100
<b>Controlled entities of Stockland Development Pty Limited</b>		
Centenary Park Developments No.1 Pty Limited	100	100
Endeavour (No.1) Unit Trust	100	–
Endeavour (No.2) Unit Trust	100	–

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Unit/share capital Consolidated entity interest	
	2004	2003
	%	%
<b>30 CONTROLLED ENTITIES (continued)</b>		
<b>(a) Particulars in relation to controlled entities (continued)</b>		
Stockland Development (Holdings) Pty Limited <sup>2</sup>	100	—
Stockland Development (Holdings No.1) Pty Limited <sup>2</sup>	100	—
Stockland Development (PHH) Pty Limited <sup>2</sup>	100	—
Stockland Developments (WA No.1) Pty Limited <sup>2</sup>	100	—
Stockland Developments (WA No.2) Pty Limited <sup>2</sup>	100	—
Stockland Residential Property Trust	100	—
<b><i>Controlled entities of Stockland Development (Holdings) Pty Limited</i></b>		
Stockland Development (QLD Holdings) Pty Limited <sup>2</sup>	100	—
<b><i>Controlled entities of Stockland (Sales) Pty Limited</i></b>		
Stockland (General) Pty Limited	100	100
<b><i>Controlled entities of Stockland South Beach Holdings Pty Limited</i></b>		
Stockland South Beach Pty Limited <sup>2</sup>	100	—
Stockland South Beach Syndicate Pty Limited <sup>2</sup>	100	—

All Stockland entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust and ADP NZ Finance Company Limited which were incorporated in New Zealand and Stockland Singapore Pte Limited which was incorporated in Singapore.

Stockland owns all the issued units/shares of the respective controlled entities and such units/shares carry the voting, distribution/dividend and equitable rights.

<sup>1</sup> These companies have been released from their obligations under the Deed of Cross guarantee, effective for the financial year ended 30 June 2002, by executing Revocation Deeds on 13 December 2001.

Except for Stockland (Co-ordinators) Pty Limited, these companies were de-registered on 21 December 2003.

<sup>2</sup> Except for these companies, all other companies listed above, excluding Trusts and those stated as <sup>1</sup> were parties to the Deed and members of the Closed Group referred to in Note 29, as at 30 June 2004.

<sup>3</sup> These companies became parties to the Deed and members of the Closed Group referred to in Note 29, by an Assumption Deed dated 5 December 2003.

<sup>4</sup> Stockland Funds Management Limited, a party to the Deed and a member of the Closed Group, is yet to be granted relief under the Class Order 98/1418 (as amended).

<sup>5</sup> 50 per cent interest held by each of Underwood Street (No 1) Unit Trust and Underwood Street (No 2) Unit Trust.

## (b) Acquisition of entities

As at 30 June 2003 Stockland had acquired a 69.33% interest in the ADP Trust, a listed property trust, giving it control. As at 30 June 2004 a further 30.67% interest had been acquired, to a total of 100%. The consolidated operating results of the acquired entity and its controlled entities have been included in consolidated net income from 1 July 2003.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	2004 \$'000	2003 \$'000
<b>30 CONTROLLED ENTITIES (continued)</b>		
<b>(b) Acquisition of entities (continued)</b>		
Details of the acquisition are as follows:		
Cash consideration	67,667	381,317 <sup>1</sup>
Stockland units/shares issued	423,448	718,993
Acquisition costs	8,493	16,350
Equity accounted profits up to date of acquisition	–	6,069
	<b>499,608</b>	<b>1,122,729</b>
Fair value of net assets of entities acquired:		
Investment property	–	1,401,425
Investments	–	439,356
Inventories	–	–
Cash assets	–	22,970
Receivables	–	21,185
Property, plant and equipment	–	–
Other assets	–	14,185
Interest-bearing liabilities	–	(547,000)
Payables	–	(24,805)
Other provision	–	(25,798)
	–	1,301,518
Outside equity interests at acquisition	<b>399,176</b>	<b>(399,176)</b>
	<b>399,176</b>	<b>902,342</b>
Goodwill on acquisition <sup>2</sup>	<b>100,432</b>	<b>220,387</b>
	<b>499,608</b>	<b>1,122,729</b>

<sup>1</sup> Includes cash paid and accrued for acceptances up to 30 June 2003.

<sup>2</sup> The goodwill on acquisition represents the excess of the purchase consideration paid to ADP unitholders plus incidental costs over the fair value of the identifiable net assets acquired. The fair value of Stockland securities issued as a part of the consideration paid was determined as their market price at the date of acquisition.

## 31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Share of net profits accounted for using the equity method included in the Statement of Financial Performance

– associates	(a)	5,534	3,039
– joint venture entities	(b)	32,865	6,093
		<b>38,399</b>	<b>9,132</b>

Income from associates during the year ended 30 June 2003 includes distributions receivable from ADP Trust from when significant influence was obtained until the end of the financial year when control was achieved.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

### (a) Investment in associates

Details of investments in associates are as follows:

	Balance date	Ownership Interest		Investment Carrying Amount	
		2004 %	2003 %	2004 \$'000	2003 \$'000
KSC Trust	30 June	25	25	85,819	69,724

The principal activity of the entity was investment in real property. The entity was formed in Australia.

### Statement of Financial Position

Current assets	1,316	1,273
Non-current assets	85,244	69,910
Current liabilities	(741)	(934)
<b>Share of net assets after equity accounting adjustments</b>	<b>85,819</b>	<b>70,249</b>

### Movements in carrying amount of associates

Carrying amount at the beginning of the financial year	70,249	–
Interest in associates acquired through acquisition of controlled entity	1,211	70,249
Share of associates net profit	5,534	–
Dividends/distributions received from associates	(5,692)	–
Share of increment in asset revaluation reserve of associates	14,517	–
<b>Carrying amount at the end of the financial year</b>	<b>85,819</b>	<b>70,249</b>

### (b) Investments in joint venture entities

	Principal activity	Balance date	Ownership interest		Investment carrying amount	
			2004 %	2003 %	2004 \$'000	2003 \$'000
Compam Property Management Pty Limited <sup>1</sup>	Property management	30 June	50	50	–	–
Esplanade Property Trust	Property investment	30 June	50	50	69,240	68,082
Martin Place Management Limited <sup>1</sup>	Property management	30 June	50	50	–	–
Martin Place Property Trust	Property investment	31 March	50	50	161,200	162,648
M Property Trust	Property investment	30 June	50	50	49,554	48,566
SDOT Sub Trust No.1	Property investment	30 June	50	–	154,356	–
Southbeach Joint Venture	Property development	30 June	–	50	–	1,419
Subiaco Joint Venture	Property development	30 June	33.3	33.3	8,165	2,533
The King Trust	Property investment	30 June	50	50	99,132	97,578
					<b>541,647</b>	<b>380,826</b>

<sup>1</sup> This joint venture was dormant during the financial year.

All entities were formed or incorporated in Australia.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$'000	2003 \$'000
<b>31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)</b>			
<b>(b) Interests in joint venture entities (continued)</b>			
<b>Results of joint venture entities</b>			
Stockland's share of the joint venture entities' results consists of:			
Revenue from ordinary activities		49,713	14,338
Expenses from ordinary activities		(16,848)	(8,245)
Net profit – accounted for using the equity method		32,865	6,093
<b>Statement of Financial Position</b>			
Stockland's share of the joint venture entities' assets and liabilities consists of:			
Current assets		29,278	13,524
Non-current assets		542,352	386,817
Total assets		571,630	400,341
Current liabilities		31,250	19,699
Total liabilities		31,250	19,699
Share of net assets before equity accounting adjustments		540,380	380,642
Adjustments arising from equity accounting		1,267	184
Share of net assets after equity accounting adjustments		541,647	380,826
<b>Share of post-acquisition retained profits attributable to joint venture entities</b>			
Share of joint venture entities' retained profits at the beginning of the financial year		1,442	1,411
Share of joint venture entities' net profit		816	31
Distributions of joint venture entities' net profit		–	–
Share of joint venture entities' retained profits at the end of the financial year		2,258	1,442
<b>Movements in carrying amount of joint venture entities</b>			
Carrying amount at the beginning of the financial year		380,826	68,514
Interests in joint ventures acquired		152,173	376,874
Contributions to the partnerships/joint venture entities		6,558	2,197
Share of joint venture entities' net profit		32,865	3,062
Drawings/distributions from the joint venture entities		(27,753)	(8,642)
Joint venture entity purchased and transferred to controlled entities		(3,022)	–
Disposal of interest in partnership		–	(59,938)
Other adjustments		–	(1,241)
Carrying amount at the end of the financial year	16	541,647	380,826

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

### (b) Interests in joint venture entities (continued)

#### *Disposal of joint venture entities*

During the year ended 30 June 2003, Stockland disposed of its ownership interest in Elizabeth City Centre Pty Limited and Elizabeth City Centre Partnership.

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

Details of the disposal are as follows:

	2003 \$'000
Consideration (cash)	61,409
Carrying amount of disposal	(59,938)
Profit on disposal	1,471
Net assets of joint venture entities disposed of:	
Current assets	4,065
Non-current assets	61,349
Total assets	65,414
Current liabilities	(2,939)
Non current liabilities	(2,537)
Total liabilities	(5,476)
Net assets	59,938

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 32 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, bank bills, 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:

	Note	2004 \$'000	2003 \$'000
Cash assets	9	206,652	34,869
<b>(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities</b>			
Profit from ordinary activities after income tax		574,705	64,410
Add/(less) items classified as investing/ financing activities:			
Dividends/distribution receivable		(4,213)	(10,463)
Profit on sale of non-current assets		(197)	(1,705)
Medium term note costs amortised		485	565
Other items		(4,382)	(2,569)
(Less)/add non-cash items:			
Write (back)/off of investment in ADP Trust		(220,387)	220,387
Unrealised gain on financial instruments		(5,245)	–
Amortisation/depreciation		114,509	5,112
Increase/(decrease) in income tax payable		28,048	(1,066)
Increase in deferred taxes payable		3,083	3,010
Net cash provided by operating activities before change in assets and liabilities		486,406	277,681
Change in assets and liabilities adjusted for the effects of purchases of controlled entities during the financial year:			
(Increase)/decrease in receivables		(47,143)	3,517
Decrease/(increase) in other assets		40,573	(93,921)
Increase in payables and other liabilities		20,318	111,293
Increase in employee benefits		1,851	947
Decrease in other provisions		(23,983)	–
Increase in inventories		(331,178)	(202,743)
Net cash provided by operating activities		146,844	96,774



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

### (a) Financial arrangements

Refer to Note 19 for details of Stockland's financial arrangements.

### (b) Interest rate risk

Stockland 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 Stockland to swap floating rate borrowings into fixed rates. The weighted average maturity of swap contracts is 3.8 years. Each contract involves quarterly payment or receipt of the net amount of interest.

In accordance with applicable Australian Accounting Standards an unrealised gain has been recognised for the mark-to-market value as at 30 June 2004 of the structured interest rate hedges using derivatives which have been transacted by Stockland. The Accounting Standards do not recognise corridor swaps as "effective hedges", however the directors believe they are effective when properly structured and provide lower cost of debt.

An unrealised gain has also been recognised on two vanilla swaps that hedge debt facilities which are currently undrawn. Accounting Standards require hedges not directly related to debt to be marked to market and the gain or loss included in the Statement of Financial Performance.

#### Interest rate risk exposures

Stockland'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	Total \$'000	Non- interest bearing \$'000	Floating interest rate \$'000	Fixed interest maturing in		
					One year or less \$'000	One to five years \$'000	More than five years \$'000
<b>2004</b>							
<b>Financial assets</b>							
Cash assets	9	206,652	62	206,590	—	—	—
Receivables	10	154,864	93,604	61,260	—	—	—
Other financial assets	14	22,230	22,230	—	—	—	—
Total financial assets		383,746	115,896	267,850	—	—	—
<b>Financial liabilities</b>							
Payables	18	183,751	183,751	—	—	—	—
Interest-bearing liabilities	19	1,673,717	—	216,000	150,000	638,366	669,351
Other liabilities	21	24,909	22,027	2,882	—	—	—
Interest rate swaps		—	—	218,351	(150,000)	451,000	(519,351)
Total financial liabilities		1,882,377	205,778	437,233	—	1,089,366	150,000
Effective weighted average interest rate		—	—	6.10%	0.00%	5.82%	6.72%
<b>Net financial (liabilities)/assets</b>		<b>(1,498,631)</b>	<b>(89,882)</b>	<b>(169,383)</b>	<b>—</b>	<b>(1,089,366)</b>	<b>(150,000)</b>

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

	Notes	Total \$'000	Non- interest bearing \$'000	Floating interest rate \$'000	Fixed interest maturing in		
					One year or less \$'000	One to five years \$'000	More than five years \$'000
<b>2003</b>							
<b>Financial assets</b>							
Cash assets	9	34,869	–	34,869	–	–	–
Receivables	10	119,123	71,647	47,476	–	–	–
Other financial assets	14	22,299	22,299	–	–	–	–
Total financial assets		176,291	93,946	82,345	–	–	–
<b>Financial liabilities</b>							
Payables	18	266,212	266,212	–	–	–	–
Interest-bearing liabilities	19	1,485,876	–	437,000	299,980	748,896	–
Other liabilities	21	8,243	7,795	448	–	–	–
Interest rate swaps		–	–	30,000	–	(30,000)	–
Total financial liabilities		1,760,331	274,007	467,448	299,980	718,896	–
Effective weighted average interest rate		–	–	5.74%	6.80%	5.97%	–
<b>Net financial (liabilities)/assets</b>		<b>(1,593,796)</b>	<b>(189,817)</b>	<b>(385,103)</b>	<b>(299,980)</b>	<b>(718,896)</b>	<b>–</b>

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

### (c) 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 Stockland, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts. Stockland 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 Stockland. The accrued amount due to Stockland at 30 June 2004 was \$4.2 million (2003: \$6.7 million).

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 33 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)

### (d) Exchange rate derivatives

	2004 Australian Principal Amount \$'000	2004 New Zealand Principal Amount \$'000
Forward exchange contracts to pay New Zealand dollars and receive Australian dollars. Hedges the Trust's forecast NZD income to 31 December 2005 <sup>1</sup> . The hedge matures on 30 December 2005.	18,288	(21,000)

<sup>1</sup> The forward exchange rate for the above contract is A\$1.00 = NZ\$1.1483

Exchange gains or losses in respect of the above currency hedge are recognised as either assets or liabilities in the Statement of Financial Position at the end of the period and are recognised in the Statement of Financial Performance upon the maturity of each individual hedge.

The total realised losses on all foreign exchange hedges is A\$146,000 (NZ\$160,000).

At 30 June 2003, as part of the acquisition of ADP Trust, Stockland had entered into forward exchange contracts to pay New Zealand dollars and receive Australian dollars (A\$55.2 million, NZ\$(62.2 million)). These forward exchange contracts have been closed out during the year. The cost associated with the close out of these positions was provided in full at 30 June 2003.

### (e) Net fair values of financial assets and liabilities

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

The valuation of financial instruments not recognised in the Statement of Financial Position reflects the estimated amounts which Stockland 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 in the Statement of Financial Position held at 30 June 2004 was (\$17.6 million) (2003:(\$5.2 million)) as it is intended Stockland will retain these swaps to maturity.

Stockland does not hold derivative financial instruments for speculative purposes.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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	Notes	2004 \$'000	2003 \$'000
<b>34 EMPLOYEE BENEFITS</b>			
Aggregate liability for employee benefits, including on-costs			
Current	20	<b>5,205</b>	3,768
Non-current	20	<b>857</b>	443
		<b>6,062</b>	4,211
		No.	No.
Number of employees at year end		<b>1,161</b>	984

**Superannuation commitments**

Stockland contributes to several superannuation plans, all of which are defined contribution funds. Stockland and the employees make contributions based on various percentages of gross salaries. Employees are entitled to benefits on retirement. In addition, Stockland contributes to several award related superannuation funds in order to satisfy award entitlements of certain employees.

**Employee Share Plan**

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

Stockland has an Employee Share Plan launched in August 2003. It has been launched to encourage a link between employment and ownership through financial participation of all eligible employees. All employees who have completed nine months continuous service with Stockland, with hours in excess of 12 hours per week will be eligible. Directors and Executives participating in the Executive Securities Plan (see below) have been excluded from participation.

The Plan Rules provided for Stockland to allot to each eligible employee securities having an aggregate market value of up to \$1,000 worth of securities, pro rata for part time employees. Once acquired the securities cannot be forfeited, even upon termination of employment. At 30 June 2004, the number of securities on issue under the Employee Share Plan was 32,250 (2003: nil).

**Executive Securities Plan**

Stockland also has an Executive Securities Plan, the purpose of which is to provide Executives with an additional incentive to create value for security holders and to participate in the long-term success of Stockland. The plan operates on the same basis as the Service-based Equity Compensation arrangements outlined in Note 35.

**Executive directors**

Refer Note 35 for details for Executive directors.

**Non-executive directors**

Non-executive directors do not participate.

**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.

At 30 June 2004 the number of securities on issue under the Executive Securities Plan was 13,060,000 (2003: 11,250,000).

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**35 DIRECTORS' AND EXECUTIVES' REMUNERATION**

Remuneration, benefits, loans, equity holdings, and other transactions relating to:

- Specified Directors – the members of the Boards of Stockland Corporation Limited and Stockland Trust Management Limited, the Responsible Entity of Stockland Trust (which are comprised of the same directors);
- Specified Executives – senior executives who are members of the Executive Committee and are also either the Chief Financial Officer or a Chief Executive Officer of a Stockland division, and who accordingly have the greatest authority for the strategic direction and management of Stockland; and
- the above individuals' personally-related entities are disclosed below.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Specified Directors

The names and position held by each person holding a position of director of Stockland during the financial year were:

Mr Peter Daly	Chairman (Non-Executive)
Mr Nicholas Greiner	Deputy Chairman (Non-Executive)
Mr Matthew Quinn	Managing Director
Mr John Pettigrew	Finance Director (resigned 13 February 2004)
Mr Graham Bradley	Non-Executive Director (appointed 9 February 2004)
Mr Bruce Corlett	Non-Executive Director
Mr David Fairfull	Non-Executive Director
Mr Barry Thornton	Non-Executive Director
Mr Terry Williamson	Non-Executive Director

Mr Hugh Thorburn was appointed to the Board as Finance Director on 1 July 2004. From his commencement date on 16 February 2004 to 30 June 2004, Mr Thorburn was the Chief Financial Officer and accordingly is included in the "Specified Executive" group below in respect of the financial year ended 30 June 2004.

### Specified Executives

The names and position held by each person being a Specified Executive of Stockland during the financial year were:

Mr Denis Hickey	CEO Development Division
Mr Robb Macnicol	CEO Unlisted Property Funds Division (commenced 5 January 2004)
Mr Steve Mann	CEO Commercial and Industrial Division
Mr Darren Steinberg	CEO Shopping Centre Division
Mr Hugh Thorburn	Chief Financial Officer (commenced 16 February 2004 and subsequently appointed to the Board as Finance Director after the end of the 2004 financial year).

All Specified Executives are employed by a subsidiary of Stockland Corporation Limited.

### Remuneration of Specified Directors and Specified Executives

Remuneration levels are competitively set and applied fairly to attract and retain appropriately qualified and experienced directors and senior executives. The Nominations and Remuneration Committee of the Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies. The Nominations and Remuneration Committee has responsibility to review the remuneration of the Chairman, Non-Executive Directors, the Managing Director and the Executives who form the Executive Committee and to recommend changes to remuneration policies.

Non-Executive Directors are paid a director's fee and do not participate in any share plan or receive any retirement benefits (other than statutory superannuation) and do not receive any performance related remuneration. The Board has a formal annual self-assessment programme for the individuals and Committees of the Board. Non-Executive Directors' fees are reviewed annually. In 2003, security holders resolved that the maximum amount payable to Non-Executive Directors should not exceed \$950,000 in total for all directors, plus superannuation. The Chairman received \$185,000 and the Deputy Chairman received \$100,000. The base fee for other Non-Executive Directors was \$75,000 per annum. These fees cover all main board activities and all meetings relating to environment issues. Additional fees were paid for the Chair of the following Board Committees: Audit Committee \$10,000, Nominations and Remuneration Committee \$7,500, the Compliance Committee \$10,000, and the Unlisted Property Funds Due Diligence Committee \$10,000. Members of these Committees received an additional \$1,500 for each meeting attended, capped at \$6,000.

Effective 1 July 2004 the Chairman will receive \$195,000 and the Deputy Chairman will receive \$105,000. The base fee for other Non-Executive Directors will be \$80,000 per annum. The additional fees for the following Board Committees are: Audit Committee Chair \$20,000, members \$10,000; Nominations and Remuneration Committee Chair \$10,000, members \$7,000; Compliance Committee Chair \$10,000 and members \$6,000.

To encourage superior performance and long-term commitment to Stockland, remuneration packages for Executive Directors and senior management include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration. The total remuneration package includes superannuation and other benefits as discussed below, on a salary sacrifice basis in accordance with remuneration policies. There is no separate profit-share plan.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Remuneration of Specified Directors and Specified Executives (continued)

Performance-based remuneration and incentives are based on specific objectives, measures and targets for performance. With the broader aim of increasing Stockland's net profit, earnings per share and shareholder returns, the Board sets the objectives, measures and targets for the Managing Director. The Managing Director sets the objectives, measures and targets for the members of the Executive Committee. These key performance indicators are subject to approval by the Nominations and Remuneration Committee, as are the remuneration, incentives and bonuses for Executive Directors and Specified Executives. Remuneration structures take into account:

- the overall level of remuneration for each individual;
- each individual's ability to control performance; and
- the amount of incentives within each individual's remuneration.

Executive Directors, Specified Executives and other senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of Stockland's performance against industry benchmarks and each relevant division's result exceeding certain pre-determined targets. Generally, cash-based incentives are applied to annual targets while equity remuneration applies to longer-term incentives.

The Board considers that a performance-linked remuneration structure that has a mainly financial impact focus is best suited to the outcomes desired by the security holders. The evidence for this is sustained performance and growth compared to industry peers, including very strong growth in profits in recent years. Non-financial measures are also to be taken into account, though account for a smaller part of the incentive arrangement than the financial measures.

### Other Benefits

Executive Directors' and Specified Executives' remuneration packages are set on a total cost to company basis. The total package may include base salary, motor vehicle, car parking, superannuation, and other specified benefits, and applicable fringe benefits tax.

Under remuneration related company policies, motor vehicles are costed to the individual's package and include fringe benefits tax, interest costs, and depreciation. Where the Executive leaves within 2.5 years of purchase of the vehicle, any loss on sale is recoverable from the Executive.

Superannuation contributions are only payable by Stockland while Directors are Board members and Executives are employees of Stockland. Statutory entitlements to superannuation, subject to age-based limits are included in the total cost to company based limit.

Like all employees of Stockland, Directors and Executives are entitled to discounts on purchase of Stockland properties held for sale. These discounts approximately represent the savings in agent's commissions and are effectively between 2.5% and 4.0%, depending on whether they are for investment use or "owner-occupied" use. This discount is not included in remuneration as there is no net cost to Stockland.

There are certain concessionary benefits and shared facilities available to staff generally, including discounted Stockland managed hotel accommodation. However, these are only included as a remuneration benefit where there is a net cost to Stockland. There is no net cost to Stockland for Hotel accommodation.

Non-salary and non-superannuation amounts of remuneration are detailed in the table below as "Primary, Non-Monetary benefits".

The premiums on insurance policies relating to Directors and Executives are disclosed as "Other" Remuneration. These amounts are not considered to be part of the total package arrangements for salary negotiation purposes. The premiums included relate to Directors' and Officers' insurance, Fidelity insurance, and Professional Indemnity insurance policies.

### Arrangements affecting Specified Directors' and Specified Executives' remuneration in future periods

The financial impact in future periods arising from employment contracts with Specified Directors and Specified Executives is discussed below.

Each year a review is performed of Directors', Executive Directors' and Specified Executives' total fees and remuneration, including incentives. As a result of these reviews, changes may be made to remuneration packages.

Specified Executive Directors and Specified Executives are entitled to long service leave, 10 days sick leave and 20 days annual leave. Accruals and payments in respect of these entitlements are disclosed as "Primary" remuneration. Notice periods of three months apply to each Executive Director and Specified Executive, except in the case of Mr M Quinn, where the required period of notice is six months (or payment in lieu of notice by Stockland). Where the termination occurs as a result of misconduct or serious or persistent breach of agreement, no notice is required for any Specified Director or Specified Executive. In the event that the Managing Director or any Specified Executives is seriously incapacitated and unable to perform their duties because of illness or accident, Stockland is entitled to terminate the individual's contract of employment by three months written notice. In the event that Stockland initiates the termination for reasons which are outside the control of the individual or where the status, duties or authority of the individual are materially diminished without the individual's consent, severance payments are payable to the Managing Director and certain Specified Executives.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Arrangements affecting Specified Directors' and Specified Executives' remuneration in future periods (continued)

The severance payments vary between the individuals. The Managing Director would receive 1.5 times the sum of the annual package prevailing at the time of the termination and the short-term cash incentive or bonus which is subject to the achievement of key performance indicators. Mr D Hickey, Mr S Mann, Mr D Steinberg and Mr H Thorburn would receive the sum of the annual package prevailing at the time of the termination and the short-term cash incentive or bonus which is subject to the achievement of key performance indicators. Restricted securities issued to Mr R Macnicol would all vest in the situation where his position became redundant.

Equity-based compensation grants will impact the remuneration disclosed in each period over which the equity compensation is applicable. Refer to the "Equity Instruments" below for further discussion.

A benefit to a Specified Director or Specified Executive is included in "Primary, Non-monetary benefits" in respect of loan interest where the interest rate charged is lower than the net marginal cost to Stockland of providing that loan. A further benefit is included where the company pays fringe benefits tax on the loan interest (i.e. where the interest rate charged is less than the fringe benefits tax statutory benchmark rate, if any). Loans have only been provided in relation to the purchase of equity securities under the Executive Share Plan and in the event that Executive Directors or certain Specified Executives are required to relocate for work at Stockland. Accordingly they do not form part of the base package arrangements. Refer to "Equity Instruments" and "Loans" below for further discussion.

Except as required under law and as detailed above, there are no benefits payable on termination for any Executive Directors or Specified Executives:

- as disclosed under the terms and conditions of the Executive Securities Plan and Loans (refer to "Equity Instruments" and "Loans" section discussions below), and
- as otherwise detailed above in respect of notice periods on termination.

	Primary			Post-employment		Equity compensation	Other compensation	Sub-total	Primary		Total
For year ended 30 June 2004	Salary & fees \$	Bonus \$	Non-monetary benefits <sup>2</sup> \$	Superannuation benefits \$	Other post-employment benefits \$	Value of other equity compensation <sup>4</sup> \$	Insurance premiums <sup>5</sup> \$	\$	Annual leave entitlements <sup>6</sup> \$	Long service leave entitlements <sup>7</sup> \$	\$
Specified directors											
Non-executive											
Mr P Daly (Chairman)	191,000	–	–	11,002	–	–	10,251	212,253	–	–	212,253
Mr N Greiner (Deputy Chairman)	107,500	–	–	9,675	–	–	10,251	127,426	–	–	127,426
Mr G Bradley (commenced 9 February 2004)	39,288	–	–	3,536	–	–	4,272	47,096	–	–	47,096
Mr B Corlett	87,000	–	–	7,830	–	–	10,251	105,081	–	–	105,081
Mr D Fairfull	86,500	–	–	7,785	–	–	10,251	104,536	–	–	104,536
Mr B Thornton	87,000	–	–	7,830	–	–	10,251	105,081	–	–	105,081
Mr T Williamson	95,000	–	–	8,550	–	–	10,251	113,801	–	–	113,801
Executive											
Mr M Quinn, Managing Director	937,715	750,000 <sup>1</sup>	70,567	11,002	–	42,133	10,251	1,821,668	38,012	100,110	1,959,790
Mr J Pettigrew, Finance Director (resigned 13 February 2004)	298,969	–	42,449	6,709	1,688,251 <sup>3</sup>	27,781	10,251	2,074,410	(1,985)	103,090	2,175,515
	1,929,972	750,000	113,016	73,919	1,688,251	69,914	86,280	4,711,352	36,027	203,200	4,950,579

<sup>1</sup> Mr M Quinn earned a cash bonus in respect of the current period of \$750,000 which will be paid in August 2004.

<sup>2</sup> Comprises motor vehicle costs, car parking, grossed up cost to company for interest-free loans, and fringe benefits tax payable in respect of the current period.

<sup>3</sup> Mr J Pettigrew retired on 13 February 2004. In consideration for his 26.5 years of service, an amount of twice his annual salary was paid. This amount is included in "Other post-employment benefits". Leave entitlements at the resignation date have been included in "Annual leave entitlements" and "Long service leave entitlements".

<sup>4</sup> Details of inclusions in these figures are disclosed in the Equity section of this note.

<sup>5</sup> Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance, Fidelity insurance and Professional Indemnity insurance policies.

<sup>6</sup> Movement in accrued annual leave entitlements during the year.

<sup>7</sup> Movement in accrued long service leave entitlements during the year.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTOR AND EXECUTIVE DISCLOSURES FOR DISCLOSING ENTITIES (continued)

Remuneration of specified directors and specified executives by the consolidated entity (continued)

	Primary			Post-employment		Equity compensation	Other compensation		Sub-total	Primary	Total
For year ended 30 June 2004	Salary & fees \$	Bonus <sup>1</sup> \$	Non-monetary benefits <sup>2</sup> \$	Superannuation benefits \$	Other post-employment benefits \$	Value of other equity compensation <sup>3</sup> \$	Insurance premiums <sup>4</sup> \$	All other benefits \$	\$	Annual leave entitlements <sup>5</sup> \$	\$
Specified Executives											
Mr D Hickey, CEO Development Division	543,711	350,000	81,742	11,002	–	23,848	10,251	–	1,020,554	25,580	1,046,134
Mr R Macnicol, CEO Unlisted Property Funds Division (commenced 5 January 2004)	106,047	75,000	23,952	5,418	–	2,861	5,127	175,000 <sup>5</sup>	393,405	4,237	397,642
Mr S Mann, CEO Commercial & Industrial Division	393,164	250,000	46,568	11,002	–	27,384	10,251	–	738,369	8,394	746,763
Mr D Steinberg, CEO Shopping Centre Division	504,845	350,000	59,567	11,002	–	29,059	10,251	–	964,724	21,017	985,741
Mr H Thorburn, Chief Financial Officer (commenced 16 February 2004)	297,699	100,000	3,082	4,090	–	3,354	3,845	–	412,070	24,296	436,366
	1,845,466	1,125,000	214,911	42,514	–	86,506	39,725	175,000	3,529,122	83,524	3,612,646

<sup>1</sup> All cash bonuses were earned in the current year and will be paid in August 2004.<sup>2</sup> Comprises motor vehicle costs, car parking, grossed up cost to company for interest-free loans and fringe benefits tax payable in respect of the current period.<sup>3</sup> Details of inclusions in these figures are disclosed in the Equity section of this note.<sup>4</sup> Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance, Fidelity insurance and Professional Indemnity insurance policies.<sup>5</sup> \$75,000 was paid to Mr R Macnicol at contract commencement as compensation for cash and equity-based compensation foregone with his previous employer and a further \$100,000 will also be paid in August 2004.<sup>6</sup> Movement in accrued annual leave entitlements during the year.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Equity Instruments

#### *Executive Securities Plan*

Stockland has an Executive Securities Plan, the purpose of which is to provide Executives with a long-term incentive to create value for security holders and an opportunity for Executive Directors and Executives to participate in the long-term success of Stockland.

Issues of Stockland securities to Executive Directors and Specified Executives under the Executive Securities Plan are explained below. The Executive Securities Plan entitles these individuals to purchase Stockland securities at a discount of approximately 2.5% to the market price at the time of issue, being the same discount as applies to the Distribution/Dividend Reinvestment Plan. All outstanding issues have been funded by loans made to the individuals by Stockland for a maximum term of five years. Refer to "Loans" below for further information about the terms and conditions of the related loans.

The number of securities which each individual is entitled to purchase from time to time varies, taking account of the individual's responsibilities, performance and other aspects of their remuneration arrangements as discussed above. Essentially, there are two types of issues, these being:

- Performance-based issues (requiring Stockland's security price to outperform others in the same industry for each issue); and
- Service-based issues (requiring two years continued service by the Executive after the issue, for the securities to become owned on an unconditional basis (i.e. to become unrestricted)).

The benefits arising in respect of these issues are reported in the relevant period for each individual Executive Director and Specified Executive under the "Remuneration" disclosure note above. Refer to "Basis of disclosures included in remuneration" below for an explanation on how this is determined.

Refer to "Grants of Equity Compensation" below for details of the issue price of each grant that was operative during the financial year.

Non-Executive Directors are not entitled to participate in the Executive Securities Plan.

Stockland does not have any options on issue.

The Executive Securities Plan operates as follows:

#### **Service-based Equity Compensation**

Offers to purchase securities in Stockland are made to Specified 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%, being the same discount as applies to the Distribution/Dividend Reinvestment Plan.
- 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. Refer to "Loans" on page 104 for further details of the interest rate.
- Ownership of the securities shall become unconditional two years after the date of allotment, subject to the Executive remaining an employee of Stockland.

No performance hurdles apply to service-based equity compensation issues.

#### **Performance-based Equity Compensation**

Any offer of securities to Executive Directors requires a special resolution to be passed at a General Meeting. The most recent special resolution was passed at the General Meeting on the 22 October 2001, the effect of which was to allot a combined 3,000,000 stapled securities to two Executive Directors, Mr J Pettigrew (who resigned on 13 February 2004) and Mr M Quinn ('the Executive Directors'), pursuant to the 2001 Executive Securities Plan. There have been no issues outside these approved thresholds for these individuals.

In respect of performance-based issues, the following conditions apply:

- No further approvals for issues under the 2001 Executive Securities Plan shall be sought for those Executive Directors for a period of four years from the date of that General Meeting.
- 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 over a four year period, as stipulated in the resolution and only if the set performance hurdle is met or exceeded and can only be met while the individual remains an employee of Stockland. The set performance hurdle is that Stockland securities outperform the S&P/ASX LPT 200 Accumulation Index each year on a cumulative basis from the initial base index date over the four year period. For each annual performance hurdle that is met, ownership of the stapled security becomes unrestricted. Where the performance hurdle is not met, the stapled securities become unrestricted upon meeting a subsequent hurdle. At the end of the four year period, if the final performance hurdle is not met, any remaining restricted securities to which the Executive Directors and senior Executives would have been entitled will be sold for no benefit to the Executive.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Performance-based Equity Compensation (continued)

- The only hurdle remaining on the grant made to Mr M Quinn under the above resolution is 31 December 2004 in respect of 500,000 securities. Securities issued to Mr Pettigrew which were restricted at the beginning of the financial year became unrestricted as to beneficial ownership in the current period.
- If there is a takeover, scheme of arrangement or other share construction (collectively "takeover"), which results in the majority of Stockland's issued capital no longer being listed on the ASX, all stapled securities will become unrestricted, subject to performance hurdles being met at the date of takeover. Similar arrangements to convert restricted balances to unrestricted holdings also occur on death and permanent disablement.

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 which are 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 the General Meeting. Mr D Hickey was issued 800,000 securities in December 2001 on the same terms and conditions as the above in respect of performance-based securities issues. Of these, 200,000 securities remain restricted as to beneficial ownership.

The terms and conditions of all loans outstanding that relate to Executive Securities Plan security issues are detailed below under "Loans" and cover security issues which are either still restricted or are now unrestricted as to beneficial ownership.

### Basis of disclosures included as remuneration

The equity compensation provided by Stockland under the Executive Securities Plan involves a benefit to the recipients of the issues, which is disclosed as remuneration and calculated in accordance with Australian Accounting standards as follows:

#### *Measurement*

The total value of equity compensation issued to Executive Directors and Specified Executives is determined at grant date. Stockland securities are allotted to the individuals, though ultimate beneficial ownership is dependent on meeting pre-determined performance and/or service criteria set over several years (depending on the type of issue). In determining the fair value of the security issues, it is assumed that the service and performance hurdles will be met.

The remuneration benefit to the individual of each equity instrument issued is the market price of Stockland securities at grant date reduced by the price paid per security by the individual. This figure is multiplied by the number of equity instruments issued to the individual to determine the total value of the remuneration benefit for each issue. The period over which the restrictions on full beneficial ownership apply is not taken into account in determining the total value of the grant of equity compensation, though is taken into account in determining the period over which the benefit is apportioned.

#### *Allocation*

Where the benefit from equity compensation is expected to be earned over several reporting periods, the total benefit determined at the grant date of the equity compensation is apportioned on a straight line basis over the periods in which it is expected to be earned.

For the equity compensation issued by Stockland, where the individual forfeits the securities due to failure to meet a service or performance condition, no remuneration in respect of that grant is reflected in the remuneration disclosures in that period.

Where amendments are made to the terms and conditions of the issue subsequent to the grant date, the value of the grant is re-determined. An exception to this occurs upon resignation or termination where the amendment relates to securities becoming unrestricted in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service or performance conditions. In the latter situation, the value that would have been recognised in future periods in respect of the securities not forfeited is brought to account in the period that the securities become unrestricted.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Basis of disclosures included as remuneration

### Equity holdings and transactions

The movement during the period in the number of stapled securities held, directly, indirectly or beneficially, (including those issued under the Executive Securities Plan (ESP)) by each Director or Specified Executive, including their personally-related entities, is as follows:

### Stockland Securities

	Total held at 1 July 2003	Holdings restricted under ESP as at 1 July 2003 (included in Total held at 1 July 2003)	Granted as Remuneration in the period via ESP as an entitlement to purchase the securities at a discount	Net change other	Total held at 30 June 2004	Holdings restricted under ESP as at 30 June 2004 (included in Total held at 30 June 2004)	Holdings unrestricted under ESP as at 30 June 2004 (except as loan security) (included in Total held at 30 June 2004)
<b>Specified Directors</b>							
<b>Non-Executive Directors</b>							
Mr P Daly	1,870,968	–	–	3,000	1,873,968	–	–
Mr N Greiner	35,587	–	–	3,508	39,095	–	–
Mr G Bradley <sup>1</sup>	24,330	–	–	14,450	38,780	–	–
Mr B Corlett	68,464	–	–	53,277	121,741	–	–
Mr D Fairfull	11,104	–	–	778	11,882	–	–
Mr B Thornton	253,940	–	–	–	253,940	–	–
Mr T Williamson	–	–	–	6,192	6,192	–	–
<b>Executive Directors</b>							
Mr M Quinn	2,350,000	1,000,000	–	1,000	2,351,000	500,000	1,850,000
Mr J Pettigrew <sup>2</sup>	1,225,000	500,000	–	(1,225,000)	–	–	–
<b>Specified Executives</b>							
Mr D Hickey	1,150,000	600,000	–	–	1,150,000	200,000	950,000
Mr R Macnicol <sup>3</sup>	–	–	150,000	–	150,000	150,000	–
Mr S Mann	246,000	225,000	200,000	1,000	447,000	350,000	95,000
Mr D Steinberg	375,000	225,000	250,000	–	625,000	400,000	225,000
Mr H Thorburn	–	–	200,000	–	200,000	200,000	–

<sup>1</sup> Mr Bradley became a director on 9 February 2004. However, securities owned at his commencement date have been included as securities held at 1 July 2003.

<sup>2</sup> Mr J Pettigrew resigned as director on 13 February 2004. In consideration for his long service to Stockland, it was determined that 250,000 Executive Securities issued under the Executive Securities Plan which would otherwise have been forfeited would vest. These have been included in "Net change other". As Mr J Pettigrew was no longer a director as at 30 June 2004, no details are provided in respect of the closing balance at year end. The "Net change other" column reflects the full movement from opening balance until Mr J Pettigrew's date of resignation and includes securities owned at that date.

<sup>3</sup> Shares issued to Mr R Macnicol are service-based securities. However, they will become unrestricted prior to the obligatory two year period should the Unlisted Property Funds Division or his position cease to exist.

Beneficial ownership restrictions no longer apply to unrestricted securities. Unrestricted securities holdings as at 30 June 2004 as identified above provide security under loans issued to purchase securities under the Executive Security Plan, as do all of the restricted securities.

Restricted securities as at 1 July 2003, together with securities granted as remuneration in the period (at discounted purchase prices and funded by Stockland loans) have impacted the value of the benefit disclosed as equity remuneration in the "Remuneration" table disclosure. Restricted securities as at 30 June 2004 which will continue to impact the benefit disclosed as equity compensation in future periods (in accordance with the arrangements described in "Basis of disclosures included as remuneration" below).

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Grants of Equity Compensation under the Executive Securities Plan

Securities issued under the Executive Securities Plan which have impacted remuneration disclosed in the period were issued as follows:

Grant Date	Issue Price \$	Performance (P)/ Service (S) based issue	Specified Directors			Specified Executives		
			Operative in the period and impacting remuneration benefits	Restricted as at 30 June 2004	Unrestricted as at 30 June 2004	Operative in the period and impacting remuneration benefits	Restricted as at 30 June 2004	Unrestricted as at 30 June 2004
31 Aug 2001	4.06	S	–	–	–	350,000	–	350,000
30 Nov 2001	4.25	P	250,000	90,000	270,000	–	–	–
31 Dec 2001	4.16	P	1,250,000	410,000	1,230,000	400,000	200,000	600,000
30 Aug 2002	4.17	S	–	–	–	300,000	300,000	–
29 Aug 2003	4.81	S	–	–	–	450,000	450,000	–
23 Dec 2003	5.17	S	–	–	–	150,000	150,000	–
21 Jan 2004	5.17	S	–	–	–	200,000	200,000	–

### Loans and other transactions with Specified Directors and Specified Executives

#### Loans

Details regarding loans outstanding at the reporting date to Specified Directors and Specified Executives and all loans where the individual's aggregate loan balance exceed \$100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2003 (including interest payable) \$	Balance 30 June 2004 (including interest payable) \$	Interest paid and payable in the reporting period \$	Notional interest \$	Highest balance in the period (including interest payable) \$	Number in the Group for Aggregate Totals
<b>Specified Directors</b>						
Mr M Quinn	10,246,650	10,305,400	869,500	9,302	10,305,400	
Mr J Pettigrew	4,939,850	1,787,782	327,590	–	4,939,850	
<b>Total for Specified Directors</b>	15,186,500	12,093,182	1,197,090	9,302	15,245,250	2
<b>Specified Executives</b>						
Mr D Hickey	5,207,250	5,236,000	425,500	17,550	5,236,000	
Mr R Macnicol	–	794,918	9,418	–	794,918	
Mr S Mann	1,047,425	2,053,550	152,650	–	2,053,550	
Mr D Steinberg	1,569,375	3,128,750	216,250	12,790	3,128,750	
Mr H Thorburn	–	1,059,890	25,890	–	1,050,890	
<b>Total for Specified Executives</b>	7,824,050	12,273,108	829,708	30,340	12,264,108	5

The above loans include housing loans and loans made pursuant to the Executive Securities Plan to purchase securities, as detailed in "Equities" above. Opening and closing balances includes interest payable at those dates. No amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

No loans are made to Non-Executive Directors or their personally-related entities. There are no loans less than \$100,000.

For details relating to "Notional interest" in the above table, refer to "Other Loans" below.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Executive Directors and Senior Executive Loans relating to Executive Securities Plan

Interest bearing loans have been made by a wholly owned entity of Stockland to Executive Directors and senior executives in full-time employment of the consolidated entity, to finance the purchase of Stockland securities, pursuant to the Executive Securities Plan approved at general meetings of the Trust and the Company. These loans have a maximum term of five years from the date the loan is advanced. The stapled securities issued are applied as security over the loan until all outstanding amounts are fully repaid.

Interest accrues daily and is payable half-yearly in arrears, effectively at the August and February distribution dates each year 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 2004 were between 7.37% and 8.96% per annum. As these effective interest rates are in excess of the marginal cost to Stockland of borrowing those funds (5.96%), there is no deemed benefit to the employee and no amount is disclosed as remuneration in respect of these loans.

Where loans are repaid prior to the maturity date, interest is calculated daily based on the number of days since the last distribution date, multiplied by the total interest paid in the previous 12 month period (by way of distributions and dividends) and increased by 3%.

Early repayment is required upon resignation, retirement, or dismissal (within 91 days) and within 182 days after death of the individual.

Various maturity dates and terms and conditions apply to each of the loans made under the Executive Securities Plan as described below.

**Loan Type 1.** On 31 December 2001, Directors' loans in the amount of \$8,352,400 and Specified Executive loans totalling \$3,328,000 were advanced. These loans have a maturity date of 31 December 2006. Mr J Pettigrew has a principal loan balance of \$1,664,000 maturing in February 2005, under the same terms and conditions as the above loans.

Where the securities are sold to repay the outstanding loan balance, any excess of sales proceeds over loan balances outstanding is to the benefit of Stockland in respect of restricted security sales and otherwise to the benefit of the individual. Any shortfall of sales proceeds over the loan balance is forgiven, except in respect of any dividends and distribution attaching to the securities and any taxation benefit arising from a capital loss in the hands of the individual. However, where the employee is terminated by Stockland due to dishonesty or gross misconduct or the employee resigns, the shortfall of sales proceeds over the outstanding loan balance is not forgiven and Stockland has full recourse to recover the amount from the individual. On maturity, any shortfall in respect of the remaining unrestricted securities is forgiven.

In respect to a loan of \$1,530,000 to Mr M Quinn included in the above loans, the security is mortgaged in relation to another loan. Refer "Other Loans" below.

**Loan Type 2.** A loan to Mr M Quinn for \$1,347,500 and loans totalling \$654,500 were advanced to Specified Executives in February 2001 and mature in February 2006. A further \$577,500 was advanced under the same terms and conditions as these loans (as detailed below) to a Specified Executive in July 2001 and matures in July 2006.

Stockland is not limited to recourse to the securities where a shortfall arises on sale of the securities to repay the loan. Interest accrues at 12% per annum on any shortfall. Any surplus on sale of the security is for the benefit of the individual.

In respect of the loan to Mr M Quinn, the security held by Stockland is mortgaged in relation to another loan. Refer "Other Loans" below.

**Loan Type 3.** Where the securities are sold, any excess of sales proceeds over loan balances outstanding is to the benefit of Stockland where the sale occurs within two years of the original advance and otherwise to the benefit of the individual. Any shortfall of sales proceeds over the loan balance is forgiven, except in respect of any dividends and distribution attaching to the securities and any taxation benefit arising from a capital loss in the hands of the individual.

The following loans of this type were advanced to Specified Executives and remain outstanding:

Loans totalling \$1,421,000 were advanced in August 2001 and mature in August 2006.

Loans totalling \$1,251,000 were advanced in August 2002 and mature in August 2007.

Loans totalling \$2,164,500 were advanced in August 2003 and mature in August 2008.

Loans totalling \$1,809,000 were advanced in February 2004 and mature in February 2009.

Where Stockland receives an amount of interest on the outstanding loan balances advanced in respect of securities issued under the Executive Securities Plan which is in excess of the amount which would be payable based on the marginal cost to Stockland of borrowing those funds, no amount is included in remuneration as it is not a benefit to the Specified Director or Specified Executive, but rather a cost to the individual.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 35 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### Other loans

In addition to the loans advanced under the Executive Securities Plan, other loans have also been advanced to Specified Directors and Specified Executives.

In consideration for moving interstate to join Stockland, Mr M Quinn has an interest-free loan of \$159,000 maturing on 20 August 2009 or within 180 days of him ceasing to be an employee of Stockland, whichever is the earlier. Commercial interest rates apply should Mr M Quinn no longer be an employee of Stockland. The loan was advanced by a wholly owned subsidiary of Stockland and is secured by mortgage over 710,000 Stockland securities, which also form part of the security under loans made under the Executive Securities Plan as noted above. In the event of death or disability rendering Mr M Quinn unable to work for Stockland, the loan may be repaid from the proceeds of life insurance policies.

In consideration for moving interstate to join Stockland, Mr D Hickey and Mr D Steinberg each have \$300,000 interest-free loans secured by unregistered mortgage over residential property with a wholly owned subsidiary of Stockland. These 10 year loans are repayable on 8 November 2012 and 8 October 2013 respectively, or within 180 days of ceasing employment with Stockland, whichever is the earlier. Commercial interest rates apply should the Specified Executive no longer be an employee of Stockland. In the event of death or disability rendering the Specified Executive unable to work for Stockland, the loans may be repaid from the proceeds of life insurance policies.

No amounts have been written down or recorded as an allowance, as the balances are considered fully collectible.

### Notional interest

In respect of low-cost and interest-free loans, the interest that would have been payable is determined under Australian Accounting standards by reference to the marginal cost to the entity of borrowing those funds net of any interest payable by the employee (if any). The marginal cost to Stockland of borrowing the funds loaned is currently 5.96% p.a. The interest benefit thus calculated together with the related fringe benefits tax is disclosed as remuneration, as a "Primary, Non-monetary" benefit.

### Other transactions

A number of Specified Directors and Specified Executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with Stockland or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year to Specified Directors, Specified Executives and their personally-related entities were total revenue of Nil, and a total expense of \$31,334,878. There were no liabilities which arose from these transactions. Details of the transactions are as follows:

Mr N Greiner was Chairman of Baulderstone Hornibrook Limited, which provided construction services to Stockland during the financial year in respect of The Abode at St Leonards NSW. Contract rates and the terms and conditions were based on market rates for these types of services. Amounts paid and payable to Baulderstone Hornibrook Limited during the financial year were \$31,055,953 (2003: \$32,801,393).

Mr B Corlett is the Chairman of Trust Company of Australia Limited, which provided custodial services to Stockland Trust and its controlled entities during the financial year. The terms and conditions of this transaction, including the payment terms were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related entities on an arm's length basis. Custodian fees paid and payable to Trust Company of Australia Limited for the financial year were \$278,925 (2003: \$158,660).

### Assets and liabilities arising from the above transactions

	30 June 2004 \$
Current assets – Inventory	15,183,196
Non-current assets	–
Total assets	15,183,196
Current liabilities	–
Non-current liabilities	–
Total liabilities	–

From time to time, Specified Directors and Specified Executives of Stockland, or their personally-related entities, may purchase goods and services from Stockland. Except as otherwise detailed above, these purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

During the year, Mr M Quinn purchased an apartment in the Abode (a Stockland development) for \$643,500, at a discount of 2.5% (\$16,500) on the listed sale price of \$660,000. The discount is in accordance with the policy for staff sales as disclosed above and is effectively at nil cost to Stockland due to savings in sales commission.

## Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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2004	2003
\$'000	\$'000

**36 NON-DIRECTOR RELATED PARTY DISCLOSURES****Related party transactions**

Interest paid to Stockland Trust	47,935	30,313
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Stockland Corporation Limited has an unsecured loan repayable at call to Stockland Trust of \$731.2 million (2003: \$502.3 million). Interest was payable monthly in arrears at an interest rate of 7.00% p.a. during the financial year (2003: 7.00% p.a.).

***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	5,216	3,113
Property management and leasing	12,708	6,274
Property maintenance	922	185
Property development	91,428	97,881
Recoupment of expenses	14,183	6,603

***Rent paid to Stockland Trust by Stockland Corporation Limited***

Rent was paid by Stockland Corporation Limited to Stockland Trust amounting to \$2.4 million (2003: \$1.7 million). Rent paid is in the normal course of business and on normal terms and conditions.

**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:

***Intercompany loans***

Loans to entities in the wholly-owned group:

Stockland Trust	214,385	154,606
Stockland Corporation Limited	993,152	669,004

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 7.00% p.a. during the financial year (2003: 7.00% p.a.).

The loans from Stockland Trust to entities in the wholly-owned group are non-interest bearing (2003: nil).

***Distributions/dividends***

Distributions received or due and receivable by Stockland Trust from Trust wholly-owned controlled entities	293,829	134,439
Dividends received or due and receivable by Stockland Corporation Limited from Corporation wholly-owned controlled entities	67,950	58,750

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

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## 37 EVENTS SUBSEQUENT TO BALANCE DATE

Other than the matters discussed below, 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 which is likely, in the opinion of the directors of Stockland Corporation Limited and the Responsible Entity of Stockland Trust, to affect significantly the operations of Stockland, the results of those operations, or the state of affairs of Stockland, in future financial years.

### *International Financial Reporting Standards*

For reporting periods beginning on or after 1 January 2005, Stockland must comply with International Financial Reporting Standards ("IFRS") as issued by the AASB. The first Financial Report to be completed under IFRS will be for the year ending 30 June 2006, with the comparatives also restated to comply with IFRS.

This financial report has been prepared in accordance with Australian Accounting standards and other financial reporting requirements ("Australian GAAP"). The difference between Australian GAAP and IFRS identified to date as potentially having a significant effect on Stockland's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The effects of the differences discussed below have not been quantified. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to Stockland's financial reports in the future. The potential impacts on Stockland's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

Stockland has a project team working on the conversion to IFRS. The key potential implications of the conversion to IFRS on Stockland identified to date are as follows:

- financial instruments must be recognised in the Statement of Financial Position and all derivatives and most financial assets must be carried at fair value;
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and as tax effects follow the underlying transaction, some tax effects will be recognised in equity;
- revaluation increments and decrements relating to revalued property, plant and equipment will be recognised on an individual asset basis, not a class of assets basis;
- goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised;
- impairment of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired;
- investment properties will be fair valued with increments and decrements going through the Statement of Financial Performance or measured at cost and depreciated and owner occupied properties will be classified as property, plant and equipment;
- equity-based compensation in the form of securities and options will be recognised as expenses in the periods during which the employee provides related services; and
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The Board has established a formal project, monitored by the Audit Committee, to achieve transition to IFRS reporting, beginning with the half-year ended 31 December 2005. Stockland's implementation project consists of three phases as described below:

### **Assessment and planning phase**

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

Stockland considers the assessment and planning phase to be complete in most respects as at 30 June 2004.



# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2004

## 37 EVENTS SUBSEQUENT TO BALANCE DATE (continued)

### *International Financial Reporting Standards (continued)*

#### **Design phase**

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to facilitate transition to IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements;
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- developing revised IFRS disclosures;
- designing accounting and business processes to support IFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems; and
- developing training programs for staff.

Stockland has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the upcoming financial year.

#### **Implementation phase**

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable Stockland to generate the required disclosures of AASB 1 "First time adoption of Australian Equivalents to International Financial Reporting Standards" as it progresses through its transition to IFRS.

Except for certain training that has been given to operational staff, Stockland has not yet commenced the implementation phase. However, it is expected that this phase will be substantially complete by 30 June 2005 which will ensure that Stockland will meet AASB proposed implementation dates.

# Directors' Declaration

In the opinion of the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited and the directors of Stockland Corporation Limited, the combined Financial Statements of Stockland, as set out in pages 50 to 109, are drawn up in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views, so as to present fairly the financial position of Stockland as at 30 June 2004 and its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

In the opinion of the directors, at the date of this declaration there are reasonable grounds to believe that Stockland will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 10th day of August 2004.

Signed in accordance with a resolution of the directors:



**Peter Daly**  
Chairman



**Matthew Quinn**  
Managing Director

# Independent Audit Report

TO THE STAPLED SECURITY HOLDERS OF STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED



## SCOPE

### The combined financial report and directors' responsibility

Stockland comprises Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities. The combined financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements (1 to 37), and the directors' declaration of Stockland, for the year ended 30 June 2004.

The directors of Stockland Corporation Limited and the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited ("the directors") are responsible for the preparation and fair presentation of the combined financial report in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the combined financial report.

### Audit approach

We conducted an independent audit in order to express an opinion to the stapled security holders of Stockland. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the combined financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the combined financial report presents fairly, in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views, a view which is consistent with our understanding of Stockland's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the combined financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit opinion

In our opinion, the combined financial report of Stockland presents fairly its financial position as at 30 June 2004 and its performance for the financial year ended on that date in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

KPMG

**R M Amos**  
Partner

Sydney  
10 August 2004

# Security Holders

The information set out below was prepared as at 30 July 2004 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 1,265,632,116 ordinary units in the Trust and ordinary shares in the Corporation.

<b>Largest Twenty Ordinary Unitholders/Shareholders</b>	<b>Number of Securities</b>	<b>Percentage of Issued Securities</b>
Westpac Custodian Nominees Limited	196,277,285	15.51%
National Nominees Limited	173,176,584	13.68%
JP Morgan Nominees Australia Limited	161,435,054	12.76%
Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	67,472,951	5.33%
Cogent Nominees Pty Limited	37,900,007	2.99%
Citicorp Nominees Pty Limited	36,286,800	2.87%
Cogent Nominees Pty Limited <SMP Accounts>	27,927,687	2.21%
AMP Life Limited	27,168,706	2.15%
Queensland Investment Corporation	25,538,680	2.02%
RBC Global Services Australia Nominees Pty Limited <BKCUST A/C>	23,928,497	1.89%
HSBC Custody Nominees (Australia) Limited	18,896,371	1.49%
Bond Street Custodians Limited <PROPERTY SECURITIES A/C>	16,642,635	1.31%
ANZ Nominees Limited	15,357,327	1.21%
Transport Accident Commission	13,057,206	1.03%
Bond Street Custodians Limited <ENH PROPERTY SECURITIES A/C>	12,915,999	1.02%
Victorian Workcover Authority	11,390,240	0.90%
Westpac Financial Services Limited	9,857,145	0.78%
ANZ Nominees Limited	6,908,432	0.55%
RBC Global Services Australia Nominees Pty Limited	6,790,024	0.54%
Citicorp Nominees Pty Limited <CFSIL CWLTH PROPERTY 1 A/C>	6,783,184	0.54%

The largest twenty members held 70.78% of the ordinary units/shares on issue.

## Distribution of security holders

<b>Category</b>	<b>Number of Securities</b>	<b>Number of Security holders</b>
1 – 1,000	3,218,692	6,365
1,001 – 5,000	60,867,414	21,877
5,001 – 10,000	58,983,471	8,327
10,001 – 100,000	98,012,989	5,051
100,001 and over	1,044,549,550	236

The number of unitholders/shareholders holding less than a marketable parcel was 1,016.

<b>Substantial security holders</b>	<b>Number of Units/Shares</b>
Commonwealth Bank of Australia Limited / Colonial Limited	104,271,804
Macquarie Bank Limited	71,798,554
AMP Limited	70,516,482
National Australia Bank Limited Group	68,060,674
Barclay Group	65,247,183

# Securityholder Information and Directory

## SECURITYHOLDER INFORMATION

### End of financial year tax statement

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

### Annual report

Members have a choice as to whether they receive:

- no Annual Report;
- an Annual Report in this form; or
- the Annual Report plus detailed Financial Statements.

The Share Registry will send a form to enable securityholders 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](http://www.stockland.com.au)

The Stockland site contains a variety of investor information, including market presentations, financial results, property news, announcements to the Australian Stock Exchange (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 regard to any of the following matters:

- change of address details as 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.

### Distribution periods

1 July – 31 December 2003  
1 January – 30 June 2004

### Ex-distribution dates

23 December 2003  
24 June 2004

### Distribution banking or mailing dates

27 February 2004  
31 August 2004

### Annual General Meeting

Will be held at City Recital Hall,  
Angel Place at 2.30pm on  
Tuesday 26 October 2004.

## DIRECTORY

### Corporation/Responsible Entity

Stockland Corporation Limited  
ACN 000 181 733  
  
Stockland Trust Management Limited  
ACN 001 900 741  
AFSL 241190  
Level 16  
157 Liverpool Street  
Sydney NSW 2000  
Toll free 1800 251 813  
Telephone 02 9321 1500

### Custodian

Trust Company of Australia Limited  
ACN 004 027 749  
35 Clarence Street  
Sydney NSW 2000

### Directors

#### Non-Executive

Peter Daly – Chairman  
Nicholas Greiner – Deputy Chairman  
Graham Bradley  
Bruce Corlett  
David Fairfull  
Barry Thornton  
Terry Williamson

#### Executive

Matthew Quinn – Managing Director  
Hugh Thorburn – Finance Director

### Secretary

Phillip Hepburn

### Unit/Share Registry

Computershare Investor  
Services Pty Limited  
Level 3  
60 Carrington Street  
Sydney NSW 2000  
Toll free (within Australia)  
1800 804 985  
Telephone (outside Australia)  
61 3 9615 5970  
Email  
[web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### Bankers

Commonwealth Bank of Australia  
Westpac Banking Corporation Limited

### Auditor

KPMG

### Quoted Securities

SGP ordinary units/shares

### Disclaimer of Liability

While every effort is made to provide accurate and complete information, Stockland does not warrant or represent that the information in this annual report is free from errors or omissions or is suitable for your intended use. Subject to any terms implied by law and which cannot be excluded, Stockland accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in information. Note: All figures are in Australian dollars unless otherwise indicated.





# Stockland

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ACN 000 181 733

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Sydney NSW 2000

**Sydney**

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**Melbourne**

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**Brisbane**

Telephone 07 3839 8222

**Perth**

Telephone 08 9364 5422

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