05

STOCKLAND ANNUAL REPORT

30 JUNE 2005

Stockland

Stockland – Owner, Developer and Manager

Contents

Cover Left: Colonial Centre, located in the centre of Sydney's CBD.

Cover Right: Stockland Batemans Bay is located in the heart of the NSW south coast.

Left: The Outlook, Kellyville, Stockland's premium residential community located in Sydney's north west.

Right: Saville Southbank, Brisbane is a cross-divisional project between Saville Hotel Group and Stockland's Development Division.

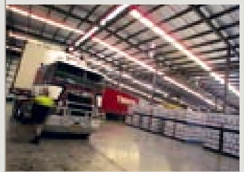
Stockland is in its 53rd year of creating enduring value from the ownership, development and management of diverse properties across Australia and New Zealand.

Our sustainable practices and reliable growth will help ensure consistent returns to all our security holders over the years to come.

Stockland security holders enjoy stable and growing returns from a diverse asset portfolio, valued at over $8.4 billion.

1 COMMERCIAL AND INDUSTRIAL

COMMERCIAL
– 28 properties
– 523,734m^2 Net Lettable Area
– Portfolio valued at $1.8 billion



INDUSTRIAL
– 18 properties
– 1.1 million m^2 Gross Lettable Area
– Valued at $649 million

OFFICE PARKS
– 7 properties
– 41,588m^2 Net Lettable Area
– Valued at $186 million

2 SHOPPING CENTRES

SHOPPING CENTRES
– 40 properties
– 910,298m^2 Gross Lettable Area
– Valued at $3 billion

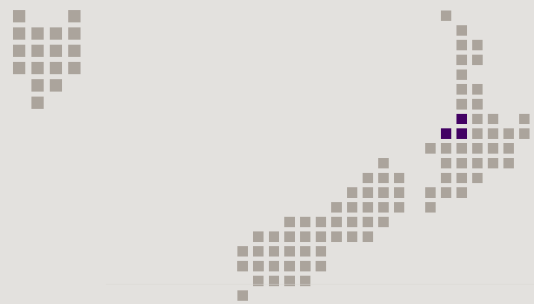
RETAIL PROJECTS
– 6 projects
– 58,404m^2 Gross Lettable Area

3 DEVELOPMENT DIVISION

RESIDENTIAL COMMUNITIES
– 70 residential communities
– Over 62,800 lots with an end market value of $12.5 billion
– Recognised excellence in design, development and marketing

APARTMENTS
– 12 projects
– End market value of $2 billion

Stockland is one of Australia's largest and most successful property groups and a top 50 ASX-listed public company. We own, develop and manage property assets across Australia and New Zealand.

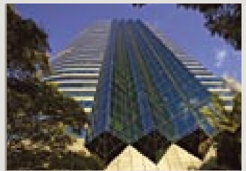


4 SAVILLE HOTEL GROUP

HOTELS

– 10 hotels across Australia
– 1,500 suites

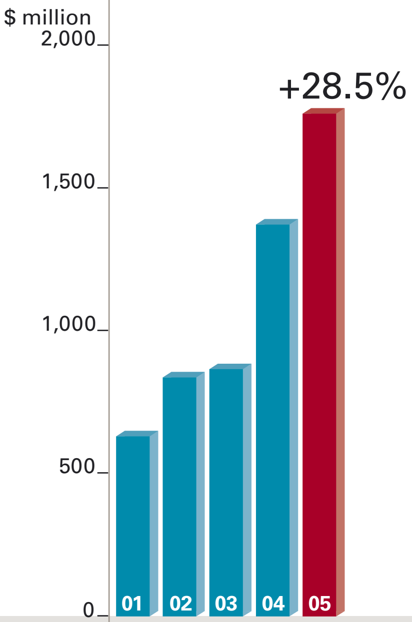
5 UNLISTED PROPERTY FUNDS



– Two unlisted office funds launched
– One private syndicate
– Total end asset value of $370 million

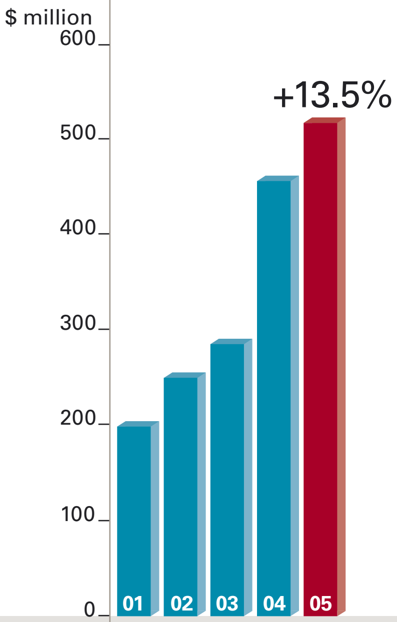
Our disciplined approach and active management have delivered our 23rd consecutive year of profit growth.

GROSS REVENUE



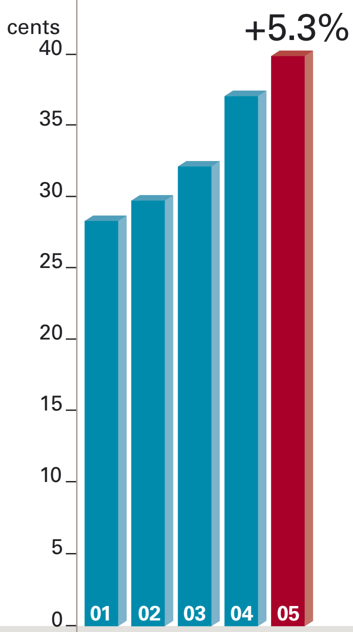
2005 – $1,762.0 million
2004 – $1,371.0 million
2003 – $867.3 million
2002 – $837.3 million
2001 – $631.5 million

NET PROFIT AFTER TAX*



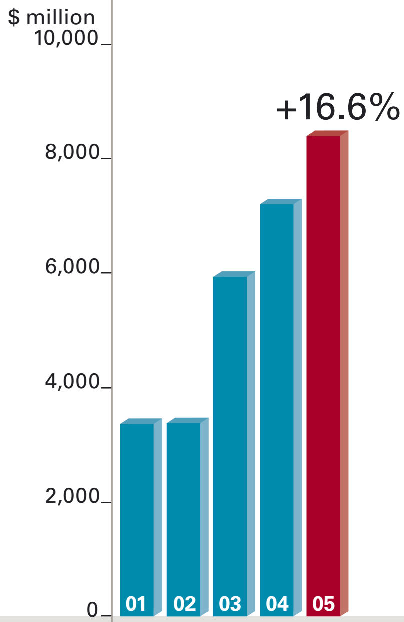
2005 – $517.0 million
2004 – $455.5 million
2003 – $284.8 million
2002 – $249.8 million
2001 – $198.2 million

EARNINGS PER SECURITY*



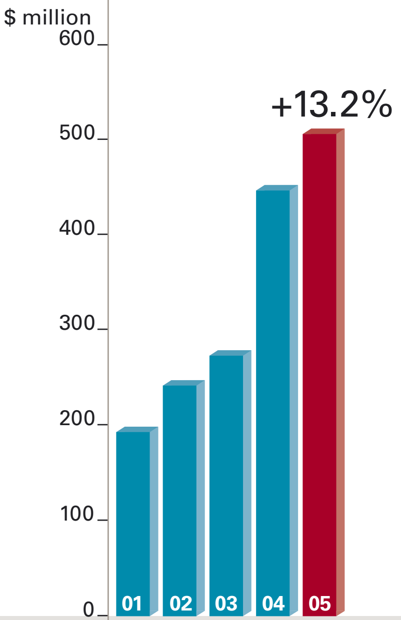
2005 – 39.8 cents
2004 – 37.8 cents
2003 – 33.5 cents
2002 – 30.8 cents
2001 – 29.2 cents

TOTAL ASSETS



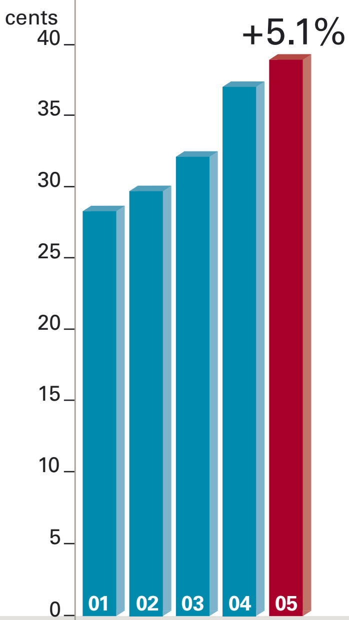
2005 – $8,400.4 million
2004 – $7,204.6 million
2003 – $5,948.6 million
2002 – $3,327.1 million
2001 – $3,386.2 million

DISTRIBUTION/ DIVIDEND



2005 – $505.4 million
2004 – $446.3 million
2003 – $272.8 million
2002 – $241.3 million
2001 – $192.4 million

DISTRIBUTION/ DIVIDEND
PER ORDINARY SECURITY



2005 – 38.9 cents
2004 – 37.0 cents
2003 – 32.1 cents
2002 – 29.7 cents
2001 – 28.3 cents

HIGHLIGHTS

- Record profit of $517 million*, a 13.5 per cent increase on the previous year
- Another year of excellent returns for our security holders:
  - Earnings per security increased by 5.3 per cent
  - Total dividend/distribution per security increased by 5.1 per cent
- The strength of our business model ensured we delivered on our strategy for the year, including strong results from all our businesses
- Major transactions during the year included the acquisition of the Lensworth property portfolio and the Optus pre-lease at the $351 million Centre Court development in Macquarie Park, Sydney
- Successful launch of the Unlisted Property Funds Division, with $370 million end assets under management
- Prudent balance sheet management enabled us to significantly grow our asset base by 16.6 per cent and maintain a conservative gearing ratio
- With a proven record of disciplined financial and risk management, and superior earnings growth, we aim to consistently deliver on investor expectations.

*Before amortisation of goodwill on acquisition of ADP and unrealised gains and losses on financial instruments and capital profits on the sale of investment properties.

A sustainable future for our business is directly linked to the sustainability of the communities, economy and society in which we operate.

Stockland's culture has always been based on accountability and ethical behaviour.

Stockland's Board recently set out principles that govern how we do business with key stakeholders. We have also articulated the values that drive our people's behaviour.

These values are:

- Openness
- Commitment
- Innovation
- Teamwork
- Empowerment
- Enjoyment.

Our Customers

Stockland's Commercial and Industrial Division has a customer service centre which offers world-class service through a centralised, internally managed facility setting us apart in our commitment to customer service excellence.

In 2005, the Commercial and Industrial Division won the Rider Hunt Terotech Industry Achievement Award for excellence in facilities management.

Our People

Stockland's culture is unique – strong values, high energy and a positive attitude are part of our competitive advantage. Our recent employee survey showed Stockland outperformed the average of other leading Australian companies in all survey categories.

Stockland's employee engagement score of 82 per cent outperforms the average of other leading Australian companies by 14 percentage points. (2005 International Survey Research).

Our Partners

Business partners help Stockland deliver results. Our many business relationships bring specialist expertise and resources to key projects.

The Prince Henry project, being developed with partner Landcom, will incorporate the first Australian trial of geothermal cooling – delivering ecologically sustainable design excellence.

Our Security Holders

Corporate responsibility is a driver of long term security holder value. It demands a company-wide adoption of sustainable practices, in the interests of all stakeholders.

Stockland security holders have experienced strong, reliable and growing returns over several decades.

Our Communities

We aim to be an important part of the everyday lives of communities. We develop, own and manage housing, retail and office projects which provide homes, offices and shopping centres. Our community involvement mirrors the integral role we play in community life.

The Stockland Spirit Award rewards kids and their local sporting clubs, encouraging young Australians to increase their participation in local sport.

PETER DALY, CHAIRMAN

I leave Stockland in great shape, and with great pride in what we have achieved.

HIGHLIGHTS

- 23rd consecutive year of profit growth and consistent security holder returns
- Board remains focused on strategic direction, financial performance, governance and risk management
- After 34 years with Stockland, including five years as Chairman, I will retire in October 2005
- Graham Bradley (pictured far left) will be appointed as the new Chairman.

In 2005 Stockland is proud to deliver its 23rd year of profit growth. It is no accident Stockland is acknowledged as one of Australia's leading property groups.

STRATEGY

Our business is underpinned by strong financial discipline, corporate responsibility and the understanding that protecting the interests of our security holders is the number one priority for our business.

Stockland aims to take a conservative approach both financially and strategically. The group's focus has always been on sustainable growth, not growth for growth's sake.

The diversity of our investments means we are confident that Stockland is well placed to generate consistent profits through the cycles. A sense of balance and proportion also extends to the geographic spread of Stockland's properties.

GOVERNANCE

Looking after our security holders' interests is not just about returning a profit. Stockland strongly believes that corporate responsibility and sustainability are key long term drivers of security holder value.

We have a proactive, experienced Board with a range of talents and skills. We also have an outstanding management team and, importantly, we are quite clear on the respective roles and responsibilities of Board and management.

SUSTAINABILITY

Our business is closely linked to the communities in which we operate and we aim to be valuable members of those local communities. Our goal is to produce not only environmentally sustainable developments, but vibrant and appealing communities.

We work hard with governments, industry and community groups to develop clear strategies for the growth of Australia's major cities.

Right: Riverside Plaza, Stockland's prime grade office building located on 452 Flinders Street in Melbourne.

We recently received recognition for our commitment to sustainability when we were named GreenSmart Building Professional of the Year by the Housing Industry Association. This award recognises the best overall application of an environmentally responsible approach to residential development in Australia.

RISK MANAGEMENT

The Board and management team apply a rigorous risk management approach to all that we do. In terms of acquisitions, we are quick to capitalise on opportunities, but only after careful consideration about whether they fit with our goal of balancing our portfolio across sectors and regions, and only after extensive due diligence.

Our successful tender for the Lensworth residential portfolio is an example of this. This acquisition is a neat and almost perfect fit for our residential communities business.

Stockland's offer for General Property Trust ("GPT"), for example, was mindful of the interests of both parties. As a result, we did not pursue this acquisition beyond what we thought was reasonable.

This conservative approach to acquisitions does not mean we are averse to change – as the first stapled security, we have a track record of innovation that benefits security holders and those with whom we do business.

CHAIRMAN AND BOARD SUCCESSION

After five years as Chairman, I have decided to retire. It is with pleasure that I announce Graham Bradley as the new Chairman.

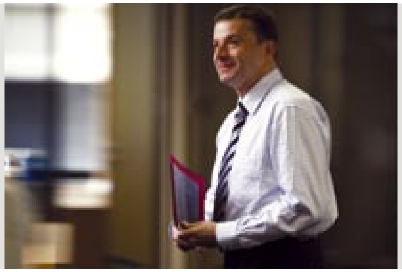
Graham has impressive credentials, having been an active Non-Executive Director following an outstanding executive career culminating as CEO of Perpetual Trustees.

Our succession plan implementation, both at management and Board levels, has proceeded extremely smoothly and successfully. We are confirming the process of Board rejuvenation with the appointment of appropriately qualified and experienced people. In this vein, I am delighted to welcome our most recent Board appointee, Peter Scott, who comes to us with a wealth of property and funds management experience.

Effective Board sub-committees will continue to add value to the business and make best use of directors' expertise.

I leave Stockland in great shape and with great pride in what we have achieved. I am very confident in the capability of the Board of Directors and management to enhance our success even further.

PETER DALY
CHAIRMAN



MATTHEW QUINN, MANAGING DIRECTOR

All of our businesses achieved excellent profit growth during the year, setting a solid platform for continued strong performance in the future.

HIGHLIGHTS

- Record profit of $517 million* for the 2005 financial year
- Creation of our new Unlisted Property Funds business
- Positive Employee Engagement score of 82 per cent, outperforming the Australian and the Global High Performance Companies norm.^

*Before amortisation of goodwill on acquisition of ADP and unrealised gains and losses on financial instruments and capital profits on the sale of investment properties.

^ International Survey Research: 2005 Stockland Employee Survey.

PERFORMANCE

During the 2005 financial year, Stockland balanced strong financial performance from our existing businesses with expansion of our asset and income base to provide solid platforms for the future.

Our strong financial performance was driven by excellent leasing results from our Commercial, Industrial and Shopping Centre businesses, and strong sales from each of our residential businesses, in a tough market.

We also increased the overall quality of our assets through the divestment of $271 million of non-core investment properties.

COMPETITIVE ADVANTAGES

A number of competitive advantages drive Stockland's performance.

The first is our focus on the active management of all our properties. Our in-house management ensures we create ongoing value and get the most out of these properties for our security holders.

The second is the diversity of our employees and our culture of engagement, where a collaborative approach to working together across the divisions adds to our performance and lifts security holder returns.

And the third is the quality and diversity of our assets both by property type and by geography.

DIVISIONAL HIGHLIGHTS

Our **Shopping Centre Division** continues to focus on unlocking the value of our $700 million plus development pipeline. This capital expenditure delivers higher rates of return than the underlying valuation capitalisation rates for the assets and therefore adds real value.

Our **Commercial and Industrial Division** has "de-risked" its portfolio through the acquisition of high quality assets and by enhancing our lease expiry profile through high tenant retention. The division also commenced development of the Optus Australian headquarters in Sydney's Macquarie Park, which represents Australia's largest single tenant lease, with an end value of $351 million.

Right: The acquisition of Lensworth further strengthened our residential development business, adding many high quality masterplanned projects which are complementary to our existing portfolio, including the Kawana Waters projects. Located on Queensland's Sunshine Coast, the Kawana Waters development offers residential lots for various household types, industrial and commercial land and a town centre site.

Our **Development Division's** highlight during the year was the acquisition of Lensworth, giving Stockland the largest pipeline of residential projects of any property group in Australia. The acquisition creates an outstanding platform to generate future profits, and offers many business synergies, as the Lensworth projects are in locations where we were previously under-represented.

While there has been some softening in the residential markets around Australia, we had foreseen these conditions for some time and had planned accordingly, with the appropriate risk management strategies in place to ensure we are well positioned to continue to perform in this environment.

Over the year, the **Saville Hotel Group** increased room rates and occupancy levels and achieved record profits.

Our new **Unlisted Property Funds Division** was launched this year, providing a number of strategic benefits for the group:

- Extending our brand reach
- Broadening our investor base
- Providing new fee income streams
- Acting as a capital partner to enhance our asset base.

This new division has already launched three unlisted funds with an end asset value of $370 million and many Stockland security holders have also become investors in these funds.

SUSTAINABILITY

Stockland believes that corporate responsibility and sustainability are about creating value for the long term – for our security holders, the communities in which we do business, our customers and business partners. With this ethos in mind, we are laying foundations for the future, building quality into every project with which we are involved.

This approach has a number of benefits:

- The creation of high quality, high value assets
- Enhancing our market reputation
- Generation of repeat business
- Stronger relationships with governments.

POSITIONED FOR THE FUTURE

Each of our divisions is well placed for the future. Our shopping centre, commercial and industrial properties have strong lease profiles, enabling us to generate solid income growth. Our residential businesses are well placed to deal with current market softening, with diversification built in to the portfolio's geographic mix.

From this foundation we will continue to capitalise on our position as one of Australia's leading property groups.

In the next year our focus remains on striking a balance between short term annual goals and medium to long term strategic objectives. We are confident we will achieve this balance, as we have this year.

I would like to thank everyone in the Stockland team. Our people have a strong culture of performance and teamwork, regularly putting in the extra effort needed to achieve business results. This year's results reflect their commitment.

Finally, I would like to recognise our Chairman Peter Daly, who has announced his impending retirement. Peter has been a cornerstone of Stockland's success for over 30 years. It is testimony to his dedication to Stockland that he has ensured a smooth succession of the Chairman's role and I look forward to working equally as closely with our Chairman elect, Graham Bradley, to ensure Stockland's continued success.

MATTHEW QUINN
MANAGING DIRECTOR

BOARD OF DIRECTORS

Left: Matthew Quinn, Managing Director
Hugh Thorburn, Finance Director

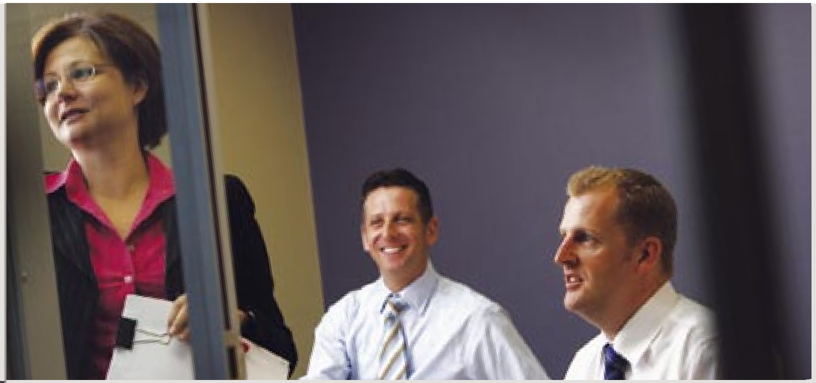
Our Board's focus remains on strategy, governance and risk management.

Left: Terry Williamson, Non-Executive Director
Bruce Corlett, Non-Executive Director

Left: Peter Scott, Non-Executive Director
David Fairfull, Non-Executive Director

Left: Nick Greiner, Deputy Chairman (Non-Executive Director)
Peter Daly, Chairman (Non-Executive Director)
Graham Bradley, Chairman elect (Non-Executive Director)

EXECUTIVE TEAM



Left: Lisa Scenna, Executive General Manager, Strategy and Corporate Development
Darren Steinberg, CEO, Shopping Centres
Robb Macnicol, CEO, Unlisted Property Funds

Left: Hugh Thorburn, Finance Director
Matthew Quinn, Managing Director
Rilla Moore, Executive General Manager, Human Resources

Our executive team delivers on strategy by seizing market opportunities while balancing annual goals against long term strategic objectives.

Left: Denis Hickey, CEO, Development Division
Steve Mann, CEO, Commercial and Industrial

COMMERCIAL AND INDUSTRIAL

HIGHLIGHTS

- Operating profit of $220.1 million
- Comparable net income growth of 3.5 per cent, driven by high occupancy and strong leasing results
- Commencement of the new Optus Australian headquarters campus in Macquarie Park – Australia's largest single tenant lease and a development with an end value of $351 million
- The Stockland Service Centre was recognised in the 2005 Facilities Management Association Award for Excellence
- The Commercial portfolio includes 28 office properties, valued at $1.8 billion
- Our Industrial and Office Parks business is a diverse portfolio of 25 properties, valued at $835 million.

Commercial and Industrial Division Executive Team L-R:
Craig Mitchell, GM Finance
Christine Callinan, GM Marketing
James Mah-Chut, GM Development
Steve Mann, CEO
George Websdale, GM Commercial
Greg Cohen, GM Industrial and Office Parks

Left: Northpoint, North Sydney, has spectacular harbour and city views with natural light on all sides.

Right: Stockland has commenced the development of the new Optus campus-style headquarters at Macquarie Park and construction is well underway at this site.

PERFORMANCE HIGHLIGHTS

The Commercial and Industrial Division ("C&I") reported strong financial results with an operating profit of $220.1 million and medium term business growth through strong leasing and de-risking expiries, the sale of non-core commercial assets and unlocking the Industrial and Office Parks development pipeline.

In our commercial portfolio, we leased 95,000m^2 and had a vacancy rate at 30 June 2005 of only 2.9 per cent. We have de-risked lease expiry and vacancy through to FY06 from 29 per cent to 10 per cent during the period.

In our industrial portfolio, we leased 318,000m^2 and vacancies were negligible. We have de-risked lease expiry and vacancy through to FY06 from 34 per cent to 10 per cent during the period.

We were pleased to announce the commencement of the $351 million development of Optus' new corporate headquarters in Macquarie Park – Australia's largest single tenant lease of 84,000m^2 and a major development project for Stockland.

The globally benchmarked all-in-one village will comprise six low-rise buildings in naturally landscaped surrounds with retail facilities, a child care centre, gymnasium, food court and parking for 2,100 cars.

We completed one of the largest leasing deals in the Sydney industrial market with a 15 year pre-lease to a blue chip tenant at Greystanes for 36,000m^2.

FOCUS

The division leased over 410,000m^2 of commercial and industrial accommodation during the year. Our strong leasing success is achieved through our dedication to providing outstanding customer service to our tenants.

Consolidation of the Stockland Service Centre ("SSC") allowed us to continue with best practice servicing of buildings and meeting tenants' needs. As testament to our outstanding SSC, we won the 2005 Facilities Management Association Award for Excellence.

Left: Colonial Centre is a landmark property located in the financial core of Sydney's CBD.

Right: Stockland purchased Prestons Industrial Estate in March 2005. The property comprises three modern industrial warehouse buildings and is located in close proximity to the M5 Motorway and the Westlink M7, due for completion in 2006.

We will build a greater national presence and continue to provide best practice customer service and tailored accommodation solutions.

	Stockland Portfolio	Market Vacancy	Stockland Vacancy
Sydney CBD	42%	10.1%	**5.7%**
North Sydney	14%	11.2%	**7.7%**
Sydney Suburban	10%	11.2%	**1.1%**
Melbourne CBD	9%	7.7%	**0.0%**
Brisbane CBD	9%	3.9%	**0.3%**
Canberra	8%	2.9%	**0.0%**
Perth CBD	4%	9.5%	**2.2%**
Adelaide CBD	4%	7.3%	**0.0%**

Source: Property Council of Australia (July 2005)

In Industrial and Office Parks, we secured pre-leases for more than 60 per cent of the $600 million industrial development book, including projects at Macquarie Park, Yennora and Greystanes.

We launched our industrial projects business, which will manage corporation development properties to be actively traded. This initiative will allow us to focus the business towards solutions for corporate partners, provide greater access to investment product and value add to the group's masterplan projects.

This year, we conducted tenant research as part of our Customer Relationship Management strategy. The enhanced understanding of tenant needs resulting from this research helps us deliver excellence in service and accommodation solutions.

CHALLENGES

Commercial

The office market has endured three years of negative absorption. In 2004 this turned around and we are now experiencing positive absorption across the CBD markets. The market continues to be challenging as we are now in the middle of a supply cycle and effective rental growth is limited.

Continued active management, consistent with our strategy to increase the quality of the portfolio, led to the sale of seven non-core commercial assets, with a total value of $192 million ($5.8 million above book value). The Commercial portfolio now comprises 72 per cent prime-grade assets.

Industrial

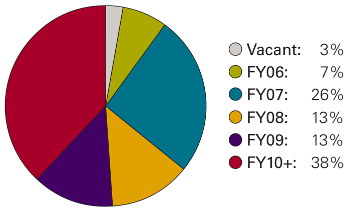
Strong growth in land values across the eastern seaboard, increased construction costs and a shortage of prime space is placing upward pressure on industrial rents.

To take advantage of these favourable market conditions, we purchased two industrial facilities with a total value of $37 million in the highly sought after western Sydney markets of Prestons and Lidcombe. These acquisitions further strengthen the quality of the portfolio and enhance the lease expiry profile with long lease terms.

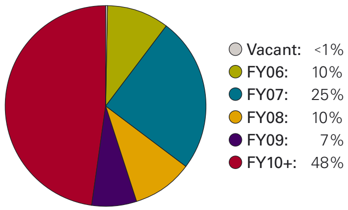
STRATEGY

We intend to build a greater national presence that will enhance our ability to provide customers with national accommodation solutions. The increased focus and depth in state-based operations will also be leveraged across the group's masterplan projects.

COMMERCIAL
Lease Expiry Profile – June 2005



INDUSTRIAL AND OFFICE PARKS
Lease Expiry Profile – June 2005



This will help unlock industrial and office park opportunities in our residential communities, such as North Lakes in Queensland, which has 55 hectares of industrial zoned land.

Following the successful sell-down of 50 per cent of Waterfront Place to Stockland Direct Office Trust No. 1, via our Unlisted Property Funds Division ("UPF"), we will actively source further product for UPF, particularly in the commercial office market.

As part of Stockland's commitment to the environment, we have made substantial progress in reducing energy and water usage and waste to landfill and have set targets for improvement in sustainable building management.

We will continue to foster our customer culture in line with Stockland's strategy to leverage customer relationships across the group. We will build on the capability of the SSC to provide best practice customer service with new initiatives including a risk management arena and a web-based tenant portal.

OUTLOOK

Commercial

Increasing business investment is expected to see tenants move into an expansion phase at a measured pace in the environment of increased new supply.

Brisbane is the standout market, with low vacancy, high tenant pre-leasing for new stock under construction and the forecast is for solid white collar employment growth to continue.

The acquisition of Waterfront Place in 2004 allows us to take advantage of strong rental growth in the Brisbane market.

The decentralisation trend to suburban markets is likely to continue. The strongest effect of this trend is likely to be in the Sydney market, as businesses seek the significant rental savings available by moving their operations from CBD locations. The Macquarie Park development portfolio, including two sites with development approval for 40,000m^2 of office parks, puts us in a good position to capitalise on this trend.

Industrial and Office Parks

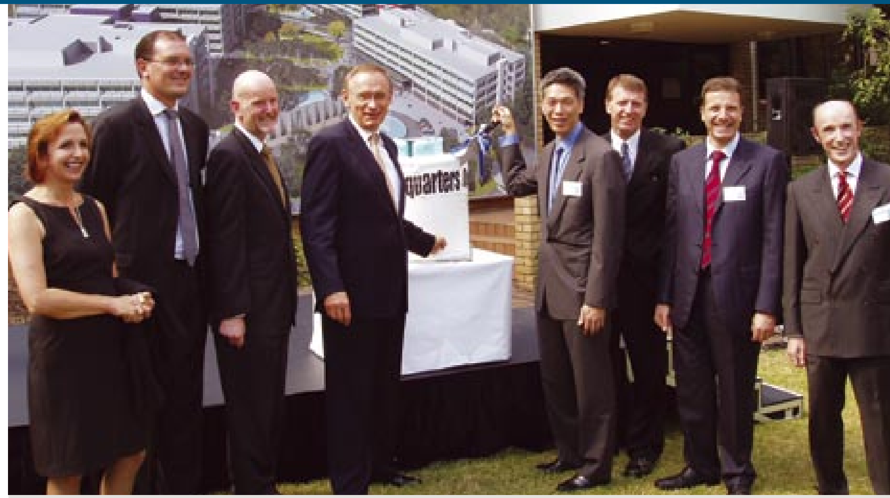
An increase in tenant demand combined with the current shortage of existing industrial stock is anticipated to place ongoing upward pressure on rents. We intend to capitalise on these conditions with our in-house development expertise by continuing to unlock our $600 million development pipeline.

Further, we will continue incubating the industrial projects business through acquisition, development and masterplan projects.

We will leverage our geographic-based cluster management model and highly skilled team to provide national and tailored accommodation solutions for our customers.

A culture of high performance and innovation is critical to achieving our business goals. We will continue to nurture and develop this culture to support our business performance into the future.

STEVE MANN
CEO, COMMERCIAL AND INDUSTRIAL



CASE STUDY

BIG BEGINNINGS: OPTUS AT MACQUARIE PARK

Situated within 15 kilometres of the Sydney CBD, the Macquarie Park development is a leading example of Stockland's dedication to developing innovative built environment solutions.

Due to be completed in 2007, six state-of-the-art campus style office buildings will become the Australian headquarters of telecommunications company Optus.

The Macquarie Park campus, being developed by Stockland's Commercial and Industrial Division via capital raised with the assistance of Stockland's newly formed Unlisted Property Funds Division, demonstrates the unique synergies and cooperative spirit within our group.

We believe projects like Optus at Macquarie Park are a hallmark of an integrated property company, and also help to set new benchmarks in quality and innovation for our future large-scale property projects.

Above L-R: Diane Beamer, Former Minister assisting the Minister for Planning, **Steve Mann,** CEO Commercial and Industrial, **Terry Perram,** Mayor of Ryde, **Bob Carr,** Former NSW Premier, **Lee Hsien Yang,** CEO and President SingTel, **John Watkins,** Member for Ryde, **Matthew Quinn,** Stockland Managing Director, **Paul O'Sullivan,** Optus CEO.

SHOPPING CENTRES

HIGHLIGHTS

- Divisional operating profit up 7.5 per cent to $214.2 million
- Portfolio total return of 16.3 per cent
- Vacancy rates remained low at 0.3 per cent of Gross Lettable Area
- Portfolio includes 40 retail properties, valued at more than $3 billion
- Sales turnover is more than $4 billion per annum
- Annual retail sales growth of 4.1 per cent (comparable), with specialty shop sales increasing by 6.3 per cent (comparable).

Shopping Centres Division Management Team L-R:
Tim Atkins, GM Retail Development
Richard Coller, GM Marketing
Campbell Holmes a Court, GM Leasing and Retail Management
Darren Steinberg, CEO
Tony Gilchrist, GM Development and Acquisition
Nick Travaglini, GM Finance

Left: This year we opened the first stage of the redevelopment of Stockland Bay Village in Bateau Bay, New South Wales

Right: We acquired The Pines shopping centre in East Doncaster, Melbourne this year.

PERFORMANCE HIGHLIGHTS

This year we reported a 7.5 per cent increase in operating profit to $214.2 million, another outstanding year for the Shopping Centre Division.

The year has been a challenging one for many retailers, with consumer spending coming off record highs and moving to more sustainable levels. Despite this moderation in spending patterns, our management and development skills have ensured the portfolio continues to provide steady returns.

We pride ourselves on maintaining low vacancy rates compared with industry norms, and achieving comparable income growth year-on-year. This year our vacancy factor is just 0.3 per cent, the equivalent of 23 shops (of a total 2,700), and the division's comparable net income growth is 4.6 per cent.

Five Stockland centres are ranked in the top 10 nationally for specialty, sub-regional turnover (by dollars per square metre per annum*).

*Shopping Centre News Little Guns 2004 (vol 22, Number 5, 2004).

Stockland's Bay Village centre on the New South Wales Central Coast was ranked first in this category and others ranked in the top 10 include our centres in Caloundra, Queensland; and Green Hills, Merrylands and Nowra in New South Wales.

We place a great deal of emphasis on our community-based marketing strategies, and believe these are crucial to the long term success of our centres.

Stockland Shopping Centres received two marketing excellence awards during the year. The development of Piccadilly Centre in Sydney's CBD received an Australian Marketing Institute Award for a Product Launch, and the Property Council awarded Stockland Parabanks shopping centre in Adelaide a marketing award for the "Supporting Youth Opportunities" community programme.

This programme offers local youth an opportunity to gain experience and skills that will help them compete in the workplace for employment.

Left: Redevelopment of Stockland Burleigh Heads started this year.

Right: We completed an extensive refurbishment of Stockland Bathurst this year.

We have achieved significant income growth throughout the portfolio this year.

FOCUS

Our focus during the year has been on deriving income from the existing portfolio and the delivery of our development pipeline.

By continuing to drive sales and traffic through our centres, and forging strong relationships with retailers, we have achieved significant income growth throughout the portfolio.

We completed more than 570 leasing transactions and have successfully completed and launched our Batemans Bay, Botany and Bathurst developments this year. We have also completed and opened the first stage of developments at Bay Village and Burleigh Heads.

In the year to come, we hope to commence redevelopment in our centres in Forster and Merrylands in New South Wales.

We understand that, to be successful in a competitive retail environment, we must continually review and improve the offer we provide to customers. By doing so, we also increase the retail choices available, especially in regional communities.

Redeveloping existing centres not only improves the retail offer but also creates jobs and injects significant capital investment into local economies.

During the year, the division negotiated the purchase of The Pines shopping centre from Westfield in East Doncaster, Melbourne – a project that provides us with increased representation in the Victorian market.

CHALLENGES

Economic conditions tightened and sales growth began to flatten from high levels. With this moderation expected to continue, consumer spending patterns are returning to long term averages. This will require us to have a greater focus on incremental sales and traffic generators.

Our strategy requires year-on-year growth. With a lack of appropriate acquisition stock, we have placed greater emphasis on completing developments within our existing portfolio, in order to achieve this growth.

STRATEGY

As owners, managers and developers of sub-regional shopping centres throughout Australia and New Zealand, our vision is to be acknowledged as a market leader in management, marketing, development and leasing, and our results reflect this vision.

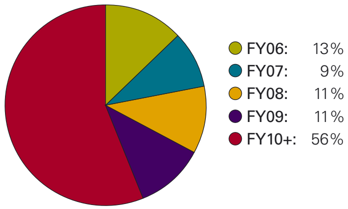
We will concentrate on strategically developing our existing assets whilst unlocking both rental and capital growth.

We will continue to leverage existing infrastructure and capability to drive the development pipeline, as well as delivery of projects already underway, such as Bay Village, Burleigh Heads and Glendale.

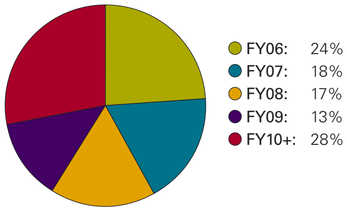
We intend to continue to add value to our centres through ongoing active management, marketing, leasing and development.

We are also partnering with other Stockland divisions, leveraging our capabilities across the group to maximise returns to security holders via the development of mixed-use projects, such as Totem in Balgowlah, New South Wales and the new Tooronga Village precinct in Melbourne.

SHOPPING CENTRES
Lease Expiry Profile – **Total GLA**



SHOPPING CENTRES
Lease Expiry Profile – **Specialty GLA**



While our primary focus will be on organic income growth, we will also target appropriate acquisition opportunities when they arise. Risk exposure is a key focus – we aim to reduce risk and increase safety through a range of measures.

Mindful of industry surveys indicating that feeling comfortable and safe are major issues for shopping centre customers, we have taken actions to enhance our customers' shopping experience.

Our response to the industry feedback includes participating in the Shopping Centre Council of Australia Committee, which collaborated with the University of Western Sydney on the development of a Youth Shopping Centre Protocol.

We have also started to redesign shopping centres to include rest and meeting areas and expanded parking for people with a disability and parents with children in prams.

We will also maintain a commitment to strong governance, and to fostering a performance-based culture.

OUTLOOK

Our portfolio is well positioned to continue to perform strongly in a moderating specialty sale environment.

Our specialty retail performance delivers high dollar per square metre returns. Coupled with lower than industry benchmark occupancy costs, this will help protect our performance and market share.

We will continue to deliver high quality retail environments to our customers through a combination of ambience, services, safety, convenience and value.

DARREN STEINBERG
CEO, SHOPPING CENTRES

CASE STUDY

LESS PLASTIC: STOCKLAND LEADS THE DRIVE

In 2004 Stockland, in conjunction with Clean Up Australia, was the first national shopping centre owner to launch a national initiative to reduce the use of plastic shopping bags.

Our centres have now sold more than 123,000 Stockland-branded environmentally friendly reusable shopping bags around Australia. The best performing centres have been Stockland Glendale, Green Hills, Shellharbour, Jesmond and Rockhampton.

We were proud to be joint winner of the 2004 Collex/Clean Up Australia Plastic Bag Reduction Initiative Awards (Business Category) presented by the New South Wales Government, in conjunction with Clean Up Australia.

To make it even easier for customers to say no to plastic bags, some Stockland shopping centres have introduced unique new vending machines that enable shoppers to purchase reusable bags at their convenience.

We will continue to focus on introducing further environmental initiatives in our shopping centres in the future.

DEVELOPMENT DIVISION

HIGHLIGHTS

- Operating profit of $197 million, an increase of 25.3 per cent
- Australia's largest residential developer with 83 projects representing more than 65,000 lots with an end value of over $14.5 billion
- Successful acquisition and integration of the Lensworth property portfolio
- Seven new projects launched to market
- Received numerous industry awards for excellence in design, sustainability and marketing.

Development Division National Executive Team L-R:
Matthew Mears, GM Acquisitions and Business Development
Nick Perrignon, GM Residential Communities WA
Todd Johnsen, GM Retirement Living
Terry Crawford, GM Residential Communities QLD
Cameron Alderson, GM Residential Communities VIC
Denis Hickey, CEO
Michael Corcoran, GM Marketing and Design
Nick Duncan, GM Residential Communities NSW
Hugh Martin, GM Apartments
Absent: Anthony Warn, GM Finance

Left: The Point, our beachfront development on the New South Wales south coast.

Right: Highlands Craigieburn, a masterplanned community located in Melbourne's northern suburbs.

PERFORMANCE HIGHLIGHTS

Stockland's Development Division continued its track record of profit growth, delivering a quality operating profit of $197 million this financial year, an increase of 25.3 per cent over last year's result.

Key to our success has been the acquisition programme undertaken over the last four years. These acquisitions enabled the division to build a robust, diversified, national portfolio and has provided revenue momentum as new projects come to market. The acquisition of the Lensworth business in December 2004 helped ensure that we are well positioned, strategically and geographically, to manage the business through the short and medium term property cycles.

At the start of the year, we predicted the residential market on the eastern seaboard would slow further and we planned for this slowdown. We focused on responding early to market trends, maintaining our customer service and consistently reinforcing our brand strength. As a result, we were able to deliver a strong result in line with investor expectations.

A highlight for the year was the successful acquisition and integration of the Lensworth business, which added 17 high quality, long term projects and complemented our existing Stockland portfolio.

The Lensworth developments are masterplanned, urban community-based projects located in key growth corridors where Stockland was under-represented. Many of the communities are well established but contain significant remaining opportunities for growth. Projects include:

- North Lakes, a 4,000 lot masterplanned community in Brisbane, Queensland
- Highlands Craigieburn, a 7,000 lot masterplanned community in Craigieburn, Victoria
- Wallarah, a 1,700 lot masterplanned community in Lake Macquarie, New South Wales
- Caloundra Downs, a potential 12,000 lot major community development in Caloundra, Queensland.

Left: Located 24 kilometres south of Perth's CBD, The Sanctuary provides quality housing in a natural bushland setting.

Right: The Boardwalk offers beachside living at Mount Coolum on Queensland's Sunshine Coast.

The Development Division delivered another year of profit growth, underpinned by strong sales and a successful acquisition programme.

Another highlight for the year was our agreement to purchase and redevelop, subject to local council approval, the iconic Coles Myer Tooronga site, located in Glen Iris just seven kilometres south east of the Melbourne CBD. This 10 hectare precinct will include the redevelopment of the existing Tooronga Village Shopping Centre and will feature over 600 residential houses and apartments.

Throughout the year, the Development Division was recognised for the successful design, delivery and marketing of some of Australia's best value addresses, winning numerous awards including:

- 2005 Housing Industry Association National GreenSmart Professional of the Year Award: Recognising the most environmentally responsible approach to residential development
- 2005 Urban Development Institute of Australia ("UDIA") Queensland Awards: Winner, Masterplanned Community category for North Lakes
- 2004 Western Australia UDIA Awards: Winner of the Judges Award for The Sanctuary, Western Australia
- 2004 New South Wales UDIA Awards: Winner, Design for Water and Energy Sustainability Category for the Stockland Smart Living Display Village at Bridgewater and Winner, Marketing Category for Abode apartments, Sydney
- Australian Institute of Landscape Architects Victorian Awards: Commendation for Planning for Mernda Villages Landscape Masterplan.

In 2005, we instigated a Customer Interface Policy, which involves all our people spending several days per year providing face-to-face service to customers. This is all part of our focus on gaining a better understanding of our customers and in turn delivering better service.

FOCUS

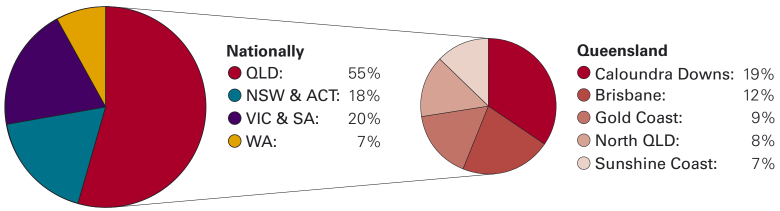
Stockland is now Australia's largest residential developer, with 83 residential and mixed-use projects across Australia, including more than 65,000 lots with an estimated end value of $14.5 billion.

Our diverse portfolio provides key strategic advantages that benefit the business over our competitors and we will continue to build on this foundation to ensure we are well positioned for the future.

We are committed to executing our "future-focused" strategy which centres on creating a diverse and robust portfolio of projects, coupled with strengthening the quality of our team who deliver these projects and continuing to build our brand equity.

We remain focused on training and developing our people to ensure they are skilled appropriately to deliver our future goals. The integration of the Lensworth people into our business has also enhanced our capabilities and created a truly dynamic team.

GEOGRAPHIC DIVERSITY
Total Lots: 65,000



CHALLENGES

The acquisition and integration of Lensworth was a major undertaking. At the core of the successful integration was our preparation and ability to leverage the skills and existing infrastructure of the whole group.

The softer than expected New South Wales market also presented a challenge over the year. Despite this, we capitalised on the geographic spread of our properties across Australia to return a steady consolidated performance.

STRATEGY

Our goal is to continue to be recognised and respected as Australia's market leading property development group.

Our strategic direction over the coming years is:

- Continuous improvement and growth in our financial performance
- Implement a division-wide operational efficiency programme to drive economies in overheads, increase productivity and improve customer experience
- Build strategic platforms to leverage new and existing revenue opportunities across Stockland's broader business
- Implement a high-performance culture that attracts, develops, rewards and retains the best people
- Build on our position as the largest and best residential developer
- Continue to incorporate environmentally sensitive and best practice design principles in all that we do.

OUTLOOK

The residential market in Australia comprises a series of sub-markets from a geographic, demographic and product perspective. As a result, the market does not behave consistently across segments and contrasting state economic outlooks provide opportunities in various markets.

We have a good understanding of the market dynamics across Australia and have taken these into account in our forecasts for our business in the year ahead.

Throughout last year, we progressed many new projects through the design and approvals phase, and we have the potential to release 17 new projects to market in the 2006 financial year.

Our outstanding performance in 2005 has ensured we are well positioned to deliver our objectives and consistent growth in the future.

DENIS HICKEY
CEO, DEVELOPMENT DIVISION

CASE STUDY

WORKING TOGETHER TO ACHIEVE SUSTAINABILITY

This year we announced the launch of two exciting joint venture project partnerships with Landcom, the New South Wales State Government developer.

The former Prince Henry Hospital in Sydney will be transformed into an integrated coastal community showcasing environmentally sustainable design excellence. The development will feature the readaptation of heritage buildings and the latest in solar and other energy and water sensitive design initiatives. The project has also seen the development of the Residential Comfort Index ("RCI"), a programme that goes beyond energy and water saving to also evaluate thermal performance, air quality, acoustics and view opportunities for each individual apartment.

Another joint venture with Landcom, Macarthur Gardens in south western Sydney, is the first masterplanned development that is fully compliant with the Government's Building Sustainability Index ("BASIX") programme. All homes will feature state-of-the-art water management solutions, and energy saving techniques to maximise solar energy and ventilation.

These projects demonstrate the success of government and the private sector working together to add value to the local community.

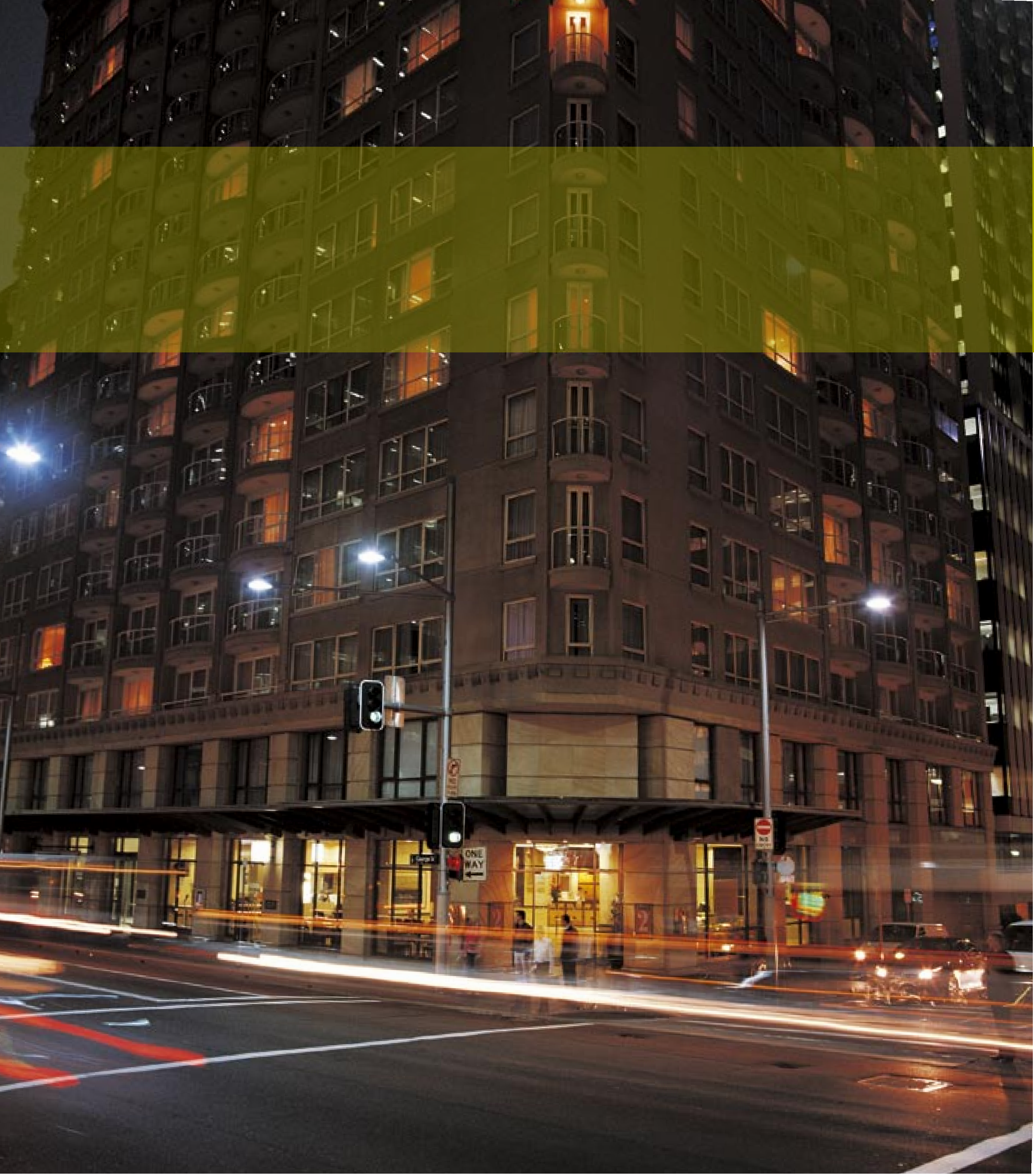
Above L-R: Little Bay Beach, Former Prince Henry Hospital site, **Macarthur Gardens,** Campbelltown.

SAVILLE HOTEL GROUP

HIGHLIGHTS

- $5.3 million operating profit
- 76 per cent occupancy at an average room rate of $144 per night
- Expansion of the Deluxe brand with the launch of Saville Southbank, Brisbane, due in late 2005.

Saville Hotel Group Management Team L-R:
Brigid Kennedy, Group Director of Marketing
Greg Sear, CEO
Cherie Carroll, GM Human Resources
Craig Malcolm, GM Finance and Administration



Left & Right: Saville 2 Bond Street, in the heart of Sydney's CBD.

PERFORMANCE HIGHLIGHTS

Saville has performed well in both the corporate and leisure markets, delivering a healthy return on funds invested and an operating profit of $5.3 million.

Conditions in the international market have stabilised and we have continued to grow our share of the market. All 10 hotels performed well over the year.

During the year, we focused on the development of the City Suites brand to broaden the range of product for corporate and leisure clients. Saville now has three brands – Deluxe, Park Suites and City Suites.

The three brands will ensure that Saville clients can experience three distinct levels of quality apartment accommodation Australia-wide.

The new Deluxe property, Saville Southbank, will open in late 2005. This property is ideally located to attract corporate and leisure travellers, adjacent to the Brisbane Convention and Exhibition Centre and within walking distance to the Queensland Performing Arts Complex, the State Art Gallery and the Queensland Museum. Saville Southbank will also feature a restaurant, lap pool and gymnasium.

Saville City Suites, launched in April 2005, is targeted at travellers on a tighter budget, and includes the division's three and a half to four star properties.

The new brand was launched with the acquisition of the Metro Hotel East Melbourne. After extensive refurbishment, the hotel was rebranded Saville City Suites East Melbourne. To ensure consistency between brands, we also rebranded the Adelaide property to become Saville City Suites Adelaide.

	2004 Financial Year	2005 Financial Year
Occupancy	75%	**76%**
Average Room Rate per night	$146	**$144**
Operating Profit	$4.8 million	**$5.3 million**

Left: The new Saville Southbank, Brisbane.

Right: At Saville, our people are our competitive advantage.

Saville Hotel Group achieved a record-breaking result this financial year.

FOCUS

Over the year our focus has been on generating higher revenues. We have achieved this with a national focus on training to help our people retain existing high yield customers and acquire new customers.

We achieved our aims of delivering strong bottom line performance and a consistent, quality product with high service standards to guests.

Ongoing training and development for our people is critical to ensuring Saville consistently delivers extraordinary service every day. Customers regularly comment that our people are our competitive advantage. We aim to recruit, train and mentor enthusiastic, dynamic and committed individuals. Our culture is based on achieving "extraordinary every day" through attention to employee motivation, mentoring, managing and team spirit. Our focus on training supports this culture by encouraging all team members to perform at their best.

We will continue to focus on the development of our career succession planning and talent management programmes, as well as the introduction of leadership attributes.

To develop future leaders, we will implement our Corporate Management Traineeship Programme.

Staff recognition programmes and service awards will continue to honour extraordinary team members.

During the year we also achieved compliance with national occupational health and safety ("OH&S") guidelines.

CHALLENGES

Due to an oversupply in some Australian cities, it has been difficult to achieve higher yields against competitor hotels who continue to lower their rates in an effort to gain market share.

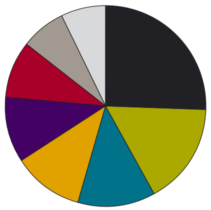
As providers of apartment-style accommodation throughout Australia, we continue to promote the benefits of apartment-style accommodation over traditional hotels to our customers and clients.

STRATEGY

Saville Hotel Group will continue to work closely with Stockland Development Division to look for opportunities to expand the hotel portfolio. The Southbank project was a cross-divisional development with Saville and the Apartments team in Development Division, allowing us to leverage the capabilities and infrastructure of the wider group to deliver profit for both divisions.

We will also work closely with all Stockland divisions and look for synergies through respective customer networks, as well as focusing on improving cost efficiencies by working with Stockland's national procurement processes.

PERCENTAGE OF TOTAL BUSINESS
Financial Year ended 30 June 2005*



Corporate Retail:	26%
Corporate Direct:	16%
Other:	12%
Leisure International:	12%
Government:	11%
Rack Private:	9%
Leisure Package:	7%
Leisure Domestic:	7%

*Number of rooms sold per segment.

Our national sales network continues to maintain strong relationships with domestic and international partners and will develop new strategic alliances in the year ahead.

A key goal for the coming year is to focus on driving room rates to improve hotel yields.

OUTLOOK
Looking ahead, our focus will be on the successful opening of Southbank, Brisbane which will strengthen the Deluxe brand.

We expect the international visitor market to continue to grow while domestic business stabilises in the coming 12 months.

We intend to continue increasing our domestic and international market share through the development of strong wholesale and corporate partnerships.

The launch of Saville Southbank will increase our focus on the conference market.

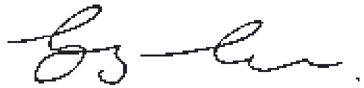
The introduction of low cost airline carriers and cheaper airfares has helped drive the domestic travel market and an increase in hotel occupancies.

The decline in supply of new hotel rooms Australia-wide will also present an opportunity to increase yields in some locations.

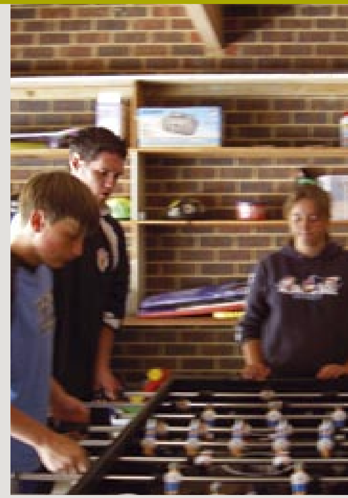
We will work to ensure our product development continues to meet customers' needs and that we are providing the necessary technology for our guests. Existing clients continue to take advantage of the online option for booking accommodation. As a result, there is a steady increase in online bookings across all major market segments.

We will continue to look for growth opportunities by working with Stockland and other developers to expand the Saville brand across Australia.

We will also promote and develop our mission "extraordinary every day" through the ongoing training of our people ensuring we consistently deliver extraordinary service.



GREG SEAR
CEO, SAVILLE HOTEL GROUP



CASE STUDY
SAVILLE AND MIRABEL: OUR SUPPORT CONTINUES

Saville will continue to work with its chosen charity, The Mirabel Foundation. This non-profit organisation helps children who have been orphaned or abandoned due to parental illicit drug abuse and are now in the care of extended family – more often than not, grandparents.

Both staff and customers of Saville support Mirabel through fundraising initiatives and the donation of accommodation.

Mirabel offers a range of support services that provide emotional and practical assistance for children and their kinship families. Services include help with educational needs and activities such as tuition, scholarships and a youth support and mentoring programme.

Ultimately, Mirabel helps ensure children can stay with their family and siblings, and supports carers to provide a secure and nurturing environment.

The Mirabel Foundation is a non-profit organisation. Donations can be made via Mirabel's website at www.mirabelfoundation.com or by phoning 03 9527 9422.

UNLISTED PROPERTY FUNDS

HIGHLIGHTS

- The new division commenced operations in 2004
- Stockland Direct Office Trust No. 1 offered investors a share of Brisbane's Waterfront Place. The offer closed early and oversubscribed
- The wholesale Saville Private Syndicate Trust was established to acquire the new Saville Southbank, Brisbane
- Stockland Direct Office Trust No. 2 was launched in July 2005 offering an interest in the new Optus headquarters at Macquarie Park, Sydney
- Stockland is now positioned to significantly grow its third party funds management business.

Stockland DIRECT

Unlisted Property Funds Management Team L-R:
Daniel Jarosch, General Manager
Robert Fonseca, Finance and Operations Manager
Mark Lumby, Senior Manager
Robb Macnicol, CEO

PERFORMANCE HIGHLIGHTS

Stockland's Unlisted Property Funds business was established to provide investors in direct property with access to a range of unlisted investment opportunities that leverage Stockland's strong property transaction pipeline, property management and development expertise across the property sectors.

The business was successfully launched in 2004 with the $155 million Stockland Direct Office Trust No. 1. This trust offered retail investors a share of Brisbane's premier office building, Waterfront Place. The offer closed ahead of schedule and oversubscribed, marking the launch of our new unlisted retail brand, Stockland Direct.

Stockland's first retail wholesale offer, the Saville Private Syndicate Trust, was launched in the second half of the financial year. The Saville syndicate gave a small group of private investors the opportunity to acquire the new Saville Southbank hotel in Brisbane from our Development Division. The hotel is due for completion in November 2005, when the Saville Hotel Group will commence hotel operations under a 15 year lease from the syndicate.

Left: Waterfront Place, Brisbane's premier office building, 50 per cent owned by Stockland Direct Office Trust No. 1.

Right: Stockland Direct Office Trust No. 2 offers investors an interest in the new Optus headquarters at Macquarie Park, currently under development by Stockland.

Our focus is on becoming a leading manager in both retail and wholesale unlisted property funds.

Our second public offer is the $190 million Stockland Direct Office Trust No. 2. Launched in July 2005, the offer provides retail investors with a unique opportunity to participate alongside Stockland in the ownership of Optus' new Australian headquarters, a campus-style development at Macquarie Park, Sydney.

Each of these funds meets our goal of building a leading unlisted property funds management business providing investors with high quality property investments.

Our philosophy of joint venture asset ownership between Stockland and our managed funds generates opportunities for both Stockland and unlisted investors.

FOCUS

Our focus is on becoming a leading manager in both retail and wholesale unlisted property funds. With this in mind, we will continue to build our suite of products and generate sustainable annuity management fee income for Stockland.

Stockland's commitment to a best practice corporate governance and investor reporting framework underpins the success of the funds issued to date, and the future growth of the unlisted business.

CHALLENGES

In a market where strong competition for assets is causing property yields to compress, we recognise that a major challenge for Stockland is to continue to identify and deliver quality property investment opportunities that meet investor return expectations.

While there has been a steady demand for unlisted property products in recent years, investors have become more discriminating in seeking quality assets and dependable managers.

STRATEGY

We will leverage Stockland's strong transaction pipeline, depth of property expertise and solid management infrastructure to deliver superior performance and establish a reputation for high quality, innovative investment products.

OUTLOOK

Stockland has anticipated the challenges of today's property investment market. We are confident that our strategy and access to a broad range of property opportunities with strong underlying fundamentals will overcome these challenges.

As the unlisted property funds management industry continues to consolidate in an increasingly complex regulatory environment, we are confident Stockland will emerge as one of the sector's leading unlisted property fund managers.

ROBB MACNICOL
CEO, UNLISTED PROPERTY FUNDS

CORPORATE SERVICES

Our disciplined, conservative financial management has yielded positive performance results.

HIGHLIGHTS
A disciplined approach to financial management has ensured Stockland's financial performance indicators remain positive, and within conservative limits set by the Board.

Stockland's debt to Total Tangible Assets ratio remains in the range of 25 to 35 per cent, with a gearing ratio of 27.5 per cent at 30 June 2005.

The proportion of Stockland's Earnings before Interest and Tax ("EBIT") derived from development activities is also within our target range of 20 to 40 per cent.

While managing within target gearing and income ranges, we have retained a Standard & Poor's A- rating, delivered growth in total profit and earnings per share ("EPS"), and importantly, have not changed Stockland's risk profile.

A dividend reinvestment programme was in place for the year's two distributions. Our security holders have reinvested over 50 per cent of their dividends in Stockland.

FOCUS
Capital management has been a critical issue during the year. The Lensworth acquisition was funded by cash flow from operations and short term debt, acquired with a view to longer term refinancing.

Stockland's debt was refinanced to achieve a more even maturity profile, and to extend the average term of the portfolio from five years to seven. The long dated debt portfolio more evenly matches our assets, which typically generate stable returns year on year, over the long term. This debt restructuring was achieved while retaining a competitive weighted average interest rate of six per cent.

The Company Secretariat function continued to address the increasing regulatory and reporting duties of listed companies. Stockland significantly increased the resources dedicated to meeting additional reporting requirements.

Stockland's legal team also faced increasingly complex compliance and legal demands resulting from the growth of complexity, and opportunity, in property transactions – whether acting as a developer, investor or vendor. Our legal needs are met through a combination of in-house resources, supported by external legal firms providing additional capacity and specialist skills.

The Compliance, Audit and Risk Management function also experienced increasing resource demands during the year. Our active risk management helped contain compliance costs, achieve insurance premium savings and avoid potential business risks.

Information Technology continued the long term programme of infrastructure investment to match our technology to a growing staff base, geographic diversity, increasing business need and technological change.

HUGH THORBURN
FINANCE DIRECTOR

HIGHLIGHTS
- Conservative gearing ratio of 27.5 per cent
- Our commitment to an A- Standard & Poor's credit rating remains
- Debt was re-financed to ensure a more even maturity profile.

Corporate Services Management Team L-R:
David Hunt, Group GM Finance, **Phillip Hepburn,** General Counsel and Group Secretary, **Hugh Thorburn,** Finance Director, **Joanna Wakefield,** GM Treasury and Tax, **John Wilkes,** Chief Risk Officer, **Eduarda de Gouveia,** Chief Information Officer, **Johanna Keating,** GM Investor and Media Relations

OUR PEOPLE

HIGHLIGHTS

- Our employee engagement score was 82 per cent, representing how engaged our employees are with the work that they do at Stockland
- Our people are very positive about Stockland's leadership with positive responses from 75 per cent of employees
- 80 per cent of our people reported that they have the opportunity for personal development and growth in Stockland.

Human Resources Management Team L-R:
Rilla Moore, Executive GM Human Resources, **Chris Akayan,** GM Organisational Development

Our ability to attract, develop, reward and retain talented individuals is central to our success.

HIGHLIGHTS

At Stockland we recognise that ultimately our people and the workplace we create will determine how successful we are today and into the future.

Our mission is to attract and retain the best people by providing exciting opportunities for personal development and career progression in a balanced and rewarding working environment. By delivering on this mission, we believe our people will be genuinely engaged in their work and in the values and business goals of Stockland.

Over the year, we have focused on continuing to deliver this mission, increasing the level of employee engagement and remaining an "employer of choice".

At Stockland we believe that actions speak louder than words and so we measure how effectively we deliver on our people's aspirations. The results from our 2005 Employee Survey were outstanding. Key highlights included:

- The category of how engaged our employees are with the work they do came through with a resounding 82 per cent of positive responses
- Our people are very positive about Stockland's leadership with positive responses from 75 per cent of employees
- 80 per cent of our people reported that they have the opportunity for personal development and growth in Stockland.

Whilst the results are outstanding, we use this as an opportunity to identify ways to further improve our workplace.

FOCUS

Stockland has benefited from having a stable and highly experienced senior leadership team. We have enhanced our succession and talent management to ensure we foster a strong pipeline of leaders.

Key achievements included the launch of our leadership programmes and Learning@Stockland, which provides a comprehensive range of learning programmes to support people's career development.

We conducted our first Diversity Census in 2005, giving us an insight into the current make-up of our organisation and providing a baseline from which to develop our diversity strategy.

We enhanced our paid parental leave and opened it up to both male and female employees in the primary care-giving role.

Ensuring Stockland is a safe work environment is a responsibility we take seriously. The implementation of our Safety Management System has been a central focus for our divisions.

Values, culture, career progression and opportunity for development set Stockland apart as an employer in a time of tight labour market conditions and strong competition in our sector.

OUTLOOK

Our people strategy aims to enable our employees to continue to learn, develop and achieve in an environment that is safe, diverse and values-driven. Our goal is to continue to attract and retain talented people who share a passion for our industry.

Rilla M Moore

RILLA MOORE
EXECUTIVE GENERAL MANAGER
HUMAN RESOURCES

Corporate Responsibility and Sustainability demands an enterprise-wide approach to all our stakeholders.

Our approach to incorporating sound Corporate Responsibility and Sustainability ("CR&S") practices into our business is to consider our impact on the environment and community in which we operate, and to ensure we operate with integrity.

OUR CUSTOMERS

Our customers are as diverse as our property portfolio. We strive to provide outstanding customer service that fully meets the individual needs of our customers.

The safety, comfort and convenience of our customers is our paramount concern.

Our **Development Division** has a policy of ensuring everyone in the division spends several days a year getting to know customers, providing face-to-face service. On our larger masterplanned projects, community liaison officers work on site to serve customers long after the development is complete.

Saville Hotels express the importance of customer service through the motto, "extraordinary every day". We measure our performance against this goal in a number of ways, including mystery shopping and phone surveys.

OUR PEOPLE

We take seriously our "employer of choice" reputation and believe our values and leadership attributes set us apart from our peers.

Ensuring we have happy, diverse, engaged people with balanced lives underscores our people management philosophy.

Our annual employee survey confirms that our people view Stockland as having a positive culture in which organisational values have real substance. We are committed to monitoring the satisfaction levels of our people in order to guide and develop our management approach.

An overwhelming majority of our people reported their division operates with integrity in its internal dealings with employees and external dealings with tenants, customers and suppliers.

These are results we are proud of, and metrics we intend to consistently measure.

An important element in our approach to our people is Occupational Health and Safety ("OH&S"). This year we implemented a comprehensive Safety Management System ("SMS") to ensure the highest standards are maintained across the business.

The Board monitors OH&S performance on measures such as Lost Time Injury Frequency Rate, Significant Incidents, Safety Training Attendance and Safety Compliance Levels.

OUR PARTNERS

Our business is often delivered in conjunction with partners. Our commitment to partners is that we will deliver exceptional outcomes by sharing innovation and knowledge through rewarding relationships.

The **Commercial and Industrial Division ("C&I")** has partnered with companies such as Optus and AGL to lay the foundations for their unique accommodation solutions, resulting in outstanding modern workplaces.

The **Development Division** is represented on and contributes to the Urban Development Institute of Australia and the Housing Institute of Australia.

In Victoria we are sponsoring research being undertaken by the Royal Melbourne Institute of Technology ("RMIT") in a programme entitled "Re-Imagining the Australian Suburb".

We have also worked actively with partner builders to achieve sustainable outcomes with the implementation of the New South Wales Building Sustainability Index ("BASIX") and the government-led environmentally sensitive design ("ESD") tools in Western Australia and Victoria.

OUR SECURITY HOLDERS

Our responsibility to our 45,000 security holders is to provide reliable and superior returns over the long term.

Sound corporate governance practices are central to this undertaking. Our corporate governance practices are set out in the Directors' Report on page 40.

Establishment of appropriate corporate governance structures was paramount in the introduction of our **Unlisted Property Funds Division ("UPF")**. We recognised the importance of alignment of interests between Stockland and UPF security holders and also the necessity of ensuring that the independent interests of UPF investors are appropriately represented.

OUR COMMUNITIES

Our development projects have an impact on existing and new local communities. Taking account of this, we build community engagement and consultation into our planning processes.

In doing so, we draw on previous experience, both positive and negative. Models we find useful include the community consultation preceding redevelopment of the Yennora Industrial Distribution Centre and the detailed planning for the Wallarah Lakes community in New South Wales.
We are proud of establishing residential associations such as Settlers Hills in Western Australia, demonstrating our commitment to long term community capacity building.

We recognise that properties create and change communities through their existence, operation and redevelopment. We embrace this community-building facet of our business and actively explore ways in which communities can be enhanced through our involvement.

Environmental Management

While local communities are directly impacted by our developments, our operations also effect the broader community. We understand that environmental impacts, most tangible in a local area, may also have a national or global impact.

We recently reviewed and revised our Environmental Management Policy to address emerging environmental issues and community expectations. We are implementing an Environmental Management System which addresses water and energy efficiency, greenhouse gas emissions, waste minimisation and management and biodiversity.

The **Development Division's** National Sustainability Manager actively participates in the Property Council of Australia Sustainability Committee and other sustainability forums. Baseline sustainability and design criteria and principles are now addressed at the commencement and through the life of projects via our formalised development methodology and approval process, "The Stockland Wave" and associated "Design Toolkit".

A triple bottom line reporting process has been introduced on the redevelopment of the former Prince Henry Hospital site. We expect to extend this reporting framework to other projects over the next year.

This commitment to environmentally responsible development was recognised recently when Stockland was named GreenSmart Professional of the Year by the Housing Institute of Australia.

As our principle activity within **C&I** is the asset and facilities management of the individual buildings, the focus of environmental sustainability is in the incremental improvement in the way the buildings are actively managed.

A pilot study of seven buildings is underway, examining current building rating against accepted industry benchmarks and identifying initiatives that could reduce the building's use of resources. This pilot study will be extended to rate all buildings in the portfolio this year.

C&I is an active participant in Sydney Water's 'Every Drop Counts' programme and we are working to improve the water efficiency of one of our large commercial buildings in Sydney that will be used as a case study. This will be done in a collaborative manner with IBM as the major tenant.

Shopping Centres is introducing a sustainability audit as part of business planning. The audit collects wide-ranging information including energy sources and consumption, water consumption, waste management, gardening and landscaping, and access to public transport.

The **Saville Hotel Group** recently established a Saville Environment Committee which will address environmental issues specific to the hospitality industry.

Government Liaison

A key element in our approach to CR&S is Stockland's representation on relevant government think-tanks and committees. We aim to work cooperatively with government developing policy about property ownership, management and development.

Our Development Division CEO now chairs the recently established Residential Development Council, which will work with other existing industry groups to be an additional resource to help set the framework for national issues of importance for the residential sector to ensure greater connectivity with governments across Australia.

CASE STUDY

STOCKLAND "TOUR DE KIDS" STARLIGHT CYCLE

34 super-fit cyclists including Stockland's General Manager, Industrial & Office Parks, Greg Cohen swapped their business suits for lycra to raise money for the Starlight Foundation's 2005 Tour de Kids fundraising bike ride.

The 950 kilometre journey from Melbourne to Canberra is designed to help the Starlight Foundation grant wishes to seriously ill children.

The Tour de Kids raised more than $400,000.

Stockland has a long history of delivering excellent returns to security holders through changing market cycles.

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Members' equity	$m	857.8	873.8	920.7	1,130.1	1,179.3	2,337.5	2,642.7	3,600.6	5,033.1	**5,515.7**
Total assets	$m	932.3	1,073.2	1,124.9	1,278.4	1,683.1	3,386.2	3,327.1	5,948.6	7,204.6	**8,400.4**
Gross revenue	$m	184.2	192.5	214.7	250.6	344.9	631.5	837.3	867.3	1,371.0	**1,761.8**
Net profit*	$m	87.7	88.4	92.2	100.8	115.1	198.2	249.8	284.8	456.0	**532.4**
– Trust	$m	71.5	72.3	74.9	82.2	92.1	167.6	208.4	226.1	356.0	**413.0**
– Corporation	$m	16.2	16.1	17.3	18.6	23.0	30.6	41.4	58.7	100.0	**119.4**
Distribution/Dividend paid	$m	87.3	88.6	90.6	99.5	111.7	192.4	241.3	272.8	446.3	**505.4**
Securities on issue											
– ordinary	m	325.2	327.7	371.8	422.6	429.2	770.0	832.1	1,038.8	1,265.6	**1,321.0**
– convertible preference	m	34.3	31.8	–	–	–	–	–	–	–	**–**
Payout per security	¢	24.5	24.5	24.7	25.1	26.1	28.3	29.7	32.1	37.0	**38.9**
Earnings/security	¢	24.6	24.5	25.1	25.4	26.9	29.2	30.8	33.5	37.8	**39.8**
Net tangible assets/security	$	2.39	2.43	2.48	2.67	2.70	3.01	3.14	3.41	3.76	**4.05**
Closing market price	$	2.90	3.48	3.69	3.45	3.52	4.02	4.39	5.04	5.18	**5.52**
Lettable area											
– Retail	,000m2	209.4	236.0	238.6	238.9	228.7	356.8	371.8	809.6	878.2	**910.3**
– Commercial	,000m2	60.3	76.2	97.4	97.4	158.3	360.0	321.9	534.9	576.2	**523.7**
– Industrial/Office Parks	,000m2	–	–	–	–	12.2	703.2	707.2	1,202.9	1,142.3	**1,141.6**
Residential development inventory	$m	141.3	134.1	170.0	210.6	406.1	412.2	512.4	682.4	1,013.4	**2,189.3**

* Net Profit after income tax and before goodwill on acquisition of ADP Trust and unrealised gains and losses on financial instruments including capital profits on the sale of investment properties.

05

STOCKLAND FINANCIAL REPORT

30 JUNE 2005

Stockland Comprising Stockland Trust
and Stockland Corporation Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2005

The directors present their report together with the combined Financial Report of Stockland for the year ended 30 June 2005 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 together 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, MIE. Aust

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 34 years, serving in a number of executive positions within Stockland over that time. He is a member of the Nominations and Remuneration Committee.

Former directorships of listed entities in last three years
None.

Nicholas Greiner

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

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 and Treasurer for the last five years of that period. Prior to entering Parliament and after a distinguished academic career, he held executive positions in the United States of America and in Australia. Mr Greiner is Chairman of Bilfinger Berger Australia Limited, and Bradken Limited (appointed as a director April 2004). He is also a director of McGuigan Simeon Wines Limited (appointed September 1992), QBE Insurance Group (appointed September 1992) and a number of other private groups. Mr Greiner is Chairman of the Nominations and Remuneration Committee.

Former directorships of listed entities in last three years
None.

Matthew Quinn

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

Mr Quinn has an extensive background in commercial, retail, industrial and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. Mr Quinn is a Fellow of the Australian Property Institute.

Former directorships of listed entities in last three years
None.

Graham Bradley

Non-Executive Director
BA, LLB (Hons I),
LLM, FAICD

Mr Bradley was appointed to the Board on 9 February 2004. He is Chairman of HSBC Bank Australia Limited, Film Finance Corporation Australia Limited, Proteome Systems Limited (appointed as a director May 2004) and Po Valley Energy Limited (appointed as a director September 2004). He has been a director of Singapore Telecommunications Limited since March 2004, and is also a director of MBF Australia Limited and Queensland Investment Corporation. Mr Bradley was the Managing Director of Perpetual Trustees Australia Limited for eight years until September 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 and Risk Committee and the Nominations and Remuneration Committee and is Chairman of Stockland Funds Management Limited, the Responsible Entity for Stockland's unlisted property trust business.

Former directorships of listed entities in last three years
Managing Director of Perpetual Trustees Australia Limited from 1995 to 2003.

Bruce Corlett

Non-Executive Director
BA, LLB

Mr Corlett was appointed to the Board in October 1996. He is Chairman of Adsteam Marine Limited (appointed as a director March 1997), Servcorp Limited (appointed as a director October 1999) and Trust Company of Australia Limited (appointed as a director October 2000) and has been a director of Tooth & Co. Limited since September 1999. He is also a Senate Fellow at the University of Sydney. Mr Corlett is a member of the Audit and Risk Committee and the Nominations and Remuneration Committee.

Former directorships of listed entities in last three years
None.

David Fairfull

Non-Executive Director
B.Comm, CPA, ACIS,
ASIA, FAICD

Mr Fairfull was appointed to the Board in March 1990. He is Joint Managing Director of Pitt Capital Partners Limited, a Soul Pattinson controlled merchant bank, Chairman of B. Digital Limited (appointed a director April 2005) and a non-executive director of Australian Pharmaceutical Industries Limited (appointed May 2000), SP Telemedia Limited (appointed May 2000), Washington H Soul Pattinson and Company Limited (appointed August 1997), Souls Private Equity Limited (appointed September 2004) and New Hope Corporation Ltd (appointed August 1997). Mr Fairfull was a director of Gazal Corporation Limited from January 1987

DIRECTORS' REPORT

DIRECTORS (continued)

to November 2004. He is the Chairman of the Compliance Committee and was the Chairman of the Audit and Risk Committee until his resignation from that Committee on 28 July 2003.

Former directorships of listed entities in last three years
Director of KH Foods Limited from 1997 to 2004, and Clover Corporation Limited from 2002 to 2004.

Peter Scott
Non-Executive Director
B.Eng (Hons), M EngSc, FIE. Aust, CPEng, MICE

Mr Scott was appointed to the Board on 9 August 2005. He is a director of Sinclair Knight Merz and was appointed a director of Perpetual Trustees Australia Limited in July 2005. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas.

Former directorships of listed entities in last three years
None.

Hugh Thorburn
Finance Director
B.Comm, FCA

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.

Former directorships of listed entities in last three years
None.

Barry Thornton
Non-Executive Director
KSJ, FCA, FAICD, FAIM, FCIS

Mr Thornton was appointed to the Board in October 1995 and retired as a director on 26 October 2004. He is Chairman of GWA International Limited (appointed as a director April 1992) and Brisbane Airport Corporation Limited. Mr Thornton was a member of the Audit and Risk Committee until his retirement in October 2004.

Former directorships of listed entities in last three years
None.

Terry Williamson
Non-Executive Director
B.Ec, MBA, FCA, FCIS, MACS

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 (appointed March 2004) and United Medical Protection Limited, and a member of the University of Sydney 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 is Chairman of the Audit and Risk Committee and a Director of Stockland Funds Management Limited, the Responsible Entity of Stockland's unlisted property trust business.

Former directorships of listed entities in last three years
None.

COMPANY SECRETARIES

Phillip Hepburn
Company Secretary
B.Ec, LLM, Grad. Dip CSP, FCIS, MAICD

Mr. Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over eight years experience as a company secretary. Prior to joining Stockland, he was General Counsel and Company Secretary of IAMA Limited, an Australian Stock Exchange ("ASX") listed company. Mr Hepburn is a member of the Compliance Committee.

Derwyn Williams
Company Secretary
B.Comm, ASA, FCIS, MAICD

Mr Williams has 13 years experience as a company secretary, joining Stockland in December 2004 and being formally appointed as Deputy Secretary in May 2005. Prior to joining Stockland he was General Manager Corporate Governance & Company Secretary at Credit Union Services Corporation (Australia) Limited and Deputy Company Secretary of St. George Bank Limited. He has held a number of senior management, accountancy and internal audit positions across the property, finance, heavy industry and public sectors.

DIRECTORS' MEETINGS

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

Director	Scheduled Board		Unscheduled Board		Audit and Risk Committee		Nominations and Remuneration Committee		Compliance Committee	
	A	B	A	B	A	B	A	B	A	B
Peter Daly	10	10	9	9	–	–	4	4	–	–
Nicholas Greiner	10	8	9	8	–	–	4	4	–	–
Matthew Quinn	10	9	9	9	–	–	–	–	–	–
Graham Bradley	10	10	9	8	7	7	2	1	–	–
Bruce Corlett	10	10	9	9	7	7	4	4	–	–
David Fairfull	10	10	9	9	–	–	–	–	5	5
Hugh Thorburn[1]	10	10	9	9	–	–	–	–	–	–
Barry Thornton[2]	3	3	2	2	2	1	–	–	–	–
Terry Williamson	10	10	9	9	7	7	–	–	–	–

A = Meetings eligible to attend
B = Meetings attended

[1] Appointed 1 July 2004.
[2] Resigned 26 October 2004.

CORPORATE GOVERNANCE

Outlined below are the main corporate governance policies and practices in place throughout the year, unless otherwise stated. These are consistent with the ASX Corporate Governance Council's principles and recommendations ("ASX Guidelines").

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

The Board has a clear view of its governance responsibilities and believes it has the necessary mix of experience and skills to oversee the high standard of corporate integrity and accountability required of a professional and ethical organisation. The primary role of the Board is to ensure the long-term health and prosperity of Stockland.

Role of the Board

The Board meets regularly and is responsible for the overall governance of Stockland, including:

- overseeing the development and implementation of corporate strategy, operational performance objectives and management policies with a view to maximising long-term security holder value;
- reviewing and approving the annual budget and monitoring ongoing financial and operating performance;
- approving of financial and other reporting to security holders;
- establishing appropriate structures for the management of Stockland, including the overall framework of internal control, risk management, compliance and ethical standards;
- the integrity of management information systems;
- setting executive remuneration policy;
- selecting, appointing, reviewing the performance and, where appropriate, the removal of the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Finance Director and the Company Secretary;
- selecting and appointing new Non-Executive Directors;
- determining the level of authority delegated to the Managing Director;
- approving major capital expenditure, acquisitions and divestitures; and
- appointing and removing the external auditor.

CORPORATE GOVERNANCE (continued)

Role of the Board (continued)

The Board has adopted a comprehensive charter which details its functions and responsibilities, a copy of which is included on the Stockland website (www.stockland.com.au), under "Investor Information".

The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same directors. All directors are appointed for periods of three (3) 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 to ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

- ongoing selection and management of property investments;
- management of the Trust's property portfolio;
- maintenance of the accounting and statutory records of the Trust;
- management of equity and debt raisings; and
- preparation of 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. These delegated authorities are regularly reviewed and the Managing Director regularly consults with the Board on performance and related matters. Matters which are not specifically delegated to the Managing Director require Board approval, including matters above delegated levels of capital expenditure or expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issuance of securities by Stockland and key risk management policies.

Board processes

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

The Board currently holds ten (10) scheduled meetings each year. Additional meetings are convened as required. The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman and Managing Director and, along with supporting papers, is distributed to directors prior to each meeting. Standing items include the Managing Director's report, the Finance Director's report, reports from each Divisional Chief Executive, and reports on strategic matters, governance and compliance. Senior executives are directly involved in Board discussions and directors have other opportunities to contact a wider group of employees, including visits to business operations.

Board papers are designed to focus Board attention on current and forthcoming issues of importance to Stockland's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board committees which have met since the last Board meeting and papers on material issues requiring consideration. Significant matters are presented to the Board by senior executives. The Board may seek further information on any issue, from any executive.

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 (2) Executive Directors, and seven (7) Non-Executive Directors. Directors are listed on pages 38 to 39, including details of their other listed company directorships and prior experience.

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 has resolved that it should continue to have a majority of Non-Executive Directors and that the Chairman and Managing Director must be separate persons. The Board is comprised of directors with a wide range of experience and expertise, including some with expertise in financial reporting.

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

- is not a substantial security holder of Stockland or of a company holding more than 5% of Stockland's voting securities, or an officer of or directly or indirectly associated with a security holder holding more than 5% of Stockland's voting securities;
- is not an employee of Stockland and, has not within the last three years been employed by Stockland;
- 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;
- 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 any director related business relationship that is, or is likely in the future, to be more than 10% of the director related business's revenue to be material.

All directors are expected to act in the best interests of Stockland.

Currently, three members of the Board have been directors for more than ten (10) years. Stockland considers that these directors continue to add value, as they understand Stockland's businesses

CORPORATE GOVERNANCE (continued)

Composition of the Board (continued)

and processes thoroughly and are able to contribute insightfully to Board discussion, strategy and policy.

Mr Thornton resigned from the Board on 26 October 2004.

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. On 9 August 2005, Mr Peter Scott joined the Board as a Non-Executive Director, ensuring Stockland continues its policy of introducing new ideas and views to Board deliberations by appointing appropriately qualified directors.

In 2003, the Board resolved that a majority of the members of each Board Committee should be independent directors. The Audit and Risk 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 adopted the policy that Non-Executive Directors will meet regularly (at least quarterly) in the absence of Executive Directors and Management.

Stockland is committed to having a Board whose members have the capacity to act independently and have the collective skills to optimise the financial performance of Stockland and returns to security holders. All directors with the exception of the Chairman, the Managing Director and the Finance Director are considered to be independent directors of Stockland. The Chairman resigned as an Executive Director of Stockland on 22 October 2001 and it is important to note the Deputy Chairman is a Non-Executive Director.

Accordingly the Articles of Association of Stockland Corporation Limited provide that:

– the maximum number of directors shall be ten (10);
– no director may retain office for more than three (3) years or until the third annual general meeting following the director's appointment (whichever is the longer), but retiring directors are eligible for reappointment;
– 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 (2).

The Constitution also enables the directors to appoint a Managing Director, who is not required to retire and be re-elected by members every three (3) years while he or she continues to hold that office. Article 15.7 of the Stockland Corporation Constitution provides that if the Managing Director ceases to hold the office of director for any reason, he or she immediately ceases to be Managing Director, and if he or she ceases to be the Managing Director he or she immediately ceases to be a director.

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

The terms of 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 in relation to attending and preparing for 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 directorships with the Chairman;
– restrictions on trading in Stockland securities;
– indemnification and director's liability insurance; and
– disclosure obligations.

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 53.

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

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

The Board endorses Non-Executive Directors to hold securities in Stockland in order to more closely align the personal interests of directors with those of security holders.

Board Committees

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

– Nominations and Remuneration Committee;
– Audit and Risk Committee; and
– Compliance Committee.

These Committees have written charters which are reviewed on a regular basis. All directors are free to attend any Board Committee meeting. All Committees have unfettered access to in-house professional advice and from appropriate external advisors where the circumstances require. Committees may meet with external advisors in the absence of Management. The Minutes of all Committee meetings are circulated to directors and are reviewed at the next scheduled Board meeting.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee meets as frequently as required and during this financial year held four (4) meetings. 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:

CORPORATE GOVERNANCE (continued)

Board Committees (continued)

Nominations and Remuneration Committee (continued)

- reviewing Board succession plans;
- evaluating the Board's performance and that of individual directors;
- recommending Committee structure and membership;
- making recommendations on the appointment and removal of Executive and Non-Executive Directors (including determining the desirable and changing competencies of Board members consistent with Stockland's development); and
- assisting the Board to develop policies relating to the composition and size of the Board; and to the independence of directors.

The Committee is comprised of Non-Executive Directors. The members of the Nominations and Remuneration Committee during the year were:

Mr N Greiner (Chairman) – Non-Executive Director

Mr G Bradley – Non-Executive Director (appointed 1 May 2005)

Mr B Corlett – Non-Executive Director

Mr P Daly – Non-Executive Director

The Committee has a charter which is consistent with ASX 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 identifies one or more candidates with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Recommended candidates are then submitted to the Board for approval. During the year, Mr Thorburn was appointed to the Board as an Executive Director on 1 July 2004, and Mr Scott was appointed to the Board as a Non-Executive Director on 9 August 2005.

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 Senior Executives remuneration made by Management. Further it reviews and recommends to the Board:

- proposals for changes to remuneration and human resources policies which are referred to the Committee by the Managing Director;
- the remuneration framework for Non-Executive Directors including the amount of directors' fees, increases in the overall amount of directors' fees and increases requiring security holder approval;
- remuneration for 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, including the terms of employee or executive share schemes; and
- superannuation arrangements.

Refer to "Remuneration Report" on page 48.

Audit and Risk Committee

Audit and Risk Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Finance Director, Stockland's external auditor and, as required, other Stockland Executives (including Internal Audit) and external advisors. The Committee will at least meet annually with the external auditor without Management. 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 written charter which incorporates the ASX Guidelines (for further information refer to the website under "Investor Information").

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

The members of the Audit and Risk Committee during the year were:

Mr T Williamson (Chairman) – Non-Executive Director

Mr G Bradley – Non-Executive Director

Mr B Corlett – Non-Executive Director

Mr B Thornton – Non-Executive Director (resigned 26 October 2004)

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:

- 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;
- monitoring insurance coverage, related party transactions and litigation other than in the normal course of business;
- reviewing Stockland's policies and procedures for convergence with Australian equivalents to International Financial Reporting Standards ("AIFRS") 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;
- reviewing 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;
- reviewing the external auditor's performance and independence;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence; and

CORPORATE GOVERNANCE (continued)

Board Committees (continued)

Audit and Risk Committee (continued)

– providing advice to the Board on whether the provision of non-audit services by the external auditor is compatible with the standard of independence of auditors imposed by the Corporations Act 2001.

The Audit and Risk Committee also has responsibility for the oversight and monitoring of risk management (refer "Risk Management" below), and is also responsible for recommending the appointment and removal of external auditors. The following principles and practices were adopted in April 2002:

– the external auditor must at all times remain independent of Stockland;
– the external auditor is to be appointed to all controlled entities of Stockland;
– the external auditor must not undertake staff recruitment, internal audit or management and IT consulting for Stockland;
– the external auditor must not 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 (7) years, effective 2002; and
– the external audit engagement partner and review partner will be rotated every five (5) years.

The external auditor provides a declaration of independence each reporting period which is consistent with the Corporations Act 2001 and certifies in their audit/review report that they continue to be independent.

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 members of the Compliance Committee during the year were:

Mr D Fairfull (Chairman) – Non-Executive Director

Mr P Hepburn – Executive Member

Mr R Sully – External Independent Member

The role of the Compliance Committee includes responsibility for the 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 the Australian Securities and Investments Commission ("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.

Unlisted Property Funds

The Unlisted Property Funds business ("UPF") was established this year to provide new sources of capital, facilitate assets growth and generate additional sustainable income. A wholly owned entity, Stockland Funds Management Limited ("SFML") was set up to operate this business, with a separate Board. During the year UPF launched:

– the Stockland Direct Office Trust No.1 which acquired a half share in a premium grade building in Brisbane, Waterfront Place; and
– Saville Private Syndicate Trust which acquired 116 strata units in Southbank, Brisbane from Stockland Development Pty Ltd that will be leased to Saville to operate a four and a half star hotel.

The members of the SFML Board during the year were:

Mr G Bradley (Chairman) – Non-Executive Director

Mr M Quinn – Executive Director

Mr D Kent – Independent Non-Executive Director

Mr T Sherlock – Independent Non-Executive Director

Mr T Williamson – Non-Executive Director

As the UPF business has dealings with and may acquire assets from Stockland, it was appropriate that two (2) Non-Executive Directors be appointed who were independent of Stockland. These independent Non-Executive Directors must approve each contract SFML enters into with Stockland and must be satisfied that it is on arm's length commercial terms. If there is a dispute or default by Stockland under the terms of any contract, the Board has resolved that to protect the interests of unitholders the unanimous consent of the independent directors must be obtained as to any action SFML may take.

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

SFML Compliance Committee

A Compliance Committee has been set up to oversee the Compliance Plan approved by SFML for Stockland Direct Office Trust No.1.

The members of the SFML Compliance Committee during the year were:

Mr T Williamson (Chairman) – Non-Executive Director

Mr P Hepburn – Executive Member

Mr T Sherlock – Non-Executive Director

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

Board and director performance

The Board has a formal annual performance assessment process, including assessment of the Board's Committees and individual directors.

The 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 2005 Annual General Meeting ("AGM") have been reviewed and the Board has resolved to support their re-election.

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

CORPORATE GOVERNANCE (continued)

Board and director performance (continued)

the composition of the Board, and on 9 August 2005, Mr Peter Scott was appointed as a Non-Executive Director.

Non-Executive Directors receive a fee for their services and do not receive security based remuneration. Non-Executive Directors are also paid superannuation but receive no other retirement benefits.

Risk management

Oversight of the risk management system

Managing risk is fundamental to the operations of Stockland. The Board of Directors and Senior Executives accept their responsibility to manage these risks through a framework of internal control that includes:

– establishing applicable ethical standards;
– adopting comprehensive written policies and procedures;
– assigning formal delegations of authority both to and from the Managing Director;
– recruiting skilled, professional staff including a Chief Risk Officer with a direct reporting line to both the Finance Director and the Chairman of the Audit and Risk Committee;
– establishing management reporting and audit systems to monitor compliance; and
– having in place a disaster recovery plan for major systems.

The Board oversees the establishment, implementation and annual review of Stockland's risk management systems, with assistance from the Audit and Risk Committee.

Management has established and implemented an enterprise-wide risk management framework for identifying, assessing, monitoring and managing financial, operational, strategic and compliance risk for Stockland.

At the core of this framework is the principle that each Division is accountable for implementing and managing the standards required by the risk management program. Risks covered by the framework include changes in demand and supply in the property market, occupational health and safety issues, changes in government policy, environmental matters and staff management issues.

Management reports to the Audit and Risk Committee on the status of risk management initiatives and the findings of internal audit reviews. The Audit and Risk Committee regularly reports to the Board on these matters.

Risk profile

Whilst the identification, monitoring and reporting of risks occurs continuously throughout the year, an annual risk profile exercise is conducted to reassess the materiality of individual risks and prioritise activities for the coming year. This exercise covers all Divisions and is performed in accordance with the Australia, New Zealand Risk Management Standard AS/NZS4360.

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

Assessment of risk management effectiveness

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

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

Integrity in financial reporting

In accordance with the ASX Guidelines, the Managing Director and Finance Director have declared in writing to the Board that:

(a) in their opinion Stockland's financial records have been properly maintained and the financial reports for the year ended 30 June 2005 present a true and fair view, in all material respects, of Stockland's financial position and performance and comply with relevant accounting standards, in all material respects; and

(b) to the best of their knowledge and belief:

  (i) the statements made in (a) above regarding the integrity of the financial report is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board;

  (ii) the risk management and internal compliance and control systems for the year ended 30 June 2005 were operating effectively, in all material respects, based on the risk management model adopted by Stockland; and

  (iii) nothing has come to their attention since 30 June 2005 that would indicate any material change to the statements made in (i) and (ii) above.

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

These statements provide a reasonable but not absolute level of assurance about risk management, internal compliance and control systems. These declarations do not imply a guarantee against adverse events or more volatile outcomes occurring in the future.

Convergence with Australian equivalents to International Financial Reporting Standards ("AIFRS") is a key current financial reporting project, and the board has established a formal project, monitored by a steering committee, to ensure a smooth transition to AIFRS reporting, beginning with the half-year ending 31 December 2005.

Details of the progress of the implementation project and the expected impact of the transition to AIFRS on the Financial Report for the year ended 30 June 2005 are included in Note 45.

Stockland is expected to be in a position to fully comply with the reporting requirements of AIFRS for the 30 June 2006 financial year.

Environmental regulation

Stockland is committed to achieving a high standard of environmental performance. The Board regularly considers issues associated with the environmental impact of Stockland's operations and to ensure Stockland is compliant with all relevant statutory requirements.

CORPORATE GOVERNANCE (continued)

Risk management (continued)

Environmental regulation (continued)

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

Ethical standards

Stockland's 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 programs.

Code of conduct

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

– core values and objectives;
– responsibilities to security holders for delivering value;
– 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;
– fair dealing, protection and proper use of Stockland's assets;
– outside business interests, corporate entertainment and political contributions; and
– Stockland's "whistleblowers" policy.

Commitment to security holders

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. It also recognises that security holders play an integral role in the process of corporate governance through their participation.

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

– the Annual and Half-yearly Financial Reports lodged with the ASX and distributed to all security holders;
– announcements of market-sensitive information, including annual and interim results announcements and analyst presentations made to the ASX;
– the Chairman's and Managing Director's addresses to the AGM; and
– announcements, presentations, past and current reports to security holders and a five (5) year summary of key financial data made available via the Stockland website.

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

Stockland produces two sets of financial information annually, the Half-yearly Financial Report for the six months to 31 December and the Annual 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, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the 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 securities

Stockland directors may only trade in Stockland's securities during nominated trading "windows" which are typically of four (4) weeks duration and follow Stockland's announcements of its half-yearly and full year profits and after the AGM. At other times, they can trade with the concurrence of two (2) 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 to the Financial Statements, requires the consent of two (2) Non-Executive Directors, one of which must be the Chairman or Deputy Chairman. All other employees require the prior consent of the Managing Director to trade in securities. Notwithstanding those designated windows and approval requirements, a person is prohibited from trading in Stockland securities if they possess material, non-public, price-sensitive information about Stockland.

Directors and officers may subscribe for securities in any offering in an Unlisted Property Trust promoted by Stockland up to a level determined by the Board for each offering. Directors and officers are required to disclose their holdings and any changes to their holdings. No director or officer can participate in any wholesale offering made by the Unlisted Property Trust business unless the Board approves such participation. Any director or officer is also prohibited from trading in these securities while they possess material, non-public, price-sensitive information.

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, commercial, industrial and office park properties;
- residential property development;
- property trust management;
- property management; and
- hotel management.

Stockland operates in mainland Australia and New Zealand.

There has been no other significant change in the nature of the activities of Stockland during the year.

REVIEW AND RESULTS OF OPERATIONS

During the year Stockland completed the acquisition of the Lensworth property development group of companies, for a cost of $825.0 million, plus working capital of $22.8 million, and acquisition costs of $37.6 million. The Lensworth property portfolio consists primarily of large, master planned urban community based projects, located in key growth areas.

Stockland achieved a net profit before goodwill on acquisition of the ADP Trust, amortisation of the goodwill and unrealised loss/(gain) on financial instruments (including capital profits) of $532.4 million (refer to table above) for the year ended 30 June 2005. This compares with the $456.0 million result achieved in the corresponding period in 2004, representing an increase of 16.8%.

	Consolidated 2005 $'000	Consolidated 2004 $'000
Net profit	405,665	574,705
Goodwill on acquisition of ADP Trust written back	–	(220,387)
Amortisation of goodwill on acquisition of ADP Trust	106,940	106,940
Unrealised loss/(gain) on financial instruments	19,797	(5,245)
Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (including capital profits)[1]	532,402	456,013
Capital profits[1]	(15,419)	(533)
Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (excluding capital profits)[1]	516,983	455,480

[1] Capital profits form the sale of investment properties.

Basic earnings per stapled security is 31.2 cents. Earnings before goodwill on acquisition of ADP Trust, amortisation of the goodwill and unrealised loss/(gain) on financial instruments per stapled security (including capital profits) increased by 8.5% from 37.8 cents to 41.0 cents for the year. Earnings before goodwill on acquisition of ADP Trust, amortisation of the goodwill and unrealised loss/(gain) on financial instruments per stapled security (excluding capital profits) increased by 5.3% from 37.8 cents to 39.8 cents for the year.

For the financial year ended 30 June 2004, and subsequent periods, the Board 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).

Summary of other financial highlights

- Gross revenue increased by 28.5% to $1,762 million;
- dividend/distribution per security increased by 5.1% to 38.9 cents;
- total assets increased by 16.6% to $8,400 million;
- net tangible assets per security increased by 7.7% to $4.05; and
- gearing ratio at a conservative 27.5%.

Operational highlights

The profit result is underpinned by growth from all Stockland Divisions, driven by strong leasing results from the commercial, industrial and shopping centre properties, and strong sales from each of the residential businesses. Stockland has again delivered on its long-term strategy, by planning ahead, delivering on guidance whilst maintaining a strong balance sheet and conservative gearing.

Development Division

- Operating profit increased by 25.3% to $197 million;
- Residential Communities margin increased to 35% (excluding Lensworth);
- successful acquisition and integration of the Lensworth business, including 17 high quality long-term projects which complemented the existing portfolio;
- acquisition of nine other projects, in addition to Lensworth;
- launched seven new projects to market; and
- pipeline of 83 residential projects yielding a potential 65,000 future lots/units.

Shopping Centres

- Operating profit increased by 7.5% to $214.2 million for investment properties;
- comparable net income growth of 4.6%;
- revaluations of $242.3 million;
- total return 16.3% (income and revaluations);
- vacancy rate only 0.3% of GLA;
- 570 leasing transactions completed, including 184 renewals at an average increase of 15.2% on previous rental;
- annual like for like retail sales growth of 4.1%, with specialty sales increasing by 6.3%;
- over $700 million development pipeline is on track, with the completion of three projects and another six commenced; and
- retail projects operating profit of $5.8 million.

REVIEW AND RESULTS OF OPERATIONS (continued)

Operational highlights (continued)

Commercial and Industrial

- Operating profit increased to $220.1 million;
- comparable net income growth of 3.5%;
- Commercial vacancy rates remain low at 2.9%, while Industrial & Office Parks vacancy sits at 0.1%;
- over 413,000m^2 of commercial, industrial and office park space was leased or renewed;
- revaluations of $37.1 million;
- prime assets now comprise 72% of the commercial portfolio; and
- Optus pre-lease at Macquarie Park signified the largest single tenant lease in Australia, and the Division is partnering with Unlisted Property Funds to sell down 49% of the property via Stockland Direct Office Trust No.2 ("SDOT2"), launched in July, 2005.

Saville Hotel Group

- Record profit of $5.3 million.

Unlisted Property Funds

- Completion of two funds and the launch of a third fund (SDOT2); and
- assets under management of $370.0 million on completion of SDOT2.

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 33 of the Financial Statements.

STATE OF AFFAIRS

Changes in the state of affairs of Stockland during the financial year are set out in the various reports in the Stockland Annual Report. Refer to Note 30 for securities issued and Notes 21 and 26 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 AIFRS as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 45 to the Financial Statements.

LIKELY DEVELOPMENTS

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

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

REMUNERATION REPORT

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. 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 "Nominations and Remuneration Committee" on pages 42 to 43).

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 a director's fee and do not participate in any securities plan or receive any retirement benefits (other than superannuation) and do not receive any performance related remuneration. 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 Non-Executive Directors, plus superannuation.

Effective from 1 July 2004 the Chairman received $195,000 and the Deputy Chairman received $105,000 per annum. The base fee for other Non-Executive Directors was $80,000 per annum. These fees covered all main board activities. The additional fees for the following Board Committees were: Audit and Risk 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. In addition, the Chairman and other Non-Executive members of the SFML Board received $30,000 per annum.

It is important for all security holders that Stockland is able to attract and retain well qualified directors. In light of the substantial increase in the time demands and legal liability imposed upon directors arising from recent developments in corporate governance, the corporate law and the expectations of security holders generally, in early 2005 the Board commissioned external advice on the competitiveness of Stockland's Board remuneration policies. That advice indicated that Stockland's policies were uncompetitive, and the Board therefore resolved to increase board fees to more appropriately align Stockland with comparable listed entities.

From 1 May 2005 the Chairman will receive $325,000 and the Deputy Chairman will receive $195,000 per annum. The base fee for other Non-Executive Directors will be $130,000 per annum. The additional fees for the following Board Committees are: Audit and Risk Committee Chair $30,000, members $15,000; Nominations and Remuneration Committee Chair $12,000, members $8,000; Compliance Committee Chair $20,000 and members $15,000; subject to security holder approval of the increase in total fees payable to Non-Executive Directors from $950,000 to $1,750,000 at the AGM in October 2005. In addition, the Chairman and other Non-Executive members of the SFML Board will receive $40,000 per annum.

REMUNERATION REPORT (continued)

Directors' and Senior Executives' remuneration (continued)

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 Executives include a mix of fixed remuneration, performance based remuneration, and equity based incentives. The total 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.

Performance based remuneration and incentives are based on specific objectives, measures and targets for performance which are set each year. With the broader aim of increasing Stockland's net profit, earnings per share and security holder returns, the Board sets the specific objectives, measures and targets for the Managing Director. The Managing Director, in turn, sets the objectives, measures and targets for each member of the Senior Executive Team. 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 the Senior Executive team.

Remuneration structures take into account:

– the overall level of remuneration for each individual;
– each individual's contribution to the achievement of the financial and operational objectives set by the Board; and
– the amount of incentives within each individual's remuneration.

Executive Directors and 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 budget targets which are set at a challenging but realistic level and will enhance the overall performance of Stockland. 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 an operational and financial impact focus are best suited to the outcomes desired by the security holders. Achievement of these objectives is the appropriate criteria for determining the level of remuneration paid to Executives and is aligned to the creation of superior returns to security holders. Sustained performance and growth compared to industry peers, including growth in profits, over recent years provides strong evidence in support of the methodology adopted by the Board. Non-financial measures are also to be taken into consideration, though account for a smaller part of the incentive arrangement than the financial measures. These include measures for employees, customers/investors and corporate responsibility and sustainability.

The actual bonus payment awarded to each Executive at the end of the year is determined on whether the Executive has achieved their specific performance targets.

During the current year Stockland delivered consistent profit and dividend/distribution growth to security holders. Stockland achieved earnings per security growth of 5.3%, an increase in net profit of 16.8% and a 7.7% increase in net tangible assets per security.

In considering Stockland's performance and benefits for security holders' wealth, the Nominations and Remuneration Committee has regard to the current year's financial performance and a comparison of the financial information in respect of the previous financial years.

	2005	2004	2003	2002	2001
Net profit ($'000)[1]	532,402	456,013	284,797	249,751	198,225
EPS growth (%)	5.3%	12.8%	8.8%	5.5%	8.6%
Change in security price ($)	0.34	0.14	0.65	0.37	0.50
Change in net tangible assets/security (%)	7.7%	10.3%	8.6%	4.3%	11.5%

[1] Stockland net profit excludes amortisation on goodwill of ADP Trust and unrealised loss/(gain) on financial instruments.

Other benefits

Executive Directors' and Senior Executives' remuneration packages are set on a "total cost to the company" basis. The total package will include base salary, motor vehicle, car parking, superannuation, 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.

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 the company" based limit.

REMUNERATION REPORT (continued)

Directors' and Senior Executives' remuneration (continued)

Other benefits (continued)

Like all employees of Stockland, Executive Directors and Senior 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 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 accommodation in hotels managed by Stockland. 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 Senior Executives are disclosed as "Other compensation: insurance premiums" in a table under "Details of 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 and Professional Indemnity insurance policies.

Service agreements

Notice periods of three (3) months apply to each Executive Director and Specified Executive (as defined in Note 35), except in the case of Mr M Quinn, where the required period of notice is six (6) 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 Executive Director or Specified Executive. In the event that any Executive Director or any Specified Executive 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 (3) 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 Executive Directors and Specified Executives.

The severance payments vary between the individuals. The Managing Director would receive one and half (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. The Finance Director, Mr D Hickey, Mr D Steinberg, Mr S Mann, Ms L Scenna and Mr R Macnicol would receive the sum of their 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 pursuant to the Executive Securities Plan would all vest in the situation where his position became redundant.

Equity instruments

Incentive Share Plan

The Incentive Share Plan ("ISP") was approved by security holders at the General Meeting held on 26 October 2004. The purpose of the Plan is to provide for the alignment of the interests of Senior Executives and security holders by matching rewards under the Plan with the long-term performance of Stockland, and to assist in the attraction and retention of key senior employees.

The Board administers the Plan in accordance with the Plan Rules and the terms and conditions of the specific grants to participants in the Plan.

The Plan provides for the issue or transfer of fully paid stapled securities together with the making of loans to full or part-time Senior Executives and Executive Directors of Stockland, at the discretion of the Board. The issue price of each stapled security will be the volume weighted average price at which stapled securities are traded on ASX during the five trading days up to and including the last trading day before the date of issue. All outstanding issues have been funded by interest-free loans to the individuals by Stockland for a maximum term of five years. Additionally, the Board may impose restrictions on the transfer of stapled securities issued under the Plan.

A proportion of any outstanding amount of a Participant's Loan may be waived by the Board if certain performance conditions are met. These conditions are based on two key security holder wealth creation measures: earnings growth per stapled security ("EPS Growth") and total security holder return growth ("TSR Growth").

At the General Meeting on 26 October 2004, resolutions were passed, the effect of which were to allot 160,000 stapled securities to Mr M Quinn and 90,000 stapled securities to Mr H Thorburn, pursuant to the ISP.

Executive Securities Plan

Stockland has an Executive Securities Plan ("ESP"), the purpose of which is to provide senior employees with a long-term incentive to create value for security holders and an opportunity for the Executive Directors and the Management team to participate in the long-term success of Stockland.

The ESP entitles these individuals to purchase Stockland securities at a discount to the market price at the time of issue, being the same discount as applies to the Dividend Reinvestment Plan. All outstanding issues were funded by loans made to the individuals by Stockland for a maximum term of five (5) years.

The number of Stockland 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 (2) years continued service from the Executive after the issue).

At the General Meeting on 22 October 2001 a special resolution was passed, the effect of which was to allot a combined 3,000,000 stapled securities to two (2) Executive Directors, Mr J Pettigrew (who resigned on 13 February 2004) and Mr M Quinn, pursuant to the ESP. No further issues under the ESP shall be sought for these Executive Directors for a period of four (4) years from the date of the General Meeting.

Non-Executive Directors are not entitled to participate in the share purchase plans.

Stockland does not have any options on issue.

REMUNERATION REPORT (continued)

Directors' and Senior Executives' remuneration (continued)

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

The equity compensation provided by Stockland under the ISP and the ESP 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

Incentive Share Plan

For equity instruments issued under the ISP the value of equity compensation to Executive Directors and Senior Executives is determined at grant date. Stockland securities are allotted to the individuals, though ultimate beneficial ownership is dependent on meeting pre-determined service criteria. Additionally, loans provided to purchase the securities may be waived based on pre-determined performance criteria. A fair value of these equity instruments has been determined by the application of the Black Scholes option pricing model, incorporating the terms and conditions upon which the equity instruments were issued.

The remuneration to the individual is this figure 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 taken into account in determining the period over which the benefit is apportioned.

Executive Securities Plan

The total value of equity compensation issued to Executive Directors and Senior 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 requirements will be met, and an assessment is made of the probability that the performance hurdles will be met.

The remuneration benefit to the individual of each equity instrument issued is the market price of the 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 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 redetermined. 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 ISP and ESP, 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 "Details of Remuneration". A further benefit is included where Stockland pays fringe benefits tax on the loan interest.

Other loans

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

REMUNERATION REPORT (continued)

Directors' and Senior Executives' remuneration (continued)

Details of remuneration

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

	Primary			Post-employment	Equity compensation	Other compensation		Primary		
Directors and Executives	Base remuneration (salary and fees) $	Bonus[1] $	Non-monetary benefits[2] $	Super-annuation benefits $	Value of equity compensation[3] $	Insurance premiums[4] $	Sub-total $	Annual leave entitlements[5] $	Long service leave entitlements[5] $	Total $
DIRECTORS										
Non-Executive Directors										
Mr Peter Daly (Chairman)	222,500	–	–	15,079	–	11,119	248,698	–	–	248,698
Mr Nicholas Greiner (Deputy Chairman)	130,333	–	–	11,730	–	11,119	153,182	–	–	153,182
Mr Graham Bradley	132,167	–	–	11,895	–	11,119	155,181	–	–	155,181
Mr Bruce Corlett	106,333	–	–	9,570	–	11,119	127,022	–	–	127,022
Mr David Fairfull	104,167	–	–	9,375	–	11,119	124,661	–	–	124,661
Mr Barry Thornton (resigned 26 October 2004)	29,038	–	–	2,613	–	3,595	35,246	–	–	35,246
Mr Terry Williamson	141,667	–	–	12,750	–	11,119	165,536	–	–	165,536
Executive Directors										
Mr Matthew Quinn (Managing Director)	1,135,358	800,000	105,813	11,585	125,268	11,119	2,189,143	5,865	36,427	2,231,435
Mr Hugh Thorburn (Finance Director)	830,378	340,000	27,240	11,585	71,278	11,119	1,291,600	39,426	–	1,331,026
EXECUTIVE OFFICERS (excluding directors)										
Mr Denis Hickey CEO Development Division	618,381	500,000	94,639	11,585	51,896	11,119	1,287,620	19,355	–	1,306,975
Mr Darren Steinberg CEO Shopping Centre Division	579,514	375,000	82,471	11,585	56,317	11,119	1,116,006	16,722	–	1,132,728
Mr Steve Mann CEO Commercial and Industrial Division	467,833	315,000	56,957	11,585	47,673	11,119	910,167	78	–	910,245
Ms Lisa Scenna Executive General Manager – Strategy and Corporate Development	334,372	175,000	21,902	11,585	30,503	11,119	584,481	16,342	–	600,823
Mr Robb Macnicol CEO Unlisted Property Funds	245,364	200,000	49,670	11,585	26,764	11,119	544,502	8,078	–	552,580

1 All cash bonuses are earned in the current year, and will be paid in August 2005.
2 Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans and fringe benefits tax payable.
3 The methods and assumptions used to calculate the fair value of share based payments are the same as disclosed in Note 35.
4 Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance and Professional Indemnity insurance policies.
5 Movement in accrued entitlements during the year.

DIRECTORS' INTERESTS

The relevant interest of each director in the securities/units issued by entities within Stockland and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report are as follows:

Director	Number of securities held in Stockland
Mr Peter Daly	1,873,968
Mr Nicholas Greiner	41,850
Mr Matthew Quinn	2,511,000
Mr Graham Bradley	44,780
Mr Bruce Corlett	123,171
Mr David Fairfull	12,720
Mr Peter Scott	–
Mr Hugh Thorburn	290,000
Mr Terry Williamson	19,039

Director	Number of units held in Stockland Direct Office Trust No.1
Mr Peter Daly	75,000
Mr Nicholas Greiner	10,000
Mr Matthew Quinn	15,000
Mr Graham Bradley	225,000
Mr Bruce Corlett	15,000
Mr Terry Williamson	37,500

Mr Greiner is Chairman of Bilfinger Berger Australia Pty Ltd, the holding company of Abigroup Limited and Baulderstone Hornibrook Pty Ltd. Baulderstone Hornibrook Pty Ltd provided construction services to Stockland during the year. Stockland has also entered into a fixed time and term arrangement with Baulderstone Hornibrook Pty Ltd to undertake the construction of a $350 million development of Centrecourt Estate in Macquarie Park, North Ryde NSW, with completion scheduled for 2007. The terms and conditions of the transactions with Baulderstone Hornibrook Pty Ltd 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. Amounts paid to Baulderstone Hornibrook Pty Ltd during the financial year were $16,108,707 (2004: $31,055,953).

Mr Greiner was a consultant to Deloitte until 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 Bradley is a Director of Singapore Telecommunications Limited, the holding company of the Optus corporate group. Optus has entered into an agreement to lease the Centrecourt Estate office park site in Macquarie Park, North Ryde NSW, a property owned by Stockland. Stockland has begun development of the site and will manage the Centrecourt Estate upon Optus' relocation, scheduled for 2007. Stockland has also entered into various agreements with Optus for the provision of telephony/telecommunications services. The terms and conditions of the transactions with Optus 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 Bradley is a Director of Queensland Investment Corporation, which holds half of the issued units in the Martin Place Property Trust, a registered investment scheme for which Stockland Trust Management Limited is the Responsible Entity. During the financial year, Stockland Trust Management Limited provided administrative and accounting services to Queensland Investment Corporation in connection with the Martin Place Property Trust. The terms and conditions of the transactions with Queensland Investment Corporation 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 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 $340,355 (2004: $278,925).

Mr Fairfull was a consultant for Ernst & Young Corporate Finance. This arrangement ended in February 2005. The terms and conditions of Stockland's 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.

Mr Scott is a director of Sinclair Knight Merz, which provided consulting 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. Fees paid and payable to Sinclair Knight Merz for the financial year were $269,336.

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. 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 have 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 on page 52.

NON-AUDIT SERVICES

During the year KPMG, Stockland's auditor, has performed certain other services in addition to their statutory duties.

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

- the Audit and Risk Committee resolved that the provision of non-audit services during the year by KPMG as auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001;
- the Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board policy set out in this report and are satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- the declaration of independence provided by KPMG, as auditor of Stockland.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 55.

Details of the amounts paid to the auditor of Stockland, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for statutory audit have been disclosed.

	2005 $'000	2004 $'000
Audit services		
Audit and review of financial reports (KPMG Australia)	959,242	660,230
Audit and review of financial reports (overseas KPMG firms)	30,500	–
Audit and review of financial reports – other auditors	–	62,544
	989,742	722,774
Other services		
Other services (KPMG Australia)	1,600,464	1,012,000
Other services – other auditors	–	217,104
	1,600,464	1,229,104

The major components of the fees payable to KPMG for services other than statutory audit were for accounting advice, tax and other regulatory and assurance services.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

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

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

KPMG

KPMG

Coleman

Michael J Coleman
Partner

Sydney
10 August 2005

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.

Signed in accordance with a resolution of the directors:

Matthew Quinn
Managing Director

Dated at Sydney, 10 August 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 $'000	2004 $'000
Revenue from ordinary activities			
From operating activities			
Property development sales		860,677	610,669
Rent from investment properties		527,499	512,737
Hotel operation revenue		66,964	63,319
Management and agency fee income		1,058	476
Interest income		8,936	11,450
Dividend/distribution income		1,838	1,417
Other revenue		4,392	1,525
From outside operating activities			
Unrealised gain on financial instruments	4	–	5,245
Gross proceeds on sale of non-current assets		290,466	164,197
Total revenue from ordinary activities		1,761,830	1,371,035
Cost of property developments sold		(544,174)	(363,609)
Investment property expenses		(145,924)	(134,765)
Hotel operation expenses		(61,554)	(58,537)
Management, administration, marketing and selling expenses[1]		(161,451)	(113,522)
Correction of prior period treatment	2	–	220,387
Amortisation of goodwill on acquisition of ADP Trust	2,4	(106,940)	(106,940)
Book value of non-current assets sold		(275,345)	(164,000)
Unrealised loss on financial instruments	4	(19,797)	–
Borrowing costs	4	(30,200)	(69,907)
Share of net profits of investments accounted for using the equity method	42,43	44,256	38,399
Profit from ordinary activities before related income tax expense	4	460,701	618,541
Income tax expense relating to ordinary activities	6	(55,036)	(43,836)
Net profit	31(b)	405,665	574,705
Non-owner transaction changes in equity			
Increase in asset revaluation reserve			
– fair value adjustment	31(a)	268,219	163,352
– equity accounted	31(a)	11,233	14,517
Net exchange differences relating to self-sustaining foreign operations	31(a)	(288)	9,581
Total revenue, expenses, valuation adjustments and net exchange differences attributable to stapled security holders of Stockland recognised directly in equity		279,164	187,450
Total changes in equity from non-owner related transactions attributable to the stapled security holders of Stockland	32	684,829	762,155
Basic earnings per stapled security	7	31.2¢	47.7¢
Basic earnings per security before goodwill on acquisition of ADP Trust and unrealised loss/gain on financial instruments (including capital profits)	7	41.0¢	37.8¢
Basic earnings per security before goodwill on acquisition of ADP Trust and unrealised loss/gain on financial instruments (excluding capital profits)	7	39.8¢	37.8¢

[1] Also includes indirect property management, leasing, project and development management expenses.

The above Statement of Financial Performance should be read in conjunction with the accompanying notes to and forming part of the Financial Statements set out on pages 60 to 125.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	Notes	2005 $'000	2004 $'000
Current assets			
Cash assets	8,34	37,276	206,652
Receivables	9,34	54,937	67,148
Inventories	10	511,500	300,888
Other	11	51,442	44,800
Total current assets		655,155	619,488
Non-current assets			
Receivables	12,34	52,078	87,716
Inventories	13	1,737,005	794,883
Investments accounted for using the equity method	14	643,749	627,466
Other financial assets	15,34	22,230	22,230
Property, plant and equipment	16	21,385	21,762
Investment properties	17	5,092,040	4,750,045
Intangible assets	18	161,145	269,685
Other	19	15,659	11,348
Total non-current assets		7,745,291	6,585,135
Total assets		8,400,446	7,204,623
Current liabilities			
Payables	20,34	198,710	130,738
Interest-bearing liabilities	21,34	249,678	150,000
Current tax liabilities	22	6,998	28,287
Provisions	23	279,465	249,147
Other	24,34	21,801	19,914
Total current liabilities		756,652	578,086
Non-current liabilities			
Payables	25	56,153	58,007
Interest-bearing liabilities	26,34	2,020,841	1,523,717
Deferred tax liabilities	27	35,312	10,904
Provisions	28	1,245	857
Other	29	14,552	–
Total non-current liabilities		2,128,103	1,593,485
Total liabilities		2,884,755	2,171,571
Net assets		5,515,691	5,033,052
Equity			
Contributed equity	30	4,676,736	4,373,508
Reserves	31(a)	743,696	575,850
Retained profits	31(b)	95,259	83,694
Total equity	32	5,515,691	5,033,052

The above Statement of Financial Position should be read in conjunction with the accompanying notes to and forming part of the Financial Statements set out on pages 60 to 125.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 $'000	2004 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		1,583,929	1,313,471
Cash payments in the course of operations		(1,107,748)	(1,066,787)
Distributions received from associates and joint venture entities		40,923	33,307
Interest received		10,042	11,061
Payments to joint venture entities		(3,200)	(6,558)
Payments from joint venture entities		5,849	139
Distributions received other entities		1,823	1,527
Borrowing costs paid		(120,174)	(128,941)
Income taxes paid		(51,915)	(12,705)
Net cash inflow from operating activities	44	359,529	144,514
Cash flows from investing activities			
Payments for controlled entities	40	(877,849)	(131,040)
Payments for investment properties		(361,256)	(319,270)
Payments for plant and equipment		(8,942)	(9,360)
Payments for investments		(4,359)	(151,000)
Payments for intangible assets		–	(39,324)
Proceeds from sale of investment properties		286,809	163,718
Proceeds from sale of plant and equipment		3,657	442
Proceeds from sale of investments		–	37
Loans to other entities		–	(7,999)
Loans to executive directors and executives		(23,013)	(24,985)
Repayment of loans by executive directors and executives		41,232	11,588
Repayment of loans from other entities		100	–
Net cash outflow from investing activities		(943,621)	(507,193)
Cash flows from financing activities			
Proceeds from issues of securities		302,983	699,732
Proceeds from borrowings		2,959,310	1,749,356
Repayment of borrowings		(2,363,000)	(1,562,000)
Dividends/distributions paid	33	(484,577)	(352,626)
Net cash inflow from financing activities		414,716	534,462
Net (decrease) increase in cash held		(169,376)	171,783
Cash at the beginning of the financial year		206,652	34,869
Cash at the end of the financial year	8	37,276	206,652

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to and forming part of the Financial Statements set out on pages 60 to 125.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 ASX. 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 of the Trust 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 significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The combined Financial Report is a general purpose financial report which has been drawn up for the purpose of fulfilling the requirements of the ASX. 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.

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, and 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.

Revenue is recognised for the major business activities as follows:

(i) *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.

(ii) *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

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition (continued)

(ii) Property development sales (continued)

High and medium density residential property development sales (continued)

as a percentage of total estimated sales for the project.

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.

(iii) Hotel operations and management income

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

(iv) 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.

(v) 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.

(vi) 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 translation

(i) 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:

- hedging specific anticipated transactions or net investments in self-sustaining operations (see Note 1(g));
- 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
- relating to the acquisition of qualifying assets (see Note 1(h)).

(ii) 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) Derivative financial instruments

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 these 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 excluded in determining dividends/distributions payable.

Cross currency swaps

Foreign currency denominated notes have been swapped back to Australian dollars via a series of principal and interest cross currency swaps. These swaps are designated as effective hedges of the underlying interest and

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derivative financial instruments (continued)

Cross currency swaps (continued)

foreign currency exposures. Therefore the notes are recognised in the Statement of Financial Performance as Australian dollar denominated debt and interest is recognised on an accrual basis.

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 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.

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps;
- amortisation of discounts or premiums relating to borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Where interest rates are hedged through a financial instrument, the borrowing costs are recognised net of any effect of the hedge.

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

(i) Income tax

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 elected to enter tax consolidation from 1 July 2003, with the effect that as the head entity, Stockland Corporation Limited 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, 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) Acquisition 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).

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Receivables

Collectability of trade debtors is reviewed on an ongoing basis and at balance date specific provision is made for any doubtful accounts. Trade debtors, except for those considered to be doubtful, are carried at amounts due.

(l) 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 costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

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.

(m) 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, the 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. The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

(n) 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 of useful lives used for each class of asset are as follows:

	2005	2004
Plant and equipment:		
Leasehold improvements	10% – 20%	10% – 20%
Plant and equipment	2% – 50%	2% – 50%
Intangibles:		
Hotel management rights	10%	10%
Goodwill – ADP Trust acquisition	33.3%	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.

(o) Operating leases

Payments made under operating leases are expensed when due over the term of the lease.

(p) 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 Responsible Entity is required to ensure that independent valuations are 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;

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Investment properties (continued)

Valuation (continued)

(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.

(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) Payables

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

(s) Interest-bearing liabilities

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

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

(t) 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 is made for the amount of any dividend or distribution declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(u) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised as current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

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

(iii) Bonus entitlements

A liability is recognised in other creditors for employee benefits in the form of employee bonus entitlements which are determined before the time of completion of the financial report. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Superannuation

The Corporation contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(v) Employee benefit on-costs

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

(v) Cash flows

For purposes of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(w) Earnings per security

Basic earnings per security

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

(x) Reclassification of financial information

Where necessary information for the previous period has been represented to conform with changes in presentation in the current financial year.

NOTE 2. CORRECTION OF PRIOR PERIOD ACCOUNTING 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 Statement of Financial Performance on the basis that the directors did not consider it represented goodwill to be carried forward and amortised. For the financial year ended 30 June 2004, and subsequent periods the Board agreed with 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 over three years, rather than expense immediately.

The net impact of the change in accounting treatment was an increase in net consolidated 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.

NOTE 3. 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 asset.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3. SEGMENT REPORTING (continued)

Primary reporting – business segments

2005	Property development $'000	Property management and investment $'000	Hotel management $'000	Other $'000	Inter-segment eliminations $'000	Combined $'000
External segment revenue	870,273	816,016	67,041	8,500	–	1,761,830
Inter-segment revenue	66,822	49,785	–	77,388	(193,995)	–
Total segment revenue	937,095	865,801	67,041	85,888	(193,995)	1,761,830
Segment result before interest[1,2]	217,072	405,439	5,306	(11,226)	–	616,591
Interest expense	–	–	–	(30,201)	–	(30,200)
Interest expense included in cost of sales	(12,882)	–	–	–	–	(12,882)
Segment result	204,190	405,439	5,306	(41,427)	–	573,509
Share of net profit of equity accounted investments	182	44,074	–	–	–	44,256
Unallocated corporate expenses						(50,124)
Profit from ordinary activities before goodwill on acquisition of ADP Trust and income tax expense	204,372	449,513	5,306	(41,427)	–	567,641
Amortisation of goodwill on acquisition of ADP Trust						(106,940)
Profit from ordinary activities before income tax expense						460,701
Income tax expense						(55,036)
Net profit						405,665
Assets						
Segment assets	2,260,235	5,340,463	17,479	37,276	–	7,655,453
Investments in associates and joint venture entities	5,703	638,046	–	–	–	643,749
Unallocated assets						101,244
Total assets						8,400,446
Liabilities						
Segment liabilities	138,171	121,156	10,893	2,270,519	–	2,540,739
Unallocated liabilities						344,511
Total liabilities						2,884,755
Acquisition of property, plant and equipment, intangibles and other non-current segment assets[3]	165,075	172,636	1,230	5,570	–	344,511
Depreciation and amortisation expense	(1,220)	(107,411)	(1,046)	(4,507)	–	(114,184)
Other non-cash expenses	–	771	–	152	–	923
Individually significant items – sale of non-current assets						
Proceeds on sale of non-current assets	–	286,809	–	–	–	286,809
Book value of non-current assets sold	–	(271,390)	–	–	–	(271,390)
	–	15,419	–	–	–	15,419

1 Other segment result before interest includes $19.8 million unrealised loss on financial instruments.
2 Property investment segment result before interest includes $15.4 million capital profits.
3 Excludes acquisitions of controlled entities.

NOTE 3. SEGMENT REPORTING (continued)

Primary reporting – business segments (continued)

2004	Property development $'000	Property management and investment $'000	Hotel management $'000	Other $'000	Inter-segment eliminations $'000	Combined $'000
External segment revenue	612,219	678,321	63,325	17,170	–	1,371,035
Inter-segment revenue	91,428	35,466	–	47,935	(174,829)	–
Total segment revenue	703,647	713,787	63,325	65,105	(174,829)	1,371,035
Segment result before interest[1]	176,858	384,966	4,775	17,435	–	584,034
Interest expense	–	–	–	(69,907)	–	(69,907)
Interest expense included in cost of sales	(10,467)	–	–	–	–	(10,467)
Segment result	166,391	384,966	4,775	(52,472)	–	503,660
Shares of net profit of equity accounted investments	816	37,583	–	–	–	38,399
Unallocated corporate expenses						(36,965)
Profit from ordinary activities before goodwill on acquisition of ADP Trust and income tax expense	167,207	422,549	4,775	(52,472)	–	505,094
Goodwill on acquisition of ADP Trust written back						220,387
Amortisation of goodwill on acquisition of ADP Trust						(106,940)
Profit from ordinary activities before income tax expense						618,541
Income tax expense						(43,836)
Net profit						574,705
Assets						
Segment assets	1,175,631	5,057,978	17,530	211,898	–	6,463,037
Investments in associates and joint venture entities	8,165	619,301	–	–	–	627,466
Unallocated assets						114,120
Total assets						7,204,623
Liabilities						
Segment liabilities	124,679	78,388	5,537	1,673,717	–	1,882,321
Unallocated liabilities						289,250
Total liabilities						2,171,571
Acquisition of property, plant and equipment, intangibles and other non-current segment assets[2]	328,196	520,750	730	5,688	–	855,364
Depreciation and amortisation expense	(1,487)	(107,506)	(2,117)	(3,399)	–	(114,509)
Other non-cash expenses	–	(1,165)	–	(79)	–	(1,244)
Individually significant items – sale of non-current assets						
Proceeds on sale of non-current assets	–	163,718	–	–	–	163,718
Book value of non-current assets sold	–	(163,185)	–	–	–	(163,185)
	–	533	–	–	–	533

[1] Other segment result before interest includes $5.2 million unrealised gain on financial instruments.
[2] Excludes acquisitions of controlled entities.

NOTE 3. SEGMENT REPORTING (continued)

Secondary reporting – geographical segments

	External segment revenues		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
New South Wales	796,391	665,836	4,067,099	3,689,146	178,847	329,817
Queensland	545,822	347,708	2,062,461	1,249,345	11,256	449,856
Victoria	216,665	131,231	745,584	549,709	123,605	5,273
Western Australia	114,823	109,789	159,759	231,823	30,687	5,520
ACT	24,055	26,927	175,618	167,716	36	48,960
South Australia	23,297	26,267	195,580	173,013	11	12,631
Northern Territory	11,947	30,680	1,855	1,984	69	78
New Zealand	21,811	21,784	210,221	188,403	–	3,229
Other	7,019	10,813	37,276	211,898	–	–
	1,761,830	1,371,035	7,655,453	6,463,037	344,511	855,364

NOTE 4. PROFIT FROM ORDINARY ACTIVITIES

	Note	2005 $'000	2004 $'000
Profit from ordinary activities before income tax expense has been arrived at after (crediting)/charging the following items:			
Net bad and doubtful debts expense including movements in provision for doubtful debts		427	691
Amortisation/depreciation of:			
Plant and equipment		5,444	4,182
Leasehold improvements		201	540
Goodwill		108,073	108,074
Hotel management rights		466	616
Hotel pre-opening costs		–	1,097
		114,184	114,509
Borrowing costs:			
Interest paid or payable to other parties		122,653	105,572
Less interest capitalised to property developments in inventory		(81,660)	(32,407)
Less interest capitalised to investment properties		(10,793)	(3,258)
Total borrowing costs expensed		30,200	69,907
Capitalised borrowing costs included in cost of property developments sold	3	12,882	10,467
Total effect of borrowing costs included in the Statement of Financial Performance		43,082	80,374
Net expense from movements in provision for:			
Employee benefits		1,643	1,851
Other		8,223	1,815
		9,866	3,666
Operating lease rental expense		21,418	19,010

NOTE 4. PROFIT FROM ORDINARY ACTIVITIES (continued)

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

	2005 $'000	2004 $'000
Sale of investment properties		
Gross proceeds	286,809	163,718
Book value	(271,390)	(163,185)
Gross profit on sale of investment properties	15,419	533
Other		
Goodwill on acquisition of ADP Trust written back	–	(220,387)
Amortisation of goodwill on the acquisition of ADP Trust	106,940	106,940
Unrealised loss/(gain) on financial instruments	19,797	(5,245)

NOTE 5. REMUNERATION OF AUDITORS

During the year the following services were paid to the auditor of Stockland and its related practices. In addition, amounts paid to other auditors have been disclosed.

	2005 $	2004 $
1. Audit services		
Audit and review of financial reports (KPMG Australia)	959,242	660,230
Audit and review of financial reports (overseas KPMG firms)	30,500	–
Audit and review of financial reports – other auditors	–	62,544
Total remuneration for audit services	989,742	722,774
2. Other services		
Other services (KPMG Australia)	1,600,464	1,012,000
Other services – other auditors	–	217,104
Total remuneration for other services	1,600,464	1,229,104

The major components of the fees payable to KPMG for services other than statutory audit were for accounting advice, tax and other regulatory and assurance services.

NOTE 6. INCOME TAX

	2005 $'000	2004 $'000
Income tax expense		
Profit from ordinary activities before income tax expense	460,701	618,541
Prima facie income tax calculated @ 30%	138,210	185,562
Increase/(decrease) in income tax expense due to:		
Non-deductible depreciation and amortisation	502	510
Other items	2,212	163
Less prima facie income tax on profit from Trust	(85,888)	(142,399)
Income tax expense attributable to profit from ordinary activities	55,036	43,836
Income tax expense attributable to profit from ordinary activities is made up of:		
Current income taxation provision	28,748	40,753
Deferred tax liabilities	26,288	3,083
	55,036	43,836

	2005 Cents	2004 Cents
NOTE 7. EARNINGS PER SECURITY		
Basic earnings per security	31.2	47.7
Basic earnings per security before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (including capital profits)	41.0	37.8
Basic earnings per security before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (excluding capital profits)	39.8	37.8

	2005 $'000	2004 $'000
Basic earnings reconciliation		
Net profit	405,665	574,705
Goodwill on acquisition of ADP Trust written back	–	(220,387)
Amortisation of goodwill on acquisition of ADP Trust	106,940	106,940
Unrealised loss/(gain) on financial instruments	19,797	(5,245)
Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (including capital profits)[1]	532,402	456,013
Capital profits[1]	(15,419)	(533)
Net profit after income tax and before goodwill on acquisition of ADP Trust and unrealised loss/(gain) on financial instruments (excluding capital profits)[1]	516,983	455,480

[1] Capital profits on the sale of investment properties.

	2005 No.	2004 No.
Weighted average number of units/shares used as the denominator	1,299,174,099	1,205,134,968

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

	2005 $'000	2004 $'000
NOTE 8. CURRENT ASSETS – CASH ASSETS		
Cash at bank and on hand	37,276	33,123
Cash on deposit	–	173,529
	37,276	206,652

The weighted average interest rate for Cash at bank and on hand as at 30 June 2005 was 4.80% p.a. (2004: 5.03% p.a.), cash on deposit (2004: 5.40%).

NOTE 9. CURRENT ASSETS – RECEIVABLES

	2005 $'000	2004 $'000
Trade debtors	36,141	18,253
Less: Provision for doubtful debts	832	1,556
	35,309	16,697
Investment property sales	–	7,798
Loans to executive directors[1]	27	447
Prepaid land deposits (secured)[2]	–	21,027
Interest receivable	2,500	4,745
Other debtors[3]	17,351	16,784
Less: Provision for doubtful debts	250	350
	54,937	67,148

[1] Includes loans to Executive Directors for the purchase of stapled securities under the Incentive Share Plan and the Executive Securities Plan (Note 35).

[2] Prepaid land deposits are secured by a first mortgage over the underlying land in favour of Stockland.

[3] Includes loans to Senior Executives for the purchase of stapled securities under the Incentive Share Plan and the Executive Securities Plan (Note 35) of $893,000 (2004: $1,710,000).

NOTE 10. CURRENT ASSETS – INVENTORIES

	2005 $'000	2004 $'000
Land and property held for resale – at cost		
Cost of acquisition	88,646	44,386
Development costs	105,335	64,059
Other costs	8,983	5,996
	202,964	114,441
Land and property under development – at cost		
Cost of acquisition	95,859	48,933
Development costs	73,197	35,843
Other costs	10,485	9,838
	179,541	94,614
Apartments		
Cost of acquisition – at cost	–	9,866
Development costs – at cost	–	17,312
UIG 53 pre-completion receivables	77,382	2,858
	77,382	30,036
Retail projects – at cost		
Cost of acquisition	16,777	34,567
Development costs	16,185	23,766
Other costs	4,277	3,464
	37,239	61,797
Industrial projects – at cost		
Costs of acquisition	14,032	–
Development costs	342	–
	14,374	–
	511,500	300,888

	2005 $'000	2004 $'000

NOTE 10. CURRENT ASSETS – INVENTORIES (continued)

Other costs include borrowing costs, rates and taxes. Borrowing costs were capitalised at a weighted average interest rate of 6.25% from 1 July 2004 to 31 December 2004, 6.15% from 1 January 2005 to 31 March 2005 and 6.05% from 1 April 2005 to 30 June 2005 (2004: 6.00% p.a.).

Aggregate carrying amount of inventories

	2005 $'000	2004 $'000
Current – as above	511,500	300,888
Non-current (Note 13)	1,737,005	794,883
	2,248,505	1,095,771

NOTE 11. CURRENT ASSETS – OTHER

	2005 $'000	2004 $'000
Prepayments	11,462	12,491
Deposits	25,736	14,853
Unrealised gain on financial instruments	–	5,245
Lease incentives	5,948	4,577
Other	8,296	7,634
	51,442	44,800

NOTE 12. NON-CURRENT ASSETS – RECEIVABLES

	2005 $'000	2004 $'000
Loans to senior executives[1]	38,358	50,004
Loans to executive directors[2]	2,412	9,859
Prepaid land deposits (secured)[3]	–	16,545
Receivable from associated companies[4]	11,308	11,308
	52,078	87,716

[1] Includes loans to Senior Executives for the purchase of stapled securities under the Incentive Share Plan and Executive Securities Plan (Note 35).
[2] Includes loans to Executive Directors for the purchase of stapled securities under the Incentive Share Plan and Executive Securities Plan (Note 35).
[3] Prepaid land deposits are secured by a first mortgage over the underlying land in favour of Stockland.
[4] Schroders Building Fund (Note 40) has made an unsecured, non-interest-bearing loan to Martin Place Property Trust (Note 43).

	2005 $'000	2004 $'000

NOTE 13. NON-CURRENT ASSETS – INVENTORIES

	2005 $'000	2004 $'000
Land and property under development – at cost		
Cost of acquisition	1,201,423	532,200
Development costs	163,458	64,099
Other costs	85,265	29,745
	1,450,146	626,044
Apartments		
Cost of acquisition – at cost	218,119	122,991
Development costs – at cost	41,005	17,685
Other costs – at cost	17,006	–
UIG 53 pre-completion receivables	3,108	7,609
	279,238	148,285
Retail projects – at cost		
Cost of acquisition	6,527	13,761
Development costs	301	4,487
Other costs	793	2,306
	7,621	20,554
	1,737,005	794,883

Other costs include borrowing costs, rates and taxes. Borrowing costs were capitalised at a weighted average interest rate of 6.25% from 1 July 2004 to 31 December 2004, 6.15% from 1 January 2005 to 31 March 2005 and 6.05% from 1 April 2005 to 30 June 2005 (2004: 6.00% p.a.).

NOTE 14. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2005 $'000	2004 $'000
Associate (Note 42)	100,361	85,819
Joint venture entities (Note 43)	543,388	541,647
	643,749	627,466

NOTE 15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	2005 $'000	2004 $'000
Investment in other entities		
Unlisted units at cost	22,230	22,230

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2005 $'000	2004 $'000

NOTE 16. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2005 $'000	2004 $'000
Land and buildings		
Strata units		
At cost	6,535	5,778
Leasehold improvements		
At cost	1,817	1,567
Less: Accumulated amortisation	708	507
	1,109	1,060
Plant and equipment		
Plant and equipment		
At cost	25,594	24,034
Less: Accumulated depreciation	11,853	9,110
	13,741	14,924
	21,385	21,762

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

2005	Strata units $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying amount at the beginning of the financial year	5,778	1,060	14,924	21,762
Additions	757	250	7,935	8,942
Disposals	–	–	(3,957)	(3,957)
Additions through acquisition of entity (Note 40)	–	–	283	283
Depreciation/amortisation expense (Note 4)	–	(201)	(5,444)	(5,645)
Carrying amount at the end of the financial year	6,535	1,109	13,741	21,385
2004				
Carrying amount at the beginning of the financial year	5,720	1,060	11,158	17,938
Additions	58	540	9,672	10,270
Disposals	–	–	(1,724)	(1,724)
Depreciation/amortisation expense (Note 4)	–	(540)	(4,182)	(4,722)
Carrying amount at the end of the financial year	5,778	1,060	14,924	21,762

NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
Commercial								
175 Castlereagh Street, Sydney NSW[1,9]	Freehold	Sept 1982	18,000	27,557	June 2004	46,000	46,306	46,088
157 Liverpool Street, Sydney NSW[1]	Freehold	June 1988	41,688	56,605	June 2005	45,000	45,000	47,800
50 Pitt Street, Sydney NSW[1]	Freehold	June 1998	44,830	44,853	June 2005	45,000	45,000	48,500
367 George Street, Sydney NSW[1,6,9]	Freehold	June 1998	35,757	37,056	Dec 2003	46,000	46,235	46,159
77 Pacific Highway, North Sydney NSW	Freehold	Jan 2000	25,897	57,013	June 2005	49,000	49,000	49,862
333 Kent Street, Sydney NSW	Freehold	Jan 2000	32,771	35,310	June 2005	37,500	37,500	30,000
50 Miller Street, North Sydney NSW	Freehold	Jan 2000	30,000	–	June 2004	36,000	–	36,040
541 St Kilda Road, Melbourne VIC[9]	Freehold	Jan 2000	17,100	20,064	June 2004	22,300	22,420	22,300
Amory Gardens 2 – 6 Cavill Avenue, Ashfield NSW	Freehold	July 2000	33,200	37,233	June 2005	26,500	26,500	27,123
Piccadilly 133 – 145 Castlereagh Street, Sydney NSW[8]	Leasehold	Oct 2000	210,061	227,381	June 2005	259,000	259,000	250,759
Riverside 452 Flinders Street, Melbourne VIC[9]	Freehold	Oct 2000	124,500	124,875	Dec 2003	122,500	123,323	122,501
Edmond Barton Building, Barton ACT	Leasehold	Oct 2000	76,887	80,293	Dec 2004	87,500	87,500	85,609
110 Walker Street, North Sydney NSW[9]	Freehold	Oct 2000	22,665	23,660	June 2003	23,000	24,112	23,313
118 – 120 Pacific Highway, St Leonards NSW[9]	Freehold	Oct 2000	19,148	19,929	Dec 2004	21,000	21,361	20,267
51 – 57 Pitt Street, Sydney NSW	Freehold	Oct 2000	17,275	–	June 2003	20,000	–	20,144
37 – 49 Pitt Street, Sydney NSW	Freehold	Oct 2000	47,408	–	Dec 2002	48,000	–	49,530
Cox & Drakeford Buildings Northbourne Avenue and Mort Street, Canberra ACT[9]	Leasehold	Oct 2000	11,004	13,159	Dec 2002	14,000	14,354	14,359
234 Sussex Street, Sydney NSW	Freehold	Oct 2000	42,013	43,638	June 2005	45,000	45,000	43,787
Trace/Todd Buildings, Cooyong and Mort Streets, Canberra ACT	Leasehold	Oct 2000	10,562	15,306	June 2005	17,300	17,300	14,565

NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
Commercial (continued)								
6 – 8 Underwood Street, Sydney NSW	Freehold	Aug 2002	12,001	–	June 2003	10,000	–	10,004
Colonial Centre, Sydney NSW (50%)[5]	Leasehold	June 2003	173,811	175,682	June 2005	172,500	172,500	175,366
Northpoint, North Sydney NSW[9]	Freehold	June 2003	173,281	182,148	Dec 2003	169,000	175,359	171,013
135 King Street, Sydney NSW (50%)[3,5,8,9]	Freehold	June 2003	96,506	99,057	March 2003	96,000	99,777	98,030
Exchange Plaza, Perth WA (50%)[3,5,9]	Leasehold	June 2003	67,774	69,678	March 2003	67,200	70,783	68,792
601 Pacific Highway, St Leonards NSW[3,9]	Freehold	June 2003	61,064	61,749	March 2003	61,000	61,787	61,135
7 Macquarie Place, Sydney NSW (50%)[5,9]	Freehold	June 2003	48,140	48,604	Dec 2003	48,250	48,692	48,328
72 Christie Street, St Leonards NSW[9]	Freehold	June 2003	46,000	47,597	June 2004	37,000	38,597	37,000
81 – 95 Waymouth Street, Adelaide SA[3,9]	Freehold	June 2003	41,000	41,029	March 2003	41,000	41,029	41,001
75 George Street, Parramatta NSW	Freehold	June 2003	30,041	31,284	June 2005	27,500	27,500	30,100
Chesser House, Adelaide SA	Freehold	June 2003	22,600	24,121	June 2005	28,000	28,000	22,601
90 Mount Street, North Sydney NSW[3]	Freehold	June 2003	21,427	–	March 2003	21,400	–	21,810
68 Northbourne Avenue, Canberra ACT[1,9]	Leasehold	Aug 2003	21,492	21,594	Oct 2003	21,000	21,594	21,502
Waterfront Place Eagle Street, Brisbane QLD (50%)[3,5,9]	Freehold	Feb 2004	151,635	152,049	Dec 2003	145,500	152,096	151,635
Total Commercial							1,847,625	1,957,023
Shopping Centres								
Stockland Baulkham Hills, Baulkham Hills NSW[1,9]	Freehold	Sept 1982	15,500	26,455	Dec 2004	69,500	69,845	57,467
Stockland Merrylands, Merrylands NSW[1,9]	Freehold	Sept 1982	18,000	36,061	Dec 2004	128,000	128,580	110,478
Stockland Imperial Arcade, Sydney NSW[1]	Freehold	Sept 1982	9,500	–	June 2003	77,000	–	77,843
Stockland Wetherill Park, Wetherill Park NSW[1,9]	Freehold	Aug 1983	11,950	104,531	Dec 2004	230,000	230,301	190,852
Stockland Jesmond, Jesmond NSW[1,9]	Freehold	Feb 1984	9,212	37,774	June 2004	81,700	83,871	81,794

NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
Shopping Centres (continued)								
Stockland Townsville, Townsville QLD[1,9]	Freehold	June 1987	27,655	92,596	Dec 2004	174,500	175,335	160,412
Stockland Cairns, Cairns QLD[1,9]	Freehold	June 1992	47,843	141,923	Dec 2004	145,000	146,136	131,595
Stockland Glendale, Glendale NSW[1,9]	Freehold	March 1996	50,634	64,300	Dec 2004	133,500	134,098	121,384
Stockland Green Hills, Maitland NSW[1,9]	Freehold	Dec 2000	51,667	113,195	Dec 2004	148,000	148,223	132,087
Stockland Batemans Bay, Batemans Bay NSW[1,9]	Freehold	June 2002	6,250	63,139	Dec 2004	65,000	65,629	51,556
Woolworths, Toowong QLD	Freehold	Oct 2000	4,830	4,836	June 2003	5,300	5,300	5,300
Stockland Bay Village, Bateau Bay NSW[4]	Freehold	Oct 2000	63,913	93,053	June 2003	79,000	108,122	79,390
Stockland Gladstone, Gladstone QLD[9]	Freehold	Oct 2000	52,206	53,463	Dec 2004	78,000	78,442	71,073
Auckland Creek, Gladstone QLD	Freehold	Oct 2000	6,739	7,431	June 2004	3,200	3,200	3,200
Stockland Cleveland, Cleveland QLD[1,9]	Freehold	Oct 2002	63,254	64,012	June 2004	64,000	64,396	64,143
Merrylands Court, Merrylands NSW[1,9]	Freehold	Dec 2002	15,782	15,810	June 2004	16,000	16,037	16,008
Stockland Glenrose, Glenrose NSW[1,3,9]	Freehold	Jan 2003	39,615	39,767	Dec 2002	36,700	39,840	39,808
Stockland Vincentia, Vincentia NSW[1]	Freehold	June 2003	6,798	7,429	–	–	7,429	7,429
Stockland Rockhampton, Rockhampton QLD[9]	Freehold	June 2003	132,553	133,741	Dec 2004	147,000	147,536	138,474
Stockland Shellharbour, Shellharbour NSW[9]	Freehold	June 2003	140,223	141,410	Dec 2004	178,000	178,838	163,459
Karrinyup Shopping Centre, Karrinyup WA (25%)[5,9]	Freehold	June 2003	69,910	70,939	Dec 2004	100,000	100,059	85,244
Botany Town Centre, Auckland NZ (50%)[7]	Freehold	June 2003	86,316	96,187	June 2005	114,055	114,055	101,665
Lynnmall Shopping Centre, Auckland NZ (50%)[7]	Freehold	June 2003	56,348	56,628	June 2005	67,021	67,021	60,727
Stockland Parabanks, Salisbury SA[9]	Freehold	June 2003	55,711	56,211	Dec 2004	70,740	70,992	61,930
Stockland Bullcreek, Bullcreek WA[9]	Freehold	June 2003	53,000	53,176	Dec 2004	62,700	62,907	59,156
Stockland Nowra, Nowra NSW[9]	Freehold	June 2003	49,728	50,146	Dec 2004	68,350	68,703	62,320

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)								
Shopping Centres (continued)								
Stockland Caloundra, Caloundra QLD[9]	Freehold	June 2003	46,504	48,812	Dec 2004	60,000	60,165	49,374
Stockland Bathurst, Bathurst NSW[9]	Freehold	June 2003	40,413	53,000	Dec 2004	63,000	63,188	47,213
Stockland Wendouree, Ballarat VIC[9]	Freehold	June 2003	42,042	43,806	Dec 2004	64,000	64,825	54,092
Stockland Traralgon, Traralgon VIC[9]	Freehold	June 2003	44,000	44,244	Dec 2004	60,000	60,203	51,142
Stockland Corrimal, Corrimal NSW[9]	Freehold	June 2003	36,504	36,709	Dec 2004	44,900	45,044	41,492
Shellharbour Supa Centre, Shellharbour NSW[9]	Freehold	June 2003	33,500	33,512	Dec 2004	42,000	42,010	40,013
Manukau Supa Centre, Auckland NZ (50%)[7]	Freehold	June 2003	22,090	23,688	June 2005	28,605	28,605	26,300
Stockland Forster, Forster NSW[1,9]	Freehold	July 2003	39,000	48,363	June 2003	39,000	48,397	48,473
Bridge Plaza, Batemans Bay NSW[1,9]	Freehold	Sept 2003	13,300	13,619	June 2004	14,500	14,514	14,509
Stockland Burleigh Heads, Burleigh Heads QLD[1,4]	Freehold	Aug 2003	82,367	93,789	June 2004	83,500	94,281	83,600
Burleigh Central, Burleigh Heads QLD[1,9]	Freehold	Aug 2003	14,800	14,890	June 2004	15,000	15,060	15,000
Benowa Gardens, Burleigh Heads QLD[1,9]	Freehold	Aug 2003	21,300	22,063	June 2004	22,000	22,168	22,090
8 North Street, Batemans Bay NSW[1]	Freehold	Feb 2004	2,425	2,425	Feb 2004	–	755	750
Stockland The Pines Doncaster East VIC[1,9]	Freehold	Nov 2004	122,548	122,724	Dec 2004	122,900	123,076	–
Total Shopping Centres							2,997,186	2,628,842
Industrial and Office Parks								
Yennora Distribution Centre, Yennora NSW[9]	Freehold	July 2000	141,890	187,254	June 2004	205,500	210,383	206,236
Hendra Distribution Centre, Hendra QLD	Freehold	July 2000	41,717	45,214	June 2005	52,500	52,500	43,921
Port Adelaide Distribution Centre, Gillman SA[9]	Freehold	July 2000	42,945	46,060	Dec 2004	51,500	53,395	47,710
Altona Distribution Centre, Altona VIC	Freehold	July 2000	24,334	24,777	June 2005	24,900	24,900	18,778
2 Davis Road, Wetherill Park NSW[1]	Freehold	April 2003	15,642	15,664	June 2005	17,700	17,700	15,948

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
Industrial and Office Parks (continued)								
11A Ferndell Street, Granville NSW[1]	Freehold	April 2003	14,439	14,726	June 2005	16,300	16,300	14,453
11 Amour Street, Revesby NSW[1]	Freehold	June 2003	11,049	13,237	June 2005	14,000	14,000	12,784
Brooklyn Estate, Brooklyn VIC	Freehold	June 2003	52,436	58,165	June 2005	70,000	70,000	56,042
9 – 11 Ferndell Street, Granville NSW[3,9]	Freehold	June 2003	32,891	36,248	March 2003	36,000	36,248	36,225
Century Estate, Alexandria NSW[10]	Freehold	June 2003	24,500	14,032	March 2003	24,500	–	25,158
55 – 63 Bourke Road, Alexandria NSW[3,9]	Freehold	June 2003	20,100	20,440	March 2003	20,100	20,973	21,043
1 Skyline Place, Frenchs Forest[2,3]	Freehold	June 2003	9,000	–	March 2003	9,000	–	5,582
509 Boundary Road, Richlands QLD[3,9]	Freehold	June 2003	8,131	8,204	March 2003	8,100	8,204	8,132
60 Fulcrum Street, Richlands QLD	Freehold	June 2003	5,700	5,854	June 2005	7,500	7,500	5,850
3 Byfield Street, North Ryde NSW[9]	Freehold	Jan 2000	8,975	9,339	June 2004	8,000	8,203	8,201
18 Rodborough Road, Frenchs Forest NSW[9]	Freehold	Jan 2000	8,713	8,716	Dec 2003	7,900	7,903	7,900
28 Rodborough Road, Frenchs Forest NSW	Freehold	Jan 2000	13,984	–	May 2001	13,000	–	13,059
Centrecourt Estate, North Ryde NSW[4]	Freehold	July 2000	68,657	72,946	June 2004	82,600	84,773	83,141
Macquarie Technology Centre, 11 – 17 Khartoum Road, North Ryde NSW[9]	Freehold	Oct 2000	36,540	38,991	June 2003	38,500	39,482	39,136
60 – 66 Waterloo Road, North Ryde NSW[9]	Freehold	Oct 2000	20,757	24,115	June 2003	26,700	27,541	27,121
Lot 21 Riverside Corporate Park, North Ryde NSW[9]	Freehold	June 2001	15,980	17,811	June 2004	16,500	17,846	16,500
159 – 163 Newton Road, Wetherill Park NSW[1]	Freehold	Oct 2003	11,092	11,172	June 2005	11,900	11,900	11,105
Sydney Orbital Park, Sydney NSW[1,4]	Freehold	Sept 2003	11,949	31,798	July 2003	18,149	31,798	19,319
Prestons Industrial Estate Prestons NSW[1,3,9]	Freehold	May 2005	21,635	21,635	March 2005	20,500	21,635	–
42 Birnie Avenue Lidcombe[1,3,9]	Freehold	June 2005	15,014	15,014	June 2005	14,400	15,014	–
Total Industrial and Office Parks							798,198	743,344

NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)

Description	Title	Acquisition date	Original purchase price $'000	Cost including all additions $'000	Independent valuation date	Independent valuation amount $'000	Book value 30 June 2005 $'000	Book value 30 June 2004 $'000
Other								
333 Exhibition Street, Melbourne VIC	Freehold	Aug 1985	4,379	–	June 2004	30,930	–	30,930
210 – 222 Russell Street, Melbourne VIC	Freehold	June 2004	16,840	16,840	Dec 2004	17,194	17,194	16,840
88 The Esplanade, Darwin NT	Freehold	June 2004	1,855	1,855		–	1,855	1,855
Capital works in progress			–	–		–	95,304	14,875
Total Other							114,353	64,500
Total Investment Properties (including amounts classified in Other assets)							5,757,362	5,393,709
Less: Lease incentives and fees classified in Other assets and associates and joint venture entities							23,564	17,073
Total Investment Properties (including share of investment property held by associates and joint ventures)							5,733,798	5,376,636

1 Property held by Stockland Trust.
2 These properties are under sale as strata units. The book value at 30 June 2005 represents the latest independent valuation less the cost of units sold. The directors consider the book value of the property at 30 June 2005 to reflect fair value.
3 Date of latest valuation preceding acquisition by the Trust.
4 Capital works are in progress. Fair value at 30 June 2005 has been assessed by the directors after consideration of the latest valuation and capital works incurred to 30 June 2005. An independent valuation of the property will be undertaken to assess book value upon completion of the works.
5 Property held by associates and joint venture entities.
6 Contract for sale exchanged, not yet settled.
7 Valuation movements are due to exchange rate fluctuations between the Australian dollar and the New Zealand dollar.
8 Includes Retail.
9 Book value includes capital expenditure incurred since latest independent valuation.
10 Transfer to inventory.

	Note	2005 $'000	2004 $'000
NOTE 17. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (continued)			
Reconciliation of ownership			
Combined property investments		5,092,040	4,750,045
Stockland's share of investment properties held by associates and joint venture entities		641,758	626,591
Total interest in investment properties		5,733,798	5,376,636
Reconciliation – investment properties			
Direct investments and controlled entities			
Carrying amount at the beginning of the financial year		4,750,045	4,421,934
Additions		369,176	349,184
Disposals		(271,390)	(163,185)
Transfer to inventory		(24,989)	(39,738)
Transfer from inventory		–	18,965
Valuation increments	31(a)	268,219	163,352
Foreign currency exchange differences		979	(467)
Carrying amount at the end of the financial year		5,092,040	4,750,045
NOTE 18. NON-CURRENT ASSETS – INTANGIBLE ASSETS			
Goodwill at cost		332,962	332,963
Less: Accumulated amortisation		218,312	110,239
		114,650	222,724
Trust management rights at cost		32,500	32,500
Less: Accumulated amortisation		438	438
		32,062	32,062
Property management rights at cost		9,300	9,300
Other intangibles at cost[1]		8,558	8,558
Less: Accumulated amortisation		3,425	2,959
		5,133	5,599
		161,145	269,685

[1] Other intangibles consist of Hotel management rights $7,312,000 (2004: $7,312,000) and Heritage Floor space $1,246,000 (2004: $1,246,000).

	Note	2005 $'000	2004 $'000
NOTE 19. NON-CURRENT ASSETS – OTHER			
Hotel pre-opening costs – at cost		–	3,156
Less: Accumulated amortisation		–	3,156
		–	–
Lease incentives (net of amortisation)		9,592	6,513
Lease fees		6,067	4,835
		15,659	11,348

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005 $'000	2004 $'000
NOTE 20. CURRENT LIABILITIES – PAYABLES		
Trade creditors and accruals	154,872	89,995
Trade creditors – land purchases	31,257	36,331
Goods and services tax (GST) payable	12,581	4,412
	198,710	130,738
NOTE 21. CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES		
Unsecured		
Medium term notes	249,678	150,000

Details of the medium term notes are set out in Note 26.

	2005 $'000	2004 $'000
NOTE 22. CURRENT LIABILITIES – CURRENT TAX LIABILITIES		
Provision for taxation	6,998	28,287
NOTE 23. CURRENT LIABILITIES – PROVISIONS		
Dividends/distributions (Note 33)	257,250	236,410
Employee benefits (Note 38)	6,460	5,205
Other[1]	15,755	7,532
	279,465	249,147

[1] Other provisions include amounts provided for contracted development costs $11.9 million (2004: $4.1 million) and legal claims $2.2 million (2004: $3.0 million).

Movements in provisions

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

2005	Dividends/ distributions $'000	Other $'000	Total $'000
Carrying amount at beginning of the financial year	236,410	7,532	243,942
Additional provisions recognised	505,417	11,953	517,370
Payments	(484,577)	(3,730)	(488,307)
Carrying amount at end of the financial year	257,250	15,755	273,005
2004			
Carrying amount at beginning of the financial year	142,745	27,405	170,150
Additional provisions recognised	446,291	5,925	452,216
Payments	(352,626)	(25,798)	(378,424)
Carrying amount at end of the financial year	236,410	7,532	243,942

	2005 $'000	2004 $'000

NOTE 24. CURRENT LIABILITIES – OTHER

	2005 $'000	2004 $'000
Unsecured		
Tenant security deposits	2,525	2,975
Rents in advance	15,401	14,768
Other	3,875	2,171
	21,801	19,914

NOTE 25. NON-CURRENT LIABILITIES – PAYABLES

	2005 $'000	2004 $'000
Other payables – land purchases	56,153	58,007

NOTE 26. NON-CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES

	2005 $'000	2004 $'000
Unsecured		
Bank bill facility	571,000	–
Medium term notes	1,449,841	1,523,717
	2,020,841	1,523,717

Financing arrangements (current and non-current interest-bearing liabilities)

(a) Bank bill facilities

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

Facility 30 June 2005 $'000	Facility 30 June 2004 $'000	Security	Maturity date	Utilised at 30 June 2005 $'000	Utilised at 30 June 2004 $'000
350,000	250,000	Unsecured	June 2008	100,000	–
100,000	–	Unsecured	August 2006	100,000	–
350,000	250,000	Unsecured	August 2006	121,000	–
100,000	–	Unsecured	August 2006	100,000	–
150,000	–	Unsecured	August 2006	150,000	–
1,050,000	500,000			571,000	–

The bank bill facilities are multi-use facilities which may be used partially for bank guarantees. They are subject to floating interest rates.

NOTE 26. NON-CURRENT LIABILITIES – INTEREST-BEARING LIABILITIES (continued)

Financing arrangements (current and non-current interest-bearing liabilities) (continued)

(b) Medium term notes

Domestic

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

	2005 $'000	2004 $'000
Maturity date		
September 2004	–	150,000
July 2005	100,000	100,000
February 2006	150,000	150,000
October 2007	340,000	340,000
August 2008	250,000	250,000
June 2011	175,000	–
May 2013	150,000	150,000
Total	1,165,000	1,140,000

Medium term notes have been issued at either a discount or premium to face value. The discount or premium is amortised as interest expense over the term of the notes. The notional face value of all domestic medium term notes is $1,165.0 million (2004: $1,140.0 million). The current book value is $1,165.2 million (2004: $1,139.4 million). The weighted average interest rate of the medium term notes at 30 June 2005 is 5.80% (2004: 5.73%).

Foreign

During the previous 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 on issue at 30 June 2005 in the US private placement market is A$534.4 million (US$350.0 million) (2004: A$534.4 million (US$350.0 million)). The weighted average interest rate of the foreign medium term notes at 30 June 2005 is 6.35% (2004: 6.17%).

Details of the medium term notes on issue in the US private placement market are set out below at face value:

	2005 $'000	2004 $'000
Maturity date		
October 2011	32,061	32,061
October 2012	45,802	45,802
October 2015	99,237	99,237
October 2016	27,481	27,481
October 2017	61,069	61,069
October 2018	268,701	268,701
Total	534,351	534,351

	2005 $'000	2004 $'000
NOTE 27. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES		
Provision for deferred income tax	35,312	10,904
NOTE 28. NON-CURRENT LIABILITIES – PROVISIONS		
Employee benefits (Note 38)	1,245	857
NOTE 29. NON-CURRENT LIABILITIES – OTHER		
Unrealised loss on financial instruments	14,552	–

NOTE 30. CONTRIBUTED EQUITY

	2005 Number of securities	2004 Number of securities	2005 $'000	2004 $'000
Ordinary				
Issued and fully paid	1,321,048,722	1,265,632,116	4,676,736	4,373,508

Movements in securities

Date	Details	Number of securities	Issue price	$'000
1 July 2003	Opening balance	1,038,791,357		3,256,945
24 July 2003	Acquisitions	77,121,752	$5.01	386,380
29 August 2003	Acquisitions	7,398,808	$5.01	37,068
29 August 2003	Dividend reinvestment plan	17,130,177	$4.81	82,396
29 August 2003	Executive securities plan	4,345,000	$4.81	20,899
29 August 2003	Employee share plan	32,250	$4.81	155
26 September 2003	Placement	50,000,000	$4.65	232,500
23 October 2003	Share purchase plan	6,710,250	$4.65	31,202
27 February 2004	Dividend reinvestment plan	24,312,522	$5.17	125,696
27 February 2004	Executive securities plan	790,000	$5.17	4,085
27 February 2004	Placement	39,000,000	$5.20	202,800
	Less: Transaction costs arising on security issues	–		(6,618)
30 June 2004	Balance	1,265,632,116		4,373,508
31 August 2004	Dividend reinvestment plan	25,587,391	$5.30	135,613
31 August 2004	Executive securities plan	3,127,500	$5.30	16,576
31 August 2004	Employee share plan	46,004	$5.30	244
23 November 2004	Incentive share plan	784,000	$5.79	4,539
23 November 2004	Incentive share plan	250,000	$5.97	1,493
28 February 2005	Dividend reinvestment plan	25,531,711	$5.65	144,254
28 February 2005	Executive securities plan	90,000	$5.65	509
30 June 2005	Balance	1,321,048,722		4,676,736

NOTE 30. CONTRIBUTED EQUITY (continued)

Stapled securities

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.

NOTE 31. RESERVES AND RETAINED PROFITS

	Notes	2005 $'000	2004 $'000
(a) Reserves			
Asset revaluation reserve		703,632	531,120
Foreign currency translation reserve		9,293	9,581
General reserve		(14,552)	5,245
Realised capital profits reserve		45,322	29,903
Capital redemption reserve		1	1
		743,696	575,850
Movements:			
Asset revaluation reserve			
Balance at the beginning of the financial year		531,120	260,530
Increment on revaluation of investment properties at the end of the financial year	17	268,219	163,352
Share of increment on revaluation of investment properties held by associates equity accounted	42,43	11,233	14,517
Transfers from/(to) retained profits		(106,940)	92,721
Balance at the end of the financial year		703,632	531,120
Foreign currency translation reserve			
Balance at the beginning of the financial year		9,581	–
Net exchange differences on translation of foreign controlled entity		(288)	9,581
Balance at the end of the financial year		9,293	9,581
General reserve			
Balance at the beginning of the financial year		5,245	–
Unrealised (loss)/gain on financial instruments transferred (to)/from retained profits		(19,797)	5,245
Balance at the end of the financial year		(14,552)	5,245
Realised capital profits reserve			
Balance at the beginning of the financial year		29,903	8,645
Profit on sale of investment properties transferred from retained profits		15,419	533
Transfer from/(to) retained profits		–	20,725
Balance at the end of the financial year		45,322	29,903

	Notes	2005 $'000	2004 $'000

NOTE 31. RESERVES AND RETAINED PROFITS

(b) Retained profits

	Notes	2005 $'000	2004 $'000
Retained profits at the beginning of the financial year		83,694	74,504
Net profit		405,665	574,705
Dividends/distributions provided for or paid	33	(505,417)	(446,291)
Aggregate of amounts transferred from/(to) reserves		111,317	(119,224)
Retained profits at the end of the financial year		95,259	83,694

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

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

(ii) General reserve

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

NOTE 32. EQUITY

	Notes	2005 $'000	2004 $'000
Total equity at the beginning of the financial year		5,033,052	3,999,801
Total changes in equity recognised in the Statement of Financial Performance		684,829	762,155
Transactions with owners as owners:			
Contributions of equity, net of transaction costs	30	303,228	1,116,563
Dividends/distributions provided for or paid	33	(505,417)	(446,291)
Total changes in outside equity interest		–	(399,176)
Total equity at the end of the financial year		5,515,691	5,033,052

NOTE 33. DIVIDENDS/DISTRIBUTIONS

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

2005	Cents per unit/share ¢	Total amount $'000	Date of payment	Tax rate for franking credit %	Percentage franked %	
The Corporation						
Interim dividend	4.2	54,005	28 Feb 2005	30	100	
Final dividend	4.1	53,812	31 Aug 2005	30	100	
Total dividends	8.3	107,817				
				Total tax preferred %	Tax deferred %	CGT concession %
The Trust						
Interim distribution	15.1	194,162	28 Feb 2005	25.0	25.0	–
Final distribution	15.5	203,438	31 Aug 2005	25.0	25.0	–
Total distributions	30.6	397,600				
Total	38.9	505,417				

NOTE 33. DIVIDENDS/DISTRIBUTIONS

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

2004	Cents per unit/share ¢	Total amount $'000	Date of payment	Tax rate for franking credit %	Percentage franked %	
The Corporation						
Interim dividend	3.4	39,644	27 Feb 2004	30	100	
Final dividend	4.1	51,015	31 Aug 2004	30	100	
Total dividends	7.5	90,659				
				Total tax preferred %	Tax deferred %	CGT concession %
The Trust						
Interim distribution	14.6	170,237	27 Feb 2004	20.1	17.5	2.6
Final distribution	14.9	185,395	31 Aug 2004	20.1	17.5	2.6
Total distributions	29.5	355,632				
Total	37.0	446,291				

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.

	The Corporation 2005 $'000	The Corporation 2004 $'000
Dividend Franking Account		
30% franking credits available to shareholders of the Corporation for subsequent financial years	(4,895)	23,015

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

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

The negative balance of the franking account at the year ended 30 June 2005 is due to the timing of dividend and tax payment cash flows.

NOTE 34. FINANCIAL INSTRUMENTS

(a) Derivative financial instruments

Interest rate swap contracts

Interest rate swaps allow Stockland to swap floating rate borrowings into fixed rates, or to alter interest rate exposures. 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 a net unrealised loss has been recognised for the mark-to-market value as at 30 June 2005 of the ineffective 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 a vanilla swap that hedges 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.

Cross currency swaps

Foreign currency denominated notes have been swapped back to Australian dollars via a series of principal and interest cross currency swaps. These swaps are designated as effective hedges of the underlying interest and foreign currency exposures. Therefore the notes are recognised in the Statement of Financial Performance as Australian dollar denominated debt and interest is recognised on an accrual basis.

Forward exchange contracts

In order to protect against exchange rate movements in respect of foreign currency denominated revenues, Stockland has entered into forward exchange contracts to sell NZ dollars.

Exchange gains or losses in respect of the 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$634,481 (2004: A$146,000).

At balance date, the details of outstanding contracts are:

	Australian principal amount		Average exchange rate	
	2005 $'000	2004 $'000	2005	2004
NZD Forward foreign exchange contracts[1]				
Maturity				
Not later than one year	6,096	12,192	1.1483	1.1483
Later than one year but not later than two years	–	6,096	–	1.1483
	6,096	18,288		

[1] Forward exchange contracts to pay New Zealand dollars and receive Australian dollars, which hedge the Trust's forecast income.

(b) 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 has 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 2005 was $2.5 million (2004: $4.2 million).

NOTE 34. FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Stockland enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. Refer to interest rate swap contracts in (a) above.

Stockland's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as Stockland intends to hold fixed rate assets and liabilities to maturity.

			Fixed interest maturing in:				
2005	Notes	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest-bearing $'000	Total $'000
Financial assets							
Cash and deposits	8	37,202	–	–	–	74	37,276
Receivables	9,12	40,770	–	–	–	66,245	107,015
Other financial assets – investments	15	–	–	–	–	22,230	22,230
		77,972	–	–	–	88,549	166,521
Effective weighted average interest rate[1]		5.90%	-%	-%	-%		
Financial liabilities							
Payables	20,25	–	–	–	–	254,863	254,863
Interest-bearing liabilities	21,26	837,000	249,678	389,183	794,658	–	2,270,519
Other liabilities	24	2,525	–	–	–	19,276	21,801
Interest rate swaps*		5,248	–	201,000	(206,248)	–	–
		844,773	249,678	590,183	588,410	274,139	2,547,183
Effective weighted average interest rate[1]		6.28%	5.56%	5.77%	6.14%		
Net financial (liabilities)/assets		(766,801)	(249,678)	(590,183)	(588,410)	(185,590)	(2,380,662)
2004							
Financial assets							
Cash and deposits	8	206,590	–	–	–	62	206,652
Receivables	9,12	61,260	–	–	–	93,604	154,864
Other financial assets – investments	15	–	–	–	–	22,230	22,230
		267,850	–	–	–	115,896	383,746
Effective weighted average interest rate[1]		7.06%	-%	-%	-%		
Financial liabilities							
Payables	20,25	–	–	–	–	188,745	188,745
Interest-bearing liabilities	21,26	216,000	150,000	638,366	669,351	–	1,673,717
Other liabilities	24	2,975	–	–	–	16,939	19,914
Interest rate swaps*		218,351	(150,000)	451,000	(519,351)	–	–
		437,326	–	1,089,366	150,000	205,684	1,882,376
Effective weighted average interest rate[1]		6.10%	-%	5.82%	6.72%		
Net financial (liabilities)/assets		(169,476)	–	(1,089,366)	(150,000)	(89,788)	(1,498,630)

* Notional principal amounts.

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

NOTE 34. FINANCIAL INSTRUMENTS (continued)

(d) Net fair value 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 2005 was ($8.3 million) (2004: ($17.6 million)) as it is intended Stockland will retain these swaps to maturity.

Stockland does not hold derivative financial instruments for speculative purposes.

NOTE 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); and
- Specified Executives – certain senior executives who are members of the Executive Committee and who have the greatest authority for the strategic direction and management of Stockland; and
- the above individuals' personally related entities are disclosed below.

Specified Directors

The names and position of each director of Stockland during the financial year were:

Non-Executive Directors

Mr Peter Daly	Chairman
Mr Nicholas Greiner	Deputy Chairman
Mr Graham Bradley	
Mr Bruce Corlett	
Mr David Fairfull	
Mr Barry Thornton (resigned 26 October 2004)	
Mr Terry Williamson	

Executive Directors

Mr Matthew Quinn	Managing Director
Mr Hugh Thorburn (appointed 1 July 2004)	Finance 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 Executives group in respect of the financial year ended 30 June 2004.

Mr John Pettigrew resigned as Finance Director on 13 February 2004 and is included in the Specified Directors group 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
Mr Steve Mann	CEO Commercial and Industrial Division
Ms Lisa Scenna	Executive General Manager – Strategy and Corporate Development
Mr Darren Steinberg	CEO Shopping Centre Division

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

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

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, Finance 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 securities plan or receive any retirement benefits (other than superannuation) and do not receive any performance related remuneration. 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 Non-Executive Directors, plus superannuation.

Effective from 1 July 2004 the Chairman received $195,000 and the Deputy Chairman received $105,000 per annum. The base fee for other Non-Executive Directors was $80,000 per annum. These fees covered all main board activities. The additional fees for the following Board Committees were: Audit and Risk 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. In addition, the Chairman and other Non-Executive members of the SFML Board received $30,000 per annum.

It is important for all security holders that Stockland is able to attract and retain well qualified directors. In light of the substantial increase in the time demands and legal liability imposed upon directors arising from recent developments in corporate governance, the corporate law and the expectations of security holders generally, in early 2005 the Board commissioned external advice on the competitiveness of Stockland's Board remuneration policies. That advice indicated that Stockland's policies were uncompetitive, and the Board therefore resolved to increase board fees to more appropriately align Stockland with comparable listed entities.

From 1 May 2005 the Chairman will receive $325,000 and the Deputy Chairman will receive $195,000 per annum. The base fee for other Non-Executive Directors will be $130,000 per annum. The additional fees for the following Board Committees are: Audit and Risk Committee Chair $30,000, members $15,000; Nominations and Remuneration Committee Chair $12,000, members $8,000; Compliance Committee Chair $20,000 and members $15,000; subject to security holder approval of the increase in total fees payable to Non-Executive Directors from $950,000 to $1,750,000 at the AGM in October 2005. In addition, the Chairman and other Non-Executive members of the SFML Board will receive $40,000 per annum.

To encourage superior performance and long-term commitment to Stockland, remuneration packages for Executive Directors and Specified Executives 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.

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, in turn, 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 consideration, 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 the company" basis. The total package may include base salary, motor vehicle, car parking, superannuation, 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.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Other benefits (continued)

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

Like all employees of Stockland, Executive Directors and Specified 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 or "owner-occupied" use. This discount is not included in remuneration as there is no net cost to Stockland or its related entities.

There are certain concessionary benefits and shared facilities available to staff generally, including discounted accommodation in hotels managed by Stockland. 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 Specified Executives are disclosed as "Other Compensation". 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 and Professional Indemnity insurance policies.

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

The financial impact in future periods arising from employment contracts with Executive 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.

Executive Directors and Specified Executives are entitled to long service leave, ten (10) days sick leave and twenty (20) days annual leave. Accruals and payments in respect of these entitlements are disclosed as "Primary" remuneration. Notice periods of three (3) 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 (6) 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 Executive Director or Specified Executive. In the event that any Executive Director or any Specified Executive 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 (3) 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 Executive Directors and Specified Executives.

The severance payments vary between the individuals. The Managing Director would receive one and half (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. The Finance Director and the Specified Executives would receive the sum of their 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 pursuant to the Executive Securities Plan 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 Executive 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 the Corporation 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 been provided in relation to the purchase of equity securities under the Incentive Share Plan and the Executive Securities Plan, and where an Executive Director or Specified Executive is required to relocate for work at Stockland. These loans do not form part of the base package arrangements for each individual. 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 Incentive Share Plan and the Executive Securities Plan and Loans (refer to "Equity instruments" and "Loans" sections below); and
- as otherwise detailed above in respect of notice periods on termination.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

	Primary			Post-employment	Equity compensation	Other compensation	Sub-total	Primary		Total
For the year ended 30 June 2005	Salary and fees	Bonus[1]	Non-monetary benefits[2]	Super-annuation benefits	Value of other equity compensation[3]	Insurance premiums[4]		Annual leave entitlements[5]	Long service leave entitlements[5]	
	$	$	$	$	$	$	$	$	$	$
Specified Directors										
Non-executive										
Mr P Daly (Chairman)	222,500	–	–	15,079	–	11,119	248,698	–	–	248,698
Mr N Greiner (Deputy Chairman)	130,333	–	–	11,730	–	11,119	153,182	–	–	153,182
Mr G Bradley	132,167	–	–	11,895	–	11,119	155,181	–	–	155,181
Mr B Corlett	106,333	–	–	9,570	–	11,119	127,022	–	–	127,022
Mr D Fairfull	104,167	–	–	9,375	–	11,119	124,661	–	–	124,661
Mr B Thornton (resigned 26 October 2004)	29,038	–	–	2,613	–	3,595	35,246	–	–	35,246
Mr T Williamson	141,667	–	–	12,750	–	11,119	165,536	–	–	165,536
Executive										
Mr M Quinn, Managing Director	1,135,358	800,000	105,813	11,585	125,268	11,119	2,189,143	5,865	36,427	2,231,435
Mr H Thorburn, Finance Director (commenced 1 July 2004)	830,378	340,000	27,240	11,585	71,278	11,119	1,291,600	39,426	–	1,331,026
	2,831,941	1,140,000	133,053	96,182	196,546	92,547	4,490,269	45,291	36,427	4,571,987

1 All cash bonuses are earned in the current year, and will be paid in August 2005.
2 Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans, and fringe benefits tax payable.
3 Details of inclusions in these figures are disclosed in the "Equity instruments" section of this Note.
4 Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance and Professional Indemnity insurance policies.
5 Movement in accrued entitlements during the year.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

	Primary			Post-employment		Equity compensation	Other compensation	Sub-total	Primary		Total
For the year ended 30 June 2004	Salary and fees $	Bonus[1] $	Non-monetary benefits[2] $	Super-annuation benefits $	Other post-employment benefits[3] $	Value of other equity compensation[4] $	Insurance premiums[5] $	$	Annual leave entitlements[6] $	Long service leave entitlements[6] $	$
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	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	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

[1] Mr M Quinn earned a cash bonus in respect of the period to 30 June 2004 of $750,000 and was paid in August 2004.

[2] Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans, and fringe benefits tax payable.

[3] Mr J Pettigrew resigned 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".

[4] Details of inclusions in these figures are disclosed in the "Equity instruments" section of this Note.

[5] Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance and Professional Indemnity insurance policies.

[6] Movement in accrued entitlements during the year.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

	Primary			Post-employment	Equity compensation	Other compensation		Sub-total	Primary	Total
For the year ended 30 June 2005	Salary and fees $	Bonus[1] $	Non-monetary benefits[2] $	Super-annuation benefits $	Value of other equity compensation[3] $	Insurance premiums[4] $	All other benefits $	$	Annual leave entitlements[5] $	$
Specified Executives										
Mr D Hickey, CEO Development Division	618,381	500,000	94,639	11,585	51,896	11,119	–	1,287,620	19,355	1,306,975
Mr R Macnicol, CEO Unlisted Property Funds Division	245,364	200,000	49,670	11,585	26,764	11,119	–	544,502	8,078	552,580
Mr S Mann, CEO Commercial and Industrial Division	467,833	315,000	56,957	11,585	47,673	11,119	–	910,167	78	910,245
Ms L Scenna, Executive General Manager – Strategy and Corporate Development	334,372	175,000	21,902	11,585	30,503	11,119	–	584,481	16,342	600,823
Mr D Steinberg, CEO Shopping Centre Division	579,514	375,000	82,471	11,585	56,317	11,119	–	1,116,006	16,722	1,132,728
	2,245,464	1,565,000	305,639	57,925	213,153	55,595	–	4,442,776	60,575	4,503,351

[1] All cash bonuses are earned in the current year, and will be paid in August 2005.

[2] Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans and fringe benefits tax payable.

[3] Details of inclusions in these figures are disclosed in the "Equity instruments" section of this Note.

[4] Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance and Professional Indemnity insurance policies.

[5] Movement in accrued entitlements during the year.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

	Primary			Post-employment		Equity compensation	Other compensation		Sub-total	Primary	Total
For the year ended 30 June 2004	Salary and fees $	Bonus[1] $	Non-monetary benefits[2] $	Super-annuation benefits $	Other post-employment benefits $	Value of other equity compensation[3] $	Insurance premiums[4] $	All other benefits[5] $	$	Annual leave entitlements[6] $	$
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	393,405	4,237	397,642
Mr S Mann, CEO Commercial and 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

1 All cash bonuses were earned in the period to 30 June 2004 and were paid in August 2004.
2 Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans and fringe benefits tax payable.
3 Details of inclusions in these figures are disclosed in the "Equity instruments" section of this Note.
4 Insurance premiums have been allocated on a reasonable basis and relate to Directors' and Officers' insurance and Professional Indemnity insurance policies.
5 Mr R Macnicol received $175,000 as compensation for cash and equity based compensation forgone with his previous employer.
6 Movement in accrued annual leave entitlements during the year.

Equity instruments

Incentive Share Plan

The Incentive Share Plan ("ISP") was approved by security holders at the General Meeting held on the 26 October 2004. The purpose of the ISP is to provide for the alignment of the interests of Senior Executives and security holders by matching rewards under the Plan with the long-term performance of Stockland, and to assist in the attraction and retention of key senior employees.

The Board administers the ISP in accordance with the Plan Rules and the terms and conditions of the specific grants to participants in the Plan ("Participants"). The Plan Rules include the following provisions:

- the ISP provides for the issue or transfer of fully paid stapled securities together with the making of loans to senior employees and Executive Directors of Stockland, at the discretion of the Board;
- the issue price of each stapled security will be the volume weighted average price at which stapled securities are traded on ASX during the five (5) trading days up to and including the last trading day before the date of issue;
- the Board may impose restrictions on the transfer of stapled securities issued under the ISP;
- the Board may invite Participants to apply for a loan for the purpose of acquiring the stapled securities offered to them under the ISP ("Loan"), and to set the terms of the Loan which may be at a less than commercial rate of interest or interest-free, on a secured or unsecured basis, and which may provide that the total amount of principal repayable under the Loan is limited to the proceeds of the sale of the stapled securities acquired with the Loan (less any costs of sale). The after-tax amount of any dividends or distributions paid on the stapled securities acquired with the Loan must be applied towards repayment of interest, if any, and the principal of the Loan;

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Equity instruments (continued)

Incentive Share Plan (continued)

- Loans will become immediately due and repayable on the earliest to occur of:
  - the date specified at the time of making the Loan;
  - the relevant Participant becoming an insolvent under administration;
  - the relevant Participant ceasing to be an employee of an entity within Stockland;
  - a third party acquiring the stapled securities under a takeover offer or compulsory acquisition, or a scheme of arrangement in relation to the company and an informal scheme having the same effect in relation to the Trust, and the Board determining that the Loan is immediately due and payable on that basis; and
  - the disposal of the stapled securities by the Participant; and
- the Board may, in its sole discretion, waive Stockland's right to repayment of all or part of any unpaid Loan.

Performance conditions (ISP)

A proportion of any outstanding amount of a Participant's Loan may be waived by the Board if certain performance conditions are met. These conditions are based on two key security holder wealth creation measures: earnings growth per stapled security ("EPS Growth") and total security holder return growth ("TSR Growth").

EPS Growth will be measured as the percentage increase in the base earnings per stapled security adjusted for significant items and other items determined by the Board, as disclosed in Stockland's Statement of Financial Performance from year to year.

Broadly, TSR Growth measures growth in the price of stapled securities plus cash distributions notionally reinvested in stapled securities. Stockland's TSR will be ranked against the performance of the ASX/S&P 200 Property Trust Accumulation Index.

Awards may be given if the EPS Growth hurdle is met ("EPS Award") and if the TSR Growth hurdle is met ("TSR Award").

The EPS Award is up to 50% of the amount of the original Loan. The full EPS Award will be granted if the EPS Growth is at or above the "Target Rate" determined by the Board. If the EPS Growth is less than the Target Rate then an EPS Award of less than 50% of the amount of the original Loan may be made at the Board's discretion.

The TSR Award is up to 50% of the amount of the original Loan. The full TSR Award will be granted if Stockland's TSR exceeds the TSR of the ASX/S&P 200 Property Trust Accumulation Index for the same period. If the TSR is less than the TSR of the ASX/S&P 200 Property Trust Accumulation Index then a TSR Award of less than 50% of the amount of the original Loan may be made at the Board's discretion.

At present 51.5% of an Award is in the form of the waiver of that proportion of the unpaid loan amount. The remaining 48.5% of an Award will be applied to the fringe benefits tax ("FBT") on the loan waiver. These percentages will change if the FBT rate changes.

At the General Meeting held on the 26 October 2004, resolutions were passed, the effect of which was to allot 160,000 stapled securities to Mr M Quinn and 90,000 stapled securities to Mr H Thorburn, pursuant to the ISP. In addition, a further 260,000 stapled securities were issued pursuant to the ISP to Specified Executives on 23 November 2004. In respect of these issues the following conditions apply:

- the securities do not vest, and cannot be sold or transferred until July 2007;
- if required by the Executive Directors or the Specified Executives, interest-free loans shall be provided by a Stockland group company for a maximum of five (5) years;
- 51.5% of any distribution paid on the stapled securities acquired with the Loan (being the approximate effective after tax receipt) must be applied in reduction of the Loan balance; and
- EPS and TSR awards are in accordance with the provisions noted above.

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

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Equity instruments (continued)

Executive Securities Plan

Stockland has an Executive Securities Plan ("ESP"), the purpose of which is to provide senior employees with a long-term incentive to create value for security holders and an opportunity for Executive Directors and the Senior Executive team to participate in the long-term success of Stockland.

The ESP entitles Executive Directors and Specified Executives to purchase Stockland securities at a discount equal to the discount that applies to the Dividend/Distribution Reinvestment Plan ("DRP"). All outstanding issues have been funded by loans made to the individuals by Stockland for a maximum term of five (5) years. Refer to "Loans" below for further information about the terms and conditions of the related loans.

The number of Stockland 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 (2) years continued service from the Executive Director or the Specified 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. Refer to "Basis of Disclosures Included in Remuneration" below for a discussion on how this is determined.

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

The Executive Securities Plan operates as follows:

Service based equity compensation (ESP)

Offers to purchase securities in Stockland are made to Executive Directors and Specified Executives based on individual merit pursuant to the ESP, after approval by the Nominations and Remuneration Committee and on the following conditions:

– the individual pays the prevailing market price, less the same discount as applies to the DRP;
– if required, 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" below for further details of the interest rate; and
– ownership of the securities shall become unconditional two (2) years after the date of allotment, subject to the individual remaining an employee of Stockland.

No performance hurdles apply to service based equity compensation issues.

Performance based equity compensation (ESP)

At the General Meeting held on 22 October 2001 a special resolution was passed, the effect of which was to allot a combined total of 3,000,000 stapled securities to two (2) Executive Directors, Mr J Pettigrew (who resigned on 13 February 2004) and Mr M Quinn, pursuant to the ESP. In addition, a further 800,000 stapled securities were issued pursuant to the ESP to Mr D Hickey in December 2001. In respect of these performance based issues, the following conditions applied:

– no further approvals for issues under the ESP shall be sought for those Executive Directors for a period of four (4) 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 that applied to the DRP, at that date;
– if required by the Executive Directors, interest-bearing loans shall be provided by a Stockland group company for a maximum of five (5) years;
– ownership of the securities shall become unconditional over a four (4) 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 the 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 (4) year period. For each annual performance hurdle that is met, ownership of the stapled securities becomes unrestricted. Where the performance hurdle is not met, the securities become unrestricted upon meeting a subsequent hurdle. At the end of the four (4) year period, if the final performance hurdle is not met, any remaining restricted securities to which the Executive Directors and Specified Executives would have been entitled will be sold for no benefit to the individual; and
– if there is a takeover, scheme of arrangement or other share construction (collectively "takeover"), which results in a majority of the 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.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Equity instruments (continued)

Executive Securities Plan

Performance based equity compensation (ESP) (continued)

As at 30 June 2005, the performance hurdles attached to these issues have been met and all the securities have vested and are unrestricted.

The ISP and ESP operate in the same manner for Specified Executives as they do for Executive Directors, with the exception that any allotments which are made pursuant to the ESP must be approved by the Nominations and Remuneration Committee and do not require the passing of a special resolution at the General Meeting.

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

Stockland does not have any options on issue.

Basis of disclosures included as remuneration

The equity compensation provided by Stockland under the ISP and the ESP involves a benefit to the recipients of the issues, which is disclosed as remuneration and calculated in accordance with Australian Accounting Standards.

Measurement

Incentive Share Plan

For equity instruments issued under the ISP the value of equity compensation 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 service criteria. Additionally, loans provided to purchase the securities may be waived based on pre-determined performance criteria. A fair value of these equity instruments has been determined by the application of the Black Scholes option pricing model, incorporating the terms and conditions upon which the equity instruments were issued.

The remuneration benefit to the individual is this figure 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 taken into account in determining the period over which the benefit is apportioned.

Executive Securities Plan

For equity instruments issued under the ESP the 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 that have not vested, it is assumed that the service requirements will be met, and an assessment is made of the probability that the performance hurdles will be met.

The remuneration benefit to the individual of each equity instrument issued is the market price of the 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 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 redetermined. 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.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Equity holdings and transactions

The movement during the period in the number of stapled securities held, directly, indirectly or beneficially, by each director or Specified Executive, including their personally related entities, is as follows:

	Total held at 1 July 2004	Holdings restricted under ESP as at 1 July 2004 (included in total held at 1 July 2004)	Granted as remuneration in the period via ISP/ESP	Net change other	Total held at 30 June 2005	Holdings restricted under ISP/ESP as at 30 June 2005 (included in total held at 30 June 2005)	Holdings unrestricted under ISP/ESP as at 30 June 2005 (except as loan security) (included in total held at 30 June 2005)
Specified Directors							
Non-Executive Directors							
Mr P Daly	1,873,968	–	–	–	1,873,968	–	–
Mr N Greiner	39,095	–	–	2,755	41,850	–	–
Mr G Bradley	38,780	–	–	6,000	44,780	–	–
Mr B Corlett	121,741	–	–	1,430	123,171	–	–
Mr D Fairfull	11,882	–	–	838	12,720	–	–
Mr B Thornton	253,940	–	–	(253,940)	–	–	–
Mr T Williamson	6,192	–	–	12,847	19,039	–	–
Executive Directors							
Mr M Quinn	2,351,000	500,000	160,000	–	2,511,000	160,000	2,350,000
Mr H Thorburn	200,000	200,000	90,000	–	290,000	290,000	–
Specified Executives							
Mr D Hickey	1,150,000	200,000	70,000	(150,000)	1,070,000	70,000	1,000,000
Mr R Macnicol	150,000	150,000	32,000	–	182,000	182,000	–
Mr S Mann	447,000	350,000	55,000	–	502,000	255,000	245,000
Ms L Scenna	175,000	175,000	38,000	–	213,000	138,000	75,000
Mr D Steinberg	625,000	400,000	65,000	(150,000)	540,000	315,000	225,000

Beneficial ownership restrictions no longer apply to unrestricted securities. Unrestricted securities holdings as at 30 June 2005 as identified above provide security under loans issued to purchase securities under the ISP and ESP as do all of the restricted securities. Restricted securities as at 1 July 2004, together with securities granted as remuneration in the period have impacted the value of the benefit disclosed as equity remuneration in the "Remuneration" table disclosure. Restricted securities as at 30 June 2005 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").

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Grants of equity compensation

Securities issued under the ISP and the ESP which have impacted remuneration disclosed in the period were issued as follows:

			Specified Directors			Specified Executives		
Grant date	Issue price $	Performance (P)/ Service (S) based issue	Operative in the period and impacting remuneration benefits	Restricted as at 30 June 2005	Unrestricted as at 30 June 2005	Operative in the period and impacting remuneration benefits	Restricted as at 30 June 2005	Unrestricted as at 30 June 2005
30 November 2001	4.25	S/P	90,000	–	360,000	–	–	–
31 December 2001	4.16	S/P	410,000	–	1,640,000	200,000	–	800,000
30 August 2002	4.17	S	–	–	–	300,000	–	300,000
28 February 2003	4.81	S	–	–	–	75,000	–	75,000
29 August 2003	4.81	S	–	–	–	550,000	550,000	–
23 December 2003	5.17	S	–	–	–	150,000	150,000	–
21 January 2004	5.17	S	200,000	200,000	–	–	–	–
26 October 2004	5.97	S/P	250,000	250,000	–	–	–	–
23 November 2004	5.79	S/P	–	–	–	260,000	260,000	–

Loans and other transactions with Specified Executive 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 2004 (including interest payable) $	Balance 30 June 2005 (including interest payable)[1] $	Interest paid and payable to Stockland in the reporting period $	Notional interest[2] $	Highest balance in the period (including interest payable)[1] $	Number in the group for aggregate totals
Mr M Quinn	10,305,400	11,128,113	296,893	43,727	11,128,113	
Mr H Thorburn	1,059,890	1,601,554	77,800	19,203	1,601,554	
Total for Specified Directors	11,365,290	12,729,667	374,693	62,930	12,729,667	2
Mr D Hickey	5,236,000	4,979,153	126,337	32,568	5,236,000	
Mr R Macnicol	794,918	986,999	58,350	6,618	986,999	
Mr S Mann	2,053,550	2,355,420	108,753	11,375	2,355,420	
Ms L Scenna	875,000	1,084,462	55,158	7,859	1,084,462	
Mr D Steinberg	3,128,750	2,851,389	125,676	31,534	3,128,750	
Total for Specified Executives	12,088,218	12,257,423	474,274	89,954	12,791,631	5

1 Loan balance at 30 June 2005, and highest balance in the period includes loans by external parties to Executive Directors and Specified Executives guaranteed by Stockland.
2 For details relating to "Notional interest" in the above table, refer to "Other Loans".

The above loans include housing loans and loans made pursuant to the Incentive Share Plan and the Executive Securities Plan to purchase securities, as detailed in "Equities". Opening and closing balances include 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.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Loans and other transactions with Specified Executive Directors and Specified Executives (continued)

Executive Directors' and Specified Executives' Loans relating to Incentive Share Plan and Executive Securities Plan

Loans have been made by a wholly owned entity of Stockland to Executive Directors and Specified Executives in full-time employment of Stockland, to finance the purchase of Stockland securities, pursuant to the ISP Share Plan and the ESP. The Annual General Meetings of the Trust and the Company has approved the issue of securities to Executive Directors and the issue of securities under the ISP in 2004. 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 or waived.

For interest-bearing loans under the ESP interest accrues daily and is payable half-yearly in arrears, effectively at the August and February dividend/distribution payment dates each year at an amount equal to the distribution/dividend receivable in respect of the relevant securities. The effective rates for the year ended 30 June 2005 were between 6.46% and 7.52% per annum (2004: between 7.37% and 8.96% per annum). As these effective interest rates are in excess of the marginal cost of borrowing those funds of 6.03% (2004: 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 dividend/distribution date, multiplied by the total interest paid in the previous twelve (12) month period (by way of distributions and dividends) and increased by 3%.

Early repayment is required upon resignation, retirement, or dismissal (within ninety-one (91) days) and within one hundred and eighty-two (182) days after death of the individual.

Where Stockland receives an amount of interest on the outstanding loan balances advanced in respect of securities issued under the ESP which is in excess of the amount which would be payable based on the marginal cost 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.

Various maturity dates and terms and conditions apply to each of the loans made under the ISP and the ESP as described below.

Loan type 1

The following loans were advanced to Executive Directors and Specified Executives and were repaid through loans provided by Commonwealth Bank of Australia ("CBA") to the respective Executive Directors and Specified Executives unless otherwise indicated:

- a loan to Mr M Quinn for $1,347,500 and loans totalling $654,500 were advanced to Specified Executives in February 2001;
- loans totalling $577,500 were advanced to Specified Executives in July 2001;
- loans totalling $1,421,000 were advanced to Specified Executives in August 2001;
- loans to Executive Directors in the amount of $8,352,400 and Specified Executive loans totalling $3,328,000 were advanced on 31 December 2001; and
- loans totalling $1,251,000 were advanced in August 2002.

Stockland has guaranteed the loans provided by CBA to Executive Directors and Specified Executives for a period of up to three (3) years and ninety (90) days from the date of the loan. The guarantee is for the shortfall, if any, between the value of the loan and the market value of the stapled securities that the loan supports. The guarantee ends ninety (90) days after the borrower ceases to be an employee of Stockland or a related entity.

Loan type 2

The following loans were advanced and remain outstanding:

- loans totalling $360,750 were advanced to Specified Executives in February 2003 and mature in February 2008;
- loans totalling $2,645,500 were advanced to Specified Executives in August 2003 and mature in August 2008; and
- loans to Mr H Thorburn of $1,034,000 and loans to Specified Executives totalling $775,500 were advanced in February 2004 and mature in February 2009.

Where the underlying securities are sold, any excess of sales proceeds over loan balances outstanding is to the benefit of Stockland (other than for any capital gains tax liability imposed on the individual) where the sale occurs within two (2) 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.

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Loans and other transactions with Specified Executive Directors and Specified Executives (continued)

Executive Directors' and Specified Executives' Loans relating to Incentive Share Plan and Executive Securities Plan (continued)

Loan type 3

Non-interest-bearing loans to Mr M Quinn for $955,200, Mr H Thorburn for $537,300 and to Specified Executives totalling $1,505,400 were advanced in November 2004, and mature in November 2009.

The individual's obligation to repay the loan is limited to the market value of the securities at the time the loan is due to be repaid. Where the securities are sold after the three (3) year restricted holding period, but before the expiry of the five (5) year loan term, then the limited recourse feature of the loan will not apply and the individual will be required to pay the loan in full. If the individual terminates employment prior to the vesting of the securities at the end of the three (3) year vesting period, proceeds from the sale of the securities will be used to pay taxes on that sale, with the remainder remitted to Stockland.

Other loans

In addition to the loans advanced under the ISP and the ESP, 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. In the event of death or disability rendering Mr 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 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 Stockland of borrowing those funds net of any interest payable by the employee (if any). The marginal cost of borrowing the funds loaned for the current financial year is 6.03% (2004: 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.

Interest revenue

	2005 $	2004 $
Amounts recognised as revenue in the Statement of Financial Performance		
Interest on loans to Executive Directors	361,626	1,122,000

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 related entities. 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 (2004: $nil), and a total expense of $16,593,677 (2004: $31,334,878). There were no liabilities which arose from these transactions. Details of the transactions are as follows:

Mr Greiner is Chairman of Bilfinger Berger Australia Pty Ltd, the holding company of Abigroup Limited and Baulderstone Hornibrook Pty Ltd. Baulderstone Hornibrook Pty Ltd provided construction services to Stockland during the year. Stockland has also entered into a fixed time and term arrangement with Baulderstone Hornibrook Pty Ltd to

NOTE 35. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

Other transactions (continued)

undertake the construction of a $350 million development of Centrecourt Estate in Macquarie Park, North Ryde NSW, with completion scheduled for 2007. The terms and conditions of the transactions with Baulderstone Hornibrook Pty Ltd 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 Pty Ltd during the financial year were $16,108,707 (2004: $31,055,953).

Mr Greiner was a consultant to Deloitte until 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 Bradley is a Director of Singapore Telecommunications Limited, the holding company of the Optus corporate group. Optus has entered into an agreement to lease the Centrecourt Estate office park site in Macquarie Park, North Ryde NSW, a property owned by Stockland. Stockland has begun development of the site and will manage the Centrecourt Estate upon Optus' relocation scheduled for 2007. Stockland has also entered into various agreements with Optus for the provision of telephony/ telecommunications services. The terms and conditions of the transactions with Optus 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 Bradley is a Director of Queensland Investment Corporation, which holds half of the issued units in the Martin Place Property Trust, a registered investment scheme for which Stockland Trust Management Limited is the Responsible Entity. During the financial year, Stockland Trust Management Limited provided administrative and accounting services to Queensland Investment Corporation in connection with the Martin Place Property Trust. The terms and conditions of the transactions with Queensland Investment Corporation 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 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 to 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 $340,355 (2004: $278,925).

Mr Fairfull was a consultant for Ernst & Young Corporate Finance. This arrangement ended in February 2005. The terms and conditions of Stockland's 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.

Mr Scott is a director of Sinclair Knight Merz, which provided consulting 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. Fees paid and payable to Sinclair Knight Merz for the financial year were $269,336.

Assets and liabilities arising from the above transactions

	2005 $	2004 $
Current assets[1]	–	15,183,196
Non-current assets	14,304,459	–
Total assets	14,304,459	15,183,196
Current liabilities	–	–
Non-current liabilities	–	–
Total liabilities	–	–

[1] Non-current asset amount represents balance of investment properties in Stockland relating to Baulderstone Hornibrook Pty Ltd (2004: Current asset amount represents balance of inventories in Stockland relating to Baulderstone Hornibrook Pty Ltd).

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 prior 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 no cost to Stockland due to savings in sales commission.

	2005 $'000	2004 $'000

NOTE 36. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees

	2005 $'000	2004 $'000
Bank guarantees issued to semi and local government and other authorities against performance contracts, maximum facility $500 million included within bank multi-use facilities (2004: $500 million)	177,615	143,321

No deficiencies of assets exist in any of these companies.

Joint and several liability

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 2005 are sufficient to meet such liabilities (refer Note 43).

Executive Securities Plan guarantees

Stockland has provided a guarantee to Commonwealth Bank of Australia ("CBA") in respect of loans provided by CBA to employees and an Executive Director of Stockland to enable them to repay loans advanced from Stockland. The loans from CBA are only provided in relation to stapled securities in Stockland, ownership of which has become unconditional to the employees and an Executive Director in accordance with the ESP. The guarantee is for the shortfall, if any, between the value of the loan and the market value of the stapled securities that the loan supports (refer Note 35). As at 30 June 2005 there is no shortfall. The total value of the loans guaranteed is $26.6 million.

	2005 $'000	2004 $'000

NOTE 37. COMMITMENTS

Capital expenditure commitments

	2005 $'000	2004 $'000
Commitments for the acquisition of investment and development properties contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	50,386	6,161

Lease commitments

Exchange Plaza, Perth WA

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.

Non-cancellable operating lease receivable from investment property tenants

	2005 $'000	2004 $'000
Non-cancellable operating lease commitments are receivable:		
Within one year	426,300	453,422
Later than one year but not later than five years	1,073,985	965,431
Later than five years	513,436	656,202
	2,013,721	2,075,055

Annual rent receivable by the consolidated entity under current leases from tenants is from commercial, industrial and retail property held. Rent reviews are generally performed on an annual basis.

NOTE 37. COMMITMENTS (continued)

Hotel lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2005 $'000	2004 $'000
Within one year	21,653	20,001
Later than one year but not later than five years	68,300	75,971
Later than five years	3,039	10,512
Commitments not recognised in the financial statements	92,992	106,484

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 10 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.

NOTE 38. EMPLOYEE BENEFITS

Employee benefit and related on-costs liabilities

	2005 $'000	2004 $'000
Provision for employee entitlements – current (Note 23)	6,460	5,205
Provision for employee entitlements – non-current (Note 28)	1,245	857
Aggregate employee benefit and related on-costs liabilities	7,705	6,062

	Number 2005	Number 2004
Employee numbers		
Average number of employees during the financial year	1,246	1,083

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.

Incentive Share Plan

The Incentive Share Plan was approved by security holders on 26 October 2004. The purpose of the plan is to provide for the alignment of interests of eligible employees and security holders by matching rewards under the plan with the long-term performance of Stockland. The plan operates on the same basis as the "Service based equity compensation arrangements" outlined in Note 35. Non-Executive Directors may not participate in the plan.

The number of securities acquired by employees pursuant to the plan for the year ended 30 June 2005 was 1,034,000 (2004: nil). Outstanding loans to participants at 30 June 2005 amounted to $4,713,546 (2004: 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. Non-Executive Directors may not participate in the plan.

The number of securities acquired by employees pursuant to the plan for the year ended 30 June 2005 was 3,062,500 (2004: 5,090,000). Outstanding loans to participants at 30 June 2005 amounted to $35,295,650 (2004: $59,202,400).

NOTE 38. EMPLOYEE BENEFITS (continued)

Executive Securities Plan (continued)

The Incentive Share Plan and 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 Incentive Share Plan and Executive Securities Plan must be approved by the Nominations and Remuneration Committee and do not require the passing of a resolution at a general meeting.

Employee Share Plan

Stockland initiated an Employee Share Plan in August 2003 to encourage a link between employment and ownership through the 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 are eligible. Directors and Executives participating in the Incentive Share Plan and Executive Securities Plan (refer above) have been excluded from participation.

The plan rules provide for Stockland to allot to each eligible employee securities having an aggregate market value of up to $1,000, pro rata for part-time employees. Once awarded the securities cannot be forfeited, even upon termination of employment. For the year ending 30 June 2005, the number of securities issued pursuant to the plan was 46,004 (2004: 32,250).

Stockland does not have in place any option scheme for employees and has not issued any executive options.

NOTE 39. RELATED PARTIES

Wholly-owned group

Details of wholly-owned entities are set out in Note 40. Details of dealings with these entities are set out below:

	2005 $'000	2004 $'000
Distributions/dividends		
Distributions received or due and receivable by Stockland Trust from Trust wholly-owned controlled entities	135,839	148,121
Dividends received or due and receivable by Stockland Corporation Limited from Corporation wholly-owned controlled entities	117,500	67,950
Intercompany loans		
Aggregate amounts receivable from/payable to entities in the wholly-owned group at the end of the financial year:		
Stockland Trust	(126,141)	63,315
Stockland Corporation Limited	2,078,199	993,152

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% from 1 July 2004 to 31 December 2004, 6.90% 1 January 2005 to 31 March 2005 and 6.80% from 1 April 2005 to 30 June 2005 during the financial year (2004: 7.00% p.a.).

The loans from Stockland Trust to entities in the wholly-owned group are non-interest-bearing (2004: nil).

NOTE 39. RELATED PARTIES (continued)

Related party transactions

	2005 $'000	2004 $'000
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:		
Responsible entity management fee	5,806	5,216
Property management and leasing	16,289	12,708
Property maintenance	2,617	922
Recoupment of expenses	19,046	14,183
Property development	66,822	91,428
	110,580	124,457
Interest paid by Stockland Corporation Limited to Stockland Trust		
Interest expense	77,388	47,935

Stockland Corporation Limited has an unsecured loan repayable at call to Stockland Trust of $1,823.1 million (2004: $731.2 million). Interest was payable monthly in arrears at an interest rate of 7.00% from 1 July 2004 to 31 December 2004, 6.90% 1 January 2005 to 31 March 2005 and 6.80% from 1 April 2005 to 30 June 2005 during the financial year (2004: 7.00% p.a.).

	2005 $'000	2004 $'000
Rent paid to Stockland Trust by Stockland Corporation Limited		
Stockland Trust	6,000	2,437

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

Name of entity	Country of formation/ incorporation	Equity holding 2005 %	Equity holding 2004 %
NOTE 40. INVESTMENTS IN CONTROLLED ENTITIES			
Stockland Trust			
Controlled entities of Stockland Trust			
ADP Trust	Australia	100	100
Advance Property Fund	Australia	100	100
Australian Commercial Property Trust	Australia	100	100
Flinders Industrial Property Trust	Australia	100	100
Stockland Finance Pty Limited	Australia	100	100
Macquarie Park Trust (formerly Stockland Industrial Property Trust)	Australia	100	100
Stockland Office Trust	Australia	100	100
Stocks & Holdings Property Trust	Australia	100	100
UHT1 Unit Trust	Australia	100	100
UHT2 Unit Trust	Australia	100	100
UHT3 Unit Trust	Australia	100	100
UHT4 Unit Trust	Australia	100	100
UHT5 Unit Trust	Australia	100	100
UHT6 Unit Trust	Australia	100	100
Underwood Street (No 1) Unit Trust	Australia	100	100
Underwood Street (No 2) Unit Trust	Australia	100	100
Controlled entities of Advance Property Fund			
Advance Property Fund No. 3 (Growth)	Australia	100	100
Advance Property Fund No. 5 (Capital Growth)	Australia	100	100
Controlled entity of Flinders Industrial Property Trust			
Property Trust of Australasia	Australia	100	100
Controlled entity of Underwood Street (No's 1 and 2) Unit Trusts			
Stockland Commercial Office Trust[5]	Australia	100	100
Controlled entities of ADP Trust			
ADP NZ Finance Company Limited[2]	New Zealand	100	100
ADP (NZ) Trust	Australia	100	100
ADP Property Trust No. 1	Australia	100	100
ADP Property Trust No. 2	Australia	100	100
Capricornia Property Trust	Australia	100	100
Industrial Property Trust	Australia	100	100
North Sydney Property Trust	Australia	100	100
Schroders Building Fund	Australia	100	100
Shellharbour Property Trust	Australia	100	100

NOTE 40. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Name of entity	Country of formation/ incorporation	Equity holding 2005 %	Equity holding 2004 %
Stockland Corporation Limited			
Controlled entities of Stockland Corporation Limited			
Albert & Co. Pty Limited	Australia	100	100
Stockland (Alamein) Pty Limited	Australia	100	100
Stockland Development Pty Limited	Australia	100	100
Stockland Funds Management Limited[4]	Australia	100	100
Stockland Hotel Group Pty Limited	Australia	100	100
Stockland Management Limited[3]	Australia	100	–
Stockland Management Services Pty Limited	Australia	100	100
Stockland (Mapledown) Pty Limited	Australia	100	100
Stockland (Master) Pty Limited[1]	Australia	100	100
Stockland (Park) Pty Limited	Australia	100	100
Stockland Property Management Pty Ltd	Australia	100	100
Stockland Property Services Pty Limited[4]	Australia	100	100
Stockland (Queensland) Pty Limited	Australia	100	100
Stockland (Russell Street) Pty Limited	Australia	100	100
Stockland (Sales) Pty Limited	Australia	100	100
Stockland Singapore Pte Ltd[2]	Singapore	100	100
Stockland (Subdividers) Pty Limited[1]	Australia	100	100
Stockland Trust Management Limited	Australia	100	100
Stockland (Victoria) Pty Limited	Australia	100	100
Stockland WA Holdings Pty Ltd	Australia	100	100
Stocks & Realty (Security Finance) Pty Limited[4]	Australia	100	100
Thermotech Building Maintenance Services Pty Limited	Australia	100	100
Controlled entities of Stockland WA Holdings Pty Ltd			
Heritage Construction Pty Ltd	Australia	100	100
North Whitfords Estates Pty Ltd	Australia	100	100
Stockland WA Corser Pty Ltd	Australia	100	100
Stockland WA Development Pty Limited	Australia	100	100
Stockland WA (Estates) Pty Limited	Australia	100	100
Stockland WA Property Company of Australia Pty Limited	Australia	100	100
Controlled entities of Stockland WA Development Pty Limited			
Stockland South Beach Holdings Pty Limited[3]	Australia	100	100
Stockland WA Enterprises Pty Ltd	Australia	100	100
Stockland WA Home Builders Pty Ltd[1]	Australia	100	100
Stockland WA Realty Pty Ltd[1]	Australia	100	100
Stockland WA (Rockingham) Pty Ltd	Australia	100	100

Name of entity	Country of formation/ incorporation	Equity holding 2005 %	2004 %
NOTE 40. INVESTMENTS IN CONTROLLED ENTITIES (continued)			
Stockland Corporation Limited (continued)			
Controlled entities of Stockland Hotel Group Pty Limited			
Directors Management Pty Ltd[4]	Australia	100	100
Ezoperli Pty Ltd[1,4]	Australia	100	100
The Park at Melbourne (Australia) Pty Ltd[4]	Australia	100	100
West End Apartments Management Pty Ltd[4]	Australia	100	100
West End Apartments Management Unit Trust	Australia	100	100
Controlled entities of Stockland Development Pty Limited			
Centenary Park Developments No. 1 Pty Limited[4]	Australia	100	100
Endeavour (No.1) Unit Trust	Australia	100	100
Endeavour (No.2) Unit Trust	Australia	100	100
Stockland Development (Holdings) Pty Limited[3]	Australia	100	100
Stockland Development (Holdings No.1) Pty Limited[3]	Australia	100	100
Stockland Development (PHH) Pty Limited[3]	Australia	100	100
Stockland Development (NAPA QLD) Pty Limited[3]	Australia	100	–
Stockland Development (NAPA NSW) Pty Limited[3]	Australia	100	–
Stockland Development (NAPA VIC) Pty Limited[3]	Australia	100	–
Stockland Residential Property Trust	Australia	100	100
Stockland Services Pty Ltd (formerly Lensworth Services Pty Ltd)[3]	Australia	100	–
Controlled entities of Stockland Development (Holdings) Pty Limited			
Stockland Development (QLD Holdings) Pty Limited[3]	Australia	100	100
Stockland Development (WA No.1) Pty Limited[2]	Australia	100	100
Stockland Development (WA No.2) Pty Limited[2]	Australia	100	100
Controlled entities of Stockland Development (NAPA QLD) Pty Limited			
Stockland Bells Creek Pty Ltd (formerly Lensworth Bells Creek Pty Ltd)[3]	Australia	100	–
Stockland Buddina Pty Ltd (formerly Lensworth Buddina Pty Ltd)[3]	Australia	100	–
Stockland Caboolture Waters Pty Ltd (formerly Lensworth Caboolture Waters Pty Ltd)[3]	Australia	100	–
Stockland Caloundra Downs Pty Ltd (formerly Lensworth Caloundra Downs Pty Ltd)[3]	Australia	100	–
Stockland Kawana Waters Pty Ltd (formerly Lensworth Kawana Waters Pty Ltd)[3]	Australia	100	–
Stockland Lake Doonella Pty Ltd (formerly Lensworth Lake Doonella Pty Ltd)[3]	Australia	100	–
Stockland North Lakes Development Pty Ltd (formerly Lensworth North Lakes Development Pty Ltd)[3]	Australia	100	–
Stockland North Lakes Pty Ltd (formerly Lensworth North Lakes Pty Ltd)[3]	Australia	100	–
Stockland Realty Pty Ltd (formerly Lensworth Realty Pty Ltd)[3]	Australia	100	–
Controlled entity of Stockland Development (NAPA VIC) Pty Limited			
Stockland Highlands Pty Ltd (formerly Lensworth Highlands Pty Ltd)[3]	Australia	100	–

Name of entity	Country of formation/ incorporation	Equity holding 2005 %	Equity holding 2004 %

NOTE 40. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Stockland Corporation Limited (continued)			
Controlled entity of Stockland Development (NAPA NSW) Pty Limited			
Lensworth Glenmore Park Limited[3]	Australia	100	–
Stockland Wallarah Peninsula Pty Ltd (formerly Lensworth Wallarah Peninsula Pty Ltd)[3]	Australia	100	–
Controlled entity of Stockland (Sales) Pty Limited			
Stockland (General) Pty Limited	Australia	100	100
Controlled entities of Stockland South Beach Holdings Pty Limited			
Stockland South Beach Pty Limited[3]	Australia	100	100
Stockland South Beach Syndicate Pty Limited[3]	Australia	100	100
Controlled entity of Stockland Funds Management Limited			
Stockland Direct Office Trust No.2	Australia	100	–

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

1 These companies are in the process of being deregistered.
2 Except for these companies, all other companies listed above, excluding trusts' were parties to the Deed and members of the Closed Group referred to in Note 41, as at 30 June 2005.
3 These companies became parties to the Deed and members of the Closed Group referred to in Note 41, by an Assumption Deed dated 25 February 2005.
4 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). The other companies are parties to the Deed but are currently ineligible for relief under the Class Order.
5 50% interest held by each of Underwood Street (No.1) Unit Trust and Underwood Street (No.2) Unit Trust.

	2005 $'000
Acquisition of controlled entities	
On 9 December 2004 Stockland completed the acquisition of the Lensworth property development group of companies.	
Details of the acquisitions are as follows:	
Fair value of identifiable net assets of controlled entities acquired:	
Property, plant and equipment	283
Trade debtors	3,354
Other assets	138
Inventories	884,971
Cash	6,517
Trade creditors	(9,874)
Consideration	885,389

NOTE 40. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Acquisition of controlled entities (continued)

At 30 June 2003 Stockland had acquired a 69.33% interest in the ADP Trust, a listed property trust. As at 31 December 2003 a further 30.67% interest had been acquired, to a total of 100%.

	2004 $'000
Details of the acquisitions are as follows:	
Fair value of identifiable net assets of controlled entities acquired:	
Outside equity interests	399,176
Goodwill on consolidation	100,432
Consideration	499,608

	2005 $'000	2004 $'000
Consideration		
Cash	884,366	67,667
Deferred purchase consideration	1,023	–
Stockland units/shares issued	–	423,448
Acquisition costs	–	8,493
	885,389	499,608
Outflow of cash to acquire controlled entities net of cash acquired		
Cash consideration	884,366	131,040
Less: Balances acquired		
Cash	6,517	–
Outflow of cash	877,849	131,040

NOTE 41. DEED OF CROSS GUARANTEE

Stockland Corporation Limited and certain wholly-owned companies (the “Closed Group”), identified in Note 40, are parties to a Deed of Cross Guarantee (the “Deed”). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

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

Pursuant to the requirements of this Class Order, a combined Statement of Financial Performance and Statement of Financial Position for 30 June 2005, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following pages:

	2005 $'000	2004 $'000
Statement of Financial Performance		
Profit from ordinary activities before related income tax expense	173,646	143,364
Income tax expense relating to ordinary activities	(55,032)	(43,680)
Profit from ordinary activities after income tax expense/net profit	118,614	99,684
Retained profits at the beginning of the financial year	83,279	74,254
Dividends provided for or paid	(107,817)	(90,659)
Retained profits at the end of the financial year	94,076	83,279

NOTE 41. DEED OF CROSS GUARANTEE (continued)

Statement of Financial Position

	2005 $'000	2004 $'000
Current assets		
Cash assets	25,811	20,840
Receivables	39,649	18,555
Capital works in progress for Stockland Trust	95,304	14,875
Inventories	497,468	295,075
Other	38,461	26,295
Total current assets	696,693	375,640
Non-current assets		
Receivables	579,686	614,541
Inventories	1,737,005	778,249
Investments accounted for using the equity method	5,703	8,165
Other financial assets	409	409
Property, plant and equipment	21,385	21,762
Investment properties	19,049	18,695
Intangible assets	52,959	54,559
Total non-current assets	2,416,196	1,496,380
Total assets	3,112,889	1,872,020
Current liabilities		
Payables	143,520	83,093
Interest-bearing liabilities	1,823,079	691,094
Current tax liabilities	6,993	28,287
Provisions	72,322	61,031
Total current liabilities	2,045,914	863,505
Non-current liabilities		
Payables	56,143	58,007
Interest-bearing liabilities	534,351	534,351
Provisions	1,245	857
Deferred tax liabilities	35,312	10,903
Total non-current liabilities	627,051	604,118
Total liabilities	2,672,965	1,467,623
Net assets	439,924	404,397
Equity		
Contributed equity	339,825	315,448
Reserves	6,023	5,670
Retained profits	94,076	83,279
Total equity	439,924	404,397

NOTE 42. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the financial statements using the equity method of accounting. Information relating to the associates is set out below.

Name of company	Principal activity	Ownership interest 2005 %	Ownership interest 2004 %	Carrying amount 2005 $'000	Carrying amount 2004 $'000
Other (non-traded)					
KSC Trust	Investment in real property	25	25	100,361	85,819

KSC Trust was formed in Australia and has a balance date of 30 June.

	2005 $'000	2004 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	85,819	70,249
Share of net profit	6,103	5,534
Dividends received/receivable	(6,252)	(5,692)
Share of increment in asset revaluation reserve	14,691	14,517
Interest in associate acquired during the year	–	1,211
Carrying amount at the end of the financial year	100,361	85,819
Share of the assets and liabilities of the associates		
Assets	101,133	86,560
Liabilities	(772)	(741)

NOTE 43. INVESTMENTS IN JOINT VENTURE ENTITIES

	2005 $'000	2004 $'000
Retained profits attributable to joint venture entities		
At the beginning of the financial year	2,258	1,442
At the end of the financial year	2,328	2,258
Reserves attributable to joint venture entities		
At the beginning of the financial year	84,469	84,469
At the end of the financial year	81,011	84,469
Movement in carrying amount of investment in joint venture entities		
Carrying amount at the beginning of the financial year	541,647	380,826
Contributions to joint venture entities	3,200	6,558
Share of net profit	38,153	32,865
Share of increment on revaluation of freehold land and buildings	(3,458)	–
Distributions received	(36,589)	(27,753)
Joint venture entity purchased and transferred to controlled entities	435	149,151
Carrying amount at the end of the financial year	543,388	541,647

NOTE 43. INVESTMENTS IN JOINT VENTURE ENTITIES (continued)

	2005 $'000	2004 $'000
Share of joint venture entities' assets and liabilities		
Current assets	29,521	29,279
Non-current assets	543,542	542,352
Total assets	573,063	571,631
Current liabilities	29,517	29,984
Non-current liabilities	158	–
Total liabilities	29,675	29,984
Net assets	543,388	541,647
Share of joint venture entities' revenues, expenses and results		
Revenues	55,016	49,713
Expenses	16,863	16,848
Net profit accounted for using the equity method	38,153	32,865

Joint venture	Location	Principal activity	% holding 2005	% holding 2004	Carrying amount 2005 $'000	Carrying amount 2004 $'000
Compam Property Management Pty Limited	New South Wales	Dormant	50	50	–	–
Esplanade Property Trust	Western Australia	Property investment	50	50	71,394	69,240
Martin Place Management Limited	New South Wales	Dormant	50	50	–	–
Martin Place Property Trust	New South Wales	Property investment	50	50	163,259	161,200
M Property Trust	New South Wales	Property investment	50	50	49,731	49,554
SDOT Sub Trust No.1	Queensland	Property investment	50	50	152,742	154,356
Subiaco Joint Venture	Western Australia	Property development	33.3	33.3	5,703	8,165
The King Trust	New South Wales	Property investment	50	50	100,559	99,132
					543,388	541,647

NOTE 44. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 $'000	2004 $'000
Profit from ordinary activities after income tax	405,665	574,705
Add/(less) items classified as investing/financing activities:		
Net gain on sale of non-current assets	(15,121)	(197)
Medium term note interest capitalised	494	485
Interest capitalised	(8,082)	(2,330)
Share of profits of associates and joint venture partnership not received as dividends or distributions	2,462	(4,213)
Other items	291	(3,897)
Add/less non-cash items:		
Depreciation and amortisation	114,184	114,509
Unrealised loss/(gain) on financial instruments	19,797	(5,245)
Write-back of investment in ADP Trust	–	(220,387)
	519,690	453,430
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease (increase) in trade debtors	15,691	(47,143)
(Increase) in inventories	(167,244)	(331,178)
(Increase) decrease in other assets	(79,683)	40,573
Increase in trade creditors and accruals	67,335	19,833
(Decrease) increase in provision for income taxes payable	(21,290)	28,048
Increase in provision for deferred income tax	24,409	3,083
Increase (decrease) in other provisions	621	(22,132)
Net cash inflow from operating activities	359,529	144,514

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, Stockland must comply with Australian equivalents to International Financial Reporting Standards ('AIFRS") as issued by the AASB.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements ('AGAAP").

Transition management

The board has established a formal project, monitored by the Audit and Risk Committee, to achieve transition to AIFRS reporting, for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and Stockland is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Stockland's implementation project consists of three phases as described below:

Assessment and planning phase

The assessment and planning phase aims produced a high level overview of the impacts of conversion to AIFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Assessment and planning phase (continued)

This phase included:

– high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
– 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.

The assessment and planning phase is complete as at 30 June 2005.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase incorporated:

– formulating revised accounting policies and procedures for compliance with AIFRS requirements;
– identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
– developing revised AIFRS disclosures;
– designing accounting and business processes to support AIFRS reporting obligations;
– identifying and planning required changes to financial reporting and business source systems; and
– developing training programs for staff.

The design phase is complete as at 30 June 2005.

Implementation phase

The implementation phase includes the 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 AIFRS.

This phase is substantially complete.

Impact of transition to AIFRS

The following reconciliations outline the likely impacts on Stockland at transition to AIFRS as at 1 July 2004 and for the current year result and financial position of Stockland had the financial statements been prepared under AIFRS, based on the directors’ accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in AIFRS if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impacts outlined in the following reconciliations.

The rules for first-time adoption of AIFRS are contained within AASB 1, which requires the application of the same accounting policies applied for the opening AIFRS balance sheet at 1 July 2004, in the first AIFRS financial statements at 31 December 2005.

On transition to AIFRS, the following exemptions contained within AASB 1 have been adopted:

– business combinations which occurred prior to 1 July 2004 have not been restated;
– certain investment property has been reclassified upon change in use to property, plant and equipment with fair value adopted as deemed cost. The remaining property, plant and equipment continues to be recognised on an historical cost basis;
– investment property continues to be recognised at fair value;
– financial instruments have not been restated in accordance with the application of AASB 132 and AASB 139 at 1 July 2004, but those Standards will be applied from 1 July 2005; and
– AASB 2 “Share-based Payment” has only been applied to equity instruments granted after 7 November 2002.

Cumulative translations differences recorded in the foreign currency translation reserve have not been deemed to be zero and transferred to retained profits at 1 July 2004.

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

	Notes	30 June 2005 $'000
Reconciliation of net profit		
Net profit (AGAAP)		405,665
Straight-line rental income	(a)	3,865
Turnover rent derecognised	(a)	(1,027)
Amortisation of lease incentives	(c)	(3,423)
Changes in fair value of investment properties	(c)	(442)
Depreciation of property, plant and equipment	(d)	(208)
Adjustment to share of profits from associates	(k)	10,575
Derecognise UIG 53 "Pre-Completion Contracts for the Sale of Residential Development Properties" income accrual	(f)	(12,313)
Goodwill write-off on disposal of investment properties	(g)	(15,082)
Goodwill amortisation derecognised	(g)	108,074
Straight-line of rent payable	(j)	170
Revaluation of investment properties	(k)	268,219
Employee expenses	(n)	(739)
Income tax applicable	(h)	4,470
Net profit (AIFRS)		767,804

	Notes	1 July 2004 $'000	30 June 2005 $'000
Reconciliation of total assets and total liabilities			
Total assets (AGAAP)		7,204,623	8,400,446
Receivables	(a),(e)	(30,397)	(39,161)
Inventories	(b),(f)	–	(26,356)
Non-current assets held for sale	(b)	–	14,043
Other assets	(c),(i)	14,151	15,691
Investment properties	(c)	(72,544)	(77,949)
Property, plant and equipment	(d)	8,623	8,415
Investments accounted for using the equity method	(e)	10,353	10,650
Intangible assets	(g)	(1,750)	91,242
Total assets (AIFRS)		7,133,059	8,397,021
Total liabilities (AGAAP)		2,171,571	2,884,755
Payables	(j)	619	1,424
Deferred tax liabilities	(h)	3,685	(785)
Total liabilities (AIFRS)		2,175,875	2,885,394
Reconciliation of equity			
Total equity (AGAAP)		5,033,052	5,515,691
Contributed equity	(n)	(25,491)	(38,443)
Reserves	(k)	(531,120)	(703,632)
Retained profits	(l)	480,743	738,011
Total equity (AIFRS)	(o)	4,957,184	5,511,627

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The following explanatory notes relate to the reconciliations above and describe, for significant items, the differences between the expected accounting policies under AIFRS and the current treatment of those items under AGAAP.

(a) Receivables

Under previous AGAAP, operating lease income was recognised when legally due. However, under AASB 117 "Leases", lease income from operating leases shall be recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. A difference arises as a straight-line rent receivable between the amount legally due and the lease income recognised on a straight line basis.

The effect on the Statement of Financial Position at transition is an increase in receivables of $9,130,000 and a reduction in investment properties of the same amount. For the year ended 30 June 2005 there is an increase in receivables of $3,865,000 and a reduction in investment properties of the same amount.

In addition, turnover rent accrued in receivables at 30 June 2004 under AGAAP is treated as contingent rent under AIFRS and is derecognised at 1 July 2004, ($1,114,000) and for the year ended 30 June 2005 ($1,027,000) but is recognised as rental income in periods when turnover has been achieved and rent is chargeable to tenants.

A loan to an associated company is treated as an investment in an associate under AASB 128 ''Investment in Associates" and is reclassified to investments accounted for using the equity method ($11,308,000).

	Notes	1 July 2004 $'000	30 June 2005 $'000
The net movement in receivables comprises:			
Straight line rent receivable reclassified from investment property	(c)	9,130	12,995
Turnover rent derecognised		(1,114)	(1,027)
Loan to an associated company reclassified	(e)	(11,308)	(11,308)
Employees' share plan loans reclassified against contributed equity	(n)	(27,105)	(39,821)
		(30,397)	(39,161)

(b) Non-current assets held for sale

AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" requires reclassification of non-current assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This change in treatment results in a reduction in inventories and an increase in non-current assets held for sale of $14,043,000 at 30 June 2005.

(c) Investment properties

The Corporation occupies a significant portion of certain Trust owned investment properties and is required under AASB 140 "Investment Property" to reclassify the applicable portions at fair value at the date of change in use, to property, plant and equipment, in the Statement of Financial Position ($50,996,000). Also in accordance with AASB 140, certain properties leased to third parties have been reclassified initially at cost from property, plant and equipment to investment property and then restated to fair value being $1,733,000 at 1 July 2004.

AASB 140 "Investment Property" also requires the following assets to be separately recognised from the fair value of investment property and be reclassified as follows:

	1 July 2004 $'000	30 June 2005 $'000
Other assets		
Lease incentives (net of amortisation)	14,151	15,691
Receivables		
Straight line rent receivables	9,130	12,995
Reclassified from investment properties	23,281	28,686

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(c) Investment properties (continued)

The amortisation of the lease incentives, for the year ended 30 June 2005 of $3,423,000, together with the movement in the straight-line rent receivables (refer (a) above "Receivables"), are recognised as reductions and adjustments respectively to profit over the terms of the leases. The effect of this treatment requires an adjustment to investment property at 1 July 2004 of $23,281,000 and at 30 June 2005 of $28,686,000 and for the year ended 30 June 2005 a reduction of $442,000 so as to continue to recognise investment property including the components, at fair value. Such treatment results in no overall impact on retained profits at 1 July 2004, nor profit for the year ended 30 June 2005.

	Notes	1 July 2004 $'000	30 June 2005 $'000
Owner occupied property reclassified to property, plant and equipment	(d)	(50,996)	(50,996)
Properties leased to third parties reclassified from property, plant and equipment	(d)	1,733	1,733
Straight line rent receivable reclassified from investment property	(a)	(9,130)	(12,995)
Lease incentives reclassified		(14,151)	(15,691)
		(72,544)	(77,949)

(d) Property, plant and equipment

As noted above under (c) "Investment Properties", certain properties have been reclassified to property, plant and equipment of $50,996,000. Under AASB 116 "Property, Plant and Equipment" the building components of such properties are depreciated over their remaining useful lives from their dates of change in use with their total accumulated depreciation on transition being $40,207,000 and a depreciation charge of $107,000 for the year ended 30 June 2005. Also in accordance with AASB 140, certain properties leased to third parties have been reclassified at cost from property, plant and equipment to investment property $1,733,000. Owner occupied strata units, not previously depreciated under AGAAP, are now depreciated under AIFRS being $433,000 on transition and $101,000 for the year ended 30 June 2005. Total depreciation charge for the year ended 30 June 2005 is $208,000.

	Notes	1 July 2004 $'000	30 June 2005 $'000
Owner occupied property reclassified from investment property	(c)	50,996	50,996
Properties leased to third parties reclassified to investment property	(c)	(1,733)	(1,733)
Accumulated depreciation of owner occupied property, plant and equipment		(40,207)	(40,314)
Accumulated depreciation owner occupied strata units		(433)	(534)
		8,623	8,415

(e) Investments accounted for using the equity method

As noted above under "Receivables", a long-term interest in an associated company is reclassified under AIFRS, to investments accounted for using the equity method of $11,308,000.

Under AGAAP, profits for a joint venture development were recognised in accordance with UIG 53 "Pre-Completion Contracts for the Sale of Residential Development Properties". Under AIFRS, AASB 118 "Revenue", such profits are not recognised until legal title is transferred, unless the risks and rewards of ownership have passed to the buyer. The effect of the AIFRS adjustment is a reduction in investments accounted for using the equity method in the Statement of Financial Position at 1 July 2004 of $955,000. For the year ended 30 June 2005, there is a decrease in investments accounted for using the equity method of $658,000 and a decrease in profit of the same amount.

	Note	1 July 2004 $'000	30 June 2005 $'000
Loan to an associated company reclassified	(a)	11,308	11,308
Derecognition of UIG 53 income accrual		(955)	(658)
		10,353	10,650

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(f) Inventories

In respect of the year ended 30 June 2005, UIG 53 accruals for property development profit are derecognised with a decrease in inventory of $12,313,000 and a reduction to profit of $12,313,000.

(g) Intangible assets

AASB 138 "Intangible Assets" prohibits internally generated intangible assets from being recognised in the Statement of Financial Position and internally generated intangibles of $1,750,000 relating to hotel management rights have been derecognised under AIFRS at 1 July 2004.

Under AIFRS, goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually and whenever there is an indication that goodwill may be impaired. Goodwill amortisation of $108,074,000 has been reversed for the year ended 30 June 2005.

As required by AASB 136 "Impairment of Assets", goodwill, is allocated to a cash generating unit or groups of cash generating units that are expected to benefit from the synergies of the combination. A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets and must not be larger than a segment. In the event that an operation within a cash generating unit is disposed of then the goodwill allocated is included in the carrying amount of the operation for determining the gain or loss on disposal which, for the year ended 30 June 2005, results in a reduction in profit of $15,082,000 and goodwill by the same amount.

On transition at 1 July 2004, trust management rights $32,062,000 and property management rights $9,300,000 have been reclassified to goodwill for the purposes of determining the gain or loss on disposal for the year ended 30 June 2005.

	1 July 2004 $'000	30 June 2005 $'000
Derecognition of internally generated intangible assets	(1,750)	(1,750)
Goodwill amortisation reversed	–	108,074
Goodwill write off on disposal of investment properties	–	(15,082)
	(1,750)	91,242

(h) Deferred taxes

Under AIFRS the balance sheet method, rather than the previously applied AGAAP income statement liability method of accounting for income tax has been adopted and applied in accordance with AASB 112 "Income Taxes". The net effect is a reduction of $3,685,000 against retained profits, comprising an increase in deferred tax liabilities of $3,685,000 at 1 July 2004 in the Statement of Financial Position. For the year ended 30 June 2005, there is an increase of $4,470,000 to net profit, a reduction in deferred tax liabilities of $785,000 in the Statement of Financial Position.

(i) Other assets

Lease incentives are required to be recognised as separate assets from investment properties under AIFRS and have been reclassified. Refer above (c) "Investment Properties".

(j) Payables

Under previous AGAAP, lease payments under operating leases are recognised as expenses when due and payable. However, under AASB 117, lease rental payments under operating leases shall be recognised as expenses on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. A difference arises as a payable between the amount legally payable and the lease expense recognised on a straight line basis. The effect on the Statement of Financial Position is an increase in payables of $619,000 and a reduction in retained profits of the same amount. For the year ended 30 June 2005 the corresponding amounts are a decrease in payables of ($170,000) and an increase in profit of the same amount.

	Note	1 July 2004 $'000	30 June 2005 $'000
Straight-line adjustment operating lease expenses		619	449
Employee share plan payable	(n)	–	975
		619	1,424

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(k) Reserves

Under AIFRS, AASB 140 "Investment Property", for investment properties measured at fair value, any gains or losses arising from changes in fair value are recognised in the Statement of Financial Performance, for the period in which they arise. On transition to AIFRS, retained profits are increased by $531,120,000 and the asset revaluation reserve is reduced by the same amount. Net increases in the fair value of investment property of $268,219,000 and associates of $11,233,000 have been recognised in the Statement of Financial Performance for the year ended 30 June 2005. The net adjustments to share of profits from associates of $10,575,000 comprises fair value adjustment to investment properties of $11,233,000 and UIG 53 profits (note e) derecognised of $658,000 for the year ended 30 June 2005.

	1 July 2004 $'000	30 June 2005 $'000
Transfers to retained profits:		
Fair value adjustments investment properties	(531,120)	(799,339)
Fair value adjustments investment properties in associates	–	(11,233)
Transfer from retained profits	–	106,940
	(531,120)	(703,632)

(l) Retained profits

With limited exceptions, adjustments required on first time adoption of AIFRS are recognised directly in retained profits (or if appropriate another category of equity) at the date of transition to AIFRS. The cumulative effect of these adjustments for the Statement of Financial Position is an increase in retained profits of $480,743,000 representing the net AIFRS movements in total assets, total liabilities and reserves at transition, 1 July 2004 and $738,011,000 at 30 June 2005.

(m) Financial instruments

Under AGAAP, 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 swaps are recognised on an accruals basis. Where the instruments are considered ineffective under AGAAP, any unrealised gains and losses are recognised in the Statement of Financial Performance.

On adoption of AASB 139 "Financial Instruments: Recognition and Measurement" at 1 July 2005, all derivatives are to be recognised at fair value on the balance sheet together with the hedged item at either fair value or amortised cost. Changes in fair value of the hedged item or amortisation of the hedged item, as applicable, together with changes in the fair value of derivatives are recognised in the Statement of Financial Performance. The criteria for application of hedge accounting includes an expectation that the hedge will be highly effective at inception over the life of the hedge. Actual hedge effectiveness must be measured on an ongoing basis with effective hedges recognised in the Statement of Financial Position and any hedge ineffectiveness recognised in the Statement of Financial Performance.

(n) Share based payments

Under AGAAP, no expense is recognised for equity instruments granted to employees. Under AIFRS, the Incentive Share Plan and Executive Securities Plan equity instruments are required to be fair valued and amortised as an expense over the vesting period. This has only been applied, in accordance with the exemption available under AASB 1, in respect of stapled securities granted after 7 November 2002. On transition at 1 July 2004 the adjustments result in a decrease in contributed equity of $25,491,000, a decrease in retained profits of $1,614,000 and a decrease in receivables of $27,105,000. For the year ended 30 June 2005 the adjustments result in a decrease in contributed equity $38,443,000 and a decrease in profit $739,000, a decrease in receivables of $39,821,000 and an increase in payables of $975,000.

(o) Total equity

AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" require Stockland Trust, from 1 July 2005, to treat previously classified AGAAP unitholders' funds as a liability to unitholders and previously classified AGAAP distributions to unitholders as interest expense.

For Stockland Trust the AIFRS change in treatment of unitholders' funds to liability to unitholders would result in zero net assets and substantially reduce the combined net assets of Stockland. Also the change in treatment of distributions to interest expense would substantially reduce future reported profit of both Stockland and Stockland Trust.

From 1 July 2005, these changes in treatment are required under AIFRS because, pursuant to the Stockland Trust Constitution at the date of this report, Stockland Trust possesses a finite life with contributed equity considered "puttable" financial instruments which together with reserves and undistributed income are considered a liability to unitholders. In addition, the Stockland Trust Constitution provides a non-discretionary financial obligation upon the Trust to make distributions which also characterises unitholders' funds as a liability to unitholders with related distributions considered to be interest expense under AIFRS.

NOTE 45. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(o) Total equity (continued))

At the next AGM the directors intend to seek approval from members for changes to the Constitution of Stockland Trust so as to enable both Stockland and Stockland Trust to treat unitholders' funds as equity and related payments as distributions, under AIFRS. The future AIFRS accounting treatment for equity and distributions will therefore remain uncertain until the proposed changes to the Constitution are considered and voted upon by members.

NOTE 46. EVENTS OCCURRING AFTER REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature 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.

DIRECTORS' DECLARATION

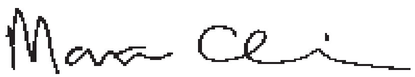
In the opinion of the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited, and the directors of Stockland Corporation Limited, the combined Financial Statements of Stockland are drawn up in accordance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, so as to present fairly the financial position of Stockland as at 30 June 2005 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Finance Director for the financial year ended 30 June 2005.

Dated at Sydney this 10th day of August 2005.

Signed in accordance with a resolution of the directors.



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 46), and the directors' declaration of Stockland for the year ended 30 June 2005.

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 Accounting Standards in Australia and other mandatory reporting requirements in Australia. 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 in order 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 acccordance with Accounting Standards in Australia and other mandatory reporting requirements in Australia, 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 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 the extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion, the combined financial report of Stockland presents fairly its financial position as at 30 June 2005 and its performance for the financial year ended on that date in accordance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Michael J Coleman
Partner

Sydney
10 August 2005

SECURITY HOLDERS

The information set out below was prepared as at 8 August 2005 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 1,321,048,722 ordinary units in the Trust and ordinary shares in the Corporation.

Largest twenty security holders	Number of Securities	Percentage of Issued Securities
Westpac Custodian Nominees Limited	212,192,446	16.06%
JP Morgan Nominees Australia Limited	174,777,721	13.23%
National Nominees Limited	152,119,795	11.52%
ANZ Nominees Limited	68,571,312	5.19%
Citicorp Nominees Pty Limited	56,248,055	4.26%
Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	51,591,624	3.91%
Cogent Nominees Pty Limited	50,152,376	3.80%
Cogent Nominees Pty Limited <SMP Accounts>	25,008,658	1.89%
AMP Life Limited	24,798,312	1.88%
Queensland Investment Corporation	19,909,967	1.51%
HSBC Custody Nominees (Australia) Limited	17,934,562	1.36%
Victorian Workcover Authority	14,875,084	1.13%
Bond Street Custodians Limited <PROPERTY SECURITIES A/C>	14,433,416	1.09%
RBC Global Services Australia Nominees Pty Limited <BKCUST A/C>	12,474,942	0.94%
Westpac Financial Services Limited	11,890,865	0.90%
Transport Accident Commission	10,371,515	0.79%
Bond Street Custodians Limited <ENH PROPERTY SECURITIES A/C>	10,041,548	0.76%
Suncorp Custodian Services Pty Limited	6,426,724	0.49%
E G Holdings Pty Limited	6,411,632	0.49%
RBC Global Services Australia Nominees Pty Limited	6,315,407	0.48%

The largest twenty members held 71.65% of the ordinary units/shares on issue.

Distribution of security holders

Category	Number of Securities	Number of security holders
1 – 1,000	3,672,180	7,393
1,001 – 5,000	64,260,392	23,036
5,001 – 10,000	62,043,221	8,701
10,001 – 100,000	105,031,346	5,309
100,001 and over	1,086,041,583	217

The number of unitholders/shareholders holding less than a marketable parcel was 1,243.

Substantial security holders	Number of Securities
Commonwealth Bank of Australia Limited	86,638,230
Barclays Group	78,574,979
AMP Limited	70,516,482
Macquarie Bank Limited	66,065,427

SECURITY HOLDER INFORMATION AND DIRECTORY

SECURITY HOLDER 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 security holders to choose.

Members' enquiries

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

Stockland website
www.stockland.com.au

The Stockland site contains a variety of investor information, including market presentations, financial results, property news, announcements to the 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 up to 5% as determined by the Board, with no costs. The discount applicable to the August 2005 DRP was 1.5%. Any future changes to the DRP will be disclosed to the ASX and notified on the Stockland website. Application forms can be sent to you by Computershare.

Distribution periods

1 July – 31 December 2004

1 January – 30 June 2005

Ex-distribution dates

23 December 2004

24 June 2005

Distribution banking or mailing dates

28 February 2005

31 August 2005

Annual General Meeting

Will be held at City Recital Hall, Angel Place at 2.30pm on Tuesday 25 October 2005.

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
Peter Scott
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 9415 4000
Email
stockland@computershare.com.au

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation Limited

Auditor

KPMG

Quoted Securities

SGP ordinary units/shares

DESIGNED AND PRODUCED BY ROSS BARR & ASSOCIATES PTY LIMITED

THIS ANNUAL REPORT HAS BEEN PRINTED ON A STOCK THAT HAS 55 PER CENT RECYCLED PAPER CONTENT AND HAS AN ISO14001 ENVIRONMENTAL ACCREDITATION.

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