



Stockland Annual Report

30 June 2006



Stockland

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COVER: 135 King Street is one of Stockland's landmark A grade office towers, located in the centre of the Sydney CBD.

Stockland was founded in 1952 by Ervin Graf.

Ervin Graf migrated to Australia from Hungary in 1949 at the age of 25. In 1952, he founded the Stocks and Holdings Group of Companies. In 1957, Graf went public by taking over the smallest company on the Sydney Stock Exchange.

The company initially specialised in residential development before diversifying into the development of commercial and retail projects along the eastern seaboard.

Graf was considered a visionary when he opened the Park Regis Towers on Sydney's Park Street, then the tallest residential apartment building in the world outside the USA, defying sceptics who said inner-city living would not take off. Soon after, he built Stockland House on the corner of Park and Castlereagh Streets in Sydney.

He was also one of the first developers to build a drive-in shopping centre at Wollongong in 1961, townhouses in the eastern suburbs of Sydney and the first bulky goods centre at Glendale.

Ervin Graf was managing director up until 1990, when he moved into the role of chairman and Peter Daly was appointed managing director. Peter Daly became chairman in 2000 when Ervin Graf retired, and Matthew Quinn became the new managing director.

Since 2000, Stockland has seen a five fold increase in market capitalisation and tripled its workforce.

Today, Stockland is one of Australia's largest and most successful diversified property groups.



1957
Stocks and Holdings Limited listed on the Sydney Stock Exchange five years after founder Ervin Graf created his first housing estate on a poultry farm in Sifton. The house pictured was the first house built and still stands today.



1965
Stockland opened four shopping levels at the Imperial Arcade. With underground levels linking into David Jones, it was a retail revolution in the centre of the Sydney CBD. Six levels of offices were added to complete the landmark development.



1967
The group developed the tallest residential building in the world outside the United States, Park Regis Towers in Sydney.



1969
One of the group's first mixed-use masterplanned communities comes to life when the first stage of Sylvan Headland estate opens at Kareela, NSW comprising 800 homes, a shopping centre and a school.



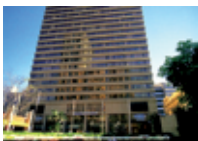
Welcome to the 2006 Stockland Annual Report.

- Stockland has delivered 24 consecutive years of profit growth, driven by the strength and scale of our diversified business model.
- The quality of our results is underpinned by strong leadership, high levels of employee engagement and a focus on long term total security holder returns.
- Our vision is to create a world class diversified property group.

01



1972
Completion of the group's first major shopping centres at Merrylands (pictured) and Gosford in New South Wales.



1977
The group's first major commercial venture in Queensland was completed in co-operation with Brisbane City Council. The 22 storey office building also featured a shopping centre and tavern.



1988
Stockland pioneered the development of the stapled security structure when it combined its Trust and Corporation activities into one stapled security, listed on the ASX as SGP. This year Stockland purchased 157 Liverpool Street, the current Stockland Head Office.



2000
Takeover of Flinders and Advance portfolios, significantly bolstering the Commercial and Industrial book with the addition of key assets such as Yennora Distribution Centre and A grade commercial buildings.



2001
Acquisition of Taylor Woodrow increased the group's assets to \$3 billion and added prime residential projects to Stockland's presence in Western Australia.



2003
Stockland acquired the AMP Diversified Property Trust portfolio, representing one of the group's most strategic acquisitions to date, increasing its market capitalisation to \$6 billion.



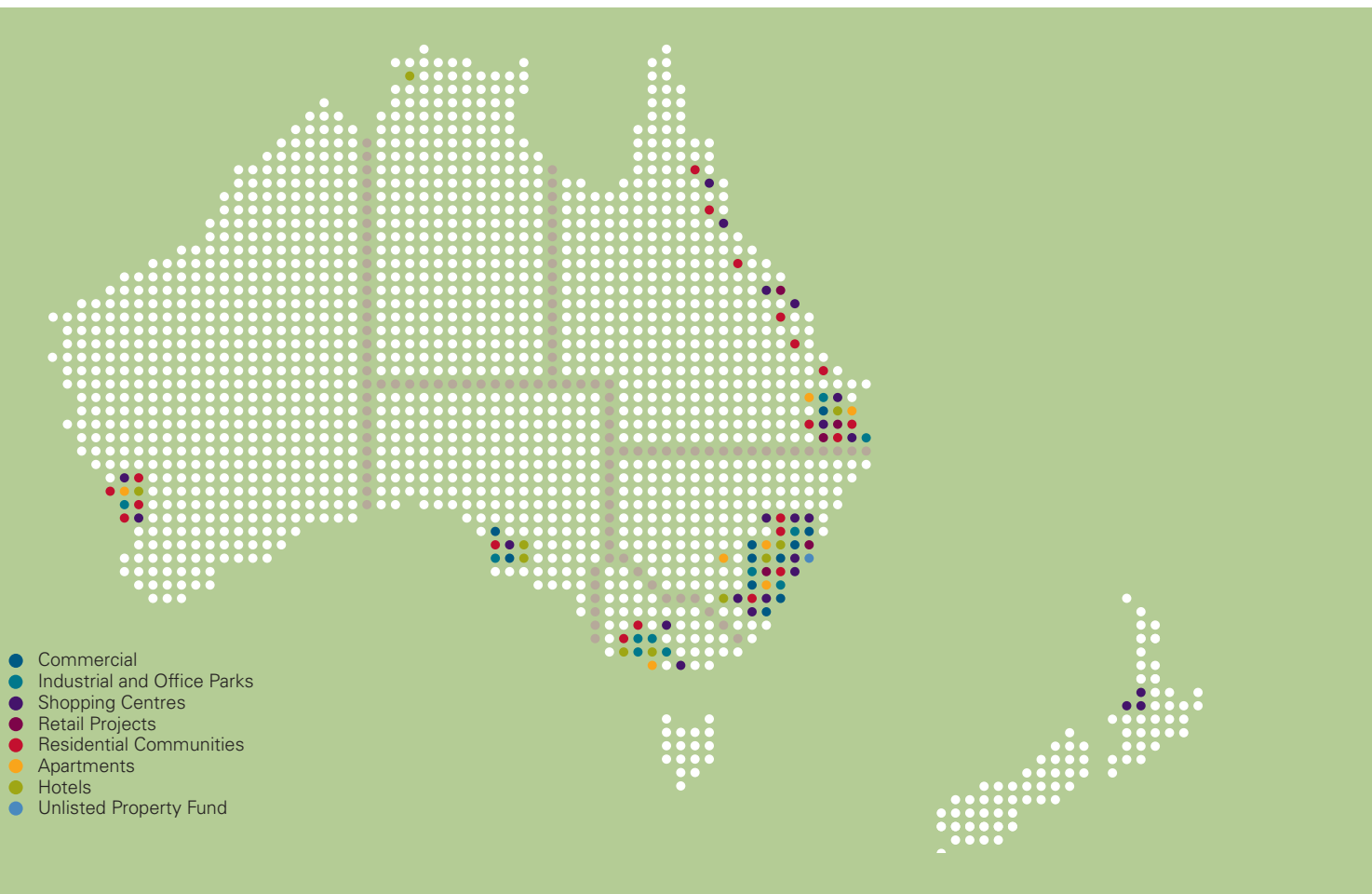
2004
Stockland acquired the Lensworth portfolio, positioning the group as the largest residential property developer in Australia. The Unlisted Property Funds Division was launched this year.



2006
Unlisted Property Funds Division moves into wholesale investor market and increases assets under management to over \$540 million. Stockland is now positioned as one of the leading diversified property groups in the country.

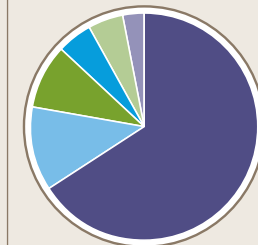
Diversity, by business line and location, underpins Stockland's continued performance through changing market cycles.

02



Commercial and Industrial Division

The Division delivers outstanding tenant solutions, from an asset base valued at \$3 billion comprising 56 properties across Australia. This year, Commercial and Industrial contributed an operating profit of \$210.7 million. The portfolio is positioned for future growth, as Australian office markets continue to strengthen.



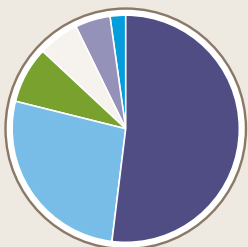
Geographic Spread by Book Value

- NSW: 66%
- QLD: 12%
- VIC: 9%
- SA: 5%
- ACT: 5%
- WA: 3%



Shopping Centre Division

Stockland is a leader in the management, marketing, development and leasing of sub-regional shopping centres in Australia and New Zealand. The Division delivered an operating profit of \$236.7 million, from an asset base of \$3.5 billion, comprising some 40 properties.



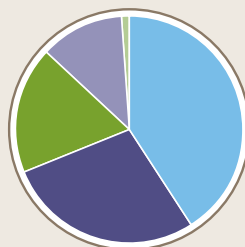
Geographic Spread by Book Value

- NSW: 52%
- QLD: 27%
- VIC: 8%
- NZ: 6%
- WA: 5%
- SA: 2%



Development Division

The Development Division's scale, diversity and strong quality brand helped it achieve a record profit of \$239 million. The Division is a clear market leader, with a strong pipeline of 80 residential projects with an end value of over \$16 billion and a clear history of delivering increased market share and sustainable performance.



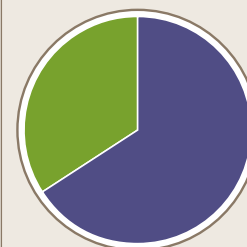
Geographic Spread by Number of Lots

- QLD: 41%
- NSW: 28%
- VIC: 18%
- WA: 12%
- ACT: 1%



Unlisted Property Funds Division

The Division provides the group with valuable income diversification and is a strategic capital partner for Stockland's business – providing a key platform for future growth. Assets under management now total more than \$540 million, with additional offers planned for retail and wholesale investors in the year to come.



Product Type (by investor)

- Retail: 66%
- Wholesale: 34%

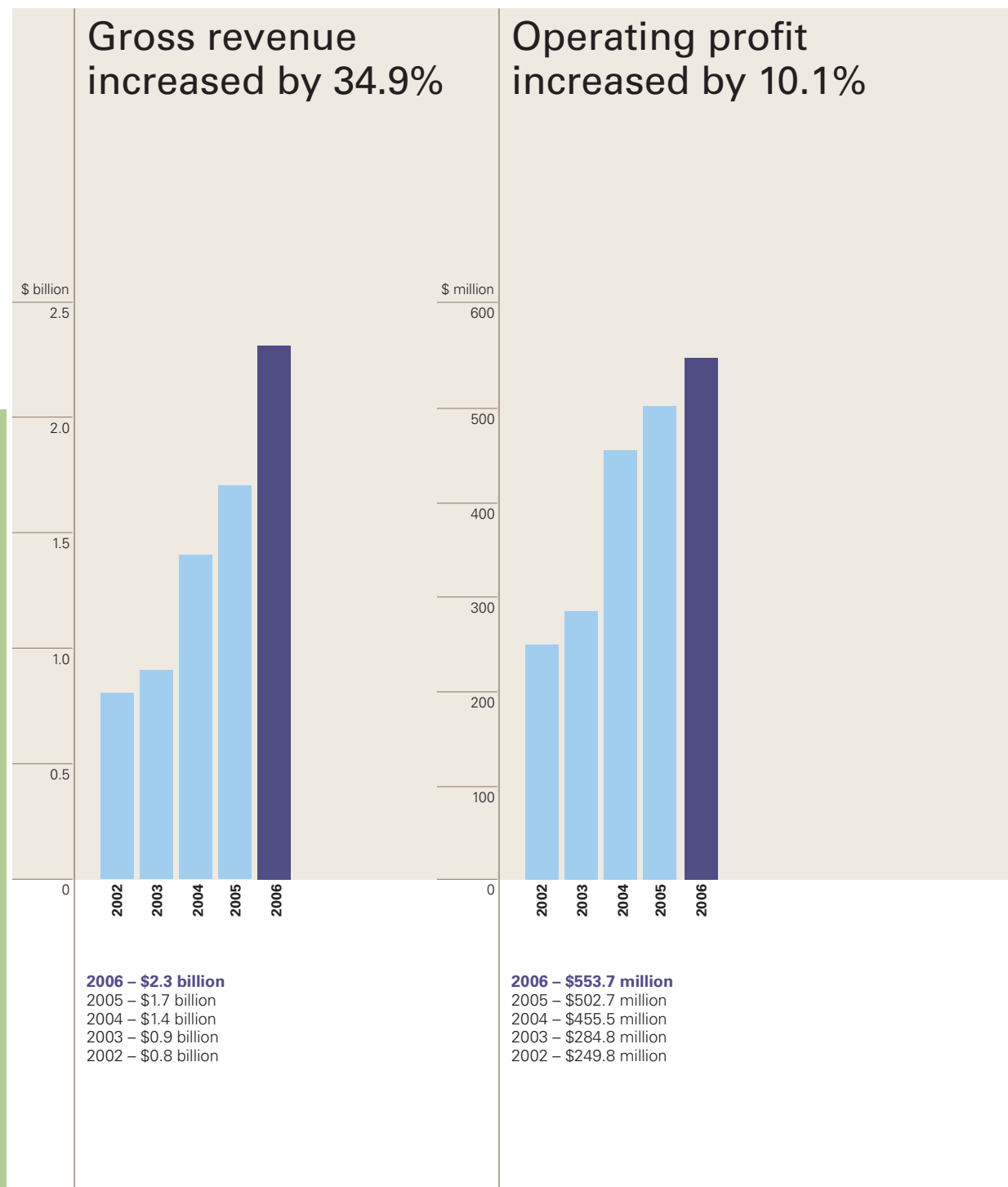
Consistent delivery of long term strategies ensure strong and growing returns for security holders.

04

Highlights

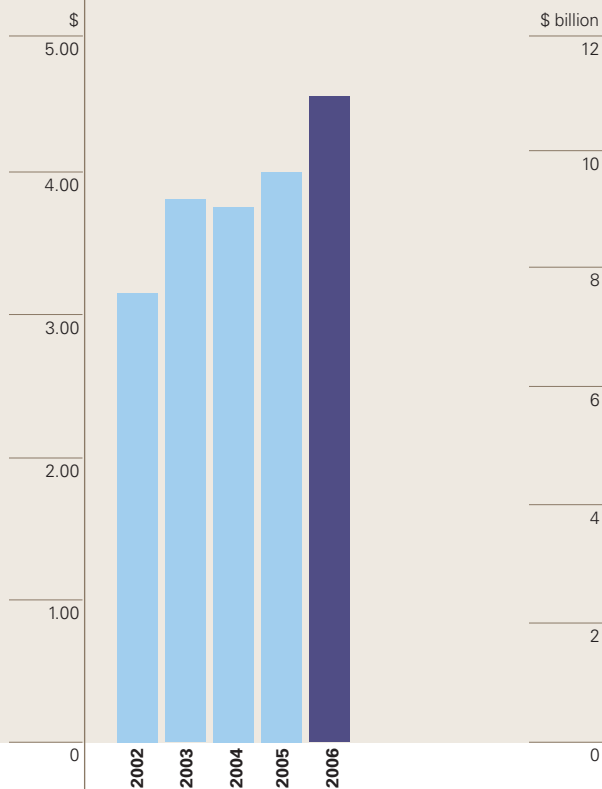
- Record operating profit of \$553.7 million, a 10.1 per cent increase on the previous year*
- Excellent returns for security holders:
 - Earnings per security up 6.1 per cent to 41.5 cents*
 - Dividend and distribution per security up 6.4 per cent to 41.4 cents
- Strong investment property revaluations of \$640.3 million deliver an 11.1 per cent increase on book value
- 16 new residential projects were launched across Australia
- Strategic acquisitions in the shopping centre and commercial and industrial businesses
- Unlisted property funds platform continues to grow, with over \$540 million of assets now under management
- Low gearing provides significant balance sheet capacity.

* Operating profit represents the underlying operating results excluding property revaluations, capital gains and losses on the sale of investment properties, unrealised gains and losses on financial instruments and security holders' finance costs.



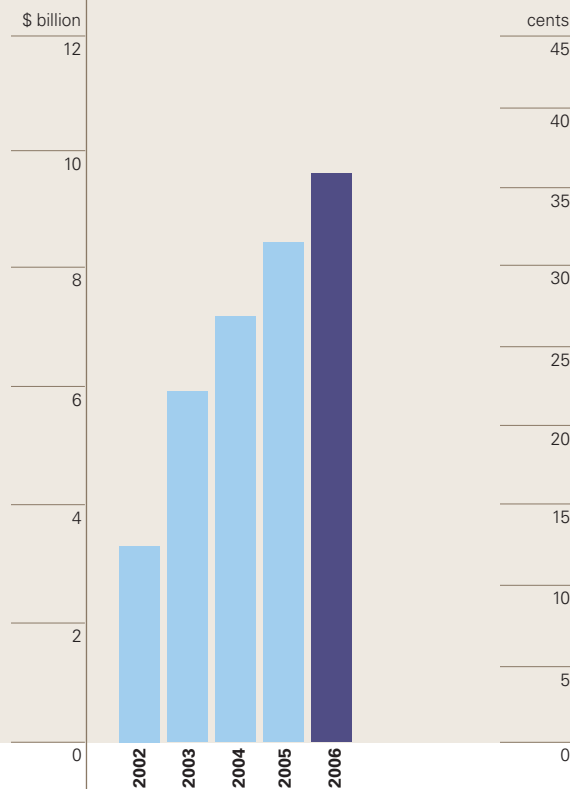
Note: FY02-FY04 is calculated under Australian Generally Accepted Accounting Principals (AGAAP), FY05-FY06 is calculated under Australian equivalents to International Financial Reporting Standards (AIFRS).

Net Tangible Assets per security increased by 13.5%



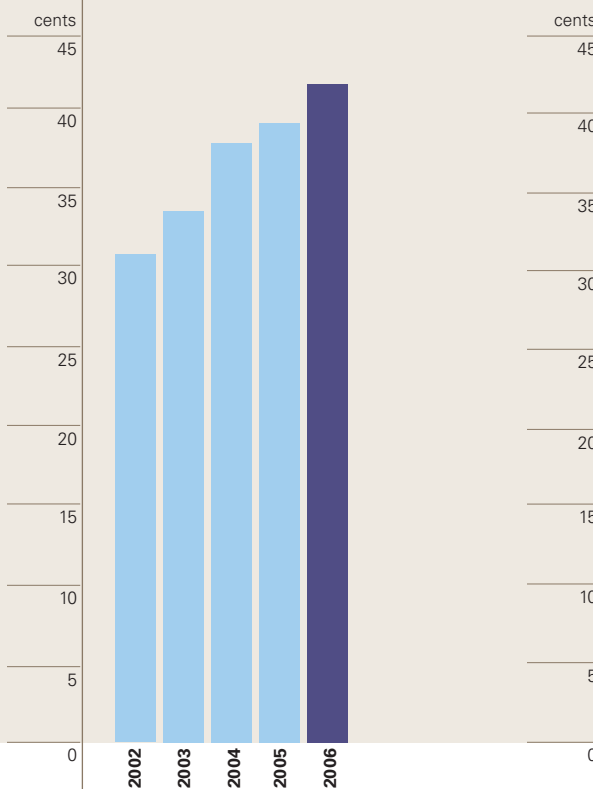
2006 – \$4.54
 2005 – \$4.00
 2004 – \$3.76
 2003 – \$3.80
 2002 – \$3.15

Total assets increased by 14.3%



2006 – \$9.6 billion
 2005 – \$8.4 billion
 2004 – \$7.2 billion
 2003 – \$5.9 billion
 2002 – \$3.3 billion

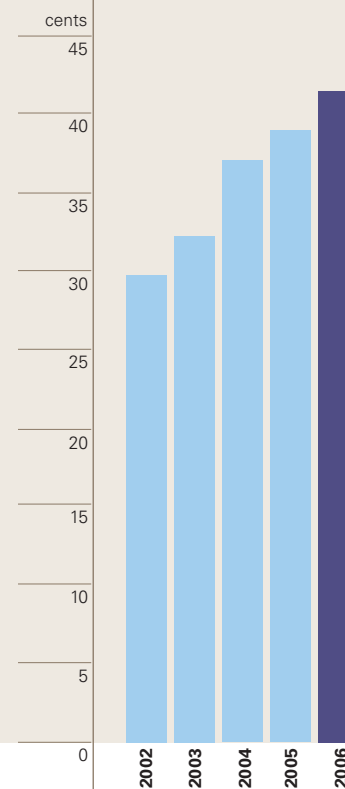
Earnings per security increased by 6.1%*



2006 – 41.5 cents
 2005 – 39.1 cents
 2004 – 37.8 cents
 2003 – 33.5 cents
 2002 – 30.8 cents

*Before significant items

Dividend and Distribution per security up 6.4%



2006 – 41.4 cents
 2005 – 38.9 cents
 2004 – 37.0 cents
 2003 – 32.1 cents
 2002 – 29.7 cents

Chairman's Letter

06

Highlights

- 24th consecutive year of profit growth and consistent returns
- Continued focus on long term strategy and governance
- Commitment to corporate responsibility and sustainability affirmed with the release of the first report on the group's social and environmental performance.

Dear Investors,

I am delighted to report that Stockland continued its outstanding record of profit growth in 2006, confirming our position as one of Australia's leading property groups.

Highlights

The group delivered another strong result this year, and has now achieved 24 consecutive years of increasing profits. Our operating profit was up 10.1 per cent, our earnings per security increased 6.1 per cent and total returns for investors, including security price growth and reinvestment of dividends/distributions was 35 per cent for the year to 30 June 2006.

Our consistently strong results over many years testify to the strength of the group's strategically diversified business assets, spanning shopping centres, commercial and industrial properties, and residential developments across Australia. Our scale and diversity, coupled with a conservative balance sheet and disciplined approach to managing our growth, have enabled us to perform well across changing market cycles.

Corporate Responsibility

I am proud to say that Stockland has a long-standing culture of accountability, integrity and ethical business practices. We believe that to secure the long term future of our business we must apply sound principles of corporate responsibility and sustainability across all our operations.

I am pleased, therefore, to launch our first Corporate Responsibility and Sustainability Report this year as a companion to this annual report.

Our new report gives tangible expression to our commitment to good corporate citizenship and responsible environmental stewardship. It records Stockland's many sustainability initiatives and achievements during the past year, and our priorities for the year ahead. I encourage investors to read this important report, which will now be produced annually.

Board and Governance

I would like to thank my Board colleagues for their support and their contribution over the past year. Board meetings at Stockland are characterised by frank, robust and constructive engagement by the Board and management around corporate policy, strategy and direction. Each director brings different skills, experience and perspectives to the boardroom, but all bring a forthright independence of mind to help us, collectively, chart the best course for Stockland's future prosperity.

During the past year, the Board has undertaken an extensive programme of site visits across our national operations, to deepen our understanding of the group's assets, our people, and the needs of our stakeholders, including the communities in which we operate.

The Stockland Board draws strength from its diversity and from its balance of longer-serving and newer members. We were delighted to welcome our most recent member, Lyn Gearing, who joined the Board on 1 November 2005, bringing a range of relevant skills and experience to us.

I take this opportunity to give special acknowledgement to David Fairfull, who retires from the Board at the annual general meeting after more than 16 years of service. On behalf of investors and the Board, I thank David for his very substantial contribution, his dedication and his wise counsel throughout his time as a director.

Stockland faces both the challenges and the opportunities of the year ahead from a position of considerable strength. I look forward to working with my fellow Board colleagues and with our talented executive team, ably led by our managing director, to deliver another strong performance in the year ahead.



Graham Bradley
Chairman

Board of Directors

During the past year, the Board has undertaken an extensive programme of site visits across our national operations, to deepen our understanding of the group's assets, our people, and the needs of our stakeholders, including the communities in which we operate.

Left to Right – Shown at Stockland's Prince Henry apartment project currently underway in Sydney is David Fairfull, Bruce Corlett, Lyn Gearing, Nick Greiner, Hugh Thorburn, Graham Bradley, Peter Scott, Matthew Quinn, Terry Williamson.

07



Managing Director's Report

Guided by a clear strategy, and aiming to deliver consistent long term performance, Stockland has delivered a 24th consecutive year of profit growth and quality earnings.

08

Highlights

- Record operating profit of \$553.7 million
- Strong performance from all our core operating divisions, underpinning future growth
- An employee engagement score among the best in the country, at 84 per cent.*

* International Survey Research: 2006 Stockland Employee Survey.

Performance

During the 2006 financial year, Stockland delivered another record result and strong growth in earnings and dividends per security.

The performance was driven by solid leasing results and low vacancies in our shopping centres, commercial and industrial businesses, and a strong performance from our residential business across the country, despite challenging market conditions in some regions. Effective management of our diverse asset base and income streams helped deliver a consistent and growing return to security holders.

We also increased the overall quality of our assets through our extensive development pipeline, which added significant value to our investment properties.

Competitive Advantages

A number of competitive advantages continue to drive our performance.

The quality and diversity of our assets by property type and geography is a considerable strength and ensures we continue to perform through different market cycles.

The calibre of our employees, together with their strong engagement, contributes to a high performance culture. In this environment, we have developed a cross-divisional and collaborative approach which contributes to consistent outperformance.

The quality of our assets and our teams is harnessed through active management of all our properties and projects, ensuring we drive additional value from our diverse portfolio.

Divisional Highlights

The Shopping Centre Division achieved an outstanding operating profit of \$236.7 million. This was underpinned by a strong sales performance and large revaluations.

The Commercial and Industrial Division performed very well, achieving a profit of \$210.7 million. Vacancy rates remained extremely low. Our properties also achieved solid tenant retention over the past year through a focus on strong relationships and customer service.

The Development Division this year delivered a record net profit of \$239 million, launching a number of new projects to market nationally in areas of high demand. The Division continued to capitalise on its scale and diversity to increase market share.

While a softening in some residential markets has been evident throughout the year, active management of the portfolio and appropriate risk management ensured solid financial performance through this cycle.

The Unlisted Property Funds Division again acted as a strategic capital partner for our other businesses during the year, launching a number of successful new initiatives. The Division is well positioned for strong growth in the retail and wholesale sectors, with over \$540 million of assets under management.

After year end, we announced plans to divest the Saville Hotel Group. The hotel business has performed well, but represents less than one per cent of group earnings before interest and tax, and is not a core focus for the business in the long term. There are opportunities to redeploy the capital from the sale in key operating divisions to generate high returns.

Strategy and the Future

Stockland was recently voted most admired company in a BRW survey of fund managers and stockbrokers at large investment banks (BRW 13 July 2006). This recognition was thanks to "a clear strategy and execution that provided high returns to shareholders, a focus on long term growth, and a Board and management prepared to communicate with shareholders and fund managers."

This approach, and other factors such as employee engagement, management capability and asset quality, underpin our long term success. We will continue to use

these strengths to deliver on both short term annual goals and medium to long term objectives.

In the year to come, we will position the business for future growth by actively pursuing new opportunities and leveraging our capabilities to deliver world class developments across Australia.

Finally, I would like to thank the Stockland team. Our high performing culture is achieved through effective teamwork and by putting in the extra effort to achieve business results. Once again, the year's results are a reflection of our team's commitment.



Matthew Quinn
Managing Director



Executive Committee

Stockland's executive team is focussed on short and medium term objectives and long term strategy and direction.

Left to Right – Matthew Quinn, Denis Hickey
Lisa Scenna, Robb Macnicol
Hugh Thorburn, Johanna Keating
Rilla Moore, Steven Mann



Commercial and Industrial Division

10

Our performance is driven by high occupancy, strong customer relationships and a focus on creating engaging environments.

Highlights

- Solid operating profit of \$210.7 million
- 56 properties with an asset value of over \$3 billion
- Record portfolio occupancy at 99.6 per cent
- Revaluations of \$223.3 million, a 10.3 per cent increase over book value
- Progress of our \$700 million development pipeline.



M4 Greystanes Industrial Park, New South Wales

The M4 Greystanes Industrial Park is one of Stockland's largest integrated projects, and demonstrates an ability to leverage our capabilities to deliver higher returns. With a combined end value of over \$216 million, the precinct features seven hectares of industrial land and the 59 hectare Lakewood residential community.

The development includes a new flagship warehouse facility for State Warehousing and Distribution Services and a new forensic laboratory for the NSW Police, with a total area of over 38,000 square metres.

Performance Highlights

The Division performed very well this year, reporting a profit of \$210.7 million, driven by solid leasing results and record occupancy levels.

Management's focus on maximising asset value and providing outstanding customer service saw the portfolio deliver a total return of 15.4 per cent during the year, with \$223.3 million of revaluations.

Highlights for the commercial portfolio included the leasing of 106,000 square metres, delivering 82 per cent tenant retention and record occupancy of 99.4 per cent.

The Division increased its exposure to the strongly performing Brisbane office market, acquiring the Energex building at 150 Charlotte Street and an office building in Toowong adjacent to our Woolworths centre. Stockland will maximise the development outcome for this site by accessing expertise from all business units to deliver a major mixed-use project, rejuvenating the Toowong town centre.

Our Industrial business had another solid year, as the team completed leasing deals for over 155,000 square metres of space with strong tenant retention at 84 per cent. We made strategic acquisitions valued at over \$150 million in Brisbane and

Melbourne, as market fundamentals pointed to an improvement in industrial sector output.

We received industry recognition for our commitment to tenant relationships, winning top honours at the Facilities Management Association awards for the second year running for our facilities risk management platform, part of the Stockland Service Centre.

The delivery of our \$700 million development pipeline progressed, with eight large scale projects under construction, including the new \$351 million Optus Headquarters in Sydney's Macquarie Park, which is on track for completion in mid 2007, and 66 Waterloo Road in Macquarie Park, which secured a 33 per cent pre-lease.

Challenges

We have seen significant improvement in national office market dynamics with demand for office space gaining momentum, reducing national vacancy to 6.5 per cent.

Management is working on converting this growth to income, creating additional value in the portfolio.

Competition for assets increased, however Stockland's ability to use its unlisted property funds platform to act as a strategic capital partner ensures we are well positioned to compete successfully in this environment.

Strategy

As an owner, developer and manager, Stockland is able to leverage its capabilities to extract long term value across the commercial and industrial portfolio. We have benchmarked customer satisfaction in our buildings to better understand our tenants' needs and will continue to leverage the Stockland Service Centre platform to deliver outstanding customer service.

Another key focus is the delivery of our extensive development pipeline. We are working with the Development Division to create mixed-use developments across the country, including a 93 hectare commercial and industrial precinct at North Lakes in Brisbane to be launched in 2007.

We continue to seek opportunities to acquire accretive, high quality office and industrial assets in growth markets. We will also continue to leverage our state-based operational model as we look to take advantage of growth in the various markets.

We focus on sustainability across the portfolio, utilising the New South Wales Government's National Australian Built Environment Office Rating Water Tool and Australian Building Greenhouse Ratings for energy use.

Outlook

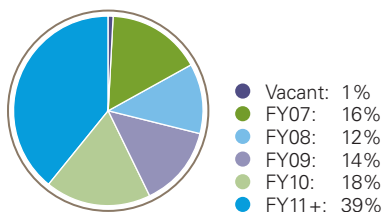
We will pursue rental growth as office markets strengthen across the country, with strong conditions in the Perth and Brisbane CBDs, Melbourne in solid shape and Sydney set to further improve in the next 12 months.

The quality of Stockland's management and strategic capabilities ensures we are well positioned to capitalise on the strength of the market and contribute increased earnings to the group.



Steven Mann

CEO, Commercial and Industrial Division



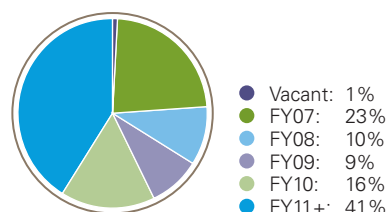
Commercial

Lease Expiry Profiles as at 30 June 2006

Average lease term – 4.2 years

* Excludes property contracted for sale.

Expiry by NLA pro rata for 50% ownership.



Industrial and Office Parks

Lease Expiry Profiles as at 30 June 2006

Average lease term – 4.2 years

* Excludes property contracted for sale.

Expiry by GLA pro rata for Moorebank 25% ownership.



Shopping Centre Division

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As a recognised market leader, the Division achieved a record profit driven by net income growth and the successful delivery of our development pipeline.

Highlights

- Operating profit of \$236.7 million, up 6.6 per cent
- Asset value increased to more than \$3.5 billion
- Total return of 19.9 per cent in 2006 financial year and 17.5 per cent per annum over five years
- Five development projects completed at a cost of \$103 million achieving a yield of 11 per cent
- Vacancy rates remained low, at just 0.2 per cent of the portfolio.



Stockland
Burleigh Heads,
Queensland

Stockland purchased the Burleigh Heads shopping centre in the rapidly growing regional area of the Gold Coast in August 2003, and immediately began a value adding strategy through tenant remixing and redevelopment.

The redevelopment of the centre was completed in September 2005, opening fully leased. The completed centre was revalued in December 2005 at \$133 million, a 59 per cent increase on the previous value, providing an initial year one yield of 9 per cent on cost.

Performance Highlights

This year we reported a 6.6 per cent increase in operating profit to \$236.7 million, another outstanding year for the Division.

Our adjusted like for like net income growth was 5.4 per cent, an excellent result achieved in a period of moderating retail sales growth.

We delivered five new development projects over the year at a cost of \$103 million and reported significant revaluation gains of \$417 million across the portfolio, an 11.5 per cent increase on book value.

Management has positioned the portfolio well and we again achieved low vacancy rates, with only 25 vacant shops across all centres.

High sales productivity continues to drive rental growth. Our average specialty sales per square metre is \$8,176 which is 14.1 per cent above industry averages, whilst our portfolio occupancy cost is a moderate 12.1 per cent. Productivity growth is achieved through a focus on optimum tenancy mix of our centres, maximising their sales potential.

Our portfolio has again been recognised in the annual Little Guns survey, as four Stockland centres ranked in the top 10 nationally

for total specialty, sub-regional turnover*, with Stockland Green Hills at number one. Other Stockland centres ranked in the top 10 were Shellharbour, Merrylands and Townsville.

The calibre, depth and expertise of our team is a key differentiator for Stockland. Our continued success is the result of teamwork supported by exceptional levels of engagement throughout the Division.

Continued focus on our customers and world class community marketing campaigns saw Stockland take top honours at the inaugural Australia and New Zealand Shopping Centre News National Marketing Awards in May 2006, winning three prestigious awards. Two national marketing campaigns are also nominated in the 2006 International Council of Shopping Centres marketing awards.

Challenges

The Division has a high volume of work, particularly as we focus on our growing development pipeline. The team has focussed on meeting these challenges, and performed strongly.

We expect the retail sales environment to grow moderately and will continue our focus on improving tenancy mix to achieve high sales and consistent rental growth.

Strategy

Our focus has been on the redevelopment pipeline achieving superior returns to those available by purchasing assets on market. During the year, we achieved an initial yield of 11 per cent on our development pipeline, which is substantially higher than the return we would have received if we purchased assets on the open market.

Stockland's extensive land bank and integrated platform provide access to organic shopping centre development opportunities, for example, Kawana, Caloundra and Baldvis – this underpins our long term competitive advantage.

As part of the Stockland group, we have worked with all businesses to source and develop sites, adding value to mixed-use projects to ensure continued growth.

As our centres are typically community hubs, we will continue our focus on community and stakeholder engagement. Stockland Spirit Awards have been given to almost 80,000 children from our shopping centre communities to encourage them to participate in local sporting activities.

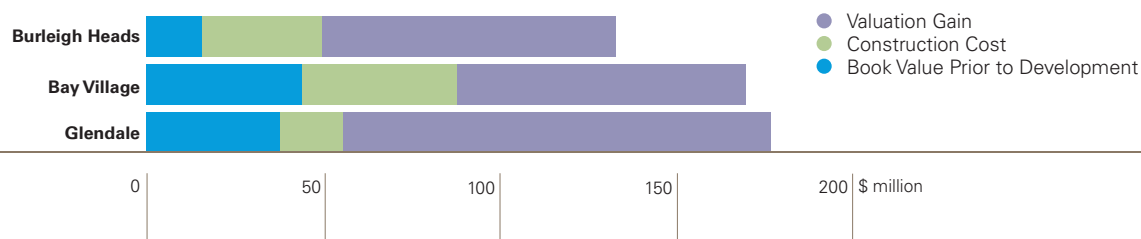
We are also committed to delivering sustainable developments that are measured against economic, environmental and social benchmarks.

Outlook

Our portfolio is well positioned to continue to perform in a moderate retail sales environment.

We will focus on the delivery of our \$1 billion development pipeline, with six projects due to commence in key growth corridors around Australia in the next 12 months. This ensures the continued organic growth of our portfolio, both by scale and by quality.

Shopping Centre Division
Value Enhancement from Development



* Shopping Centre News (Vol 23, Number 5, 2005) "Little Guns" for centres less than 45,000 square metres, by dollars per square metre per annum.

Development Division

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The Division achieved record profit growth and increased market share, supported by its scale and diversity.

Highlights

- Operating profit of \$239 million, an increase of 30 per cent
- Lots/units sold increased by 28 per cent
- Remains Australia's leading residential property developer with a pipeline of over 67,000 lots which have an end value of over \$16 billion
- Diversity of product range and location underpins our competitive advantage.



Mernda Villages,
Victoria

This award-winning masterplanned community demonstrates Stockland's ability to create world class developments that are recognised for quality urban design and sustainability. Located 25 kilometres north of Melbourne's CBD, Mernda Villages will house over 5,000 people and will feature over 19 hectares of parks and waterways. It has already attracted industry recognition for its environmental and urban design innovation.

The success of this community and other Stockland developments across Australia is supported by our strong focus on design, sustainability and delivering outstanding places for people to live, learn, work and play.

Performance Highlights

During the year, the strategic focus of the Division enabled us to:

- increase market share in our flagship Residential Communities business
- extract incremental value from our projects by leveraging the diversified skills of the whole group
- achieve strong pre-sales across our current apartment projects
- build our apartments pipeline with development approvals achieved for several key projects
- commence our Retirement Living business
- receive numerous industry and peer awards for excellence.

Our record profit performance of \$239 million, in what was a soft eastern seaboard residential market, demonstrates our long track record of achieving sustained profit growth even through changing market cycles. This has been achieved by capitalising on the strength of the Stockland brand as well as leveraging the diversity and flexibility within our portfolio.

During the year the Division continued to launch new projects in all markets across the country. All were in line with our goal of delivering outstanding places for people to live, learn, work and play.

The quality of our development pipeline enables us to take a long term perspective on acquisitions and to make strategic purchases where they complement the existing portfolio. During the year, we successfully acquired eight new projects to add to our impressive portfolio.

Over the past 12 months, we have also focussed heavily on building our internal capabilities. An intensive training programme was implemented across the Division and we continue to transfer people throughout the company to leverage our talent and share best practice.

Several senior management transfers occurred in our business, with the NSW Residential Communities General Manager, Nick Duncan, transferring to Perth to head up our WA business, while Nick Perrignon moved from WA to become General Manager of our QLD business and the National General Manager of Marketing, Michael Corcoran, was appointed as NSW Residential Communities

General Manager. The aim of these transfers was to strengthen the experience of our senior team and to reinforce our commitment to adopting a national view across our business, and ensuring the transfer of best practice throughout the company.

Challenges

Despite soft residential conditions in some regions across Australia, strong employment and continued population growth are expected to provide stable foundations for the residential market in the short to medium term.

Whilst a climate of rising interest rates will provide some challenges, we believe the diversity and scale of our portfolio ensures we are well positioned to manage the risks associated with different market conditions.

Strategy

In the coming years, we will focus on further enhancing our financial performance by:

- continuing to increase the market share of our Residential Communities business

- delivering greater performance out of our Apartments business
- building up our Retirement Living business
- reinforcing our position as the market leader in the Australian residential marketplace.

We will also continue to capitalise on the diversity and integrated platform of the entire group to maximise financial returns from our major mixed-use projects by working closely with our Shopping Centre, Commercial and Industrial and Unlisted Property Funds businesses.

Outlook

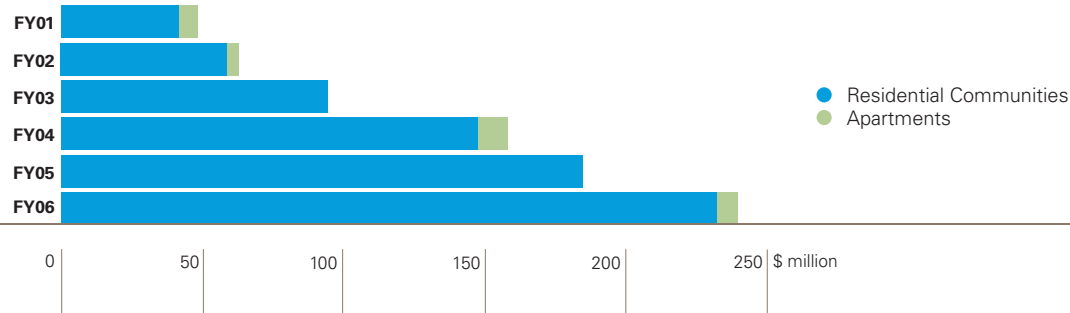
We enter the 2007 financial year in a strong position with a record number of contracts on hand, a number of new projects to be launched and a capable, experienced management team with a track record of success.

Our business is well positioned to capitalise on its expertise and continue to drive future performance.



Denis Hickey
CEO, Development Division

Development Division
Strong Profit Growth



Unlisted Property Funds Division

16

The Division laid strong foundations for future growth.

Highlights

- Assets under management now over \$540 million
- Macquarie ParkTrust (MPT) attracted a \$70 million investment from a major superannuation fund
- Successfully launched and closed the Stockland Residential Estates Equity Fund No.1 (SREEF1), attracting \$75 million from wholesale investors.



Optus Headquarters,
Macquarie Park,
New South Wales

Stockland Direct Office Trust No 2, which offered retail investors a share of ownership in the new Optus Headquarters at Macquarie Park, was completed during the year. Both wholesale and retail investors subscribed for a \$250 million share in the property.

Stockland laid strong foundations for ongoing relationships with wholesale investors as UniSuper, one of the country's largest superannuation providers, joined with retail investors and Stockland to jointly own the globally benchmarked campus.

The Optus Headquarters is currently being developed by Stockland and is on track for completion in mid 2007.

Performance Highlights

Over the 2006 financial year the Unlisted Funds business has continued to build on the momentum of 2005. Our retail and wholesale assets under management have grown to over \$540 million. Our established funds delivered returns at or above their offer forecasts, further establishing Stockland's track record as an active fund originator and manager.

Leveraging Stockland's brand and underlying property expertise, we have built strong relationships with both wholesale and retail investors.

UniSuper, one of Australia's leading superannuation funds, joined Stockland to own a \$70 million share of the new Optus Australian Headquarters in Sydney's Macquarie Park. We also launched SREEF1, the first in a series of residential land development funds to be offered to wholesale investors. This fund recently closed oversubscribed, raising \$75 million to partner with Stockland across a number of projects.

With our retail fund, SDOT2 completed during the year, we were the first to market with an innovative product that featured the first unlisted instalment receipt in property.

We have capitalised on Stockland's deal flow and transaction pipeline to provide a diversified suite of investment products through different capital channels. The unlisted business is a strategic capital partner for each of the Stockland operating businesses.

We have been successful in attracting a high calibre team to sustain growth. We test and measure ourselves against best practice investor reporting, governance and fund structure.

Our detailed fund and risk management framework ensured we met and exceeded the compliance obligations of our Australian Financial Services Licence.

Challenges

In an environment of tightening property yields, the demand for commercial and retail property has strengthened to the point where wholesale funds dominate the acquisitions landscape and quality properties have become increasingly difficult to acquire. The Division has anticipated this change in market conditions and has focussed on an expansion of its wholesale fund programme.

Stockland's broader operating businesses and expertise ensures we have a competitive advantage in acquiring quality assets with returns appropriate for our fund investors.

We foresee larger, more aggressive wholesale funds emerging in the market and are positioning the Division to participate with offers that meet the needs of those investors.

Strategy

We will continue to grow our distribution capability – both wholesale and retail. We will consolidate the SREEF development fund series and intend to launch a shopping centre fund for retail investors and grow our SDOT series of office investment funds.

By delivering innovative products that access new capital markets, we will continue to grow funds under management.

We will seek to deliver sustainable income for Stockland through annuity style management fees, which contribute to increasing Stockland's return on equity, in addition to earning fund establishment and performance fees.

Outlook

The Australian superannuation savings pool is forecast to continue its rapid growth, along with a strong appetite for property investment. With this in mind we are focussed on expanding our suite of investment products tailored for both institutional wholesale investors and individual participants in the retail market.

In both cases we believe investors will be drawn to fund managers that demonstrate a performance track record backed by good governance and strong in-house property expertise.

To position Stockland as a leader in those capital markets we will continue to focus on generating returns through our partnerships, which leverage Stockland's existing cross-divisional capabilities.



Robb Macnicol

CEO, Unlisted Property Funds Division



Corporate Services

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Strong financial and operational management has delivered quality profits.

Highlights

- Low gearing of 24.7 per cent*
- Maintained Standard & Poor's A-/Stable credit rating
- Strong focus on new international financial reporting standards.

* Debt to total tangible assets.

Highlights

Stockland achieved another outstanding financial result this year, meeting investor expectations by delivering an increase in profits and strong performance across all operating divisions. The strength of our balance sheet and overall financial management assists the divisions to continue to grow throughout different property market cycles, and to fund acquisitions effectively when appropriate opportunities arise.

Stockland's risk profile is unchanged, and our debt to total tangible assets ratio is 24.7 per cent*, at the low end of our target range of 25 – 35 per cent.

Our experienced financial management team focussed on the adoption of the new Australian equivalents to International Financial Reporting Standards (AIFRS) and incorporated the standards into all of Stockland's statutory reporting.

Corporate Services also invested in major information technology initiatives, meeting an increasing compliance burden and leveraging our capabilities to effectively manage both financial and operational risk.

Capital Management

The average term of Stockland's debt remains at over seven years, with a spread of maturities and a diverse range of sources. We maintained our Standard & Poor's A-/Stable credit rating during the year, and retained the confidence of debt markets and strong relationships with capital market stakeholders.

Legal, Company Secretariat and Compliance

During the year we undertook a contracts review in line with corporate responsibility and sustainability criteria, to ensure that all companies who deliver services on Stockland's behalf have consistent values which align with the high standards we maintain.

We continue to meet our many national and state regulatory obligations, including the conditions of our Australian Financial Services Licences, required in order to offer investments to retail investors via the Unlisted Property Funds Division.

Risk Management

Our focus on operational risk management increased during the year, and we worked with the business to review occupational

health and safety policies and procedures for our employees and customers. Improvements in this area have resulted in a safer working environment, safer user and customer environments and reduced risks and insurance costs.

Outlook

Corporate Services will focus on leveraging its financial expertise, management capabilities and risk management to support Stockland's long term financial performance.



Hugh Thorburn
Finance Director



Our People

Strong levels of employee engagement contribute to our high performance culture.

Highlights

- 2006 Employee Survey reported outstanding levels of employee engagement
- Focus on management and leadership
- Continued commitment to learning and development.

Highlights

During the year, our focus was to further strengthen the key people initiatives that help us attract, develop, reward and retain our people. These include tools, policies and programmes in relation to: recruitment, management and leadership development, performance management, learning and development and reward mechanisms.

Attracting and Retaining Talent

Attracting talent is central to our future success and to support this, we successfully implemented an online tool and training to help line managers with the end-to-end recruitment process to ensure we attract the right people to the right positions.

We have also expanded our university scholarship programmes to build the pipeline of future talent coming into Stockland.

Our succession and talent management process ensures we are delivering the right development opportunities to strengthen our pipeline of future business leaders.

Management and Leadership

We have a clear set of leadership attributes that guide our people's development activities. Over the year, we delivered three levels of learning programmes to cater for the unique challenges faced at different stages of a manager's journey. There are programs for our front-line managers, middle managers and senior executives and these are complemented by on-the-job development opportunities.

We measure the progress of our management development via our annual employee survey. In the 2006 Employee Survey, conducted by International Survey Research, 77 per cent of our employees were positive about the performance and effectiveness of their leaders, up from 74 per cent last year.

Learning and Development

The Learning@Stockland intranet site is the key vehicle used to communicate the range of training programmes available to employees to support their career enrichment and progression. Programs cover categories such as: personal excellence; management development; business systems; industry specifics; business skills and compliance related training.

The availability and quality of learning opportunities is acknowledged by our employees as a key differentiator of working at Stockland. This improvement in the scope and depth of learning activity over the year was recognised by employees in the employee survey results. 86 per cent of employees reported that Stockland provides sufficient training opportunities to improve the skills associated with their work. This represents an improvement of 11 percentage points on last year.

Performance Management and Rewards

A new performance management process was introduced that included a "scorecard" approach to ensure employees focussed on achieving outcomes that aided both the short and long term performance of Stockland. It also more clearly links how performance translates into incentives and rewards.

A new online system was successfully introduced which delivered a more efficient and timely process.

Employee Engagement

Ultimately, we aim to create a workplace that can attract, engage and retain the best people as our most important asset. We measure this via our level of employee engagement. The results from the 2006 Employee Survey found that our level of employee engagement was 84 per cent, up from 82 per cent last year and placed Stockland in the top quartile of high performing organisations globally.

The Year Ahead

Our People Strategy aims to further embed the new initiatives introduced this year and to focus on strengthening areas such as diversity, health, safety and environment and workforce planning.

We will continue to work closely with each of the Divisions to ensure our people practices foster a workplace that provides our people with the opportunity to learn, develop and achieve in an environment that is safe, diverse and values-driven.



Rilla Moore
Executive General Manager
Human Resources



Ten Year History

Stockland has a strong track record of delivering quality results over many years.

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		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Members' equity	\$m	873.8	920.7	1,130.1	1,179.3	2,337.5	2,642.7	3,600.6	5,033.1	5,486.2	6,395.1
Total assets	\$m	1,073.2	1,124.9	1,278.4	1,683.1	3,386.2	3,327.1	5,948.6	7,204.6	8,399.1	9,598.5
Gross revenue	\$m	192.5	214.7	250.6	344.9	631.5	837.3	867.3	1,371.0	1,712.9	2,309.9
Net profit*	\$m	88.4	92.2	100.8	115.1	198.2	249.8	284.8	455.5	502.7	553.7
– Trust	\$m	72.3	74.9	82.2	92.1	167.6	208.4	226.1	355.5	398.0	428.4
– Corporation	\$m	16.1	17.3	18.6	23.0	30.6	41.4	58.7	100.0	104.7	125.3
Distribution and Dividend paid	\$m	88.6	90.6	99.5	111.7	192.4	241.3	272.8	446.3	505.4	559.2
Securities on issue											
– ordinary	\$m	327.7	371.8	422.6	429.2	770.0	832.1	1,038.8	1,265.6	1,306.9	1,352.6
– convertible preference	\$m	31.8	–	–	–	–	–	–	–	–	–
Payout per security	¢	24.5	24.7	25.1	26.1	28.3	29.7	32.1	37.0	38.9	41.4
Earnings/security	¢	24.5	25.1	25.4	26.9	29.2	30.8	33.5	37.8	39.1	41.5
Net tangible assets/security	\$	2.43	2.48	2.67	2.70	3.11	3.15	3.80	3.76	4.00	4.54
Closing market price	\$	3.48	3.69	3.45	3.52	4.02	4.39	5.04	5.18	5.52	7.02
Lettable area											
– Retail	,000m ²	236.0	238.6	238.9	228.7	356.8	371.8	809.6	878.2	910.3	913.3
– Commercial	,000m ²	76.2	97.4	97.4	158.3	360.0	321.9	534.9	576.2	523.7	530.2
– Industrial/Office Parks	,000m ²	–	–	–	12.2	703.2	707.2	1,202.9	1,142.3	1,129.0	1,199.4
Residential development inventory	\$m	134.1	170.0	210.6	406.1	412.2	512.4	682.4	1,013.4	2,177.0	2,332.1

* Before significant items

Note: FY97 – FY04 is calculated under AGAAP, FY05 – FY06 is calculated under AIFRS



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Stockland Financial Report

30 June 2006

Stockland Corporation Limited and its
controlled entities (including Stockland Trust)

Directors' Report

For the year ended 30 June 2006

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The directors of Stockland Corporation Limited present their report together with the Financial Report of Stockland for the year ended 30 June 2006 and the related Auditor's Report. The Financial Report of Stockland comprises the Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, and Stockland Trust and its controlled entities ("the Trust") which together form the consolidated entity ("Stockland" or "consolidated entity").

Directors

The directors of the Company at any time during or since the end of the financial year ("the directors") are:

Graham Bradley

BA, LLB (Hons 1), LLM, FAICD

Chairman

(appointed October 2005)

(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is Chairman of HSBC Bank Australia Limited, Film Finance Corporation Australia Limited, Proteome Systems Limited (appointed as a Director May 2004), Po Valley Energy Limited (appointed as a Director September 2004) and Anglo American Australia Limited. He has been a Director of Singapore Telecommunications Limited since March 2004 and a Director of MBF Australia Limited since November 2003. 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 Chairman of the Corporate Responsibility and Sustainability Committee and a member of the Nomination and Remuneration Committee. He served as a member of the Audit and Risk

Committee and Chairman of Stockland Funds Management Limited, the Responsible Entity for Stockland's unlisted property funds business, until 22 November 2005.

Former Directorships of listed entities in last three years

Managing Director of Perpetual Trustees Australia Limited from 1995 to 2003.

Nicholas Greiner

B.Ec (Hons), MBA

Deputy Chairman

(Non-Executive)

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 private groups. Mr Greiner is Chairman of the Nomination and Remuneration Committee.

Former Directorships of listed entities in last three years

None.

Matthew Quinn

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

Managing Director

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia

in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005, and is a Fellow of the Australian Property Institute.

Former Directorships of listed entities in last three years

None.

Bruce Corlett

BA, LLB

(Non-Executive)

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. Mr Corlett is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Former Directorships of listed entities in last three years

None.

David Fairfull

B.Comm, CPA, ACIS, ASIA, FAICD

(Non-Executive)

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 & Company Limited (appointed August 1997), Souls Private Equity Limited (appointed September 2004) and New Hope Corporation Limited (appointed August 1997). Mr Fairfull was a Director of Gazal Corporation Limited from January 1987 to November 2004. He was the Chairman of the Compliance Committee until his resignation from that committee on 30 June 2006.

Former Directorships of listed entities in last three years

Director of KH Foods Limited from 1997 to 2004, Clover Corporation Limited from 2002 to 2004 and Gazal Corporation Limited from 1987 to 2004.

Lyn Gearing

B.Comm, Dip. Valuations, Cert. Bus. Studies (Real Estate), FASFA, FAICD

(Non-Executive)

Ms Gearing was appointed to the Board on 1 November 2005. Ms Gearing is a Director of Hancock Natural Resources Group Australia Pty Limited, IMB Limited and the Garvan Research Foundation. Ms Gearing was Chief Executive of NSW State Super from 1997 to 2002, and has over thirty years business experience in superannuation, funds management, corporate finance and management consulting. She was appointed as a member of the Audit and Risk Committee and a Director of Stockland Funds Management Limited, the Responsible Entity of Stockland's unlisted property fund business, on 22 November 2005. Ms Gearing was appointed Chair of the Stockland Trust Management Limited and Stockland Funds Management Limited Compliance Committees from 1 July 2006.

Former Directorships of listed entities in last three years

None.

Directors' Report

For the year ended 30 June 2006

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Directors (continued)

Peter Scott

B.Eng (Hons), M.Eng. Sc, FIE Aust,
CPEng, MICE

(Non-Executive)

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 Limited on 31 July 2005. Mr Scott is also a Director of Pilotlight, a non-profit making organisation, and is on the Advisory Board of Jones Lang LaSalle. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott was appointed as a Director and was elected Chairman of Stockland Funds Management Limited on 22 November 2005 and is a member of the Corporate Responsibility and Sustainability Committee.

Former Directorships of listed entities in last three years

None.

Hugh Thorburn

B.Comm, FCA

Finance Director

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.

Terry Williamson

B.Ec, MBA, FCA, FCIS, MACS

(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Excel Coal Limited (appointed 24 March 2004), United Medical Protection Limited, ING Australia Limited (appointed 21 June 2006) 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 was a partner of Price Waterhouse for 17 years. Mr Williamson is Chairman of the Audit and Risk Committee and was appointed a member of the Stockland Trust Management Limited Compliance Committee from 1 July 2006. He is a Director of Stockland Funds Management Limited, the Responsible Entity of Stockland's unlisted property fund business, and a member of the Stockland Funds Management Limited Compliance Committee.

Former Directorships of listed entities in last three years

None.

Peter Daly

B.E., MIE Aust

Chairman

(resigned as both Director and Chairman in October 2005)

(Non-Executive)

Mr Daly was Chairman of the Board from October 2000 until his retirement as a Director on 25 October 2005. He was Managing Director of Stockland from March 1990 to October 2000, prior to which he was Group General Manager. Mr Daly was involved in the real estate industry for over 35 years, serving in a number of executive positions within Stockland over that time. He was a member of the Nomination and Remuneration Committee until his retirement on 25 October 2005.

Former Directorships of listed entities in last three years

None.

Company Secretaries

Phillip Hepburn

B.Ec, LLM, Grad Dip CSP, FCIS,
MAICD

Company Secretary

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

Derwyn Williams

B.Comm, ASA, FCIS, MAICD

Company Secretary

Mr Williams has fourteen 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' Report

For the year ended 30 June 2006

Directors' meetings

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

Director	Scheduled Board		Audit and Risk Committee		Nomination and Remuneration Committee		Compliance Committee		Corporate Responsibility and Sustainability Committee	
	A	B	A	B	A	B	A	B	A	B
Graham Bradley	10	10	2	2	5	5	—	—	4	4
Nicholas Greiner	9	10	—	—	5	5	—	—	—	—
Matthew Quinn	10	10	—	—	—	—	—	—	4	4
Bruce Corlett	10	10	7	7	5	5	—	—	—	—
David Fairfull	8	10	—	—	—	—	4	4	—	—
Lyn Gearing ¹	7	7	5	5	—	—	—	—	—	—
Peter Scott ²	10	10	—	—	—	—	—	—	4	4
Hugh Thorburn	10	10	—	—	—	—	—	—	—	—
Terry Williamson	10	10	7	7	—	—	—	—	—	—
Peter Daly ³	3	3	—	—	2	2	—	—	—	—

A – Meetings attended

B – Meetings eligible to attend

¹ Appointed 1 November 2005

² Appointed 9 August 2005

³ Retired 25 October 2005

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 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 and its security holders.

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;
- reviewing and approving financial and other reporting to security holders;
- establishing appropriate structures for the management of Stockland, including the overall framework of internal control, risk management and compliance, the integrity of management information systems and the application of high ethical standards;
- setting executive remuneration policy;
- appointing and 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/or the Company Secretary;
- appointing new non-executive directors to fill casual vacancies on the Board;
- determining the level of authority delegated to the Managing Director;
- approving major capital expenditure, acquisitions and divestitures; and
- appointing and removing the external auditor.

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued)

Role of the Board (continued)

The Board has adopted a comprehensive charter detailing its functions and responsibilities, which may be viewed on the Stockland website.

The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same directors. All directors except the Managing Director are appointed for three (3) years.

The Board has delegated responsibility 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 responsibilities 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 capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of securities by Stockland and key risk management and accounting policies.

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

Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, is responsible for the operation of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the Stockland Trust Constitution and the Corporations Act 2001 in the best interests of 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.

Board processes

The Board currently holds ten (10) scheduled meetings each year. Additional meetings are convened as required. The agenda for each meeting 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 the meeting. Standing items include the Managing Director's report, the Finance Director's report, reports of each Divisional Chief Executive, together with reports addressing strategic matters, governance and compliance. Senior executives are directly involved in Board discussions and directors have a number of further opportunities to contact a wider group of employees, including visits to business operations.

Board papers are designed to focus Board attention on current and future issues of importance to Stockland's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board committees and subsidiaries 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 inform new directors about the nature of its business, current issues, corporate strategies and its expectations concerning the performance of its directors. Directors also have the opportunity to visit Stockland facilities and to 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 comprised two (2) executive directors and seven (7) non-executive directors. Directors are listed on page 22 to 23, with details of their other listed company directorships and prior experience.

Stockland recognises that having a majority of independent directors provides assurance to security holders that the Board is properly fulfilling its role and is diligent in holding management accountable for its performance. The Board has resolved that it should continue to have a majority of non-executive directors, that the Chairman and Managing Director must be separate persons, and that the Chairman should be an independent non-executive director. The Board is comprised of directors with a wide but complementary 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 (3) 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 otherwise resolved by the Board;
- 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 that any director-related business relationship that is or is likely in the future to be more than 10% of the director-related business's revenue to be material.

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

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued) Composition of the Board (continued)

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 Managing Director and the Finance Director are considered to be independent directors of Stockland.

Currently, two members of the Board, Mr Greiner and Mr Fairfull, have been directors for more than ten (10) years. Stockland considers that these directors continue to add value since they thoroughly understand Stockland's businesses and processes and are able to contribute insightfully to Board discussion, strategy and policy. Mr Fairfull has informed Stockland that he intends to retire as a director at the Annual General Meeting in October 2006.

There have been several changes to the composition of the Board during the year in line with Stockland's programme of Board renewal aimed at introducing new ideas and views to Board deliberations. These changes were:

- Mr Daly retired from the Board on 25 October 2005 and Mr Bradley was appointed as Chairman on that date;
- Mr Scott was appointed to the Board on 9 August 2005; and
- Ms Gearing was appointed to the Board on 1 November 2005.

The Board's policy is that a majority of the members of each Board committee should be independent directors. The Audit and Risk Committee and the Nomination and Remuneration Committee comprise only non-executive directors. The Compliance Committee and the Corporate Responsibility and

Sustainability Committee are chaired by an independent director and have a majority of independent directors as members.

The Board also has adopted the policy that non-executive directors will meet regularly (at least quarterly, but generally before each Board meeting) in the absence of executive directors and management.

The Constitution of Stockland Corporation Limited provides 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 of appointment and retirement of non-executive directors

The terms of the appointment and retirement of non-executive directors are set out in a letter of appointment, which prescribes:

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

The Stockland Corporation Limited Constitution provides that a director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law directors' duties and Stockland's policy on the independence of directors. The indemnity and insurance arrangements for directors are described under "Indemnities and insurance of officers and auditors" on page 51.

Directors are required to keep the Board advised of any interest that may be in conflict with those of Stockland, and restrictions are applied to directors' rights to participate in discussion and/or 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.

Stockland has also entered into a deed of disclosure with each director, ensuring that Stockland can comply with its obligations under the ASX Listing

Rules relating to disclosure of changes in directors' stapled security holdings.

The Board has a policy of enabling directors to seek independent professional advice for Stockland related matters at Stockland's expense, subject to the prior agreement of the Chairman that the estimated costs are reasonable. Directors may also communicate directly with Stockland's own advisors and share advice obtained with other directors. The Board has a policy that all non-executive directors acquire and hold at least 5,000 stapled securities in Stockland within a reasonable time of becoming a director. This policy is intended to align the personal financial interests of directors with those of security holders.

Board committees

Four (4) permanent Board committees have been established to assist in the execution of the Board's responsibilities as described below. These are the:

- Nomination and Remuneration Committee;
- Audit and Risk Committee;
- Compliance Committee; and
- Corporate Responsibility and Sustainability Committee.

These committees have written charters which are reviewed on a regular basis. All non-executive directors may attend any Board committee meeting. All committees have unfettered access to in-house professional advice and 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.

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued) Board committees (continued) Nomination and Remuneration Committee

The Nomination and Remuneration Committee meets as frequently as required and during this financial year held five (5) meetings which were attended by all members of the committee, with the exception of Mr Daly who was eligible to attend only two of those five (5) meetings. The committee operates under the Board's delegated authority and supports the Board by overseeing nomination and remuneration activities at Stockland.

The committee is responsible for reviewing and making recommendations to the Board on:

- competencies necessary to fulfil the duties of a director at Stockland;
- the Board's succession plan;
- the Board's collective performance and the performance of individual directors;
- the appointment and removal of non-executive directors;
- the appointment and removal of executive directors; and
- policies relating to the composition of the Board and directors' independence.

The majority of the committee's work relates to Stockland's remuneration policy. Refer to the Remuneration Report for further information.

The following directors were members of the committee during or since the end of the financial year:

Mr N Greiner (Chairman)
– Non-Executive Director

Mr G Bradley – Non-Executive Director

Mr B Corlett – Non-Executive Director

Mr P Daly – Non-Executive Director
(resigned 25 October 2005)

The committee has a charter which is consistent with ASX Guidelines. Further details of the committee's charter and policies may be viewed on the Stockland website.

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 consideration. Mr Scott and Ms Gearing were appointed to the Board as non-executive directors on 9 August 2005 and 1 November 2005 respectively.

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 meet privately with the external auditor in the absence of management at least once a year. The committee has the power to conduct or authorise investigations into, or consult independent specialists on, any matters within the committee's scope of responsibility. The committee has a written charter which incorporates the ASX Guidelines and was revised in August 2005. Further details of the committee's charter may be viewed on the Stockland website.

Under its charter, the committee must be comprised of at least three (3) directors, all of whom must be non-executive directors, and a majority must be independent directors. The Chairman of the committee may not also be the Chairman of the Board.

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

Mr T Williamson (Chairman)
– Non-Executive Director

Mr B Corlett – Non-Executive Director

Ms L Gearing – Non-Executive Director
(appointed 22 November 2005)

Mr G Bradley – Non-Executive Director
(resigned 22 November 2005)

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 controls, risk management systems and internal and external audits.

The primary objective of the committee is to assist the Board in discharging its responsibilities for:

- financial reporting and audit practices;
- accounting policies;
- the management of risk; and
- the adequacy and effectiveness of internal controls.

The committee's role is to make appropriate recommendations to the Board and to determine any matter delegated to it by the Board, either specifically or by its committee's charter.

In addition, the committee will:

- oversee and appraise the quality of the audits conducted by both the internal and external auditors;
- provide through regular meetings a forum for communication between the Board, senior management and both internal and external auditors and risk management officers;

- review financial information prior to approval by the Board for presentation to security holders and/or release to both the ASX and regulatory bodies;
- oversee and determine the adequacy of the operating and accounting controls; and
- oversee and determine the effectiveness and adequacy of risk management strategies, policies, systems and procedures, including annual approval of the corporate insurance programme.

The committee also has responsibility 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.

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued) Board committees (continued) Compliance Committee

The Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan in respect of Stockland Trust, its controlled entities, associates, joint ventures and arrangements and in ensuring adherence to applicable laws and regulations.

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

Ms L Gearing (Chair) – Non-Executive Director (appointed 1 July 2006)

Mr D Fairfull (former Chairman) – Non-Executive Director (resigned 30 June 2006)

Mr P Hepburn – Executive Member (resigned 30 June 2006)

Mr A Sherlock – External Independent Member (appointed 1 July 2006)

Mr R Sully – External Independent Member (resigned 30 June 2006)

Mr T Williamson – Non-Executive Director (appointed 1 July 2006)

The role of the committee includes responsibility for evaluating the effectiveness of the Responsible Entity's compliance systems designed to protect the interests of security holders.

The Compliance Plan for Stockland Trust and its controlled entities has been approved by the Australian Securities and Investments Commission ("ASIC") and was updated in 2004/05. The Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which must then report any material breach of the Compliance Plan to ASIC.

Corporate Responsibility and Sustainability Committee

This committee was constituted on 9 August 2005. The members of the committee during or since the end of the financial year were:

Mr G Bradley (Chairman)

– Non-Executive Director

Mr P Scott – Non-Executive Director

Mr M Quinn – Executive Director

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

The committee's role is to:

- review the social, environmental and ethical consequences of Stockland's current and planned operations;
- oversee the development and implementation of policies and practices designed to ensure that Stockland's operations meet the standard expected of an ethical and socially responsible organisation;
- consider initiatives proposed by management to adapt Stockland's policies and practices to meet changing community expectations; and
- help the Board and management identify and address social, environmental and ethical issues likely to adversely affect Stockland's business reputation or operations.

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

The responsibilities of the committee are to:

- review reports from management outlining the environmental, social and ethical impact of Stockland's business activities and future plans and to review the processes operating within the Company to address those issues;
- consider proposals from management and make recommendations to the Board on major initiatives related to Stockland's corporate responsibility and sustainability policies, principles and practices;
- monitor compliance with Stockland's published policies and guidelines;
- review management's progress in the implementation of policies, guidelines and agreed initiatives;
- approve external reporting on major corporate responsibility and sustainability policies, principles and initiatives; and
- act as a first point of reference for management to the Board for any major social, environmental or ethical issues likely to affect Stockland's brand, reputation or stakeholders adversely.

The committee meets at least four (4) times annually, or more frequently as circumstances dictate.

Unlisted Property Funds

The Unlisted Property Funds ("UPF") business was established in 2005 to offer high quality property investment opportunities in both retail and wholesale investments, provide new sources of capital, facilitate asset growth and generate additional sustainable income. A wholly owned entity, Stockland Funds Management Limited ("SFML") operates this business, with a separate board of directors ("SFML Board"). During the year UPF launched:

- the Stockland Direct Office Trust No. 2 which will acquire a 49%

stake in the Optus headquarters in Macquarie Park when it is complete; and

- Stockland Residential Estates Equity Fund No. 1, which is intended to co-invest in a residential development in Perth.

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

Mr P Scott (Chairman) – Non-Executive Director (appointed 22 November 2005)

Mr G Bradley (former Chairman) – Non-Executive Director (resigned 22 November 2005)

Ms L Gearing – Non-Executive Director (appointed 22 November 2005)

Mr D Kent – Independent Non-Executive Director

Mr M Quinn – Executive Director

Mr A Sherlock – Independent Non-Executive Director

Mr T Williamson – Non-Executive Director

Since the UPF business has dealings with and may acquire assets from Stockland, the SFML Board has two independent non-executive directors who must approve each transaction SFML enters into with Stockland and must be satisfied that it is on arm's length commercial terms. In order to protect the unit holders in the event there is a dispute or default by Stockland under the terms of any contract, the SFML Board has resolved that the unanimous consent of the two 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.

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued) Unlisted Property Funds (continued) 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, Stockland Direct Office Trust No. 2 and Saville Private Syndicate Trust.

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

Ms L Gearing (Chair) – Non-Executive Director (appointed 1 July 2006)

Mr P Hepburn – Executive Member (Resigned 30 June 2006)

Mr A Sherlock – Independent Non-Executive Director

Mr T Williamson – Non-Executive Director (Chairman until 30 June 2006)

The role of the committee includes evaluation of the effectiveness of the Responsible Entity's compliance systems designed to protect the interests of unit holders. The Compliance Plan has been approved by ASIC. The committee meets regularly and must report breaches of the law and Constitution to the Board which must then 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 requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Assessments are confidential, other than to the Chairman and the Deputy Chairman who discuss the results with each director personally. A further discussion is held on the Board's

effectiveness and performance by the Board as a whole. As part of this process, each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Chairman.

All directors who will be offering themselves for re-election at the 2006 Annual General Meeting have been reviewed by the Board which has resolved to support their re-election.

Non-executive directors receive a fee for their services but do not currently receive share-based payments.

Non-executive directors are also paid superannuation but receive no other retirement benefits. Refer to the Remuneration Report for further information.

Risk management Oversight of the risk management system

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

- establishing applicable ethical standards;
- comprehensive written policies and procedures;
- formal delegations of authority 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. Minutes from the meetings of the Audit and Risk Committee are included for discussion in the papers for the next Board meeting.

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 programme. Risks covered by the framework include changes to demand and supply in the property market, occupational health and safety issues, changes in government policy and environmental matters.

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 re-assess 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 re-assessed in light of changes to Stockland's business operations, the regulatory environment in which Stockland operates, 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 programme for the internal audit function is based upon the outcome of the annual risk review and internal control issues identified by both internal and external auditors. The work programme is considered and approved by the Audit and Risk Committee.

Stockland's Risk Management Policy may be viewed on the Stockland website.

Integrity of financial reporting

In accordance with ASX Guidelines, the Managing Director and the 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 2006 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 2006 were operating effectively, in all material respects, based on the risk management model adopted by Stockland; and

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued) Risk management (continued) Integrity of financial reporting (continued)

- (iii) nothing has come to their attention since 30 June 2006 that would indicate any material change to the statements made in (i) and (ii) above.

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

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

Environmental regulation

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

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

Ethical standards

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

Stockland's Code of Ethics may be viewed on the Stockland website.

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 to maintain high standards of product quality, service, value and safety;
- 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;
- prevention of directors and key executives from taking advantage of information or their position for personal gain in order to protect corporate opportunities;
- fair dealing, protection and proper use of Stockland's assets;
- outside business interests, corporate entertainment and political contributions; and
- Stockland's "whistleblowing" policy.

Commitment to security holders

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

- Annual and Half Year Financial Reports lodged with the ASX and distributed to all security holders;
- announcements of market-sensitive and other information, including annual and interim results announcements and analyst presentations made to the ASX;
- the Chairman's and Managing Director's addresses to the Annual General Meeting; and
- announcements, presentations, past and current reports to security holders and a five (5) year summary of key financial data made available on 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 (continuous disclosure requirements). Stockland's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and interim result announcements and analyst presentations, as soon as practically possible.

Stockland produces two (2) sets of financial information each year: the Half Year Financial Report for the six months ended 31 December, and the Annual Financial Report for the year to 30 June. Both are made available to security holders and other interested parties.

Security holders have the right to attend Stockland's Annual General Meeting, usually held towards the end of October each year, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the website and lodged with the ASX. 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. Security holders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile or electronically. Stockland's external auditor attends the Annual General Meeting to answer questions from security holders concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by Stockland and the independence of the auditor in relation to the conduct of the audit.

While Stockland does not web cast its Annual General Meeting proceedings, transcripts of the Chairman's and Managing Director's reports to security holders are released to the ASX upon the commencement of the Annual General Meeting. These transcripts are posted on Stockland's website.

Staff and director trading in Stockland securities

Stockland directors and executives may only trade in Stockland securities during nominated trading windows which are typically of one (1) month duration and follow Stockland's announcements of its half-yearly and full year profits and after the Annual General Meeting. At other times, directors may trade only with the

Directors' Report

For the year ended 30 June 2006

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Corporate Governance (continued)

Staff and director trading in

Stockland securities (continued)

consent of two (2) non-executive directors, one of which must be the Chairman or Deputy Chairman. Senior Executives who wish to trade outside nominated trading windows may do so after first obtaining the consent of the Chairman and the Managing Director in writing. Notwithstanding those designated windows and approval requirements, a person is prohibited from trading if they possess material, non-public, price-sensitive information about Stockland.

Directors and employees may subscribe for securities in any offering in an unlisted property fund promoted by Stockland. Applications by directors and employees for such securities are

on the same terms as applied to other investors. Directors and employees are prohibited from trading in UPF securities while they possess material, non-public, price-sensitive information.

Stockland's Security Trading Policy may be viewed on the Stockland website.

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 significant change in the nature of the activities of Stockland during the year. However, on 24 July 2006, Stockland announced it would seek offers to purchase its hotel management business, which operates under the Saville Hotel Group brand. The hotel management business is expected to be sold in one line as a going concern. Refer Note 48 for further information.

Review and results of operations

Stockland achieved a profit attributable to security holders calculated in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS") of \$1,061.6 million (refer table below) for the year ended 30 June 2006. This profit

includes a number of significant items, such as investment property revaluations that, in the opinion of directors, need adjustment to enable security holders to obtain an understanding of Stockland's result from operations.

The profit from operations (before significant items), as assessed by management, for the year was \$553.7 million, reflecting a 10.1% increase from the prior year.

To provide information to security holders that reflects the directors' assessment of the profit attributable to security holders calculated in accordance with AIFRS, certain significant items that are relevant to an understanding of Stockland's AIFRS result have been identified. The effect of these items is set out below:

	CONSOLIDATED	
	2006 \$M	2005 \$M
Profit from operations as assessed by the directors	553.7	502.7
Certain significant items:		
Net gain from fair value adjustment of investment properties (including share of associates and joint ventures)	640.3	281.8
Net (loss)/gain on sale of investment properties	(3.6)	0.4
Net gain from financial instruments treated as fair value hedge	0.1	–
Unrealised loss on financial instruments	(8.6)	(19.8)
Unrealised gain on financial instruments	24.1	–
Security holders' finance costs ¹	(144.4)	–
Profit attributable to security holders in accordance with AIFRS	1,061.6	765.1

¹ For the period 1 July 2005 to 25 October 2005, AIFRS required Stockland Trust unit holders' issued capital to be treated as a liability and trust distributions payable to be treated as a finance cost in the Income Statement. At the Annual General Meeting held on 25 October 2005, Stockland Trust unit holders agreed to amend the Stockland Trust Constitution, which meant the unit holders' issued capital from that date would be treated as equity in accordance with accounting standard AASB 132 "Financial Instruments: Disclosure and Presentation". AASB 132 was effective from 1 July 2005 and therefore does not affect prior period comparatives.

Basic earnings per stapled security were 79.6 cents. Basic earnings per security before certain significant items as listed below was 41.5 cents, an increase of 6.1% from 39.1 cents in the prior year.

Directors' Report

For the year ended 30 June 2006

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CONSOLIDATED
2006 2005
Cents Cents

Review and results of operations (continued)

Basic earnings per security before certain significant items

Diluted earnings per security before certain significant items

Basic earnings per security

Diluted earnings per security

The dividend and distribution payment is 41.4 cents per stapled security, up 6.4% from 38.9 cents paid for the previous corresponding period. The payment comprises:

Trust distribution, estimated 26.0% tax deferred (prior year 25.0% tax deferred)

Corporation dividend, fully franked

Total dividend and distribution

41.5	39.1
41.5	39.1
79.6	59.6
79.6	59.6
32.8	30.6
8.6	8.3
41.4	38.9

Refer to Note 9 of the Financial Statements for further information regarding the earnings per security calculations.

Registers closed at 5.00pm on 30 June 2006 to determine entitlement to the year end dividend and distribution, which will be paid on 31 August 2006. The Dividend and Distribution Reinvestment Plan is in operation for this payout.

Summary of other financial highlights

- Operating profit increased by 10.1% to \$553.7 million;
- Gross revenue increased by 16.7% to \$1,669.6 million (excluding property revaluations);
- Total assets increased by 14.3% to \$9.6 billion;
- \$640.3 million in investment property revaluations, an 11.1% increase on book value;
- NTA per security increased by 13.5% to \$4.54; and
- Low gearing of 24.7%.

- \$417.0 million of property revaluations, a 11.5% increase over book value;
- Total return of 17.5% per annum over the last five years;
- Comparable net income growth of 5.4%;
- Vacancy rate only 0.2% of Gross Lettable Area; and
- Continued rollout of \$1 billion development pipeline: five development projects completed (valued at \$103 million) achieving a yield of 11% and another three projects commenced (value \$120.0 million).

- UniSuper \$70 million investment in Macquarie Park Trust signalled the Division's entry into the wholesale investor market;
- Launched the first in a series of residential land development funds for wholesale investors, SREEF1, expected to close shortly; and
- Assets under management over \$470 million.

Saville Hotel Group

- Operating profit increased by 54.7% to \$8.2 million; and
- 1,700 rooms under management.

Dividends and distributions

Dividends and distributions paid or declared by the Company and the Trust to security holders since the end of the previous financial year are set out in Note 36 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 34 for securities issued and Notes 24 and 29 for debt movements.

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

Subsequent events

On 24 July 2006, Stockland announced it would seek offers to purchase its hotel management business, which operates under the Saville Hotel Group brand. The Saville Hotel Group manages 11 apartment style hotels under lease agreements and management contracts with various third party owners. The hotel management business is expected to be sold in one line as a going concern. This business was disclosed in the "Other" segment of the Segment Report in Note 3.

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.

Operational highlights

Development Division

- Record profit of \$239.0 million, a 30% increase on last year;
- 28% increase in lots/units sold;
- Residential Communities margin of 28%;
- Launched 16 new projects to market in key growth corridors around Australia;
- Acquired eight new projects; and
- Strong pipeline of 80 projects yielding a potential 67,000 future lots/units valued at over \$16 billion.

Shopping Centre Division

- Operating profit increased by 6.6% to \$236.7 million;

Commercial & Industrial Division

- Operating profit of \$210.7 million;
- Comparable net income growth of 1.6%;
- Revaluations of \$223.2 million, a 10.3% increase over book value;
- Record portfolio occupancy at 99.6%;
- Three strategic acquisitions valued at \$101.0 million; and
- Development pipeline on track, including the 84,000sqm Optus HQ campus at Macquarie Park on track for completion by mid 2007.

Unlisted Property Funds Division

- Successfully closed SDOT2 fund offering a 50% share of the new Optus HQ to retail investors;

Directors' Report

For the year ended 30 June 2006

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Remuneration Report

Introduction

This report outlines Stockland's director and executive remuneration arrangements and covers both Key Management Personnel¹ ("KMP") and the five (5) highest paid executives.

This report is set out under the following main headings:

- A Governance of Executive and Director Remuneration;
- B Remuneration Philosophy;
- C Details of Remuneration; and
- D Additional Information.

With the exception of Additional Information, this report has been audited for compliance with AASB 124 "Related Party Disclosures". The Additional Information contains disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which are not required to be audited.

The remuneration philosophy is designed to reflect Stockland's need to attract new talent and retain employees whose contribution is critical to the achievement of Stockland's continued growth and success.

Stockland's performance over the past five (5) years highlights the growth in security holder value:

	2001 ³	2002 ³	2003 ³	2004 ³	2005	2006	Five year compound annual growth %
Profit before certain significant items (\$M) ²	198.2	249.8	284.8	455.5	502.7	553.7	22.8
Earnings per security before certain significant items ² (cents)	29.2	30.8	33.5	37.8	39.1	41.5	7.3
Dividends/distributions per security (cents)	28.3	29.7	32.1	37.0	38.9	41.4	7.9
Net tangible assets per security (\$)	3.11	3.15	3.80	3.76	4.00	4.54	7.9
Security price at 30 June (\$)	4.02	4.39	5.01	5.18	5.52	7.02	11.8

In this report, senior executives refer to those of the Managing Director's direct reports who are the heads of businesses and functional areas and who are members of the Executive Committee. The term executive encompasses the Managing Director, senior executives and general managers.

¹ Under AASB 124 "Related Party Disclosures", KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Stockland, directly or indirectly, including any director (whether executive or otherwise).

² Certain significant items represents net gain from fair value adjustment of investment properties, fair value adjustment on financial instruments, unrealised loss/(gain) on financial instruments, security holders' finance costs and loss/(gain) on sale of investment properties.

³ These numbers were prepared under AGAAP prior to the introduction of AIFRS.

A Governance of executive and director remuneration

The Nomination and Remuneration Committee (the Committee), whose mandate and composition is covered within the Corporate Governance Statement, operates under the Board's delegated authority in overseeing remuneration activities at Stockland.

The Committee's remuneration responsibilities include the following:

- senior executive remuneration;
- executive incentive plan design;
- recruitment, retention and termination policies for executives;

- succession management for senior executives;
- non-executive director remuneration; and
- director, executive and employee share plans.

The Committee ensures that there is a strong link between employee reward, Stockland's performance and ultimately security holder return. The Committee also ensures that remuneration for non-executive directors is designed to attract and retain talented and experienced directors.

B Remuneration philosophy

The remuneration framework was refined in 2005, with the assistance of an independent external remuneration consultant, to reflect the growth of Stockland and the increasing sophistication of short-term and long-term incentive plans in the market place.

The framework is applied consistently across Stockland and any decisions in relation to executive reward are based on it.

The principles underlying the framework are:

- remuneration is performance focused, with incentives based on financial and non-financial targets that link to the overall business plan and support the creation of long-term security holder value;
- reward outcomes are linked to the performance of the individual executive, the performance of the executive's business unit and/or division and the performance of Stockland;

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For the year ended 30 June 2006

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Remuneration Report (continued) B Remuneration philosophy (continued)

- the quantum of remuneration and its components should place Stockland in a strong position to secure the services of executives of the calibre required to provide good long-term returns to security holders; and
- to ensure executive performance and security holders' interests are aligned by ensuring that a portion of executive reward is equity-based and dependent on Stockland's returns to security holders.

The framework consists of three (3) main elements: fixed remuneration, short-term incentives and long-term incentives. Executive remuneration is based on a "target reward" approach, such that individuals will earn their target incentives if they achieve their objectives (including those of their business unit and/or division) and Stockland's financial performance is on target. Incentives may be higher or lower than target, based on performance, but subject to an overall maximum limit.

The quantum of incentives is dependent on the employee's role and level within the organisation, with higher levels of "at risk" remuneration for executives.

Details of the framework components follow:

Fixed remuneration

Fixed remuneration, including that of the Managing Director, is aligned to the market, based on remuneration information sourced from independent external remuneration advisors.

Stockland operates under a total fixed remuneration methodology. An executive's total fixed remuneration is comprised of a base salary and superannuation contributions in line with Stockland's obligations under the

Superannuation Guarantee Charge ("SGC") legislation. All employees are able to select a fund of their choice, including an employer fund administered via an external master trust. There are no defined benefit superannuation plans at Stockland.

Executives may choose to salary package various items, such as motor vehicles, car parking, additional superannuation contributions or other benefits provided by Stockland. To ensure there is no additional impost on Stockland, the cost of any benefit and applicable Fringe Benefits Tax ("FBT") is deducted from an executive's base salary.

There are no guaranteed increases in fixed remuneration in any executive service contracts.

Additional benefits

All employees, including executives, are entitled to discounts on the purchase of Stockland properties held for sale. These discounts approximately represent the savings in agents' 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.

In addition, the Saville Group offers discounts to staff on accommodation at its hotels. The availability of discounts is dependent on occupancy levels. There is no net cost to Stockland. Consequently, any discounts received by executives are not included in fixed remuneration.

Short-term incentives ("STI")

All employees have the opportunity to earn an STI.

To ensure consistency, the target STI quantum for each role is set as a percentage of an executive's fixed remuneration and determined at the

outset of each financial year. Any STI earned reflects performance relative to pre-determined performance objectives. The actual STI earned is based on performance against the four (4) elements of a balanced scorecard, details of which are outlined later. Metrics used in the measurement of performance are created with specific reference to the level and role of the executive.

Approval of all STI payments is based on a two (2) tier approach, with the Committee and Board approving the Managing Director's STI; the Committee and Managing Director approving all STI payments for the Managing Director's direct reports and so forth. The two (2) tier approval process allows for management discretion to increase or decrease STI payments after considering matters such as demonstration of Stockland values and behaviours.

Long-term incentives ("LTI")

Employees are eligible, after a qualifying period, to participate in either an LTI plan or another employee equity plan.

These plans are designed to align the interests of executives with those of security holders in creating sustainable long-term growth in security holder value. In addition, the LTI acts as a retention mechanism for executives, with no award available until a three (3) year period has elapsed from grant date, with the exception of the transitional tranche where the period was two and a half (2.5) years. As with the STI, the target LTI quantum is set as a percentage of an executive's fixed remuneration, with specific reference to the role and in accordance with the remuneration framework.

Executive directors and senior executives must not deal in an option over Stockland securities held in equity

plans whilst these securities are subject to dealing restrictions under the plan rules.

Invitations to participate in the LTI are approved on an annual basis by the Board which takes into account the performance of executives and the need for Stockland to retain key talent.

Following the recently announced legislative changes to the tax treatment of employee incentive plans that use stapled securities, Stockland has reviewed its LTI arrangements in light of prevailing Australian market practice, security holder expectations, and the flexibility afforded by the planned legislative changes.

Historically, the tax treatment of equity incentive plans based on stapled securities has restricted the operation of Stockland's LTI due to the associated costs of operating commonly used equity-based incentive plan structures such as options or rights. However, as announced by the Federal Treasurer in May 2006, stapled securities are to be included in the income tax rules that apply to employee share plans. The new legislation will provide Stockland with greater flexibility in the design of equity-based components of its remuneration structure.

Although the new legislation is planned to be effective from 1 July 2006, the amended tax rules had not been legislated at the time of this report. It is probable that the legislation may not be in place until the latter part of 2006. As a result, the new LTI arrangements will be implemented in a phased approach to recognise the new tax legislation, once available, whilst ensuring executives continue to participate in an effective LTI plan.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued) B Remuneration philosophy (continued)

Long-term incentives: existing plans

The following sections of this report provide further detail of Stockland's current and proposed LTI arrangements:

The Incentive Share Plan ("ISP") was approved by security holders at the Stockland Annual General Meeting held on 26 October 2004. The ISP is administered by the Board in accordance with the Plan Rules and the terms and conditions of the grants to participants.

Due to the FBT legislation, it is cost effective for Stockland to operate the ISP via a loan plan, such that executives acquire securities funded by a limited recourse loan provided by Stockland. The issue price of all securities is based on the volume weighted average price at which stapled securities are traded on the Australian Stock Exchange ("ASX") during the five (5) trading days up to and including the last trading day before the date of issue. To date, all issues under the ISP have been funded by interest free loans provided by Stockland for a maximum term of five (5) years. Dividends and distributions paid on securities subject to the ISP are applied against the loan balance. The value of the loan is limited to the market value of the securities on the date of issue.

Under the ISP rules, a proportion of the loan for the securities may be waived if certain performance conditions are met over a three (3) year period (transitional 2006 tranche two (2) years) and if continuous service is rendered over either two and one half (2.5) or three (3) years. The amount of loan forgiven including the related FBT is an Award.

Under AASB 2 "Share-based Payment", the ISP securities are options for accounting purposes. The fair value of the options are recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. During the 2006 financial year, two tranches of ISP securities were issued, with the first one being a transitional tranche. The performance hurdles in place to determine Awards related to securities issued under the ISP during the 2006 financial year are:

- Earnings Per Security ("EPS") growth over three (3) financial years (transitional 2006 tranche two (2) years) relative to pre-determined annual targets; and
- Total Security holder Return ("TSR") compared to the S&P/ASX 200 Property Trust Accumulation Index ("Index") over three (3) financial years (transitional 2006 tranche two (2) years).

The performance hurdles in place to determine Awards related to securities issued under the ISP during the 2005 financial year are:

- EPS growth over one (1) financial year relative to pre-determined annual targets; and
- TSR compared to the Index over one (1) financial year.

EPS represents basic EPS adjusted for certain significant items, being net gain from fair value adjustment of investment properties, fair value adjustment on financial instruments, unrealised gain/loss on financial instruments, security holders' finance costs and gain/loss on sale of investment properties. TSR reflects

the change in security value and any dividends and distributions to security holders.

The Award related to each hurdle is determined separately, i.e. it is possible to earn an Award based on performance relative to EPS, or to TSR or to both.

EPS has been selected by the Board as a performance hurdle as it is a key indicator of Stockland's financial performance and long-term shareholder wealth creation. TSR has been selected as a performance measure as it is accepted in the market as a relative measure of performance, especially against other entities in the Listed Property Trust sector.

EPS is measured against the ISP's pre-determined target set by the Board, which is the reviewing body, as it approves the plan target. Both Stockland's and the Index's TSRs are calculated by an independent third party and provided to the Board. The Board has final accountability for the determination of performance relative to targets, independently from management.

The Board believes that setting annual targets for EPS growth, with three (3) year (transitional 2006 tranche two (2) year) targets being the sum of annual growth targets, is the most suitable and rigorous target setting process for Stockland. Each annual target is set to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook. The Board believes that this approach is better aligned to security holders' interests than setting a three (3) year target which may become unreasonably high or low as market conditions change over the three (3) year period.

ISP issues are also subject to service conditions being three (3) years with the exception of the transitional 2006 tranche which is two and one half (2.5) years. Given these securities are required to be considered options for accounting purposes, service conditions represent the vesting period of the option, whilst the exercise period of the option is from the vesting date to the end of the exercisable period (being the date when the loan is required to be repaid) which is a maximum period of five (5) years from the date of issue.

Due to their commercial sensitivity, the annual EPS targets are not disclosed. However, following completion of each year, details will be provided on the relevant targets and the extent to which the targets have been achieved.

For the 2006 financial year, the EPS target set by the Board was 41.5 cents, being an increase of 6.1% over the previous year's AIFRS equivalent actual EPS of 39.1 cents. This target was achieved. For the 2005 financial year, the EPS target set by the Board under previous AGAAP was 39.5 cents, being an increase of 4.5% over the previous year's AGAAP equivalent actual EPS of 37.8 cents. This target was exceeded with an actual EPS of 39.8 cents.

Given the TSR target is the sum of three (3) years of annual growth targets, no TSR target is due to vest in 2006. The next TSR target applies for the 2007 financial year in respect of the transitional 2006 tranche. For the 2005 financial year, the TSR target of 18.1% set by the Board was not met in respect of the 2005 ISP issue.

For TSR, an Award may be granted if Stockland's TSR is greater than performance of the Index over the three (3) year performance period (transitional 2006 tranche two (2) years).

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued) B Remuneration philosophy (continued)

Long-term incentive: existing plans (continued)

The decision whether or not to grant an Award on satisfaction of the relevant performance condition is in the Board's discretion, and in 2005 a decision was made to grant the TSR Award in part, being 75% of the target incentive.

In respect of the 2006 ISP issues, the Board may approve Awards based on performance as outlined below:

For achievement of target performance, the Award is:

- EPS growth – 50% (2005: 50%) of the original loan balance; and
- TSR – 50% (2005: 50%) of the original loan balance.

For over-target performance, the Award is based on the following:

- EPS growth – 10% of the original loan balance for every percentage point of EPS growth above target over the three (3) year period; and
- TSR – 5% of the original loan balance for every percentage point of TSR growth above the Index over the three (3) year period.

Over-target performance was not a component of the 2005 ISP issue.

If the total amount of loan forgiveness from the grant of Awards exceeds the amount unpaid on the loan, the excess will be applied firstly against any loan outstanding under another issue of ISP securities made to the individual and secondly, to reduce the amount of the loan required to be applied for by the

individual under a subsequent issue of ISP securities. If the individual does not become entitled to receive another issue of ISP securities, the individual will lose any entitlement to receive the excess amount of the Award over the existing loans.

The executive effectively pays the related FBT on the grant of an Award. For example, should both target EPS and TSR performance be achieved, 53.5% (2006 FBT year: 51.5%) of the original loan would be forgiven, with the balance of the Award representing the FBT liability at 46.5% (2006: 48.5%).

Resolutions were passed at the Annual General Meeting on 25 October 2005 to allot 336,000 stapled securities to Mr Quinn and 178,000 stapled securities to Mr Thorburn, pursuant to the rules of the ISP.

Long-term Incentive: 2007

Following a review of Stockland's LTI arrangements as a result of the proposed taxation legislation changes, the Board has determined that a new LTI plan should be introduced. Extensive work has been undertaken to ensure that the new plan design is in Stockland security holders' best interests.

Unlike the existing ISP where securities are issued with associated loans and are accounted for as options under AASB 2, performance rights will be issued with no associated loans attached to them.

The new Performance Rights Plan ("PRP") will allow equity grants to be issued under the following terms:

Structure of grant	<u>Performance Rights</u> – right to acquire Stockland securities at nil cost to Plan participants when certain performance conditions are met. Each grant will comprise two (2) equal tranches, each of which vest based on separate performance hurdles.
Measures of performance to determine grant vesting	<u>EPS Growth tranche</u> – growth in earnings per Stockland security over a three (3) year measurement period. <u>TSR tranche</u> – Stockland TSR compared to the growth of the S&P/ASX 200 Property Trust Accumulation Index exclusive of Stockland over a three (3) year measurement period.
Measurement period	<u>Three financial years</u> – from 1 July in the financial year of issue to 30 June three years later.
Vesting	Fifty percent (50%) of the grant will vest based on EPS measurement and fifty percent (50%) based on TSR growth. Each tranche will vest independently of the other. If target performance for a tranche is not achieved, no portion of that tranche will vest.
Vesting at target performance	<u>EPS Growth tranche</u> – equal to targets over three (3) years set by the Board – 50% vesting (25% of total grant). <u>TSR tranche</u> – greater than growth of the S&P/ASX 200 Property Trust Accumulation Index – 50% vesting (25% of total grant).
Vesting at maximum performance	<u>EPS Growth</u> – five (5) percentage points greater than targets over three (3) years set by the Board; for instance, if the targets over three (3) years totalled 15%, maximum vesting would be at 20% EPS growth. Maximum EPS performance will result in 100% vesting (50% of total grant). <u>TSR</u> – ten (10) percentage points greater than change in the S&P/ASX 200 Property Trust Accumulation Index; for instance, if the Index increased by 25% over the three (3) year period, maximum vesting would be at 35% TSR. Maximum TSR performance will result in 100% vesting (50% of total grant). Vesting will be on a straight-line basis between target and maximum performance.
Re-testing	<u>No re-testing of performance</u> – to the extent targets are not achieved, Performance Rights lapse.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

B Remuneration philosophy (continued)

Long-term incentive: 2007 (continued)

Disposal restrictions and forfeiture conditions	Following vesting, the appropriate proportion of Performance Rights is exercised at nil cost to Plan participants to acquire securities. The securities are subject to forfeiture conditions for up to seven (7) years after vesting (ten (10) years from the date the Performance Rights were originally issued). If forfeiture conditions have been triggered, disposal restrictions will apply.
Source of securities for satisfaction of Performance Rights exercised	It is Stockland's current intention that any securities necessary to satisfy the exercise of any Performance Rights will be purchased on-market.

It was initially intended that the PRP would replace the ISP from 1 July 2006 and that all executives would receive their 2007 grants under the PRP. Executive directors' grants would be made subsequent to and conditional upon approval by security holders at the 24 October 2006 Annual General Meeting.

However, given the uncertainty regarding timing and specific conditions of the new tax legislation, it is proposed that grants to executives, except executive directors, will be made under the ISP for the 2007 financial year. The Board believes that deferring grants to executives for an uncertain period beyond the typical August grant is not in the security holders' best interest.

Security holder approval for the PRP will be sought at the Annual General Meeting on 24 October 2006. Full details of the plan will be provided for security holder approval.

Mr Quinn and Mr Thorburn will receive grants under the PRP subject to security holder approval at the October 2006 Annual General Meeting, and conditional on the new tax rules being legislated. The Performance Rights granted to Mr Quinn and Mr Thorburn will become effective, assuming the tax legislation provides for tax-effective grants to be made under the PRP. In the unlikely event that the new tax rules are not legislated by 31 March 2007 or the legislation

results in an adverse tax consequence, the conditional grants of Performance Rights to Mr Quinn and Mr Thorburn will be replaced with alternative incentives as determined by the Board.

Provided the tax legislation is passed during the 2007 financial year, and allows the PRP to operate in a tax-effective manner, the ISP will cease and all future LTI grants to executives will be made under the PRP.

Executive Securities Scheme ("ESS")

Prior to the approval of the ISP in 2004, executives participated in the ESS. Under the rules of the ESS, senior employees below executive level are invited to acquire a specified number of securities at a discount to the market price equivalent to the discount that applies to the Stockland Dividend Reinvestment Plan ("DRP"). As with the ISP, it is cost effective for Stockland to operate the ESS via a loan plan, such that participating senior employees acquire securities funded by a limited recourse loan provided by Stockland. To date, all issues under the ESS have been funded by loans provided by Stockland for a maximum term of five (5) years. Interest charged on the loans is equivalent to the dividends/distributions received annually on the securities. The value of the loan is limited to the market value of the securities on the date of issue.

Under AASB 2 "Share-based Payment," the ESS securities are options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

The number of securities offered to each participating senior employee is dependent on their role, individual responsibilities, past performance and other components of remuneration detailed above. Participating senior employees receive a benefit only after two (2) years' continuous service from the date of issue, being the vesting date, with the exercisable period expiring at a maximum of five (5) years from grant date when repayment of the loan is required.

No grants were made under the ESS to senior executives in the financial year ended 30 June 2006, and none are contemplated to be made in the future. The ESS will remain available for senior employees below executive level.

The Employee Share Plan ("ESP") was launched in August 2003. Under the plan, employees with at least nine (9) months continuous service may be granted, at nil cost to the employee, Stockland securities to a maximum value of \$1,000. For part-time employees, the offer is pro-rated

based on their normal working hours. Any offer must be approved by the Board and be dependent upon the performance of Stockland over the previous twelve (12) months.

The offer is to recognise the contribution of employees to Stockland's performance and provide a link to growth in long-term security holder value. There is a holding lock of twelve (12) months on all securities issued under the ESP and participants in the ESP may not be offered an allocation under any other Stockland equity plan.

With the announced inclusion of stapled securities in the employee share plan income tax rules, security holder approval will be sought at the Annual General Meeting on 24 October 2006 for the introduction of a new ESP. To ensure compliance with the legislation, the following terms will apply:

- a holding lock of three (3) years will apply, unless the employee leaves Stockland sooner;
- all participating employees, including permanent part-time employees, will be offered the same allocation of securities; and
- the ESP will be offered to at least 75% of eligible employees.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

B Remuneration philosophy (continued)

Executive remuneration mix

For the 2006 financial year, most senior executives had in excess of 60% of their remuneration "at risk." Executives had in excess of 50% "at risk." These percentages reflect transitional LTI arrangements from the ESS to the ISP plan and are higher than would be expected for future periods.

The mix of remuneration for on-target performance in 2006 was as follows:

Role	Fixed remuneration	Short-term incentive	Long-term incentive	"At risk" remuneration
Managing Director	32%	21%	47%	68%
Finance Director	39%	15%	46%	61%
CEO – Development Division	34%	25%	41%	66%
CEO – Shopping Centre Division	36%	21%	43%	64%
CEO – Commercial & Industrial Division	36%	21%	43%	64%
CEO – Unlisted Property Funds Division	36%	21%	43%	64%
Executive GM – Strategy & Corporate Development	39%	15%	46%	61%
Executive GM – Human Resources	39%	15%	46%	61%
Executive GM – Investor & Media Relations ¹	48%	15%	37%	52%
General Managers	48%	14%	38%	52%

¹ Promoted to Executive Committee 3 January 2006 which results in an overall 2006 "at risk" percentage of less than 60%.

The above percentages assume on target performance is achieved for short and long-term incentives. The percentages outlined in the table shown later in the section entitled "Executive Directors and Senior Executives' Remuneration" reflects actual performance achieved as a percentage of total remuneration, including movements in leave balances, non-monetary benefits, and share-based payment amounts calculated in accordance with AASB 2.

Performance management

Effective performance management is critical to the integrity of the remuneration philosophy. Stockland has a rigorous performance management system that ensures executives understand what is expected of them, how they can achieve their objectives and the impact of their performance on their reward.

Objective setting

Upon approval by the Board of the Stockland Strategy and Business Plans for the coming year, the Managing Director develops his objectives. These objectives are then agreed by the Committee. Once approved by the Committee, the Managing Director's objectives are cascaded down to the senior executives. Each senior executive discusses and finalises his or her objectives with the Managing Director. The process is then cascaded down to general managers and so on.

Common objectives reinforce cross divisional collaboration which is pivotal to sustained long-term growth and security holder returns.

To measure an executive's overall performance, a balanced scorecard approach has been implemented. Objectives are linked to four (4) elements:

- **Business/Financial Results** – group, divisional and business unit performance.
- **Stakeholder Management** – achieving and maintaining effective stakeholder relationships such as with investors and customers.
- **People** – the engagement and leadership of employees.
- **Corporate Responsibility and Sustainability** – contribution to Stockland's Corporate Responsibility and Sustainability Strategy, including Health, Safety and Environment.

Directors' Report

For the year ended 30 June 2006

Remuneration Report (continued)

B Remuneration philosophy (continued)

Objective setting (continued)

To ensure that the individual performance of executives aligns with the performance of Stockland, and with their division and business unit where applicable, objectives are aligned as outlined below:

Scorecard factor		Managing Director	EXECUTIVE COMMITTEE		GENERAL MANAGERS		
			Divisional	Corporate	Business Unit	Divisional HO	Corporate
Business/Financial Performance	Stockland	■	■	■	■	■	■
	Divisional		■		■	■	
	Business Unit				■		
Stakeholder Management		■	■	■	■	■	■
People		■	■	■	■	■	■
Corporate Responsibility and Sustainability		■	■	■	■	■	■

All objectives must contain the following information:

- **Actions** – the specific activities required to achieve the objective;
- **Measures** – the target level of performance required for each objective; and
- **Weighting** – the importance of each objective; the sum of weightings equalling 100%.

Performance review

Performance is reviewed informally on a regular basis. At the completion of the financial year, each executive's performance is formally reviewed by his or her manager. The outcomes of the performance review are then used as input to an executive's remuneration.

The Managing Director's performance is also formally assessed by the Committee and reviewed by the Board as an integral part of determining his remuneration. The Committee also approves the Managing Director's remuneration recommendations for senior executives.

Non-executive director remuneration

The Board is responsible for determining the fees for non-executive directors. Decisions are based on recommendations from the Committee, taking into account advice from independent external remuneration advisors. The fees are set within an aggregate maximum pool that includes superannuation.

Board fees and committee fees are reviewed annually taking into account:

- the responsibilities of non-executive directors and the Board committees;
- the size and complexity of Stockland; and
- the need to attract and retain well qualified non-executive directors.

Non-executive directors do not participate in any incentive plans.

Security holders at each Annual General Meeting approve the aggregate fee pool that can be paid to non-executive directors in a given year.

At the 2005 Annual General Meeting, security holders approved an increase in the fee pool from \$950,000 excluding superannuation to \$1,900,000 including superannuation. For the 2006 financial year, \$1,493,948 including superannuation (79%) of the fee pool was utilised (2005: \$939,131 excluding superannuation (91%)).

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

B Remuneration Philosophy (continued)

Non-executive director remuneration (continued)

The schedule of fees including superannuation for the Board and Board committees for the 2006 financial year was as follows:

Board position	Fees
Chairman ¹	\$325,000
Deputy Chairman	\$195,000
Non-executive director	\$130,000

Board Committee	Chair	Member
Audit	\$30,000	\$15,000
Nomination and Remuneration	\$12,000	\$8,000
Compliance	\$20,000	–
Corporate Responsibility and Sustainability	\$12,000	\$8,000

Stockland Funds Management Limited Board	Fees
Chairman	\$40,000
Non-executive director	\$40,000

¹ The Chairman does not receive any committee fees. However, Mr Bradley received fees of \$15,762 as a director of Stockland Funds Management Limited until his retirement from the board of that company on 22 November 2005.

The schedule of fees excluding superannuation for the Board and Board committees for the 2005 financial year was as follows:

Board position	Fees
Chairman ²	\$216,667
Deputy Chairman	\$120,000
Non-executive director	\$88,333

Board Committee	Chair	Member
Audit	\$21,667	\$10,833
Nomination and Remuneration	\$10,333	\$7,167
Compliance	\$15,833	–

Stockland Funds Management Limited Board	Fees
Chairman	\$31,667
Non-executive director	\$31,667

² The Chairman does not receive any committee fees.

Stockland does not operate a retirement scheme for non-executive directors. However, in addition to the fees set out above, superannuation contributions are paid by Stockland into a complying superannuation fund in line with SGC legislation.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

B Remuneration philosophy (continued)

Non-executive director security acquisition plan ("SAP")

At present there is no equity plan in place for non-executive directors. Approval will be sought at the Annual General Meeting on 24 October 2006 for a Non-executive director security acquisition plan ("SAP").

The SAP will permit non-executive directors to acquire Stockland securities through a fee sacrifice arrangement. The SAP will operate under the following terms:

Eligibility	All non-executive directors on a voluntary basis.
Disposal Restrictions	The earlier of: – ten years from the date of issue; and – the retirement of the non-executive director from the Board.
Source of securities	All securities will be acquired on-market.

Initial offers under the SAP will not be made until new tax legislation allowing tax effective operation of the plan is in force. Full details of the plan will be provided to shareholders in the 2006 Notice of Annual General Meeting.

Performance conditions are not appropriate for the SAP as securities are provided in lieu of fees via a fee sacrifice arrangement.

C Details of remuneration

Non-executive directors' employment arrangements

The components of non-executive directors' remuneration are outlined in the table shown later in this section entitled "Non-executive directors' remuneration".

No bonuses, non-monetary benefits, long service leave or share-based payments were made to non-executive directors during either year, and no portion of the remuneration paid was performance related.

Executive directors' employment arrangements

The amounts for the various components of the executive directors' remuneration are outlined in the table shown later in the section entitled "Executive directors and senior executives' remuneration".

The executive directors' non-performance related component of their remuneration package as shown in the table is set on a "total cost to the company" basis. The total package includes base salary, motor vehicle, car parking, superannuation, other specified benefits and applicable FBT. Motor vehicles are costs to the individual's package and include FBT, interest costs and depreciation.

In the table, "Non-monetary benefits" includes the difference between the face value and the fair value of interest free loans provided by Stockland to KMPs (together with any related FBT). Housing loans have been provided where relocation for work at Stockland has been required. These loans do not form part of base package arrangements.

Loans associated with ESS and ISP securities are incorporated into the fair value as determined by the option valuation model calculation (Black-Scholes and/or Monte Carlo Simulation). The fair value is recognised as an employee expense on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. This value is shown in the table as "Share-based Payments".

Further information about fixed remuneration and additional benefits provided to the executive directors has been presented earlier in this report.

Stockland's policy is to accrue for long service leave after five years and experience indicates that an accrual on this basis provides an estimate of the long service leave liability not materially different from the estimates determined by using the present value of measurement and detailed group-based estimates.

The performance-related component of executive directors' remuneration shown in the table is the sum of the bonus and value of ISP and ESS securities accounted for as options. Refer earlier discussion on STI and LTI for further information regarding these amounts. The share-based payments figure relates to ESS and ISP securities which are options for accounting purposes. Accordingly, the fair value of these options is recognised as an employee expense on a straight-line basis over the vesting period, being the period over which the securities become unconditional. There is a corresponding increase in reserves.

The notice periods for Mr Quinn and Mr Thorburn are six (6) months and three (3) months respectively, with potential 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. In the event that an executive director is seriously incapacitated and unable to perform his duties because of illness or accident, Stockland is entitled to terminate the individual's contract of employment by giving 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 director.

Severance payment entitlements differ for each executive director. Including the notice period, the Managing Director would receive one and one half (1.5) times the sum of the annual fixed pay 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. Including the notice period, the Finance Director would receive the sum of his annual fixed pay 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.

Information regarding the executive directors' performance-related remuneration has been presented earlier in this report.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued) C Details of remuneration (continued)

Insurance premiums

Insurance contracts in respect of Directors' and Officers' Liability, Fidelity and Professional Indemnity prohibit the disclosure of the amount of the premium paid in respect of the contract. No part of the premium has been included in the details of remuneration for directors and executives.

Senior executives' employment arrangements

The amounts for the various components of the senior executives' remuneration are outlined in the table shown later in this section entitled "Executive directors and senior executives' remuneration".

Senior executives' non-performance related remuneration is set on a "total cost to the company" basis. The total package includes base salary, motor vehicle, car parking, superannuation, other specified benefits and applicable FBT. Motor vehicles are costs to the individual's package and include FBT, interest costs and depreciation.

In the table, "Non-monetary benefits" includes the difference between the face value and the fair value of interest free loans provided by Stockland to KMPs (together with any related FBT). Housing loans have been provided where relocation for work at Stockland has been required. These loans do not form part of base package arrangements.

Loans associated with ESS and ISP securities are incorporated into the fair value as determined by the option valuation model calculation (Black-Scholes and/or Monte Carlo Simulation). The fair value is recognised as an employee expense on a straight-

line basis over the vesting period, being the period during which the securities are subject to performance and/or service conditions. This value is then shown in the table as "Share-based payments".

Further information about the fixed remuneration and additional benefits provided to the senior executives has been presented earlier in this report.

Stockland's policy is to accrue for long service leave after five (5) years and experience indicates that an accrual on this basis provides an estimate of the long service leave liability not materially different from the estimates determined by using the present value of measurement and detailed group-based estimates.

The performance-related component of senior executives' remuneration shown in the table is the sum of the bonus and value of ISP and ESS securities accounted for as options. Refer earlier discussion on STI and LTI for further information regarding these amounts. The share-based payments figure relates to ESS and ISS securities which are options for accounting purposes. Accordingly, the fair value of these options is recognised as an employee expense on a straight-line basis over the vesting period, being the period over which the securities become unconditional. There is a corresponding increase in reserves.

The notice period for senior executives is three (3) months, with potential 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. In the event that a senior executive is seriously

incapacitated and unable to perform his/her duties because of illness or accident, Stockland is entitled to terminate the individual's contract of employment by giving 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.

Including the notice period, the senior executive would receive the sum of his/her annual fixed pay 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.

Information regarding the senior executives' performance-related remuneration has been presented earlier in this report.

General managers' employment arrangements

The non-performance related component of general managers' remuneration is set on a "total cost to the company" basis. The total package includes base salary, motor vehicle, car parking, superannuation, other specified benefits and applicable FBT. Motor vehicles are costs to the individual's package and include FBT, interest costs and depreciation.

Further information about the fixed remuneration and additional benefits provided to general managers has been presented earlier in this report.

The performance-related component of general managers' remuneration shown in the table is the sum of the bonus and value of shares accounted for as options. Refer earlier discussion on STI and LTI for further information regarding these amounts. The share-

based payments figure relates to ESS and ISP securities which are options for accounting purposes. Accordingly, the fair value of these options is recognised as an employee expense on a straight-line basis over the vesting period, being the period over which the securities become unconditional. There is a corresponding increase in reserves.

The notice period for general managers is three (3) months, with potential 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. In the event that an executive is seriously incapacitated and unable to perform his/her duties because of illness or accident, Stockland is entitled to terminate the individual's contract of employment by giving 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.

Including the notice period, the general manager would receive 75% of the sum of his/her annual fixed pay 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.

Information regarding the general managers' performance related components of their remuneration package has been presented earlier within this report.

Directors' Report

For the year ended 30 June 2006

Remuneration Report (continued)

C Details of remuneration (continued)

Non-executive directors' remuneration

The nature and amount of each element of remuneration for each non-executive director of Stockland, all of whom are KMP, are detailed below:

		SHORT-TERM		POST-EMPLOYMENT		
		Salary and fees \$	Superannuation benefits \$	Retirement benefits \$	Total \$	TOTAL \$
Non-executive directors						
Mr Graham Bradley – Chairman	2006	283,429	25,509	–	25,509	308,938
	2005	132,167	11,895	–	11,895	144,062
Mr Nicholas Greiner – Deputy Chairman	2006	207,000	18,630	–	18,630	225,630
	2005	130,333	11,730	–	11,730	142,063
Mr Bruce Corlett	2006	153,000	13,770	–	13,770	166,770
	2005	106,333	9,570	–	9,570	115,903
Mr David Fairfull	2006	150,000	13,500	–	13,500	163,500
	2005	104,167	9,375	–	9,375	113,542
Ms Lyn Gearing	2006	120,145	10,813	–	10,813	130,958
	2005	–	–	–	–	–
Mr Peter Scott	2006	148,690	13,382	–	13,382	162,072
	2005	–	–	–	–	–
Mr Terry Williamson	2006	200,000	18,000	–	18,000	218,000
	2005	141,667	12,750	–	12,750	154,417
<i>Former non-executive director</i>						
Mr Peter Daly – Retired Chairman	2006	108,333	9,750	12,285 ¹	22,035	130,368
	2005	222,500	15,079	–	15,079	237,579
Total remuneration (consolidated and company)	2006	1,370,597	123,354	12,285	135,639	1,506,236
	2005	837,167	70,399	–	70,399	907,566

¹ This represents a gift provided as acknowledgement of Mr Daly's service to Stockland upon his retirement.

No bonus, non-monetary benefits, long service leave or share-based payments were made to non-executive directors during either year, and no portion of the remuneration paid was performance related.

Directors' Report

For the year ended 30 June 2006

Remuneration Report (continued)

C Details of remuneration (continued)

Executive directors and senior executives' remuneration

The nature and amount of each major element of remuneration for executive directors and senior executives, all of whom are KMP, are detailed below:

		SHORT-TERM				POST- EMPLOYMENT	OTHER LONG-TERM	SHARE-BASED PAYMENTS			
		Salary and fees \$	Bonus ¹ \$	Non- monetary benefits ² \$	Total \$	Super annuation benefits \$	Long service leave \$	Value of shares accounted for as options ³ \$	Total \$	Portion of remuneration performance related %	Value of shares as proportion of remuneration %
Executive Directors											
Mr Matthew Quinn	2006	1,256,786	1,000,000	65,147	2,321,933	12,139	37,235	465,475	2,836,782	51.7	16.4
Managing Director	2005	1,141,223	800,000	71,674	2,012,897	11,585	36,427	112,856	2,173,765	42.0	5.2
Mr Hugh Thorburn	2006	894,525	510,000	7,279	1,411,804	12,139	–	257,092	1,681,035	45.3	15.3
Finance Director	2005	869,804	340,000	8,037	1,217,841	11,585	–	71,086	1,300,512	31.0	5.5
Senior Executives											
Mr Denis Hickey	2006	751,978	690,000	85,199	1,527,177	12,139	74,896	247,251	1,861,463	50.4	13.3
CEO Development Division	2005	637,736	500,000	80,161	1,217,897	11,585	–	46,362	1,275,844	42.8	3.6
Mr Darren Steinberg	2006	639,528	470,000	58,785	1,168,313	12,139	–	217,876	1,398,328	49.1	15.6
CEO Shopping Centre Division	2005	596,236	375,000	69,027	1,040,263	11,585	–	53,036	1,104,884	37.8	4.8
Mr Steve Mann	2006	510,953	400,000	55,744	966,697	12,139	49,430	181,012	1,209,278	47.9	15.0
CEO Commercial & Industrial Division	2005	467,911	315,000	45,582	828,493	11,585	–	44,416	884,494	39.7	5.0
Mr Robb Macnicol	2006	402,283	300,000	6,295	708,578	12,139	–	123,958	844,675	49.8	14.7
CEO Unlisted Property Funds	2005	253,442	200,000	43,052	496,494	11,585	–	26,689	534,768	41.4	5.0
Ms Lisa Scenna	2006	367,299	225,000	8,647	600,946	12,139	–	127,595	740,680	47.5	17.2
Executive General Manager – Strategy & Corporate Development	2005	350,714	175,000	14,043	539,757	11,585	–	30,414	581,756	34.4	5.2
Ms Rilla Moore ⁴	2006	341,846	200,000	–	541,846	12,139	–	96,444	650,429	45.6	14.8
Executive General Manager – Human Resources	2005	236,348	80,000	–	316,348	8,864	–	13,246	338,458	27.6	3.9
Ms Johanna Keating	2006	182,477	100,000	27,447	309,924	11,170	14,698	47,243	383,035	38.4	12.3
Executive General Manager – Media & Investor Relations ⁵	2005	142,023	54,000	29,515	225,538	11,585	–	7,948	245,071	25.3	3.2
Total remuneration (consolidated and company)											
	2006	5,347,675	3,895,000	314,543	9,557,218	108,282	176,259	1,763,946	11,605,705	48.7	15.2
	2005	4,695,437	2,839,000	361,091	7,895,528	101,544	36,427	406,053	8,439,552	38.0	4.8

¹ Cash bonuses are earned in the financial year to which they relate and are paid in August of the following financial year.

² Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free housing loans and FBT payable.

³ The methods and assumptions used to calculate the fair value of share-based payments are the same as disclosed in Note 46.

⁴ Commenced employment on 27 September 2004.

⁵ Appointed to the Executive Committee on 3 January 2006, however, remuneration disclosed represents total remuneration paid during each year. Ms Keating was on maternity leave for the period 8 March to 30 June 2006.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

C Details of remuneration (continued)

Long-term incentives issued and vested during 2006

Details of Stockland securities granted to KMP as remuneration during the year under the ISP, as well as ESS securities which have vested during the year, are detailed below. No ISP securities vested during the year.

	Number of ISP securities granted during the year	Grant date	Fair value of ISP securities at grant date ¹ \$	Deemed exercise price per ISP security at grant date ² \$	Loan expiry date	Number of ESS securities vested during the year
2006						
Executive Directors						
Mr Matthew Quinn – Managing Director	336,000	26/10/05	1,182,720	6.04	30/6/10	–
Mr Hugh Thorburn – Finance Director	178,000	26/10/05	626,560	6.04	30/6/10	200,000
Senior Executives						
Mr Denis Hickey – CEO Development Division	160,000	18/8/05	563,200	5.99	30/6/10	–
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	32,000	18/8/05	112,640	5.99	30/6/10	30,000
Mr Robb Macnicol – CEO Unlisted Property Funds	80,000	18/8/05	281,600	5.99	30/6/10	150,000
Mr Steve Mann – CEO Commercial and Industrial Division	112,000	18/8/05	394,240	5.99	30/6/10	200,000
Ms Rilla Moore – Executive General Manager – Human Resources	70,000	18/8/05	246,400	5.99	30/6/10	–
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	80,000	18/8/05	281,600	5.99	30/6/10	100,000
Mr Darren Steinberg – CEO Shopping Centre Division	136,000	18/8/05	478,720	5.99	30/6/10	250,000
2005						
Executive Directors						
Mr Matthew Quinn – Managing Director	160,000	23/11/04	446,400	5.97	30/6/09	–
Mr Hugh Thorburn – Finance Director	90,000	23/11/04	251,100	5.97	30/6/09	–
Senior Executives						
Mr Denis Hickey – CEO Development Division	70,000	23/11/04	200,900	5.79	30/6/09	–
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	12,000	23/11/04	34,440	5.79	30/6/09	50,000
Mr Robb Macnicol – CEO Unlisted Property Funds	32,000	23/11/04	91,840	5.79	30/6/09	–
Mr Steve Mann CEO – Commercial & Industrial Division	55,000	23/11/04	157,850	5.79	30/6/09	150,000
Ms Rilla Moore – Executive General Manager – Human Resources	20,000	23/11/04	57,400	5.79	30/6/09	–
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	38,000	23/11/04	109,060	5.79	30/6/09	75,000
Mr Darren Steinberg – CEO Shopping Centre Division	65,000	23/11/04	186,550	5.79	30/6/09	150,000

¹ The fair value of ISP securities at grant date is expensed on a straight-line basis over the period during which they are subject to performance and service conditions.

² ISP/ESS securities are considered options under AIFRS. Accordingly, the deemed exercise price of these in substance options is the value at grant date of the loan associated with the ISP/ESS securities divided by the number of securities granted. Under the terms of the ISP, the loan value may be reduced by dividends/distributions received on the securities and by Awards made if pre-determined performance hurdles are met.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

C Details of remuneration (continued)

Long-term Incentives issued and vested during 2006 (continued)

There were no grants of ESS securities during the year to executive directors or senior executives, and no ISP securities have been granted since the end of the financial year to executive directors or senior executives.

No alterations or modifications have been made by Stockland during the year to the terms of any securities issued to senior executives under the plans.

Further information regarding ISP and ESP securities has been outlined earlier within this report.

Loans in respect of Long-term Incentives Repaid During 2006

During the year, the following KMP sold ESS securities and repaid loans in respect of ESS securities granted as remuneration in previous years. The associated ISP/ESS securities are now issued capital and not considered as in substance options for accounting purposes under AASB 2.

	Number of securities associated with loan repayment	Loan value repaid per security \$
2006		
Executive directors		
Mr Matthew Quinn – Managing Director	1,000,000	4.08
Senior executives		
Mr Denis Hickey – CEO Development Division	700,000	4.13
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	50,000	4.10
Mr Steve Mann – CEO Commercial & Industrial Division	245,000	4.11
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	125,000	4.81
Mr Darren Steinberg – CEO Shopping Centre Division	250,000	4.20
2005		
Senior executives		
Mr Denis Hickey – CEO Development Division	150,000	4.06
Mr Darren Steinberg – CEO Shopping Centre Division	150,000	4.12

There are no loan amounts remaining unpaid in respect of the above securities.

Directors' Report

For the year ended 30 June 2006

Remuneration Report (continued)

D Additional information

Five (5) most highly remunerated executives' remuneration details

Details of the nature and amount of each major element of remuneration for the five (5) most highly remunerated non-director executives are detailed below:

		SHORT-TERM				POST- EMPLOYMENT	OTHER LONG-TERM	SHARE-BASED PAYMENTS			
		Salary and fees \$	Bonus ¹ \$	Non- monetary benefits ² \$	Total \$	Super annuation benefits \$	Long service leave \$	Value of shares accounted for as options ³ \$	Total \$	Portion of remuneration performance related %	Value of shares as proportion of remuneration %
Mr Denis Hickey CEO Development Division	2006	751,978	690,000	85,199	1,527,177	12,139	74,896	247,251	1,861,463	50.4	13.3
Mr Darren Steinberg CEO Shopping Centre Division	2006	639,528	470,000	58,785	1,168,313	12,139	–	217,876	1,398,328	49.1	15.6
Mr Steve Mann CEO Commercial & Industrial Division	2006	510,953	400,000	55,744	966,697	12,139	49,430	181,012	1,209,278	47.9	15.0
Mr Nick Perrignon General Manager – Residential Communities, Development Division, Queensland	2006	475,868	250,000	31,151	757,019	12,139	–	87,747	856,905	39.3	10.2
Mr Robb Macnicol CEO Unlisted Property Funds	2006	402,283	300,000	6,295	708,578	12,139	–	123,958	844,675	49.8	14.7

¹ 2006 cash bonuses are earned in the current year and paid in August 2006.

² Comprises motor vehicle costs, car parking, grossed up "cost to company" for interest-free loans and FBT payable.

³ The methods and assumptions used to calculate the fair value of share-based payments are the same as disclosed in Note 46.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

D Additional information (continued)

2006 Vesting profile of short-term incentives

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to KMP and/or the five (5) most highly remunerated executives are detailed below:

	SHORT-TERM INCENTIVE (STI) BONUS		
	STI included in remuneration \$	Achieved % of potential maximum STI	Not achieved % potential maximum STI
Executive directors			
Mr Matthew Quinn – Managing Director	1,000,000	74	26
Mr Hugh Thorburn – Finance Director	510,000	71	29
Senior executives			
Mr Denis Hickey – CEO Development Division	690,000	72	28
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	100,000	77	23
Mr Robb Macnicol – CEO Unlisted Property Funds	300,000	63	37
Mr Steve Mann – CEO Commercial & Industrial Division	400,000	71	29
Ms Rilla Moore – Executive General Manager – Human Resources	200,000	71	29
Mr Nick Perrignon – General Manager – Residential Communities, Development Division, Queensland	250,000	74	26
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	225,000	70	30
Mr Darren Steinberg – CEO Shopping Centre Division	470,000	70	30

The STI amounts achieved and included in remuneration for the year have been based on achievement of specified performance criteria. No amounts vest in future financial years in respect of bonus schemes for the 2006 financial year.

The amounts not achieved are due to performance criteria not being attained in relation to the current financial year.

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

D Additional information (continued)

Vesting profile of long-term incentives

Details of the vesting profile of share-based payments granted as remuneration to KMP and/or the five (5) most highly remunerated executives are detailed below:

	ISP/ESS securities held at 30 June 2006	Grant date	% vested in year	Financial year in which ISP/ESS securities vest	Maximum value to be recognised in future years
Executive directors					
Mr Matthew Quinn – Managing Director	1,350,000	31/12/01	–	30/6/04	–
	160,000	23/11/04	–	30/6/07	166,772
	168,000	26/10/05	–	30/6/08	436,986
	168,000	26/10/05	–	30/6/08	447,031
Mr Hugh Thorburn – Finance Director	200,000	28/2/04	100	30/6/06	–
	90,000	23/11/04	–	30/6/07	93,809
	89,000	26/10/05	–	30/6/08	231,498
	89,000	26/10/05	–	30/6/08	236,820
Senior executives					
Mr Denis Hickey – CEO Development Division	300,000	31/12/01	–	30/6/04	–
	70,000	23/11/04	–	30/6/07	77,269
	80,000	18/8/05	–	30/6/08	194,375
	80,000	18/8/05	–	30/6/08	198,843
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	30,000	31/8/02	–	30/6/05	–
	30,000	31/8/03	100	30/6/06	–
	12,000	23/11/04	–	30/6/07	13,246
	16,000	18/8/05	–	30/6/08	38,875
	16,000	18/8/05	–	30/6/08	39,769
Mr Robb Macnicol – CEO Unlisted Property Funds	150,000	28/2/04	100	30/6/06	–
	32,000	23/11/04	–	30/6/07	35,323
	40,000	18/8/05	–	30/6/08	97,187
	40,000	18/8/05	–	30/6/08	99,422
Mr Steve Mann – CEO Commercial & Industrial Division	200,000	31/8/03	100	30/6/06	–
	55,000	23/11/04	–	30/6/07	60,712
	56,000	18/8/05	–	30/6/08	136,062
	56,000	18/8/05	–	30/6/08	139,190
Ms Rilla Moore – Executive General Manager – Human Resources	20,000	23/11/04	–	30/6/07	22,077
	35,000	18/8/05	–	30/6/08	85,039
	35,000	18/8/05	–	30/6/08	86,994
Mr Nick Perrignon – General Manager – – Residential Communities, Development Division, Queensland	75,000	28/2/03	–	30/6/05	–
	100,000	31/8/03	100	30/6/06	–
	25,000	23/11/04	–	30/6/07	27,596
	28,000	18/8/05	–	30/6/08	68,031
	28,000	18/8/05	–	30/6/08	69,595

Directors' Report

For the year ended 30 June 2006

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Remuneration Report (continued)

D Additional information (continued)

Vesting profile of long-term incentives (continued)

	ISP/ESS securities held at 30 June 2006	Grant date	% vested in year	Financial year in which ISP/ESS securities vest	Maximum value to be recognised in future years
Senior executives (continued)					
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	50,000	31/8/03	100	30/6/06	–
	38,000	23/11/04	–	30/6/07	41,946
	40,000	18/8/05	–	30/6/08	97,187
	40,000	18/8/05	–	30/6/08	99,422
Mr Darren Steinberg – CEO Shopping Centre Division	225,000	31/8/03	100	30/6/06	–
	65,000	23/11/04	–	30/6/07	71,750
	68,000	18/8/05	–	30/6/08	165,219
	68,000	18/8/05	–	30/6/08	169,017

The minimum future value of these ISP/ESS securities is nil as future performance and service criteria may not be met.

Movements in Long-term Incentive Securities During 2006

The movements during the year, by value, of ISP/ESS securities held by KMP and/or the five (5) most highly remunerated executives are detailed below:

	VALUE OF ISP/ESS SECURITIES			
	Fair value at grant date of securities issued in the year \$	Exercised in the year ¹ \$	Forfeited in the year \$	Total value in the year \$
Executive directors				
Mr Matthew Quinn – Managing Director	1,182,720	1,956,100	–	3,138,820
Mr Hugh Thorburn – Finance Director	626,560	–	–	626,560
Senior executives				
Mr Denis Hickey – CEO Development Division	563,200	1,679,000	–	2,242,200
Ms Johanna Keating – Executive General Manager – Media & Investor Relations	112,640	121,300	–	233,940
Mr Robb Macnicol – CEO Unlisted Property Funds	281,600	–	–	281,600
Mr Steve Mann – CEO Commercial & Industrial Division	394,240	649,382	–	1,043,622
Ms Rilla Moore – Executive General Manager – Human Resources	246,400	–	–	246,400
Mr Nick Perrignon – General Manager – Residential Communities, Development Division, Queensland	197,120	–	–	197,120
Ms Lisa Scenna – Executive General Manager – Strategy & Corporate Development	281,600	162,500	–	444,100
Mr Darren Steinberg – CEO Shopping Centre Division	478,720	482,250	–	960,970

¹ Exercising of the security occurs when the loan associated with the ISP/ESS securities is repaid through the sale of securities by the individual or when repayment of the loan is waived under the terms of the ISP. The value shown in the table represents the difference between the value of the loan repaid and the market value of the securities on the date of repayment.

Directors' Report

For the year ended 30 June 2006

Remuneration Report (continued)

D Additional Information (continued)

Directors' security holdings

The relevant interest of each director in the securities issued by 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:

NUMBER OF SECURITIES/UNITS HELD BY DIRECTORS

Director	Securities in Stockland (excluding unvested securities held under ISP)	Unvested securities in Stockland under ISP	Units in Stockland Direct Office Trust No. 1	Units in Stockland Direct Office Trust No. 2	Units in Saville Private Syndicate Trust
Mr Graham Bradley	56,400	–	225,000	750,000	1,600,000
Mr Nicholas Greiner	44,589	–	10,000	25,000	–
Mr Matthew Quinn	1,351,000	496,000	15,000	25,000	–
Mr Bruce Corlett	174,605	–	15,000	200,000	–
Mr David Fairfull	13,539	–	–	–	–
Ms Lyn Gearing	4,974	–	–	–	–
Mr Peter Scott	5,064	–	–	25,000	–
Mr Hugh Thorburn	200,000	268,000	–	–	–
Mr Terry Williamson	20,285	–	37,500	100,000	–
Total	1,870,456	764,000	302,500	1,125,000	1,600,000

Indemnities and insurance of officers and auditors

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.

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.

Non-audit services

During the year Stockland's auditors, KPMG, 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 services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- most of the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, including IFRS attestations, and none of this work created any conflicts with the auditor's statutory responsibilities;
- 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, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- the declaration of independence provided by KPMG, as auditor of Stockland.

Directors' Report

For the year ended 30 June 2006

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Non-audit services (continued)

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.

	2006 \$'000	2005 \$'000
Audit services		
Audit and review of the financial reports (KPMG Australia)	1,202	959
Audit and review of the financial reports (Overseas KPMG firms)	36	30
Regulatory audit and assurance related services (KPMG Australia)	634	377
	1,872	1,366
Other services		
<i>Other audit related services</i>		
IFRS accounting services (KPMG Australia)	502	444
Accounting interpretation advice (KPMG Australia)	200	178
	702	622
<i>Other non-audit related services</i>		
Taxation compliance services (KPMG Australia)	473	602
	3,047	2,590

Fees are paid by Stockland Corporation Limited on behalf of the Company and its controlled entities.

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

The external auditor's independence declaration is set out on page 53 and forms part of the Directors' Report for the year ended 30 June 2006.

Rounding off

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

Signed in accordance with a resolution of the directors:



Graham Bradley
CHAIRMAN

Dated at Sydney, 9 August 2006



Matthew Quinn
MANAGING DIRECTOR



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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

(a) no contraventions of the auditor independence requirements as set out in 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

Michael J Coleman
PARTNER

Sydney, 9 August 2006

Stockland Corporation Limited
and its controlled entities
(including Stockland Trust)

Lead Auditor's Independence Declaration

under Section 307C of the Corporations
Act 2001

Income Statements

For the year ended 30 June 2006

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	Notes	CONSOLIDATED		COMPANY	
		2006 \$M	2005 \$M	2006 \$M	2005 \$M
Revenue and other income					
Property development sales		955.8	780.5	–	–
Rent from investment properties	4	556.1	528.0	–	–
Hotel operation revenue		75.7	67.0	–	–
Management and agency fee income		1.6	1.1	–	–
Dividend and distribution income		2.0	1.8	120.0	117.5
Other revenue		5.5	4.3	–	–
Total revenue		1,596.7	1,382.7	120.0	117.5
Interest income		2.9	4.7	141.5	77.4
Share of profits of investments accounted for using the equity method	41,42	114.5	54.8	–	–
Net gain from disposal of non-current assets		–	0.1	–	–
Unrealised gain on financial instruments		24.1	–	–	–
Net gain from financial instruments treated as fair value hedge		0.1	–	–	–
Net gain from fair value adjustment of investment properties		571.6	270.6	–	–
Total revenue and other income		2,309.9	1,712.9	261.5	194.9
Cost of property developments sold		(589.1)	(476.3)	–	–
Investment property expenses		(155.5)	(145.9)	–	–
Hotel operation expenses		(67.5)	(61.6)	–	–
Management, administration, marketing and selling expenses ¹		(190.2)	(161.1)	–	–
Finance costs to external parties ²	5	(28.1)	(31.3)	(3.0)	(15.6)
Finance costs to controlled entities		–	–	(141.5)	(77.4)
Net loss from disposal of non-current assets		(3.7)	–	–	–
Unrealised loss on financial instruments		(8.6)	(19.8)	–	–
Profit before income tax expense and security holders' finance costs		1,267.2	816.9	117.0	101.9
Income tax (expense)/benefit	8	(61.2)	(51.8)	–	4.7
Profit for the year before security holders' finance costs		1,206.0	765.1	117.0	106.6
Security holders' finance costs ^{2,3}		(144.4)	–	–	–
Profit for the year attributable to security holders of Stockland	35(b)	1,061.6	765.1	117.0	106.6
Basic earnings per security	9	79.6	59.6		
Diluted earnings per security	9	79.6	59.6		

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

² Total finance costs for the consolidated entity are \$172.5 million (2005: \$31.3 million), being the sum of finance costs to external parties and finance costs to security holders. Security holders' finance costs represents trust distributions payable for the period 1 July 2005 to 25 October 2005, being the date of the Annual General Meeting. For the period, 1 July 2005 to 25 October 2005, AIFRS required Stockland Trust unit holders' issued capital to be treated as a liability and trust distributions payable to be treated as a finance cost in the Income Statement. At the Annual General Meeting, Stockland Trust unit holders agreed to amend the Stockland Trust Constitution, which meant the unit holders' issued capital from that date would be treated as equity in accordance with accounting standard AASB 132 "Financial Instruments: Disclosure and Presentation". AASB 132 was effective from 1 July 2005 and therefore does not affect prior period comparatives.

³ There is no effect on the income tax expense associated with security holders' finance costs as this amount represents trust undistributed income available for distribution recognised during the period when Trust unit holders' issued capital was classified as a liability under AASB 132.

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

Balance Sheets

For the year ended 30 June 2006

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		CONSOLIDATED		COMPANY	
	Notes	2006 \$M	2005 \$M	2006 \$M	2005 \$M
Current assets					
Cash and cash equivalents	10	37.1	37.4	–	–
Trade and other receivables	11	66.0	53.0	2,292.0	2,006.6
Inventories	12	712.3	499.2	–	–
Other assets	13	65.5	51.4	–	–
		880.9	641.0	2,292.0	2,006.6
Non-current assets held for sale	14	92.6	–	–	–
Total current assets		973.5	641.0	2,292.0	2,006.6
Non-current assets					
Other receivables	15	21.4	15.0	–	–
Inventories	16	1,907.5	1,737.0	–	–
Investment properties	17	5,597.0	5,019.2	–	–
Other financial assets	18	21.1	22.2	184.7	184.7
Property, plant and equipment	19	29.9	29.8	–	–
Investments accounted for using the equity method	20	735.7	653.4	–	–
Intangible assets	21	248.6	252.4	–	–
Deferred tax assets	30	–	–	–	0.1
Other assets	22	63.8	29.1	–	–
Total non-current assets		8,625.0	7,758.1	184.7	184.8
Total assets		9,598.5	8,399.1	2,476.7	2,191.4
Current liabilities					
Trade and other payables	23	250.2	200.3	–	–
Interest-bearing loans and borrowings	24	200.0	249.7	2,029.3	1,765.1
Income tax payable	25	2.3	7.0	2.3	7.0
Provisions	26	312.1	279.5	55.5	53.8
Other liabilities	27	21.4	21.6	–	–
Total current liabilities		786.0	758.1	2,087.1	1,825.9
Non-current liabilities					
Other payables	28	88.6	56.2	–	–
Interest-bearing loans and borrowings	29	2,110.0	2,020.8	–	–
Deferred tax liabilities	30	54.6	36.1	–	–
Provisions	31	28.8	27.1	27.0	25.9
Other liabilities	33	135.4	14.6	–	–
Total non-current liabilities		2,417.4	2,154.8	27.0	25.9
Total liabilities		3,203.4	2,912.9	2,114.1	1,851.8
Net assets		6,395.1	5,486.2	362.6	339.6
Security holders' funds					
Issued capital	34	4,885.3	4,611.3	355.1	334.6
Reserves	35(a)	30.8	42.5	4.1	3.8
Retained earnings	35(b)	1,479.0	832.4	3.4	1.2
Total security holders' funds		6,395.1	5,486.2	362.6	339.6

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

Statements of Changes in Equity

For the year ended 30 June 2006

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CONSOLIDATED	Notes	ATTRIBUTABLE TO SECURITY HOLDERS OF STOCKLAND			
		Issued capital ¹ \$M	Reserves ² \$M	Retained earnings \$M	Total security holders' funds \$M
Balance at 1 July 2005		4,611.3	42.5	832.4	5,486.2
Application of AASB 132 and 139 effective 1 July 2005		(4,276.8)	5.0	(3.7)	(4,275.5)
Reclassification of Stockland Trust units from liabilities to equity		4,395.6	–	–	4,395.6
Currency translation differences	35	–	(21.0)	–	(21.0)
Effective portion of changes in fair value for cash flow hedges	35	–	(2.8)	–	(2.8)
Share-based payment transactions	35	–	4.3	–	4.3
Total non-profit items recognised directly in equity		118.8	(14.5)	(3.7)	100.6
Profit for the year		–	–	1,061.6	1,061.6
Total recognised income and expenses for the year		118.8	(14.5)	1,057.9	1,162.2
Transfers to/(from) reserves		–	12.5	(12.5)	–
Equity issued for the year	34	155.2	–	–	155.2
Dividends and distributions to security holders ³	36	–	(9.7)	(398.8)	(408.5)
Balance at 30 June 2006		4,885.3	30.8	1,479.0	6,395.1
Balance at 1 July 2004		4,314.8	45.3	563.7	4,923.8
Currency translation differences	35	–	(0.3)	–	(0.3)
Share-based payment transactions	35	–	1.9	–	1.9
Net income for the period recognised directly in equity		–	1.6	–	1.6
Profit for the year		–	–	765.1	765.1
Total recognised income and expenses for the year		–	1.6	765.1	766.7
Transfers (from)/to reserves		–	(4.4)	4.4	–
Equity issued for the year	34	296.5	–	–	296.5
Dividends and distributions to security holders ³	36	–	–	(500.8)	(500.8)
Balance at 30 June 2005		4,611.3	42.5	832.4	5,486.2

¹ Refer Note 34 for details of movements in issued capital.

² Refer Note 35(a) for details of movements in reserves.

³ Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Securities Scheme. Under AIFRS, AASB 2 "Share-based Payment" requires such guarantees to be recognised as a financial liability. The effect of this is to treat dividends and distributions paid on these securities as interest payments. Refer Note 36 for a reconciliation of total dividends and distributions paid.

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

Statements of Changes in Equity

For the year ended 30 June 2006

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COMPANY	Notes	ATTRIBUTABLE TO SECURITY HOLDERS OF STOCKLAND			
		Issued capital ¹ \$M	Reserves ² \$M	Retained earnings \$M	Total security holders' funds \$M
Balance at 1 July 2005		334.6	3.8	1.2	339.6
Share-based payment transactions	35	–	0.3	–	0.3
Total non-profit items recognised directly in equity		–	0.3	–	0.3
Profit for the year		–	–	117.0	117.0
Total recognised income and expenses for the year		–	0.3	117.0	117.3
Equity issued for the year	34	20.5	–	–	20.5
Dividends and distributions to security holders ³	36	–	–	(114.8)	(114.8)
Balance at 30 June 2006		355.1	4.1	3.4	362.6
Balance at 1 July 2004		310.8	3.6	(2.2)	312.2
Share-based payment transactions	35	–	0.2	–	0.2
Total non-profit items recognised directly in equity		–	0.2	–	0.2
Profit for the year		–	–	106.6	106.6
Total recognised income and expenses for the year		–	0.2	106.6	106.8
Equity issued for the year	34	23.8	–	–	23.8
Dividends and distributions to security holders ³	36	–	–	(103.2)	(103.2)
Balance at 30 June 2005		334.6	3.8	1.2	339.6

¹ Refer Note 34 for details of movements in issued capital.

² Refer Note 35(a) for details of movements in reserves.

³ Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Securities Scheme. Under AIFRS, AASB 2 "Share-based Payment" requires such guarantees to be recognised as a financial liability. The effect of this is to treat dividends and distributions paid on these securities as interest payments. Refer Note 36 for a reconciliation of total dividends and distributions paid.

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

Cash Flow Statements

For the year ended 30 June 2006

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	Notes	CONSOLIDATED		COMPANY	
		2006 \$M	2005 \$M	2006 \$M	2005 \$M
Cash flows from operating activities					
Cash receipts in the course of operations		1,622.5	1,583.9	–	–
Cash payments in the course of operations		(1,215.8)	(1,107.6)	–	(0.9)
Distributions received from associates and joint venture entities		40.7	40.9	–	–
Dividends received from controlled entities		–	–	120.0	117.5
Distributions received from other entities		1.9	1.8	–	–
Receipts from joint venture entities		8.0	5.8	–	–
Payments to joint venture entities		(1.7)	(3.2)	–	–
Interest received		2.9	10.0	141.5	77.5
Interest paid		(141.5)	(120.2)	(141.5)	(93.0)
Security holders' finance costs		(144.4)	–	–	–
Income taxes paid		(47.2)	(51.9)	–	–
Net cash from operating activities	44	125.4	359.5	120.0	101.1
Cash flows from investing activities					
Proceeds from sale of investment properties		57.8	286.8	–	–
Payments for investment properties		(219.7)	(361.3)	–	–
Proceeds from sale of plant and equipment		–	3.7	–	–
Payments for plant and equipment		(6.5)	(8.9)	–	–
Payments for investments		(16.4)	(4.4)	–	–
Proceeds from vesting of equity instruments under Stockland share plan		18.1	13.4	18.1	13.4
Repayment of loans from other entities		0.2	0.1	–	–
Loans to controlled entities		–	–	(289.6)	(1,072.7)
Payments for controlled entities (net of cash acquired)	43	–	(877.8)	–	(35.1)
Net cash from investing activities		(166.5)	(948.4)	(271.5)	(1,094.4)
Cash flows from financing activities					
Proceeds from issue of securities ¹		248.6	303.0	18.6	24.3
Proceeds from sale of equity instruments forfeited under Stockland share plans		8.3	15.8	8.3	15.8
Proceeds from borrowings		7,372.2	2,948.3	602.3	1,576.7
Repayment of borrowings		(7,203.4)	(2,363.0)	(364.2)	(518.5)
Dividends and distributions paid ¹		(384.9)	(484.6)	(113.5)	(105.0)
Net cash from financing activities		40.8	419.5	151.5	993.3
Net increase/(decrease) in cash and cash equivalents		(0.3)	(169.4)	–	–
Cash and cash equivalents at the beginning of the financial year		37.4	206.8	–	–
Cash and cash equivalents at the end of the financial year	10	37.1	37.4	–	–

¹ These cash flows include the effect of additional securities issued under the Dividend Reinvestment Plan.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary 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 Australian Stock Exchange. Both the Trust and the Corporation were formed/incorporated and are domiciled in Australia. 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 unit holders 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 Financial Report of Stockland comprises the Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, and the Trust, which form the consolidated entity ("Stockland" or "consolidated entity").

This Financial Report has been prepared based upon a business combination of the parent entity, the Company, and Stockland Trust and their controlled entities, in accordance with UIG 1013 "Consolidated Financial Reports in Relation to Pre-Date-of-Transition Stapling Arrangements".

The Financial Report was authorised for issue by the directors on 9 August 2006.

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

(a) Statement of compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of AASBs adopted by the AASB and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP.

This Financial Report is Stockland's and the Company's first Financial Report to be prepared in accordance with AIFRS. AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" has been applied in preparing this Financial Report.

The effects of transition from previous Australian GAAP to AIFRS on Stockland's and the Company's equity and its Income Statement are set out in Note 49.

With the exception of financial instruments, the comparative figures in the Financial Report have been restated to reflect the adjustments required under transition to AIFRS. Stockland has adopted the exemption available under AASB 1 to apply AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" from 1 July 2005. Refer Note 49(n) for further information regarding the adoption of this exemption.

(b) Basis of preparation

The Financial Report is presented in Australian dollars.

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

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

Stockland is an entity of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

The preparation of a Financial Report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Report and in the preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS, except for the adoption of AASB 132 "Financial Instruments:

Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement". The Company and the consolidated entity have applied the AASB 1.36A exemption and elected not to apply AASB 132 and AASB 139 to the comparative period. A reconciliation of opening balances impacted by AASB 132 and AASB 139 at 1 July 2005 has been provided in Note 49(n).

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of this consolidated Financial Report.

The impact of new standards and amendments issued but not yet adopted is still being assessed by the directors.

(c) Basis of consolidation

This Financial Report has been prepared based upon a business combination of the parent entity, the Company, and Stockland Trust and their controlled entities, in accordance with UIG 1013 "Consolidated Financial Reports in Relation to Pre-Date-of-Transition Stapling Arrangements".

Controlled entities are entities controlled by either Stockland Corporation Limited or Stockland Trust. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of controlled entities are included in the consolidated Financial Report from the date that control commences until the date that control ceases.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(d) Investments

Controlled entities

Investments in controlled entities are carried at their cost of acquisition in the Company's Financial Statements.

Associates

Associates are those entities over which Stockland has significant influence, but not control, over the financial and operating policies. The consolidated Financial Report includes Stockland's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. If Stockland's share of losses exceeds its interest in an associate, Stockland's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint venture entities

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

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

In the Company's Financial Statements, investments in joint venture entities are carried at cost.

Joint venture operations

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

Other investments

Current accounting policy

Investments in other entities which do not qualify as associates, joint ventures or joint venture entities are classified as financial instruments held for trading and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Comparative period policy

Investments in other entities which do not qualify as associates, joint ventures or joint venture entities are measured at the lower of cost and recoverable amount.

Transactions eliminated on consolidation

Any balances, unrealised gains and losses or income and expenses resulting from transactions with or between entities are eliminated in full within Stockland.

Any balances, unrealised gains and losses or income and expenses arising from transactions with joint ventures and associates are eliminated to the extent of Stockland's interest.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of Stockland's interest in the entity with adjustments made to the "Investment accounted for using the equity method" and "Share of profits of investments accounted for using the equity method" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed by the associates or jointly controlled entities or, if not, consumed or sold by the associate or jointly controlled entity, when Stockland's interest in such entities is disposed of.

(e) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Revenue is recognised for the major business activities as follows:

Property development sales

Revenue from residential land sales and property development sales is recognised in the Income Statement upon settlement and after contractual duties are completed.

Revenue from property development services rendered is recognised in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to surveys of work performed.

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

Rent from investment properties

Rent from investment properties is recognised in the Income Statement on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Balance Sheet as a receivable or if paid in advance,

as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

Hotel operations, management and agency fee income

Revenue from hotel operations, management and agency fee income is recognised in the Income Statement in proportion to the stage of services provided at balance date. The stage of services provided is assessed by reference to the work performed.

Dividends and distributions

Revenue from dividends and distributions from controlled entities and other investments are recognised in the Income Statement on the date the entity's right to receive payment is established, being the date when they are declared by those entities.

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

Interest income

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

(f) Operating leases

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

(g) Segment reporting

A segment is a distinguishable component of Stockland that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(h) 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 Balance Sheet.

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

(i) Income tax

Stockland Corporation Limited

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of

assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Tax consolidation

The Company entered into tax consolidation from 1 July 2003. Stockland Corporation Limited, as the head entity, recognises all current tax balances relating to wholly-owned entities included in the Tax Consolidated Group ("TCG").

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

Deferred tax assets and liabilities relating to temporary differences are measured by reference to the carrying amounts of the assets and liabilities in the TCG member's balance sheet and their tax values

applying under tax consolidation. Any fair value adjustments on accounting consolidation are included in the TCG's tax calculation.

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

Nature of tax funding and sharing arrangements

Under the new tax funding arrangement entered into during the year, payments to or from the Company shall equal any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or tax credits or other tax attributes assumed by the Company at the then recognised amount, and generally will not require any further payments to or from the Company should the recognised amount subsequently change, except for changes by way of correction.

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

Where there is an amendment of a prior year tax return of the Company and/or recalculation of the stand alone tax calculation of a group member and/or adjustment to the disclosed tax losses or other tax attributes not requiring an amendment to the tax return, the change in tax liabilities or assets should be allocated on a systematic and rational basis between the group members, based on the principles that each member should be allocated current and deferred taxes

in a systematic manner based on the underlying tax effect of transactions within those subsidiaries.

The tax liabilities of the entities included in the TCG will be governed by the Deed of Cross Guarantee.

Stockland Trust

Under current Australian income tax legislation, the Trust is not liable for income tax, provided that the taxable income (including any assessable component of any capital gains from the sale of investment assets) is fully distributed to unit holders each year. Tax allowances for building and plant and equipment depreciation are distributed to unit holders in the form of tax deferred components of distributions.

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

(j) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting dates are translated at the rates of exchange ruling at that date. Foreign exchange differences arising on retranslation are recognised in the Income Statement.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(j) Foreign currency (continued) *Translation of financial reports of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rate ruling at the date of transactions. Equity items are translated at historical rates. Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve, a separate component of equity.

Net investment in foreign operations

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

(k) Derivative financial instruments ***Current accounting policy***

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

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any

resultant gain or loss depends on the nature of the item being hedged. Refer Note 1(l).

The fair value of interest rate swaps and swaptions is the estimated amount that Stockland would receive or pay to terminate the swap at balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of cross currency interest rate swaps is the estimated amount that Stockland would receive or pay to terminate the swap at balance date, taking into account current interest and exchange rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at balance date, being the present value of the quoted forward price.

Comparative period policy

Stockland is exposed to changes in interest rates and foreign exchange from its activities. Stockland uses interest rate and cross currency swap agreements and forward exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

(l) Hedging ***Current accounting policy***

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

Fair value hedge

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

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

Cash flow hedge

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

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

Amounts in the hedging reserve are recognised in the Income Statement in the periods when the hedged item is recognised in the Income Statement. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in the hedging reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised

when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in the Income Statement.

Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the foreign currency translation reserve. The ineffective portion is recognised immediately in the Income Statement.

Comparative period policy

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 Income Statement on an accruals basis, as an adjustment to finance 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 Income Statement.

Cross currency interest rate swaps

Cross currency interest rate swaps which are designated as effective hedges of underlying interest and foreign currency exposures are accounted for on the same basis as the underlying interest and foreign currency exposure. Therefore the foreign currency denominated notes are recognised in the Balance Sheet as Australian dollar denominated debt and interest is recognised on an accruals basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(l) Hedging (continued)

Comparative period policy (continued)

Forward exchange contracts

The value of forward exchange contracts is 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.

The quantitative impact of the change in policy is set out in Note 49.

(m) Net financing costs

Net financing costs include interest payable on bank overdrafts and short-term and long-term borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income, and gains and losses on hedging instruments that are recognised in the Income Statement (refer Note 1(l)) and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Financing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Total interest capitalised within Stockland must not exceed the net interest expense of Stockland in any

period, and project carrying values, including all capitalised interest attributable to projects, must continue to be recoverable based on the latest project feasibilities. In the event that development is suspended for an extended period of time, the capitalisation of borrowing costs is also suspended. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is the actual borrowing cost incurred on that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

(n) Cash and cash equivalents

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

(o) Trade receivables

Trade debtors are carried at cost less impairment losses. Collectability of trade debtors is reviewed on an ongoing basis and at balance date specific impairment losses are recorded for any doubtful accounts.

(p) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable accounting standards. Upon initial classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are

included in the Income Statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

Net gains from disposal of non-current asset sales are recognised in the Income Statement at the date control of the asset passes to the buyer.

(q) Inventories

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

Net realisable value

Net realisable value is determined on the basis of sales for each class of inventory in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

Development work in progress

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

Land and property held for resale

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

(r) Impairment of assets

The carrying amounts of Stockland's assets, other than investment properties (refer Note 1(t)), inventories (refer Note 1(q)) and deferred tax

assets (refer Note 1(i)) are reviewed at each balance date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess impairment losses recognised through the Income Statement.

Goodwill and intangible assets with indefinite lives were tested for impairment on the date of transition to AIFRS and no indication of impairment was found to exist.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less cost to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued) (r) Impairment of assets (continued) Calculation of recoverable amount (continued)

flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the Income Statement.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the Income Statement.

(s) Depreciation and amortisation

All assets having limited useful lives, are depreciated/amortised using the diminishing value or the straight-line method over their estimated useful lives. Land is not depreciated. 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. 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 assets are detailed below.

- Leasehold improvements 10-20%
- Plant and equipment 2-50%
- Hotel management rights 10%

These rates are consistent with the prior year.

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

(t) Investment properties

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

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

Where a property is undergoing redevelopment, it is carried at fair value. Where property does not qualify as investment property but is to be redeveloped into investment property it is treated as property, plant and equipment and carried at cost until completion and then transferred to investment property at fair value. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development as set out in Note 1(m).

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

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the Income Statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording. When the consolidated entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

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

lease classified as an investment property is carried at fair value.

Fair value

When assessing fair value, the directors will consider the discounted cash flow of the investment property, the highest and best use of the investment 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 investment property and the state of the market for property of the same kind;
- (iii) that the investment property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and
- (v) that it 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.

In addition, Stockland is required to ensure that independent valuations are performed at regular intervals appropriate to the nature of the investment property. These valuations are considered by the directors when determining fair value.

Subsequent costs

Stockland recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(t) Investment properties (continued)

Subsequent costs (continued)

incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

Disposal of revalued assets

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

(u) Property, plant and equipment Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property under construction or development for future use as investment property (but which does not yet qualify as investment property) is classified as property, plant and equipment and stated at cost until construction or development is complete and the property is able to be leased, at which time it is reclassified as investment property. Property under construction or development for future sale is classified as inventory and stated at the lower of cost or net realisable value. The construction or development of a self-constructed investment property is classified as property, plant

and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

(v) Goodwill

Business combinations prior to 1 July 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Australian GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 July 2004 has not been reconsidered in preparing Stockland's opening AIFRS Balance Sheet at 1 July 2004.

Business combinations since 1 July 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (refer Note 1(r)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on acquisition is recognised directly in the Income Statement.

(w) Trade and other payables

Trade and other payables are stated at cost.

(x) Interest-bearing loans and borrowings

Current accounting policy

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings

are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis unless there is an effective fair value hedge of the borrowings, then the borrowings are carried at fair value.

Comparative period policy

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 using the effective interest method.

(y) Provisions

A provision is recognised when a present 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.

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

Dividends and distributions

A provision for dividends and distributions payable is recognised in the reporting period in which the dividends and distributions are declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(z) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the 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 where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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1 Summary of significant accounting policies (continued)

(z) Employee benefits (continued)

(iv) Superannuation plan

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

(v) Employee benefit on-costs

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

(vi) Share-based payments

Employee Share Plan

Stockland securities issued to eligible employees under the Employee Share Plan are recognised as an expense with a corresponding increase in issued capital. The value recognised is the market price of the securities granted at grant date.

Executive Securities Scheme ("ESS")

Stockland securities issued to executive directors and senior executives together with the associated loan under the Executive Securities Scheme are required to be accounted for as options. The fair value of options granted is recognised as an employee expense with a corresponding increase in the executive remuneration reserve. The fair value is measured at grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period, which is the period over which the securities are subject to service conditions, with a corresponding increase in reserves. Securities are allotted to the individuals, though ultimate beneficial

ownership is dependent on meeting a two year service period.

At 1 July 2004, being the date of transition to AIFRS, Stockland adopted the exemption provided by AASB 1 "First Time Adoption of Australian Equivalents to IFRS" to not apply the above accounting policies to securities issued under this plan before 7 November 2002 or after 7 November 2002 but vested before 1 January 2005.

Incentive Share Plan ("ISP")

Stockland securities issued to executive directors and senior executives together with the associated loan under the Incentive Share Plan are required to be accounted for as options. The fair value of options granted is recognised as an employee expense with a corresponding increase in the executive remuneration reserve. The fair value is measured at grant date using the Black-Scholes or Monte Carlo Simulation option pricing models taking into account the terms and conditions upon which the options were granted. The fair value is expensed on a straight-line basis over the vesting period, which is the period over which the securities are subject to performance and service conditions. Securities are allotted to the individuals, though ultimate beneficial ownership is dependent on meeting both performance hurdles and a service period.

(aa) Issued capital

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

2 Accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Stockland makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Key sources of estimation uncertainty

Estimates of fair value of investment properties

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

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the

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

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

Assumptions underlying management's estimates of fair value

The discounted cash flow approach applied for investment properties usually includes assumptions in relation to current and recent investment property prices. If such prices are not available, then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by Stockland and those reported by the market.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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2 Accounting estimates

and assumptions (continued)

(b) Critical judgements in applying

Stockland's accounting policies

Distinction between investment properties and owner-occupied properties

In applying its accounting policies Stockland determines whether or not a property qualifies as an investment property. In making its judgement, Stockland considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), Stockland accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. Stockland considers each property separately in making its judgement.

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:

- Development;
- Shopping Centres;
- Commercial and Industrial; and
- Other.

Other comprises the Unlisted Property Funds and Hotel divisions and Responsible Entity fees relating to the Trust management.

The main business segments have been modified from those reported in 2005 under previous Australian GAAP to correspond with Stockland's internal organisational and management structure and its system for internal financial reporting to the Board. The 2005 comparatives have been amended accordingly.

Geographical segments

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

All segments operate solely within Australia with the exception of Shopping Centres which also operates in New Zealand.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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3 Segment reporting (continued)

Primary reporting – business segments

2006	Development \$M	Shopping Centres \$M	Commercial and Industrial \$M	Other \$M	Eliminations \$M	Consolidated \$M
External segment revenue	927.3	359.0	230.9	79.5	–	1,596.7
Inter-segment revenue	108.6	30.1	18.0	9.9	(166.6)	–
Total revenue	1,035.9	389.1	248.9	89.4	(166.6)	1,596.7
Segment result before interest, share of profits of investments accounted for using the equity method, fair value adjustment of investment properties and net loss on sale of investment properties	257.8	232.0	174.7	8.4	(0.3)	672.6
Interest expense included in cost of sales	(20.1)	(3.8)	–	–	–	(23.9)
Share of profits of investments accounted for using the equity method (before fair value adjustments of investment properties) ¹	1.3	8.5	36.0	–	–	45.8
Segment result before fair value adjustments and net loss on sale of investment properties	239.0	236.7	210.7	8.4	(0.3)	694.5
Fair value adjustment of investment properties	–	401.1	170.5	–	–	571.6
Share of fair value adjustments of investment properties in associates and joint ventures ¹	–	15.9	52.8	–	–	68.7
Net loss on sale of investment properties	–	(0.1)	(3.5)	–	–	(3.6)
Segment result	239.0	653.6	430.5	8.4	(0.3)	1,331.2
Unallocated corporate expenses ³	–	–	–	–	–	(38.8)
Interest revenue	–	–	–	–	–	2.9
Interest expense ²	–	–	–	–	–	(172.5)
Profit before income tax expense						1,122.8
Income tax expense						(61.2)
Profit attributable to security holders of Stockland						1,061.6
¹ Total share of profits on investments accounted for using the equity method	1.3	24.4	88.8	–	–	114.5

² Interest expense includes \$144.4 million security holders' finance costs.

³ Unallocated corporate expenses includes \$8.6 million unrealised loss on financial instruments, \$24.1 million unrealised gain on financial instruments and \$0.1 million net gain from fair value of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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3 Segment reporting (continued)

Primary reporting – business segments (continued)

2006	Development \$M	Shopping Centres \$M	Commercial and Industrial \$M	Other \$M	Consolidated \$M
Assets					
Segment assets	2,424.2	3,568.9	2,704.3	52.0	8,749.4
Investments in associates and joint venture entities	–	145.8	589.9	–	735.7
Unallocated assets					113.4
Total assets					9,598.5
Liabilities					
Segment liabilities	2,206.8	34.8	71.5	5.4	2,318.5
Unallocated liabilities					884.9
Total liabilities					3,203.4
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	130.8	2.4	99.9	5.3	238.4
Depreciation and amortisation expense	(1.1)	(0.4)	(0.2)	(5.1)	(6.8)
Other non-cash expenses	–	2.4	–	0.5	2.9
Individually significant items – sale of investment properties					
Proceeds on sale of investment properties	–	–	119.3	–	119.3
Book value of investment properties sold	–	(0.1)	(122.8)	–	(122.9)
	–	(0.1)	(3.5)	–	(3.6)

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3 Segment reporting (continued)

Primary reporting – business segments (continued)

2005	Development \$M	Shopping Centres \$M	Commercial and Industrial \$M	Other \$M	Eliminations \$M	Consolidated \$M
External segment revenue	680.5	389.1	244.5	68.6	–	1,382.7
Inter-segment revenue	66.8	25.6	5.0	8.3	(105.7)	–
Total revenue	747.3	414.7	249.5	76.9	(105.7)	1,382.7
Segment result before interest, share of profits of investments accounted for using the equity method, fair value adjustment of investment properties	194.5	216.6	182.5	6.8	(1.2)	599.2
Interest expense included in cost of sales	(10.1)	(2.7)	–	–	–	(12.8)
Share of profits of investments accounted for using the equity method (before fair value adjustment of investment properties) ¹	(0.5)	8.0	36.1	–	–	43.6
Segment result before fair value adjustments and net gain on sale of investment properties	183.9	221.9	218.6	6.8	(1.2)	630.0
Fair value adjustment of investment properties	–	221.4	49.2	–	–	270.6
Share of fair value adjustments of investment properties in associates and joint ventures ¹	–	14.7	(3.5)	–	–	11.2
Net gain on sale of investment properties	–	6.4	(6.0)	–	–	0.4
Segment result	183.9	464.4	258.3	6.8	(1.2)	912.2
Unallocated corporate expenses ²	–	–	–	–	–	(68.7)
Interest revenue	–	–	–	–	–	4.7
Interest expense	–	–	–	–	–	(31.3)
Profit before income tax expense						816.9
Income tax expense						(51.8)
Profit attributable to security holders of Stockland						765.1
¹ Total share of profits on investments accounted for using the equity method	(0.5)	22.7	32.6	–	–	54.8
² Unallocated corporate expenses includes \$19.8 million unrealised loss on financial instruments.						
Assets						
Segment assets	2,235.3	3,139.2	2,218.4	62.0	–	7,654.9
Investments in associates and joint venture entities	4.1	127.2	522.1	–	–	653.4
Unallocated assets						90.8
Total assets						8,399.1
Liabilities						
Segment liabilities	1,896.3	32.4	42.3	7.6	–	1,978.6
Unallocated liabilities						934.3
Total liabilities						2,912.9
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	165.1	123.7	49.0	6.8	–	344.6
Depreciation and amortisation expense	(1.2)	(0.4)	(0.1)	(4.8)	–	(6.5)
Other non-cash expenses	–	(0.8)	–	0.1	–	(0.7)
Individually significant items – sale of investment properties						
Proceeds on sale of investment properties	–	73.7	224.1	–	–	297.8
Book value of investment properties sold	–	(67.3)	(230.1)	–	–	(297.4)
	–	6.4	(6.0)	–	–	0.4

Notes to the Consolidated Financial Statements

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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	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M	2006 \$M	2005 \$M
New South Wales	484.0	434.7	4,417.8	3,837.7	11.4	178.8
Queensland	637.0	556.5	2,312.6	2,075.2	126.6	11.3
Victoria	224.1	188.2	957.5	890.6	40.5	123.6
Western Australia	162.2	115.5	307.2	249.6	59.6	30.9
ACT	30.4	25.7	212.0	180.4	0.2	–
South Australia	24.7	25.8	223.4	202.2	–	–
Northern Territory	9.3	12.0	1.9	1.8	0.1	–
New Zealand	25.0	24.3	317.0	217.4	–	–
	1,596.7	1,382.7	8,749.4	7,654.9	238.4	344.6

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M

4 Rent from investment properties

Included within rent from investment properties:

Contingent rent billed to tenants and recognised in gross lease income	9.4	10.1	–	–
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5 Finance costs to external parties

Interest expense relating to interest-bearing financial liabilities carried at:

Amortised cost	90.7	73.5	–	–
Fair value	62.4	33.5	–	–
Interest paid or payable to other parties	3.5	16.8	3.0	15.6
Less interest capitalised to property developments in inventory	(112.7)	(81.7)	–	–
Less interest capitalised to investment properties	(15.8)	(10.8)	–	–

Total finance costs to external parties expensed	28.1	31.3	3.0	15.6
Capitalised finance costs to external parties included in cost of property developments sold	23.9	12.8	–	–
Total effect of finance costs to external parties included in the Income Statement	52.0	44.1	3.0	15.6

6 Personnel expenses

Wages and salaries including on-costs	136.0	108.5	–	–
Contributions to defined contribution plans	8.2	6.6	–	–
Equity-settled ISP/ESS share-based payment transactions	4.3	1.9	–	–
Increase in liability for long service leave and annual leave	2.1	2.1	–	–
ESP securities issued including associated costs	0.7	0.7	–	–
Interest expense related to share-based payments	3.0	1.1	–	–
	154.3	120.9	–	–

Notes to the Consolidated Financial Statements

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	Note	CONSOLIDATED		COMPANY	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
7 Auditors' remuneration					
Audit services					
Audit and review of the financial reports (KPMG Australia)		1,202	959	700	467
Audit and review of the financial reports (overseas KPMG firms)		36	30	22	12
Regulatory audit and assurance services (KPMG Australia)		634	377	278	128
Total remuneration for audit services		1,872	1,366	1,000	607
Other services					
Other audit related services					
IFRS accounting services (KPMG Australia)		502	444	277	216
Accounting interpretation advice (KPMG Australia)		200	178	112	86
		702	622	389	302
Other non-audit related services					
Taxation compliance services (KPMG Australia)		473	602	172	144
Total remuneration		3,047	2,590	1,561	1,053
Fees are paid by Stockland Corporation Limited on behalf of the Company and its controlled entities.					
		CONSOLIDATED		COMPANY	
		2006 \$M	2005 \$M	2006 \$M	2005 \$M
8 Income tax expense/(benefit) recognised in the Income Statement					
Current tax expense					
Current year		40.6	30.5	–	(4.7)
Adjustments for prior years		2.1	–	0.1	–
		42.7	30.5	0.1	(4.7)
Deferred tax expense					
Origination and reversal of temporary differences	30	18.5	21.3	(0.1)	–
Total income tax expense/(benefit) in Income Statement		61.2	51.8	–	(4.7)
Numerical reconciliation between tax expense/(benefit) and pre-tax net profit					
Profit before income tax expense and security holders' finance costs		1,267.2	816.9	117.0	101.9
Prima facie income tax calculated at 30%		380.2	245.0	35.1	30.6
Less prima facie income tax on profit from Trust		(324.4)	(197.9)	–	–
		55.8	47.1	35.1	30.6
Increase in income tax expense due to:					
Other non-deductible expenses		3.0	4.5	0.8	–
Assessable income not recognised in profit before income tax expense		0.7	–	–	–
Decrease in income tax expense due to:					
Non-taxable dividends		–	–	(35.9)	(35.3)
Other deductible expenses		(0.4)	–	–	–
		59.1	51.6	–	(4.7)
Under provided in prior years		2.1	0.2	–	–
Income tax expense/(benefit) on pre-tax net profit		61.2	51.8	–	(4.7)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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		2006 Cents	2005 Cents
9 Earnings per security			
Basic earnings per security	(a)	79.6	59.6
Diluted earnings per security	(a)	79.6	59.6
Basic earnings per security before certain significant items	(b)	41.5	39.1
Diluted earnings per security before certain significant items	(b)	41.5	39.1

(a) Earnings per security

Basic earnings per security is calculated by dividing profit attributable to security holders of Stockland by the weighted average number of ordinary securities outstanding during the year. Diluted earnings per security is calculated by dividing the profit attributable to security holders (after deducting the after-tax effect of interest on share-based payments) by the weighted average number of ordinary securities outstanding during the year after adjusting for the effect of securities issued under share plans accounted for as options.

The following reflects the income and securities data used in the basic and diluted earnings per security computations.

	Note	2006 \$M	2005 \$M
Basic earnings			
Profit attributable to security holders in accordance with AIFRS		1,061.6	765.1
Diluted earnings reconciliation			
Profit attributable to security holders in accordance with AIFRS		1,061.6	765.1
After-tax effect of interest expense related to share-based payments	6	3.0	1.1
Diluted profit attributable to security holders		1,064.6	766.2
		2006 No.	2005 No.
Weighted average number of securities (basic)			
Weighted average number of securities as at 30 June		1,334,426,419	1,284,183,404
Weighted average number of securities (diluted)			
Weighted average number of securities (basic) as at 30 June		1,334,426,419	1,284,183,404
Effect of securities issued under share plans accounted for as options		2,248,130	2,258,216
Weighted average number of securities (diluted) as at 30 June		1,336,674,549	1,286,441,620

Certain ISP securities could potentially dilute basic earnings per security in the future but were not included in the 2006 calculation of diluted earnings per security because they were antidilutive in that period (2005: nil).

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For the year ended 30 June 2006

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9 Earnings per security (continued)

(b) Earnings per security calculated on the profit from operations before significant items as assessed by the directors

To provide information to security holders that reflects the directors' assessment of the profit attributable to security holders, certain significant items that are relevant to an understanding of Stockland's results have been identified. The effect of these items are set out below.

The following reflects the income and securities data used in calculating the basic and diluted earnings per security before certain significant items.

	Note	2006 \$M	2005 \$M
Profit from operations as assessed by the directors		553.7	502.7
Certain significant items:			
Net gain from fair value adjustment of investment properties (including share of associates and joint ventures)		640.3	281.8
Net (loss)/gain on sale of investment properties		(3.6)	0.4
Net gain from financial instruments treated as fair value hedge		0.1	–
Unrealised loss on financial instruments		(8.6)	(19.8)
Unrealised gain on financial instruments		24.1	–
Security holders' finance costs ¹		(144.4)	–
Profit attributable to security holders in accordance with AIFRS		1,061.6	765.1
Basic earnings from operations before significant items		553.7	502.7
Profit from operations as assessed by the directors		553.7	502.7
Diluted earnings from operations before significant items reconciliation			
Profit from operations as assessed by the directors		553.7	502.7
After tax effect of interest expense related to share-based payments	6	3.0	1.1
Diluted profit from operations as assessed by the directors		556.7	503.8
		2006 No.	2005 No.
Weighted average number of securities (basic)			
Weighted average number of securities as at 30 June		1,334,426,419	1,284,183,404
Weighted average number of securities (diluted)			
Weighted average number of securities (basic) as at 30 June		1,334,426,419	1,284,183,404
Effect of securities issued under share plans accounted for as options		2,248,130	2,258,216
Weighted average number of securities (diluted) as at 30 June		1,336,674,549	1,286,441,620

Certain ISP securities could potentially dilute basic earnings per security before significant items in the future but were not included in the 2006 calculation of diluted earnings per security before significant items because they were antidilutive in that period (2005: nil).

¹ Security holders' finance costs represents trust distributions payable for the period 1 July 2005 to 25 October 2005, being the date of the Annual General Meeting. For the period, 1 July 2005 to 25 October 2005, AIFRS required Stockland Trust unit holders' issued capital to be treated as a liability and trust distributions payable to be treated as a finance cost in the Income Statement. At the Annual General Meeting, Stockland Trust unit holders agreed to amend the Stockland Trust Constitution, which meant the unit holders' issued capital from that date would be treated as equity in accordance with accounting standard AASB 132 "Financial Instruments: Disclosure and Presentation". AASB 132 was effective from 1 July 2005 and therefore does not affect prior period comparatives.

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
10 Current assets – Cash and cash equivalents				
Cash and cash equivalents	37.1	37.4	–	–

The weighted average interest rate for Cash at bank as at 30 June 2006 was 5.46% p.a. (2005 4.80% p.a.)

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
11 Current assets – Trade and other receivables				
Trade debtors	53.6	35.2	–	0.1
Less: impairment loss	(0.4)	(0.8)	–	–
	53.2	34.4	–	0.1
Interest receivable	2.8	2.5	–	–
Receivables from wholly owned entities	–	–	2,292.0	2,006.5
Other debtors	10.0	16.4	–	0.3
Less: impairment loss	–	(0.3)	–	(0.3)
	66.0	53.0	2,292.0	2,006.6
12 Current assets – Inventories				
Land and property held for resale – at cost:				
– cost of acquisition	105.3	88.6	–	–
– development costs	137.5	105.3	–	–
– other costs	16.3	9.0	–	–
	259.1	202.9	–	–
Development work in progress – at cost:				
Residential communities under development				
– cost of acquisition	131.6	95.9	–	–
– development costs	104.7	73.2	–	–
– other costs	38.5	10.5	–	–
	274.8	179.6	–	–
Apartments				
– cost of acquisition	55.4	3.5	–	–
– development costs	87.1	60.0	–	–
– other costs	12.1	1.6	–	–
	154.6	65.1	–	–
Retail projects				
– cost of acquisition	7.7	16.8	–	–
– development costs	12.2	16.2	–	–
– other costs	1.0	4.3	–	–
	20.9	37.3	–	–
Industrial projects				
– cost of acquisition	2.9	14.0	–	–
– development costs	–	0.3	–	–
	2.9	14.3	–	–
	712.3	499.2	–	–

Other costs include finance costs, rates and taxes. Finance costs were capitalised at a weighted average interest rate of 6.05% for July 2005, 6.10% for August 2005, 6.15% from 1 September 2005 to 31 October 2005, 6.20% from 1 November 2005 to 30 June 2006 (30 June 2005: 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).

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
13 Current assets – Other assets				
Prepayments	8.6	11.5	–	–
Deposits	34.5	25.7	–	–
Lease incentives (net of amortisation)	8.0	5.9	–	–
Other	14.4	8.3	–	–
	65.5	51.4		–
14 Non-current assets held for sale				
Sydney Orbital Park, Sydney NSW ¹	20.5	–	–	–
50 Pitt Street Sydney, Sydney NSW ²	45.3	–	–	–
75 George Street, Parramatta NSW ²	26.8	–	–	–
	92.6	–	–	–
15 Non-current assets – Other receivables				
Trade debtors – straight-lining of rental income	16.2	13.0	–	–
Loans to executive directors and senior executives ¹	1.8	2.0	–	–
Other	3.4	–	–	–
	21.4	15.0	–	–

¹ Consists of vacant land and is presented as held for sale following the decision of Stockland's management to sell this property in two tranches during the financial year ending 30 June 2007 for approximately \$20.5 million, net of selling costs. No gain or loss is expected from the sale as disposal will be at book value. This asset is presented in the Commercial and Industrial segment.

² These commercial properties are presented as held for sale following the decision of Stockland's management to sell these properties during the financial year ending 30 June 2007 for approximately \$72.1 million, net of selling costs. These assets are presented in the Commercial and Industrial segment.

¹ For further details on loans to executive directors and senior executives refer to Note 46 (Key Management Personnel Disclosures).

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
16 Non-current assets – Inventories				
Development work in progress – at cost:				
Residential communities under development				
– cost of acquisition	1,091.4	1,201.4	–	–
– development costs	171.7	163.5	–	–
– other costs	145.4	85.3	–	–
	1,408.5	1,450.2	–	–
Apartments				
– cost of acquisition	175.4	218.1	–	–
– development costs	37.7	44.1	–	–
– other costs	22.0	17.0	–	–
	235.1	279.2	–	–
Retail projects				
– cost of acquisition	8.3	6.5	–	–
– development costs	0.2	0.3	–	–
– other costs	–	0.8	–	–
	8.5	7.6	–	–
Industrial projects				
– cost of acquisition	50.5	–	–	–
– development costs	204.4	–	–	–
– other costs	0.5	–	–	–
	255.4	–	–	–
	1,907.5	1,737.0	–	–

Other costs include finance costs, rates and taxes. Finance costs were capitalised at a weighted average interest rate of 6.05% for July 2005, 6.10% for August 2005, 6.15% from 1 September 2005 to 31 October 2005, 6.20% from 1 November 2005 to 30 June 2006 (30 June 2005: 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).

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Description	Title	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2006 \$M	Book value 30 June 2005 \$M
17 Non-current assets – Investment properties								
Shopping Centres								
Stockland Wetherill Park, Wetherill Park NSW ¹	F/hold	Aug 1983	12.0	105.4	June 2006	278.0	278.0	230.3
Stockland Shellharbour, Shellharbour NSW ⁷	F/hold	June 2003	140.2	145.4	Dec 2005	223.5	227.4	178.8
Stockland Townsville, Townsville QLD ^{1,7}	F/hold	June 1987	27.7	94.8	Dec 2005	196.5	198.5	175.3
Stockland Glendale, Glendale NSW ¹	F/hold	Mar 1996	50.6	81.0	June 2006	184.0	184.0	134.1
Stockland Bay Village, Bateau Bay NSW	F/hold	Oct 2000	63.9	106.7	June 2006	176.0	176.0	108.1
Stockland Rockhampton, Rockhampton QLD	F/hold	June 2003	132.6	134.1	June 2006	174.0	174.0	147.5
Stockland Green Hills, Maitland NSW ^{1,7}	F/hold	Dec 2000	51.7	113.4	Dec 2005	168.0	168.1	148.2
Stockland Cairns, Cairns QLD ^{1,7}	F/hold	June 1992	47.8	143.1	Dec 2005	156.5	157.3	146.1
Stockland The Pines, Doncaster East VIC ¹	F/hold	Nov 2004	122.5	123.0	June 2006	134.6	134.6	123.1
Stockland Burleigh Heads, Burleigh Heads QLD ^{1,7}	F/hold	Aug 2003	82.4	110.9	Dec 2005	133.0	134.1	94.3
Stockland Merrylands, Merrylands NSW ^{1,7}	F/hold	Sept 1982	18.0	37.1	Dec 2004	128.0	129.6	128.6
Botany Town Centre, Auckland NZ (50%)	F/hold	June 2003	86.3	96.7	June 2006	109.6	109.6	114.1
Stockland Jesmond, Jesmond NSW ¹	F/hold	Feb 1984	9.2	38.3	June 2006	108.0	108.0	83.9
Karrinyup Shopping Centre, Karrinyup WA (25%) ⁴	F/hold	June 2003	69.9	70.8	Dec 2005	106.3	106.2	100.1
Stockland Gladstone, Gladstone QLD ⁷	F/hold	Oct 2000	52.2	53.7	Dec 2005	87.0	87.1	78.4
Stockland Nowra, Nowra NSW	F/hold	June 2003	49.7	50.4	June 2006	79.0	79.0	68.7
Stockland Parabanks, Salisbury SA	F/hold	June 2003	55.7	56.5	June 2006	78.0	78.0	71.0
Stockland Bathurst, Bathurst NSW ⁷	F/hold	June 2003	40.4	53.1	Dec 2005	77.0	77.1	63.2
Stockland Bullcreek, Bullcreek WA	F/hold	June 2003	53.0	53.2	June 2006	72.5	72.5	62.9
Stockland Cleveland, Cleveland QLD ^{1,7}	F/hold	Oct 2002	63.3	65.9	Dec 2005	69.5	71.3	64.4
Stockland Baulkham Hills, Baulkham Hills NSW ^{1,7}	F/hold	Sept 1982	15.5	26.8	Dec 2004	69.5	70.2	69.8
Stockland Wendouree, Ballarat VIC ⁷	F/hold	June 2003	42.0	44.0	Dec 2005	69.5	69.7	64.8
Stockland Batemans Bay, Batemans Bay NSW ¹	F/hold	June 2002	6.3	63.5	June 2006	69.0	69.0	65.6
Stockland Caloundra, Caloundra QLD ⁷	F/hold	June 2003	46.5	49.1	Dec 2005	68.0	68.1	60.2
Lynnmall Shopping Centre, Auckland NZ (50%)	F/hold	June 2003	56.3	57.0	June 2006	62.1	62.1	67.0
Stockland Traralgon, Traralgon VIC ⁷	F/hold	June 2003	44.0	44.4	Dec 2004	60.0	60.5	60.2
Stockland Corrimall, Corrimall NSW ⁷	F/hold	June 2003	36.5	36.8	Dec 2005	48.5	48.6	45.0
Stockland Forster, Forster NSW ^{1,3}	F/hold	July 2003	39.0	48.4	June 2003	39.0	48.4	48.4
Shellharbour Supa Centre, Shellharbour NSW	F/hold	June 2003	33.5	33.9	June 2006	46.7	46.7	42.0
Stockland Glenrose, Glenrose NSW ^{1,2,3,7}	F/hold	Jan 2003	39.6	39.8	Dec 2002	36.7	39.8	39.8
Manukau Supa Centre, Auckland NZ (50%)	F/hold	June 2003	22.1	23.8	June 2006	26.3	26.3	28.6
Benowa Gardens, Burleigh Heads QLD ^{1,7}	F/hold	Aug 2003	21.3	22.2	June 2004	22.0	22.3	22.2
Bridge Plaza, Bateman's Bay NSW ^{1,7}	F/hold	Sept 2003	13.3	19.0	Dec 2005	17.1	17.7	14.5
Merrylands Court, Merrylands NSW ^{1,7}	F/hold	Dec 2002	15.8	15.9	June 2004	16.0	16.1	16.0
Burleigh Central, Burleigh Heads QLD ¹	F/hold	Aug 2003	14.8	14.9	Dec 2005	15.5	15.5	15.1
Woolworths, Toowong QLD	F/hold	Oct 2000	4.8	4.9	June 2006	8.0	8.0	5.3
Stockland Vincentia, Vincentia NSW ¹	F/hold	June 2003	6.8	7.4		–	7.4	7.4
Auckland Creek, Gladstone QLD	F/hold	Oct 2000	6.7	7.6	Dec 2005	3.4	3.4	3.2
8 North Street, Bateman's Bay NSW ¹	F/hold	Feb 2004	2.4	–	Feb 2004	–	–	0.8
Shopping Centres total							3,450.2	2,997.0

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Description	Title	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2006 \$M	Book value 30 June 2005 \$M
17 Non-current assets – Investment properties (continued)								
Commercial								
Piccadilly, 133-145 Castlereagh Street, Sydney NSW ⁶	L/hold	Oct 2000	210.1	228.3	June 2006	296.0	296.0	259.0
Northpoint, North Sydney NSW	F/hold	June 2003	173.3	177.4	Dec 2005	196.0	195.9	175.4
Colonial Centre, Sydney NSW (50%) ⁴	L/hold	June 2003	173.8	175.2	June 2006	182.5	182.5	172.5
Waterfront Place, Eagle Street, Brisbane QLD (50%) ^{4,7}	F/hold	Feb 2004	151.6	151.3	Dec 2005	177.5	177.9	152.1
Riverside, 452 Flinders Street, Melbourne VIC	F/hold	Oct 2000	124.5	125.3	June 2006	140.0	140.0	123.3
135 King Street, Sydney NSW (50%) ^{4,6,7}	F/hold	June 2003	96.5	102.3	Dec 2005	120.5	120.6	99.8
Exchange Plaza, Perth WA (50%) ⁴	L/hold	June 2003	67.8	68.6	June 2006	93.5	93.5	70.8
Edmond Barton Building, Barton ACT ⁷	L/hold	Oct 2000	76.9	80.4	Dec 2004	87.5	87.6	87.5
601 Pacific Highway, St Leonards NSW ²	F/hold	June 2003	61.1	62.4	June 2006	67.5	67.5	61.8
72 Christie Street, St Leonards NSW	F/hold	June 2003	46.0	63.3	Dec 2005	60.7	60.5	38.6
7 Macquarie Place, Sydney NSW (50%) ⁴	F/hold	June 2003	48.1	49.4	June 2006	52.5	52.5	48.7
234 Sussex Street, Sydney NSW	F/hold	Oct 2000	42.0	42.6	June 2006	50.0	50.0	45.0
77 Pacific Highway, North Sydney NSW	F/hold	Jan 2000	25.9	53.8	June 2005	49.0	48.2	49.0
150 Charlotte Street, Brisbane QLD	F/hold	Jan 2006	45.0	46.9	Jan 2006	45.0	46.9	–
81-95 Waymouth Street, Adelaide SA ^{2,7}	F/hold	June 2003	41.0	41.0	Dec 2005	46.5	46.6	41.0
175-181 Castlereagh Street, Sydney NSW ¹	F/hold	Sept 1982	18.0	27.7	June 2004	46.0	46.4	46.3
333 Kent Street, Sydney NSW ³	F/hold	Jan 2000	32.8	35.3	June 2005	37.5	40.6	37.5
Chesser House, Adelaide SA	F/hold	June 2003	22.6	24.2	June 2005	28.0	31.6	28.0
68 Northbourne Avenue, Canberra ACT ¹	L/hold	Aug 2003	21.5	21.6	June 2006	29.0	29.0	21.6
Amory Gardens, 2-6 Cavill Avenue, Ashfield NSW	F/hold	July 2000	33.2	37.3	June 2005	26.5	26.3	26.5
110 Walker Street, North Sydney NSW	F/hold	Oct 2000	22.7	23.3	Dec 2005	25.2	25.2	24.1
80-88 Jephson Street, Towonga QLD	F/hold	June 2006	23.9	23.9	June 2006	23.0	23.9	–
118-120 Pacific Highway, St Leonards NSW	F/hold	Oct 2000	19.1	20.0	June 2006	23.6	23.6	21.4
541 St Kilda Road, Melbourne VIC ^{7,8}	F/hold	Jan 2000	17.1	20.5	June 2004	22.3	22.8	22.4
Cox & Drakeford Buildings								
Northbourne Avenue & Mort Street, Canberra ACT ⁷	L/hold	Oct 2000	11.0	13.2	Dec 2005	17.9	18.0	14.4
Trace/Todd Buildings								
Cooyong & Mort Streets, Canberra ACT	L/hold	Oct 2000	10.6	15.2	June 2005	17.3	17.3	17.3
367 George Street, Sydney NSW ¹	F/hold	June 1998	35.8	–	Dec 2003	46.0	–	46.2
50 Pitt Street, Sydney NSW ^{1,7}	F/hold	June 1998	44.8	–	June 2005	45.0	–	45.0
75 George Street, Parramatta NSW ⁷	F/hold	June 2003	30.0	–	June 2005	27.5	–	27.5
Commercial total							1,970.9	1,802.7

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Description	Title	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2006 \$M	Book value 30 June 2005 \$M
17 Non-current assets – Investment properties (continued)								
Industrial								
Yennora Distribution Centre, Yennora NSW ⁷	F/hold	July 2000	141.9	213.1	Dec 2005	255.0	256.2	210.4
Brooklyn Estate, Brooklyn VIC	F/hold	June 2003	52.4	58.3	June 2006	82.5	82.5	70.0
Hendra Distribution Centre, Hendra QLD	F/hold	July 2000	41.7	45.6	June 2006	68.5	68.5	52.5
Port Adelaide Distribution Centre, Gillman SA	F/hold	July 2000	42.9	45.9	June 2006	60.5	60.5	53.4
9-11 Ferndell Street, Granville NSW ²	F/hold	June 2003	32.9	36.5	June 2006	39.5	39.5	36.2
Altona Distribution Centre, Altona VIC ⁷	F/hold	July 2000	24.3	24.8	June 2005	24.9	26.1	24.9
55-63 Bourke Road, Alexandria NSW	F/hold	June 2003	20.1	20.4	Dec 2005	24.3	24.2	21.0
Prestons Industrial Estate, Prestons NSW ^{1,2}	F/hold	May 2005	21.6	21.7	June 2006	21.8	21.8	21.6
514 Boundary Road, Richlands QLD ²	F/hold	Oct 2005	17.2	17.9	Aug 2005	17.2	17.9	–
2 Davis Road, Wetherill Park NSW ¹	F/hold	April 2003	15.6	15.7	June 2005	17.7	17.6	17.7
11A Ferndell Street, Granville NSW ^{1,7}	F/hold	April 2003	14.4	14.8	June 2005	16.3	16.5	16.3
42 Birnie Avenue, Sydney NSW ^{1,2}	F/hold	June 2005	15.0	15.2	June 2006	15.3	15.3	15.0
11 Amour Street, Revesby NSW ¹	F/hold	June 2003	11.0	13.3	June 2005	14.0	14.0	14.0
735 Boundary Road, Richlands QLD ²	F/hold	Oct 2005	11.8	12.3	Aug 2005	11.8	12.3	–
159-163 Newton Road, Wetherill Park NSW ¹	F/hold	Oct 2003	11.1	11.2	June 2005	11.9	12.0	11.9
9 Orielton Park, Smeaton Grange NSW ^{1,5}	F/hold	Sept 2003	11.9	11.6	Dec 2005	11.6	11.6	31.8
509 Boundary Road, Richlands QLD	F/hold	June 2003	8.1	8.2	Dec 2005	9.1	9.1	8.2
60 Fulcrum Street, Richlands QLD	F/hold	June 2003	5.7	5.9	June 2005	7.5	7.5	7.5
Industrial total							713.1	612.4
Office Parks								
Macquarie Technology Centre, 11-17 Khartoum Road, North Ryde NSW	F/hold	Oct 2000	36.5	38.8	Dec 2005	40.5	40.5	39.5
16 Giffnock Avenue, North Ryde NSW ¹⁰	F/hold	July 2000	25.7	27.4	June 2006	38.5	38.5	34.3
60-66 Waterloo Road, North Ryde NSW	F/hold	Oct 2000	20.8	24.6	June 2006	34.7	34.7	27.5
Lot 21 Riverside Corporate Park, North Ryde NSW ⁷	F/hold	June 2001	16.0	19.2	June 2004	16.5	19.3	17.8
3 Byfield Street, North Ryde NSW	F/hold	Jan 2000	9.0	9.3	Dec 2005	9.1	9.1	8.2
18 Rodborough Road, Frenchs Forrest NSW	F/hold	Jan 2000	8.7	8.8	Dec 2005	7.6	–	7.9
CentreCourt Estate, North Ryde NSW ³	F/hold	July 2000	68.7	48.0	June 2004	–	–	50.5
Office Parks total							142.1	185.7
Sub-total							6,276.3	5,597.8

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For the year ended 30 June 2006

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Description	Title	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2006 \$M	Book value 30 June 2005 \$M
17 Non-current assets – Investment properties (continued)								
Other								
Capital works in progress			–	–		–	53.0	95.3
M4 Greystanes Industrial Park, Greystanes NSW ¹¹	F/Hold	June 2005	15.2	54.5		–	54.5	–
210-222 Russell Street, Melbourne VIC	F/Hold	June 2004	16.8	16.8	Dec 2004	17.2	17.2	17.2
2 Bond Street, Sydney NSW			1.7	2.5		–	2.5	1.7
88 The Esplanade, Darwin NT	F/Hold	June 2004	1.9	1.9		–	1.9	1.9
Other total							129.1	116.1
Total Investment Properties (including amounts classified in Other assets, Receivables and Property, plant and equipment)							6,405.4	5,713.9
Less amounts classified as:								
– Property, plant and equipment							3.2	3.2
– Other assets							55.8	32.9
– Other assets attributable to investments accounted for using the equity method							22.4	4.6
– Other receivables (straight-lining of operating lease rental income)							16.2	14.7
Total Investment Properties (including share of investment property held by associates and joint ventures)							6,307.8	5,658.5

¹ Property held by Stockland Trust.

² Date of latest valuation preceding acquisition by the Trust.

³ Capital works are in progress. Fair value at 30 June 2006 has been assessed by the directors after consideration of the latest valuation and capital works incurred to 30 June 2006. An independent valuation of the property will be undertaken upon completion of the works.

⁴ Property held by associates and joint venture entities.

⁵ Transferred to assets classified as held for sale.

⁶ Includes Retail.

⁷ Book value includes capital expenditure incurred since latest independent valuation.

⁸ Part transfer to Property, plant and equipment.

⁹ Independent valuation and book value includes capital expenditure to be incurred on incentives.

¹⁰ Included as part of Centrecourt Estate as at 30 June 2005. The remaining part of Centrecourt Estate was transferred to inventory.

¹¹ Reached practical completion on 30 June 2006.

Directors' valuations have been undertaken as at 30 June 2006 for all properties when determining fair value. Directors' valuations are on the basis of open market values for the highest and best use of the respective properties.

	CONSOLIDATED	
	2006 \$M	2005 \$M
Reconciliation of ownership		
Consolidated investment properties	5,597.0	5,019.2
Stockland's share of investment properties held by associates and joint venture entities	710.8	639.3
Total interest in investment properties	6,307.8	5,658.5
Reconciliation – investment properties		
Direct investments and controlled entities		
Carrying amount at the beginning of the financial year	5,019.2	4,705.0
Acquisitions	102.0	171.2
Expenditure capitalised	127.4	167.8
Transfers to assets classified as held for sale	(149.7)	(271.4)
Transfers to inventory	(51.9)	(25.0)
Net gain on fair value adjustments of investment properties	571.6	270.6
Effect of movements in foreign exchange	(21.6)	1.0
Carrying amount at the end of the financial year	5,597.0	5,019.2

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For the year ended 30 June 2006

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
18 Non-current assets – Other financial assets				
Investments in other entities				
Shares in controlled entities	–	–	184.7	184.7
Units in unlisted entities	21.1	22.2	–	–
	21.1	22.2	184.7	184.7
	CONSOLIDATED			
	Strata units \$M	Leasehold improvements \$M	Plant and equipment \$M	Total \$M
19 Non-current assets – Property, plant and equipment				
Cost				
Balance at 1 July 2004	4.0	1.5	35.1	40.6
Acquisitions through business combinations	–	–	0.3	0.3
Other acquisitions	0.8	0.3	8.0	9.1
Disposals	–	–	(6.7)	(6.7)
Balance at 30 June 2005	4.8	1.8	36.7	43.3
Balance at 1 July 2005	4.8	1.8	36.7	43.3
Other acquisitions	–	0.8	6.5	7.3
Disposals	–	–	(0.3)	(0.3)
Transfer to investment properties	(0.8)	–	–	(0.8)
Balance at 30 June 2006	4.0	2.6	42.9	49.5
Depreciation and impairment losses				
Balance at 1 July 2004	0.4	0.5	9.3	10.2
Depreciation charge for the year	0.1	0.2	5.7	6.0
Disposals	–	–	(2.7)	(2.7)
Balance at 30 June 2005	0.5	0.7	12.3	13.5
Balance at 1 July 2005	0.5	0.7	12.3	13.5
Depreciation charge for the year	0.1	0.3	5.9	6.3
Disposals	–	–	(0.2)	(0.2)
Balance at 30 June 2006	0.6	1.0	18.0	19.6
Carrying amounts				
At 1 July 2004	3.6	1.0	25.8	30.4
At 30 June 2005	4.3	1.1	24.4	29.8
At 1 July 2005	4.3	1.1	24.4	29.8
At 30 June 2006	3.4	1.6	24.9	29.9

There are no restrictions on the title to these assets nor have they been pledged as security for liabilities during either financial year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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	Notes	CONSOLIDATED 2006 \$M	2005 \$M	COMPANY 2006 \$M	2005 \$M
20 Non-current assets – Investments accounted for using the equity method					
Associates	41	106.5	100.3	–	–
Joint venture entities	42	629.2	553.1	–	–
		735.7	653.4	–	–
			Goodwill \$M	CONSOLIDATED Other \$M	Total \$M
21 Non-current assets – Intangible assets					
Cost					
Balance at 1 July 2004			267.8	5.9	273.7
Write off on disposal of investment properties			(15.1)	–	(15.1)
Balance as at 30 June 2005			252.7	5.9	258.6
Balance at 1 July 2005			252.7	5.9	258.6
Write off on disposal of investment properties			(3.3)	–	(3.3)
Balance as at 30 June 2006			249.4	5.9	255.3
Amortisation and impairment losses					
Balance at 1 July 2004			3.7	2.0	5.7
Amortisation for the year			–	0.5	0.5
Balance as at 30 June 2005			3.7	2.5	6.2
Balance at 1 July 2005			3.7	2.5	6.2
Amortisation for the year			–	0.5	0.5
Balance as at 30 June 2006			3.7	3.0	6.7
Carrying amounts					
At 1 July 2004			264.1	3.9	268.0
At 30 June 2005			249.0	3.4	252.4
At 1 July 2005			249.0	3.4	252.4
At 30 June 2006			245.7	2.9	248.6

Other intangibles consist of Hotel management rights \$4.7 million (2005: \$4.7 million) and Heritage Floor space \$1.2 million (2005: \$1.2 million).

No impairment losses have been recognised in the current or prior years.

The goodwill arose on the acquisition of the ADP portfolio in 2003. Stockland tests goodwill annually for impairment, or more frequently if there are indicators that goodwill may be impaired.

The recoverable amount of a cash generating unit (“CGU”) is determined based on fair value method. This method involves identifying other competitors in the marketplace that appear to have cash flow characteristics similar to each CGU that is diversified property assets. A comparison is then made between the premium percentage being paid by competitors compared to the premium percentage paid for the underlying assets to which Stockland’s goodwill relates.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
22 Non-current assets – Other assets				
Lease incentives (net of amortisation)	42.2	23.0	–	–
Lease fees	7.0	6.1	–	–
Financial instruments asset	14.6	–	–	–
	63.8	29.1	–	–
23 Current liabilities – Trade and other payables				
Trade payables and accruals	195.5	156.5	–	–
Trade payables – land purchases	34.2	31.2	–	–
Goods and services tax (“GST”) payable	20.5	12.6	–	–
	250.2	200.3	–	–
24 Current liabilities – Interest-bearing loans and borrowings				
Unsecured				
Medium term notes	–	249.7	–	–
Commercial paper	200.0	–	–	–
Loan from controlled entity	–	–	2,029.3	1,765.1
	200.0	249.7	2,029.3	1,765.1

The weighted average interest rate on current and non-current medium term notes at 30 June 2006 was 6.2% p.a. (2005: 5.8%).

The weighted average interest rate on commercial paper at 30 June 2006 was 5.8% p.a.

The weighted average interest rate on the loan from controlled entity at 30 June 2006 was 6.9% p.a. (2005: 6.9%).

Details of the medium term notes and commercial paper are set out in Note 29.

25 Current liabilities – Income tax payable

The current tax liability for the consolidated entity of \$2.3 million (2005: \$7.0 million) and for the Company of \$2.3 million (2005: \$7.0 million) represent the amount of income taxes payable in respect of current and prior periods.

In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability (asset) initially recognised by the members in the Tax Consolidation Group.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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		CONSOLIDATED		COMPANY	
	Notes	2006 \$M	2005 \$M	2006 \$M	2005 \$M
26 Current liabilities – Provisions					
Dividends and distributions ¹	36	281.3	257.2	55.5	53.8
Employee benefits	32	8.0	6.5	–	–
Other ²		22.8	15.8	–	–
		312.1	279.5	55.5	53.8

¹ Dividends and distributions disclosed in Note 36 include \$3.2 million in relation to share-based payments (Company: \$0.6 million).

² Other provisions include amounts provided for development costs \$18.3 million (2005: \$11.5 million) and legal claims \$1.8 million (2005: \$2.2 million).

Movement in provisions

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

		Dividends and distributions \$M	Other \$M
CONSOLIDATED			
Carrying amount at the beginning of the financial year		257.2	15.8
Additional provisions recognised		409.0	20.2
Payments		(384.9)	(13.2)
Carrying amount at the end of the financial year		281.3	22.8
COMPANY			
Carrying amount at the beginning of the financial year		53.8	–
Additional provisions recognised		115.2	–
Payments		(113.5)	–
Carrying amount at the end of the financial year		55.5	–

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
27 Current liabilities – Other liabilities				
Unsecured				
Tenant security deposits	2.3	2.5	–	–
Rents in advance	16.0	15.4	–	–
Other	3.1	3.7	–	–
	21.4	21.6	–	–
28 Non-current liabilities – Other payables				
Other payables – land purchases	88.6	56.2	–	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
29 Non-current liabilities – Interest-bearing loans and borrowings				
Unsecured				
Bank bill facility	91.2	571.0	–	–
Domestic medium term notes	1,014.3	915.3	–	–
Foreign medium term notes	974.1	534.5	–	–
Loan from related entities	30.4	–	–	–
	2,110.0	2,020.8	–	–

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

(a) Commercial paper

Commercial paper is a short-term funding instrument. Commercial paper is always of less than one year to maturity and is typically issued at a margin above bank bill rates. At 30 June 2006 \$200.0 million (30 June 2005: \$nil) of commercial paper was on issue and the weighted average interest rate was 5.8%.

(b) Bank bill facilities

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

Facility 30 June 2006 \$M	Facility 30 June 2005 \$M	Security	Maturity date	Utilised at 30 June 2006 \$M	Utilised at 30 June 2005 \$M
250.0	350.0	Unsecured	June 2008	78.0	100.0
100.0	100.0	Unsecured	August 2006	–	100.0
–	350.0	Unsecured	August 2006	–	121.0
–	100.0	Unsecured	August 2006	–	100.0
200.0	–	Unsecured	August 2008	13.2	–
150.0	–	Unsecured	July 2006	–	–
100.0	–	Unsecured	September 2006	–	–
–	150.0	Unsecured	August 2006	–	150.0
800.0	1,050.0			91.2	571.0

The bank bill facilities are multi-use facilities which may be used partially for bank guarantees and commercial paper support.

As at 30 June 2006, \$91.2 million (2005: \$571.0 million) of the facilities had been utilised and the effective interest rate was 6.2% (2005: 6.0%).

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For the year ended 30 June 2006

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

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

(c) Medium term notes

Domestic

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

Maturity date	CONSOLIDATED	
	2006 \$M	2005 \$M
<i>Fair value of notes</i>		
July 2005	–	102.5
February 2006	–	156.4
October 2007	361.8	384.9
August 2008	282.2	300.1
June 2011	346.2	247.1
May 2013	180.8	213.3
Total fair value	1,171.0	1,404.3
Total Balance Sheet carrying amount at amortised cost	1,014.3	1,165.0

During previous financial years Stockland issued notes with a face value of \$915.0 million in the domestic placement market. During the year additional notes were issued in the domestic placement market with a face value of \$100.0 million (total \$1,015 million).

Medium term notes have been issued at either face value, or at a discount or premium to face value. The discount or premium is amortised to finance costs over the term of the notes. The medium term notes are issued at a combination of fixed and floating interest rate terms. Refer to accounting policy at Note 1(x).

The effective interest rate of the domestic medium term notes at 30 June 2006 is 6.0% p.a. (2005: 5.8%).

Foreign

During the 2004 financial year, Stockland issued notes with a face value of \$534.5 million (US\$350.0 million) in the US private placement market. In July 2005, additional notes were issued in the US private placement market with a face value of \$417.7 million (US\$325.0 million). All notes were issued at a fixed coupon in USD and converted back to AUD floating coupons through cross currency interest rate swaps. The fair value of the notes recorded at 30 June 2006 is \$833.5 million. The carrying value at 30 June 2005 was \$534.5 million. AASB 139 “Financial Instruments: Recognition and Measurement” was adopted on 1 July 2005. Refer to accounting policy at Note 1(x). The effective interest rate of the US medium term notes at 30 June 2006 is 6.4% p.a. (2005: 6.4%).

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

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29 Non-current liabilities – Interest-bearing loans and borrowings (continued) Financing arrangements (current and non-current interest-bearing liabilities) (continued) (c) Medium term notes (continued)

Maturity date	2006 \$M	2005 \$M
<i>Fair value of notes</i>		
October 2011	26.6	27.7
July 2012	49.0	–
October 2012	38.2	40.3
July 2013	48.6	–
July 2014	26.6	–
July 2015	59.9	–
October 2015	82.4	88.7
July 2016	57.0	–
October 2016	22.9	24.9
October 2017	51.1	55.7
October 2018	224.9	246.0
July 2019	64.5	–
July 2020	81.8	–
Total fair value	833.5	483.3
Less: attributable transaction costs	(5.0)	–
Total Balance Sheet carrying amount at fair value	828.5	–
Total Balance Sheet carrying amount at cost	–	534.5

During the year, Stockland issued notes with a face value of \$151.3 million (JPY 13,000 million) into the Asian private placement market. All notes were issued at a fixed coupon payable in USD and converted back to AUD floating coupons through cross currency principal and interest rate swaps. The fair value of the notes recorded at 30 June 2006 is A\$145.8 million. The weighted average interest rate of the Asian medium term notes at 30 June 2006 is 6.7%. The notes mature in August 2035.

Details of the foreign medium term note on issue in the Asian private placement market is set out below.

	CONSOLIDATED	
Maturity date	2006 \$M	2005 \$M
August 2035	145.8	–
Less: attributable transaction costs	(0.2)	–
Total Balance Sheet carrying amount at fair value	145.6	–

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30 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M	2006 \$M	2005 \$M
CONSOLIDATED						
Trade and other receivables	–	0.2	–	–	–	0.2
Inventories	–	–	(75.9)	(40.5)	(75.9)	(40.5)
Other assets	–	–	–	(0.1)	–	(0.1)
Investment properties	–	–	(0.1)	–	(0.1)	–
Property, plant and equipment	–	0.6	–	–	–	0.6
Trade and other payables	15.1	3.2	–	–	15.1	3.2
Provisions	6.3	2.4	–	–	6.3	2.4
Other liabilities	–	–	–	–	–	–
Other items (ESS)	–	–	–	(1.9)	–	(1.9)
Tax assets/(liabilities)	21.4	6.4	(76.0)	(42.5)	(54.6)	(36.1)
Set off of tax	(21.4)	(6.4)	21.4	6.4	–	–
Net tax assets/(liabilities)	–	–	(54.6)	(36.1)	(54.6)	(36.1)
COMPANY						
Trade and other receivables	–	0.1	–	–	–	0.1
Net tax assets/(liabilities)	–	0.1	–	–	–	0.1

Unrecognised deferred tax assets

There are no unrecognised deferred tax assets (2005: \$nil).

Movement in temporary differences during the year

	Balance 1 July 04 \$M	Recognised in income \$M	Recognised in equity \$M	Balance 30 June 05 \$M	Balance 1 July 05 \$M	Recognised in income \$M	Recognised in equity \$M	Balance 30 June 06 \$M
CONSOLIDATED								
Trade and other receivables	0.2	–	–	0.2	0.2	(0.2)	–	–
Inventories	(18.5)	(22.0)	–	(40.5)	(40.5)	(35.4)	–	(75.9)
Other assets	(0.6)	0.5	–	(0.1)	(0.1)	0.1	–	–
Investment properties	–	–	–	–	–	(0.1)	–	(0.1)
Property, plant and equipment	0.2	0.4	–	0.6	0.6	(0.6)	–	–
Trade and other payables	2.0	1.2	–	3.2	3.2	11.9	–	15.1
Provisions	2.0	0.4	–	2.4	2.4	3.9	–	6.3
Other liabilities	0.1	(0.1)	–	–	–	–	–	–
Other items	(0.2)	(1.7)	–	(1.9)	(1.9)	1.9	–	–
	(14.8)	(21.3)	–	(36.1)	(36.1)	(18.5)	–	(54.6)
COMPANY								
Trade and other receivables	0.1	–	–	0.1	0.1	(0.1)	–	–
	0.1	–	–	0.1	0.1	(0.1)	–	–

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Notes	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
31 Non-current liabilities – Provisions				
Contingent settlement provision under share-based payments		25.9	27.0	25.9
Employee benefits	32	1.8	–	–
		28.8	27.1	27.0
				25.9
Stockland Corporation Limited has guaranteed loans provided by the Commonwealth Bank of Australia to KMP and other 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 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. The value of the guarantee, being the value of the underlying loans, has been recorded as a contingent settlement provision.				
32 Employee benefits				
Aggregate liability for employee benefits, including on-costs				
Liability for employee benefits – current	26	8.0	6.5	–
Liability for employee benefits – non-current	31	1.8	1.2	–
		9.8	7.7	–
				–
Number of full time equivalent employees at year end		1,467	1,246	–
				–

Superannuation contributions

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

Employee Share Plan

The Employee Share Plan (“ESP”) was launched in August 2003. Under the plan, employees with at least nine (9) months continuous service may be granted, at nil cost to the employee, Stockland securities to a maximum value of \$1,000. For part-time employees, the offer is pro-rated based on their normal working hours. Any offer must be approved by the Board and be dependent upon the performance of Stockland over the previous twelve (12) months.

The offer is to recognise the contribution of employees to Stockland’s performance and provide a link to growth in long-term security holder value. There is a holding lock of twelve (12) months on all securities issued under the ESP and participants in the ESP may not be offered an allocation under any other Stockland equity plan.

Incentive Share Plan

The Incentive Share Plan (“ISP”) was approved by security holders at the Stockland Annual General Meeting held on 26 October 2004. The ISP is administered by the Board in accordance with the Plan Rules and the terms and conditions of the grants to participants.

Due to the FBT legislation, it is cost effective for Stockland to operate the ISP via a loan plan, such that executives acquire securities funded via a limited recourse loan provided by Stockland. The issue price of all securities is based on the volume weighted average price at which stapled securities are traded on the Australian Stock Exchange (“ASX”) during the five (5) trading days up to and including the last trading day before the date of issue. To date, all issues under the ISP have been funded by interest free loans provided by Stockland for a maximum term of five (5) years. Dividends and distributions paid (net of FBT) on ISP securities are applied against the loan balance. The outstanding value of the loan is limited to the market value of the securities.

Under AASB 2 “Share-based Payment”, the ISP securities are options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

Under the ISP rules, a proportion of the loan for the securities may be waived if certain performance conditions are met over a two (2) to three (3) year period and if continuous service is rendered over either two and one half (2.5) or three (3) years. The amount of loan forgiven is an Award.

The number of securities acquired by employees pursuant to the plan for the year ended 30 June 2006 was 2,260,000 (2005: 1,034,000). Outstanding loans to participants at 30 June 2006 amounted to \$13,218,398 (2005: \$5,718,533).

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32 Employee benefits (continued)

Executive Securities Scheme

Prior to the approval of the ISP in 2004, executives participated in the ESS. Under the rules of the ESS, senior employees below executive level are invited to acquire a specific number of securities at a discount to the market price that is equivalent to the discount that applies to the Stockland Dividend Reinvestment Plan ("DRP").

As with the ISP, it is cost effective for Stockland to operate the ESS via a loan plan, such that participating senior employees acquire securities funded via a limited recourse loan provided by Stockland. To date, all issues under the ESS have been funded by loans provided by Stockland for a maximum term of five (5) years. Interest charged on the loans is equivalent to the dividends/distributions received annually on the securities. The outstanding value of the loan is limited to the market value of the securities.

The number of securities offered to each participating senior employee is dependent on their role, individual responsibilities, past performance and other components of remuneration detailed above. Participating senior employees only receive a benefit after two (2) years continuous service from the date of issue, being the vesting date, with the exercisable period expiring at a maximum of five (5) years from grant date when repayment of the loan is required.

Under AASB 2 "Share-based Payment", the ESS securities are options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight line basis over the vesting period, being the period during which the securities are subject to performance and service conditions.

No grants were made under the ESS to any executives (being executive directors, senior executives and general managers) in the financial year ended 30 June 2006, nor are any such grants contemplated to be made in future.

The number of securities acquired by employees pursuant to the plan for the year ended 30 June 2006 was 3,801,000 (2005: 3,217,500). Outstanding loans to participants at 30 June 2006 amounted to \$32,938,930 (2005: \$35,242,650).

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

Calculation of fair value of securities issued under share plans

The fair values of the securities issued under the Incentive Share Plan and Executive Securities Scheme during the year, which are options for accounting, have been measured using for the ISP issue Monte Carlo Simulation, and for the ESS issue Black-Scholes options pricing model using assumptions detailed in the tables below (2005: Black-Scholes for ISP and ESS).

(a) Incentive Share Plan

	Executive directors (included within key management personnel)		Key management personnel (excluding executive directors) and other senior employees	
	2006	2005	2006	2005
Fair value of securities granted under share plans	\$1.8M	\$0.7M	\$2.3M	\$0.8M
Spot price of the Stapled Securities at grant date	\$6.04	\$5.76	\$5.99	\$5.76
Exercise price (reduced by dividends and performance awards)	\$5.66–\$5.71²	\$1.16–\$2.70 ¹	\$5.66–\$5.71²	\$1.08–\$2.57 ¹
Risk free rate at grant date	5.2–5.7%	5.1%	5.2–5.7%	5.1%
Asset income rate (distribution yield)	7.2%	6.5%	7.2%	6.5%
Annualised time to expiry	2–3 years	5.0 years	2–3 years	5.0 years
Volatility of asset at grant date ³	13.1–13.9%	11.4%	13.1–13.9%	11.4%
Correlation factor ⁴	0.6	–	0.6	–

¹ The securities issued are funded by limited recourse, interest free loans. If Stockland's consolidated earnings per security before certain significant items or accumulated TSR exceeds certain targets, a percentage of the loan balance is waived. Probability weightings reflecting the likelihood of loan balances being waived have been factored into the exercise price based on analysis of Stockland's historical performance as follows:

The exercise price for executive directors is 60% weighted to \$1.16 and 40% to \$2.70 to reflect the probability of performance hurdles being achieved.

The exercise price for other Key Management Personnel is 60% weighted to \$1.08 and 40% to \$2.57 to reflect the probability of performance hurdles being achieved.

² Calculated using a log-normal probability distribution with standard deviation of \$0.74 (\$0.79 for the transitional 2006 tranche).

³ The volatility is based on the historic volatility of the security adjusted for any expected changes to future volatility due to publicly available information.

⁴ Represents the estimated correlation of Stockland's TSR and the TSR of the ASX 200 Property Trust Accumulation Index.

The inputs into the option valuation models outlined in the table above were identical for KMP (excluding executive directors) issues and other senior employee issues.

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32 Employee benefits (continued) Executive Securities Scheme (continued) (b) Executive Securities Scheme

	Key Management Personnel (excluding executive directors) and other senior employees	
	2006	2005
Fair value of securities granted under share plans	\$1.2M	\$1.2M
Spot price of the Stapled Securities at grant date	\$5.90	\$5.61–\$5.76
Exercise price (reduced by dividends) ¹	\$5.90	\$5.30–\$5.65
Risk free rate at grant date	4.9%	5.3–5.4%
Asset income rate (distribution yield)	6.7%	6.6–6.9%
Annualised time to expiry	3.5 years	3.5 years
Volatility of asset at grant date ²	12.8%	12.1–12.4%

¹ The securities issued are funded by limited recourse loans. Any excess from the sale of securities over the loan balance is to the benefit of Stockland if sold within two years of the grant date and to the benefit of the security holder when sold in the unconditional period. Any shortfall from the sale of securities is forgiven by Stockland, except in respect of any dividends and distributions attaching to the securities.

² The volatility is based on the historic volatility of the security adjusted for any expected changes to future volatility due to publicly available information.

The inputs into the option valuation models outlined in the table above were identical for KMP (excluding executive directors) issues and other senior employee issues.

Movement in securities under ISP and ESS during the year

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

	Weighted average exercise price per security 2006 \$	Weighted average exercise price per security 2005 \$	Number of securities 2006	Number of securities 2005
Securities outstanding at the beginning of the year	4.74	4.40	14,148,053	13,460,000
Securities granted during the year	5.96	5.44	6,061,000	4,251,500
Securities forfeited during the year	5.53	4.39	(1,408,000)	(3,485,447)
Securities exercised during the year	4.34	4.30	(3,900,000)	(78,000)
Securities outstanding at the end of the year	5.28	4.74	14,901,053	14,148,053

The ISP and ESS securities outstanding at 30 June 2006 have fair values ranging from \$2.79 to \$3.56 and \$0.26 to \$0.39 respectively and a weighted average restricted period remaining of 0.6 years.

The weighted average fair value of the securities which were exercised during the year was \$0.25 (2005: \$0.25).

During the financial year, 4,195,000 securities vested (2005: 2,750,000 securities). The weighted average fair value of the securities which vested during the year was \$0.26 (2005: \$0.25).

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
33 Non-current liabilities – Other liabilities				
Unrealised loss on financial instruments	–	14.6	–	–
Financial instruments liability	135.4	–	–	–
	135.4	14.6	–	–

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		Number of securities 2006	Number of securities 2005	CONSOLIDATED 2006 \$M	2005 \$M	COMPANY 2006 \$M	2005 \$M
34 Issued capital							
Ordinary securities – Issued and fully paid		1,352,641,458	1,306,900,669	4,885.3	4,611.3	355.1	334.6
Consolidated							
Date	Details			Number of securities	Issue price		\$M
<i>Movement of securities issued</i>							
1 July 2004	Opening balance			1,252,172,116			4,314.8
31 August 2004	Employee share plan			46,004	\$5.30		0.2
31 August 2004	Dividend reinvestment plan			25,587,391	\$5.30		135.6
31 December 2004	Issued securities which have either matured, been sold or forfeited and sold under share plans			2,299,507			10.4
28 February 2005	Dividend reinvestment plan			25,531,711	\$5.65		144.3
30 June 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans			1,263,940			6.0
30 June 2005	Balance			1,306,900,669			4,611.3
1 July 2005	Reclassification of Stockland Trust units to liabilities on adoption of AASB 132 ¹			–			(4,276.8)
31 August 2005	Employee share plan ²			58,100	\$0.47		–
31 August 2005	Dividend reinvestment plan ²			21,823,70	\$0.47		10.3
25 October 2005	Reclassification of Stockland Trust units at 1 July 2005 from liabilities to equity following amendment to Trust constitution ¹			–			4,276.8
25 October 2005	Reclassification of Stockland Trust units issued on 31 August 2005 under the dividend reinvestment plan from liabilities to equity following amendment to Trust constitution ²			–			118.5
25 October 2005	Reclassification of Stockland Trust units issued on 31 August 2005 under the employee share plan from liabilities into equity following amendment to Trust constitution ²			–			0.3
31 December 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans			3,418,000			16.4
28 February 2006	Dividend reinvestment plan			18,550,981	\$6.44		119.5
30 June 2006	Issued securities which have either matured, been sold or forfeited and sold under share plans			1,890,000			9.0
30 June 2006	Balance			1,352,641,458		4,885.3	

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34 Issued capital (continued)

Date	Details	Number of securities
<i>Equity instruments issued pursuant to Stockland share plans accounted for as options³</i>		
1 July 2004	Opening balance	13,460,000
31 August 2004	Executive securities scheme	3,127,500
23 November 2004	Incentive share plan	1,034,000
31 December 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans	(2,299,507)
28 February 2005	Executive securities scheme	90,000
30 June 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans	(1,263,940)
30 June 2005	Balance	14,148,053
18 August 2005	Incentive share plan	1,746,000
31 August 2005	Executive securities scheme	3,501,000
31 October 2005	Incentive share plan	514,000
31 December 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans	(3,418,000)
28 February 2006	Executive securities scheme	300,000
30 June 2006	Issued securities which have either matured, been sold or forfeited and sold under share plans	(1,890,000)
30 June 2006	Balance	14,901,053
Total securities issued on ASX		1,367,542,511

¹ For the period 1 July 2005 to 25 October 2005, AIFRS required Stockland Trust unit holders' issued capital to be classified as a liability. At the Annual General Meeting held on 25 October 2005, the Stockland Trust unit holders agreed to amend the Stockland Trust Constitution, which meant the unit holders' issued capital from that date would be treated as equity in accordance with accounting standard AASB 132 "Financial Instruments: Disclosure and Presentation". Therefore, the value of units on issue at 1 July 2005, being \$4,276.7 million was reclassified as a liability for the period 1 July 2005 to 25 October 2005. AASB 132 was effective from 1 July 2005 and therefore does not affect prior year comparatives.

² These securities were issued during the period 1 July 2005 to 25 October 2005 when AIFRS required Stockland Trust unit holders' issued capital to be classified as a liability under AASB 132 "Financial Instruments: Disclosure and Presentation". This means that the value shown on 31 August 2005 of \$0.47 represents the value of Stockland Corporation Limited shares issued, and the value shown on 25 October 2005 represents the reclassification of the value of Stockland Trust units at \$5.43 per unit from liabilities to issued capital following amendment to the Stockland Trust Constitution at the Annual General Meeting which allowed the unit holders' issued capital to be treated as equity from that date.

³ Under AIFRS, the Executive Securities Scheme and the Incentive Share Plan equity instruments are required to be accounted for as options. Refer accounting policy in Note 1(z)(vi). The value of the securities issued under these share plans represents the fair value of those shares at grant date calculated using either the Black-Scholes or Monte Carlo Simulation option pricing models which takes into account the terms and conditions upon which the shares were granted. The fair value is expensed in the Income Statement when granted over the vesting period, with a corresponding increase in the executive remuneration reserve. Refer to Note 35.

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34 Issued capital (continued)

Company

Date	Details	Number of securities	Issue price	\$M
<i>Movement of securities issued</i>				
1 July 2004	Opening balance	1,252,172,116		310.8
31 August 2004	Employee share plan	46,004	\$0.43	–
31 August 2004	Dividend reinvestment plan	25,587,391	\$0.43	11.0
31 December 2004	Issued securities which have either matured, been sold or forfeited and sold under share plans	2,299,507		0.8
28 February 2005	Dividend reinvestment plan	25,531,711	\$0.45	11.5
30 June 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans	1,263,940		0.5
30 June 2005	Balance	1,306,900,669		334.6
31 August 2005	Employee share plan ¹	58,100	\$0.47	–
31 August 2005	Dividend reinvestment plan ¹	21,823,708	\$0.47	10.3
31 December 2005	Issued securities which have either matured, been sold or forfeited and sold under share plans	3,418,000		1.3
28 February 2006	Dividend reinvestment plan	18,550,981	\$0.45	8.3
30 June 2006	Issued securities which have either matured, been sold or forfeited and sold under share plans	1,890,000		0.6
30 June 2006	Balance	1,352,641,458		355.1

¹ These securities were issued during the period 1 July 2005 to 25 October 2005 when AIFRS required Stockland Trust unit holders' issued capital to be classified as a liability under AASB 132 "Financial Instruments: Disclosure and Presentation." This means that the value shown on 31 August 2005 of \$0.47 represents the value of Stockland Corporation Limited shares issued, and the value shown on 25 October 2005 represents the reclassification of the value of Stockland Trust units at \$5.43 per unit from liabilities to issued capital following amendment to the Stockland Trust Constitution at the Annual General Meeting which allowed the unit holders' issued capital to be treated as equity from that date.

Terms and conditions of securities

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at 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.

Effect of stapling arrangement

Under UIG 1013, this Financial Report has been prepared based upon a business combination of the Company and Stockland Trust and its controlled entities. Therefore, there is a difference between the consolidated and company issued capital as a result of this stapling arrangement.

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	Note	CONSOLIDATED		COMPANY	
		2006 \$M	2005 \$M	2006 \$M	2005 \$M
35 Reserves and retained earnings					
(a) Reserves					
Realised capital profits reserve		32.5	45.3	3.6	3.6
Executive remuneration reserve		6.8	2.5	0.5	0.2
Cash flow hedge reserve		2.2	–	–	–
Unrealised financial instruments reserve		1.0	(14.6)	–	–
Foreign currency translation reserve		(11.7)	9.3	–	–
		30.8	42.5	4.1	3.8
Movements in reserves					
<i>Realised capital profits reserve</i>					
Balance at the beginning of the financial year		45.3	29.9	3.6	3.6
(Loss)/profit on sale of investment properties transferred (to)/from retained earnings		(3.1)	15.4	–	–
Distributions paid from capital	35(b)	(9.7)	–	–	–
Balance at the end of the financial year		32.5	45.3	3.6	3.6
<i>Executive remuneration reserve</i>					
Balance at the beginning of the financial year		2.5	0.6	0.2	–
Securities issued during the year under share plans		4.3	1.9	0.3	0.2
Balance at the end of the financial year		6.8	2.5	0.5	0.2
<i>Cash flow hedge reserve</i>					
Balance at the beginning of the financial year		–	–	–	–
Application of AASB 132 and 139 effective 1 July 2005		5.0	–	–	–
Effective portion of changes in fair value of cash flow hedges during the year		(2.8)	–	–	–
Balance at the end of the financial year		2.2	–	–	–
<i>Unrealised financial instruments reserve</i>					
Balance at the beginning of the financial year		(14.6)	5.2	–	–
Unrealised (loss)/gain on financial instruments transferred from/(to) retained earnings		15.6	(19.8)	–	–
Balance at the end of the financial year		1.0	(14.6)	–	–
<i>Foreign currency translation reserve</i>					
Balance at the beginning of the financial year		9.3	9.6	–	–
Net exchange differences on translation of foreign controlled entity		(21.0)	(0.3)	–	–
Balance at the end of the financial year		(11.7)	9.3	–	–
(b) Retained earnings					
Retained earnings at the beginning of the financial year		832.4	563.7	1.2	(2.2)
Application of AASB 132 and 139 effective 1 July 2005		(3.7)	–	–	–
Profit attributable to security holders		1,061.6	765.1	117.0	106.6
Aggregate of amounts transferred (to)/from reserves		(12.5)	4.4	–	–
Dividends and distributions provided for or paid		(398.8)	(500.8)	(114.8)	(103.2)
Retained earnings at the end of the financial year		1,479.0	832.4	3.4	1.2

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Notes	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
35 Reserves and retained earnings (continued)				
(b) Retained earnings (continued)				
Reconciliation of dividends and distributions paid and payable to dividends and distributions to security holders as per Statement of Changes in Equity				
Distributions paid from capital	35(a)	(9.7)	–	–
Dividends and distributions provided for or paid		(398.8)	(500.8)	(114.8)
				(103.2)
Total dividends and distributions recognised through security holders' funds	36	(408.5)	(500.8)	(114.8)
				(103.2)

(c) Nature and purpose of reserves

(i) Realised capital profits reserve

The realised capital profits reserve is used to transfer realised gains on the sale of investment properties which have been recorded in the Income Statement to reserves, as management policy is generally to reinvest these profits into future acquisitions of investment properties.

(ii) Executive remuneration reserve

The executive remuneration reserve has arisen under AIFRS due to the Incentive Share Plan and Executive Securities Scheme equity instruments being required to be accounted for as options. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period over which the securities are subject to performance and/or service conditions. Refer accounting policy at Note 1(z)(vi).

(iii) Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer accounting policy at Note 1(l).

(iv) Unrealised financial instruments reserve

The unrealised financial instruments reserve is used to transfer gains and losses on financial instruments which have been recorded in the Income Statement to reserves until such time as they are realised.

36 Dividends and distributions

Dividends and distributions recognised in the current year by the Company and the Trust are detailed below. The 2006 interim distribution amount shown below in the Trust includes finance costs to unit holders of \$144.4 million.

	Cents per share	Total amount \$M	Date of payment	Tax rate for franking credit %	Percentage franked %
2006					
The Company					
Interim dividend	4.5	60.3	28 February 2006	30	100
Final dividend	4.1	55.8	31 August 2006	30	100
Total dividend	8.6	116.1			
	Cents per unit	Total amount \$M	Date of payment	Tax deferred %	CGT concession %
The Trust					
Interim distribution	16.0	214.4	28 February 2006	26	–
Final distribution	16.8	228.7	31 August 2006	26	–
Total distribution	32.8	443.1			
Total	41.4	559.2			

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For the year ended 30 June 2006

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36 Dividends and distributions (continued)

Dividends and distributions recognised in the prior year by the Company and the Trust are detailed below.

	Cents per share	Total amount \$M	Date of payment	Tax rate for franking credit %	Percentage franked %
2005					
The Company					
Interim dividend	4.2	54.0	28 February 2005	30	100
Final dividend	4.1	53.8	31 August 2005	30	100
Total dividends	8.3	107.8			
	Cents per unit	Total amount \$M	Date of payment	Tax deferred %	CGT concession %
The Trust					
Interim distribution	15.1	194.2	28 February 2005	25	–
Final distribution	15.5	203.4	31 August 2005	25	–
Total distribution	30.6	397.6			
Total	38.9	505.4			

Distributions do not include the 50% CGT concession component of net capital gains because these amounts are not distributable.

	Note	CONSOLIDATED 2006 \$M	2005 \$M	COMPANY 2006 \$M	2005 \$M
The following table reconciles the total dividends and distributions paid and payable to the Statement of Changes in Equity.					
Total dividends and distributions paid and payable		559.2	505.4	116.1	107.8
Adjustments:					
Finance costs to security holders		(144.4)	–	–	–
Dividends and distributions relating to share-based payment loans		(6.3)	(4.6)	(1.3)	(4.6)
Dividends and distributions paid and payable to security holders as per Statement of Changes in Equity	35(b)	408.5	500.8	114.8	103.2

Refer accounting policy at Note 1(z)(vi).

	COMPANY 2006 \$M	2005 \$M
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	1.7	8.5

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.

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For the year ended 30 June 2006

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	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
37 Commitments				
Capital expenditure commitments				
Commitments for the acquisition of properties and capital expenditure not recognised at balance date:				
Within one year	264.8	50.4	–	–
Later than one year but not later than five years	76.5	–	–	–
Commitments not recognised in the financial statements	341.3	50.4	–	–

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

Non-cancellable operating lease commitments receivable:

Within one year	466.9	426.3	–	–
Later than one year but not later than five years	1,122.4	1,074.0	–	–
Later than five years	617.2	513.4	–	–
	2,206.5	2,013.7	–	–

Annual rent receivable by Stockland under current leases from tenants is from commercial, industrial and retail property held.

Hotel lease commitments

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

Within one year	24.1	21.7	–	–
Later than one year but not later than five years	56.1	68.3	–	–
Later than five years	27.2	3.0	–	–
Commitments not recognised in the financial statements	107.4	93.0	–	–

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 15 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.

During the year ended 30 June 2006, \$23.1 million was recognised as an expense in the Income Statement in respect of operating leases (2005: \$21.4 million).

38 Contingent liabilities

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 2006 are sufficient to meet such liabilities (refer Note 42).

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
Guarantees				
Bank guarantees issued to semi and local government and other authorities against performance contracts, maximum facility \$450.0 million included within bank multi-use facilities (2005: \$225.0 million)	160.3	177.6	160.3	177.6

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

39 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.

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39 Deed of cross guarantee (continued)

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

Pursuant to the requirements of this Class Order, a summarised consolidated Income Statement for the year ended 30 June 2006 and a Balance Sheet as at 30 June 2006, comprising the members of the Closed Group after eliminating all transactions between members are set out below.

	CLOSED GROUP	
	2006 \$M	2005 \$M
Summarised Income Statement		
Profit before income tax expense	184.6	156.1
Income tax expense	(61.1)	(51.8)
Profit for the year	123.5	104.3
Balance Sheet		
Current assets		
Cash and cash equivalents	28.6	25.8
Trade and other receivables	55.9	38.8
Capital works in progress for Stockland Trust	256.6	95.3
Inventories	667.4	485.1
Other assets	49.7	38.5
Total current assets	1,058.2	683.5
Non-current assets		
Other receivables	1,117.9	540.9
Inventories	1,652.1	1,737.0
Investment properties	76.1	20.8
Other financial assets	0.4	0.4
Property, plant and equipment	19.3	19.1
Investments accounted for using the equity method	–	4.1
Intangible assets	51.9	52.3
Other assets	10.2	–
Total non-current assets	2,927.9	2,374.6
Total assets	3,986.1	3,058.1
Current liabilities		
Trade and other payables	188.1	144.9
Interest-bearing loans and borrowings	2,029.3	1,765.2
Income tax payable	2.3	7.0
Provisions	82.1	72.3
Total current liabilities	2,301.8	1,989.4
Non-current liabilities		
Other payables	179.8	56.1
Interest-bearing loans and borrowings	974.1	534.4
Deferred tax liabilities	54.6	36.0
Provisions	28.7	27.1
Total non-current liabilities	1,237.2	653.6
Total liabilities	3,539.0	2,643.0
Net assets	447.1	415.1
Security holders' funds		
Issued capital	355.1	334.6
Reserves	8.1	5.6
Retained earnings	83.9	74.9
Total security holders' funds	447.1	415.1

Notes to the Consolidated Financial Statements

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40 Controlled entities

The following entities were 100% controlled during the current and previous financial years:

Stockland Trust

Controlled entities of Stockland Trust

ADP Trust
Advance Property Fund
Australian Commercial Property Trust
Flinders Industrial Property Trust
Stockland Finance Pty Limited
Macquarie Park Trust
Stocks & Holdings Property Trust
Underwood Street (No 1) Unit Trust
Underwood Street (No 2) Unit Trust
Advance Property Fund No. 3 (Growth)
Advance Property Fund No. 5 (Capital Growth)
Property Trust of Australasia
Stockland Commercial Office Trust³
ADP NZ Finance Company Limited¹
ADP (NZ) Trust
ADP Property Trust No.1
ADP Property Trust No.2
Capricornia Property Trust
Industrial Property Trust
North Sydney Property Trust
Schroders Building Fund
Shellharbour Property Trust

Stockland Corporation Limited

Controlled entities of Stockland Corporation Limited

Albert & Co. Pty Limited
Stockland (Alamein) Pty Limited
Stockland Development Pty Limited
Stockland Funds Management Limited²
Stockland Management Limited
Stockland Management Services Pty Limited
Stockland (Mapledown) Pty Limited
Stockland Hotel Group Pty Limited
Stockland (Park) Pty Limited
Stockland Property Management Pty Limited
Stockland Property Services Pty Limited²
Stockland Holding Trust No 1 (formerly UHT 1 Unit Trust)
Stockland Holding Trust No 2 (formerly UHT 2 Unit Trust)
Stockland Holding Trust No 3 (formerly UHT 3 Unit Trust)
Stockland Holding Trust No 4 (formerly UHT 4 Unit Trust)
Stockland Holding Trust No 5 (formerly UHT 5 Unit Trust)
Stockland Holding Trust No 6 (formerly UHT 6 Unit Trust)
Stockland (Queensland) Pty Limited
Stockland (Russell Street) Pty Limited
Stockland (Sales) Pty Limited
Stockland Singapore Pte Limited¹
Stockland Trust Management Limited
Stockland (Victoria) Pty Limited
Stockland WA Holdings Pty Limited
Stocks and Realty (Security Finance) Pty Limited²

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40 Controlled entities (continued)

Stockland Corporation Limited (continued)

Controlled entities of Stockland Corporation Limited (continued)

Thermotech Building Maintenance Services Pty Limited
Heritage Constructions Pty Limited
North Whitfords Estates Pty Limited
Stockland WA Corser Pty Limited
Stockland WA Development Pty Limited
Stockland WA (Estates) Pty Limited
Stockland WA Property Company of Australia Pty Limited
Stockland South Beach Holdings Pty Limited
Stockland WA Enterprises Pty Limited
Stockland WA (Rockingham) Pty Limited
Directors Management Pty Limited²
The Park at Melbourne (Australia) Pty Limited²
West End Apartments Management Pty Limited²
West End Apartments Management Unit Trust
Centenary Park Developments No.1 Pty Limited²
Endeavour (No.1) Unit Trust
Endeavour (No.2) Unit Trust
Stockland Development (Holdings) Pty Limited
Stockland Development (PHH) Pty Limited
Stockland Developments (NAPA QLD) Pty Limited
Stockland Developments (NAPA NSW) Pty Limited
Stockland Development (NAPA VIC) Pty Limited
Stockland Residential Property Trust
Stockland Services Pty Limited (formerly Lensworth Services Pty Limited)
Stockland Development (QLD Holdings) Pty Limited
Stockland Development (WA No.1) Pty Limited¹
Stockland Development (WA No.2) Pty Limited¹
Stockland Development (Holdings No.1) Pty Limited
Stockland Bells Creek Pty Limited (formerly Lensworth Bells Creek Pty Limited)
Stockland Buddina Pty Limited (formerly Lensworth Buddina Pty Limited)
Stockland Caboolture Waters Pty Limited (formerly Lensworth Caboolture Waters Pty Limited)²
Stockland Caloundra Downs Pty Limited (formerly Lensworth Caloundra Downs Pty Limited)²
Stockland Kawana Waters Pty Limited (formerly Lensworth Kawana Waters Pty Limited)
Stockland Lake Doonella Pty Limited (formerly Lensworth Lake Doonella Pty Limited)
Stockland North Lakes Development Pty Limited (formerly Lensworth North Lakes Development Pty Limited)
Stockland North Lakes Pty Limited (formerly Lensworth North Lakes Pty Limited)
Stockland Realty Pty Limited (formerly Lensworth Realty Pty Limited)
Stockland Highlands Pty Limited (formerly Lensworth Highlands Pty Limited)
Lensworth Glenmore Park Limited
Stockland Wallarah Peninsula Pty Limited (formerly Lensworth Wallarah Peninsula Pty Limited)
Stockland (General) Pty Limited
Stockland South Beach Pty Limited
Stockland South Beach Syndicate Pty Limited

The following entities were formed/incorporated during the current financial year and are 100% controlled:

Controlled entities of Stockland Trust

Stockland Brisbane Office Trust

Controlled entities of Stockland Corporation Limited

Stockland WA Development (VERTU Sub 1) Pty Limited¹
Stockland Wallarah Peninsula Management Pty Limited¹
ACN 116788713 Pty Limited¹
Jimboomba Trust

Notes to the Consolidated Financial Statements

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40 Controlled entities (continued)

The following entities were deregistered during the current financial year having been 100% controlled in the previous financial year:

Ezoperli Pty Limited
Stockland (Subdividers) Pty Limited
Stockland (Co-ordinators) Pty Limited
Stockland (Master) Pty Limited
Stockland WA Home Builders Pty Limited
Stockland WA Realty Pty Limited

The following entities were 100% controlled in the prior year, not in the current year:

Stockland Direct Office Trust No.2 (100% controlled until 3 August 2005)

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

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

¹ Except for these companies, all other companies listed above, excluding Trusts, were parties to the Deed and members of the Closed Group referred to in Note 39, as at 30 June 2006.

² 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.

³ 50% interest held by each of Underwood Street (No 1) Unit Trust and Underwood Street (No 2) Unit Trust.

41 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		CARRYING AMOUNT	
		2006 %	2005 %	2006 \$M	2005 \$M
KSC Trust	Investment in real property	25	25	106.5	100.3

KSC Trust was formed in Australia and has a balance date of 30 June.

	2006 \$M	2005 \$M
Movements in carrying amount of investment in associates		
Carrying amount at the beginning of the financial year	100.3	85.8
Share of net profit (excluding fair value adjustment of investment properties)	6.5	6.1
Share of fair value adjustment of investment properties	6.1	14.7
Dividends received/receivable	(6.4)	(6.3)
Carrying amount at the end of the financial year	106.5	100.3

	Revenues (100%) \$M	Profit (100%) \$M	Share of associates net profit recognised \$M	Total assets (100%) \$M	Total liabilities (100%) \$M	Net assets as reported by associates (100%) \$M	Share of associate's net assets equity accounted \$M
2006							
KSC Trust	60.2	50.4	12.6	428.8	(2.8)	426.0	106.5
2005							
KSC Trust	92.5	83.2	20.8	404.5	(3.3)	401.2	100.3

Notes to the Consolidated Financial Statements

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	CONSOLIDATED	
	2006 \$M	2005 \$M
42 Investments in joint ventures		
Retained earnings attributable to joint venture entities		
At the beginning of the financial year	86.5	90.4
At the end of the financial year	150.1	86.5
Reserves attributable to joint venture entities		
At the beginning of the financial year	4.7	4.7
At the end of the financial year	4.4	4.7
Movements in carrying amount of investment in joint venture entities		
Carrying amount at the beginning of the financial year	553.1	552.0
Contributions to the joint venture entities	7.6	3.2
Share of net profit (excluding fair value adjustment of investment properties)	39.3	37.5
Share of fair value adjustment of investment properties	62.6	(3.5)
Distribution received	(47.3)	(36.5)
Joint venture entity purchased and transferred to controlled entities	13.9	0.4
Carrying amount at the end of the financial year	629.2	553.1
Share of joint venture entities' assets and liabilities		
Current assets	10.6	14.2
Non-current assets	624.8	542.2
Total assets	635.4	556.4
Current liabilities	(5.9)	(3.1)
Non-current liabilities	(0.3)	(0.2)
Total liabilities	(6.2)	(3.3)
Net assets	629.2	553.1
Share of joint venture entities' revenues, expenses and results		
Revenues	129.5	50.8
Expenses	(27.6)	(16.8)
Net profit accounted for using the equity method	101.9	34.0

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	Current assets (100%) \$M	Non-current assets (100%) \$M	Current liabilities (100%) \$M	Non-current liabilities (100%) \$M	Net assets (100%) \$M	Revenues (100%) \$M	Expenses (100%) \$M
42 Investments in joint ventures (continued)							
2006							
Compam Property Management Pty Limited	–	–	–	–	–	–	–
Esplanade Property Trust	2.6	186.2	(0.8)	–	188.0	54.7	(7.5)
Martin Place Management Limited	–	–	–	–	–	–	–
Martin Place Property Trust	6.2	364.6	(0.6)	–	370.2	47.1	(7.0)
M Property Trust	2.4	105.0	(0.2)	–	107.2	12.1	(1.8)
SDOT Sub Trust No.1	6.8	353.2	(4.0)	(0.6)	355.4	81.9	(7.6)
Subiaco Joint Venture	0.3	–	(0.3)	–	–	22.5	(18.6)
The King Trust	3.0	240.6	(6.0)	–	237.6	36.7	(7.5)
	21.3	1,249.6	(11.9)	(0.6)	1,258.4	255.0	(50.0)
2005							
Compam Property Management Pty Limited	–	–	–	–	–	–	–
Esplanade Property Trust	2.0	141.4	(0.5)	(0.2)	142.7	15.0	(6.0)
Martin Place Management Limited	–	–	–	–	–	–	–
Martin Place Property Trust	5.2	344.8	(0.7)	–	349.3	22.0	(5.6)
M Property Trust	2.2	97.4	–	–	99.6	7.9	(1.7)
SDOT Sub Trust No.1	8.4	301.6	(4.5)	–	305.5	30.7	(7.1)
Subiaco Joint Venture	12.0	–	–	–	12.0	9.3	(10.8)
The King Trust	2.6	199.2	(0.7)	–	201.1	19.8	(5.9)
	32.4	1,084.4	(6.4)	(0.2)	1,110.2	104.7	(37.1)
Joint venture	Location	Principal activity	2006 %	Holdings 2005 %	Carrying amount 2006 \$M	2005 \$M	
Compam Property Management Pty Limited	NSW	Dormant	50	50	–	–	
Esplanade Property Trust	WA	Property investment	50	50	94.0	71.4	
Martin Place Management Limited	NSW	Dormant	50	50	–	–	
Martin Place Property Trust	NSW	Property investment	50	50	185.1	174.6	
M Property Trust	NSW	Property investment	50	50	53.6	49.8	
SDOT Sub Trust No.1	QLD	Property investment	50	50	177.7	152.7	
Subiaco Joint Venture	WA	Property development	33.3	33.3	–	4.0	
The King Trust	NSW	Property investment	50	50	118.8	100.6	
					629.2	553.1	

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43 Business combinations

2006

There were no acquisitions in the year ended 30 June 2006.

2005

On 9 December 2004, Stockland completed the acquisition of the Lensworth property development business.

During the seven months to 30 June 2005 Lensworth contributed profit of \$3.3 million to Stockland's results for the year. It is considered impractical to disclose the effect Lensworth would have had on the profit result if the acquisition had occurred on 1 July 2005. Management believe the impact on profit would not be materially different to the \$3.3 million for the seven months ownership given the value of inventory acquired is fair valued at the time of acquisition which results in low margins on any property development sales during the initial year of acquisition.

The carrying amount of the Lensworth assets and liabilities which were recorded at their fair value by Stockland have not been disclosed. Such disclosure is impractical as due diligence procedures were performed to assess the fair value of the assets and liabilities, not verify the carrying amounts which were recorded by Lensworth.

CONSOLIDATED
30 June 2005
\$M

Details of the acquisition are as follows:

Consideration	
Cash	884.3
Deferred purchase consideration	1.0
	885.3
Fair value of net assets acquired	
Inventories	885.0
Cash assets	6.5
Receivables	3.3
Other assets	0.1
Property, plant and equipment	0.3
Payables	(9.9)
Net assets acquired	885.3
Net cash outflow on acquisition	
Cash consideration	884.3
Less cash balances acquired	(6.5)
	877.8

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44 Notes to the Cash Flow Statement

Reconciliation of profit attributed to security holders of Stockland to net cash from operating activities:

	CONSOLIDATED		COMPANY	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
Profit attributable to security holders of Stockland	1,061.6	765.1	117.0	106.6
Add/(less) items classified as investing/financing activities:				
Increase in dividends and distributions receivable from joint venture entities	4.0	2.5	–	–
Fair value adjustment for investment properties	(640.3)	(281.8)	–	–
Fair value adjustment for financial instruments	(0.1)	–	–	–
Loss/(profit) on sale of non-current assets	3.7	(0.1)	–	–
Interest capitalised directly to investment properties	(6.3)	(8.1)	–	–
Add/(less) non-cash items:				
Unrealised (gain)/loss on financial instruments	(15.5)	19.8	–	–
Amortisation/depreciation	6.8	6.5	–	–
Straight-line rent adjustment	(3.2)	12.9	–	–
Equity-settled share-based payments	3.0	1.1	3.0	–
Other items	0.3	0.8	–	–
Net cash inflow from operating activities before change in assets and liabilities	414.0	518.7	120.0	106.6
(Increase)/decrease in receivables	(17.0)	7.1	4.7	16.5
Increase in other assets	(48.9)	(79.6)	–	–
Decrease/(increase) in prepayments	3.0	(0.1)	–	–
Increase in inventories	(350.1)	(154.2)	–	–
Increase/(decrease) in payables and other liabilities	109.5	67.1	–	(0.7)
Decrease in income tax payable	(4.7)	(21.3)	(4.7)	(21.3)
Increase in deferred taxes payable	18.5	21.2	–	–
Increase in employee benefits	2.2	1.6	–	–
Decrease in other provisions	(1.1)	(1.0)	–	–
Net cash inflow from operating activities	125.4	359.5	120.0	101.1

45 Financial instruments

(a) Financial risk management

Stockland's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk, cash flow and fair value interest rate risk. Stockland's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Stockland's financial performance. Stockland uses derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Financial risk management is carried out by a central treasury department under policies approved by the Board. The Board provides written principles of overall risk management, as well as written policies covering specific areas such as mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Credit risk

Stockland has no significant concentrations of credit risk and has policies to review the aggregate exposure of tenancies across its portfolio. Stockland also has policies to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. Stockland has policies that limit the amount of credit risk exposure to any one financial institution.

The carrying amount of financial assets included in the consolidated balance sheet represents Stockland's maximum exposure to credit risk in relation to these assets.

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45 Financial instruments (continued)

(a) Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Stockland aims at maintaining flexibility in funding by keeping committed credit lines available.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars.

Stockland is exposed to foreign exchange risk arising from currency exposures to the New Zealand dollar, US dollar and Japanese Yen.

Stockland manages its foreign exchange exposure by using cross currency interest rate swap contracts and forward exchange contracts.

Cash flow and fair value interest rate risk

The income and the associated operating cash flows of Stockland's assets are substantially independent of changes in market interest rates.

Stockland's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Stockland to cash flow interest rate risk. Borrowings issued at fixed rates expose Stockland to fair value interest rate risk.

Stockland manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, Stockland raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if Stockland borrowed at fixed rates directly. Under the interest rate swaps, Stockland agrees with other parties to exchange, at specified intervals (generally quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(b) Derivative financial instruments used by Stockland

Stockland is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with Stockland's financial risk management policies as mentioned above.

Allocated interest rate swap contracts

Stockland's domestic medium term notes currently bear an average floating interest rate of 5.93%. In accordance with Stockland's policy to protect borrowings from exposure to increasing interest rates, interest rate swap contracts are entered into to achieve an appropriate mix of fixed and floating interest rate exposures.

Swaps currently in place cover approximately 49.3% (2005: 43.0%) of the note principal outstanding and are timed to expire as each note repayment falls due.

The fixed interest rates range between 5.13% and 5.29% (2005: 5.13% and 6.00%) and the variable rates are the 90 day bank bill rate which at 30 June 2006 was 5.98% (2005: 5.67%).

At 30 June 2006, the notional principal amounts and periods of expiry of the allocated interest rate swap contracts for domestic medium term notes are as follows:

	2006 \$M	2005 \$M
1–2 years	–	100.0
2–3 years	250.0	101.0
3–4 years	–	250.0
4–5 years	101.0	–
Over 5 years	150.0	150.0

In addition to the above, further interest rate swaps totalling \$285.0 million have been entered into to further manage the interest exposure in relation to the domestic medium term notes.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Interest rate swap contracts have been recorded on the balance sheet at their fair value in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the Income Statement. Refer accounting policy at Note 1(l). During 2005, interest rate swaps were treated as hedges to the extent they were effective for accounting purposes under AGAAP.

At balance date, these contracts had a fair value of \$6.3 million included in non-current other assets and \$12.8 million in non-current other liabilities. Under previous Australian GAAP the 2005 Balance Sheet included net unrealised losses of \$5.3 million in non-current other liabilities for these contracts.

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For the year ended 30 June 2006

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45 Financial instruments (continued)

(b) Derivative financial instruments used by Stockland (continued)

Unallocated and future dated interest rate swap contracts

Stockland enters into unallocated and future dated interest rate swaps to manage the risk profile of its debt portfolio.

At 30 June 2006, the notional principal amounts and periods of expiry of the unallocated and future dated interest rate swap contracts are as follows:

	2006 \$M	2005 \$M
Less than one year	400.0	–
1–2 years	–	100.0
Over 5 years	1,200.0	350.0

The contracts require settlement of net interest receivable or payable each 90 days.

Interest rate swap contracts have been recorded on the Balance Sheet at their fair value in accordance with AASB 139 “Financial Instruments: Recognition and Measurement”. These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the Income Statement. Refer accounting policy at Note 1(l). During 2005, interest rate swaps were treated as hedges to the extent they were effective for accounting purposes under AGAAP.

At balance date, these contracts had a fair value of \$6.7 million included in non-current other assets and \$0.9 million included in non-current other liabilities. Under previous Australian GAAP the 2005 Balance Sheet included net unrealised losses of \$9.3 million in non-current other liabilities for these contracts.

Cross currency interest rate swap contracts

Stockland’s foreign medium term notes create both an interest rate and foreign currency risk exposure. Stockland’s policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Stockland has entered into a series of principal and interest cross currency interest rate swaps.

Swaps currently in place cover 100% (2005: 100%) of the foreign currency loan principal outstanding and are timed to expire as each loan repayment falls due. In addition to these swaps, additional interest rate swaps totalling \$63.0 million have been entered into to further manage the risk profile of the foreign medium term notes. The fixed interest rates range between 3.99% and 6.01% (2005: 5.10% and 6.01%) and the variable rates are between 0.46% and 0.87% above the 90 day bank bill rate which at 30 June 2006 was 5.98% (2005: 5.67%). The foreign currency exchange rate has been fixed at AUD/USD 0.66 (2005: AUD/USD 0.66) for the notes on issue in the first US private placement market (October 2003), AUD/USD 0.78 (2005: 0.78) for the notes on issue in the second US private placement (July 2005) and AUD/USD 0.77 (2005: AUD/USD 0.77) for notes on issue in the Asian private placement market (August 2005).

At 30 June 2006, the notional principal amounts and periods of expiry of the cross currency interest rate swap contracts for foreign medium term notes are as follows:

	2006 \$M	2005 \$M
Over 5 years	1,103.3	534.4

The contracts require settlement of net interest every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

These derivatives are recognised on the Balance Sheet at their fair value. The movements in fair value are recognised in accordance with the accounting policy at Note 1(l) depending upon whether they are designated in a fair value hedge or cash flow hedge relationship.

At balance date, these contracts had a fair value of \$121.8 million included in non-current other liabilities and \$1.7 million in non-current other assets. Under previous Australian GAAP no value was required to be recorded in the Balance Sheet for these contracts.

Forward exchange contracts

Stockland receives foreign currency denominated revenues from its New Zealand operations which creates a foreign currency risk exposure. As management desires to have certainty over the Australian dollars received once the New Zealand dollars are converted, Stockland has entered into the forward contracts for the revenues it will receive from its New Zealand operations.

Contracts are entered into based on forecast income from the New Zealand operations for the ensuing financial years. The contracts are timed to settle quarterly.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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45 Financial instruments (continued)

(b) Derivative financial instruments used by Stockland (continued)

Forward exchange contracts (continued)

The cash flows are expected to occur at various dates from the balance date to the period outlined below. At 30 June 2006, the details of outstanding contracts are:

	2006 \$M	SELL NZD 2005 \$M	FORWARD EXCHANGE RATE 2006 AUD/NZD	2005 AUD/NZD
Less than 1 year	16.0	7.0	1.18	1.15
1-2 years	16.0	–	1.18	–
2-3 years	12.0	–	1.18	–

Amounts disclosed above represent currency sold measured at the contracted rate.

At balance date, these contracts had a fair value of \$0.6 million included in current other assets. For the year ended 30 June 2006, there was an unrealised gain in the Income Statement from the increase in fair value of the net asset of \$0.6 million during the year. Under previous Australian GAAP no value was required to be recorded in the Balance Sheet for these contracts.

(c) Interest rate risk exposures

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rate at the balance date and the periods in which they reprice.

CONSOLIDATED	2006									2005								
	Effective interest rate	Floating interest rate \$M	1 year or less \$M	1-2 years \$M	2-3 years \$M	4-5 years \$M	More than 5 years \$M	Non-interest-bearing \$M	Total \$M	Effective interest rate	Floating interest rate \$M	1 year or less \$M	1-2 years \$M	2-3 years \$M	3-4 years \$M	More than 5 years \$M	Non-interest-bearing \$M	Total \$M
Financial assets ³																		
Cash and cash equivalents	5.46%	37.1	-	-	-	-	-	-	37.1	5.22%	37.4	-	-	-	-	-	-	37.4
Receivables		1.8	-	-	-	-	-	85.6	87.4		2.0	-	-	-	-	-	66.0	68.0
Financial liabilities ³																		
Other liabilities		(2.3)	-	-	-	-	-	(19.1)	(21.4)		(2.5)	-	-	-	-	-	(19.1)	(21.6)
Unsecured commercial paper	5.87%	(200.0)		-	-	-	-	-	(200.0)	-	-	-	-	-	-	-	-	-
Unsecured floating interest bank facility	6.23%	(91.2)	-	-	-	-	-	-	(91.2)	5.98%	-	-	-	-	-	(571.0)	-	(571.0)
Unsecured domestic medium term notes	5.99%	(316.0)	-	(239.0)	(150.0)	(175.0)	(135.0)	-	(1,015.0)	5.81%	(266.2)	(249.7)	-	(239.2)	(150.0)	(260.1)	-	(1,165.2)
Effect of interest rate swaps ¹	-0.14%	216.0	-	(101.0)	(100.0)	-	(15.0)	-	-	-	-	-	-	-	-	-	-	-
Unsecured foreign medium term notes	5.27%	-	-	-	-	-	(1,103.3)	-	(1,103.3)	5.84%	(534.3)	-	-	-	-	-	-	(534.3)
Effect of interest rate swaps ¹	1.05%	(1,103.3)	-	-	-	-	1,103.3	-	-	-	-	-	-	-	-	-	-	-
Effect of unallocated interest rate swaps ¹	-0.42%	700.0	(400.0)	-	-	-	(300.0)	-	-	-0.29%	(450.0)	-	100.0	-	-	350.0	-	-
Future dated interest rate swaps ²		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-
Interest rate swaps ¹		-	-	-	-	-	-	-	-	0.21%	255.2	-	-	101.0	100.0	(456.2)	-	-

¹ Notional principal amounts.

² Future dated interest rate swaps with a total notional amount of \$400 million at a fixed interest rate effective starting from July 2006.

³ Other financial assets and payables are non-interest bearing financial assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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45 Financial instruments (continued)

(c) Interest rate risk exposures (continued)

COMPANY	2006				2005			
	Effective interest rate	1 year or less \$M	Non-interest-bearing \$M	Total \$M	Effective interest rate	1 year or less \$M	Non-interest-bearing \$M	Total \$M
Financial liabilities								
Loan from Trust	6.90%	(2,029.3)	–	(2,029.3)	6.90%	(1,765.1)	–	(1,765.1)
Loans from controlled entities	–	–	2,292.0	2,292.0	–	–	2,006.6	2,006.6
		(2,029.3)	2,292.0	262.7		(1,765.1)	2,006.6	241.5

(d) Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all Stockland's financial assets and liabilities recognised in the Financial Statements.

The fair values of other financial assets have been determined by reference to the net assets of the underlying investments.

The fair values of domestic and foreign medium term notes and interest rate and cross currency swaps have been calculated by discounting the expected future cash flows at prevailing market interest rates and exchange rates.

The fair value of the contingent settlement provision has been determined by comparing the value of the loans guaranteed by Stockland to the 30 June 2006 value of the securities to which they belong.

CONSOLIDATED	Carrying amount 2006 \$M	Fair value 2006 \$M	Carrying amount 2005 \$M	Fair value 2005 \$M
Cash and cash equivalents	37.1	37.1	37.4	37.4
Trade and other receivables	87.4	87.4	68.0	68.0
Other financial assets	21.1	22.0	22.2	18.5
Trade and other payables	(338.8)	(338.8)	(256.5)	(256.5)
Commercial paper	(200.0)	(200.0)	–	–
Bank bill facility	(91.2)	(91.2)	(571.0)	(571.0)
Domestic medium term notes	(1,014.3)	(1,171.0)	(1,165.0)	(1,404.3)
Foreign medium term notes	(974.1)	(974.1)	(534.5)	(483.3)
Contingent settlement provision	(27.0)	–	(25.9)	–
Financial instruments asset	14.6	14.6	–	–
Financial instruments liability	(135.4)	(135.4)	–	–
	(2,620.6)	(2,749.4)	(2,425.3)	(2,591.2)
Unrealised (losses)		(128.8)		(165.9)
COMPANY	Carrying amount 2006 \$M	Fair value 2006 \$M	Carrying amount 2005 \$M	Fair value 2005 \$M
Trade and other receivables	2,292.0	2,292.0	2,006.6	2,006.6
Other financial assets	184.7	211.8	184.7	189.8
Contingent settlement provision	(27.0)	–	(25.9)	–
	2,449.7	2,503.8	2,165.4	2,196.4
Unrealised gains		54.1		31.0

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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45 Financial instruments (continued)

(d) Fair values of financial assets and liabilities (continued)

The difference of \$156.7 million between the carrying amount and fair value of the domestic medium term notes is due to the notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

The difference of \$27.0 million between the carrying amount and the fair value of the contingent settlement provision is due to the market value of the Stockland securities which support the loans guaranteed by Stockland being higher than the loan values at balance date.

46 Key management personnel disclosures

The following were key management personnel ("KMP") of both the consolidated entity and the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Nicholas Greiner	Deputy Chairman
Mr Bruce Corlett	
Mr David Fairfull	
Ms Lyn Gearing (appointed 1 November 2005)	
Mr Peter Scott (appointed 9 August 2005)	
Mr Terry Williamson	
Mr Peter Daly (retired 25 October 2005)	

Executive Directors

Mr Matthew Quinn	Managing Director
Mr Hugh Thorburn	Finance Director

Senior Executives

Mr Denis Hickey	CEO Development Division
Ms Johanna Keating	Executive General Manager – Investor & Media Relations (Appointed to the Executive Committee on 3 January 2006)
Mr Robb Macnicol	CEO Unlisted Property Funds Division
Mr Steve Mann	CEO Commercial & Industrial Division
Ms Rilla Moore	Executive General Manager – Human Resources (Commenced employment on 27 September 2004)
Ms Lisa Scenna	Executive General Manager – Strategy & Corporate Development
Mr Darren Steinberg	CEO Shopping Centre Division

All executives are employed by a subsidiary of Stockland Corporation Limited, Stockland Development Pty Limited.

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For the year ended 30 June 2006

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46 Key management personnel disclosures (continued)

Remuneration of key management personnel by the consolidated entity

		Short-term			Total	Post-employment		Total	Other long-term	Share-based payments	Total
		Salary and fees \$	Bonus ¹ \$	Non-monetary benefits ² \$		Super annuation benefits \$	Retirement benefit		Long service leave \$	Value of shares ³ \$	
Total remuneration: key management personnel (Consolidated and Company)	2006	6,718,272	3,895,000	314,543	10,927,815	231,636	12,285	243,921	176,259	1,763,946	13,111,941
	2005	5,532,604	2,839,000	361,091	8,732,695	171,943	–	171,943	36,427	406,053	9,347,118

¹ Cash bonuses are earned in the current year and paid in August 2006. Non-executive directors are not eligible to receive bonuses.

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

³ The methods and assumptions used to calculate the fair value of share-based payments are disclosed within this note.

Information regarding individual directors' and executives' remuneration is provided in the Remuneration Report section of the Directors' Report.

Basis of disclosures included as remuneration

The equity remuneration provided by Stockland under the ISP and the ESS involves a benefit to the recipients of the issues, which is disclosed as remuneration and calculated in accordance with AASBs.

Measurement

Incentive Share Plan ("ISP")

For equity instruments issued under the ISP the value of equity remuneration to KMP is determined at grant date. The fair value at issue date for these equity instruments has been determined by the application of the Monte Carlo simulation (2005: Black Scholes) option pricing model, incorporating the terms and conditions upon which the equity instruments were issued. Refer Note 32 for further details regarding the calculation of fair values.

The remuneration to the individual is this fair value multiplied by the number of equity instruments issued to the individual to determine the total value of the remuneration benefit for each issue.

Refer Note 1(z)(vi) for further details regarding the accounting policy for securities issued under this plan.

Executive Securities Scheme ("ESS")

The value of equity remuneration issued to KMP 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). Refer to Directors' Report for further information. The fair value of these equity instruments is determined by the application of the Black Scholes option pricing model, incorporating the terms and conditions upon which the equity instruments were issued. Refer Note 32 for further details regarding the calculation of fair values.

The remuneration to the individual is this fair value multiplied by the number of equity instruments issued to the individual to determine the total value of the remuneration benefit for each issue.

Refer Note 1(z)(vi) for further details regarding the accounting policy for securities issued under this plan.

Allocation

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

For the equity remuneration 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, unless forfeiture relates to a market condition.

Where amendments are made to the terms and conditions of the issue subsequent to the grant date, the value of the grant is re-determined. An exception to this occurs upon resignation or termination where the amendment relates to securities becoming vested 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 vest.

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For the year ended 30 June 2006

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46 Key management personnel disclosures (continued)

Basis of disclosures included as remuneration (continued)

Measurement (continued)

Loans issued under the ISP and ESS

Loans made to individuals by Stockland to fund the purchase of securities issued under the ISP and ESS are not disclosed in the Balance Sheet under AIFRS because they are considered options for accounting.

Equity holdings and transactions

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

Stockland securities held under ISP/ESS plans

	Total securities held at 1 July 2005 under ISP/ESS	Granted as remuneration in the period via ISP	Exercised	Forfeited	Total securities held at 30 June 2006 under ISP/ESS	Vested securities held at 30 June 2006 under ESS ¹
Executive Directors						
Mr M Quinn	2,510,000	336,000	(1,000,000)	–	1,846,000	1,350,000
Mr H Thorburn	290,000	178,000	–	–	468,000	200,000
Senior Executives						
Mr D Hickey	1,070,000	160,000	(700,000)	–	530,000	300,000
Ms J Keating	122,000	32,000	(50,000)	–	104,000	60,000
Mr R Macnicol	182,000	80,000	–	–	262,000	150,000
Mr S Mann	500,000	112,000	(245,000)	–	367,000	200,000
Ms R Moore	20,000	70,000	–	–	90,000	–
Ms L Scenna	213,000	80,000	(125,000)	–	168,000	50,000
Mr D Steinberg	540,000	136,000	(250,000)	–	426,000	225,000
	Total securities held at 1 July 2004 under ISP/ESS	Granted as remuneration in the period via ISP	Exercised	Forfeited	Total securities held at 30 June 2005 under ISP/ESS	Vested securities held at 30 June 2005 under ESS ¹
Executive Directors						
Mr M Quinn	2,350,000	160,000	–	–	2,510,000	2,350,000
Mr H Thorburn	200,000	90,000	–	–	290,000	–
Senior Executives						
Mr D Hickey	1,150,000	70,000	(150,000)	–	1,070,000	1,000,000
Ms J Keating	110,000	12,000	–	–	122,000	80,000
Mr R Macnicol	150,000	32,000	–	–	182,000	–
Mr S Mann	445,000	55,000	–	–	500,000	245,000
Ms R Moore	–	20,000	–	–	20,000	–
Ms L Scenna	175,000	38,000	–	–	213,000	75,000
Mr D Steinberg	625,000	65,000	(150,000)	–	540,000	225,000

¹ Only ESS securities have vested and are exercisable by the individual KMPs.

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46 Key management personnel disclosures (continued)

Basis of disclosures included as remuneration (continued)

Equity holdings and transactions (continued)

Stockland securities held excluding unvested securities held under ISP/ESS plans

	Total securities held at 1 July 2005 (excluding securities held under ISP/ESS)	Purchased	Vested and exercisable under ISP/ESS	Sold	Total securities held at 30 June 2006 (excluding securities held under ISP/ESS)
Executive Directors					
Mr M Quinn	1,000	–	2,350,000	(1,000,000)	1,351,000
Mr H Thorburn	–	–	200,000	–	200,000
Senior Executives					
Mr D Hickey	–	–	1,000,000	(700,000)	300,000
Ms J Keating	–	5,141 ¹	110,000	(55,141)	60,000
Mr R Macnicol	–	–	150,000	–	150,000
Mr S Mann	–	–	445,000	(245,000)	200,000
Ms R Moore	–	–	–	–	–
Ms L Scenna	–	–	175,000	(125,000)	50,000
Mr D Steinberg	–	–	475,000	(250,000)	225,000

¹ This represents shares allotted under the Dividend Reinvestment Plan during the year.

	Total securities held at 1 July 2004 (excluding securities held under ISP/ESS)	Purchased	Vested and exercisable under ISP/ESS	Sold	Total securities held at 30 June 2005 (excluding securities held under ISP/ESS)
Executive Directors					
Mr M Quinn	1,000	–	–	–	1,000

No other executive directors or KMP held non ISP/ESS plan securities during 2005.

No securities (excluding securities under ISP/ESS) were granted as remuneration to KMP during the reporting period.

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46 Key management personnel disclosures (continued)

Loans with KMP

Details regarding loans outstanding at the reporting date to KMP 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) \$	Balance 30 June 2006 (including interest payable) \$	Interest paid and payable to Stockland in the reporting period \$
Executive Directors				
Mr M Quinn	159,000	159,000	159,000	–
Senior Executives				
Mr D Hickey	300,000	300,000	300,000	–
Mr D Steinberg	300,000	300,000	300,000	–
Total for other executive key management personnel	600,000	600,000	600,000	–

These loans represent housing loans advanced to KMP as follows.

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 M Quinn unable to work for Stockland, the loan may be repaid from the proceeds of life insurance policies.

In consideration for moving interstate to join Stockland, Mr D Hickey and Mr D Steinberg each have \$300,000 interest-free loans secured by unregistered mortgage over residential property with Stockland. These ten 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 executive no longer be an employee of Stockland. In the event of death or disability rendering the 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.

The difference between fair value and face value of the loans (together with the related fringe benefits tax) has also been disclosed as a "Short-term non-monetary" benefit in the Remuneration Report.

Share-based payment loans to KMP

Limited recourse interest free loans have been made by a wholly owned entity of Stockland to KMP to finance the purchase of Stockland securities, pursuant to the ISP and the ESS as described in Note 32. The Annual General Meetings of Stockland have approved the issue of securities to executive directors and the issue of securities under the ISP. These loans have a maximum term of five (5) years from the date the loan is advanced. Early repayment is required upon resignation, retirement, or dismissal (within 91 days) and within 182 days after death of the individual. The stapled securities are security for the loan until all outstanding amounts are fully repaid under the ESS or waived under the ISP if certain performance and service conditions are met.

Loans made to individuals by Stockland to fund the purchase of securities issued under the ISP and ESS are not disclosed in the Balance Sheet under AIFRS because they are considered options for accounting purposes.

Some ESS loans advanced to KMP have been refinanced through loans provided by Commonwealth Bank of Australia ("CBA").

Stockland has guaranteed these loans provided by CBA to KMP and other 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. The value of the guarantee, being \$27.0 million (2005: \$25.9 million) has been recorded as a contingent settlement provision in the Balance Sheet. Refer Note 31.

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46 Key management personnel disclosures (continued)

Share-based payment loans to KMP (continued)

Under AASB 2 "Share-based Payment", the loans on ISP and ESS securities are considered options for accounting purposes. The fair value of the options is recognised as an employee expense with a corresponding increase in reserves and the loans are no longer recorded on the Balance Sheet. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. Refer Note 1(z)(iv) for further information regarding the accounting policy on these loans.

Where the underlying ISP and ESS securities are sold prior to vesting, 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) 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 distributions attaching to the securities.

Other transactions with KMP

Detailed below are transactions between Stockland and entities with which directors have an association. These do not meet the definition of related parties as the directors are not considered to have control or significant influence over the financial or operating activities of the respective entities.

The terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions on an arm's length basis.

The aggregate amounts recognised during the year to directors, executives and their personally-related entities were total revenue of \$35,000 (2005: \$35,000), and a total expense of \$187,957,050 (2005: \$18,056,773). There were no liabilities which arose from these transactions. Details of the transactions are as follows:

Mr N Greiner was Chairman of Bilfinger Berger Australia Pty Limited, the holding company of Abigroup Limited and Boulderstone Hornibrook Pty Limited. Boulderstone Hornibrook Pty Limited provided construction services to Stockland during the year. Stockland has also entered into a fixed time and term arrangement with Boulderstone Hornibrook Pty Limited 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 Boulderstone Hornibrook Pty Limited 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 Boulderstone Hornibrook Pty Limited during the financial year were \$184,337,515 (2005: \$16,108,707).

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. Amounts paid to Optus during the financial year were \$2,678,629 (2005: \$1,338,375).

Mr Bradley was a director until his retirement on 31 October 2005 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. The amounts received from Queensland Investment Corporation during the financial year were \$35,000 (2005: \$35,000).

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 \$407,667 (2005: \$340,355).

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 \$533,239 (2005: \$269,336).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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	2006 \$	2005 \$
46 Key management personnel disclosures (continued)		
Assets and liabilities arising from the above transactions		
Current assets	–	–
Non-current assets ¹	184,324,523	14,304,459
Total assets	184,324,523	14,304,459
Current liabilities	17,000,000	–
Non-current liabilities	–	–
Total liabilities	17,000,000	–

¹ Non-current asset amount represents balance of inventories in Stockland relating to Baulderstone Hornibrook Pty Limited.

From time to time, KMP of Stockland or parties related to them, 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.

	2006 \$M	2005 \$M
47 Other related party disclosures		
Details of dealings within Stockland are set out below:		
Transactions with subsidiaries		
Dividends received or due and receivable by the Company from subsidiaries	120.0	117.5
Interest paid by the Company to Stockland Trust	141.5	77.4
Rent paid by the Company to subsidiaries	6.2	6.0
Rent paid is in the normal course of business and on normal terms and conditions.		
Intercompany loans with subsidiaries		
Aggregate amount receivable by the Company from subsidiaries	262.7	215.6
Loans from the Company to entities in the wholly-owned group are interest free and repayable at call except for the loan between the Company and Stockland Trust. Interest on that loan was payable monthly in arrears at an interest rate of 6.80% for July 2005, 6.85% for August 2005, 6.90% from 1 September 2005 to 31 October 2005 and 6.95% from 1 November 2005 to 30 June 2006 (2005: 7.00% from 1 July 2004 to 31 December 2004, 6.90% from 1 January to 31 March 2005 and 6.80% from 1 April to 30 June 2005).		
Transactions between subsidiaries		
Distributions received or due and receivable by Stockland Trust from its subsidiaries	280.6	274.6
The following services were provided between subsidiaries on normal terms and conditions:		
Responsible Entity management fees	6.7	5.8
Property management and leasing	22.1	18.9
Recoupment of expenses	22.9	19.0
Property development	112.1	66.8
	163.8	110.5
Intercompany loans between subsidiaries		
Aggregate amount receivable by Stockland Trust from its subsidiaries	(517.8)	(126.1)

The loans from Stockland Trust to its subsidiaries are interest free and repayable at call during both years.

Other related parties

Macquarie Park Trust, a subsidiary of the consolidated entity, has a loan of \$30.4 million payable to Stockland Direct Office Trust No. 2, an unlisted property fund managed by Stockland. This loan will mature on the earlier of 1 July 2008 or commencement of the Optus lease at the Centrecourt property Macquarie Park which is expected to be 1 July 2007. Interest is payable on the loan at 8.2303% p.a.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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48 Events subsequent to balance date

On 24 July 2006, Stockland announced it would seek offers to purchase its hotel management business, which operates under the Saville Hotel Group brand. The Saville Hotel Group manages 11 apartment style hotels under lease agreements and management contracts with various third party owners. The hotel management business is expected to be sold in one line as a going concern. This business was disclosed in the "Other" segment of the Segment Report in Note 3.

49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

As stated in Note 1(a), these are Stockland's first consolidated Financial Statements prepared in accordance with AIFRSs.

The accounting policies in Note 1 have been applied in preparing the consolidated Financial Statements for the year ended 30 June 2006, the comparative information for the year ended 30 June 2005 and in the preparation of the opening AIFRS Balance Sheet at 1 July 2004 (Stockland's date of transition).

In preparing its opening AIFRS Balance Sheet, Stockland has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous Australian GAAP).

An explanation of how the transition from previous Australian GAAP to AIFRS has affected Stockland's Balance Sheet and Income Statement is set out in the following tables and notes that accompany the tables. There has been no impact on cash flows from transition to AIFRS.

Reconciliation of equity and profit reported under previous Australian GAAP to equity and profit under AIFRS.

	Notes	CONSOLIDATED 1 July 2004 \$M	30 June 2005 \$M	COMPANY 1 July 2004 \$M	30 June 2005 \$M
Total assets (AGAAP)		7,204.6	8,400.4	1,142.8	2,263.0
Trade and other receivables	(a),(d)	(63.5)	(39.0)	(72.7)	(71.6)
Inventories	(e)	—	(12.3)	—	—
Other assets	(b),(h)	12.3	13.4	—	—
Investment properties	(b)	(70.7)	(72.8)	—	—
Property, plant and equipment	(c)	8.6	8.4	—	—
Investments accounted for using the equity method	(a),(d)	10.4	9.7	—	—
Intangible assets	(f)	(1.8)	91.3	—	—
Total assets (AIFRS)		7,099.9	8,399.1	1,070.1	2,191.4
Total liabilities (AGAAP)		2,171.6	2,884.7	822.2	1,919.2
Trade and other payables	(i)	0.6	1.6	—	—
Interest-bearing loans and borrowings	(l)	—	—	(53.4)	(57.9)
Deferred tax liabilities	(g)	3.9	0.7	(10.9)	(35.4)
Provisions	(m)	—	25.9	—	25.9
Total liabilities (AIFRS)		2,176.1	2,912.9	757.9	1,851.8
Reconciliation of equity					
Total equity (AGAAP)		5,033.1	5,515.7	320.6	343.8
Issued capital	(l)	(58.7)	(65.4)	(4.7)	(5.2)
Reserves	(j)	(530.5)	(701.2)	—	0.2
Retained earnings	(k)	480.0	737.1	(3.7)	0.8
Total equity (AIFRS)		4,923.9	5,486.2	312.2	339.6

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

	Notes	CONSOLIDATED 30 June 2005 \$M	COMPANY 30 June 2005 \$M
Net profit (AGAAP)		405.7	106.6
Interest income	(l)	(4.2)	—
Straight-line rental income	(a)	3.9	—
Turnover rent adjustment	(a)	0.1	—
Amortisation of lease incentives	(b)	(3.4)	—
Change in fair value of investment properties	(b)	(0.4)	—
Depreciation of property, plant and equipment	(c)	(0.2)	—
Adjustment to share of profits from associates	(j)	10.5	—
Derecognise UIG 53 "Pre-Completion Contracts for the Sale of Residential Development Properties" income accrual	(e)	(12.3)	—
Goodwill write-off on disposal of investment properties	(f)	(15.1)	—
Goodwill amortisation derecognised	(f)	108.1	—
Straight-line of rent payable	(i)	0.2	—
Revaluation of investment properties	(j)	271.0	—
Employee expenses	(l)	(0.9)	—
Finance costs	(l)	(1.1)	—
Income tax applicable	(g)	3.2	—
Net profit (AIFRS)		765.1	106.6

The following explanatory notes relate to the reconciliations above and describe, for significant items, the differences between the accounting policies under AIFRS and the treatment of those items under previous Australian GAAP.

(a) Trade and other receivables

Under previous Australian GAAP, 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 the 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. These leased assets must be recognised as a separate asset, rather than being included in the investment property value.

In addition, turnover rent accrued in receivables at 30 June 2004 under Australian GAAP is treated as contingent rent under AIFRS and derecognised up until 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.

The ISP and ESS involving loans are required to be accounted for as options under AASB 2 "Share-based Payment".

The adoption of UIG 1052 "Tax Consolidation Accounting" requires the Company to derecognise deferred tax liabilities pertaining to controlled entities and derecognise related receivables. The deferred tax liabilities are required to be recognised by each controlled entity.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

(a) Trade and other receivables (continued)

The net movement in receivables arising from these adjustments is reconciled as follows:

	Notes	CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Straight-line rent receivable reclassified from investment property	(b)	9.1	12.9	–	–
Turnover rent derecognised		(1.0)	(0.9)	–	–
Loan to an associated company reclassified	(d)	(11.3)	(11.3)	–	–
Employees' share plan loans reclassified against issued capital		(60.3)	(39.7)	(58.0)	(61.4)
Adoption of UIG 1052 "Tax Consolidation Accounting"		–	–	(14.7)	(36.1)
Guarantee for repayment of employee loans under the ESS	(m)	–	–	–	25.9
		(63.5)	(39.0)	(72.7)	(71.6)

(b) Investment properties

The Company 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 Balance Sheet (\$51.0 million). 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 \$1.7 million 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:

	Note	CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Other assets					
Lease incentives (net of amortisation)		12.3	13.4	–	–
Receivables					
Straight-line rent receivables reclassified from investment properties	(a)	9.1	12.9	–	–
		21.4	26.3	–	–

The net movement in investment properties arising from these adjustments is reconciled as follows:

	Notes	CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Owner occupied property reclassified to property, plant and equipment	(c)	(51.0)	(51.0)	–	–
Fair value adjustment owner occupied property reclassification to property, plant and equipment	(j)	–	2.8	–	–
Properties leased to third parties reclassified from property, plant and equipment	(c)	1.7	1.7	–	–
Straight-line receivable reclassified from investment property	(a)	(9.1)	(12.9)	–	–
Lease incentives reclassified	(b)	(12.3)	(13.4)	–	–
		(70.7)	(72.8)		

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

(c) Property, plant and equipment

As noted above under (b) "Investment Properties", certain properties have been reclassified to property, plant and equipment. 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 \$40.3 million. Also in accordance with AASB 140 "Investment Property", certain properties leased to third parties have been reclassified at cost from property, plant and equipment to investment property.

The net movement in property, plant and equipment arising from these adjustments is reconciled as follows:

	Notes	CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Owner occupied property reclassified from investment property	(b)	51.0	51.0	–	–
Properties leased to third parties reclassified to investment property	(b)	(1.7)	(1.7)	–	–
Accumulated depreciation of owner occupied property, plant and equipment		(40.3)	(40.4)	–	–
Accumulated depreciation owner occupied strata units		(0.4)	(0.5)	–	–
		8.6	8.4	–	–

(d) 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 \$11.3 million.

Under Australian GAAP, 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 net movement in investments accounted for using the equity method arising from these adjustments is reconciled as follows:

	Note	CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Loan to an associated company reclassified	(a)	11.3	11.3	–	–
Derecognition of UIG 53 income accrual		(0.9)	(1.6)	–	–
		10.4	9.7	–	–

(e) Inventories

Under Australian GAAP, development profits 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 net movement in inventories arising from AIFRS adjustments is reconciled as follows:

		CONSOLIDATED		COMPANY	
		1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Derecognition of UIG 53 accruals		–	(12.3)	–	–

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

(f) Intangible assets

AASB 138 "Intangible Assets" prohibits internally generated intangible assets from being recognised in the Balance Sheet.

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 of impairment.

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.

On transition at 1 July 2004, trust management rights \$32.1 million and property management rights \$9.3 million have been reclassified to goodwill for the purposes of determining the gain or loss on disposal.

The net movement in intangible assets arising from these adjustments is reconciled as follows:

	CONSOLIDATED		COMPANY	
	1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Derecognition of internally generated intangible assets	(1.8)	(1.8)	–	–
Goodwill amortisation reversed	–	108.1	–	–
Goodwill write off on disposal of investment properties	–	(15.0)	–	–
	(1.8)	91.3	–	–

(g) Deferred taxes

Under AIFRS the balance sheet method, rather than the previously applied GAAP income statement liability method of accounting for income tax has been adopted and applied in accordance with AASB 112 "Income Taxes".

The net movements in deferred tax liabilities and income tax expense arising from these adjustments is reconciled as follows:

	CONSOLIDATED		COMPANY	
	1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Deferred tax liabilities	3.9	0.7	(10.9)	(35.3)
Income tax expense	–	3.2	–	–

(h) Other assets

Lease incentives are required to be recognised as separate assets from investment properties under AIFRS and have been reclassified. Refer to Note 49(b).

(i) Trade and other payables

Under previous AGAAP, lease payments under operating leases are recognised as expenses when due and payable. However, under AASB 117 "Leases", 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 between the amount legally payable and the lease expense recognised on a straight-line basis.

The net movements in payables arising from these adjustments is reconciled as follows:

	CONSOLIDATED		COMPANY	
	1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Straight-line adjustment operating lease expenses	0.6	1.6	–	–

(j) 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 Income Statement, for the period in which they arise. Upon transition to AIFRS, fair value adjustments for investment properties previously recorded in the Asset Revaluation Reserve have been reclassified to retained earnings.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2006

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49 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)

(j) Reserves (continued)

An executive remuneration reserve arises under AASB 2 "Share-based Payments" as a consequence of the requirement to account for the securities granted under the Incentive Share Plan and Executive Securities Plan as options by fair valuing them and amortising the value over the vesting period.

The net movements in reserves arising from these adjustments is reconciled as follows:

	CONSOLIDATED		COMPANY	
	1 July 2004 \$M	30 June 2005 \$M	1 July 2004 \$M	30 June 2005 \$M
Transfer from reserves to retained earnings:				
Fair value adjustments to investment properties	(531.1)	(799.3)	–	–
Fair value adjustments to investment properties in associates	–	(11.2)	–	–
Goodwill amortisation derecognised	–	106.9	–	–
Executive remuneration reserve	0.6	2.4	–	0.2
	(530.5)	(701.2)	–	0.2

(k) Retained earnings

With limited exceptions, adjustments required on first time adoption of AIFRS are recognised directly in retained earnings (or if appropriate another category of equity) at the date of transition to AIFRS. The cumulative effect of these adjustments for the Balance Sheet is an increase in retained earnings of \$480.0 million (Company a decrease of \$3.7 million) representing the net AIFRS movements in total assets, total liabilities and reserves at transition being 1 July 2004 and \$737.1 million at 30 June 2005 (Company: \$0.8 million).

(l) Share-based payments

Under AGAAP, no expense was 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 as options and amortised as an expense over the vesting period. At 1 July 2004, being the date of transition to AIFRS, Stockland has elected to use the exemption provided by AASB 1 "First-time Adoption of Australian Equivalents to IFRS" to not apply the above accounting policies to securities issued under this plan before 7 November 2002 or after 7 November 2002 but vested before 1 January 2005.

(m) Provisions

Stockland has guaranteed the repayment of certain employees' loans with an external financier used for the purpose of acquiring securities granted under the Executive Securities Plan. These guarantees can only be called upon by the financier in the event of default, and then only after disposal of the relevant securities and to the extent of any shortfall between the balance of the loan and the net proceeds on disposal. AASB 2 "Share-based Payment" requires such guarantees to be recognised as a financial liability on the Balance Sheet. The effect of these adjustments on the Consolidated and Company Balance Sheets was nil for 1 July 2004 and \$25.9 million for 30 June 2005.

(n) Financial instruments

Change in accounting policy

Under AGAAP, financial instruments which were designated as effective hedges of underlying exposures were accounted for on the same basis as the underlying exposure. Interest payments and receipts under interest rate swaps were recognised on an accrual basis. Where the instruments were considered ineffective under AGAAP, any unrealised gains and losses are recognised in the Income Statement.

On adoption of AASB 139 "Financial Instruments: Recognition and Measurement" at 1 July 2005, derivatives and hedged items are accounted for in accordance with significant accounting policies set out in Note 1(k). This change has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 139.

The \$2.2 million net movement in reserves during the year ended 30 June 2006 for cash flow hedges includes \$5.0 million for the effect of transition to AASB 139 "Financial Instruments: Recognition and Measurement" on 1 July 2005.

Other non-current assets and non-current interest-bearing loans and borrowings both increased by \$51.0 million for fair value hedges on 1 July 2005 due to transition to AASB 139.

In addition, the fair value movement of available for sale financial assets has resulted in an opening retained earnings writedown of \$3.7 million on 1 July 2005.

Directors' Declaration

For the year ended 30 June 2006

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In the opinion of the directors of Stockland Corporation Limited ("the Company"), and the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as "the directors"):

- 1 the financial statements and notes and the remuneration disclosures that are contained in sections A to C of the Remuneration Report in the Directors' Report, set out on pages 54 to 124, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2 the remuneration disclosures that are contained in sections A to C of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 "Related Party Disclosures"
- 3 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 4 there are reasonable grounds to believe that the Company and the controlled entities identified in Note 40 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Finance Director for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the directors:



Graham Bradley
CHAIRMAN



Matthew Quinn
MANAGING DIRECTOR

Dated at Sydney, 9 August 2006.

Independent audit report to the security holders of Stockland

For the year ended 30 June 2006

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Scope

The financial report, remuneration disclosures and directors' responsibility

Stockland comprises the consolidation of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities, which form the consolidated entity ("Stockland" or "the consolidated entity").

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements (notes 1 to 49) and the directors' declaration for both the Company and the consolidated entity, for the financial year ended 30 June 2006. The consolidated entity comprises both the Company and the entities it controlled during that financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 "Related Party Disclosures", under the heading "Remuneration Report" in sections A to C of the directors' report and not in the financial report.

The directors of Stockland Corporation Limited and the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as "the directors") are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. 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 financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 "First-time Adoption of Australian equivalents to International Financial Reporting Standards". The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the security holders of Stockland. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. 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 financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

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 financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over the financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion:

(1) the financial report of Stockland is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in sections A to C of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 "Related Party Disclosures".

KPMG

Sydney
9 August 2006

M J Coleman
PARTNER

The information set out below was prepared as at 30 July 2006 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 1,367,542,511 ordinary units in the Trust and ordinary shares in the Corporation.

Largest 20 ordinary unit holders/shareholders

	Number of securities	Percentage of issued securities
Westpac Custodian Nominees Limited	209,445,693	15.32%
JP Morgan Nominees Australia Limited	185,894,528	13.59%
National Nominees Limited	183,761,152	13.44%
Citicorp Nominees Limited	84,179,564	6.16%
ANZ Nominees Limited	78,539,663	5.74%
Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	48,384,202	3.54%
Cogent Nominees Pty Limited	36,545,618	2.67%
AMP Life Limited	21,843,031	1.60%
Cogent Nominees Pty Limited	20,679,769	1.51%
Queensland Investment Corporation	17,264,866	1.26%
RBC Dexia Investor Services Australia Nominees Pty Limited	14,609,394	1.07%
ANZ Nominees Limited <Income Reinvest Plan A/C>	11,824,516	0.86%
Bond Street Custodians Limited	11,206,485	0.82%
Victorian Workcover Authority	11,002,670	0.80%
Westpac Financial Services Limited	10,956,875	0.80%
Bond Street Custodian Limited <ENH Property Securities A/C>	10,870,867	0.79%
Transport Accident Commission	7,877,924	0.58%
Suncorp Custodian Services Pty Limited	7,141,577	0.52%
Perpetual Trustee Company Limited	3,575,504	0.49%
Citicorp Nominees Pty Limited	6,575,504	0.48%

The largest 20 members held 72.05% of the ordinary units/shares on issue.

Distribution of security holders

Category	Number of securities	Number of security holders
1 – 1,000	3,827,566	8,065
1,001 – 5,000	66,785,713	24,097
5,001 – 10,000	63,832,254	8,940
10,001 – 100,000	109,179,863	5,451
100,001 and over	1,123,917,115	223

The number of unit holders/shareholders holding less than a marketable parcel was 1,435.

Substantial security holders

	Number of units/shares
Commonwealth Bank of Australia Pty Limited	86,638,230
AMP Limited	70,516,502

Security holders

For the year ended 30 June 2006

Security holder information and directory

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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 or Financial Statements;
- an Annual Report in this form;
- detailed Financial Statements only;
- the Annual Report plus detailed Financial Statements; or
- electronic versions of the Annual Report and Financial Statements.

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

Members' enquiries

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

Stockland website

www.stockland.com.au

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;
 - provision of tax file numbers; or
 - general queries about your securityholding,
- 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 dividend/ distribution payments used to buy more Stapled Securities in Stockland at a discount of up to 5% as determined by the Board. These securities are acquired by members at no brokerage or other associated costs. The discount applicable to the August 2006 DRP was 1.5%. Any future changes to the DRP will be disclosed to the ASX and notified on the Stockland website. DRP Application forms can be sent to you by Computershare or are available on the Stockland website.

Distribution periods

1 July – 31 December 2005
1 January – 30 June 2006

Ex-distribution dates

22 December 2005
26 June 2006

Distribution banking or mailing dates

28 February 2006
31 August 2006

Annual General Meeting

Will be held at City Recital Hall, Angel Place at 2.30pm on Tuesday 24 October 2006.

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

Graham Bradley – Chairman
Nicholas Greiner – Deputy Chairman
Bruce Corlett
David Fairfull
Lyn Gearing
Peter Scott
Terry Williamson

Executive

Matthew Quinn – Managing Director
Hugh Thorburn – Finance Director

Company Secretaries

Phillip Hepburn
Derwyn Williams

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



RECYCLED CONTENT



FOREST MANAGEMENT



CHLORINE FREE

This annual report has been printed on a stock that has 55 per cent recycled paper content, comprising 25 per cent post-consumer and 30 per cent pre-consumer waste, and 45 per cent fibre from sustainable well managed forests, and has an ISO14001 Environmental Accreditation.



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