Financial Report 2012

Stockland

30 June 2012

The numbers in detail

Merrylands, NSW

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

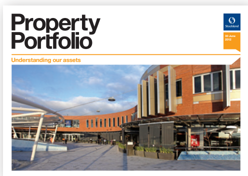
We have a long and proud history of creating places that meet the needs of our customers and communities.

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

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

With the benefit of our diverse property skills, we connect different types of properties in shared locations, to create places that inspire people to gather, to share and to live life.

We recognise our responsibilities to the environment and are a leader in sustainable business practices.



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Further information

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

From the Chairman

In FY12 Stockland delivered a reasonable, but disappointing result in a very difficult market environment. Underlying Profit was $676.1 million, down 7 per cent on FY11, and underlying earnings per security was 29.3 cents, down 4 per cent.

Stockland's distribution per security rose 1 per cent to 24.0 cents. Our Statutory Profit was $487.0 million, down 35 per cent on the prior year, due mainly to mark to market valuation adjustments on financial instruments, the majority of which will not be realised if held to maturity.

Reflecting our prudent approach, we maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency. We are managing the pace of our spending on new projects carefully to ensure we avoid the need for new equity and continue to pay steady distributions to securityholders in future years out of operating earnings, while maintaining low levels of debt.

We remain focused on improving shareholder returns through active allocation and management of our capital. During the year we made good progress towards our strategic portfolio reweighting from Office and Industrial to Retail with the sale of $964 million of non-core assets at an average price above book value. We used the proceeds to invest in Retail, Residential and Retirement Living projects that will provide significant future profits and to fund our security buyback.

Under our security buyback program, during FY12 we acquired 7.5 per cent of our issued capital. This improved our earnings per security by 1 per cent in FY12 with expected full year impact of over 2 per cent. We will continue the buyback program up to 10 per cent taking into account the progress of our asset sales.

Leadership succession

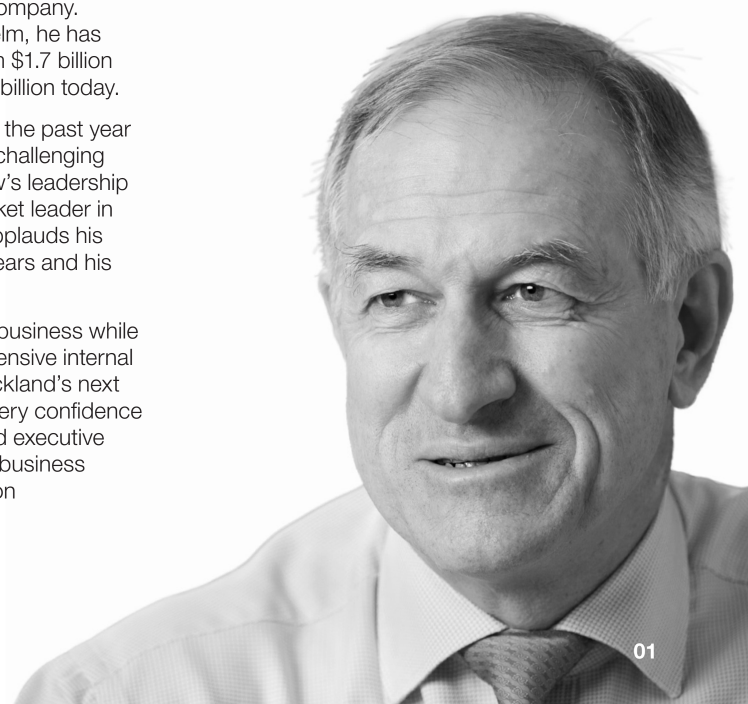
In July we announced Matthew Quinn's decision to retire as Managing Director of Stockland by February 2012. As only our third Managing Director in 60 years, Matthew has made a transforming contribution to the company. Over more than 11 years at the helm, he has overseen Stockland's growth from $1.7 billion in assets in 2000 to around $12.7 billion today.

While Stockland's performance in the past year has been impacted by extremely challenging market conditions, under Matthew's leadership Stockland has grown to be a market leader in its core businesses. The Board applauds his commitment during the past 12 years and his many achievements.

Matthew will continue to lead the business while the Board undertakes a comprehensive internal and external search to select Stockland's next chief executive. The Board has every confidence that Matthew and our experienced executive team will continue to manage the business well and ensure a smooth transition to new leadership.

Sustainability

Our commitment to sustainability is now well recognised and to demonstrate its integration in our business this year we have brought together our financial and non-financial performance metrics in one document – our Annual Review. I encourage you to read this new report on our website to find out more about how our approach to sustainability is delivering improved returns for investors. To further underscore how central sustainable operations are to Stockland, we have expanded our Sustainability Committee to include all directors from July 2012.



Board and management

I would like to thank my Board and executive colleagues for their engagement and hard work through the past year. One area of special focus for the Board this past year was executive remuneration. During FY12 we conducted a thorough review of our remuneration policies and practices to more closely align executive remuneration with the interests of securityholders and to ensure that our policies reflect best contemporary practice. We made a number of significant changes, which are set out in our Remuneration Report.

Outlook

Clearly we are facing very uncertain times. World economies, particularly in Europe, are likely to remain volatile for some time and, despite the strength of Australia's resources and energy sectors, continue to impact on consumer and business confidence here in Australia. We are experiencing one of the most sluggish housing market recoveries that many seasoned observers can recall after a substantial reduction in RBA interest rates. All indications are that we are in for another tough year if these highly uncertain conditions continue.

Stockland celebrates the 60th anniversary of its establishment in 2012. Over our 60 year history we have seen cycles come and go. Each has presented its own challenges and opportunities. Today is no different.

We are confident that with our deep understanding of our customers, and innovative approach to creating products that offer value and convenience, our business is well positioned to grow as business conditions improve in FY14 and FY15.

In summary, FY13 will be a year of transition, leading to improved returns in FY14 as our new shopping centre developments begin to yield income and as first sales from new major Residential projects commence. Unless there is continuing weakness in the residential market beyond FY13, we are confident that our earnings per security will grow in FY14. Accordingly, the Board expects to maintain Stockland distribution at not less than 24 cents per security in FY13.

> We maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency.

From the Managing Director

Our strategy of delivering high quality and affordable residential communities, shopping centres and retirement living for middle Australia helped provide resilience in very challenging market conditions last year.

We achieved solid results in our Retail and Retirement Living businesses and strong Residential sales volumes in a very soft market.

We managed prudently, sharpened our focus on understanding our customers, delivered innovative products that meet their needs and executed our strategy to position our business for future growth.

We are positioning our core businesses well for the future with a secure pipeline of projects that will enable us to capitalise on the strong market fundamentals, including population growth, that will drive long-term demand for our products.

Retail

Our Retail business Operating Profit was up 8 per cent to $310 million, with comparable Net Operating Income growth of 3.8 per cent.

This result reflects the success of our strategy to adapt our portfolio to minimise the threat of online shopping. Internet sales now account for almost 6 per cent of retail sales in Australia and the biggest impact is on clothing, particularly high end. Our focus on creating community hubs weighted towards fresh food and services has seen us achieve solid sales growth.

At the same time we have continued to invest in our development pipeline to ensure our centres are more resilient and to grow our returns. We currently have three major projects under construction – Merrylands, Townsville and Shellharbour – each on track to open on time and fully leased.

Office and Industrial

Our Operating Profit for Office and Industrial was down 16 per cent to $219 million reflecting the impact of our asset sales and weakness in the market. Our ongoing reweighting out of Office and Industrial towards higher returning less volatile Retail assets is progressing well, with the sale of $964 million of Office and Industrial assets in FY12 at prices on average slightly above book value. This does, however, create an earnings lag as reinvestment in our Retail pipeline takes two to three years to deliver returns. We will continue to focus on optimising the performance of our remaining assets as we progress our sales program.

Residential

Despite the market being at a deep cyclical low we achieved a record number of settlements in FY12, up 6 per cent to 5,388. However, pressure on our margins impacted on Operating Profit, which fell 15 per cent to $198 million.

Interest rate cuts have not stimulated activity in the way they have traditionally and new home buyers remain cautious. Against this backdrop it is pleasing to see that our target corridor strategy remains very sound with areas where we operate outperforming the broader market in price, and Stockland outperforming within our corridors. This enabled us to hold our prices flat in this difficult market and maintain high market share through our focus on affordability. For the first time, in conjunction with our partner builders, we offered house and land packages below $300,000 in all the states where we operate.

Our Residential business is well placed to achieve strong future growth, currently having 10 of the country's 20 largest projects and with 16 projects due to launch in the next three years, including Marsden Park and East Leppington in New South Wales, Caloundra South in Queensland and Lockerbie in Victoria.

Thank you to all our securityholders for your commitment to Stockland. I am confident the Group is in good shape to deliver you growing returns from FY14 as the business completes its transition and market conditions improve.

Retirement Living

Our Retirement Living business progressed well in FY12, with operational efficiencies and a record number of sales contributing to an increase in Operating Profit to $36 million, up $20 million from last year. We enter FY13 in a strong position with over 200 reservations on hand and 12 active developments in four states.

Cash returns from this business are growing steadily and we continue to focus on lifting these further through development of new product, increased efficiency in our development process and as village maturity increases. The next five years will see a major shift in the market as population ageing gains momentum. Maintaining a pipeline of new product we will be ready to benefit from the resulting increase in demand.

Financial management

We have continued to manage our business prudently and conservatively, given ongoing uncertainty in global credit markets. Our balance sheet remains strong with relatively low gearing of 25.8 per cent, comfortably within our target range of 20 to 30 per cent. We actively managed our debt profile to ensure it remains long-dated and cost effective.

People

I would like to thank all our employees for their efforts during FY12. A high-performing team is critical for business success, particularly in a challenging market where adaptability and hard work are more important than ever.

This year we undertook significant restructuring to help us harness core capabilities that can be applied consistently across the business to deliver communities that integrate our retail, residential and retirement offerings. This has enabled us to remove duplication across our business units and refocus some core functions. While a number of roles were affected, we have sought to minimise the impact through natural attrition and redeployment.

The year ahead

FY13 will be a difficult year with ongoing residential market headwinds and the impact of the transition of our business as we position it for growth in FY14 and beyond.

While our Retail and Retirement Living businesses remain well placed to deliver increased returns in FY13, there will be no contribution from UK and Apartments and income from our Office portfolio will be lower due to asset sales. We are also anticipating lower Residential margins due to less sales of high margin lots in Victoria as the market slows, and increased sales of low margin or impaired lots in NSW.

The major uncertainty in our outlook is the state of the residential market. The new housing market remains soft and lower mortgage rates are not yet having the same positive impact as occurred in previous cycles. As a result, the short-term earnings outlook remains uncertain.

Farewell

This is my 12th and final annual report to securityholders. It has been a privilege to lead Stockland and I am very proud of the legacy I will leave behind. Thank you to all our securityholders for your commitment to Stockland. I am confident the Group is in good shape to deliver you growing returns from FY14 as the business completes its transition and market conditions improve.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2012

The Directors of Stockland Corporation Limited and the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, present their report together with the Financial Report of Stockland and the Financial Report of Stockland Trust Group for the year ended 30 June 2012 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust"), ("Stockland" or "Stockland Consolidated Group"). The Financial Report of Stockland Trust Group comprises the Consolidated Financial Report of Stockland Trust and its controlled entities ("Stockland Trust Group").

Directors

The Directors of the Company and the Responsible Entity at any time during or since the end of the financial year ("the Directors") are:

GRAHAM BRADLEY

BA, LLB (Hons 1), LLM, FAICD

Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is Vice President of the Business Council of Australia, Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited, Virgin Australia International Holdings Limited (appointed March 2012) and Po Valley Energy Limited (appointed September 2004). He is a Director of GI Dynamics Inc. (appointed June 2011) and TRUenergy Holdings Pty Limited (appointed June 2012). He was a Director of MBF Australia Limited from November 2003 to November 2007 and also a Director and Chairman of Film Finance Australia Limited from January 2004 to June 2008. Mr Bradley was the Managing Director of Perpetual Limited for eight years until September 2003 and was the National Managing Partner of Ashurst Australia (formerly Blake Dawson) and a Principal of McKinsey & Company prior to that. Mr Bradley is a member of the Human Resources Committee.

Former Directorships of listed entities in last three years

Mr Bradley was a Director and Chairman of Boart Longyear Limited from February 2007 to August 2010 and a Director of Singapore Telecommunications Limited from March 2004 to July 2011.

DUNCAN BOYLE

BA (Hons), FCII, FAICD

(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He has over forty years' experience within the insurance industry in Australia, New Zealand, the United Kingdom and Europe. Mr Boyle is a Director of QBE Insurance Group Limited (appointed September 2006), Clayton Utz (appointed November 2008) and O'Connell Street Associates Pty Limited. Mr Boyle served as Chairman of the Corporate Responsibility and Sustainability Committee (renamed the Sustainability Committee from 1 July 2012). Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Former Directorships of listed entities in last three years

None.

CAROLYN HEWSON

BEc (Hons), MA (Ec), FAICD

(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over thirty years' experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a non-executive Director of BT Investment Management (appointed December 2007) and BHP Billiton (appointed March 2010), and previously served as a Director on the Boards of the Australian Gas Light Company, AGL Energy Limited, AMP, CSR Limited, South Australia Water, the Economic Development Board of South Australia and Westpac Banking Corporation. Ms Hewson is Chair of the Risk Committee and a member of the Human Resources Committee, and was appointed a member of the Sustainability Committee from 1 July 2012.

Former Directorships of listed entities in last three years

Ms Hewson was a Director of AGL Energy Limited from October 2006 to March 2009 and Westpac Banking Corporation from February 2003 to June 2012.

Directors (continued)

BARRY NEIL

BEng (Civil)

(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty eight years' experience in property, both in Australia and overseas. He is a Director of Dymocks Holdings Pty Limited and Terrace Tower Group Pty Ltd and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee. He was a member of the Corporate Responsibility and Sustainability Committee until 30 June 2012 (renamed the Sustainability Committee from 1 July 2012).

Former Directorships of listed entities in last three years

None.

MATTHEW QUINN

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

(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. Mr Quinn is a Director of the Business Council of Australia. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He is a Director of Australian Business and Community Network Limited, having served as Chairman from November 2007 to November 2010, and Carbonxt Group Limited. Mr Quinn is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and was a member of the Corporate Responsibility and Sustainability Committee until 30 June 2012 (renamed the Sustainability Committee from 1 July 2012).

Former Directorships of listed entities in last three years

None.

CAROL SCHWARTZ

BA, LLB, MBA, FAICD

(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations and is Executive Chairman of Qualitas Property Partners and on the Board of a number of organisations including Yarra Capital Partners, The Sydney Institute and the City of Melbourne's Enterprise Melbourne Advisory Board. She is also a contractor for the Bank of Melbourne Advisory Board. Her other appointments include Executive in Residence at Melbourne Business School and Chairman of Our Community. Ms Schwartz is a past National President of the Property Council of Australia. She has also previously been Chairman of Industry Superannuation Property Trust, Executive Director, Highpoint Property Group and a Director of OPSM Group Limited. She has served on a number of government boards including Melbourne's Dockland's Authority and the Victorian Growth Areas Authority Task Force. Ms Schwartz was a member of the Stockland Audit Committee until 30 June 2012 and the Corporate Responsibility and Sustainability Committees until 30 June 2012 (renamed the Sustainability Committee from 1 July 2012). Ms Schwartz was appointed as a member of the Risk Committee from 1 July 2012.

Former Directorships of listed entities in last three years

None.

PETER SCOTT

BE (Hons), MEng Sc, FIE. Aust, CPEng, MICE

(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of Sinclair Knight Merz Holdings Limited and Perpetual Limited, where he was appointed a Director on 31 July 2005. Mr Scott is a Director of Igniting Change, a not-for-profit making organisation and O'Connell Street Associates Pty Limited. He was a member of the Advisory Board of Laing O'Rourke Australia from August 2008 to August 2011. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott is Chairman of the Human Resources Committee and a member of the Risk Committee.

Former Directorships of listed entities in last three years

None.

Directors (continued)

TERRY WILLIAMSON

BEc, MBA, FCA,
FCIS, MACS

(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Avant Insurance Limited, The Doctors Health Fund, Chairman of OnePath Life Limited, Chairman of OnePath General Insurance Pty Limited, a member of the Audit Committee of the Reserve Bank of Australia, and Chairman of the University of Sydney School of Business Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of PriceWaterhouse for 17 years. Mr Williamson is Chair of the Stockland Audit Committee and Stockland Capital Partners Audit and Risk Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Former Directorships of listed entities in last three years

None.

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

ANTHONY SHERLOCK

BEc, FCA, FAICD

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

DAVID KENT

BA (Hons) 1st Class, FAICD

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the Royal Sydney Golf Club Foundation and a director of The Australian Club Inc, a Fellow of the Australian Institute of Company Directors and Vice President of Alliance Francaise de Sydney. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Executive General Manager of Axiss Australia and Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation, Chairman of the S H Ervin Gallery Committee, and Chairman of the Brett Whiteley Foundation. He is a member of the Remuneration and Equity and Finance Committees of Sinclair Knight Merz. Mr Kent retired from the Board of Stockland Capital Partners Limited on 30 June 2012.

Company Secretaries

PHILLIP HEPBURN

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

Company Secretary

Mr Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over sixteen years' experience as a Company Secretary and General Counsel. Prior to joining Stockland, he was General Counsel and Company Secretary of IAMA Limited, an Australian Securities Exchange ("ASX") listed company. He has also held a number of senior management and legal positions in the finance sector. Mr Hepburn is an Executive Member of the Stockland and the Stockland Capital Partners Financial Services Compliance Committees.

DERWYN WILLIAMS

BComm, CPA, FCIS, FCSA, MAICD

Company Secretary

Mr Williams has twenty years' experience as a Company Secretary, joining Stockland in December 2004 and 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 Group Secretary at St. George Bank Limited. He has held a number of senior management, accountancy, risk management and internal audit positions across the property, finance, heavy industry and public sectors.

Directors' meetings

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

STOCKLAND (STOCKLAND CORPORATION LIMITED AND STOCKLAND TRUST MANAGEMENT LIMITED)

	Scheduled Board		Audit Committee		Financial Services Compliance Committee		Human Resources Committee		Corporate Responsibility and Sustainability Committee[1]		Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	11	11	–	–	–	–	4	4	–	–	–	–
Mr D Boyle	11	11	–	–	–	–	–	–	4	4	6	6
Ms C Hewson	11	11	–	–	–	–	4	4	–	–	6	6
Mr B Neil	11	11	7	7	–	–	–	–	4	4	–	–
Mr M Quinn	11	11	–	–	–	–	–	–	4	4	–	–
Ms C Schwartz	10	11	6	7	–	–	–	–	3	4	–	–
Mr P Scott	11	11	–	–	–	–	4	4	–	–	5	6
Mr T Williamson	11	11	7	7	4	4	–	–	–	–	–	–
Other members												
Mr P Hepburn	–	–	–	–	4	4	–	–	–	–	–	–
Mr A Sherlock	–	–	–	–	4	4	–	–	–	–	–	–

[1] Renamed the Sustainability Committee from 1 July 2012.

STOCKLAND CAPITAL PARTNERS

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr B Neil	4	4	–	–	–	–
Mr D Kent	4	4	–	–	–	–
Mr M Quinn	4	4	–	–	–	–
Mr A Sherlock	4	4	5	5	4	4
Other members						
Mr P Hepburn	–	–	–	–	4	4
Mr T Williamson	–	–	5	5	4	4

A – Meetings attended B – Meetings eligible to attend

Corporate Governance

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Outlined below are the main corporate governance policies and practices in place throughout the financial year, unless otherwise stated.

ROLE OF THE BOARD

The Board has overall responsibility for the good governance of Stockland. The Board:

1. oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for securityholders;
2. establishes Stockland's overall framework of governance, risk management and internal control and compliance which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;
3. appoints the Managing Director, approves the appointment of the Company Secretary and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
4. sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his direct reports;
5. approves the annual budget and monitors financial and operating performance;
6. reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
7. approves major capital expenditure, acquisitions and divestitures;
8. reviews Executive and Board succession planning and Board performance; and
9. monitors compliance with laws and regulations which apply to Stockland and its business.

The Board has delegated responsibility to the Managing Director to manage Stockland's business and to its various Board Committees to oversee specific areas of governance. Delegated responsibilities are regularly reviewed and the Managing Director regularly consults with the Board on Stockland's performance. Matters which are not specifically delegated to the Managing Director require Board approval, including capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of equity or debt by Stockland and key risk management and accounting policies.

ROLE OF STOCKLAND TRUST MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR STOCKLAND TRUST

Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, is responsible for the operation of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the Stockland Trust Constitution and the *Corporations Act 2001* in the best interests of unitholders to ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

1. ongoing selection and management of property investments;
2. management of the Trust's property portfolio;
3. maintenance of the accounting and statutory records of the Trust;
4. management of equity and debt raisings and making distributions to unitholders; and
5. preparation of notices and reports issued to unitholders.

COMPOSITION OF THE BOARD

Stockland is committed to having a Board whose members have the capacity to act independently of management, and have the collective skills and diversity of experience necessary to optimise the long-term financial performance of Stockland so as to sustain superior returns to securityholders.

At the date of this report, the Board comprised one Executive Director and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 5 to 7, including details of their other listed company directorships and experience.

Stockland recognises that having a majority of independent Non-Executive Directors provides assurance that the Board is structured properly to fulfil its role in holding management accountable for Stockland's performance. The Board has resolved that it should continue to have a majority of independent Non-Executive Directors, that the positions of Chairman and Managing Director must be separate, and that the Chairman should be an independent Non-Executive Director. The Board is comprised of Directors with a wide and relevant range of experience and expertise. Some Directors have occupied senior executive management positions in large corporations both in Australia and globally covering a wide range of industry sectors including property development, investments and construction. Other Directors have held executive positions in relevant financing and accounting disciplines. The criteria used by the Board to assess Director candidates includes consideration of the value of gender diversity in the Board.

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

1. is not a substantial securityholder of Stockland or of a company holding more than 5 per cent of Stockland's voting securities, or an officer of or directly or indirectly associated with a securityholder holding more than 5 per cent of Stockland's voting securities;
2. is not and has not within the last three years been an employee of Stockland;
3. is not a principal of a material professional advisor to Stockland;
4. is not a material supplier or customer of Stockland or an officer of, or directly or indirectly associated with, a significant supplier or customer;
5. has no material contractual relationship with Stockland or any of its associates other than as a Director of Stockland; and
6. 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.

Corporate Governance
(continued)

COMPOSITION OF THE BOARD (continued)

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 per cent of the Director-related business's revenue to be material. All Directors are expected to act in the best interests of Stockland at all times.

Having considered carefully the above criteria, the Board has determined that all of Stockland's Non-Executive Directors are independent Directors.

In making this determination, the Board considered the transactions between Stockland and entities with which Stockland Directors are associated as directors or advisors set out in Note 40 to the Consolidated Financial Statements. The Board concluded that none of these transactions rendered these entities significant suppliers to, or customers of, Stockland when the relative size of the transactions was compared to the total revenues or business of those entities. Further, in none of these transactions did Stockland Directors receive direct financial benefits as principals, partners, or substantial shareholders of the entities concerned.

The Constitution of Stockland Corporation Limited (the "Constitution") provides that:

1. the Board may determine the number of Directors from time to time up to the maximum number of ten Directors;
2. no Director may retain office for more than three years or until the third annual general meeting following the Director's appointment (whichever is the longer), but retiring Directors are eligible for reappointment;
3. Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
4. the number of Directors necessary to constitute a quorum is not less than two.

The Constitution also empowers the Directors to appoint a Managing Director, who is not required to retire and be re-elected by members every three years. Article 15.7 of the Constitution provides that if the Managing Director ceases to hold the office of Director for any reason, he or she immediately ceases to be Managing Director, and if he or she ceases to be the Managing Director he or she immediately ceases to be a Director.

The Board reviews the size of the Board periodically. The Board believes that the Board should not be larger than necessary to carry out its corporate governance responsibilities properly and efficiently, bearing in mind that additional Directors add substantial cost. The Board believes, however, that it is in the interests of securityholders for the Board to have flexibility to increase the number of Directors for succession planning purposes (e.g. to recruit new Directors ahead of planned retirements), in special circumstances (such as mergers) when the Board may wish to appoint additional Directors with special expertise, or to allow appointment of an additional Executive Director for succession planning and recruitment purposes.

When determining the optimal number of Directors, the Board has regard to the importance of maintaining the right mix of skills, professional experience and Director tenure on the Board, the expected future workload of Directors, Board succession planning, cost, efficiency and the advantage of having flexibilities to add a new Director should an outstanding candidate become available in the absence of an immediate retirement. Taking these factors into account, the Board has determined that the optimal number of Directors at the current time is eight. Refer to the Directors section on pages 5 to 7 of the Directors' Report for the individual Directors' skills, experience and expertise.

When a casual vacancy occurs, the Board undertakes a structured process for considering both the general qualifications and the specific skills and experience sought for a new Director and to identify well-qualified candidates.

BOARD DIVERSITY

In defining the Board's requirements for a new Director, consideration is given to the skills, business experience and educational backgrounds of ongoing members of the Board, including any identified skills "gaps". The Board also recognises the advantage of having a mix of relevant business, executive and professional experience on the Board, the importance of cultural and ethical values, and the benefits of diversity, including gender diversity.

The Human Resources Committee oversees the Director nomination process, and will from time to time engage external search firms to ensure that a wide range of candidates are considered. Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking.

The Stockland Board has two women Non-Executive Directors out of seven. The last two appointments to the Board have been women – Ms Carolyn Hewson in 2009 and Ms Carol Schwartz in 2010. In each case the Board identified specific skills and experience sought during the search process, including financial and treasury experience in the case of Ms Hewson, and property and retailing experience in the case of Ms Schwartz. Both new Directors brought a wealth of other valuable attributes and experience to the Board, including prior experience as senior executives and as public company Directors. In addition, Ms Schwartz is the first Melbourne-based Director of Stockland, adding business knowledge and relevant networks in that important centre of our operations.

Stockland has for many years had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. For example, in 2011 we set targets to increase the proportion of women in management from 35 per cent to 40 per cent. These targets are regularly reviewed by the Human Resources Committee. In the 2012 financial year we exceeded our goal, and we have now set a new five-year goal to achieve 45 per cent by 2017. In addition, we have a formal Diversity and Inclusion Policy which is available on our website (www.stockland.com.au). Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in our 2012 Remuneration Report on page 23 within the Directors' Report as well as the 2012 financial year Corporate Responsibility & Sustainability Report which is also posted on our website.

DIRECTOR INDUCTION AND ONGOING EDUCATION

Stockland has a formal process to familiarise new Directors with the nature of its business, current issues and corporate strategies. Shortly after their appointment, Directors are given a full briefing on the Stockland Group and meetings are also arranged with key Executives. Directors also have regular opportunities to visit the Stockland facilities and to meet with management to gain a better understanding of business operations. Directors retain the right of access to all Stockland information and Executives. In addition, quarterly updates on legal and regulatory compliance are provided to Directors to keep them apprised of material developments affecting Stockland.

Corporate Governance
(continued)

TERMS OF APPOINTMENT AND RETIREMENT OF NON-EXECUTIVE DIRECTORS

The terms of appointment of a Non-Executive Director are set out in a letter to the Director from the Chairman which, among other things, sets out the expectations of the Board in relation to the performance of the Director, procedures for dealing with a Director's potential conflicts of interest, and the disclosure obligations of the Director, together with the details of Director's remuneration and relevant company policies.

The Constitution provides that a Director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosure requirements of the *Corporations Act 2001*, common law Directors' duties and Stockland's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditor" on page 48.

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

Stockland has also entered into a deed of disclosure with each Director, which is designed to facilitate Stockland's compliance with its obligations under the ASX Listing Rules relating to disclosure of changes in Directors' stapled securityholdings. Stockland also monitors Directors and their nominated related party securityholdings to identify changes that may require urgent disclosure.

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

BOARD MEETINGS

The Board currently holds 10 scheduled meetings each financial year. Additional meetings are convened as required. During the 2012 financial year, the Board held 11 meetings. Agendas for each meeting are prepared by the Company Secretary with input from the Chairman and Managing Director and are distributed prior to the meeting together with supporting papers.

Standing items include the Managing Director's report, the Financial Report, the reports of each business unit and functional Senior Executive, as well as reports addressing matters of strategy, governance and compliance. Senior Executives are directly involved in Board discussions and Directors have a number of further opportunities to contact a wider group of employees, including visits to business operations.

Board papers are designed to focus Board attention on current and future issues of importance to Stockland's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board Committees and subsidiaries as well as papers on material issues requiring consideration. Significant matters are presented to the Board by Senior Executives and the Board may seek further information on any issue, from any Executive.

The Board's practice is for Non-Executive Directors to meet prior to the full Board meeting in the absence of management and the Non-Executive Directors meet privately on other occasions from time to time when necessary.

BOARD AND DIRECTOR PERFORMANCE

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, the Board Committees and individual Directors. The Human Resources Committee oversees this process.

As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behaviour. The questionnaires are confidential. The Chairman leads a discussion of the questionnaire results with the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes or procedures. Following these sessions, the Chairman provides feedback to individual Directors as necessary. The Chairman of the Human Resources Committee follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness.

The Company has adopted a process requiring each Committee Chairman to lead a discussion at least once per year on their Committee's performance and effectiveness.

Directors coming up for re-election are reviewed by the Human Resources Committee and, in their absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board. It is the Board's policy that Directors should serve only for as long as they have the confidence of their fellow Board members.

DIRECTOR REMUNERATION AND SECURITIES OWNERSHIP

Non-Executive Directors receive fees for their services which is an all-inclusive fee including statutory and elected superannuation contributions.

The Board has a policy that all Non-Executive Directors acquire and hold at least 10,000 stapled securities in Stockland within a reasonable time of becoming a Director. All Directors meet this requirement at the date of this report. In March 2011, the Board adopted a new policy on minimum securityholdings for Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Senior Executives with those of securityholders.

The Remuneration Report also describes Stockland's process for evaluating the performance of Senior Executives.

BOARD COMMITTEES

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

1. Human Resources Committee;
2. Audit Committee;
3. Corporate Responsibility and Sustainability Committee;
4. Financial Services Compliance Committee; and
5. Risk Committee.

Corporate Governance (continued)

BOARD COMMITTEES (continued)

The Board's policy is that a majority of the members of each Board Committee should be independent Directors. The Audit Committee, Risk Committee and the Human Resources Committee comprise only independent Directors. The Financial Services Compliance Committee and the Corporate Responsibility and Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

All Board Committees have written charters which are reviewed on a regular basis. The Board reviews the composition of each Committee annually, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, to ensure Committee members have skills appropriate to their roles. Each Committee also reviews its charter each year and recommends any appropriate changes to the Board.

All Non-Executive Directors may attend any Board Committee meeting. Committees may meet with external advisors in the absence of management. Each Board Committee works in conjunction with other Board Committees to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures. The charters for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website (www.stockland.com.au).

THE HUMAN RESOURCES COMMITTEE

The Human Resources Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. It reviews:

- periodically the size, composition and desired competencies of the Board, policies on Director independence and Board succession plans and makes recommendations to the Board for the appointment of new Directors;
- the Board's process for reviewing the performance of the Board, its Committees and individual Directors;
- Board and Committee fees (including the Directors' fee cap) annually in light of the liability and workload of Directors, relevant external benchmarks and recommend appropriate increases or decreases;
- the terms of employment and remuneration arrangements for the Managing Director and his direct reports, including developing and then assessing their performance against agreed objectives and their participation in security-based incentive plans;
- changes in Stockland's overall remuneration policies including its security-based incentive schemes;
- Executive development and succession plans;
- Stockland's policies for employment, performance planning and assessment, training and development, promotion and people management generally against industry best practice; and
- the annual Remuneration Report to securityholders against corporate disclosure best practice and recommends it for approval by the Board.

The Committee has specific authority to approve:

- the remuneration arrangements, including bonuses for Executives reporting to the Managing Director;
- general human resources management remuneration policies and decisions for employees other than those reporting to the Managing Director, including exercise of the Board's discretion under employee incentive plans;
- routine changes to security-based incentive plans and exercise of Board discretion under those plans which the Committee determines do not require Board approval; and
- the short-term performance objectives of the Managing Director.

The purpose of the Committee is to consider and make recommendations to the Board on the size, composition and desired competencies of the Board; Director independence, performance, remuneration and succession arrangements; the content of the annual Remuneration Report; and remuneration of Senior Executives and changes to overall remuneration policies. The Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 22 to 47 for further information.

Members of the Committee during or since the end of the financial year were:

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

The Human Resources Committee meets as frequently as required and held 4 meetings during the financial year.

The Committee has written terms of reference, consistent with ASX Guidelines.

When a Board vacancy occurs or whenever it is considered that the Board would benefit from the services of an additional Director, the Committee identifies individuals with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Recommended candidates are then submitted to the Board for consideration.

AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its governance and disclosure responsibilities relating to the integrity of Stockland's Financial Reports and the external audit, the appropriateness of Stockland's accounting policies, the effectiveness of Stockland's management of financial and operational risk, including the effectiveness of internal controls, and to oversee compliance with laws generally.

The responsibilities of the Committee are to:

- review compliance with Stockland's statutory financial reporting obligations (covering legal, ASX compliance, tax and other matters of relevance) and review the final draft of the Half Year and Annual Financial Statements and the Directors' Report prior to approval by the Board;
- review and monitor compliance with applicable laws, regulations and accounting standards, other than AFS licence compliance responsibilities reviewed by the Financial Services Compliance Committee;
- review and monitor the effectiveness of Stockland's internal control systems and processes;

Corporate Governance
(continued)

BOARD COMMITTEES (continued)

AUDIT COMMITTEE (continued)

- review accounting policies and controls and make recommendations for any changes required to accounting policies;
- review and approve Group Risk's annual program of work with specific focus on the review of internal financial control environment;
- review reports on the adequacy of Stockland's financial control environment from Group Risk and the external auditor and monitor the timely implementation of management's actions to address any weaknesses identified in those reports;
- oversee and appraise the performance of the external auditor and make recommendations to the Board on the appointment and rotation of the external auditor and approval of the annual audit fee;
- review and approve the external auditor's annual audit plan and approve all work conducted by the external auditor subject to agreed delegations to management to approve the scope and fees applicable to such work;
- periodically assess the adequacy of resourcing and capability of Stockland's finance function;
- conduct annual reviews of the adequacy of Stockland's fraud control policy and whistleblowing policy, and approve amendments to these policies and monitor ongoing compliance; and
- undertake such further investigations which the Committee considers necessary or may be requested by the Board.

The Committee has specific authority to amend Stockland's accounting policies which the Committee determines do not require Board approval.

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

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

Audit Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Chief Financial Officer, Stockland's external auditor and, as required, other Stockland Executives and external advisors. The Committee met 7 times during the 2012 financial year. The Committee meets privately with the external auditor in the absence of management at least once a year. The Committee has written terms of reference which incorporates the ASX Guidelines.

The Committee has at least three independent Non-Executive members and a majority must be independent Directors. The Chairman of the Committee will not also be the Chairman of the Board.

At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

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

- the integrity of Stockland's financial reports and external audit;
- the appropriateness of Stockland's accounting policies;
- the effectiveness of Stockland's financial controls and procedures;
- the effectiveness of Stockland's internal control environment; and
- compliance with relevant laws and regulations including any prudential supervision procedures.

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

Mr T Williamson (Chair) – Non-Executive Director
Ms C Schwartz – Non-Executive Director
(from October 2010 to 30 June 2012)
Mr B Neil – Non-Executive Director
(from October 2010)
Mr D Boyle – Non-Executive Director
(from 1 July 2012)

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board.

RISK COMMITTEE

In order to facilitate a more comprehensive oversight of operational and financial risk management across the Stockland Group, the Board created a new Risk Committee in October 2010 which assumed oversight of matters that were formerly within the charter of the Audit and Risk Committee and the Corporate Responsibility and Sustainability Committee. The responsibilities of the former Treasury Committee were also incorporated into the Risk Committee and the Treasury Committee was discontinued.

The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Committee provides a board level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework.

The Risk Committee's responsibilities include:

- annually review Stockland's risk appetite statement and risk policy and recommend amendments to the Board;
- oversee the establishment and implementation of Stockland's risk management framework, appropriate risk policies and mitigation plans for managing material risks and assess and approve any variations to the risk management framework and policies;
- monitor and assess whether Stockland operates within the risk appetite statement and risk policy approved by the Board;
- review and approve Group Risk's annual program of work to assess material risks that may affect Stockland's ability to achieve its corporate objectives;
- monitor changes in the economic business or regulatory environment which may impact on the risk profile of Stockland and changes to Stockland's business that may give rise to new risks;
- monitor management's performance in addressing in a timely manner improvements in risk management recommended through Stockland's risk review functions;
- periodically assess the adequacy of resourcing and capability within Stockland's risk functions;
- monitor and assess the ongoing effectiveness of Stockland's treasury policy and operations including recommending any amendments of the treasury policy to the Board;

Corporate Governance (continued)

BOARD COMMITTEES (continued)

RISK COMMITTEE (continued)

- in conjunction with management, review Stockland's current and future liquidity, funding and derivative exposures and strategies and review delegated authorities granted to management relating to treasury operations;
- review and approve the Health, Safety and Environment program including policies designed to promote the safety of employees, tenants and visitors to Stockland's properties;
- oversee the establishment and maintenance of Stockland's business continuity and disaster recovery plans;
- oversee the adequacy and effectiveness of Stockland's insurance policies and arrangements;
- review statements by Stockland to external stakeholders regarding Stockland's risk appetite statement and risk policy;
- review and assess matters requiring Board approval including breaches or significant variations to policies, limits and delegations of authority where these have not been reviewed by the Board or delegated to the Committee by the Board; and
- undertake investigations which the Committee considers necessary or requested by the Board.

The Committee has specific authority to approve:

- credit limits applicable to specific counterparties, consistent with the treasury policy; and
- borrowing, investment and hedging transactions within the limits and other parameters set out in the treasury policy.

The members of the Risk Committee since its formation in October 2010 or since the end of the financial year were:

Ms C Hewson (Chair) – Non-Executive Director
Mr D Boyle – Non-Executive Director (until 30 June 2012)
Mr P Scott – Non-Executive Director
Ms C Schwartz – Non-Executive Director (from 1 July 2012)

The Committee met 6 times during the 2012 financial year.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY COMMITTEE

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

The purpose of the Corporate Responsibility and Sustainability Committee is to consider and make recommendations to the Board on the social, environmental and ethical impact of Stockland's business activities; major corporate responsibility and sustainability initiatives and changes in policy; and Stakeholder communication about Stockland's corporate and sustainability policies.

The responsibilities of the Committee are to:

- consider reports from management outlining the social, health, safety, environmental and ethical impact of Stockland's business activities and future plans on the legitimate interests of our stakeholders who, in addition to our securityholders, include our employees, customers, suppliers, business partners, the people who use our premises (including our tenants and the general public), our regulators and the communities in which we operate our business;
- consider proposals from management and make recommendations to the Board on major initiatives related to Stockland's corporate responsibility and sustainability policies, principles and practices to meet changing stakeholder expectations;
- monitor compliance with Stockland's published policies and guidelines relating to sustainability and the environment and monitor management's progress in implementing agreed initiatives; and
- review external reporting on major corporate responsibility and sustainability policies, principles and initiatives.

The Committee has specific authority to:

- approve external reporting on major corporate responsibility and sustainability policies, principles and initiatives, including the annual Corporate Responsibility and Sustainability Report;
- approve reports to Government agencies related to sustainability performance where Board approval is required; and
- act as a first point of reference for management for any major social, environmental or ethical issues likely to adversely affect Stockland's brand, its reputation or its stakeholders.

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

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

Mr D Boyle (Chair) – Non-Executive Director (from October 2010)
Mr B Neil – Non-Executive Director
Mr M Quinn – Executive Director
Ms C Schwartz – Non-Executive Director (from October 2010)

The Committee met 4 times during the 2012 financial year.

From 1 July 2012, the Board has determined that all Directors shall be the members of the Committee. This change recognises that sustainability is now an indivisible part of Stockland's business operations and brand value, making it important that all Directors are well informed about and engaged in relevant policies and decisions. The Committee will be renamed the Sustainability Committee from 1 July 2012.

Corporate Governance
(continued)

BOARD COMMITTEES (continued)

CORPORATE RESPONSIBILITY AND SUSTAINABILITY COMMITTEE
(continued)

Environmental Regulation

Stockland is committed to achieving high standards 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.

FINANCIAL SERVICES COMPLIANCE COMMITTEE

The Financial Services Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan in respect of Stockland Trust, its controlled entities and Macquarie Park Trust and in ensuring adherence to applicable laws and regulations.

The Compliance Plans are designed to protect the interests of securityholders.

The Compliance Plan for Stockland Trust and its controlled entities and Macquarie Park Trust has been approved by the Australian Securities and Investments Commission ("ASIC"). The Financial Services Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

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

Mr T Williamson (Chair) – Non-Executive Director
Mr A Sherlock – External Independent Member
Mr P Hepburn – Executive Member

The Committee met 4 times during the 2012 financial year.

STOCKLAND CAPITAL PARTNERS

Stockland Capital Partners ("Capital Partners") was established in 2005 to offer high quality unlisted property investment opportunities for both small and large investors, provide new sources of capital, facilitate asset growth and generate additional sustainable income. A wholly-owned entity, Stockland Capital Partners Limited ("SCPL") operates this business, with a separate Board of Directors ("SCPL Board").

SCPL acts as the Responsible Entity or Manager of Stockland's unlisted funds, except for Macquarie Park Trust. Stockland Trust Management Limited is the Responsible Entity of Macquarie Park Trust.

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has two independent Non-Executive Directors who are not members of the Stockland Board. They must approve each transaction SCPL enters into with Stockland and must be satisfied that such transactions are on arm's length commercial terms.

In order to protect the unitholders in the event there is a dispute or default by Stockland under the terms of any agreement, the SCPL Board has resolved that the unanimous consent of the two independent Directors must be obtained as to any related party contract with Stockland.

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

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

Mr B Neil (Chair) – Non-Executive Director (appointed 19 October 2010)
Mr M Quinn – Managing Director
Mr A Sherlock – Independent Non-Executive Director
Mr D Kent – Independent Non-Executive Director (resigned from 30 June 2012)

The SCPL Board met 4 times during the 2012 financial year.

STOCKLAND CAPITAL PARTNERS AUDIT AND RISK COMMITTEE

The Stockland Capital Partners Audit and Risk Committee mirror the Audit Committee and the Risk Committee of Stockland but covers SCPL and some of Stockland's unlisted funds.

This Committee has written terms of reference and its members must be independent of management. At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The Committee meets at least quarterly and its meetings are attended by management, Group Risk and external audit and other parties as relevant. The Committee may meet privately with the external auditor in the absence of management at least once a year.

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

Mr T Williamson (Chair) – Non-Executive Director of Stockland
Mr A Sherlock – Independent Non-Executive Director of Stockland Capital Partners Limited

STOCKLAND CAPITAL PARTNERS FINANCIAL SERVICES COMPLIANCE COMMITTEE

A Financial Services Compliance Committee has been set up to oversee the Compliance Plan approved by SCPL for Stockland Direct Office Trust No. 1 ("SDOT No. 1"), Stockland Direct Office Trust No. 2 ("SDOT No. 2"), Stockland Direct Office Trust No. 3 ("SDOT No. 3"), Stockland Holding Trust No. 2 ("SHT2") and Stockland Direct Retail Trust No. 1 ("SDRT No. 1").

The role of the Committee includes evaluation of the effectiveness of the Trust's Compliance Plans designed to protect the interests of unitholders. The Compliance Plan has been approved by ASIC. The Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

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

Mr T Williamson (Chair) – Non-Executive Director of Stockland
Mr A Sherlock – Independent Non-Executive Director of Stockland Capital Partners Limited
Mr P Hepburn – Executive Member

Corporate Governance (continued)

RISK MANAGEMENT

Stockland adopts a rigorous approach to understanding and proactively managing the risks it faces in its business. Stockland recognises that making business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to Stockland's employees, tenants, customers, business partners, consultants and the communities in which it does business. As an investor of capital, Stockland conducts risk assessments at critical decision points during the investment process to monitor risks to meeting target returns.

Stockland's approach to risk management is guided by the Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and other applicable international standards.

The risk management framework is integrated with its day-to-day business processes and functional responsibilities and is supported by Group Strategic Risk, Group Operational Risk, Group Internal Audit, and Group Compliance ("the Group Risk functions").

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

RISK MANAGEMENT RESPONSIBILITIES

Stockland has a culture where ownership and accountability for managing risk is an integral part of job responsibilities and supported by training and development programs.

The Board is responsible for satisfying itself that management has in place a sound system for the management and internal control of material business risks. The Board reviews at least annually a comprehensive report on the effectiveness of Stockland's management of its material business risks. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts.

The Board is assisted in its oversight function by the Risk Committee, the Audit Committee and the Financial Services Compliance Committee.

1. Risk Committee – monitors the effectiveness of the risk management framework;
2. Audit Committee – monitors the effectiveness of financial controls; and
3. Financial Services Compliance Committee – monitors the performance of compliance controls relating to Australian Financial Services Licence.

Minutes of the Risk Committee, Audit Committee and Financial Services Compliance Committee meetings are circulated to the full Board.

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

Stockland's Group Risk functions are responsible for the design and implementation of the risk management framework and for adapting it to changes in the business and the external environment in which Stockland operates. They are also jointly responsible for building risk management capabilities throughout the business through training in risk assessment and management. The responsibilities of the Group Risk functions may be summarised as follows:

1. Strategic Risk – provides advice to management and the Board on strategic risks. This includes leading Group-wide strategic risk reviews and conducting independent risk assessments on capital investments;
2. Operational Risk – has a focus on the active management of all classes of operational risk and includes the development, implementation and monitoring of Operational Health & Safety ("OH&S"), environment, business continuity and public and physical asset safety management systems and processes and general insurances and workers compensation. This includes providing oversight and assurance through the establishment of common practices, standards and accreditations across the business and the systematic identification of risks and the integration of operational risk systems, frameworks and reporting;
3. Internal Audit – regularly assesses the effectiveness and efficiency of the Risk Management Framework. This includes supporting and advising the business on implementing appropriate risk management processes and controls, and undertaking projects to provide independent assessment of internal controls, including financial controls; and;
4. Group Compliance – monitors compliance to certain relevant laws and regulations and implements programs to assist the business in managing legislative requirements. Such areas include compliance with Stockland's Australian Financial Services Licences, with findings reported to the Stockland Trust Management Limited and Stockland Capital Partners Limited Financial Services Compliance Committees, and with Real Estate Licencing regulations.

The Group Risk functions report to Executive management and independently report to the relevant Risk Committee, Audit Committee and Financial Services Compliance Committee.

Business units are responsible for integrating the risk management framework within their business processes and systems. The Group Risk functions work collaboratively and with the Business units to provide an additional layer of assurance to the Board that risk is appropriately managed.

EXECUTIVE CONFIRMATIONS

In accordance with Stockland's legal obligations, the Managing Director and the Chief Financial Officer have declared in writing to the Board that, for the year ended 30 June 2012 that, to the best of their knowledge and belief:

With regard to Stockland's Financial Reports:

1. Stockland's financial records have been properly maintained in accordance with section 286 of the *Corporations Act 2001*; and
2. Stockland's Financial Statements present a true and fair view, in all material respects, of the Stockland Consolidated Group's financial condition and operational results and are prepared in accordance with relevant Australian Accounting Standards.

With regard to risk management and internal compliance and control systems of Stockland:

3. the statements made with respect to the integrity of Stockland's Financial Reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
4. the risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively and efficiently in all material respects throughout the period.

Corporate Governance (continued)

RISK MANAGEMENT (continued)

EXECUTIVE CONFIRMATIONS (continued)

Since 30 June 2012, nothing has come to the attention of the Managing Director and the Chief Financial Officer that would indicate any material change to any of the statements made above.

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

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

CODE OF CONDUCT AND ETHICAL BEHAVIOUR

Stockland's Directors, management and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct and Ethical Behaviour (the "Code") is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. A copy of the Code is distributed to all staff and its standards communicated and reinforced at Stockland-wide employee induction programmes.

All employees and Directors must comply with the Code. The Code covers a broad range of matters including:

1. protection of Stockland's assets;
2. confidentiality and commercially sensitive information;
3. employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;
4. Stockland's responsibilities to securityholders and the financial community generally;
5. Stockland's responsibilities to its customers and the broader community;
6. dealings with external parties including its customers, the media and regulatory authorities;
7. compliance with laws;
8. conflicts of interest and disclosure requirements;
9. prevention of Directors and key Executives from taking advantage of information or their position for personal gain;
10. fair dealing and proper use of Stockland's assets;
11. outside business interests, corporate entertainment and political contributions; and
12. Stockland's "whistleblowing" policy.

Stockland actively promotes and maintains an honest, ethical and law abiding culture. Any Director or employee who becomes aware of or suspects a breach of the Code is encouraged to report the breach to their line manager or the Group Risk functions. Where a report is received, the matter must be investigated. Appropriate disciplinary action is taken if the allegation is proven. This could include legal action or dismissal, depending on the severity of the breach.

A summary of the Code may be viewed on the Stockland website (www.stockland.com.au).

EMPLOYEE AND DIRECTOR TRADING IN STOCKLAND SECURITIES

Stockland's Securities Trading Policy was updated and released to the ASX in December 2010. Subject to applicable minimum securityholding policies and necessary prior written consents being obtained, Stockland Directors, Executives and employees may trade in Stockland stapled securities ("securities") at any time outside Prohibited Periods which run from 1 June until the announcement of Stockland's full year results and 1 December until the announcement of Stockland's half year results.

Directors and Senior Executives may, in exceptional circumstances as defined in the policy, trade during a prohibited period only with the prior written consent of the Chairman. Employees who wish to trade during a prohibited period may only do so after first obtaining the consent of the Managing Director, Chief Financial Officer or other Executive delegated by the Managing Director from time to time. Notwithstanding the prohibited periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about Stockland that is not generally available to the public.

Directors and employees may subscribe for securities in any offering in an unlisted property fund promoted by Stockland. Applications by Directors and employees for such securities are on the same terms as applied to other investors. Directors and employees are prohibited from trading in unlisted property fund securities while they possess material, non-public, price-sensitive information. Directors and employees are prohibited from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration scheme.

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

COMMUNICATION TO SECURITYHOLDERS

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

1. Annual and Half Year Financial Reports lodged with the ASX and made available to all securityholders;
2. Shareholder Review sent to all securityholders;
3. announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;
4. the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;
5. copies of announcements, presentations, past and current reports to securityholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and
6. relevant announcements lodged with the Singapore Securities Exchange ("SGX") following the issue of Notes in Singapore by Stockland Finance Pty Limited, a wholly-owned subsidiary of Stockland Trust.

Stockland has a securityholder disclosure policy which includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how Stockland meets its disclosure obligations under ASX Listing Rule 3.1. Stockland's policy is to lodge with the ASX and place on its website all market-sensitive

Corporate Governance (continued)

COMMUNICATION TO SECURITYHOLDERS (continued)

information, including Annual and Half Year result announcements and analyst presentations, as soon as practically possible.

Stockland produces two sets of financial information each financial year: the Half Year Financial Report for the six months ended 31 December and the Annual Financial Report for the year ended 30 June. Both are made available to securityholders and other interested parties. The Shareholder Review is sent to all securityholders.

Securityholders have the right to attend Stockland's Annual General Meeting, usually held towards the end of October each year, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the Stockland website and lodged with the ASX.

Securityholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the Notice of Meeting, all stapled securityholders are eligible to vote on all resolutions. Securityholders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the *Corporations Act 2001.* Proxy forms may be lodged by facsimile or electronically.

Stockland's external auditor attends the Annual General Meeting and may answer questions from securityholders concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by Stockland and the independence of the auditor in relation to the conduct of the audit.

Transcripts of the Chairman's and Managing Director's Reports to securityholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the minutes of the Annual General Meeting are also posted on the Stockland website (www.stockland.com.au).

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

Principal activities

STOCKLAND CONSOLIDATED GROUP

The principal activities of the Stockland Consolidated Group during the financial year were:

- Residential – delivers a range of master planned and mixed use residential communities in growth areas and apartment developments;
- Retirement Living Communities – designs, develops and manages communities for retirees and also operates Aged Care facilities;
- Commercial Property – owns, develops and manages retail, office and industrial properties; and
- UK – develops and manages retail, office and mixed use properties.

The Stockland Consolidated Group operates primarily in mainland Australia along with residual operations in the United Kingdom which are being wound down.

There were no significant changes in the nature of the activities of the Stockland Consolidated Group during the financial year.

STOCKLAND TRUST GROUP

The principal activities of the Stockland Trust Group during the financial year were investment in, development and management of retail, office and industrial properties. The Stockland Trust Group operates solely in Australia.

There were no significant changes in the nature of the activities of the Stockland Trust Group during the financial year.

Review and results of operations

STOCKLAND CONSOLIDATED GROUP

Stockland Consolidated Group recorded a profit attributable to securityholders calculated in accordance with Australian Accounting Standards ("AASBs") of $487.0 million for the year ended 30 June 2012 (2011: $754.6 million), a 35.5 per cent decrease from the prior year. Included within the current year profit are net fair value losses to financial instruments and foreign exchange movements of $165.3 million (2011: $60.5 million).

Underlying Profit is a non-IFRS[1] measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties). Other Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. Underlying Profit is also the basis on which distributions are determined.

The Underlying Profit for the financial year was $676.1 million (2011: $726.3 million[2]), a 6.9 per cent decrease from the prior year.

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

STOCKLAND TRUST GROUP

Stockland Trust Group recorded a profit attributable to securityholders calculated in accordance with AASBs of $606.1 million for the year ended 30 June 2012 (2011: $677.9 million), a 10.6 per cent decrease from the prior year.

The Underlying Profit for the financial year was $678.1 million (2011: $672.5 million), a 0.8 per cent increase from the prior year.

RECONCILIATION BETWEEN UNDERLYING PROFIT AND STATUTORY PROFIT

The information in the table over has not been audited or reviewed by KPMG. However, KPMG have undertaken procedures to confirm the consistency of Stockland's books and records to the financial information which was used by the Directors in determining the Underlying Profit as set out over:

[1] International Financial Reporting Standards.

[2] Prior year Underlying Profit has been restated for changes to the Retirement Living accounting to be more closely aligned to realised cash profits. Refer to page 19 and Note 35(d) for further information on the nature and impact of the change.

Review and results of operations (continued)

RECONCILIATION BETWEEN UNDERLYING PROFIT AND STATUTORY PROFIT (continued)

The following table is net of tax.	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 Restated[1] $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Underlying Profit		**676.1**	726.3	**678.1**	672.5
Certain significant items:					
Non-cash adjustment to inventories and development profits					
Net provision for write-down of inventories – Australia		**(34.2)**	(1.3)	**–**	–
Net provision for write-down of inventories – UK		**(14.2)**	(5.7)	**–**	–
Non-cash adjustment to cost of sales[2]		**1.9**	8.0	**–**	–
		(46.5)	1.0	**–**	–
Fair value unrealised adjustment of investment properties					
Net gain from fair value adjustment of investment properties – Commercial Property[3]		**41.9**	57.4	**43.0**	66.1
Share of net gain from fair value adjustment of investment properties in associates and joint ventures		**23.3**	17.7	**22.2**	17.7
DMF base fees earned, unrealised[4]	35(i)	**4.1**	1.9	**–**	–
Net (loss)/gain from fair value adjustment of investment properties – Retirement Living operating villages and villages under development[5]	35(i)	**(22.8)**	23.1	**–**	–
Retirement Living resident obligations fair value movement[5]	35(i)	**13.5**	(10.3)	**–**	–
		60.0	89.8	**65.2**	83.8
Fair value adjustment of other financial assets, impairment and net gain/(loss) on sale of other non-current assets					
Net unrealised (loss)/gain from fair value adjustment of other financial assets		**(38.9)**	17.5	**–**	–
Net realised gain/(loss) on sale of other non-current assets		**1.6**	(3.8)	**1.0**	(1.5)
Impairment of other investments		**–**	(1.9)	**–**	(1.9)
		(37.3)	11.8	**1.0**	(3.4)
Fair value adjustment of financial instruments and foreign exchange movements					
Net unrealised loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	6	**(131.7)**	(36.6)	**(133.1)**	(179.5)
Net unrealised (loss)/gain from hedged items and financial instruments treated as fair value hedges	6	**(7.0)**	0.4	**(7.0)**	2.7
Net loss on exit of exposure to GPT	39	**–**	(24.9)	**–**	(24.9)
Net realised gain on foreign exchange and fair value movement of financial instruments		**1.8**	0.6	**1.9**	126.7
Net realised foreign exchange loss transferred from the foreign currency translation reserve	6, 28	**(28.4)**	–	**–**	–
		(165.3)	(60.5)	**(138.2)**	(75.0)
Other					
Acquisition and integration costs of business combinations		**–**	(13.8)	**–**	–
Profit for the year attributable to securityholders/unitholders		**487.0**	754.6	**606.1**	677.9

1 Stockland Consolidated Group: The basis of determining Underlying Profit for the Retirement Living business has been amended from previous periods to be more closely aligned to realised cash profits. As a result, the 30 June 2011 comparative Underlying Profit has been restated from $752.4 million to $726.3 million. Refer to Note 35(d). Stockland Trust Group: N/A.

2 Stockland Consolidated Group and Stockland Trust Group: A proportion of the profit on sale of property development sold during the financial year has been eliminated from Underlying Profit, given this profit from the development benefited from the carrying value of the property being held at depreciated cost prior to the commencement of the development.

3 Stockland Consolidated Group: Includes a tax expense of $0.3 million (2011: tax benefit of $1.3 million). Stockland Trust Group: $Nil.

4 Stockland Consolidated Group: Deferred management fees ("DMF") are recognised in Underlying Profit only if they have been realised in cash. Previously, DMF were recognised in Underlying Profit on an accruals basis. The 30 June 2011 impact of this change reduced Underlying Profit (after tax) by $14.0 million. Stockland Trust Group: $Nil.

5 Stockland Consolidated Group: Only fair value gains and losses on Retirement Living investment properties relating to the settled "development profit" (defined in Note 35(a)) are recognised in Underlying Profit. Previously, fair value movements recognised in Underlying Profit included all development revaluations. The 30 June 2011 impact of this change reduced Underlying Profit (after tax) by $12.1 million. Stockland Trust Group: $Nil.

Review and results of operations (continued)

Basic earnings per stapled security/unit was 21.1 cents. Basic Underlying earnings per stapled security/unit was 29.3 cents, a decrease of 3.9 per cent from 30.5[1] cents in the prior year.

EARNINGS PER SECURITY/UNIT	Notes	Stockland Consolidated Group 2012 Cents	Stockland Consolidated Group 2011 Cents	Stockland Trust Group 2012 Cents	Stockland Trust Group 2011 Cents
Basic earnings per security/unit	10	**21.1**	31.7	**26.3**	28.5
Diluted earnings per security/unit	10	**21.1**	31.4	**26.3**	28.2
Basic Underlying earnings per security/unit	10	**29.3**	30.5[1]	**29.4**	28.2
Diluted Underlying earnings per security/unit	10	**29.3**	30.3[1]	**29.4**	28.0

[1] Restated for the changes to Underlying Profit as disclosed on page 19 and Note 35(d).

DIVIDEND AND DISTRIBUTION PER STAPLED SECURITY	Stockland Consolidated Group 2012 Cents	Stockland Consolidated Group 2011 Cents
The dividend and distribution payable is 24.0 cents per stapled security, up 1.3 per cent from 23.7 cents paid for the previous corresponding period. The payable comprises:		
Trust distribution, 2.3% tax preferred (prior year actual 22.0% tax preferred)	**24.0**	23.7
Corporation dividend, fully franked	**–**	–
Total dividend and distribution	**24.0**	23.7

Registers closed at 5.00pm on 30 June 2012 to determine entitlement to the year end dividend and distribution, which will be paid on 31 August 2012.

ON-MARKET BUYBACK

On 19 August 2011, Stockland announced that it would undertake an on-market buyback of up to 5 per cent of its issued capital (119.5 million securities), although reserved the right to increase the buyback to up to 10 per cent of its issued capital, to be funded by its ongoing asset sale program and the deferral of some uncommitted development expenditure. On 14 March 2012, Stockland announced that it would extend the on-market buyback to 10 per cent.

On 2 August 2012, Stockland announced that it would extend the duration of the on-market buyback beyond the initial 12 months.

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

As at 30 June 2012, 179,489,489 securities (7.5 per cent of issued capital) had been bought back at a total price of $545.3 million for an average price of $3.04. These securities have been cancelled.

Review and results of operations (continued)

FINANCIAL POSITION

STOCKLAND CONSOLIDATED GROUP

- Gearing ratio (Net Debt / Total Tangible Assets) of 25.8 per cent
- $0.1 billion in cash and $0.7 billion undrawn debt facilities
- Weighted average debt maturity 5.3 years
- Net tangible assets per security of $3.68

OPERATIONAL HIGHLIGHTS

STOCKLAND CONSOLIDATED GROUP

Residential

- Operating profit: $198 million
- Lots settled: 5,388, up 6 per cent on FY11
- Contracts on hand at 30 June 2012: 1,561, around 700 lower than FY11
- EBIT Margin: 25 per cent, at the low end of our target range
- Return on Assets[1]: 11.3 per cent

Retirement Living Communities

- Operating profit: $36 million, up $20 million from FY11
- Record number of sales: 519 existing units and 268 new units
- Return on Assets[1]: 4.2 per cent

Commercial Property

Retail

- Operating profit: $310 million
- Net Income growth: 8 per cent; Comparable Net Income[2] growth: of 3.8 per cent
- Comparable moving annual turnover growth: 2.9 per cent
- Portfolio occupancy: 99.4 per cent
- Return on Asset[1]: 8.0 per cent

Office and Industrial

- Operating profit (Industrial): $77 million
- Operating profit (Office): $142 million
- NOI: down 16 per cent due to asset sales and weak demand; Comparable NOI: Office flat and Industrial up 4 per cent
- Portfolio occupancy: 94.5 per cent in Office; 97.3 per cent in Industrial
- Return on Assets[1]: 7.8 per cent

Other businesses: Stockland UK and Apartments

- UK Operating profit: $17.3 million
- Apartments $nil Operating profit

[1] Return on Assets is cash profit returns (excluding the impact of non-cash elements such as capitalised interest, impairment release, lease incentive amortisation) divided by average cash invested for each asset class. Refer to Results Pack slide 17 for a detailed breakdown of methodology.

[2] Post-AIFRS.

DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions paid or declared by the Company and the Trust to securityholders since the end of the prior year are set out in Note 29 of the accompanying Financial Statements.

STATE OF AFFAIRS

STOCKLAND CONSOLIDATED GROUP

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

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

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

STOCKLAND TRUST GROUP

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

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

LIKELY DEVELOPMENTS

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

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

Other information about certain likely developments in the operations of Stockland and the expected results of those operations in future financial years is included in the various reports in 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.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

On 25 July 2012, Managing Director Mr Matthew Quinn announced his decision to retire by February 2013. The Board are undertaking a comprehensive internal and external search to select his successor.

On 1 August 2012, settlement for the US Private Placement Interest Bearing Notes issued on 18 June 2012 was completed. This was for a total of AUD 155.3 million, and was issued in three tranches USD 40.5 million (AUD 40.4 million) of 10 year notes, USD 50.0 million (AUD 49.9 million) of 12 year notes and AUD 65.0 million of 10 year notes in the US private placement market. The two USD tranches were fully hedged into AUD in terms of both the principal and interest components.

On 1 August 2012, Stockland exchanged contracts on two assets classified as Held for sale in the Financial Report. These assets are Stockland Bay Village, Bateau Bay NSW and 255-267 St Georges Terrace, Perth WA. The proceeds are in line with the 30 June 2012 book values.

There were no other material events subsequent to the year end.

Remuneration Report – Audited

The Remuneration Report covers the Stockland Consolidated Group and the Stockland Trust Group.

The Board is pleased to present the Remuneration Report ("Report") for Stockland for the year ended 30 June 2012 ("FY12"), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

We have substantially rewritten our Report this year in the interests of clarity and ease of understanding. We appreciate that remuneration reports can be complex and although some complexity is required to comply with accounting and legal requirements, we have sought to set out here the information of most importance to investors as simply and clearly as possible. For example, we have detailed the actual remuneration (fixed pay plus incentives) received by Executives in FY12 (including any vesting of awards made in prior years) as well as the accounting value of awards made in the year which may not result in actual remuneration being paid in future years.

ENHANCED APPROACH TO REMUNERATION

The Board is committed to ensuring that Stockland's remuneration policies are fair, responsible and competitive and that we communicate our remuneration arrangements with full transparency. While Stockland's remuneration policies have served us well and proven to be resilient over many years, remuneration practices continually evolve. In response to this and to investor feedback in mid-2011, the Board undertook a thorough review of our remuneration policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends and continue to be effective given the changing shape of Stockland's business priorities and market challenges. This review was completed during FY12 with changes applicable for the Senior Executives[1] taking effect from FY12. The key changes arising from the review are outlined below:

FIXED PAY

We reviewed Fixed Pay levels for our Senior Executives against market benchmarks to ensure that these were fair and competitive, taking into account the size and scope of key roles. We found that our Fixed Pay is broadly in line with the market median for comparable roles. There will be no increases in Fixed Pay for Senior Executives in FY13.

SHORT-TERM INCENTIVE ("STI")

We reviewed how we set the overall STI pool and how we communicate the Board's assessment of Stockland's performance in this Report. As a result, we have revised Stockland's Balanced Scorecard and now included the Board's assessment of Stockland's performance in this review. This assessment informs our decision on the size of the annual STI pool. We also established a cap for the annual STI pool of 5 per cent of Stockland's Underlying Profit. In FY12, our STI pool is 3.1 per cent of Underlying Profit, a substantial reduction from the FY11 pool size.

We decided that the current maximum STI opportunity for our Senior Executives was too generous and therefore we have reduced the maximum STI opportunity for Senior Executives from 200 per cent of Target STI to 125 per cent of Target STI.

[1] Senior Executives are defined as the Managing Director and members of the Executive Committee i.e. heads of businesses and functional areas.

STI DEFERRAL

To better align "at risk" pay with the creation of value for securityholders as reflected in our security price, we decided that a portion of each year's STI should be awarded in the form of Stockland securities rather than entirely in cash. Accordingly, at least one-third of any STI for Senior Executives and other Executives will be awarded in the form of Stockland securities with deferred vesting. For Senior Executives, one hundred per cent of any STI above Target level will awarded as Stockland securities with deferred vesting as well.

Half of awarded STI securities will vest twelve months after award and the remaining 50 per cent will vest twenty-four months after award provided the Executive's employment continues to the applicable vesting date.

LONG-TERM INCENTIVE ("LTI") HURDLES

We confirmed that our existing performance hurdles for vesting of our LTI Plan – Relative Total Securityholder Return ("TSR") and Underlying Earnings Per Security ("EPS") growth – remain appropriate. To improve transparency, we will now communicate in advance our three year EPS growth target for LTI hurdles as determined by the Board, with the target for FY13 LTI awards advised at the 2012 AGM.

LTI VESTING

We have also reviewed the vesting period for LTI awards and decided to extend the vesting period by an additional year to further align LTI to long-term securityholder value creation. As a result, 50 per cent of any new LTI from FY13 will vest over three years and 50 per cent will now vest over four years rather than three years (with performance assessed over a three year performance period).

REWARD MIX

We benchmarked our mix of Fixed and Variable ("at risk") pay against market practice and made a minor adjustment to our reward pay mix for Senior Executives by increasing the target STI by 10 per cent of Fixed Pay and decreasing LTI by 10 per cent of Fixed Pay.

NEW CLAWBACK PROVISIONS

To reinforce the importance of risk management in our reward framework we have introduced new, broadly-framed clawback provisions that will apply to all future unvested STI and LTI awards. These provisions give the Board discretion to adjust or forfeit unvested LTI and/or deferred STI under certain circumstances. Likewise, the introduction of STI deferral aligns reward outcomes to the longer term performance of Stockland's security price.

RELATED POLICIES

We also reaffirmed our existing remuneration policies and arrangements which support risk and capital management including:

- Any securities for equity awards will normally be acquired on-market to minimise dilution for existing securityholders;
- There is no retesting of LTI performance hurdles;
- All Senior Executives have minimum securityholding requirements in relation to vested LTI awards; and
- All employees and Directors are prohibited from entering into hedging arrangements in relation to Stockland securities.

Remuneration Report – Audited (continued)

ENHANCED APPROACH TO REMUNERATION (continued)

MANAGING DIRECTOR'S TERMINATION ARRANGEMENTS

We conducted a review of the termination arrangements for the Managing Director to ensure they were appropriate. The outcome of this review was that we have agreed with Mr M Quinn that his termination payment in the event of company-initiated termination (other than for cause) or mutually agreed resignation will be reduced to 12 months Fixed Pay, including applicable notice period plus STI for his six month notice period which was a reduction from his existing contractual arrangements of 1.5 times Fixed Pay plus 1.5 times STI.

Mr M Quinn's LTI from FY11 will continue to the original vesting date of 30 June 2013, subject to forfeiture in the event of the clawback provisions applying and to the Company exceeding the applicable LTI performance hurdles.

REMUNERATION GOVERNANCE

HUMAN RESOURCES COMMITTEE

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

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

In FY12, the HR Committee comprised three independent Non-Executive Directors: Peter Scott (Chair), Graham Bradley and Carolyn Hewson.

The roles and responsibilities of the HR Committee are outlined in the Board Human Resources Committee charter which is available on Stockland's website (www.stockland.com.au>Investor Centre>Corporate Governance).

USE OF REMUNERATION CONSULTANTS

Stockland seeks relevant benchmarking and commentary from a variety of consultants on a number of remuneration issues. For example, during FY12 Ernst & Young and AON Hewitt provided commentary on the remuneration framework review as well as relevant benchmarking data. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt and Mercer.

During FY12, there were no remuneration recommendations in relation to Senior Executives as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001* (the "Act").

DIVERSITY AND INCLUSION

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

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

At a management level, the Diversity Steering Committee consisting of employees from across Stockland, helps guide implementation of our diversity and inclusion strategy, which spans multiple diversity dimensions including gender, disability inclusiveness and cultural diversity. At Stockland, our employees participate in equal employment opportunity training as we are determined to ensure that our workplace is safe and free from discrimination, bullying and harassment. We have also introduced workshops to build awareness of unconscious bias, generating personal and organisational commitments from people managers to further embrace diversity and promote inclusion.

We continue to seek career opportunities for women and Stockland was recognised as a "2012 Employer of Choice for Women" by the Equal Opportunity for Women in the Workplace Agency ("EOWA"). This achievement reflects our continued focus on maximising opportunities for women at Stockland. We were also selected as a finalist in the EOWA 2011 Business Achievement Awards in the category of "Leading organisation for the advancement of women – 800 or more employees". Following successful pilot programs, we continue to run leadership development programs targeting our high potential women.

Increasing the number of women in leadership positions continues to be a focus for us. In FY11, the Board endorsed a target that our proportion of women in management roles at Stockland would be 40 per cent by FY15. We have already exceeded this target with our proportion of women in management roles having increased from 30 per cent in FY08 to 43 per cent in FY12. As a result, the Board has endorsed a revised a target of 45 per cent by FY17.

Stockland's performance management process and remuneration framework facilitate fair evaluation of employee performance and equitable reward decisions. Performance is measured against Balanced Scorecard objectives that employees set, together with their managers, annually. The performance assessments for all employees, including KMP, are calibrated through management and as appropriate Board review to ensure relative assessments are fair and consistent and reflect overall Stockland and business unit performance. The calibrated performance assessments are then used as the basis for the annual remuneration review proposals. A comprehensive analysis of all proposed remuneration decisions concerning gender, as well as work status (full-time compared to part-time), is undertaken as part of the annual remuneration review.

KEY MANAGEMENT PERSONNEL ("KMP")

KMP are people who have the authority and responsibility for planning, directing and controlling Stockland's activities directly or indirectly. They include Non-Executive Directors, the Managing Director and those of the Managing Director's direct reports who are members of the Executive Committee i.e. heads of businesses and functional areas ("Senior Executives"). The KMP are listed on page 47 and were KMP of the Stockland Consolidated Group at any time during the financial year and, unless otherwise indicated, were KMP for the entire year.

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

Remuneration Report – Audited (continued)

KEY MANAGEMENT PERSONNEL ("KMP") (continued)

The term "remuneration" has been used in this Report as having the same meaning as the alternative term "compensation" as defined in AASB 124 "Related Party Disclosures" ("AASB 124"). The Report contains disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001*.

REMUNERATION PHILOSOPHY AND PRINCIPLES

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

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

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY12

SHORT-TERM INCENTIVE

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

The Board's assessment of performance against the Corporate Scorecard is provided in the table on the next page. The potential STI pool in any year is capped at a maximum of 5 per cent of Stockland's Underlying Profit. The approved STI pool for FY12 was $21.2 million or 3.1 per cent of Underlying Profit a reduction of 22.3 per cent from the FY11 pool which was $27.3 million.

Remuneration Report – Audited (continued)

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY12 (continued)

SHORT-TERM INCENTIVE (continued)

KPIs	Commentary	Overall Rating[1]
Business and Financial Performance (75% weighting)		
Earnings and Underlying Profit Performance		
• Earnings per security ("EPS") growth target of 6.0 per cent; and • Operating business performance.	• Actual EPS growth was negative 3.9 per cent • Business unit profitability mixed with: — Commercial Property of $509.9 million was in line with plan. $964.0 million assets sold slightly above book value (in aggregate); — Residential profit of $197.9 million was below plan. 5,388 lots settled (5,097 in FY11) despite very poor market conditions; and — Retirement Living cash profit of $36.1 million was above plan and well up on FY11.	Below target
Business Performance		
• Maintain conservative debt profile; • Improve cost effectiveness – 5 per cent overhead cost reduction; • No unexpected risk management or systems breakdowns; • No unexpected asset impairments or losses; • Remain within policy limits for gearing, interest cover, asset mix, credit rating, debt profile; and • Improved Return on Assets ("ROA") for new investments.	• Debt maturity profile above 5 years; • Over 5 per cent reduction in gross overheads costs achieved with significant efficiency measures implemented; • Material risks well managed and appropriate mitigation undertaken; and • ROA's improved on new retail and retirement projects.	At target
Customer and Stakeholder Performance		
• Achieve independently assessed customer satisfaction ratings goals for each business unit (Retail, Residential and Retirement Living).	• Strong customer satisfaction scores improved across all business units.	At target
Organisational Performance (25% weighting)		
People Management		
• Reduce Employee-Initiated turnover – target 10 per cent; • Achieve Employee Engagement score – target 80 per cent; and • Increase women in management roles to 40 per cent by FY15.	• Employee-Initiated turnover reduced but still above target; • Employee engagement score of 83 per cent well above target; and • Women in management 43 per cent – 3 years ahead of original target.	At target
Sustainability and Safety ("OH&S")		
• Further deepened sustainable business practices across the group; • Progress towards 3-year environmental improvement goals; and • No major injuries.	• Recognised as top ranked Real Estate firm globally by Dow Jones Sustainability Index; • On track with Greenhouse Gas targets; • Excellent Safety record with no major injuries; and • Early adoption of best practice OH&S harmonisation behaviours.	Above target

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

Remuneration Report – Audited (continued)

LINK BETWEEN REMUNERATION AND PERFORMANCE FOR FY12 (continued)

KEY FINANCIAL PERFORMANCE MEASURES

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

	FY08	FY09	FY10	FY11	**FY12**
Underlying Profit ($M)	674.0	631.4	692.3	726.3[1]	**676.1**
Net Tangible Assets per Security ($)	5.46	3.61	3.59	3.65	**3.68**
Security Price as at 30 June ($)	5.39	3.21	3.72	3.41	**3.08**
Dividends/Distributions Per Security (¢)	46.5	34.0	21.8	23.7	**24.0**
Underlying Earnings Per Security (¢)	46.2	36.5	29.1	30.5[1]	**29.3**
Stockland TSR – 1 year (%)	(29.3)	(30.4)	22.5	(5.3)	**0.5**
A-REIT 200 TSR (exc SGP) – 1 year (%)	(36.3)	(42.3)	20.4	4.4	**9.9**

1 The basis of determining Underlying Profit for the Retirement Living business has been amended from previous periods to be more closely aligned to realised cash profits. As a result, the 30 June 2011 comparative Underlying Profit has been restated from $752.4 million to $726.3 million.

REMUNERATION IN FY12

The remuneration of the Managing Director and Senior Executives set out on page 28 of this Report, is calculated in accordance with statutory rules and applicable Accounting Standards, and is "theoretical" due to the complex way equity-based incentive pay is calculated for these rules and standards. To provide more meaningful information to securityholders, we have shown in the table over, FY12 Remuneration Outcomes for the Managing Director and Senior Executives which represent the actual remuneration that was awarded, deferred (subject to continued service and in the case of LTI performance hurdles) and received (including any prior year awards) together with awards from prior years which lapsed during FY12.

Remuneration Report – Audited (continued)

REMUNERATION IN FY12 (continued)

FY12 REMUNERATION OUTCOMES[1]

	Awarded and Received in Cash (A)	Awarded but Deferred[2] (B)	Prior Years' Equity Awards Realised[3] (C)	Total received in Cash or Equity (D) = [A+C]	Prior Years' Awards Lapsed[4] (E)
Matthew Quinn, Managing Director					
Fixed Pay	1,900,000	–	–	**1,900,000**	–
STI[5]	665,000	–	–	**665,000**	–
LTI[6]	–	–[7]	–	**–**	3,880,800
Total	2,565,000	–	–	**2,565,000**	3,880,800
Tim Foster, Chief Financial Officer					
Fixed Pay	875,000	–	–	**875,000**	–
STI	210,000	105,000	–	**210,000**	–
LTI	–	525,000	–	**–**	696,080
Total	1,085,000	630,000	–	**1,085,000**	696,080
Mark Hunter, Group Executive and CEO Residential					
Fixed Pay	800,000	–	–	**800,000**	–
STI	220,000	110,000	–	**220,000**	–
LTI	–	480,000	–	**–**	1,191,960
Total	1,020,000	590,000	–	**1,020,000**	1,191,960
Karyn Munsie, EGM Corporate Affairs					
Fixed Pay	394,000	–	–	**394,000**	–
STI	90,000	–	–	**90,000**	–
LTI	–	300,000	–	**–**	668,360
Total	484,000	300,000	–	**484,000**	668,360
David Pitman, Group Executive and CEO Retirement Living					
Fixed Pay	700,000	–	–	**700,000**	–
STI	210,000	105,000	–	**210,000**	–
LTI	–	420,000	–	**–**	1,062,600
Total	910,000	525,000	–	**910,000**	1,062,600
Michael Rosmarin, Group Executive, Strategy & Human Resources					
Fixed Pay	550,000	–	–	**550,000**	–
STI	186,667	93,333	–	**186,667**	–
LTI	–	330,000	–	**–**	–
Total	736,667	423,333	–	**736,667**	–
John Schroder, Group Executive and CEO Commercial Property					
Fixed Pay	1,030,000	–	–	**1,030,000**	–
STI	333,333	166,667	–	**333,333**	–
LTI	–	618,000	–	**–**	1,635,480
Total	1,363,333	784,667	–	**1,363,333**	1,635,480

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

2 One-third of awarded STI up to Target and 100% above Target is deferred in Stockland securities and vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to the Executives' continued employment.
The LTI grant is subject to a three year performance period and vesting will only occur if Stockland exceeds applicable performance hurdles for relative TSR and EPS growth.

3 There was no vesting of any equity awards in FY12.

4 The value shown represents the value of LTI which lapsed due to the Company not exceeding the applicable performance hurdles and is based on the closing security price as at 30 June 2012 of $3.08.

5 Short-Term Incentive. STI is awarded as a combination of cash and deferred equity.

6 Long-Term Incentive. Vesting of LTI grants is contingent on exceeding applicable performance hurdles and ongoing service criteria.

7 At his request, the Managing Director did not receive an LTI award in FY12.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12

FY12 STATUTORY REMUNERATION

		Short-term				Post-employment		Other long-term	Share-based payments ("SBP")				Performance related	
		Salary[1] $	Non-monetary benefits[2] $	STI[3] cash $	Total short-term $	Termination benefits $	Super-annuation benefits $	Long service leave[4] $	Deferred STI ("DSTI") $	Current period LTI expense $	Reversal of prior period LTI expense[5] $	Total $	STI + DSTI + LTI % of Total	DSTI + LTI % of Total
Executive Director														
Matthew Quinn (Managing Director)	**2012**	**1,869,822**	**–**	**665,000**	**2,534,822**	**–**	**15,775**	**(106,850)**	**–**	**771,050**	**(996,800)**	**2,217,997**	**19.8**	**(10.2)**
	2011	1,826,766	–	2,200,000	4,026,766	–	21,699	(9,656)	–	1,674,160	–	5,712,969	67.8	29.3
Senior Executives														
Tim Foster (CFO)	**2012**	**863,391**	**–**	**210,000**	**1,073,391**	**–**	**15,775**	**2,922**	**43,750**	**336,391**	**(223,870)**	**1,248,359**	**29.3**	**12.5**
	2011	906,084	–	710,000	1,616,084	–	15,699	1,470	–	357,800	–	1,991,053	53.6	18.0
Mark Hunter (CEO Residential)	**2012**	**800,216**	**–**	**220,000**	**1,020,216**	**–**	**15,789**	**(8,774)**	**45,833**	**370,723**	**(312,028)**	**1,131,759**	**28.7**	**9.2**
	2011	788,082	2,803	740,000	1,530,885	–	15,313	23,192	–	465,146	–	2,034,536	59.2	22.9
Karyn Munsie (EGM Corporate Affairs)	**2012**	**408,852**	**–**	**90,000**	**498,852**	**500,000[6]**	**12,998**	**2,562**	**–**	**76,673**	**(247,496)[7]**	**843,589**	**(9.6)**	**(20.2)**
	2011	525,908	–	405,000	930,908	–	15,199	1,790	–	261,963	–	1,209,860	55.1	21.7
David Pitman (CEO Retirement Living)	**2012**	**665,204**	**10,763**	**210,000**	**885,967**	**–**	**15,789**	**6,349**	**43,750**	**325,714**	**(276,712)**	**1,000,857**	**30.2**	**9.3**
	2011	704,740	9,934	570,000	1,284,674	–	15,249	4,753	–	428,676	–	1,733,352	57.6	24.7
Michael Rosmarin (Group Executive, Strategy & HR)	**2012**	**539,893**	**3,709**	**186,667**	**730,269**	**–**	**15,775**	**913**	**38,889**	**151,712**	**(56,978)**	**880,580**	**36.4**	**15.2**
	2011	632,775[8]	2,945	415,000	1,050,720	–	14,498	–	–	124,250	–	1,189,468	45.3	10.4
John Schroder (CEO Commercial Property)	**2012**	**965,908**	**10,763**	**333,333**	**1,310,004**	**–**	**15,775**	**9,342**	**69,444**	**486,120**	**(420,535)**	**1,470,150**	**31.9**	**9.2**
	2011	1,043,631	26,550	955,000	2,025,181	–	15,699	6,538	–	672,832	–	2,720,250	59.8	24.7

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

FY12 STATUTORY REMUNERATION (continued)

		Short-term				Post-employment		Other long-term	Share-based payments ("SBP")				Performance related	
		Salary[1] $	Non-monetary benefits[2] $	STI[3] cash $	Total short-term $	Termination benefits $	Super-annuation benefits $	Long service leave[4] $	Deferred STI ("DSTI") $	Current period LTI expense $	Reversal of prior period LTI expense[5] $	Total $	STI + DSTI + LTI % of Total	DSTI + LTI % of Total
Former Executives														
Rilla Moore[9] (Former EGM, HR)	**2012**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	123,199	5,169	–	128,368	70,500	3,820	47,000	–	–	(12,204)	237,484	(5.1)	(5.1)
Total consolidated remuneration	**2012**	**6,113,286**	**25,235**	**1,915,000**	**8,053,521**	**500,000**	**107,676**	**(93,536)**	**241,666**	**2,518,383**	**(2,534,419)**	**8,793,291**	**24.3**	**2.6**
	2011	6,551,185	47,401	5,995,000	12,593,586	70,500	117,176	75,087	–	3,984,827	(12,204)	16,828,972	59.2	23.6

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits including motor vehicle costs, car parking, other salary sacrificed items and FBT payable on these items.
3 Cash STIs are earned in the financial year to which they relate and are paid in August of the following financial year.
4 Includes any change in accruals for long service leave.
5 Reversal of expense booked in prior periods due to actual and anticipated non-performance in relation to the EPS hurdle for the 2009 and 2010 grants respectively.
6 Ms K Munsie's termination payment is based on her contractual terms of 12 months fixed pay and will be paid after her termination date of 2 July 2012. As the liability was known during FY12, the amount is disclosed in this table. Other than accrued statutory leave entitlements no other benefits arose on Ms K Munsie's termination.
7 In addition to the expense reversed due to non-achievement of the EPS hurdles for 2009 and 2010 grants, Ms K Munsie's LTI amounts shown include the reversal of the expense in relation to her forfeited 2010 and 2011 PRP grants.
8 During the prior year, Mr M Rosmarin received a payment of $100,000 to compensate for forfeited benefits and compensation from his previous employer included in 2011 salary.
9 Ms R Moore retired in September 2010.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

SHORT-TERM INCENTIVES FOR KMP

Short-term incentives are directly linked to Group, business unit and individual performance measures based on a Balanced Scorecard approach. Objectives for the Executive Committee are approved by the Managing Director, after review by the HR Committee. The actual performance against the objectives is assessed by the Managing Director and approved by the HR Committee. The STI awarded for FY12 is outlined below and is inclusive of both cash and deferred STI amounts. The maximum opportunity for STI was reduced from 200 per cent of Target to 125 per cent in FY12. The percentage of STI not earned reflects the gap between STI awarded and the maximum STI payable as per the Executive's contract. Mr M Quinn's and Ms K Munsie's FY12 STI were awarded fully as cash.

	STI Awarded	Target STI (% of Fixed Pay)	STI earned (% of Target)	STI earned (% of Maximum)	STI not earned (% of Maximum)
Managing Director					
Matthew Quinn	$665,000	100%	35%	28%	72%
Senior Executives					
Tim Foster	$315,000	80%	45%	36%	64%
Mark Hunter	$330,000	90%	46%	37%	63%
Karyn Munsie	$90,000	80%	45%	36%	64%
David Pitman	$315,000	90%	50%	40%	60%
Michael Rosmarin	$280,000	80%	64%	51%	49%
John Schroder	$500,000	90%	54%	43%	57%

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

DEFERRED STI

A minimum of one-third of any STI awarded for the KMP is deferred into Stockland securities which will vest over two years, subject to continued service. No deferred STI vested in the current financial year. The vesting profile of current deferred STI awards and Fair Value ("FV") is shown below:

	Deferred STI plan	Securities granted[1]	Total FV deferred	FV expensed in current year	FV expensed in prior years	Vesting Date[2]	Maximum value to be recognised in future years
Senior Executives							
Tim Foster	FY12 – Tranche 1	16,376	$52,500	$26,250	–	30/06/2013	$26,250
	FY12 – Tranche 2	16,376	$52,500	$17,500	–	30/06/2014	$35,000
Mark Hunter	FY12 – Tranche 1	17,156	$55,000	$27,500	–	30/06/2013	$27,500
	FY12 – Tranche 2	17,156	$55,000	$18,333	–	30/06/2014	$36,667
David Pitman	FY12 – Tranche 1	16,376	$52,500	$26,250	–	30/06/2013	$26,250
	FY12 – Tranche 2	16,376	$52,500	$17,500	–	30/06/2014	$35,000
Michael Rosmarin	FY12 – Tranche 1	14,556	$46,667	$23,333	–	30/06/2013	$23,334
	FY12 – Tranche 2	14,557	$46,667	$15,556	–	30/06/2014	$31,111
John Schroder	FY12 – Tranche 1	25,993	$83,333	$41,667	–	30/06/2013	$41,666
	FY12 – Tranche 2	25,994	$83,333	$27,778	–	30/06/2014	$55,555

1 Securities granted is based on a 30 day volume weighted average price over June 2012 of $3.2059.
2 Vesting date refers to the date at which the service conditions are met. The Executive will be entitled to the securities on the vesting date.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

LONG-TERM INCENTIVES

There was no LTI vesting in FY12 based on performance hurdles measured over the period 1 July 2009 to 30 June 2012.

Our LTI awards are linked to EPS growth and relative TSR performance. The Board reaffirmed these measures as the most appropriate performance hurdles for LTI awards as part of the remuneration review during FY12.

Half of the LTI allocated to employees is related to Stockland's performance against EPS Targets. The group exceeded the EPS Targets in FY10 and FY11, but fell short in FY12. Due to FY12 underperformance, there is no vesting in the EPS tranche of the 2009 (FY10) allocations.

The other half of the LTI award is linked to the TSR performance hurdle. Stockland's TSR has returned a positive absolute return of 23.8 per cent but has underperformed against its peer group (as measured by the A-REIT Accumulation Index excluding Stockland) over the period from 1 July 2009 to 30 June 2012. Due to the TSR underperformance over the performance period, there was no vesting of the TSR tranche.

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

Hurdle	Target/benchmark performance	Actual performance	(Under)/over performance	% vested	Weight	Vesting outcome
EPS						
FY10 EPS Growth	(21.1%)	(20.3%)				
FY11 EPS Growth	7.0%	8.5%				
FY12 EPS Growth	6.0%	(3.9%)				
Aggregate EPS Growth	(8.1%)	(15.7%)	(7.6%)	0%	50%	0%
TSR						
Relative TSR FY10-FY12	40.3%[1]	23.8%	(16.5%)	0%	50%	0%
					Total	**0%**

1 Increase in A-REIT Accumulation Index (excluding Stockland).

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

VESTING PROFILE OF LONG-TERM INCENTIVES – PERFORMANCE RIGHTS PLAN

	PRP plan	Rights previously granted	Rights granted during the year[1]	Grant date	Fair value per right at grant date[2]	Vesting date[3]	Vested during the year[4]	No. vested during the year	No. lapsed during the year	Maximum value to be recognised in future years
Executive Director										
Matthew Quinn	PRP 2009	1,260,000	–	20/10/2009	$2.76	30/06/2012	0%	–	1,260,000	–
	PRP 2010	1,029,000	–	20/10/2010	$2.55	30/06/2013	–	–	–	$1,423,450
Senior Executives										
Tim Foster	PRP 2009	226,000	–	09/02/2010	$2.73	30/06/2012	0%	–	226,000	–
	PRP 2010	368,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	$509,680
	PRP 2011	–	362,000	31/08/2011	$1.66	30/06/2014	–	–	–	$400,613
Mark Hunter	PRP 2009	387,000	–	23/10/2009	$2.50	30/06/2012	0%	–	387,000	–
	PRP 2010	337,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	$466,745
	PRP 2011	–	331,000	31/08/2011	$1.66	30/06/2014	–	–	–	$366,307
Karyn Munsie	PRP 2009	217,000	–	23/10/2009	$2.50	30/06/2012	0%	–	217,000	–
	PRP 2010	211,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	–
	PRP 2011	–	207,000	31/08/2011	$1.66	30/06/2014	–	–	–	–
David Pitman	PRP 2009	345,000	–	21/10/2009	$2.50	30/06/2012	0%	–	345,000	–
	PRP 2010	295,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	$408,575
	PRP 2011	–	290,000	31/08/2011	$1.66	30/06/2014	–	–	–	$320,933
Michael Rosmarin	PRP 2010	213,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	$295,005
	PRP 2011	–	228,000	31/08/2011	$1.66	30/06/2014	–	–	–	$252,320
John Schroder	PRP 2009	531,000	–	23/10/2009	$2.50	30/06/2012	0%	–	531,000	–
	PRP 2010	434,000	–	31/08/2010	$2.55	30/06/2013	–	–	–	$601,090
	PRP 2011	–	426,000	31/08/2011	$1.66	30/06/2014	–	–	–	$471,440

1 Post modification number of rights granted. Refer to page 35.

2 Fair value is determined by an independent external consultant using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model (EPS hurdle). Details of the assumptions made in determining fair value are discussed in Note 26 of the Financial Statements.

3 Vesting date refers to the date at which the performance and service conditions are met. The rights convert to securities in July after vesting date 30 June. The securities remain in holding lock until the 10th anniversary of the grant date except at Board discretion.

4 As the 2009 PRP performance hurdles were not exceeded, the full balance of the original grant will lapse. The minimum future value of unvested securities is $Nil as future performance and service criteria may not be met.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

MOVEMENTS IN VALUE OF LONG-TERM INCENTIVE RIGHTS

	Granted in the year	Forfeited in the year[1]	Lapsed in the year[2]
Executive Director			
Matthew Quinn	–	–	$3,880,800
Senior Executives			
Tim Foster	$600,920	–	$696,080
Mark Hunter	$549,460	–	$1,191,960
Karyn Munsie	$343,620	$881,670	$668,360
David Pitman	$481,400	–	$1,062,600
Michael Rosmarin	$378,480	–	–
John Schroder	$707,160	–	$1,635,480

1 The value of the rights that have been forfeited during the financial year represents the benefit forgone and is calculated using the same fair values at grant date of each tranche. Refer to Note 26 for a description of the option pricing models used.

2 The value of the rights that have lapsed during the financial year is calculated using the security price on the date the rights lapsed, being 30 June 2012 security price of $3.08. For FY12, 100 per cent of the PRP 2009 lapsed on 30 June 2012.

Remuneration Report – Audited (continued)

EXECUTIVE REMUNERATION FOR FY12 (continued)

MODIFICATION OF FY12 LTI AWARDS

For FY12 year, to facilitate the introduction of STI deferral, the total remuneration mix for Executive Committee (but not the Managing Director) was realigned by increasing FY12 Target STI by 10 per cent of Fixed Pay and decreasing their annual LTI participation by 10 per cent of Fixed Pay.

As a result of the reduced LTI participation in FY12, 306,689 PRP rights initially granted in August 2011 were removed for the Senior Executives. At the request of the Managing Director, he did not receive any LTI grant in FY12.

The modification occurred on the 19 April 2012. The terms of the PRP plan did not change as part of this modification.

The fair value of the rights at modification date was calculated using the same method at grant date for both the TSR and EPS hurdles, as disclosed in Note 26. The valuation was calculated by an independent external consultant.

As shown in the table below, the impact of removing the rights resulted in a decrement in remuneration for each Senior Executive. The decrement below is included in the LTI component of the Executives' remuneration, resulting in the same LTI expense as before the modification occurred, expensed over the PRP's original vesting period.

	Initial PRPs granted for FY12	Revised PRPs granted for FY12	Number of PRPs removed	FV at modification date $	FV relinquished at modification $	Initial STI value $	Revised STI value $	STI value gained $	Net Decrement $
Senior Executives									
Tim Foster	422,414	362,000	60,414	1.00	60,414	275,625	315,000	39,375	(21,039)
Mark Hunter	386,207	331,000	55,207	1.00	55,207	293,333	330,000	36,667	(18,540)
David Pitman	337,931	290,000	47,931	1.00	47,931	280,000	315,000	35,000	(12,931)
Michael Rosmarin	265,517	228,000	37,517	1.00	37,517	245,000	280,000	35,000	(2,517)
John Schroder	497,241	426,000	71,241	1.00	71,241	444,444	500,000	55,556	(15,685)
Karyn Munsie	241,379	207,000	34,379	1.00	34,379	78,750	90,000	11,250	(23,129)

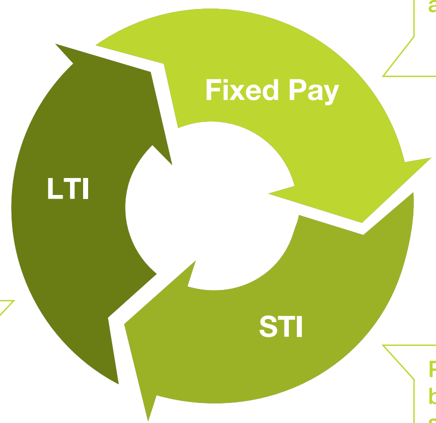
Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK

Stockland's remuneration structure has three components:

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

Competitive fixed pay to attract and retain talent.



Long-term equity based pay to align with securityholder value creation and employee retention.

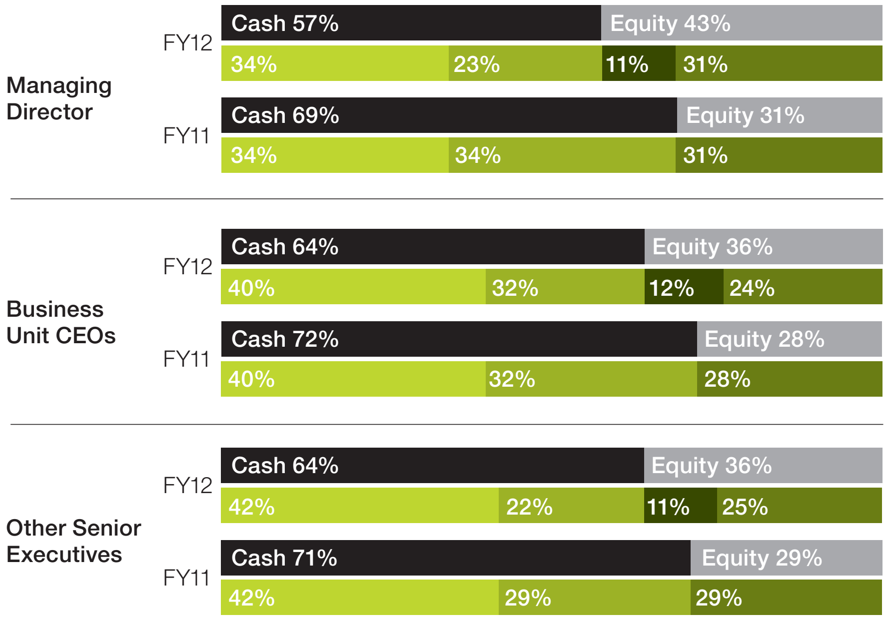
Pay for performance based on a balanced scorecard of KPIs:

- Business/Financial
- Customer/Stakeholder
- People and Leadership
- Sustainability/OH&S

A portion of STI is deferred into securities for Executives to further align with securityholder value creation.

REMUNERATION AND VARIABLE PAY MIX

Variable pay (STI and LTI) is a key component of Executives' remuneration packages. Stockland's remuneration mix has historically had a greater proportion of the remuneration package "at risk" than is typical of comparable companies. In FY12, whilst the total remuneration mix at target has not changed for the Managing Director and Senior Executives[1] from FY11 (as a percentage of Fixed Pay), the weighting of equity-based awards (Deferred STI and LTI) has increased relative to cash-based awards (Fixed Pay and Cash STI) reflecting our intention to further increase alignment of Executive pay to securityholder return.



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

[1] Other than the CEO, Retirement Living, who has been aligned to other CEOs for Commercial Property and Residential.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

FIXED PAY

Fixed Pay includes salary, superannuation and other employee benefits. Fixed Pay is set individually taking into account external benchmarking by independent firms.

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

SHORT-TERM INCENTIVES

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

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

Job Band	Target STI (as percentage of Fixed Pay)	Maximum STI (as percentage of Fixed Pay)
Managing Director	100%	125%
Senior Executives	80% to 90%	100% to 112.5%
General Managers[1]	30%	60%
Senior Managers[2]	20%	40%
Other Employees	5% to 15%	30%

How is the size of the STI pool determined?	The size of the STI pool is based on the Board's assessment of Stockland's performance against its Balance Scorecard objectives which relate to the following categories: • Business/Financial; • Customer/Stakeholder; • People and Leadership; and • Sustainability and Occupational Health and Safety.
Is the overall STI pool capped?	Yes. The maximum overall STI pool is capped at 5% of Stockland's Underlying Profit in the applicable year.

1 45% from FY13 including STI deferral (with maximum STI opportunity of 90% of Fixed Pay).
2 30% from FY13 including STI deferral (with maximum STI opportunity of 60% of Fixed Pay).

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

SHORT-TERM INCENTIVES (continued)

When and how are individual STI outcomes decided?

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

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

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

How is STI delivered?

Prior to FY12, all STI was delivered as cash.

In FY12[1], Stockland introduced deferral of a proportion of STI into Stockland securities to further align remuneration outcomes with securityholders' interests:

Job Band	Percentage of STI awarded as Deferred STI: Up to and including target STI	Percentage of STI awarded as Deferred STI: Above target STI
Senior Executives	33.3%	100%
General Managers[1]	33.3%	50%
Senior Managers[1]	33.3%	33.3%

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

How are the number of deferred STI securities determined?

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

When does the deferred STI vest?

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

What happens if an Executive leaves Stockland?

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

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

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

Do clawback provisions apply to the deferred STI?

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

1 General Managers and Senior Managers effective from FY13.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES

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

Who participates?	The Managing Director, Senior Executives, General Managers and Senior Managers participate in LTI. This group represents approximately 13% of all employees. Annual participation is reviewed and approved by the Board.
What is the LTI opportunity?	An individual's LTI participation is based on their Fixed Pay and Job Band as follows: (see table below) (In FY12, at the request of the Managing Director, he was not granted a LTI award.)
How is LTI delivered?	Employees are granted a number of rights in the Performance Rights Plan ("PRP"). Each right is granted over an ordinary security at no cost to the employee.
What are the performance hurdles?	Each performance rights grant is divided into two equal tranches, with the following performance hurdles: • Stockland's Total Securityholder Return ("TSR") measured against the ASX Australian Real Estate Investment Trusts ("A-REIT") Accumulation Index (excluding Stockland); and • Growth in Stockland's Underlying Earnings Per Security ("EPS") measured against a three year target set by the Board.
How are the number of rights determined for each LTI grant?	The number of rights granted is determined by dividing the dollar value of LTI participation by a grant value, including a probability factor of 50% of EPS not vesting. The grant value of the TSR component is determined based on an accounting valuation methodology using assumptions for expected life of the right, volatility, risk-free interest rate, market price of the Stockland securities at the time of grant and dividend yield. From FY13, the grant value for the EPS performance hurdle will be based on the volume weighted average price for Stockland securities over the 30 days up to and including 30 June 2012 and adjusted for the probability of vesting. The valuation of both hurdles is calculated by an independent external consultant.

Job Band	LTI participation (as % of Fixed Pay)
Managing Director	90%
Senior Executives	60%
General Managers[1]	40%
Senior Managers[2]	20%

[1] Reduced to 25% of Fixed Pay from FY13.
[2] Reduced to 10% of Fixed Pay from FY13.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

When does the LTI vest?	The number of rights which convert to Stockland securities is determined at the end of the three year performance period based on the Board's assessment of actual performance against the applicable performance hurdles, as advised by an independent external consultant. For grants made prior to FY13, 100% of any rights which convert to securities following the three year performance period immediately vest. For grants from FY13, 50% of rights will be subject to an additional twelve month vesting requirement post the performance period subject to continued employment with Stockland. Vested securities are also subject to a seven year holding lock following vesting so that they may only be traded subject to approval of the Board or its delegated authority.
What happens if an Executive leaves Stockland?	Any unvested rights lapse. The Board retains discretion to review this in certain circumstances where termination is Stockland initiated such as redundancy or mutually agreed resignation.
Are rights which convert to securities post the performance period purchased on-market?	At the Board's discretion, post the release of Stockland's annual results, securities which convert from rights are either purchased on-market or issued. No rights vested in FY12. However, in previous years where vesting did occur, securities have been purchased on-market which is Stockland's default position to avoid dilution.
Do participants receive distributions or dividends on LTI grants?	Participants do not receive distributions on any rights during the three year performance period. If any rights convert to securities post the performance period, distributions will be paid as per other Stockland securities.
Is performance retested if performance hurdles are not exceeded?	No. Any rights which do not exceed the applicable performance hurdle(s) lapse at the end of the performance period.
Are there any minimum securityholding requirements for the Managing Director or Senior Executives?	Yes. Stockland requires that minimum securityholdings for the Managing Director (equal to two times Fixed Pay) and Executive Committee members (equal to one times Fixed Pay) must be maintained if the Executive wishes to sell any Stockland securities which were granted after 1 July 2010 and vest after 1 July 2013.
Do clawback provisions apply to LTI?	Yes. The Board may at its absolute discretion determine that some or all of an employee's LTI award be forfeited if, in the Board's reasonable opinion, adverse circumstances affecting the performance or reputation of the Company have come to their attention.
How is performance assessed and rewarded against these hurdles?	The number of performance rights which convert to Stockland securities are based on the following schedule:

Relative TSR Growth over three years	Aggregate EPS Growth over three years	Proportion of TSR/EPS related rights vesting
Less than or equal to TSR Target	Less than or equal to EPS Target	0%
Greater than TSR Target	Greater than EPS Target	50%
Up to 10% greater than TSR Target	Up to 5% greater than EPS Target	Straight-line between 50% and 100%
10% or more greater than TSR Target	5% or more greater than EPS Target	100%

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

How is TSR defined and how is it calculated?	TSR is defined as security price growth plus the value of dividends and distributions reinvested on the ex-dividend date, adjusted for rights, bonus issues and any capital reconstructions and measured over the three year vesting period. Stockland and A-REIT TSRs are measured using a volume weighted average price ("VWAP") for the 30 days before the start and up to and including the end of the three year measurement period. Actual TSR for both Stockland and A-REIT is calculated by an independent external consultant.
Why was TSR chosen as a hurdle?	Relative TSR was chosen as a performance hurdle because it reflects Stockland's success in generating returns for securityholders relative to its peers in both rising and falling markets. The A-REIT Accumulation Index was adopted as the most appropriate comparative group because it represents the listed property companies with whom Stockland competes for capital. Stockland is excluded from the comparator group because Stockland is a large part of the Index and comparison with itself distorts the result.
Why was EPS growth chosen as a hurdle?	EPS is used as it is a key indicator of Stockland's financial performance. It is calculated using Stockland's Underlying Profit which the Board believes is the appropriate way to view Stockland's true operating performance from year to year.
How is the EPS Growth target set?	For FY12 and historically, the EPS growth hurdle has been set using the sum of three annual EPS growth targets set by the Board which are disclosed retrospectively. Following the remuneration review undertaken during FY12, it was agreed that for LTI grants after 1 July 2012 the EPS growth target will be set and advised prospectively for the three year performance period. In doing this, the Board believes this will provide a more transparent basis for communicating the EPS performance hurdle for both securityholders and LTI participants.

Other equity-based benefit programs

Are there any other equity-based benefits granted to employees?	Stockland also offers the Tax Exempt Employee Security Plan ("$1,000 Plan") to eligible permanent employees. Annual participation is reviewed and approved by the Board.
Who participates?	Permanent employees who have completed their probation period as at the time of grant excluding those who participate in the LTI plan. This group represents approximately 87 per cent of all permanent employees.
What is the value of Tax Exempt Employee Security Plan?	Eligible employees receive up to $1,000 worth of Stockland securities. Securities may be either issued or purchased on-market, at the Board's discretion. Stockland typically purchases securities on-market.
What are the other key terms and conditions of the plan?	Securities cannot be sold or transferred until the earlier of three years after allocation date or the time the participant ceases to be a Stockland employee. Securities acquired under this plan are not subject to performance hurdles.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

LONG-TERM INCENTIVES (continued)

Legacy incentive plans and other arrangements

Are there any legacy incentive plans?	Yes, there are two, the Executive Share Scheme ("ESS") and ESS retention incentive.
What is the Executive Share Scheme ("ESS")?	The ESS involved limited recourse interest-bearing loans over five years, including the two year vesting period. There is no expense for the ESS in FY11 or FY12, although some Executives previously participated in that plan. No ESS rights remain outstanding.
What is the ESS retention incentive?	In December 2008, the Board approved an additional retention arrangement ("ESS retention incentive") for employees who retained fully-vested Stockland securities originally acquired under the ESS (now discontinued) with loans originally provided by Stockland and subsequently refinanced by individual employees with personal bank loan facilities. See Note 26 for full details. This involves Stockland placing cash on deposit with the employee's bank on which Stockland receives the interest. The fair value of the ESS retention incentive for KMP is $Nil and there is no benefit associated with this arrangement included in remuneration for FY11 or FY12.
What are the other key terms and conditions of the plan?	Securities cannot be sold or transferred until the earlier of three years after allocation date or the time the participant ceases to be a Stockland employee. Securities acquired under this plan are not subject to performance hurdles.

DEALING IN SECURITIES

All employees and Directors are expected to behave responsibly and ethically when dealing with Stockland securities, as outlined in the Company's Security Trading Policy (available on Stockland's website).

Are there any restrictions on employees or Directors entering into hedging arrangements?	Yes. All employees and Directors are prohibited from entering into hedging arrangements in relation to Stockland securities. They cannot trade in financial products issued over Stockland securities by third parties or trade in any associated products which limit the economic risk of holding Stockland securities.

Remuneration Report – Audited (continued)

REMUNERATION FRAMEWORK (continued)

EMPLOYMENT AND TERMINATION ARRANGEMENTS FOR MANAGING DIRECTOR AND SENIOR EXECUTIVES

Are the Managing Director or Senior Executives on fixed term contracts?

No, the Managing Director and Executives are on rolling contracts until notice is given by either Stockland or the Executive.

What notice period is required under these contracts?

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

In appropriate circumstances, payment may be made in lieu of notice.

Where the termination occurs as a result of misconduct or serious or persistent breach of contract (termination for cause), Stockland may terminate employment immediately without notice or payment in lieu of notice.

In the event that Stockland initiates the termination does the Executive receive a termination payment?

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

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

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

STI is determined in line with the annual assessment process with any STI awarded adjusted as follows:

Job Band	STI period
Managing Director	Six months' STI equivalent to notice period
Senior Executives	STI pro-rated for period of financial year worked

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

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

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

Remuneration Report – Audited (continued)

NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION POLICY

Stockland's remuneration policy for Non-Executive Directors aims to ensure Stockland can attract and retain suitably skilled, experienced and committed individuals to serve on the Board and remunerate them appropriately for their time and expertise and for their responsibilities and liabilities as public company Directors.

The HR Committee is responsible for reviewing and recommending to the Board any changes to Board Committees' remuneration, taking into account the size and scope of Stockland's activities, the responsibilities and liabilities of Directors and the demands placed upon them. In developing its recommendations, the HR Committee takes advice from external consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board Committees. Non-Executive Directors do not receive performance-related remuneration or termination benefits other than accumulated superannuation.

In FY11, the HR Committee commissioned independent advice (from AON Hewitt) on fees payable to boards and committees of comparable companies. After considering that advice, the Board approved increases to the fees for the Chairman and Non-Executive Directors to reflect market relativities with comparable peer companies as well as increases for a number of the Committees to reflect changing Committee workloads. These were set out in our FY11 Remuneration Report.

Following the review in FY11 the Board believes that Non-Executive Director remuneration remains appropriate relative to other companies of comparable size and complexity. Accordingly, the Board has decided to make no increases in base Board or Committee fees in FY13 and, in fact, a number of Committee fees will be reduced in line with the changing workloads of Committees. Specifically the roles and responsibilities of the Sustainability Committee will be in FY13 absorbed by all Board members rather than managed by a separate Committee, reflecting the importance of sustainability policies have across all areas of Stockland and no separate fees will be paid in respect of the Sustainability Committee. There are also changes to the fees for the Stockland Capital Partners Limited ("SCPL") remuneration with David Kent retiring on 30 June 2012 and the Independent Non-Executive Director fees reducing from $54,500 to $45,000 inclusive of superannuation per annum. It is anticipated that these changes will reduce total Committee fees by approximately $100,000 (including savings for SCPL).

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

BOARD FEES

		FY13	FY12
Stockland Board			
Chairman		**$500,000**	$500,000
Non-Executive Director		**$170,000**	$170,000
Stockland Board Committees			
Audit	Chair	**$40,000**	$40,000
	Member	**$20,000**	$20,000
Risk	Chair	**$25,000**	$25,000
	Member	**$12,500**	$12,500
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540
Human Resources	Chair	**$30,000**	$30,000
	Member	**$15,000**	$15,000
Sustainability	Chair	**–**	$25,000
	Member	**–**	$12,500
SCPL Board			
Chairman		**$32,700**	$32,700
Non-Executive Director		**$32,700**	$32,700
Independent Non-Executive Director[1]		**$45,000**	$54,500
SCPL Board Committees			
Audit[2]	Chair	**$15,260**	$15,260
	Member	**$8,720**	$8,720
Financial Services Compliance	Chair	**$10,900**	$10,900
	Member	**$6,540**	$6,540

1 Independent Non-Executive Directors of SCPL are those who are not on the Stockland Board.
2 From FY13, renamed Audit.

Remuneration Report – Audited (continued)

NON-EXECUTIVE DIRECTOR REMUNERATION (continued)

APPROVED REMUNERATION POOL

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently $2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. No increase in the total fee pool is proposed for FY13.

Total fees paid to Non-Executive Directors in FY12 were $1,814,760 (FY11: $1,759,902) or 73 per cent (FY11: 70 per cent) of the approved limit. The nature and amount of each element of remuneration for each Non-Executive Director of Stockland are detailed below:

REMUNERATION PAID IN FY12

			Short-term	Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total $
Non-Executive Directors					
G Bradley (Chairman)	**2012**	**484,225**	**–**	**15,775**	**500,000**
	2011	442,810	–	32,430	475,240
D Boyle	**2012**	**191,725**	**–**	**15,775**	**207,500**
	2011	172,349	–	15,199	187,548
C Hewson	**2012**	**194,225**	**–**	**15,775**	**210,000**
	2011	175,440	–	15,199	190,639
B Neil	**2012**	**219,425**	**–**	**15,775**	**235,200**
	2011	189,673	–	17,027	206,700
C Schwartz	**2012**	**186,725**	**–**	**15,775**	**202,500**
	2011	165,619	–	14,906	180,525
P Scott	**2012**	**196,725**	**–**	**15,775**	**212,500**
	2011	188,616	–	15,199	203,815
T Williamson	**2012**	**231,285**	**–**	**15,775**	**247,060**
	2011	224,045	–	15,199	239,244
Former Non-Executive Directors					
N Greiner (Former Deputy Chairman)	**2012**	**–**	**–**	**–**	**–**
	2011	69,900	7,500	6,291	83,691
Total consolidated remuneration	**2012**	**1,704,335**	**–**	**110,425**	**1,814,760**
	2011	1,628,452	7,500	131,450	1,767,402

Remuneration Report – Audited (continued)

DIRECTORS' SECURITYHOLDINGS

The relevant interest of each Director in the securities issued by Stockland and related entities, as notified by the Directors to the ASX in accordance with S205G (1) of the *Corporations Act 2001*, at the date of this Report are as follows:

		Stapled securities in Stockland Consolidated Group	Units in SDOT[1] No. 1	Units in SDOT[1] No. 2	Units in SDOT[1] No. 3	Units in SDRT[2] No. 1
Non-Executive Directors						
G Bradley (Chairman)	**2012**	**180,723**	**–**	**750,000**	**–**	**–**
	2011	180,723	225,000	750,000	–	–
D Boyle	**2012**	**61,169**	**–**	**–**	**–**	**–**
	2011	61,169	–	–	–	–
C Hewson	**2012**	**17,809**	**–**	**–**	**–**	**–**
	2011	17,809	–	–	–	–
B Neil	**2012**	**51,607**	**–**	**–**	**–**	**–**
	2011	51,607	–	–	–	–
C Schwartz	**2012**	**10,000**	**–**	**–**	**–**	**–**
	2011	10,000	–	–	–	–
P Scott	**2012**	**28,049**	**–**	**25,000**	**20,000**	**20,000**
	2011	28,049	–	25,000	20,000	20,000
T Williamson	**2012**	**94,430**	**–**	**100,000**	**–**	**–**
	2011	94,430	37,500	100,000	–	–
Executive Director						
M Quinn	**2012**	**2,246,000**	**–**	**25,000**	**10,000**	**10,000**
	2011	1,884,500	15,000	25,000	10,000	10,000
Total	**2012**	**2,689,787**	**–**	**900,000**	**30,000**	**30,000**
	2011	2,328,287	277,500	900,000	30,000	30,000

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

Remuneration Report – Audited (continued)

DIRECTORS' SECURITYHOLDINGS (continued)

The holdings in the previous table of Executive Directors include vested securities acquired under LTI plans but do not include unvested performance rights or securities detailed on page 33 of this Report.

Approval was given at the 2006 Annual General Meeting for a Non-Executive Director Security Acquisition Plan ("NEDSAP") to facilitate and encourage Non-Executive Directors to acquire securities through a fee sacrifice arrangement. This plan has been discontinued following the 2009 changes in the taxation legislation of Employee Share Schemes.

Alignment with securityholder interests is supported by the policy requiring Directors to acquire a minimum securityholding. Non-Executive Directors are required to build over a reasonable time, a holding of at least 10,000 Stockland stapled securities. All Non-Executive Directors have met this requirement as at 30 June 2012. The policies requiring Executive Directors to retain securities acquired under the Group's incentive schemes are set out on page 33.

KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Mr Graham Bradley, Chairman

Mr Duncan Boyle

Ms Carolyn Hewson

Mr Barry Neil

Ms Carol Schwartz

Mr Peter Scott

Mr Terry Williamson

EXECUTIVE DIRECTOR

Mr Matthew Quinn, Managing Director

SENIOR EXECUTIVES

Mr Tim Foster, Chief Financial Officer ("CFO")

Mr Mark Hunter, Chief Executive Officer ("CEO") Residential

Ms Karyn Munsie, Executive General Manager ("EGM") Corporate Affairs (ceased employment on 2 July 2012)

Mr David Pitman, CEO Retirement Living

Mr Michael Rosmarin, Group Executive, Strategy and Human Resources

Mr John Schroder, CEO Commercial Property

FORMER NON-EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE

Mr Nicholas Greiner, Former Deputy Chairman (retired 19 October 2010)

Ms Rilla Moore, Former EGM Human Resources (retired 24 September 2010)

Indemnities and insurance of officers and auditor

Since the end of the prior year, Stockland has not indemnified or agreed to indemnify any person who is or has been an officer or an auditor of Stockland against any liability.

Since the end of the prior year, Stockland has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Directors, Executive Directors, Company Secretaries and Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and Officers of Stockland.

Premiums are also paid for Fidelity insurance and Professional Indemnity insurance policies to cover certain risks for a broad range of employees, including Directors and Executives.

Non-audit services

During the financial year Stockland's auditor, KPMG provided certain other services to Stockland in addition to their statutory duties as auditor.

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

- the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit Committee resolved that the provision of non-audit services during the financial year by 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 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.

Details of the amounts paid to the auditor of Stockland, KPMG, and its related practices for audit and non-audit services provided during the financial year are set out in Note 8 of the accompanying Financial Statements.

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

The external auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the year ended 30 June 2012.

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

Matthew Quinn
Managing Director

Dated at Sydney, 8 August 2012

Lead Auditor's Independence Declaration

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

To: The Directors of Stockland Corporation Limited and the Directors of Stockland Trust

Management Limited, the Responsible Entity of Stockland Trust

I declare that, to the best of my knowledge and belief, in relation to the audits of the Stockland Consolidated Group and the Stockland Trust Group for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audits; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audits.

KPMG

KPMG

David Rogers
Partner

Sydney
8 August 2012

Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Revenue					
Property development sales		**1,243.5**	1,640.9	**–**	–
Rent from investment properties	5	**672.5**	669.1	**676.9**	670.2
Deferred Management Fees from Retirement Living	35(b), (h)	**60.8**	43.8	**–**	–
Dividend and distribution income		**6.1**	14.2	**1.2**	8.1
Other revenue		**46.8**	39.0	**0.5**	0.7
Total revenue		**2,029.7**	2,407.0	**678.6**	679.0
Finance income	6	**10.2**	29.0	**367.5**	309.3
Net gain/(loss) from fair value adjustment of investment properties:					
– Commercial Property[1]	16(a)	**42.2**	56.1	**43.0**	66.1
– Retirement Living	35(a), (h)	**(14.9)**	46.8	**–**	–
Net (loss)/gain from fair value adjustment of other financial assets		**(55.5)**	167.7	**–**	149.2
Share of profits of investments accounted for using the equity method	36, 37	**92.1**	90.5	**81.6**	88.6
Cost of property developments sold:					
– Land and development		**(856.1)**	(1,158.1)	**–**	–
– Capitalised interest		**(83.9)**	(124.8)	**–**	–
– Utilisation of provision for write-down of inventories		**42.5**	50.3	**–**	–
Investment property expenses		**(211.8)**	(200.2)	**(209.1)**	(196.1)
Net provision for write-down of inventories		**(63.1)**	(7.5)	**–**	–
Impairment of other investments		**–**	(1.9)	**–**	(1.9)
Existing Retirement Living resident obligations fair value movement	35(c), (h)	**19.3**	(14.7)	**–**	–
Net loss on other financial instruments that do not qualify as effective under hedge accounting rules		**–**	(174.1)	**–**	(174.1)
Net gain/(loss) on sale of other non-current assets		**4.7**	(4.7)	**1.0**	(1.5)
Management, administration, marketing and selling expenses[2]		**(286.0)**	(318.6)	**(11.1)**	(12.0)
Finance expense	6	**(212.3)**	(41.3)	**(345.4)**	(228.7)
Profit before income tax benefit/(expense)		**457.1**	801.5	**606.1**	677.9
Income tax benefit/(expense)	9	**29.9**	(46.9)	**–**	–
Profit for the year attributable to securityholders/unitholders		**487.0**	754.6	**606.1**	677.9
Other comprehensive income/(expense)					
Net exchange differences on translation of foreign controlled entity	28(a)	**31.8**	(47.1)	**–**	–
Effective portion of changes in fair value of cash flow hedges during the year	28(a)	**(1.0)**	(8.1)	**(1.0)**	(8.1)
Change in fair value of cash flow hedges transferred to profit	28(a)	**(2.2)**	(1.9)	**(2.2)**	(1.9)
Other comprehensive income/(expense) for the year, net of tax		**28.6**	(57.1)	**(3.2)**	(10.0)
Total comprehensive income for the year attributable to securityholders/unitholders		**515.6**	697.5	**602.9**	667.9
Basic earnings per security/unit (cents)	10	**21.1**	31.7	**26.3**	28.5
Diluted earnings per security/unit (cents)	10	**21.1**	31.4	**26.3**	28.2

1 The net gain/(loss) from fair value adjustment of investment properties includes a loss of $1.7 million (2011: loss of $25.9 million) on Non-current assets held for sale in both the Stockland Consolidated Group and the Stockland Trust Group.
2 Includes indirect property management expenses, leasing expenses, project expenses, development management expenses and acquisition and integration costs.

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

Consolidated Balance Sheets

AS AT 30 JUNE 2012

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Current assets					
Cash and cash equivalents	11	**135.6**	194.6	**40.6**	88.6
Trade and other receivables	12(a)	**186.0**	169.5	**3,871.2**	3,410.9
Inventories	13	**907.2**	967.5	**–**	–
Other assets	14(a)	**104.4**	105.6	**55.2**	62.1
		1,333.2	1,437.2	**3,967.0**	3,561.6
Non-current assets held for sale	15	**194.5**	235.2	**191.4**	232.1
Total current assets		**1,527.7**	1,672.4	**4,158.4**	3,793.7
Non-current assets					
Trade and other receivables	12(b)	**98.2**	104.1	**38.9**	35.5
Inventories	13	**1,798.0**	1,601.7	**–**	–
Investment properties – Commercial Property	16	**7,020.6**	6,890.9	**7,013.2**	6,924.1
Investment properties – Retirement Living	35(e), (f)	**2,747.4**	2,495.8	**–**	–
Other financial assets	17	**91.1**	147.4	**24.8**	25.9
Property, plant and equipment	18	**214.6**	213.6	**–**	–
Investments accounted for using the equity method	19	**608.9**	1,095.0	**563.2**	1,034.4
Intangible assets	20	**116.6**	116.6	**–**	–
Other assets	14(b)	**310.8**	233.7	**315.5**	242.1
Total non-current assets		**13,006.2**	12,898.8	**7,955.6**	8,262.0
Total assets		**14,533.9**	14,571.2	**12,114.0**	12,055.7
Current liabilities					
Trade and other payables	21(a)	**398.1**	438.2	**116.6**	141.7
Interest-bearing loans and borrowings	22(a)	**144.5**	19.7	**144.5**	19.7
Retirement Living resident obligations[1]	35(c), (g)	**1,531.5**	1,370.9	**–**	–
Provisions	23(a)	**140.5**	124.8	**0.6**	1.6
Other liabilities	24(a)	**309.7**	314.1	**314.1**	331.0
Total current liabilities		**2,524.3**	2,267.7	**575.8**	494.0
Non-current liabilities					
Trade and other payables	21(b)	**39.0**	123.9	**–**	–
Interest-bearing loans and borrowings	22(b)	**2,723.1**	2,387.7	**2,723.1**	2,387.7
Retirement Living resident obligations[1]	35(c), (g)	**221.9**	258.3	**–**	–
Deferred tax liabilities	25	**15.2**	55.3	**–**	–
Provisions	23(c)	**4.0**	4.3	**–**	–
Other liabilities	24(b)	**779.0**	674.6	**779.0**	674.6
Total non-current liabilities		**3,782.2**	3,504.1	**3,502.1**	3,062.3
Total liabilities		**6,306.5**	5,771.8	**4,077.9**	3,566.3
Net assets		**8,227.4**	8,799.4	**8,036.1**	8,499.4
Securityholders'/unitholders' funds					
Issued capital	27	**7,962.5**	8,504.6	**7,179.8**	7,700.3
Reserves	28(a)	**(5.2)**	(29.8)	**21.0**	27.9
Retained earnings/undistributed income		**270.1**	324.6	**835.3**	771.2
Total equity/unitholders' funds		**8,227.4**	8,799.4	**8,036.1**	8,499.4

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

CLASSIFICATION OF RETIREMENT LIVING RESIDENT OBLIGATIONS

[1] Based on actuarial turnover calculations, 9% of residents are estimated to leave each year and therefore it is not expected that the majority of the obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid by receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least twelve months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the offsetting Retirement Living assets are classified as non-current under Accounting Standards as they are not expected to be realised within twelve months.

Of the current balance, $1,441.4 million (2011: $1,276.8 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

Of the non-current balance, $204.3 million (2011: $235.0 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

ATTRIBUTABLE TO SECURITYHOLDERS OF THE STOCKLAND CONSOLIDATED GROUP

	Notes	Issued capital $M	Reserves $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2011		**8,504.6**	**(29.8)**	**324.6**	**8,799.4**
Total comprehensive income		**–**	**28.6**	**487.0**	**515.6**
Securities exercised under share plans transferred to retained earnings	28	**–**	**(0.9)**	**0.9**	**–**
Securities bought back during on-market buyback, net of transaction costs	27	**(546.6)**	**–**	**–**	**(546.6)**
Equity issued during the year, net of transaction costs	27	**4.5**	**–**	**–**	**4.5**
Dividends and distributions to securityholders[1]	29	**–**	**–**	**(542.4)**	**(542.4)**
Vested securities purchased on-market	28	**–**	**(6.8)**	**–**	**(6.8)**
Expense relating to rights and securities granted under share plans, net of tax	28	**–**	**3.7**	**–**	**3.7**
		(542.1)	**(4.0)**	**(541.5)**	**(1,087.6)**
Balance as at 30 June 2012		**7,962.5**	**(5.2)**	**270.1**	**8,227.4**
Balance as at 1 July 2010		8,500.4	(377.0)	541.7	8,665.1
Total comprehensive (expense)/income		–	(57.1)	754.6	697.5
Net transfer from reserves to retained earnings	28	–	402.5	(402.5)	–
Equity issued during the year, net of transaction costs	27	4.2	–	–	4.2
Dividends and distributions to securityholders[1]	29	–	–	(569.2)	(569.2)
Vested securities purchased on-market	28	–	(5.6)	–	(5.6)
Expense relating to rights and securities granted under share plans, net of tax	28	–	7.4	–	7.4
		4.2	404.3	(971.7)	(563.2)
Balance as at 30 June 2011		8,504.6	(29.8)	324.6	8,799.4

[1] 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 ("ISP") and Executive Share Scheme ("ESS"). AASB 2 "Share-Based Payments" ("AASB 2") 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 and are not recognised in these amounts. Refer to Note 26.

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

Consolidated Statements of Changes in Equity (continued)

FOR THE YEAR ENDED 30 JUNE 2012

ATTRIBUTABLE TO UNITHOLDERS OF THE STOCKLAND TRUST GROUP

	Notes	Issued capital $M	Reserves $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2011		**7,700.3**	**27.9**	**771.2**	**8,499.4**
Total comprehensive (expense)/income		**–**	**(3.2)**	**606.1**	**602.9**
Units exercised under share plans transferred to undistributed income	28	**–**	**(0.4)**	**0.4**	**–**
Securities bought back during on-market buyback, net of transaction costs	27	**(524.7)**	**–**	**–**	**(524.7)**
Units issued during the year, net of transaction costs	27	**4.2**	**–**	**–**	**4.2**
Distributions to unitholders[1]	29	**–**	**–**	**(542.4)**	**(542.4)**
Vested units purchased on-market	28	**–**	**(6.8)**	**–**	**(6.8)**
Expense relating to rights and securities granted under share plans, net of tax	28	**–**	**3.5**	**–**	**3.5**
		(520.5)	**(3.7)**	**(542.0)**	**(1,066.2)**
Balance as at 30 June 2012		**7,179.8**	**21.0**	**835.3**	**8,036.1**
Balance as at 1 July 2010		7,696.4	(367.0)	1,066.5	8,395.9
Total comprehensive (expense)/income		–	(10.0)	677.9	667.9
Net transfer from reserves to undistributed income	28	–	404.0	(404.0)	–
Units issued during the year, net of transaction costs	27	3.9	–	–	3.9
Distributions to unitholders[1]	29	–	–	(569.2)	(569.2)
Vested units purchased on-market	28	–	(5.6)	–	(5.6)
Expense relating to rights and securities granted under share plans, net of tax	28	–	6.5	–	6.5
		3.9	404.9	(973.2)	(564.4)
Balance as at 30 June 2011		7,700.3	27.9	771.2	8,499.4

[1] Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the ISP and ESS. AASB 2 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 and are not recognised in these amounts. Refer to Note 26.

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

Consolidated Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Cash flows from operating activities					
Cash receipts in the course of operations		**2,053.7**	2,579.6	**751.4**	740.5
Cash payments in the course of operations		**(1,278.9)**	(1,510.1)	**(289.9)**	(262.5)
Payments for land		**(368.7)**	(259.6)	**–**	–
Distributions received from associates and joint venture entities		**69.2**	64.4	**55.3**	64.4
Distributions received from investments in managed funds		**1.2**	1.3	**1.2**	1.3
Receipts from Retirement Living residents		**273.8**	222.1	**–**	–
Payments to Retirement Living residents, net of DMF		**(146.3)**	(104.4)	**–**	–
Interest received		**8.1**	33.6	**365.6**	313.1
Interest paid		**(213.4)**	(178.2)	**(213.4)**	(182.9)
Net cash inflow from operating activities	38	**398.7**	848.7	**670.2**	673.9
Cash flows from investing activities					
Acquisition of businesses including deferred payment, net of cash acquired		**–**	(286.9)	**–**	–
Proceeds from sale of investment properties		**464.0**	149.7	**464.0**	148.5
Payments for and development of investment properties					
– Commercial Property		**(531.9)**	(585.0)	**(499.9)**	(636.0)
– Retirement Living		**(152.1)**	(104.0)	**–**	–
Payments for plant and equipment		**(23.0)**	(16.7)	**–**	–
Proceeds from sale of investments and other assets		**526.3**	22.7	**506.9**	6.7
Payments for investments, including joint ventures and associates		**(13.2)**	(15.1)	**(12.9)**	(10.9)
Payment for disposal of economic exposure to investment		**–**	(136.6)	**–**	(136.6)
Funds returned on deposit in connection with derivative contracts		**–**	81.9	**–**	81.9
Distributions received from other entities		**5.2**	10.2	**–**	6.9
Net cash inflow from/(utilised in) investing activities		**275.3**	(879.8)	**458.1**	(539.5)
Cash flows from financing activities					
Proceeds from issue of securities/units		**–**	–	**–**	3.9
Payment for securities/units under employee share plans		**(6.8)**	(5.6)	**(6.8)**	(5.5)
Payments for on-market buyback		**(546.6)**	–	**(524.7)**	–
Proceeds from vesting of equity instruments under employee share plans		**4.5**	2.7	**4.2**	–
Proceeds from borrowings		**4,217.9**	378.0	**4,217.9**	539.5
Repayment of borrowings		**(3,839.6)**	(518.1)	**(3,839.6)**	(392.2)
Loans to related entities		**–**	–	**(451.9)**	(477.3)
(Payments for)/proceeds on termination of derivatives		**(0.8)**	0.9	**(13.8)**	0.9
Dividends and distributions paid		**(561.6)**	(542.8)	**(561.6)**	(542.8)
Net cash utilised in financing activities		**(733.0)**	(684.9)	**(1,176.3)**	(873.5)
Net decrease in cash and cash equivalents		**(59.0)**	(716.0)	**(48.0)**	(739.1)
Cash and cash equivalents at the beginning of the year		**194.6**	911.4	**88.6**	827.7
Effect of exchange rate fluctuations on cash held		**–**	(0.8)	**–**	–
Cash and cash equivalents at the end of the year	11	**135.6**	194.6	**40.6**	88.6

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

Contents

1 Summary of significant accounting policies

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited ("the Company") and its controlled entities and Stockland Trust ("the Trust") and its controlled entities on the Australian Securities Exchange ("ASX"). Both the Company and the Trust (collectively referred to as the "Entities") are domiciled in Australia. The Constitutions of Stockland Corporation Limited and Stockland Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company and the Responsible Entity of the Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust or either entity terminating the stapling arrangements.

The Financial Statements of the Stockland Consolidated Group as at and for the year ended 30 June 2012 comprises the consolidated Financial Statements of Stockland Corporation Limited ("the Company") and its controlled entities including the Trust and its controlled entities ("Stockland" or "Stockland Consolidated Group").

The Financial Statements of the Stockland Trust Group as at and for the year ended 30 June 2012 comprises the consolidated Financial Statements of Stockland Trust ("the Trust") and its controlled entities ("Stockland Trust Group").

The Financial Statements as at and for the year ended 30 June 2012 were authorised for issue by the Directors on 8 August 2012.

(a) STATEMENT OF COMPLIANCE

The Financial Statements are general purpose financial reports which have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Financial Statements of the Stockland Consolidated Group and Stockland Trust Group comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standard Board ("IASB").

(b) CHANGES IN ACCOUNTING STANDARDS AND REGULATORY REQUIREMENTS

Certain Accounting Standards have been amended and published that are not mandatory for this reporting period. Based on management's assessment, the recently amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosed in these Financial Reports when restated for the application of the amended Accounting Standards.

(c) NEW ACCOUNTING STANDARDS

Certain new Accounting Standards have been published that are not mandatory for this reporting period. These are not expected to have a significant impact on the Financial Report. The impact of changes for Accounting Standards AASB 9 Financial Instruments (2010), AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements are still being fully assessed. However, initial assessments indicate that there will be no significant impact for Stockland.

There was no material impact on the Financial Statements as a result of the mandatory new Accounting Standards adopted.

(d) BASIS OF PREPARATION

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

The Financial Statements are presented in Australian dollars, which is the Company's and the Trust's functional currency and the functional currency of the majority of the Stockland Consolidated Group and Stockland Trust Group.

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

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

The Entities are of the kind referred to in ASIC Class Order 98/100 (as amended), and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Refer to Note 2 for significant areas of estimation.

The accounting policies have been applied consistently throughout the Stockland Consolidated Group and the Stockland Trust Group for the purposes of this Financial Report.

The significant policies which have been adopted in the preparation of this Financial Report are set out below.

(e) INVESTMENTS AND PRINCIPLES OF CONSOLIDATION

CONTROLLED ENTITIES

The consolidated financial statements of the Stockland Consolidated Group and the Stockland Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2012 and the results of all controlled entities for the year then ended.

Controlled entities are all entities over which the Company or the Trust has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company or Trust controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between controlled entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

1 Summary of significant accounting policies (continued)

(e) INVESTMENTS AND PRINCIPLES OF CONSOLIDATION (continued)

ASSOCIATES

Associates are those entities over which Stockland have significant influence, but not control or joint control, over the financial and operating policies. The Financial Report include Stockland's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

If Stockland's share of losses exceeds its interest in an associate, their carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Entities and their associates are eliminated to the extent of Stockland's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

JOINT VENTURE ENTITIES

A joint venture is either an entity or operation over whose activities Stockland has joint control, established by contractual agreement. Investments in joint venture entities are accounted for 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 and other comprehensive income is recognised in the Profit and Loss from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in reserves.

If Stockland's share of losses exceeds its interest in a joint venture entity, their carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the joint venture entity.

Transactions with the joint venture are eliminated to the extent of Stockland's ownership interest until such time as they are realised by the joint venture on consumption or sale.

JOINT VENTURE OPERATIONS

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

OTHER INVESTMENTS

Investments in other entities which do not qualify as controlled entities, associates, joint ventures or joint venture entities are classified as financial assets carried at fair value, with any resultant gain or loss recognised in the Profit and Loss. These investments are included in "Non-current assets – Other financial assets" unless Stockland intends to dispose of the investment within twelve months of balance date in which case the investment is classified as "Current assets – Other financial assets".

An investment is derecognised when Stockland has transferred the contractual rights to receive cash flows from the investment and substantially all the risks and rewards of ownership of the investment to a third party. If an investment does not qualify for derecognition, the investment will continue to be recognised and a liability recognised for the consideration received. If the investment will qualify for derecognition within twelve months of balance date, the liability is recorded as "Current liabilities – Other liabilities".

(f) REVENUE RECOGNITION

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

Revenue is recognised for the major business activities as follows:

PROPERTY DEVELOPMENT SALES

Revenue from residential land sales and property development sales (including sundry properties and remaining apartments) is recognised in the Profit and Loss when the significant risks, rewards of ownership and effective control has been transferred to the buyer.

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

RENT FROM INVESTMENT PROPERTIES

Rent from investment properties is recognised in the Profit and Loss on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

RETIREMENT LIVING DEFERRED MANAGEMENT FEES

Refer to Note 35(b) for the revenue recognition policy in relation to Retirement Living Deferred Management Fees.

DIVIDENDS AND DISTRIBUTIONS

Revenue from dividends and distributions are recognised in the Profit and Loss on the date the right to receive payment is established, being the date when they are declared by those entities.

INTEREST INCOME

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

(g) OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Stockland are classified as operating leases.

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

(h) SEGMENT REPORTING

Stockland Consolidated Group and Stockland Trust Group determine and present operating segments based on the information that is internally provided to the Board of Directors, whom are Stockland's chief operating decision maker.

An operating segment is a component of Stockland that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation to the segment and to assess its performance, and for which discrete information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other receivables, other financial assets, other payables, tax balances and provisions.

1 Summary of significant accounting policies (continued)

(i) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST or overseas equivalent, except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Balance Sheet.

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

(j) INCOME TAX

STOCKLAND CORPORATION LIMITED

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

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

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. Deferred tax provided is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at balance date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The United Kingdom operations of controlled entities of Stockland Corporation Limited are subject to United Kingdom tax on their taxable earnings.

TAX CONSOLIDATION

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

NATURE OF TAX FUNDING AND SHARING ARRANGEMENTS

The Company, in conjunction with other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangement requires that payments to or from the Company shall equal any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or tax credits or other tax attributes assumed by the Company at the then recognised amount, and generally will not require any further payments to or from the Company should the recognised amount subsequently change, except for changes by way of correction.

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

Where there is an amendment of a prior year tax return of the Company and/or recalculation of the stand-alone tax calculation of a TCG member and/or adjustment to the disclosed tax losses or other tax attributes not requiring an amendment to the tax return, the change in tax liabilities or assets should be allocated in accordance with the tax funding arrangement, on a systematic and rational basis between the TCG members, based on the principles that each member should be allocated current and deferred taxes in a systematic manner based on the underlying tax effect of transactions within those subsidiaries.

The tax liabilities of the entities included in the TCG will be governed by the tax sharing agreement should the Company default on its tax obligations.

STOCKLAND TRUST

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust. Where the 50% concessional amount is distributed in relation to capital gains, it is referred to as a tax-free component. To the extent the distribution to unitholders exceeds the Trust's taxable income, and the excess is represented by capital allowances for buildings and plant and equipment, the excess is referred to as a tax deferred component of the distribution.

(k) FOREIGN CURRENCY

TRANSACTIONS

Foreign currency transactions are translated into the entity's functional currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance date are translated into the functional currency at the rates of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss.

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

1 Summary of significant accounting policies (continued)

(k) 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 balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rate ruling at the date of transactions. Equity items are translated at historical rates.

Foreign currency differences arising on translation are recognised directly in the foreign currency translation reserve ("FCTR"), a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign entities, and of related hedges, are taken directly to the FCTR. They are released into the Profit and Loss upon disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity in the FCTR.

(l) DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. Refer to Note 39(f) for the determination of fair value for derivative financial instruments. The gain or loss on re-measurement to fair value is recognised in the Profit and Loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, refer to Note 1(m).

(m) HEDGING

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

FAIR VALUE HEDGE

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Stockland revokes designation. Any adjustment between the carrying amount and the face value of a hedged financial instrument is amortised to the Profit and Loss using the effective interest rate method. Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

CASH FLOW HEDGE

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

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

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

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously in the cash flow hedge reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Stockland revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Profit and Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in the Profit and Loss.

(n) FINANCE INCOME AND EXPENSES

Finance income includes interest receivable on funds invested and gains on hedging instruments that are recognised in the Profit and Loss.

Finance costs include interest payable on bank overdrafts and short-term and long-term borrowings calculated using the effective interest method, payments on derivatives, losses on hedging instruments that are recognised in the Profit and Loss and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Finance costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset such as investment properties or inventories. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

In these circumstances, borrowing costs are capitalised to the cost of the assets 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 generally, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

1 Summary of significant accounting policies (continued)

(o) 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.

(p) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, specific impairment losses are recorded for any doubtful accounts.

(q) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the Profit and Loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when Stockland retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Statement of Comprehensive Income.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(r) INVENTORIES

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

NET REALISABLE VALUE

Net realisable value is determined on the basis of sales for each class of inventory in the ordinary course of business. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value. The amount of any reversal of write-down of inventories arising from a change in the circumstances that gave rise to the original write down, is recognised as a reduction in the impairment of inventories recognised as an expense in the Profit and Loss.

DEVELOPMENT WORK IN PROGRESS

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

LAND AND PROPERTY HELD FOR RESALE

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

(s) IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets, other than investment properties (refer Note 1(t)), inventories (refer Note 1(r)) and deferred tax assets (refer Note 1(j)) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(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 Profit and Loss in the period.

Investment properties under development are classified as investment property and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile. Finance costs incurred on investment properties undergoing development or redevelopment are included in the cost of the development as set out in Note 1(n).

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

SUBSEQUENT COSTS

Stockland recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Stockland and the cost can be measured reliably. All other costs are recognised in the Profit and Loss as an expense as incurred.

DISPOSAL OF REVALUED ASSETS

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

1 Summary of significant accounting policies (continued)

(t) INVESTMENT PROPERTIES (continued)

DISPOSAL OF REVALUED ASSETS (continued)

(i) Commercial Property

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

Fair value

Refer to Note 16(b) for accounting policies for Investment property including Investment property under construction.

(ii) Retirement Living

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

(u) PROPERTY, PLANT AND EQUIPMENT

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of property, plant and equipment and are included in the Profit and Loss in the year of disposal.

All assets having limited useful lives are depreciated using the diminishing value or the straight-line method over their estimated useful lives. Land is not depreciated. Assets are depreciated from the date of acquisition. Depreciation is expensed.

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

- Leasehold improvements 10-20%;
- Plant and equipment 2-50%;
- Owner-occupied property 2%; and
- Aged Care properties: land 0%; buildings 2%; furniture and fittings 10-20%; and bed licences 0%.

These rates are consistent with the prior year.

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

(v) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Stockland. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, Stockland recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, theamount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of Stockland's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Profit and Loss as a discount on acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is Stockland's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Profit and Loss.

(w) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of Stockland's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (refer to Note 3).

(x) TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost.

DIVIDENDS AND DISTRIBUTIONS

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

1 Summary of significant accounting policies (continued)

(y) INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Profit and Loss over the period of the borrowings on an effective interest basis unless there is an effective fair value hedge of the borrowings, in which case the borrowings are carried at fair value and changes in the fair value recognised in the Profit and Loss.

(z) PROVISIONS

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

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

(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.

(bb) COMPARATIVES

No comparatives have been amended from those reported in the prior year except for those reclassified to conform with the current financial year's presentation. Refer to Note 35(d) for information on the reclassification of Retirement Living.

(cc) EMPLOYEE BENEFITS

There are no employees in the Stockland Trust Group.

(i) WAGES, SALARIES AND ANNUAL LEAVE

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

(ii) LONG SERVICE LEAVE

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

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

(iii) BONUS ENTITLEMENTS

A liability is recognised in current trade and other payables for employee benefits in the form of employee bonus entitlements where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for employee bonus entitlements are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iv) SUPERANNUATION PLAN

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

(v) EMPLOYEE BENEFIT ON-COSTS

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

(vi) SHARE-BASED PAYMENTS

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

The fair value is measured at grant date using the Black-Scholes and Monte Carlo Simulation option pricing models taking into account the terms and conditions upon which the rights were granted. The fair value is expensed on a straight-line basis over the vesting period, which is the period over which the rights are subject to performance and service conditions.

Stockland securities issued to eligible employees under the Tax Exempt Employee Security Plan ("$1,000 Plan") are recognised as an expense with a corresponding increase in issued capital. The value recognised is the market price of the securities granted at grant date.

(dd) RETIREMENT LIVING

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

2 Critical accounting estimates and judgements

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

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

(a) KEY SOURCES OF ESTIMATION UNCERTAINTY

ASSUMPTIONS UNDERLYING MANAGEMENT'S ESTIMATES OF FAIR VALUE

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

Refer to Note 16(b) for details of assumptions underlying management's estimates of fair value for both investment property and investment property under construction.

(ii) Retirement Living

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

(iii) Inventories

Refer to Note 13 for details of assumptions underlying management's estimates of net realisable value for inventories.

(iv) Goodwill

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

(v) Fair value of derivatives

Refer to Note 39(f) for details on assumptions underlying management's estimates of the fair value of the derivatives.

(vi) Valuation of share-based payments

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

(vii) Tax losses

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

3 Operating segments

STOCKLAND CONSOLIDATED GROUP

Stockland has four reportable operating segments. These segments offer different products and services and are managed separately. The following are each of Stockland's reportable segments:

- Residential – delivers a range of master planned and mixed use residential communities in growth areas and apartment developments;
- Retirement Living Communities – designs, develops and manages communities for retirees and also operates Aged Care facilities;
- Commercial Property – owns, develops and manages retail, office and industrial properties; and
- UK – develops and managers retail, office and mixed use properties.

Other includes Responsible Entity fees relating to property asset management and dividends/ distributions from strategic investments.

Stockland Consolidated Group operates within two geographical segments, Australia and the UK. The operations in the UK have been separately disclosed as an operating segment. All other segments relate to operations within Australia.

STOCKLAND TRUST GROUP

The Trust has one reportable segment in which it operates, being Commercial Property. Stockland Trust Group operates solely in Australia.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP

30 June 2012	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Other $M	Elimination $M	Consolidated $M
External segment revenue	1,175.3	84.5[3]	698.3	66.7	4.9	–	2,029.7
Inter-segment revenue[2]	–	–	–	–	9.8	(9.8)	–
Total segment revenue	1,175.3	84.5	698.3	66.7	14.7	(9.8)	2,029.7
Segment result before interest in COS, share of profits of investments accounted for using the equity method	278.0	36.1[4]	451.3	11.1	4.9	–	781.4
Interest expense included in cost of sales	(81.1)	–	(0.9)	(1.9)	–	–	(83.9)
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))[1]	1.0	–	59.5	8.1	–	–	68.6
Underlying Profit	197.9	36.1	509.9	17.3	4.9	–	766.1
Interest income							8.1
Net borrowing costs							(55.4)
Unallocated corporate other income and expenses							(49.6)
Underlying Profit before tax benefit							669.2
Income tax benefit on Underlying Profit							6.9
Underlying Profit after tax benefit							676.1
[1] Total share of profit on investments accounted for using the equity method	1.0	–	83.0	8.1	–	–	92.1
Other items							
Depreciation	(3.7)	(6.1)	(2.8)	(0.3)	(8.0)	–	(20.9)

[2] Transactions between segments are completed on an arm's length basis.
[3] Includes $23.7 million (2011: $15.3 million) of revenue from Aged Care properties and $Nil (2011: $1.4 million) of village levies.
[4] Includes $3.4 million (2011: $2.7 million) of profit from Aged Care properties.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

30 June 2011	Residential $M	Retirement Living[2] $M	Commercial Property $M	UK $M	Other $M	Elimination $M	Consolidated $M
External segment revenue	1,556.0	60.5[4]	705.4	72.2	12.9	–	2,407.0
Inter-segment revenue[3]	–	–	–	–	10.3	(10.3)	–
Total segment revenue	1,556.0	60.5	705.4	72.2	23.2	(10.3)	2,407.0
Segment result before interest in COS, share of profits of investments accounted for using the equity method	382.7	16.4[5]	454.2	–	12.9	–	866.2
Interest expense included in cost of sales	(122.1)	–	(1.4)	(1.3)	–	–	(124.8)
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))[1]	0.6	–	70.9	1.3	–	–	72.8
Underlying Profit	261.2	16.4	523.7	–	12.9	–	814.2
Interest income							27.3
Net borrowing costs							(41.3)
Unallocated corporate other income and expenses							(63.3)
Underlying Profit before tax expense							736.9
Income tax expense on Underlying Profit							(10.6)
Underlying Profit after tax expense							726.3
1 Total share of profit on investments accounted for using the equity method	0.6	–	88.6	1.3	–	–	90.5
Other items							
Depreciation	(3.6)	(0.9)	(2.5)	(0.6)	(7.1)	–	(14.7)

2 Retirement Living segment result for 2011 has been restated due to the change in accounting. Refer to Note 35(d) for details of the impact of the change.
3 Transactions between segments are completed on an arm's length basis.
4 Includes $23.7 million (2011: $15.3 million) of revenue from Aged Care properties and $Nil (2011: $1.4 million) of village levies.
5 Includes $3.4 million (2011: $2.7 million) of profit from Aged Care properties.

3 Operating segments (continued)

RECONCILIATION OF UNDERLYING PROFIT TO STATUTORY PROFIT

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

The following table is net of tax.

		Stockland Consolidated Group		Stockland Trust Group	
	Notes	**2012 $M**	2011 Restated[1] $M	**2012 $M**	2011 $M
Underlying Profit		**676.1**	726.3	**678.1**	672.5
Certain significant items:					
Non-cash adjustment to inventories and development profits					
Net provision for write-down of inventories – Australia		**(34.2)**	(1.3)	**–**	–
Net provision for write-down of inventories – UK		**(14.2)**	(5.7)	**–**	–
Non-cash adjustment to cost of sales[2]		**1.9**	8.0	**–**	–
		(46.5)	1.0	**–**	–
Fair value adjustment of investment properties					
Net gain from fair value adjustment of investment properties – Commercial Property[3]		**41.9**	57.4	**43.0**	66.1
Share of net gain from fair value adjustment of investment properties in associates and joint ventures		**23.3**	17.7	**22.2**	17.7
DMF base fees earned, unrealised[4]	35(i)	**4.1**	1.9	**–**	–
Net (loss)/gain from fair value adjustment of investment properties – Retirement Living operating villages and villages under development[5]	35(i)	**(22.8)**	23.1	**–**	–
Retirement Living resident obligations fair value movement[5]	35(i)	**13.5**	(10.3)	**–**	–
		60.0	89.8	**65.2**	83.8
Fair value adjustment of other financial assets, impairment and net gain/(loss) on sale of other non-current assets					
Net unrealised (loss)/gain from fair value adjustment of other financial assets		**(38.9)**	17.5	**–**	–
Net realised gain/(loss) on sale of other non-current assets		**1.6**	(3.8)	**1.0**	(1.5)
Impairment of other investments		**–**	(1.9)	**–**	(1.9)
		(37.3)	11.8	**1.0**	(3.4)
Fair value adjustment of financial instruments and foreign exchange movements					
Net unrealised loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	6	**(131.7)**	(36.6)	**(133.1)**	(179.5)
Net unrealised (loss)/gain from hedged items and financial instruments treated as fair value hedges	6	**(7.0)**	0.4	**(7.0)**	2.7
Net loss on exit of exposure to GPT	39	**–**	(24.9)	**–**	(24.9)
Net realised gain on foreign exchange and fair value movement of financial instruments		**1.8**	0.6	**1.9**	126.7
Net realised foreign exchange loss transferred from the foreign currency translation reserve	6, 28	**(28.4)**	–	**–**	–
		(165.3)	(60.5)	**(138.2)**	(75.0)
Other					
Acquisition and integration costs of business combinations		**–**	(13.8)	**–**	–
Profit for the year attributable to securityholders/unitholders		**487.0**	754.6	**606.1**	677.9

1 Stockland Consolidated Group: The basis of determining Underlying Profit for the Retirement Living business has been amended from previous periods to be more closely aligned to realised cash profits. As a result, the 30 June 2011 comparative Underlying Profit has been restated from $752.4 million to $726.3 million. Refer to Note 35(d). Stockland Trust Group: N/A.

2 Stockland Consolidated Group and Stockland Trust Group: A proportion of the profit on sale of property development sold during the financial year has been eliminated from Underlying Profit, given this profit from the development benefited from the carrying value of the property being held at depreciated cost prior to the commencement of the development.

3 Stockland Consolidated Group: Includes a tax expense of $0.3 million (2011: tax benefit of $1.3 million). Stockland Trust Group: $Nil.

4 Stockland Consolidated Group: Deferred management fees ("DMF") are recognised in Underlying Profit only if they have been realised in cash. Previously, DMF were recognised in Underlying Profit on an accruals basis. The 30 June 2011 impact of this change reduced Underlying Profit (after tax) by $14.0 million. Stockland Trust Group: $Nil.

5 Stockland Consolidated Group: Only fair value gains and losses on Retirement Living investment properties relating to the settled "development profit" (defined in Note 35(a)) are recognised in Underlying Profit. Previously, fair value movements recognised in Underlying Profit included all development revaluations. The 30 June 2011 impact of this change reduced Underlying Profit (after tax) by $12.1 million. Stockland Trust Group: $Nil.

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP

30 June 2012	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	135.6	135.6
Real estate assets[1, 2]	2,554.7	2,834.0	8,134.5	93.4	–	13,616.6
Intangibles	–	116.6	–	–	–	116.6
Derivative assets	–	–	–	–	212.7	212.7
Other assets	–	–	–	–	452.4	452.4
Total assets	2,554.7	2,950.6	8,134.5	93.4	800.7	14,533.9
Liabilities						
Interest-bearing liabilities	–	–	–	–	2,867.6	2,867.6
Retirement Living resident obligations	–	1,753.4	–	–	–	1,753.4
Derivative liabilities	–	–	–	–	809.6	809.6
Other liabilities	–	–	–	–	875.9	875.9
Total liabilities	–	1,753.4	–	–	4,553.1	6,306.5
Net assets/(liabilities)	2,554.7	1,197.2	8,134.5	93.4	(3,752.4)	8,227.4
[1] Investments accounted for using the equity method	24.4	–	573.5	11.0	–	608.9
Other items						
Acquisition of investment properties	–	29.5	38.7	–	–	68.2

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

3 Operating segments (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

30 June 2011	Residential $M	Retirement Living $M	Commercial Property $M	UK $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	194.6	194.6
Real estate assets[1, 2]	2,383.0	2,582.4	8,484.7	168.8	–	13,618.9
Intangibles	–	116.6	–	–	–	116.6
Derivative assets	–	–	–	–	148.1	148.1
Other assets	–	–	–	–	493.0	493.0
Total assets	2,383.0	2,699.0	8,484.7	168.8	835.7	14,571.2
Liabilities						
Interest-bearing liabilities	–	–	–	–	2,407.4	2,407.4
Retirement Living resident obligations	–	1,629.2	–	–	–	1,629.2
Derivative liabilities	–	–	–	–	687.4	687.4
Other liabilities	–	–	–	–	1,047.8	1,047.8
Total liabilities	–	1,629.2	–	–	4,142.6	5,771.8
Net assets/(liabilities)	2,383.0	1,069.8	8,484.7	168.8	(3,306.9)	8,799.4
[1] Investments accounted for using the equity method	25.1	–	1,043.5	26.4	–	1,095.0
Other items						
Acquisition of investment properties	–	977.5	264.8	–	–	1,242.3

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

4 Business combinations and disposals

2012

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

Stockland Consolidated Group and Stockland Trust Group had no acquisitions or disposals during the current financial year.

2011

STOCKLAND CONSOLIDATED GROUP

Acquisition of Aevum Limited

During the financial year ended 30 June 2011, Stockland announced an all-cash offer to purchase the entire share capital of Aevum Limited ("Aevum") (the "Offer"), a listed company based in Australia specialising in retirement living and aged care. As a result of the Offer, Stockland obtained control of Aevum effective 31 October 2010. At 30 June 2011, Stockland had a total ownership interest of 100%. Stockland acquired Aevum to increase its market share in the Retirement Living sector in line with its growth strategy.

The amounts recognised as at the acquisition date of Aevum were:

	Fair value recognised on acquisition 30 June 2011 $M
Fair value of identifiable net assets	306.7
Non-controlling interest at fair value[1]	(39.2)
Goodwill on acquisition	8.2
	275.7
Acquisition-date fair value of consideration	
Cash paid[2]	225.6
Fair value of initial interest[3]	50.1
Purchase consideration	275.7
The cash outflow on acquisition:	
Net cash acquired	15.5
Cash paid	(225.6)
	(210.1)

1 The non-controlling interest on acquisition was 12.4%. The profit for the period attributable to the non-controlling interest is insignificant and has not been separately recognised in the Financial Report.

2 Net cash paid in the consolidated Cash Flow Statement includes the cash paid as part of the takeover offer of $225.6 million, cash paid to acquire the pre-takeover interest of $15.6 million and the cash paid to acquire the non-controlling interest of $39.2 million, less the $15.5 million in cash acquired.

3 Represents the acquisition date fair value of Aevum shares held by Stockland prior to Stockland's offer to acquire Aevum. A fair value gain of $15.1 million was recognised in "Net gain from fair value adjustment of other financial assets" in Profit and Loss on the shares prior to acquisition.

From the date of acquisition to 30 June 2011, Aevum contributed $22.0 million to the profit of Stockland. The profit impact on the Statement of Comprehensive Income had the combination taken place at the beginning of the prior period to 30 June 2011 would have been $31.8 million.

The transaction and integration costs of $19.6 million were expensed and included in "Management, administration, marketing and selling expenses" in the Profit and Loss for the year ended 30 June 2011.

4 Business combinations and disposals (continued)

2011 (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

Acquisition of three Retirement Living villages

On 30 June 2011, Stockland acquired three Retirement Living villages from the Retirement Villages Group ("RVG"), for an amount of $22.0 million in cash. The accounting for this acquisition has been finalised during the current period. The purchase involved the acquisition of shares/units in entities held by RVG. The acquisition comprised of two villages in Queensland and one in the ACT. All three villages are mature assets located in inner-ring suburbs.

The net identifiable assets and liabilities recognised of RVG were:

	Final Fair value recognised on acquisition 31 December 2011 $M	Provisional fair value recognised on acquisition 30 June 2011 $M
Net identifiable assets and liabilities	**22.5**	22.0
Deferred tax liability	**(0.5)**	–
Net identifiable assets and liabilities	**22.0**	22.0
Cash paid	**22.0**	22.0
Purchase consideration	**22.0**	22.0

It is impracticable to determine the revenue and profit impact on the Statement of Comprehensive Income had the combination taken place at the beginning of the period due to the acquired villages being fully integrated into the Retirement Living operating segment from 1 July 2011.

STOCKLAND TRUST GROUP

Stockland Trust Group had no acquisitions or disposals during the prior financial year.

5 Rent from investment properties

Included within rent from investment properties (other than Retirement Living):	**Stockland Consolidated Group**		**Stockland Trust Group**	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Contingent rent billed to tenants and recognised in gross lease income	**8.3**	7.3	**8.3**	7.3
Percentage of gross lease income	**1%**	1%	**1%**	1%

6 Finance income and expense

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Interest income from related parties	**–**	–	**362.1**	285.5
Interest income from other parties	**8.1**	27.3	**3.5**	21.1
Net unrealised gain on fair value movement of hedged items and financial instruments treated as fair value hedges[1]	**–**	0.4	**–**	2.7
Net unrealised gain on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules[2]	**–**	0.4	**–**	–
Net realised gain on fair value and foreign exchange movement of financial instruments	**2.1**	0.9	**1.9**	–
Finance income	**10.2**	29.0	**367.5**	309.3
Interest expense relating to interest-bearing financial liabilities[3]	**210.1**	176.6	**209.1**	176.6
Interest paid or payable on other financial liabilities at amortised cost	**11.0**	21.5	**–**	–
Less interest capitalised to property developments in inventories	**(138.6)**	(146.5)	**–**	–
Less interest capitalised to investment properties	**(27.1)**	(10.3)	**(3.8)**	(0.7)
Net borrowing costs	**55.4**	41.3	**205.3**	175.9
Net unrealised loss on fair value movement of hedged items and financial instruments treated as fair value hedges[1]	**7.0**	–	**7.0**	–
Net unrealised loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules[2]	**131.7**	–	**133.1**	52.8
Net realised foreign exchange loss transferred from the foreign currency translation reserve	**18.2**	–	**–**	–
Finance expense	**212.3**	41.3	**345.4**	228.7

1 Stockland Consolidated Group: The net loss from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the interest-bearing liabilities of $73.5 million (2011: gain of $231.6 million) and a gain arising on the fair value movement of the derivatives of $66.5 million (2011: loss of $231.2 million).

Stockland Trust Group: The net loss from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the interest-bearing liabilities of $73.5 million (2011: gain of $223.1 million) and a gain arising on the fair value movement of the derivatives of $66.5 million (2011: loss of $220.4 million).

2 Stockland Consolidated Group: The net loss on fair value movement of financial instruments that do not qualify for hedge accounting is $87.3 million (2011: loss of $162.7 million) and the net unrealised foreign exchange loss from financial instruments that do not qualify for hedge accounting is $44.4 million (2011: gain of $163.1 million).

Stockland Trust Group: The net loss on fair value movement of financial instruments that do not qualify for hedge accounting is $87.9 million (2011: loss of $179.5 million) and the net unrealised foreign exchange loss for financial instruments that do not qualify for hedge accounting of $45.2 million (2011: gain of $126.7 million).

3 Stockland Consolidated Group: Of this amount, $139.0 million (2011: $110.5 million) relates to interest-bearing financial liabilities at amortised cost.

Stockland Trust Group: Of this amount, $139.0 million (2011: $110.5 million) relates to interest-bearing financial liabilities at amortised cost.

7 Personnel expenses

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Wages and salaries including on-costs	**205.2**	211.9	**–**	–
Contributions to defined contribution plans	**13.2**	12.7	**–**	–
Equity-settled share-based payment transactions	**3.5**	6.1	**–**	–
Increase/(decrease) in annual and long service leave provision	**0.1**	(0.6)	**–**	–
$1,000 Employee Security Plan including associated costs	**1.2**	1.1	**–**	–
	223.2	231.2	**–**	–

8 Auditor's remuneration

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Audit services				
Auditor of the Stockland Consolidated Group				
Audit and review of the Financial Report (KPMG Australia)				
In relation to the current year	**1,577**	1,854	**556**	666
In relation to prior years	**344**	–	**–**	–
Regulatory audit and assurance services (KPMG Australia)				
In relation to the current year	**783**	601	**301**	384
In relation to prior years	**580**	–	**348**	–
Audit and review of the Financial Report (Overseas KPMG firms)	**114**	143	**–**	–
Regulatory audit and assurance services (Overseas KPMG firms)	**25**	15	**–**	–
	3,423	2,613	**1,205**	1,050
Other services				
Other audit related services				
Accounting advice (KPMG Australia)	**–**	48	**–**	–
	–	48	**–**	–
Other non-audit related services				
Taxation compliance services (KPMG Australia)	**240**	322	**209**	267
Taxation compliance services (Overseas KPMG firms)	**83**	191	**–**	–
Corporate restructuring services (Overseas KPMG firms)	**39**	23	**–**	–
	362	536	**209**	267
	3,785	3,197	**1,414**	1,317

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

9 Income tax (benefit)/expense

	Note	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Current tax (benefit)/expense					
Current year		**(38.8)**	(27.3)	**–**	–
Adjustments for prior years		**(4.2)**	0.4	**–**	–
		(43.0)	(26.9)	**–**	–
Deferred tax expense					
Origination and reversal of temporary differences	25	**13.1**	73.8	**–**	–
Total income tax (benefit)/expense in the Statement of Comprehensive Income		**(29.9)**	46.9	**–**	–
Numerical reconciliation between income tax expense and pre-tax net profit					
Profit before income tax expense		**457.1**	801.5	**–**	–
Prima facie income tax expense calculated at 30%		**137.1**	240.5	**–**	–
Less prima facie income tax on profit from Trust		**(181.8)**	(203.4)	**–**	–
		(44.7)	37.1	**–**	–
Increase/(decrease) in income tax expense due to:					
Non-assessable items		**(28.5)**	(1.0)	**–**	–
Other non-deductible expenses		**28.2**	1.2	**–**	–
Assessable income not recognised in profit before income tax expense		**3.5**	0.2	**–**	–
Other deductible expenses		**(2.4)**	(6.4)	**–**	–
Foreign exchange gains on UK funding		**10.2**	15.4		
Effect of tax rates in foreign jurisdictions		**(0.1)**	–	**–**	–
(Over)/under provided in prior years		**(4.2)**	0.4	**–**	–
Change in deductible temporary differences from prior periods		**8.1**	–	**–**	–
Income tax (benefit)/expense on pre-tax net profit		**(29.9)**	46.9	**–**	–

10 Earnings per security/unit

	Stockland Consolidated Group		Stockland Trust Group	
	2012 Cents	2011 Cents	**2012 Cents**	2011 Cents
Basic earnings per security/unit	**21.1**	31.7	**26.3**	28.5
Diluted earnings per security/unit	**21.1**	31.4	**26.3**	28.2
Basic Underlying earnings per security/unit	**29.3**	30.5[1]	**29.4**	28.2
Diluted Underlying earnings per security/unit	**29.3**	30.3[1]	**29.4**	28.0

1 Restated for the changes to Underlying Profit as disclosed on page 19 and Note 35(d).

Basic earnings per security/unit is calculated by dividing profit by the weighted average number of ordinary securities outstanding during the financial year.

Diluted earnings per security/unit is calculated by dividing the profit by the weighted average number of ordinary securities/units outstanding during the financial year after adjusting for the effect of dilutive securities/units granted under share plans accounted for as rights granted under the employee share plans.

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

		Stockland Consolidated Group		Stockland Trust Group	
	Note	**2012 $M**	2011 $M	**2012 $M**	2011 $M
Basic and diluted earnings[1]					
Profit attributable to securityholders/unitholders		**487.0**	754.6	**606.1**	677.9
Basic and diluted Underlying earnings[1]					
Underlying Profit[2]	3	**676.1**	726.3[3]	**678.1**	672.5

1 For the current and previous year, there was no dilution impact of interest expense related to share-based payments on earnings and Underlying earnings.
2 Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Refer to the Directors' Report for further information.
3 Restated for the changes to Underlying Profit as disclosed on page 19 and Note 35(d).

10 Earnings per security/unit (continued)

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

	Stockland Consolidated Group and Stockland Trust Group	
	2012 No.	2011 No.
Weighted average number of securities/units (basic)		
Weighted average number of securities/units as at 30 June	**2,306,487,233**	2,381,256,683
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic) as at 30 June	**2,306,487,233**	2,381,256,683
Effect of rights and securities/units granted under share plans	**188,312**	20,767,183
Weighted average number of securities/units (diluted) as at 30 June	**2,306,675,545**	2,402,023,866

As at 30 June 2012, no Performance Rights Plan ("PRP") rights were dilutive. There were no Executive Share Scheme ("ESS") securities outstanding as at 30 June 2012. The decrease in dilutive securities has been driven by the Stockland Consolidated Group not meeting hurdles for contingently issuable share-based payment rights.

As at 30 June 2011, all PRP rights were dilutive. In addition 1,472,333 ESS securities were not dilutive and therefore excluded from the calculation.

The weighted average number of securities/units has been impacted by the on-market buyback undertaken during the year. Refer to Note 27 for further details.

11 Current assets – Cash and cash equivalents

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Cash and cash equivalents	**135.6**	194.6	**40.6**	88.6

12 Current and Non-current assets – Trade and other receivables

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
(a) CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Trade receivables	**127.0**	115.0	**5.1**	–
Less: impairment loss	**(0.7)**	(0.4)	**(0.1)**	–
	126.3	114.6	**5.0**	–
Receivables due from related companies	**–**	–	**3,831.5**	3,379.5
Other receivables	**59.7**	54.9	**34.7**	31.4
	186.0	169.5	**3,871.2**	3,410.9
(b) NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES				
Straight-lining of rental income	**33.1**	29.6	**37.0**	33.6
Deferred settlements	**65.1**	73.3	**–**	–
Other	**–**	1.2	**1.9**	1.9
	98.2	104.1	**38.9**	35.5

13 Current and Non-current assets – Inventories

	Stockland Consolidated Group			
	Current Inventories		Non-current Inventories	
	2012 $M	2011 $M	2012 $M	2011 $M
Finished development stock held for sale[1, 4, 5]				
— cost of acquisition	84.3	95.0	4.5	–
— development and other costs[2]	257.1	255.4	7.8	–
— interest capitalised[3]	40.5	38.4	6.3	–
	381.9	388.8	18.6	–
Development work in progress[1]				
Residential communities under development				
— cost of acquisition	156.0	190.5	1,049.0	962.7
— development and other costs[2]	149.5	143.3	289.2	218.6
— interest capitalised[3]	63.8	74.9	367.5	319.7
	369.3	408.7	1,705.7	1,501.0
Apartments				
— cost of acquisition	17.0	3.9	7.0	30.8
— development and other costs[2]	15.5	6.9	12.3	21.7
— interest capitalised[3]	7.7	0.4	2.8	5.7
	40.2	11.2	22.1	58.2
Retail projects[4]				
— cost of acquisition	40.1	50.9	–	–
— development and other costs[2]	7.6	5.4	0.5	–
— interest capitalised[3]	–	0.6	–	–
	47.7	56.9	0.5	–
Office and Industrial projects[4]				
— cost of acquisition	44.3	59.3	31.3	32.4
— development and other costs[2]	18.1	37.5	16.9	7.6
— interest capitalised[3]	5.7	5.1	2.9	2.5
	68.1	101.9	51.1	42.5
	907.2	967.5	1,798.0	1,601.7

1 Inventories are held at the lower of cost and net realisable value.

2 Other costs include rates and taxes.

3 Finance costs were capitalised at interest rates within the range of 6.0% to 6.4% during the financial year (2011: 5.3% to 6.2%).

4 Included in current inventories are Stockland UK assets as follows: $7.7 million (2011: $10.1 million) of Finished development stock held for sale, $47.8 million (2011: $56.9 million) of Retail projects and $26.9 million (2011: $75.5 million) of Office and Industrial projects.

5 Included within current finished development stock held for sale are Apartments of $42.5 million (2011: $99.7 million).

13 Current and Non-current assets – Inventories (continued)

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

	UK $M	Apartments $M	Residential Communities $M	Total $M
Current				
Balance as at 1 July 2011	86.0	57.2	60.3	203.5
Amounts utilised	(12.9)	(12.3)	(17.3)	(42.5)
Amounts reversed	–	(28.4)	–	(28.4)
Additional provisions created	14.2	–	–	14.2
Balance as at 30 June 2012	**87.3**	**16.5**	**43.0**	**146.8**
Non-current				
Balance as at 1 July 2011	–	13.3	150.1	163.4
Additional provisions created	–	29.0	48.3	77.3
Balance as at 30 June 2012	**–**	**42.3**	**198.4**	**240.7**

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

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. Estimates of NRV are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise (assumptions include revenue escalations) and the estimate of costs to complete. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. The key assumptions require the use of management judgement and are reviewed on a frequent basis.

14 Current and Non-current assets – Other assets

	Note	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(a) CURRENT ASSETS – OTHER ASSETS					
Prepayments		**14.8**	17.9	**10.6**	11.2
Deposits on land purchases		**36.6**	31.5	**–**	–
Lease incentives (net of amortisation)		**27.0**	26.0	**28.3**	26.0
Lease fees (net of amortisation)		**5.4**	5.4	**5.4**	7.2
Derivatives assets	39(f)	**10.9**	17.7	**10.9**	17.7
Other		**9.7**	7.1	**–**	–
		104.4	105.6	**55.2**	62.1
(b) NON-CURRENT ASSETS – OTHER ASSETS					
Lease incentives (net of amortisation)		**94.1**	89.6	**97.3**	96.5
Lease fees (net of amortisation)		**14.9**	13.7	**14.9**	13.9
Derivatives assets	39(f)	**201.8**	130.4	**203.3**	131.7
		310.8	233.7	**315.5**	242.1

15 Non-current assets held for sale

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Stockland Bay Village, Bateau Bay NSW[1]	**164.5**	–	**164.5**	–
255-267 St Georges Terrace, Perth WA[1]	**26.9**	–	**26.9**	–
Undeveloped Retirement Living sites[1]	**3.1**	3.1	**–**	–
150 Charlotte Street, Brisbane QLD[2]	**–**	25.0	**–**	25.0
Myuna Complex, Canberra ACT[2]	**–**	24.0	**–**	24.0
3676 Ipswich Road, Wacol QLD[2]	**–**	23.6	**–**	23.6
BankWest Tower, 108 St Georges Terrace, Perth WA (50%)[2]	**–**	130.0	**–**	130.0
Stockland Lilydale, Lilydale VIC[2]	**–**	29.5	**–**	29.5
	194.5	235.2	**191.4**	232.1

1 These properties are presented as held for sale in view of the intention of management to sell these properties during the twelve months ending 30 June 2013. All properties have been reclassified from investment property.
2 These properties were sold during the financial year.

16 Non-current assets – Investment properties

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
(a) COMMERCIAL PROPERTIES INCLUDING PROPERTY HELD BY JOINT VENTURES AND ASSOCIATES				
Retail	**4,746.0**	4,482.1	**4,715.4**	4,476.5
Office	**1,920.4**	2,450.9	**1,924.6**	2,454.1
Industrial	**831.4**	954.6	**831.4**	954.6
Capital works in progress and sundry properties	**365.7**	302.5	**283.3**	241.6
	7,863.5	8,190.1	**7,754.7**	8,126.8
Less amounts classified as:				
— Property, plant and equipment	**(94.5)**	(96.3)	**–**	–
— Other assets (including lease incentives and lease fees)	**(142.1)**	(134.7)	**(147.2)**	(143.6)
— Other assets (including lease incentives and lease fees) attributable to investments accounted for using the equity method	**(18.2)**	(20.2)	**(17.3)**	(20.2)
— Other receivables (straight-lining of operating lease rental income)	**(34.2)**	(29.6)	**(38.1)**	(33.6)
— Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method	**(11.0)**	(11.7)	**(10.7)**	(11.7)
Total investment properties (including share of investment property held by associates and joint ventures)	**7,563.5**	7,897.6	**7,541.4**	7,917.7
Less: Stockland's share of investment properties held by associates and joint venture entities	**(542.9)**	(1,006.7)	**(528.2)**	(993.6)
	7,020.6	6,890.9	**7,013.2**	6,924.1

Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**6,890.9**	6,582.9	**6,924.1**	6,585.8
Acquisitions	**38.7**	264.8	**38.7**	326.8
Expenditure capitalised	**465.7**	290.7	**424.3**	286.2
Transfers to assets classified as held for sale	**(416.9)**	(340.8)	**(416.9)**	(340.8)
Transfers from inventories	**–**	37.2	**–**	–
Net gain from fair value adjustment of investment properties	**42.2**	56.1	**43.0**	66.1
Carrying amount at the end of the financial year	**7,020.6**	6,890.9	**7,013.2**	6,924.1

16 Non-current assets – Investment properties (continued)

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

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2012[1] $M	Book value 30 June 2011[1] $M
Retail					
Stockland Shellharbour, Shellharbour NSW[2]	Dec 2009	265.0	7.00	**414.3**	272.2
Stockland Wetherill Park, Western Sydney NSW	Dec 2011	358.0	6.75	**359.6**	330.0
Stockland Merrylands, Western Sydney NSW[2, 3]	Dec 2006	151.0	6.50	**350.9**	324.9
Stockland Rockhampton, Rockhampton QLD	Dec 2010	340.0	6.75	**347.9**	343.0
Stockland Townsville, Townsville QLD[2]	Jun 2010	200.0	7.75	**287.1**	201.5
Stockland Green Hills, East Maitland NSW	Jun 2012	271.0	6.75	**271.0**	259.0
Stockland Glendale, Newcastle NSW	Jun 2012	255.0	6.75	**255.0**	247.0
Stockland Cairns, Cairns QLD	Dec 2011	215.0	6.75	**216.6**	205.2
Stockland Point Cook, Point Cook VIC	Jun 2012	183.5	7.25	**183.5**	186.3
Stockland Burleigh Heads, Burleigh Heads QLD	Dec 2011	145.0	7.75	**146.3**	138.6
Stockland The Pines, Doncaster East VIC	Dec 2011	145.0	7.25	**146.3**	137.9
Stockland Forster, Forster NSW	Dec 2011	132.0	7.50	**132.0**	129.0
Stockland Jesmond, Newcastle NSW	Dec 2010	118.5	7.75	**121.4**	120.2
Stockland Wendouree, Wendouree VIC	Jun 2012	114.0	7.50	**114.0**	110.0
Stockland Balgowlah, Balgowlah NSW	Jun 2010	113.0	7.00	**112.7**	112.5
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2012	108.0	7.50	**108.0**	106.6
Stockland Caloundra, Caloundra QLD	Jun 2012	103.0	7.50-7.75	**103.0**	100.1
Stockland Gladstone, Gladstone QLD	Jun 2011	99.0	7.50	**101.1**	99.0
Stockland Nowra, Nowra NSW	Jun 2011	85.0	7.75	**85.7**	85.0
Stockland Cleveland, Cleveland QLD	Jun 2011	80.0	7.50	**82.0**	80.0
Stockland Bull Creek, Bull Creek WA	Dec 2011	81.0	7.75	**81.9**	79.1
Stockland Traralgon, Traralgon VIC	Jun 2012	79.0	7.75	**79.0**	76.8
Stockland Bathurst, Bathurst NSW	Dec 2011	76.0	8.00	**76.8**	75.4
Stockland Hervey Bay, Hervey Bay QLD	Jun 2012	63.7	7.50	**63.7**	70.4
Stockland Corrimal, Corrimal NSW	Jun 2011	58.0	8.00	**59.6**	58.0

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.

2 Capital works are in progress. Fair value as at 30 June 2012 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2012. An independent valuation of the property will be undertaken upon completion of the works.

3 $5.6 million (2011: $5.6 million) of this property is not held by Stockland Trust.

16 Non-current assets – Investment properties (continued)

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

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2012[1] $M	Book value 30 June 2011[1] $M
Retail (continued)					
Stockland Riverton, Riverton WA (50%)[2]	Dec 2011	55.0	7.50	**55.6**	47.5
Stockland Wallsend, Wallsend NSW	Jun 2012	52.5	8.25	**52.5**	51.4
Stockland Tooronga, Tooronga VIC	Dec 2010	47.8	7.25	**49.7**	48.7
Shellharbour Retail Park, Shellharbour NSW	Dec 2011	46.1	8.25	**46.5**	44.0
Stockland Baldivis, Baldivis WA	Jun 2011	45.4	7.50	**45.5**	45.4
Stockland Townsville Kmart, Townsville QLD[3]	–	–	–	**38.8**	–
Stockland Cammeray, Cammeray NSW	Dec 2010	29.8	7.50	**31.0**	30.4
Stockland Highlands, Cragieburn VIC[4]	Jun 2012	25.2	8.00	**25.2**	–
North Shore Townsville, Townsville QLD	Jun 2011	19.0	7.50	**19.7**	19.0
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jun 2011	15.9	8.75	**16.1**	15.9
Stockland Burleigh Central, Burleigh Heads QLD	Dec 2011	15.5	9.25	**15.7**	15.2
Woolworths Toowong, Toowong QLD[5]	Dec 2010	13.3	–	**13.6**	13.3
Adelaide Street Plaza, Fremantle WA	Jun 2012	11.3	9.75	**11.3**	13.6
Stockland Vincentia Shopping Centre, Vincentia NSW	Jun 2012	10.7	10.00	**10.7**	12.3
Stockland Merrylands Court, Merrylands NSW	Dec 2011	9.1	9.00	**9.1**	8.9
Townsville Kingsvale & Sunvale, Townsville QLD[5]	Jun 2011	5.5	n/a	**5.6**	5.5
Stockland Bay Village, Bateau Bay NSW[6]	Dec 2011	–	–	**–**	163.3
Total Retail				**4,746.0**	4,482.1

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 Property held by associates and joint venture entities.
3 This property was acquired during the financial year.
4 This property was developed during the current financial year. This property is not held by Stockland Trust.
5 This property is valued as land.
6 Included in “Non-current assets held for sale” in the current financial year.

16 Non-current assets – Investment properties (continued)

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

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2012[1] $M	Book value 30 June 2011[1] $M
Office					
Piccadilly Complex, 133-145 Castlereagh Street, Sydney NSW[2, 3, 4]	Dec 2011	361.0	7.25-8.25	**359.8**	351.7
Waterfront Place, Eagle Street, Brisbane QLD (50%)[5]	Jun 2012	245.0	7.50	**245.0**	218.2
9 Castlereagh Street, Sydney NSW	Dec 2011	172.5	7.15	**172.3**	162.6
Triniti Business Campus, North Ryde NSW	Dec 2011	169.5	7.50	**168.8**	156.3
Durack Centre, 263 Adelaide Terrace, Perth WA[3]	Dec 2011	150.7	8.50-9.00	**150.5**	142.8
135 King Street, Sydney NSW (50%)[2, 5]	Dec 2010	137.5	6.90-7.20	**139.4**	138.2
Optus Centre, Macquarie Park NSW (31%)[5]	Jun 2012	116.3	7.50	**116.3**	117.8
78 Waterloo Road, Macquarie Park NSW	Dec 2011	70.0	7.50	**71.1**	64.3
60-66 Waterloo Road, Macquarie Park NSW	Jun 2010	69.8	8.25-8.50	**68.6**	69.0
601 Pacific Highway, St Leonards NSW	Dec 2011	66.3	8.50	**66.9**	71.8
77 Pacific Highway, North Sydney NSW	Dec 2011	55.5	8.25	**55.7**	52.7
45 St Georges Terrace, Perth WA	Jun 2011	54.8	8.75	**55.2**	54.8
175-181 Castlereagh Street, Sydney NSW	Jun 2012	50.5	8.75	**50.5**	54.4
Garden Square, Mt Gravatt QLD	Dec 2011	37.3	9.00	**38.4**	38.0
Macquarie Technology Centre, Macquarie Park NSW	Dec 2011	35.1	8.25-9.00	**35.1**	38.1
16 Giffnock Avenue, Macquarie Park NSW	Jun 2011	33.0	8.90	**34.9**	33.0
40 Cameron Avenue, Belconnen ACT[3, 8]	Jun 2012	23.0	10.17	**23.0**	41.8
110 Walker Street, North Sydney NSW	Dec 2011	22.4	8.50	**22.7**	23.4
118-120 Pacific Highway, St Leonards NSW	Dec 2010	20.0	9.00	**20.5**	20.0
80-88 Jephson Street, Toowong QLD	Dec 2011	18.2	9.00	**18.5**	18.0
23 High St, Toowong QLD	Dec 2011	3.9	8.25	**3.9**	4.2
27-29 High Street, Toowong QLD	Dec 2011	3.3	8.50	**3.3**	3.6
7 Macquarie Place, Sydney NSW (50%)[5, 6]	–	–	–	**–**	52.6
Riverside Plaza, 452 Flinders Street, Melbourne VIC[6]	–	–	–	**–**	182.0
Colonial Centre, 52 Martin Place, Sydney NSW (50%)[3, 5, 6]	–	–	–	**–**	167.7
Exchange Plaza, 2 The Esplanade, Perth WA (50%)[3, 5, 6]	–	–	–	**–**	150.0
255-267 St Georges Terrace, Perth WA[7]	–	–	–	**–**	23.9
Total Office				**1,920.4**	2,450.9

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 Includes Retail.
3 This property is a leasehold property.
4 $4.2 million (2011: $3.0 million) of this property is not held by the Stockland Consolidated Group.
5 Property held by associates and joint venture entities.
6 This property was disposed of during the financial year.
7 Included in "Non-current assets held for sale" in the current financial year.
8 Capital works are in progress.

16 Non-current assets – Investment properties (continued)

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

Description	Independent valuation date	Independent valuation $M	Independent Cap rate %	Book value 30 June 2012[1] $M	Book value 30 June 2011[1] $M
Industrial					
Yennora Distribution Centre, Yennora NSW	June 2012	343.0	8.00	**343.0**	335.7
Port Adelaide Distribution Centre, Port Adelaide SA	Dec 2010	82.4	9.50	**83.3**	82.3
Brooklyn Estate, Brooklyn VIC	Jun 2011	82.8	9.00	**82.8**	82.8
Hendra Distribution Centre, Brisbane QLD	Dec 2010	81.5	9.00	**81.8**	81.7
9-11a Ferndell Street, Granville NSW	Dec 2011	40.8	9.50-10.00	**42.1**	44.8
1090-1124 Centre Road, Oakleigh VIC	Jun 2010	32.5	8.79	**33.6**	33.8
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Dec 2011	33.0	9.25	**32.8**	31.0
Altona Distribution Centre, Altona VIC	Dec 2011	26.2	9.25	**26.5**	20.8
11-25 Toll Drive, Altona North VIC	Dec 2011	17.3	9.00	**17.3**	17.4
2 Davis Road, Wetherill Park NSW	Dec 2011	16.0	9.25	**16.0**	16.4
32-54 Toll Drive, Altona VIC	Dec 2011	15.0	8.75	**15.8**	15.8
76-82 Fillo Drive, Somerton VIC	Dec 2011	13.9	9.00	**13.9**	13.7
56-60 Toll Drive, Altona North VIC	Dec 2011	13.9	9.50	**13.7**	15.2
Export Park, 9-13 Viola Place, Brisbane Airport QLD[3]	Dec 2011	12.6	9.00	**12.6**	11.4
M1 Yatala Enterprise Park, Yatala QLD	Dec 2011	8.5	n/a	**8.5**	10.7
40 Scanlon Drive, Epping VIC	Jun 2011	7.7	8.75	**7.7**	7.7
Defence National Storage and Distribution Centre, Moorebank NSW (55%)[2, 4]	–	–	–	**–**	133.4
Total Industrial				**831.4**	954.6

1 Book value includes capital expenditure incurred and amortisation since latest independent valuation.
2 Property held by associates and joint venture entities.
3 This property is a leasehold property.
4 This property was disposed of during the financial year.

16 Non-current assets – Investment properties (continued)

(b) FAIR VALUES

Directors' valuations have been undertaken as at 30 June 2012 for all properties (including properties classified as Non-current assets held for sale) when determining fair value using the assumptions below.

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

(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.

In determining the fair value, the capitalisation of net market income method and discounting of future cash flows to their present value have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

These valuations are regularly compared to market yield data, and actual transactions by Stockland and those reported by the market.

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

The weighted average capitalisation rates for Commercial Property assets by category are as follows:

- Retail assets – 7.1% (2011: 7.2%);
- Office assets – 7.9% (2011: 7.8%); and
- Industrial assets – 8.7% (2011: 8.5%).

The lease vacancy rates for Commercial Property assets by category are as follows:

- Retail assets – 0.6% (2011: 0.5%);
- Office assets – 5.5% (2011: 3.7%); and
- Industrial assets – 2.7% (2011: 0.2%).

The weighted average lease expiry for Commercial Property assets by category are as follows:

- Retail assets – 5.9 years (2011: 5.9 years);
- Office assets – 4.1 years (2011: 4.3 years); and
- Industrial assets – 2.7 years (2011: 3.2 years).

INVESTMENT PROPERTY ASSETS UNDER DEVELOPMENT

In determining the fair value of investment property assets under development, consideration is given to:

- percentage completion of the development;
- future anticipated net rental income;
- risks associated with the forecast completion of the asset;
- forecast cost of the development; and
- current market evidence for similar assets.

17 Non-current assets – Other financial assets

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Investments in other entities at fair value through Profit and Loss				
Units in unlisted entities	**25.2**	26.4	**24.8**	25.9
Securities in listed entities	**65.9**	121.0	**–**	–
	91.1	147.4	**24.8**	25.9

18 Non-current assets – Property, plant and equipment

STOCKLAND CONSOLIDATED GROUP

	Aged Care properties $M	Owner-occupied property $M	Leasehold improvements, plant and equipment $M	Total $M
Cost				
Balance as at 1 July 2010	–	96.2	61.5	157.7
Acquisition through business combination	84.4	–	3.0	87.4
Additions	–	–	18.4	18.4
Disposals	–	–	(6.2)	(6.2)
Effects of movements in exchange rates	–	–	(0.4)	(0.4)
Balance as at 30 June 2011	84.4	96.2	76.3	256.9
Balance as at 1 July 2011	**84.4**	**96.2**	**76.3**	**256.9**
Additions	**2.8**	**–**	**20.2**	**23.0**
Disposals	**–**	**–**	**(5.8)**	**(5.8)**
Effects of movements in exchange rates	**–**	**–**	**(0.4)**	**(0.4)**
Balance as at 30 June 2012	**87.2**	**96.2**	**90.3**	**273.7**
Depreciation and impairment losses				
Balance as at 1 July 2010	–	7.7	26.6	34.3
Depreciation charge for the year	0.9	3.4	10.4	14.7
Disposals	–	–	(6.0)	(6.0)
Effects of movements in exchange rates	–	–	0.3	0.3
Balance as at 30 June 2011	0.9	11.1	31.3	43.3
Balance as at 1 July 2011	**0.9**	**11.1**	**31.3**	**43.3**
Depreciation charge for the year	**2.8**	**3.2**	**14.9**	**20.9**
Disposals	**–**	**–**	**(4.8)**	**(4.8)**
Effects of movements in exchange rates	**–**	**–**	**(0.3)**	**(0.3)**
Balance as at 30 June 2012	**3.7**	**14.3**	**41.1**	**59.1**
Carrying amounts				
As at 30 June 2011	83.5	85.1	45.0	213.6
As at 30 June 2012	**83.5**	**81.9**	**49.2**	**214.6**

STOCKLAND TRUST GROUP

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

19 Non-current assets – Investments accounted for using the equity method

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Shares in associates	36	**108.4**	254.9	**115.4**	251.2
Interests in joint venture entities	37	**500.5**	840.1	**447.8**	783.2
		608.9	1,095.0	**563.2**	1,034.4

20 Non-current assets – Intangible assets

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Goodwill				
Opening carrying amount	**116.6**	108.4	**–**	–
Acquisition through business combinations	**–**	8.2	**–**	–
Impairment	**–**	–	**–**	–
Closing carrying amount	**116.6**	116.6	**–**	–

All goodwill is allocated to the Retirement Living cash generating unit.

Goodwill is tested for impairment annually, or more frequently if there are indicators of impairment. No impairment loss has been recognised in the financial year (2011: $Nil).

The goodwill arose on the acquisition of the retirement living division of Australian Retirement Communities on 28 February 2007, the acquisition of the Rylands retirement living business on 17 July 2008 and the acquisition of Aevum on 31 October 2010.

The goodwill impairment test is based upon the value in use method. This involves using cash flow projections for future development cashflows on formal budgets approved by management covering a seven year period and future development pipeline assumptions, (including associated DMF cashflows, using consistent valuation assumptions applied to Operating Villages as set out in Note 35(a)) at a discount rate of 17.8% (2011: 16.0%). Deferred repayment contract conversion cash flows are discounted over their forecast maturity at 12.8% (2011: 12.8%). Cash flows beyond the seven year period have been determined by applying a steady 3.9% p.a. (2011: 4.0% p.a.) capital growth rate assumption for future Retirement Living Communities once complete and projecting the costs and selling price for Retirement Living Communities in the development pipeline. This growth rate does not exceed the long-term average rate for the Australian retirement living property market. Management believe that due to the long-term nature of Retirement Living Communities and the ability to manage assets over that extended period, it is reasonable to use a cash flow period of greater than five years.

21 Current and Non-current liabilities – Trade and other payables

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(a) CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables and accruals	**268.0**	333.1	**117.2**	140.7
Trade payables – land purchases	**100.0**	80.7	**–**	–
Goods and services tax ("GST") payable/(receivable)	**30.1**	24.4	**(0.6)**	1.0
	398.1	438.2	**116.6**	141.7
(b) NON-CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables – land purchases	**36.7**	121.5	**–**	–
Other	**2.3**	2.4	**–**	–
	39.0	123.9	**–**	–

22 Current and Non-current liabilities – Interest-bearing loans and borrowings

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(a) CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS				
Unsecured				
Domestic medium term notes	**75.4**	–	**75.4**	–
Foreign medium term notes[1]	**69.1**	19.7	**69.1**	19.7
	144.5	19.7	**144.5**	19.7
(b) NON-CURRENT LIABILITIES – INTEREST-BEARING LOANS AND BORROWINGS				
Unsecured				
Domestic medium term notes	**606.6**	689.1	**606.6**	689.1
Foreign medium term notes[1]	**1,581.5**	1,698.6	**1,581.5**	1,698.6
Bank facilities	**535.0**	–	**535.0**	–
	2,723.1	2,387.7	**2,723.1**	2,387.7

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

22 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (CURRENT AND NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS)

BANK FACILITIES

Stockland Consolidated Group and Stockland Trust Group

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

Facility limit				Utilised	
2012 $M	2011 $M	**Security**	**Maturity date**	**2012 $M**	2011 $M
120.0	–	Unsecured	August 2012	**–**	–
450.0	–	Unsecured	September 2012	**–**	–
25.0	–	Unsecured	November 2012	**–**	–
175.0	175.0	Unsecured	November 2014	**125.0**	–
100.0	100.0	Unsecured	November 2015	**100.0**	–
175.0	175.0	Unsecured	December 2015	**175.0**	–
150.0	–	Unsecured	February 2017	**135.0**	–
1,195.0[1]	450.0[1]			**535.0**	–

[1] Excludes bank guarantee facility of $300.0 million (2011: $300.0 million), of which $292.3 million (2011: $292.1 million) has been utilised. Refer to Note 31.

DOMESTIC MEDIUM TERM NOTES

Stockland Consolidated Group and Stockland Trust Group

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

During the previous financial year, Stockland repurchased medium term notes from the domestic private placement market. The total face value of these notes was $230.6 million comprising of $164.1 million and $66.5 million due to mature in June 2012 and May 2013 respectively. During the previous financial year, Stockland also issued $150.0 million and $160.0 million in the domestic private placement market which mature in July 2016 and November 2020 respectively. During the previous financial year, $91.5 million of maturing medium term notes were repaid.

Medium term notes have been issued at either face value, or at a discount or premium to face value. The discount or premium is amortised to finance costs over the term of the notes. The medium term notes are issued on either fixed or floating interest rate terms.

22 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (CURRENT AND NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS) (continued)

DOMESTIC MEDIUM TERM NOTES (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

The fair value of the notes as at 30 June 2012 is $743.0 million (2011: $718.0 million). Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	Fixed rate coupon	Floating rate coupon[1]	2012 $M	2011 $M
May 2013	6.00%	0.91%	75.5	83.5
February 2015	8.50%	–	300.0	300.0
July 2016	7.50%	–	150.0	150.0
November 2020	8.25%	–	160.0	160.0
Total			685.5	693.5
Less: attributable transaction costs			(3.5)	(4.4)
Total Balance Sheet carrying amount at amortised cost			682.0	689.1

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2012 was 3.49% (2011: 5.03%).

FOREIGN MEDIUM TERM NOTES

Stockland Consolidated Group and Stockland Trust Group

UK private placement

During the financial year, Stockland repurchased GBP 189.9 million (AUD 295.1 million) of its GBP 250.0 million (AUD 619.3 million) medium term notes issued into the UK private placement market due in October 2013. All notes were issued at a fixed coupon payable in GBP and converted to AUD floating coupons through cross-currency principal and interest rate swaps ("CCIRS").

The fair value of the notes as at 30 June 2012 is $89.4 million (2011: $404.2 million). Details of the foreign medium term notes on issue in the UK private placement market are set out below:

Maturity date	Fixed rate coupon	Floating CCIRS[1]	2012 $M	2011 $M
October 2013	5.63%	0.63%	96.7	404.2
Less: attributable transaction costs			(0.1)	(0.3)
Total Balance Sheet carrying amount			96.6	403.9

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2012 was 3.49% (2011: 5.03%).

22 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (CURRENT AND NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS) (continued)

FOREIGN MEDIUM TERM NOTES (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

US private placement

During previous financial years, Stockland issued USD 1,125.0 million of notes in the US private placement market.

During the year, Stockland repaid USD 21.0 million (AUD 32.1 million) of its notes that were issued in the US private placement market that matured in October 2011. In addition, during the financial year, Stockland issued USD 185.0 million (AUD 175.9 million) of 10 year notes in the US private placement market. The principal and interest on these notes have been swapped back to Australian dollars through CCIRS.

These notes had a face value of AUD 1,632.9 million as at 30 June 2012 (2011: AUD 1,487.3 million). The fair value of the notes as at 30 June 2012 is AUD 1,393.3 million (2011: AUD 1,218.5 million). Details of the foreign medium term notes on issue in the US private placement market and the CCIRS are set out below.

Subsequent to 30 June 2012, Stockland issued new 10 and 12 year notes in the US private placement market to the equivalent of AUD 155.3 million. Refer to Note 42 for details.

			Face value[1]		Balance Sheet carrying amount	
Maturity date	**Fixed rate coupon**	**Floating CCIRS[2]**	**2012 $M**	2011 $M	**2012 $M**	2011 $M
October 2011	5.10%	0.59% – 0.46%	**–**	32.1	**–**	19.7
July 2012	4.68%	0.57% – 0.55%	**51.4**	51.4	**39.3[3]**	38.5
October 2012	5.42%	0.79%	**45.8**	45.8	**29.8[3]**	29.4
July 2013	4.79%	0.65% – 0.63%	**51.4**	51.4	**40.6**	39.6
July 2014	4.89%	0.71% – 0.70%	**28.3**	28.3	**22.9**	22.1
June 2015	5.81%	0.39%	**74.7**	74.7	**68.1**	67.1
July 2015	4.99%	0.78% – 0.77%	**64.3**	64.3	**51.1**	49.2
October 2015	5.72%	0.70% – 0.60%	**99.2**	99.2	**72.4**	68.4
July 2016	5.04%	0.79% – 0.78%	**61.7**	61.7	**49.1**	47.1
October 2016	5.87%	0.76%	**27.5**	27.5	**20.7**	19.2
June 2017	5.93%	0.48%[2], 0.41%[4]	**164.0**	162.2	**196.7**	192.7
October 2017	5.96%	0.76%	**61.1**	61.1	**47.5**	43.0
June 2018	5.98%	0.25%	**250.0**	250.0	**168.5**	161.6
October 2018	6.01%	0.73% – 0.65%	**268.7**	268.7	**213.8**	190.3
July 2019	5.19%	0.85% – 0.83%	**70.7**	70.7	**56.6**	54.2
July 2020	5.24%	0.87% – 0.86%	**90.0**	90.0	**73.0**	70.1
September 2021	4.32%	2.44% – 2.48%	**175.9**	–	**191.9**	–
June 2022	6.15%	1.00%	**27.7**	27.7	**33.6**	33.0
June 2027	6.28%	0.87%	**20.5**	20.5	**27.0**	26.5
Total			**1,632.9**	1,487.3	**1,402.6**	1,171.7
Less: attributable transaction costs					**(5.0)**	(3.4)
Total Balance Sheet carrying amount					**1,397.6**	1,168.3

1 Face value of the notes in Australian dollars after the effect of the CCIRSs.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2012 was 3.49% (2011: 5.03%).
3 Classified as a current liability.
4 Variable interest rate margin above the 90 day Libor rate. The 90 day Libor rate as at 30 June 2012 was 0.90% (2011: 0.83%).

22 Current and Non-current liabilities – Interest-bearing loans and borrowings (continued)

(c) FINANCING ARRANGEMENTS (CURRENT AND NON-CURRENT INTEREST-BEARING LOANS AND BORROWINGS) (continued)

FOREIGN MEDIUM TERM NOTES (continued)

Stockland Consolidated Group and Stockland Trust Group (continued)

Asian private placement

During the 2006 financial year, Stockland issued medium term notes with a face value of $151.3 million (JPY 13,000 million) into the Asian private placement market.

All notes were issued at a fixed coupon payable in USD and converted back to AUD floating coupons through a cross currency principal and interest rate swap. In a previous financial year, the cross currency interest rate swap no longer qualified as effective under hedge accounting rules which has resulted in the notes no longer being carried at fair value but at amortised cost.

The fair value of the notes as at 30 June 2012 is $166.7 million (2011: $126.0 million). The notes mature in August 2035. Details of the foreign medium term notes on issue in the Asian private placement market are set out below:

Maturity date	Fixed rate coupon	Floating CCIRS[1]	2012 $M	2011 $M
August 2035	3.99%	0.80%	**156.8**	146.5
Less: attributable transaction costs			**(0.4)**	(0.4)
Total Balance Sheet carrying amount			**156.4**	146.1

[1] Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2012 was 3.49% (2011: 5.03%).

DERIVATIVES

Stockland Consolidated Group and Stockland Trust Group

Stockland has entered into cross currency principal and interest rate swaps over its foreign currency loans and borrowings. Refer to Note 39 for details.

23 Current and Non-current liabilities – Provisions

		Stockland Consolidated Group		Stockland Trust Group	
	Note	2012 $M	2011 $M	2012 $M	2011 $M
(a) CURRENT LIABILITIES – PROVISIONS					
Employee benefits	26	**11.1**	10.3	**–**	–
Development costs[1]		**127.7**	112.8	**–**	–
Other		**1.7**	1.7	**0.6**	1.6
		140.5	124.8	**0.6**	1.6

[1] For the Stockland Consolidated Group, the provision for development costs relates to obligated future costs associated with and allocated to land lots, primarily within Residential Communities.

23 Current and Non-current liabilities – Provisions (continued)

(b) MOVEMENT IN CURRENT PROVISIONS

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

	Stockland Consolidated Group		Stockland Trust Group	
	Development costs $M	Other $M	Development costs $M	Other $M
Carrying amount at the beginning of the financial year	112.8	1.7	–	1.6
Charge/(credit) to the Statement of Comprehensive Income:				
– additional provisions recognised	83.8	–	–	–
– unused amounts reversed	(6.3)	–	–	–
Amounts used during the financial year	(62.6)	–	–	(1.0)
Carrying amount at the end of the financial year	127.7	1.7	–	0.6

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(c) NON-CURRENT LIABILITIES – PROVISIONS					
Employee benefits	26	3.6	3.8	–	–
Other		0.4	0.5	–	–
		4.0	4.3	–	–

24 Current and Non-current liabilities – Other liabilities

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(a) CURRENT LIABILITIES – OTHER LIABILITIES					
Dividends and distributions payable[1]	29	264.4	283.4	264.4	283.4
Rents in advance		14.7	17.9	14.7	17.9
Derivative liabilities	39(f)	30.6	12.8	35.0	29.7
		309.7	314.1	314.1	331.0

[1] Dividends and distributions disclosed in Note 29 includes $Nil (2011: $0.2 million) in relation to dividends and distributions payable on ESS and ISP securities not vested or refinanced.

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(b) NON-CURRENT LIABILITIES – OTHER LIABILITIES					
Derivative liabilities	39(f)	779.0	674.6	779.0	674.6
		779.0	674.6	779.0	674.6

25 Deferred tax assets and liabilities

STOCKLAND CONSOLIDATED GROUP

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 $M	2011 $M	**2012 $M**	2011 $M	**2012 $M**	2011 $M
Trade and other receivables	**0.1**	0.3	**(0.6)**	–	**(0.5)**	0.3
Inventories	**98.9**	91.5	**(176.3)**	(159.9)	**(77.4)**	(68.4)
Other assets	**0.9**	1.6	**–**	(4.7)	**0.9**	(3.1)
Investment properties	**9.7**	16.5	**(162.5)**	(148.1)	**(152.8)**	(131.6)
Property, plant and equipment	**–**	–	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Other financial assets	**20.1**	3.4	**(0.9)**	(2.2)	**19.2**	1.2
Trade and other payables	**11.2**	17.1	**–**	–	**11.2**	17.1
Retirement Living resident obligations	**17.8**	39.0	**–**	–	**17.8**	39.0
Interest-bearing loans and borrowings	**–**	–	**(0.5)**	(28.6)	**(0.5)**	(28.6)
Provisions	**7.2**	11.2	**–**	–	**7.2**	11.2
Reserves	**4.5**	5.7	**–**	–	**4.5**	5.7
Tax losses carried forward	**155.3**	102.1	**–**	–	**155.3**	102.1
Tax assets/(liabilities)	**325.7**	288.4	**(340.9)**	(343.7)	**(15.2)**	(55.3)
Set-off of tax balances	**(325.7)**	(288.4)	**325.7**	288.4	**–**	–
Net tax liabilities	**–**	–	**(15.2)**	(55.3)	**(15.2)**	(55.3)

The Group has $33.2 million (2011: $34.4 million) of unrecognised deferred tax assets. This balance consists of $3.2 million (2011: $3.2 million) Australian capital losses; $10.0 million (2011: $2.7 million) of UK capital losses and $20.0 million (2011: $28.5 million) of UK trading losses.

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

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

25 Deferred tax assets and liabilities (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

	Balance 1 July $M	Recognised as income (expense)/ benefit $M	Current year tax loss recognised $M	Recognised directly in equity $M	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2012						
Trade and other receivables	0.3	(0.8)	–	–	–	(0.5)
Inventories	(68.4)	(9.0)	–	–	–	(77.4)
Other assets	(3.1)	4.0	–	–	–	0.9
Investment properties	(131.6)	(21.2)	–	–	–	(152.8)
Property, plant and equipment	(0.2)	0.1	–	–	–	(0.1)
Other financial assets	1.2	18.0	–	–	–	19.2
Trade and other payables	17.1	(5.9)	–	–	–	11.2
Retirement Living resident obligations	39.0	(21.2)	–	–	–	17.8
Interest-bearing loans and borrowings	(28.6)	28.1	–	–	–	(0.5)
Provisions	11.2	(4.0)	–	–	–	7.2
Reserves	5.7	(1.2)	–	–	–	4.5
Tax losses carried forward	102.1	–	38.8	10.2	4.2	155.3
	(55.3)	(13.1)	38.8	10.2	4.2	(15.2)

25 Deferred tax assets and liabilities (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR (continued)

	Balance 1 July $M	Recognised as income (expense)/ benefit $M	Current year tax loss recognised $M	Recognised directly in equity $M	Acquired through business combination $M	Adjustment to previously recognised tax losses $M	Balance 30 June $M
2011							
Trade and other receivables	(1.6)	1.9	–	–	–	–	0.3
Inventories	(52.7)	(15.7)	–	–	–	–	(68.4)
Other assets	2.5	(5.6)	–	–	–	–	(3.1)
Investment properties	(97.4)	(29.7)	–	–	(4.5)	–	(131.6)
Property, plant and equipment	(0.7)	0.5	–	–	–	–	(0.2)
Other financial assets	6.7	(3.3)	–	–	(2.2)[1]	–	1.2
Trade and other payables	19.4	(2.3)	–	–	–	–	17.1
Retirement Living resident obligations	36.5	2.5	–	–	–	–	39.0
Interest-bearing loans and borrowings	0.4	(29.0)	–	–	–	–	(28.6)
Provisions	4.7	6.5	–	–	–	–	11.2
Reserves	5.3	0.4	–	–	–	–	5.7
Tax losses carried forward	95.2	–	27.3	(20.0)	–	(0.4)	102.1
	18.3	(73.8)	27.3	(20.0)	(6.7)	(0.4)	(55.3)

[1] Relates to elimination of deferred tax balance relating to Aevum Limited shares held prior to Aevum Limited acquisition.

STOCKLAND TRUST GROUP

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

26 Employee benefits

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Aggregate liability for employee benefits, including on-costs:					
Liability for employee benefits – Current	23(a)	**11.1**	10.3	**–**	–
Liability for employee benefits – Non-current	23(c)	**3.6**	3.8	**–**	–
		14.7	14.1	**–**	–
Number of full-time equivalent employees at year end		**1,181**	1,284	**–**	–

STOCKLAND CONSOLIDATED GROUP

SUPERANNUATION CONTRIBUTIONS

Stockland contributes to several defined contribution funds in accordance with the superannuation guarantee legislation and choice of fund legislation. Stockland and the employees make contributions based on various percentages of gross salaries. Employees are entitled to benefits on retirement.

LONG-TERM INCENTIVE PLANS

Tax Exempt Employee Security Plan ("$1,000 Plan")

The $1,000 Plan was approved by securityholders in October 2006. Under this plan eligible employees may be granted Stockland securities to a maximum value of $1,000. Offers will be made in August each financial year, if approved by the Board dependent upon the performance of Stockland over the previous twelve months. Such offers recognise the contribution of employees to Stockland's performance and provide a link to growth in long-term securityholder value.

The plan meets the requirements of the Australian tax legislation in that it includes a holding lock of three years if the employee remains with Stockland and no forfeiture provisions (participants keep the securities and the holding lock lifts when they leave).

Certain employees may incur income tax on these allocations.

The plan is subject to tax for UK participants. The decision to meet the cost of the tax impost by Stockland is reviewed annually. Stockland has chosen not to meet the cost in 2011 and 2012.

Performance Rights Plan ("PRP")

The PRP was approved by securityholders in October 2006. The first allocation was made in April 2007. Under the PRP, employees have the right to acquire Stockland securities at nil consideration when certain performance conditions are met. Each grant will comprise two equal tranches, each of which vest based on separate performance hurdles (being Earnings Per Security ("EPS") growth and Relative Total Securityholder Return ("TSR")) and has a three year vesting period. Eligibility is by invitation of the Board and is reviewed annually.

The number of rights granted to employees pursuant to the plan for the year ended 30 June 2012 was 10,114,208 (2011: 10,602,716).

Under AASB 2, the PRP rights are options with performance conditions. The fair value of the rights is recognised as an employee expense with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the rights are subject to performance and/or service conditions.

26 Employee benefits (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

LONG-TERM INCENTIVE PLANS (continued)

Performance Rights Plan ("PRP") (continued)

The PRP operated in the same manner for Senior Executives as it did for Executive Directors, with the exception that any allotments were approved by the Human Resources Committee and did not require the passing of a resolution at an annual general meeting.

Modification to the PRP awards and introduction of deferred STI awards

In the current financial year, Stockland introduced a compulsory deferral of a portion of STI into Stockland securities for Executives to further align remuneration outcomes with securityholders. To facilitate the introduction of the STI deferral, the total remuneration mix for the Executive Committee (but not the Managing Director) was realigned by increasing the current year Target STI by 10% of Fixed Pay and decreasing their annual LTI participation by the same percentage of Fixed Pay.

As a result of the reduced LTI participation in the current year, 306,689 PRP rights initially granted in August 2011 were removed for the Senior Executives. The Managing Director did not receive any LTI grant in the current year.

The impact of removing the rights resulted in a total net decrement in remuneration granted to Senior Executives of $93,841 as calculated on page 35 of the Remuneration Report. Under Accounting Standards, any decrement as a result of a modification is included in the LTI component of the Executives' remuneration, resulting in the same LTI expense even though the modification occurred. The decrement is expensed over the PRP's original vesting period.

Executive Share Scheme ("ESS")

Senior employees below Executive participated in ESS from 2004 until 2006. Participants were invited to acquire a specific number of securities at a discount to the market price.

As a consequence of the creation of the PRP, no further grants have been made under this plan following the August 2006 grant. It was cost effective for Stockland to operate the ESS via a loan plan, such that participating employees acquired securities funded via a limited recourse loan provided by Stockland. All grants under the ESS had been funded by loans provided by Stockland for a maximum term of five years. Interest charged on the loans was equivalent to the dividends and distributions received annually on the securities. The outstanding value of the loan was limited to the market value of the securities.

All loans were repaid during current financial year on the expiry of the scheme in August 2011 (2011: outstanding loans of $10,030,765).

Transition arrangement: moving from ESS to $1,000 Plan

In July 2007, employees who transitioned from the ESS to the $1,000 Plan were advised of an additional arrangement that applied to them. These employees are entitled to a conditional cash payment in September 2009 and September 2012, reflecting the growth in the price of Stockland securities from 30 August 2007 to 30 August 2009 and from 30 August 2008 to 30 August 2012 respectively.

These cash payments are calculated based on the number of securities issued to each employee under the ESS in August 2006. No cash payments were made under these arrangements which have now ended.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement "ESS retention incentive" for employees who retained fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans provided by Stockland and subsequently refinanced by the individuals with bank loan facilities. As at 30 June 2012, the arrangement applied to 5 employees (2011: 8 employees).

The ESS retention incentive operates by Stockland placing cash on interest-bearing deposit with the relevant bank to provide support necessary for the loan, in addition to the loan security already provided by the employee. The cash balance placed on deposit by Stockland is sufficient to preclude loan repayments which would otherwise have been necessary due to the decline in the share price below $3.50 (the "minimum price"). The cash on deposit remains a Stockland asset. On average, $3.2 million has been on deposit for this arrangement during the financial year (2011: $2.0 million).

For accounting purposes, the arrangement has been valued as a put option over Stockland securities. The fair value is recalculated at each reporting date.

26 Employee benefits (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

LONG-TERM INCENTIVE PLANS (continued)

Calculation of fair value of rights granted under share plans

The fair values of the rights granted under the PRP (including the modification) during the current and previous financial years have been measured using a Monte Carlo Simulation (TSR hurdle) and the Black-Scholes options pricing model (EPS hurdle).

Assumptions made in determining the fair value of rights granted under the share plans are detailed below.

Performance Rights Plan

	2012		2011	
	Modification on 19 April 2012	**Grant at 31 August 2011**	Grant at 20 October 2010	Grant at 31 August 2010
Fair value of rights granted under plan	**$1.60**	**$1.66**	$2.55	$2.55
Spot price of the Stapled Securities at grant date	**$3.01**	**$2.95**	$3.89	$3.90
Exercise price	**$Nil**	**$Nil**	$Nil	$Nil
Volatility of security price[1]	**25.0%**	**35.0%**	40.0%	40.0%
Distribution yield	**10.3%**	**9.6%**	7.3%	6.9%
Risk-free rate at grant date	**3.2%**	**3.8%**	5.0%	4.4%
Expected remaining life at grant date	**2.2 years**	**2.8 years**	2.7 years	2.8 years
Volatility of Index price[1]	**15.0%**	**25.0%**	30.0%	30.0%
Correlation (Stockland and the Index)[2]	**77.0%**	**75.0%**	77.0%	77.0%

1 The volatility is based on the historic volatility of the security adjusted for any expected changes to future volatility due to publicly available information.
2 Represents the estimated correlation of Stockland's TSR and the TSR of the ASX 200 Property Trust Accumulation Index (excluding Stockland).

26 Employee benefits (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

LONG-TERM INCENTIVE PLANS (continued)

Movement in rights/securities under share plans during the financial year

The number and weighted average fair value of rights/securities under share plans is as follows:

	Weighted average price per right/security		Number of rights/securities	
	2012	2011	**2012**	2011
Rights/securities outstanding at the beginning of the year	**$2.94**	$2.58	**22,239,516**	20,536,261
Rights granted during the year	**$1.66**	$2.55	**10,114,208**	10,602,716
Rights/securities forfeited and lapsed during the year	**$2.25**	$1.90	**(12,658,940)**	(6,333,432)
Securities exercised during the year	**$3.04**	$3.54	**(1,472,333)**	(1,136,000)
Rights converted to Stockland stapled securities	**$2.71**	$3.80	**(2,316,646)**	(1,430,029)
Rights/securities outstanding at the end of the year	**$2.10**	$2.94	**15,905,805**	22,239,516

Rights under the PRP

The PRP rights outstanding as at 30 June 2012 have fair values ranging from $1.66 to $2.55 (2011: $2.50 to $2.76) per right and a weighted average restricted period remaining of 1.5 years (2011: 1.2 years).

As at 30 June 2012, no rights vested (2011: 2,316,646). As no rights vested, the weighted average fair value of vested rights during the financial year was $Nil (2011: $2.75 per right).

During the current financial year, 2,316,646 rights converted to Stockland stapled securities, after vesting was determined during the previous financial year (2011: 1,430,029).

Securities under the ESS

There were no ESS securities outstanding as at 30 June 2012 (2011: 1,472,333 outstanding ESS securities with fair values ranging from $0.32 to $0.65).

The weighted average fair value of the ESS securities which were exercised during the current financial year was $3.04 per security (2011: $3.54).

STOCKLAND TRUST GROUP

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

27 Issued capital

	Stockland Consolidated Group and Stockland Trust Group		Stockland Consolidated Group		Stockland Trust Group	
	2012 Number of securities/units	2011 Number of securities/units	**2012 $M**	2011 $M	**2012 $M**	2011 $M
Ordinary securities/units – Issued and fully paid	**2,203,547,228**	2,381,564,384	**7,962.5**	8,504.6	**7,179.8**	7,700.3

The following table provides details of movements in the Stockland Consolidated Group's issued securities and Stockland Trust Group's issued units.

Date	Details	Stockland Consolidated Group and Stockland Trust Group Number of securities/units	Stockland Consolidated Group $M	Stockland Trust Group $M
Movement of securities/units issued				
1 July 2010	Opening balance	2,380,428,384	8,500.4	7,696.4
	Issued securities/units which have either matured, been sold or forfeited and sold under share plans during the financial year	1,136,000	4.2	3.9
1 July 2011	Balance	2,381,564,384	8,504.6	7,700.3
	Issued securities/units which have either matured, been sold or forfeited and sold under share plans during the financial year	1,472,333	4.5	4.2
	Securities/units bought back as part of the on-market buyback and cancelled	(179,489,489)	(545.3)	(523.5)
	Less: transaction costs from on-market buyback during the financial year	–	(1.3)	(1.2)
30 June 2012	**Closing balance**	**2,203,547,228**	**7,962.5**	**7,179.8**

ISSUE PRICE

All other movements, apart from the on-market buyback, relate to securities/units under share plans, which do not require a cash outflow or inflow for Stockland and therefore have an issue price of $Nil.

ON-MARKET BUYBACK

On 19 August 2011, Stockland announced that it would undertake an on-market buyback of up to 5% of its issued capital (119.5 million securities), although reserved the right to increase the buyback to up to 10% of its issued capital, to be funded by its ongoing asset sale program and the deferral of some uncommitted development expenditure. On 14 March 2012, Stockland announced that it would extend the on-market buyback to 10%.

On 2 August 2012, Stockland announced that it would extend the duration of the on-market buyback beyond the initial 12 months.

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

As at 30 June 2012, 179,489,489 securities (7.5% of issued capital) had been bought back at a total price of $545.3 million for an average price of $3.04. These securities have been cancelled.

27 Issued capital (continued)

The following table provides details of equity instruments granted pursuant to Stockland share plans accounted for as options.

STOCKLAND CONSOLIDATED GROUP

Date	Details	Number of securities
1 July 2010	Opening Balance	2,608,333
	Issued securities which have either matured, been sold or forfeited and sold under share plans during the financial year	(1,136,000)
1 July 2011	Balance	1,472,333
	Issued securities which have either matured, been sold or forfeited and sold under share plans during the financial year	(1,472,333)
30 June 2012	**Closing balance**	**–**
30 June 2012	**Issued capital**	**2,203,547,228**
	Issued capital issued on ASX	**2,203,547,228**

TERMS AND CONDITIONS OF SECURITIES

For so long as the Stockland Consolidated Group remains jointly quoted, as detailed in Note 1, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders and unitholders be identical. Unitholders of the Trust are only entitled to distributions and voting rights upon stapling.

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. There are no partly paid or unquoted securities on issue. The liability of a member is limited to the amount, if any, remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination of the stapling arrangement (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

28 Reserves

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(a) RESERVES				
Executive remuneration reserve	**19.7**	23.7	**17.6**	21.3
Cash flow hedge reserve	**3.4**	6.6	**3.4**	6.6
Unrealised financial instruments reserve	**–**	–	**–**	–
Foreign currency translation reserve	**(28.3)**	(60.1)	**–**	–
Financial assets revaluation reserve	**–**	–	**–**	–
	(5.2)	(29.8)	**21.0**	27.9
Movements in reserves				
Executive remuneration reserve				
Balance at the beginning of the financial year	**23.7**	22.5	**21.3**	20.4
Expense relating to rights and securities/units granted under share plans	**3.7**	7.4	**3.5**	6.5
Vested securities/units purchased on-market	**(6.8)**	(5.6)	**(6.8)**	(5.6)
Securities/units exercised under share plans transferred to retained earnings	**(0.9)**	(0.6)	**(0.4)**	–
Balance at the end of the financial year	**19.7**	23.7	**17.6**	21.3
Cash flow hedge reserve				
Balance at the beginning of the financial year	**6.6**	16.6	**6.6**	16.6
Effective portion of changes in the fair value of cash flow hedges during the year	**(1.0)**	(8.1)	**(1.0)**	(8.1)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	**(2.2)**	(1.9)	**(2.2)**	(1.9)
Balance at the end of the financial year	**3.4**	6.6	**3.4**	6.6
Unrealised financial instruments reserve				
Balance at the beginning of the financial year	**–**	(403.6)	**–**	(404.0)
Net change in fair value of financial instruments transferred to retained earnings/undistributed income	**–**	403.6[1]	**–**	404.0[1]
Balance at the end of the financial year	**–**	–	**–**	–
Foreign currency translation reserve				
Balance at the beginning of the financial year	**(60.1)**	(13.0)	**–**	–
Net realised foreign exchange loss transferred to the Statement of Comprehensive Income on partial redemption of foreign controlled entity	**28.4**	–	**–**	–
Net exchange differences on translation of foreign controlled entity	**3.4**	(47.1)	**–**	–
Balance at the end of the financial year	**(28.3)**	(60.1)	**–**	–
Financial assets revaluation reserve				
Balance at the beginning of the financial year	**–**	0.5	**–**	–
Net change in fair value of other financial assets transferred from retained earnings	**–**	(0.5)	**–**	–
Balance at the end of the financial year	**–**	–	**–**	–

[1] The unrealised financial instruments reserve was historically used to transfer unrealised gains and losses on financial instruments which have been recorded in the Statement of Comprehensive Income to reserves until such time as they are realised. The reserve is no longer utilised effective 1 July 2010 with the balance transferred to retained earnings.

28 Reserves (continued)

(b) NATURE AND PURPOSE OF RESERVES

(i) EXECUTIVE REMUNERATION RESERVE

The Executive remuneration reserve has arisen under AASBs due to the PRP and ESS equity instruments being required to be accounted for as options. The fair value of the options is recognised as an employee expense in the Statement of Comprehensive Income with a corresponding increase in reserves. The fair value is expensed on a straight-line basis over the vesting period, being the period over which the rights/securities are subject to performance and/or service conditions. Upon exercising, or where applicable associated loans are repaid or forgiven, options under share plans are transferred to retained earnings. Refer accounting policy at Note 1(cc)(vi).

(ii) CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer accounting policy at Note 1(m).

(iii) UNREALISED FINANCIAL INSTRUMENTS RESERVE

The unrealised financial instruments reserve was previously used to transfer unrealised gains and losses on financial instruments which have been recorded in the Statement of Comprehensive Income to reserves until such time as they are realised. The reserve is no longer utilised effective 1 July 2010.

(iv) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and from derivatives used to hedge operations/funding.

(v) FINANCIAL ASSETS REVALUATION RESERVE

The financial assets revaluation reserve comprises the cumulative net change in the fair value of other financial assets unless the investment becomes impaired or is derecognised. The reserve is no longer utilised effective 1 July 2010.

29 Dividends and distributions

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

2012

STOCKLAND CORPORATION LIMITED

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

STOCKLAND TRUST

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

The dividend franking account balance as at 30 June 2012 is $11.0 million based on a 30% tax rate (2011: $11.0 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and losses utilised in the current financial year.

29 Dividends and distributions (continued)

2011

STOCKLAND CORPORATION LIMITED

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

STOCKLAND TRUST

	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution[1]	11.8	281.2	28 February 2011	22.0
Final distribution	11.9	283.6	31 August 2011	22.0
Total distribution	23.7	564.8		

1 Amount includes estimated interim distribution of 11.6 cents per unit ($276.4 million) as announced on 17 December 2010 and a further 0.2 cents per unit ($4.8 million) following approval on 8 February 2011.

The following table reconciles the total dividends and distributions paid and payable to the Statement of Changes in Equity:

	Stockland Consolidated Group and Stockland Trust Group	
	2012 $M	2011 $M
Total dividends and distributions paid and payable	**542.4**	564.8
Add:		
Adjustment to prior year final distribution paid during the financial year[1]	**–**	4.8
Less:		
Dividends and distributions relating to share-based payment loans	**–**	(0.4)
Dividends and distributions to securityholders/unitholders as per Statement of Changes in Equity	**542.4**	569.2

1 Change to the final distribution announced on 11 August 2010, not accrued as at 30 June 2010.

30 Commitments

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
INVENTORIES COMMITMENTS[1]				
Commitments for the acquisition of development land and future development costs not recognised in the Financial Statements at balance date:				
Within one year[2]	**197.8**	521.6	**–**	–
Later than one year but not later than five years	**14.8**	5.3	**–**	–
	212.6	526.9	**–**	–

1 At balance sheet date, a number of "call options" for the future acquisition of land are held. These are not included in commitments as there is no obligation to exercise the option.
2 For the previous financial year, included in this amount is $271.0 million that was paid on 1 July 2011 in relation to the acquisition of two residential projects in Perth, WA, The Vale and Whiteman Edge.

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
CAPITAL EXPENDITURE COMMITMENTS				
Commitments for the acquisition and development of investment properties and capital expenditure not recognised in the Financial Statements at balance date:				
Within one year	**193.7**	362.3	**149.0**	298.0
Later than one year but not later than five years	**1.4**	79.2	**1.4**	79.2
	195.1	441.5	**150.4**	377.2
OPERATING LEASE COMMITMENTS				
Commitments for the operating lease expenditure not recognised in the Financial Statements at balance date:				
Within one year	**4.7**	5.8	**–**	–
Later than one year but not later than five years	**10.3**	12.4	**–**	–
Later than five years	**0.1**	67.7	**–**	–
	15.1	85.9	**–**	–

During the current financial year, $6.1 million was recognised as an expense in the Stockland Consolidated Group Statement of Comprehensive Income in respect of operating leases (2011: $6.4 million).

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
NON-CANCELLABLE OPERATING LEASE RECEIVABLE FROM INVESTMENT PROPERTY TENANTS				
Non-cancellable operating lease receivable not recognised in the Financial Statements at balance date:				
Within one year	**505.4**	584.9	**510.1**	591.7
Later than one year but not later than five years	**1,344.9**	1,478.0	**1,363.4**	1,506.8
Later than five years	**686.0**	741.1	**678.2**	737.0
	2,536.3	2,804.0	**2,551.7**	2,835.5

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

31 Contingent liabilities

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
GUARANTEES				
Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $449.1 million (2011: $346.6 million)	**292.3**	292.1	**292.3**	292.1

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

32 Parent entity disclosures

As at and for the year ended 30 June 2012 and 30 June 2011 the parent entity of the Stockland Consolidated Group was Stockland Corporation Limited ("the Company"). The parent entity of the Stockland Trust Group was Stockland Trust.

RESULTS OF THE PARENT ENTITY

	Stockland Corporation Limited		Stockland Trust	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Profit for the year	**16.5**	1.9	**472.4**	683.3
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**16.5**	1.9	**472.4**	683.3
Financial position of the parent entity at year end				
Current assets	**4,578.0**	4,157.6	**7,182.9**	6,210.0
Total assets[1]	**4,701.8**	4,318.3	**14,390.5**	13,292.2
Current liabilities	**3,831.4**	3,442.5	**5,106.8**	4,075.1
Total liabilities	**3,831.4**	3,443.1	**6,834.6**	5,175.6
Net assets	**870.4**	875.2	**7,555.9**	8,116.6
Total equity of the parent entity comprising of:				
Issued capital	**782.7**	804.3	**7,179.8**	7,700.3
Reserves	**2.1**	2.2	**16.4**	21.4
Retained earnings	**85.6**	68.7	**359.7**	394.9
Total equity	**870.4**	875.2	**7,555.9**	8,116.6

[1] No intangible assets are included in total assets (2011: $Nil).

32 Parent entity disclosures (continued)

PARENT ENTITY CONTINGENCIES

There are no contingencies within either parent entity as at 30 June 2012 (2011: $Nil).

PARENT ENTITY CAPITAL COMMITMENTS

Neither parent entity has entered into any capital commitments as at 30 June 2012 (2011: $Nil).

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 33.

33 Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the "Closed Group"), identified in Note 34, are parties to a Deed of Cross Guarantee (the "Deed"). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the *Corporations Act 2001*.

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

Pursuant to the requirements of this Class Order, a summarised consolidated Comprehensive Income Statement for the year ended 30 June 2012 and consolidated Balance Sheet as at 30 June 2012, comprising the members of the Closed Group after eliminating all transactions between members are set out below and on the following page.

SUMMARISED COMPREHENSIVE INCOME STATEMENT

	Closed Group	
	2012 $M	2011 $M
(Loss)/profit before income tax benefit/(expense)	**(241.2)**	149.9
Income tax benefit/(expense)	**29.9**	(30.8)
(Loss)/profit for the year/Total comprehensive (expense)/income	**(211.3)**	119.1

33 Deed of Cross Guarantee (continued)

BALANCE SHEET

	Closed Group	
	2012[1] $M	2011[1] $M
Current assets		
Cash and cash equivalents	80.2	87.2
Trade and other receivables	744.8	675.9
Inventories	810.6	879.9
Other assets	52.9	58.3
	1,688.5	1,701.3
Non-current assets held for sale	3.1	3.1
Total current assets	1,691.6	1,704.4
Non-current assets		
Trade and other receivables	48.9	47.0
Inventories	1,798.0	1,601.7
Investment properties	1,505.9	1,213.0
Other financial assets	619.1	716.0
Investments accounted for under the equity method	17.4	16.2
Property, plant and equipment	132.5	127.7
Intangible assets	10.2	10.2
Other assets	1.9	0.1
Total non-current assets	4,133.9	3,731.9
Total assets	5,825.5	5,436.3
Current liabilities		
Trade and other payables	260.8	264.1
Interest-bearing loans and borrowings	3,831.5	3,239.6
Retirement Living resident obligations	788.6	688.3
Provisions	140.7	101.1
Total current liabilities	5,021.6	4,293.1
Non-current liabilities		
Other payables	36.9	119.7
Interest-bearing loans and borrowings	–	158.7
Retirement Living resident obligations	38.4	39.9
Deferred tax liabilities	15.2	55.3
Provisions	4.0	4.3
Other liabilities	1.5	1.1
Total non-current liabilities	96.0	379.0
Total liabilities	5,117.6	4,672.1
Net assets	707.9	764.2
Equity		
Issued capital	782.8	804.3
Reserves	293.2	116.7
Accumulated losses	(368.1)	(156.8)
Total equity	707.9	764.2

[1] The Closed Group is in a net current liability position of $3,330.0 million (2011: $2,588.7 million). The Closed Group has an interest-bearing loan with Stockland Trust of $3,831.4 million (2011: $3,239.6 million) payable at call, therefore, classified as a current liability in accordance with AASBs. The loan is not expected to be called within 12 months from the date of signing the Financial Report.

34 Controlled entities

The following entities were 100% controlled during the current and prior years:

STOCKLAND TRUST

Controlled entities of Stockland Trust

- ADP Trust
- Advance Property Fund
- Australian Commercial Property Trust
- Flinders Industrial Property Trust
- Stockland Finance Pty Limited[1]
- Advance Property Fund No. 3 (Growth)
- Advance Property Fund No. 5 (Capital Growth)
- Stockland Brisbane Office Trust
- ADP (NZ) Trust
- Capricornia Property Trust
- Industrial Property Trust
- Shellharbour Property Trust
- Stockland Industrial No. 1 Property 1 Trust
- Stockland Industrial No. 1 Property 4 Trust
- Stockland Industrial No. 1 Property 5 Trust
- Stockland Industrial No. 1 Property 6 Trust
- Stockland Industrial No. 1 Property 7 Trust
- Stockland Industrial No. 1 Property 8 Trust
- Stockland Industrial No. 1 Property 9 Trust
- Stockland Industrial No. 1 Property 11 Trust
- Jimboomba Village Shopping Centre and Tavern Trust
- Hervey Bay Holding Trust
- Stockland Direct Office Trust No. 4
- SDOT 4 Property # 1 Trust
- SDOT 4 Property # 2 Trust
- SDOT 4 Property # 3 Trust
- Stockland Direct Retail Trust No. 3
- SDRT 3 Property # 1 Trust
- SDRT 3 Property # 2 Trust
- SDRT 3 Property # 3 Trust
- Stockland Retail Holding Trust No. 1
- Stockland Retail Holding Sub-Trust No. 1
- Stockland Retail Holding Sub-Trust No. 2
- Endeavour (No. 1) Unit Trust
- Stockland Wholesale Office Trust No. 1
- 9 Castlereagh Street Unit Trust
- Stockland Castlereagh St Trust
- SWOT2 Sub Trust No. 1
- SWOT2 Sub Trust No. 2
- SWOT2 Sub Trust No. 3
- Stockland Finance Holdings Pty Limited[1]
- Stockland Wholesale Office Trust No. 2
- Stockland Direct Diversified Fund
- Hervey Bay Sub Trust

STOCKLAND CORPORATION LIMITED

Controlled entities of Stockland Corporation Limited

- Albert & Co. Pty Limited[2]
- Stockland Development Pty Limited
- Stockland Capital Partners Limited[2]
- Stockland Management Limited[2]
- Stockland Property Management Pty Limited[2]
- Stockland Property Services Pty Limited[2]
- Stockland Holding Trust No. 3
- Stockland Holding Trust No. 4
- Stockland Holding Trust No. 5
- Stockland Holding Trust No. 6
- Stockland (Queensland) Pty Limited[2]
- Stockland (Russell Street) Pty Limited[2]
- Stockland Singapore Pte Limited[1]
- Stockland Trust Management Limited[2]
- Stockland WA Development Pty Limited
- Stockland WA (Estates) Pty Limited[2]
- Endeavour (No. 2) Unit Trust
- Stockland Development (Holdings) Pty Limited[2]
- Stockland Development (PHH) Pty Limited[2]
- Stockland Development (NAPA QLD) Pty Limited[2]
- Stockland Development (NAPA NSW) Pty Limited[2]
- Stockland Development (NAPA VIC) Pty Limited[2]
- Stockland Services Pty Limited[2]
- Stockland Lake Doonella Pty Limited[2]
- Stockland North Lakes Development Pty Limited[2]
- Stockland North Lakes Pty Limited
- Stockland Highlands Pty Limited
- Lensworth Glenmore Park Limited
- Stockland Wallarah Peninsula Pty Limited[2]
- Stockland Wallarah Peninsula Management Pty Limited[2]
- Stockland South Beach Pty Limited[2]
- Stockland WA Development (VERTU Sub 1) Pty Limited[1]
- Jimboomba Trust
- Nowra Property Unit Trust
- Stockland Direct Retail Trust No. 2
- SDRT 2 Property 1 Trust
- SDRT 2 Property 2 Trust
- SDRT 2 Property 3 Trust
- SDRT 2 Property 4 Trust
- ARC Joint Ventures Pty Limited[2]
- Oak Grange Pty Limited[2]
- Rosebud Village Pty Limited[2]
- Vermont Retirement Village Pty Limited[2]
- Knox Village Pty Limited[2]
- Patterson Village Pty Limited[2]
- Templestowe Retirement Village Pty Limited[2]
- Stockland PR1 Trust
- Stockland PR2 Trust
- Stockland PR3 Trust
- Stockland PR4 Trust
- Stockland Development (Holdings No. 1) Pty Limited[2]
- Stockland Bells Creek Pty Limited[2]
- Stockland Buddina Pty Limited
- Stockland Caboolture Waters Pty Limited[2]
- Stockland Caloundra Downs Pty Limited[2]
- Stockland Kawana Waters Pty Limited
- Retirement Living Holding Trust No. 4
- Retirement Living Holding Trust No. 5
- Retirement Living Holding Trust No. 6
- Retirement Living Acquisition Trust

1 Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 33, as at 30 June 2012.

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

34 Controlled entities (continued)

The following entities were 100% controlled during the current and prior years (continued):

STOCKLAND CORPORATION LIMITED (continued)

Controlled entities of Stockland Corporation Limited (continued)

Knowles Property Management Unit Trust
Knox Unit Trust
Patterson Lakes Unit Trust
Bayview Road Property Trust
Vermont Unit Trust
Templestowe Unit Trust
Retirement Living Unit Trust No. 1
Retirement Living Unit Trust No. 2
Stockland Services (UK) Limited[1, 3]
Stockland (UK) Limited[1, 3, 4]
Stockland Holdings Limited[1, 3]
Stockland Asset Management Limited[1, 3]
Stockland Management (UK) Limited[1, 3]
Stockland Investments Limited[1, 3, 4]
Stockland (Queen Street) Limited[1, 3]
Stockland (Stafford) Limited[1, 3]
Stockland (Newport) Limited[1, 3, 4]
Stockland Office (One) Limited[1, 3, 4]
Stockland Land Limited[1, 3]
Stockland Investments (London) Limited[1, 3, 4]
Stockland (CReAM) Limited[1, 3, 4]
Stockland LP Limited[1, 3, 4]
Stockland GP Limited[1, 3, 4]
Stockland General Partner (Nelson) Limited[1, 3, 4]
Stockland Nelson Nominee Limited[1, 3, 4]
Stockland (Dalgety Bay) Limited[1, 3]
Stockland (Billingham) Limited[1, 3]
Stockland (Derby) Limited[1, 3, 4]
Stockland Developments (Fountain) Ltd[1, 3, 4]
Stockland Developments (UK) Limited[1, 3]
Stockland (Gracechurch) Limited[1, 3, 4]
CReAM (GP) Limited (75%)[1, 3, 4]
CReAM Nominees (No. 1) Limited (75%)[1, 3, 4]
CReAM (GP No. 2) Limited (75%)[1, 3, 4]
Aevum Limited[2]
Hibernian Investment Company Pty Limited
IOR Group Pty Limited
IOR Friendly Society Pty Limited[2]
Salford Living Pty Limited[2]
Bellevue Gardens Trust[2]
Long Island Village Pty Limited[2]
Midlands Terrace Adult Community Pty Limited[2]
Wantirna Village Pty Limited[2]
Retirement Living Holding Trust No. 1
Retirement Living Holding Trust No. 2
Retirement Living Holding Trust No. 3
CReAM (GP No. 3) Limited (75%)[1, 3, 4]
CReAM Nominees (No. 3) Limited (75%)[1, 3, 4]
CReAM (GP No. 1) Limited (75%)[1, 3, 4]
CReAM (GP No. 4) Limited (75%)[1, 3, 4]
CReAM (GP No. 5) Limited (75%)[1, 3, 4]
CReAM Nominees (No. 5) Limited (75%)[1, 3, 4]
Stockland (William Hunter) Limited[1, 3]
Stockland (Capital LP) Limited[1, 3, 4]
Stockland General Partner (Brook) Limited[1, 3, 4]
Stockland LP (Hammersmith) Limited[1, 3, 4]
Stockland (Warminster) Limited[1, 3]
Stockland (Cumbernauld) Limited[1, 3]
Stockland (Boardwalk Sub2) Pty Limited[1]
Stockland Financial Services Pty Limited[2]
Stockland WA Development (Realty) Pty Limited[2]
Stockland Development (Sub3) Pty Limited[1]
Stockland Development (Sub4) Pty Limited[1]
Stockland Development (Sub5) Pty Limited[1]
Stockland Development (Sub6) Pty Limited[1]
Stockland Development (Sub7) Pty Limited[1]
Stockland Eurofinance Pty Limited[2]
Stockland Retirement Pty Limited[2]
Stockland WA Development (Sub 6) Pty Limited[1]
Stockland (Rylands) No. 1 Pty Limited[1]
Stockland (Rylands) No. 2 Pty Limited[1]
Stockland (St Andrew) Limited[1, 3]
Stockland (Yeovil) Limited[1, 3]
Stockland Property Holdings Limited[1,3]
Stockland (Lowestoft) Limited[1, 3]
Stockland (NSW) No. 1 Pty Limited[1]
Stockland (NSW) No. 2 Pty Limited[1]
Stockland Development (PR1) Pty Limited[1]
Stockland Development (PR2) Pty Limited[1]
Stockland Development (PR3) Pty Limited[1]
Stockland Development (PR4) Pty Limited[1]
Stockland (IH) No. 1 Pty Limited[1]
Stockland Scrip Holdings Pty Limited[1]
Highlands Retirement Village Pty Limited[1]
A.C.N 116 788 713 Pty Limited[2]
Castleridge Pty Limited[1]
Willows Retirement Village Services Pty Limited[1]
Maybrook Manor Pty Limited[1]
Aevum SPV Finance No. 1 Pty Limited[1]
Affinity Retirement Village Pty Limited[1]
Macquarie Waratah Management Pty Limited[1]
Macquarie Waratah Holdings Pty Limited[1]
Macquarie Waratah Holdings (NSW) Pty Limited[1]
Macquarie Grove Management Pty Limited[1]
Waratah Highlands Management Pty Limited[1]
Blue Valley Enterprises Pty Limited[1]
Macquarie Waratah Villages Pty Limited[1]
The Hastings Valley Parklands Village Pty Limited[1]
Queenslake Village Pty Limited[1]
Golden Ponds Forster Pty Limited[1]
Castlehaven Pty Limited[1]
Pine Lake Management Services Pty Limited
Greenleaves Village Pty Limited
Mount Gravatt Retirement Village Unit Trust
Pine Lake Management Services Unit Trust
Stockland Catering Pty Limited
Bellevue Gardens Pty Limited[1]
Lincoln Gardens Pty Limited[1]
ARVT1 Trust

1 Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group referred to in Note 33, as at 30 June 2012.
2 These companies are parties to the Deed but are currently ineligible for relief under the Class Order.
3 These companies are registered in the UK.
4 These companies are in liquidation as at 30 June 2012.

34 Controlled entities (continued)

The following entities were 100% controlled during the current and prior years (continued):

STOCKLAND CORPORATION LIMITED (continued)

Controlled entities of Stockland Corporation Limited (continued)
ARVT2 Trust
ARVT3 Trust
ARVT4 Trust
ARVT5 Trust
ARVT6 Trust
Macquarie Waratah Holdings Trust
Macquarie Waratah Holdings (NSW) Trust
Rogan's Hill Retirement Village Trust
Ridgecrest Village Pty Limited
RVG (Queensland) Pty Limited
Greenleaves Management Services Pty Limited
Ridgecrest Village Management Services Pty Limited
Pine Lake Village Pty Limited

The following entities were formed/incorporated or acquired during the financial year and are 100% controlled unless stated otherwise:

STOCKLAND CORPORATION LIMITED

Controlled entities of Stockland Corporation Limited
Farrington Grove Retirement Village Pty Limited

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

STOCKLAND TRUST

Controlled entities of Stockland Trust
Property Trust of Australasia
Schroders Building Fund
Saville Brisbane Trust

STOCKLAND CORPORATION LIMITED

Controlled entities of Stockland Corporation Limited
Brook Properties General Partner Limited
Capital Portfolio Jersey Limited
Stockland Halladale Capital Partners Limited
Stockland Properties (London) Limited
Stockland General Partner Limited
Stockland General Partner 2 Limited
Stockland (Isle of Wight) Limited
Stockland Properties (Fountain) Limited
Stockland (Nailsea) Limited
CReAM Nominees (No. 4) Limited (75%)
CReAM Nominees (No. 2) Limited (75%)

All Stockland entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust which is incorporated in New Zealand, Stockland Singapore Pte Limited which is incorporated in Singapore and Stockland Services (UK) Limited, Stockland (UK) Limited, Stockland Holding Limited and all UK subsidiaries identified as being incorporated in the UK.

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

35 Retirement Living

Stockland owns 62 Retirement Living villages (2011: 59 Retirement Living villages). This includes 28 villages acquired from Aevum Limited and three villages acquired from the Retirement Village Group ("RVG") during the year ended 30 June 2011. Refer to Note 4 for additional information.

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

(a) RETIREMENT LIVING INVESTMENT PROPERTIES

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

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

OPERATING VILLAGES AND VILLAGES UNDER DEVELOPMENT

To support the Directors' valuation of operating villages, independent valuations are undertaken at least every three years. The most recent independent valuations were obtained at 30 June 2011. During the intervening periods, management assesses the valuation of individual units on a six-monthly basis to revise valuations based on current market values.

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

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

- weighted average discount rate of 12.8% (2011: 12.8%);
- weighted average future growth rate 3.9% (2011: 4.0%);
- expected average turnover rate of future residents: 9% for independent living units (2011: 8%);
- future anticipated contract terms between Stockland and future residents;
- forecast cost of village developments;
- risks associated with the forecast completion of these developments; and
- current market evidence for similar villages.

RECOGNITION OF DEVELOPMENT PROFIT

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

(b) DEFERRED MANAGEMENT FEES FROM RETIREMENT LIVING

DMF BASE FEES EARNED BUT UNREALISED

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

DMF BASE FEES EARNED AND REALISED

DMF base fees are realised when the resident departs and a new contract is executed, and recognised in Retirement Living segment result.

DMF CONTINGENT INCOME REALISED

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

(c) RESIDENT OBLIGATIONS

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and recognised at fair value. Fair value is the amount payable on demand and comprises the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less DMF earned to date. Changes in fair value of resident obligations are recognised directly in the Statement of Comprehensive Income. Resident obligations are expected to be covered by receipts from incoming residents, refer to Note 39(d).

CURRENT RESIDENT OBLIGATIONS

Based on actuarial turnover calculations, 9% of residents are estimated to leave each year and therefore it is not expected that the full obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid by receipts from incoming residents.

However, resident obligations are classified as current as any resident may give notice of their intention to vacate their unit with immediate effect and there is no unconditional contractual right to defer settlement for at least twelve months.

NON-CURRENT RESIDENT OBLIGATIONS

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

(d) ACCOUNTING RECLASSIFICATION CHANGE

The 2012 accounting treatment represents a change from prior periods to be more transparent and closely aligned with cash. This change has no net impact on statutory profit or net assets. The net impact of the change is an increase in fair value of Retirement Living investment properties of $26.1 million with a corresponding decrease in DMF Revenue. This reduced the 2011 Retirement Living segment result and Underlying Profit by the same amount as disclosed in Note 3.

Previously DMF were recognised on an accrual basis in accordance with Stockland's legal entitlement under resident contracts. This accrual included a variable DMF component based on current market price estimates, and formed a component of the "Net gain/(loss) from fair value adjustment of Retirement Living investment properties" in the Consolidated Statement of Comprehensive Income.

35 Retirement Living (continued)

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(e) STOCKLAND'S NET INVESTMENT IN RETIREMENT LIVING					
Operating villages	35(a)	**2,494.1**	2,299.4	**–**	–
Villages under development	35(a)	**253.3**	196.4	**–**	–
	35(f)	**2,747.4**	2,495.8	**–**	–
Existing resident obligations	35(c)(g)	**(1,645.7)**	(1,511.8)	**–**	–
Net investment in Retirement Living villages		**1,101.7**	984.0	**–**	–
Plant, property and equipment – Aged Care	18	**83.5**	83.5	**–**	–
Aged Care accommodation bonds	35(g)	**(53.5)**	(52.2)	**–**	–
Net investment in Aged Care		**30.0**	31.3	**–**	–
Net investment in Retirement Living		**1,131.7**	1,015.3	**–**	–

(f) RETIREMENT LIVING INVESTMENT PROPERTIES

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Carrying amount at the beginning of the financial year		**2,495.8**	1,300.6	**–**	–
Acquisitions		**29.5**	977.5	**–**	–
Expenditure capitalised		**181.0**	135.3	**–**	–
Realised fair value movements		**56.0**	35.6	**–**	–
Change in fair value of investment properties	35(h)	**(14.9)**	46.8	**–**	–
Carrying amount at the end of the financial year	35(e)	**2,747.4**	2,495.8	**–**	–

35 Retirement Living (continued)

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(g) CURRENT AND NON-CURRENT LIABILITIES – RETIREMENT LIVING RESIDENT OBLIGATIONS					
Current resident obligations					
Existing resident obligations	35(c)	**1,441.4**	1,276.8	**–**	–
Ex-resident obligations	35(c)	**36.6**	41.9	**–**	–
Aged Care accommodation bonds	35(c)	**53.5**	52.2	**–**	–
		1,531.5	1,370.9	**–**	–
Non-current resident obligations					
Existing resident obligations	35(c)	**204.3**	235.0	**–**	–
Ex-resident obligations	35(c)	**17.6**	23.3	**–**	–
		221.9	258.3	**–**	–
Total resident obligations					
Existing resident obligations	35(e)	**1,645.7**	1,511.8	**–**	–
Ex-resident obligations		**54.2**	65.2	**–**	–
Aged Care accommodation bonds	35(e)	**53.5**	52.2	**–**	–
		1,753.4	1,629.2	**–**	–

35 Retirement Living (continued)

	Notes	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(h) RETIREMENT LIVING CONTRIBUTION TO THE STATEMENT OF COMPREHENSIVE INCOME					
Revenue					
Total realised revenue[1]		**54.9**	41.0	**–**	–
DMF base fees earned, unrealised	35(i)	**5.9**	2.8	**–**	–
	35(b)	**60.8**	43.8	**–**	–
Net gain/(loss) from fair value adjustment of investment properties:					
• settled development margin[2]		**18.1**	13.8	**–**	–
• operating villages and villages under development	35(i)	**(33.0)**	33.0	**–**	–
	35(a)(f)	**(14.9)**	46.8	**–**	–
Net gain/(loss) from change in fair value of resident obligations	35(c)(i)	**19.3**	(14.7)	**–**	–
Investment property expenses		**(2.7)**	(4.1)	**–**	–
Management, administration, marketing and selling expenses		**(37.6)**	(37.0)	**–**	–
Acquisition and integration costs	3, 35(i)	**–**	(19.6)	**–**	–
Net contribution from Retirement Living villages		**24.9**	15.2	**–**	–
Net contribution from Aged Care		**3.4**	2.7	**–**	–
Retirement Living statutory profit		**28.3**	17.9	**–**	–

1 Includes realised profit on conversion of certain legacy contracts to current contract terms of $9.9 million (2011: $8.7 million).

2 Settled development margin represents the "development profit" achieved upon settlement of the first lease on newly developed units excluding the fair value gain recognised on the creation of the DMF entitlement. The profit recognised for creation of the DMF entitlement is included within "Net gain/(loss) from fair value adjustment of investment properties – Operating villages and villages under development". The profit recognised in relation to DMF creation is $8.9 million (2011: $15.3 million).

35 Retirement Living (continued)

	Note	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
(i) RECONCILIATION OF RETIREMENT LIVING STATUTORY PROFIT TO SEGMENT RESULTS					
Total realised revenue[1]		**54.9**	41.0	**–**	–
Net gain from fair value adjustment of investment properties – settled development margin[2]		**18.1**	13.8	**–**	–
Investment property expenses		**(2.7)**	(4.1)	**–**	–
Management, administration, marketing and selling expenses		**(37.6)**	(37.0)	**–**	–
Net contribution from Aged Care		**3.4**	2.7	**–**	–
Retirement Living segment result	3	**36.1**	16.4	**–**	–
Add:					
DMF base fees earned, unrealised[3]		**5.9**	2.8	**–**	–
Net (loss)/gain from change in fair value of Retirement Living investment properties – operating villages and villages under development[4]		**(33.0)**	33.0	**–**	–
Net gain/(loss) from change in fair value of resident obligations[5]		**19.3**	(14.7)	**–**	–
Acquisition and integration costs[6]		**–**	(19.6)	**–**	–
Retirement Living statutory profit		**28.3**	17.9	**–**	–

1 Includes realised profit on conversion of certain legacy contracts to current contract terms of $9.9 million (2011: $8.7 million).

2 Settled development margin represents the "development profit" achieved upon settlement of the first lease on newly developed units excluding the fair value gain recognised on the creation of the DMF entitlement. The profit recognised for creation of the DMF entitlement is included within "Net gain/(loss) from fair value adjustment of investment properties – Operating villages and villages under development". The profit recognised in relation to DMF creation is $8.9 million (2011: $15.3 million).

3 Presented in Note 3 (Operating segments) net of tax as $4.1 million (2011: $1.9 million).

4 Presented in Note 3 (Operating segments) net of tax as ($22.8) million (2011: $23.1 million).

5 Presented in Note 3 (Operating segments) net of tax as $13.5 million (2011: ($10.3) million).

6 Presented in Note 3 (Operating segments) net of tax as $Nil (2011: $13.8 million).

36 Investments in associates

(a) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

Associates	Location	Ownership interest %	Assets[1] $M	Liabilities[1] $M	Revenues[1] $M	Profit[1] $M
2012						
Stockland Trust Group						
Moorebank Industrial Property Trust[2, 3]	Australia	–	–	–	11.4	7.9
Macquarie Park Trust	Australia	31	116.9	(1.5)	10.2	6.6
			116.9	(1.5)	21.6	14.5
Stockland Consolidated Group						
Hammersmith Grove Limited Partnership[2]	UK	–	–	–	2.2	(0.5)
Tyburn Stockland No. 2 LP[4, 6]	UK	30	–	–	–	–
Tyburn Stockland No. 3 LP[4, 6]	UK	30	–	–	–	–
Halladale Nelson Limited Partnership[6, 8]	UK	9	–	–	–	–
CReAM Trust and subsidiary limited partnerships[6, 8]	UK	10	–	–	6.1	1.1
Capita Portfolio Limited Partnership[4, 6]	Jersey	30	–	–	–	–
Gracechurch Street Unit Trust[2]	Jersey	–	–	–	–	–
Elimination[9]			(7.0)	–	–	–
			109.9	(1.5)	29.9	15.1
2011						
Stockland Trust Group						
Moorebank Industrial Property Trust[3]	Australia	55	135.7	(1.0)	11.9	10.3
Macquarie Park Trust	Australia	31	118.1	(1.6)	10.1	11.0
			253.8	(2.6)	22.0	21.3
Stockland Consolidated Group						
The Anglo Halladale Limited Partnership[5]	UK	25	–	–	–	–
Hammersmith Grove Limited Partnership	UK	30	29.5	(22.7)	2.3	–
Tyburn Stockland No. 2 LP[5, 7]	UK	30	–	–	–	–
Tyburn Stockland No. 3 LP[6]	UK	30	–	–	–	–
Halladale Nelson Limited Partnership[6, 8]	UK	9	–	–	–	–
CReAM Trust and subsidiary limited partnerships[6, 8]	UK	10	–	–	–	–
Capita Portfolio Limited Partnership[7]	Jersey	30	–	–	–	–
Gracechurch Street Unit Trust[2]	Jersey	25	3.9	–	–	–
Elimination[9]			(7.0)	–	–	–
			280.2	(25.3)	24.3	21.3

1 Stockland Consolidated Group and/or Stockland Trust Group's share of assets, liabilities, revenues and profits.
2 Stockland Trust Group/Stockland Consolidated Group sold its interest in this associate entity during the current financial year.
3 During the time Stockland owned an interest in the Moorebank Industrial Property Trust ("MIPT"), Stockland had significant influence over MIPT, but not control due to Stockland having less than half the voting rights.
4 As at 30 June 2012, this associate is in liquidation.
5 As at 30 June 2011, this associate was in liquidation and has been liquidated during the current financial year.
6 Equity accounting has ceased for associates with a carrying value of $Nil.
7 As at 30 June 2011, this entity was in liquidation.
8 Stockland has significant influence over the operating decisions of these associates due to a combination of its role as asset manager, presence on advisory committees and participation in general partners.
9 Elimination of $7.0 million (2011: $7.0 million) in retained earnings within the Stockland Consolidated Group in relation to previously unrealised profit on the sale of assets to a joint venture (Macquarie Park Trust).

36 Investments in associates (continued)

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
(b) MOVEMENTS IN CARRYING AMOUNT OF INVESTMENT IN ASSOCIATES				
Carrying amount at the beginning of the financial year	**254.9**	250.5	**251.2**	245.5
Contributions to associates	**0.4**	2.5	**–**	1.7
Share of net profit (excluding fair value adjustment of investment properties)	**16.5**	17.1	**16.5**	17.1
Share of fair value adjustment of investment properties	**(1.4)**	4.2	**(2.0)**	4.2
Disposal of investment in associate	**(145.1)**	–	**(133.5)**	–
Distributions received/receivable	**(16.8)**	(17.3)	**(16.8)**	(17.3)
Effect of movements in exchange rates	**(0.1)**	(2.1)	**–**	–
Carrying amount at the end of the financial year	**108.4**	254.9	**115.4**	251.2

37 Investments in joint venture entities

Joint Venture entities	Location	2012 %	2011 %	2012 $M	2011 $M
Stockland Trust Group					
SDOT Sub Trust No. 1	Australia	**50.0**	50.0	**249.0**	221.4
Martin Place Property Trust[1]	Australia	**–**	50.0	**–**	169.6
Esplanade Property Trust[1]	Australia	**–**	50.0	**–**	151.4
The King Trust	Australia	**50.0**	50.0	**140.4**	139.2
M Property Trust[1]	Australia	**–**	50.0	**–**	53.5
Willeri Drive Trust	Australia	**50.0**	50.0	**58.4**	48.1
				447.8	783.2
Stockland Consolidated Group					
Stockland Ormeau Trust[2]	Australia	**50.0**	50.0	**24.4**	25.1
Eagle Street Pier Pty Limited[3]	Australia	**50.0**	50.0	**17.4**	16.2
Compam Property Management Pty Limited	Australia	**50.0**	50.0	**–**	–
Martin Place Management Limited[1]	Australia	**–**	50.0	**–**	–
Subiaco Joint Venture	Australia	**33.3**	33.3	**–**	–
Stockland Ventures Limited	UK	**50.0**	50.0	**0.2**	5.2
Stockland Anglo Ventures Limited	UK	**50.0**	50.0	**–**	–
Stockland Muir Limited	UK	**50.0**	50.0	**10.7**	10.4
Halladale Opportunity Fund Limited Partnership[4]	UK	**50.0**	50.0	**–**	–
Halladale Opportunity Fund Limited No. 2 Partnership[5]	UK	**–**	50.0	**–**	–
				500.5	840.1

1 During the current financial year, Stockland Consolidated Group/Stockland Consolidated Trust sold its interest in this joint venture.
2 Stockland Ormeau Trust is a Residential related joint venture entity. All other Australian located joint venture entities are Commercial Property related.
3 During the previous financial year, 50% of Eagle Street Pier Pty Limited was sold and had been reclassified from a 100% owned controlled entity to a joint venture entity.
4 As at 30 June 2012, this joint venture entity is in liquidation.
5 As at 30 June 2012, this joint venture entity has been liquidated.

37 Investments in joint venture entities (continued)

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Movements in carrying amount of investments in joint venture entities				
Carrying amount at the beginning of the financial year	**840.1**	793.8	**783.2**	757.8
New joint venture entity[1]	**–**	16.1	**–**	–
Contributions to the joint venture entities	**4.3**	10.9	**4.3**	5.3
Share of net profit (excluding fair value adjustment of investment properties)	**52.1**	55.7	**42.7**	53.8
Share of fair value adjustment of investment properties	**24.9**	13.5	**24.4**	13.5
Disposal of interests in joint ventures	**(383.1)**	–	**(371.9)**	–
Distributions received/receivable	**(37.9)**	(47.2)	**(34.9)**	(47.2)
Effects of movements in exchange rates	**0.1**	(2.7)	**–**	–
Carrying amount at the end of the financial year	**500.5**	840.1	**447.8**	783.2
Share of joint venture entities' assets and liabilities[2]				
Current assets	**61.5**	40.8	**15.7**	17.2
Non-current assets	**446.3**	821.7	**438.0**	772.2
Total assets	**507.8**	862.5	**453.7**	789.4
Current liabilities	**6.5**	22.0	**5.6**	6.2
Non-current liabilities	**0.8**	0.4	**0.3**	–
Total liabilities	**7.3**	22.4	**5.9**	6.2
Net assets	**500.5**	840.1	**447.8**	783.2
Share of joint venture entities' revenues, expenses and results[2]				
Revenues	**106.9**	87.8	**83.5**	76.2
Expenses	**(29.9)**	(18.6)	**(16.4)**	(8.9)
Net profit accounted for using the equity method	**77.0**	69.2	**67.1**	67.3

1 During the previous financial year, 50% of Eagle Street Pier Pty Limited was sold and had been reclassified from a 100% owned controlled entity to a joint venture entity.
2 Equity accounting has ceased for joint ventures with carrying values of $Nil.

38 Notes to the Cash Flow Statements

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
Reconciliation of profit to net cash inflow from operating activities:				
Profit	**487.0**	754.6	**606.1**	677.9
Add/(less) items classified as investing/financing activities:				
Unwinding of present value of Retirement Living obligation	**2.1**	0.7	**–**	–
Net unrealised loss/(gain) on fair value movement of hedged items and financial instruments treated as fair value hedges	**7.0**	(0.4)	**7.0**	(2.7)
Net unrealised loss on other financial instruments	**–**	174.1	**–**	174.1
Net unrealised loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**87.3**	162.7	**86.0**	179.5
Net (gain)/loss on sale of non-current assets	**(4.7)**	4.7	**(1.0)**	1.5
Interest capitalised to investment properties	**(27.1)**	(10.3)	**(3.8)**	(5.6)
Medium term note interest capitalised	**1.1**	1.7	**1.1**	1.7
Dividends and distributions income	**(5.2)**	(10.2)	**–**	(6.9)
Net unrealised loss/(gain) from fair value adjustment of other financial assets	**55.5**	(167.7)	**–**	(149.2)
Net impairment of other investments	**–**	1.9	**–**	1.9
Add/(less) non-cash items:				
Fair value adjustment for investment properties (including associates and joint ventures)	**(68.8)**	(103.1)	**(65.3)**	(83.8)
Net unrealised loss/(gain) on foreign exchange	**44.4**	(163.1)	**45.2**	(126.7)
Net realised loss/(gain) on foreign exchange	**15.9**	(0.9)	**–**	–
Depreciation	**20.9**	14.7	**–**	–
Net provision for write-down of inventories	**63.1**	7.5	**–**	–
Straight-line rent adjustment	**(1.9)**	(6.7)	**(1.9)**	(7.0)
Share of profits of investments accounted for using the equity method	**(16.7)**	–	**–**	–
Equity-settled share-based payments	**3.7**	7.4	**3.1**	5.4
Other items	**(3.3)**	2.7	**–**	–
Net cash inflow from operating activities before change in assets and liabilities	**660.3**	670.3	**676.5**	660.1
(Increase)/decrease in receivables	**(10.4)**	(77.1)	**(14.6)**	4.1
(Increase)/decrease in other assets	**(70.7)**	(65.1)	**23.3**	3.9
Decrease/(increase) in prepayments	**3.1**	(5.6)	**0.8**	(3.6)
(Increase)/decrease in inventories	**(130.1)**	240.0	**–**	–
(Decrease)/increase in payables and other liabilities	**(34.4)**	78.7	**(15.8)**	9.4
(Decrease)/increase in deferred taxes payable	**(38.0)**	1.7	**–**	–
Increase in employee benefits	**0.7**	–	**–**	–
Increase in other provisions	**18.2**	5.8	**–**	–
Net cash inflow from operating activities	**398.7**	848.7	**670.2**	673.9

39 Financial instruments

The financial risk and capital management of both the Stockland Consolidated Group and the Stockland Trust Group is performed at the Stockland Consolidated Group ("Stockland") level.

Financial risk and capital management is carried out by a central treasury department under policies approved by the Board. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate, liquidity, foreign exchange and credit risks, use of derivative financial instruments and investing excess liquidity. The Risk Committee assists the Board in monitoring the implementation of these treasury policies.

(a) CAPITAL MANAGEMENT

Stockland's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for securityholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital.

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

Stockland continuously reviews its capital structure to ensure:

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

Stockland can alter its capital structure by issuing new stapled securities, adjusting the amount of dividends/distributions paid to securityholders, returning capital to securityholders, selling assets to reduce debt, adjusting the timing of development and capital expenditure and through the operation of a Dividend and Distribution Reinvestment Plan.

Management monitors the credit rating set down by Standard and Poors ("S&P") as this influences Stockland's access to finance at a reasonable cost. The S&P credit rating as at 30 June 2012 is A-/Stable (2011: A-/Stable).

In addition to Stockland monitoring its financial covenants and S&P metrics, management also monitors the capital structure of Stockland through the gearing ratio. The gearing ratio is calculated as face value of debt, net of cash, divided by total tangible assets excluding cash and other adjustments in accordance with the financial covenants detailed below. It excludes any debt fair value movements. The current target range for Stockland's gearing ratio is between 20% and 30% (2011: 25% and 35%). The gearing ratio as at 30 June 2012 is 25.8% (2011: 22.0%).

FINANCIAL COVENANTS

Stockland is required to comply with certain financial covenants in respect of its interest-bearing loans and borrowings. The major financial covenants are summarised below:

(i) Gearing ratio (Total liabilities/Total tangible assets): less than 45%.

The gearing covenant is limited to Stockland's Balance Sheet liabilities with no look through gearing and excludes the mark to market of derivatives and the gross up of Retirement Living resident obligations.

(ii) Interest cover ratio (Adjusted EBITA / Financing expenses): greater than 2.0 times.

The interest cover ratio excludes certain items such as impairments, write-downs, fair value gains or losses relating to assets and hedging arrangements etc.

(iii) Priority indebtedness: less than 15% of total equity.

As at 30 June 2012 and 30 June 2011, Stockland was in compliance with all the above financial covenants.

(b) FINANCIAL RISK MANAGEMENT

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

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

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

(c) CREDIT RISK

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to Stockland.

Stockland has no significant concentrations of credit risk to any single counterparty and has policies to review the aggregate exposure of tenancies across its portfolio. Stockland also has policies to ensure that sales of properties and development services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Risk Committee. There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating and country of origin. As at 30 June 2012, these financial institutions had an S&P credit rating of A or above (2011: A or above).

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

As at 30 June 2012 and 30 June 2011, there were no significant financial assets that were past due.

The carrying amount of financial assets included in the consolidated Balance Sheet represents Stockland's maximum exposure to credit risk in relation to these assets. Refer to Notes 11, 12, 14 and 17 for a breakdown of these financial assets.

(d) LIQUIDITY RISK

Liquidity risk is the risk that Stockland will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying businesses, Stockland aims at maintaining flexibility in funding by keeping sufficient cash and/or committed credit lines available whilst maintaining a low cost of holding these facilities. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Stockland manages liquidity risk through monitoring the maturity of its debt portfolio. Stockland also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn credit facilities. The current weighted average debt maturity is 5.3 years (2011: 5.9 years).

The following table reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows.

39 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

	Stockland Consolidated Group					
	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	Over 5 years $M
30 June 2012						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(407.0)	(409.1)	(366.4)	(15.5)	(27.2)	–
Dividends and distributions payable	(264.4)	(264.4)	(264.4)	–	–	–
Interest-bearing loans and borrowings	(2,867.6)	(3,536.7)	(333.0)	(287.3)	(1,686.9)	(1,229.5)
Retirement Living resident obligations[2]	(1,753.4)	(1,757.7)	(1,531.5)	(10.0)	(6.5)	(209.7)
Derivative financial liabilities[1]						
Interest rate derivatives	(386.3)	(426.2)	(80.3)	(81.3)	(165.6)	(99.0)
Cross currency interest rate swaps	(421.8)	(670.2)	(36.4)	(243.2)	(116.4)	(274.2)
— inflow		1,979.1	152.4	792.5	379.9	654.3
— outflow		(2,649.3)	(188.8)	(1,035.7)	(496.3)	(928.5)
Forward exchange contracts	(1.5)	(1.9)	–	(1.9)	–	–
	(6,102.0)	(7,066.2)	(2,612.0)	(639.2)	(2,002.6)	(1,812.4)

1 The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. As derivatives are exchanges of cash flows, the positive cash flows of derivatives assets are set out below to provide a meaningful analysis of Stockland Consolidated Group's total derivatives.

2012						
Derivative assets	212.7	255.7	78.0	49.4	58.9	69.4

2 For the Retirement Living resident obligations, under an exit fee contract, settlement of Stockland's obligation in most cases occurs simultaneously with receipt of the incoming resident's contribution. Under the deferred repayment contract, the terms of the contract allow Stockland the unconditional right to defer settlement for a maximum of eight years after the resident turnover date based on the resident's tenure. Of the total Retirement Living resident obligations, $1,645.7 million (2011: $1,511.8 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

39 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

	Stockland Consolidated Group					
	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1-2 years $M	2-5 years $M	Over 5 years $M
30 June 2011						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(537.7)	(546.7)	(418.5)	(73.7)	(46.0)	(8.5)
Dividends and distributions payable	(283.4)	(283.4)	(283.4)	–	–	–
Interest-bearing loans and borrowings	(2,407.4)	(3,098.7)	(167.6)	(293.6)	(1,226.1)	(1,411.4)
Retirement Living resident obligations[2]	(1,629.2)	(1,634.4)	(1,370.9)	(64.4)	(130.8)	(68.3)
Derivative financial liabilities[1]						
Interest rate derivatives	(171.0)	(66.3)	(41.6)	(24.8)	(14.2)	14.3
Cross currency interest rate swaps	(514.9)	(1,102.1)	(54.3)	(73.5)	(440.2)	(534.1)
— inflow		1,992.6	100.9	144.4	776.9	970.4
— outflow		(3,094.7)	(155.2)	(217.9)	(1,217.1)	(1,504.5)
Forward exchange contracts	(1.5)	(2.3)	–	–	(2.3)	–
	(5,545.1)	(6,733.9)	(2,336.3)	(530.0)	(1,859.6)	(2,008.0)

1 The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. As derivatives are exchanges of cash flows, the positive cash flows of derivatives assets are set out below to provide a meaningful analysis of Stockland Consolidated Group's total derivatives.

2011						
Derivative assets	148.1	135.5	67.4	24.9	30.7	12.5

2 For the Retirement Living resident obligations, under an exit fee contract, settlement of Stockland's obligation in most cases occurs simultaneously with receipt of the incoming resident's contribution. Under the deferred repayment contract, the terms of the contract allow Stockland the unconditional right to defer settlement for a maximum of eight years after the resident turnover date based on the resident's tenure. Of the total Retirement Living resident obligations, $1,645.7 million (2011: $1,511.8 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

39 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

	Stockland Trust Group					
	Carrying amount $M	**Contractual cash flows $M**	**1 year or less $M**	**1-2 years $M**	**2-5 years $M**	**Over 5 years $M**
30 June 2012						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	**(117.2)**	**(117.2)**	**(117.2)**	**–**	**–**	**–**
Distributions payable	**(264.4)**	**(264.4)**	**(264.4)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(2,867.6)**	**(3,536.7)**	**(333.0)**	**(287.3)**	**(1,686.9)**	**(1,229.5)**
Derivative financial liabilities[1]						
Interest rate derivatives	**(386.3)**	**(426.2)**	**(80.3)**	**(81.3)**	**(165.6)**	**(99.0)**
Cross currency interest rate swaps	**(421.8)**	**(670.2)**	**(36.4)**	**(243.2)**	**(116.4)**	**(274.2)**
— inflow		**1,979.1**	**152.4**	**792.5**	**379.9**	**654.3**
— outflow		**(2,649.3)**	**(188.8)**	**(1,035.7)**	**(496.3)**	**(928.5)**
Forward exchange contracts	**(5.9)**	**(6.7)**	**(4.9)**	**(1.8)**	**–**	**–**
	(4,063.2)	**(5,021.4)**	**(836.2)**	**(613.6)**	**(1,968.9)**	**(1,602.7)**
30 June 2011						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(140.7)	(140.7)	(140.7)	–	–	–
Distributions payable	(283.4)	(283.4)	(283.4)	–	–	–
Interest-bearing loans and borrowings	(2,407.4)	(3,098.7)	(167.6)	(293.6)	(1,226.1)	(1,411.4)
Derivative financial liabilities[1]						
Interest rate derivatives	(171.0)	(66.3)	(41.6)	(24.8)	(14.2)	14.3
Cross currency interest rate swaps	(514.9)	(1,102.1)	(54.3)	(73.5)	(440.2)	(534.1)
— inflow		1,992.6	100.9	144.4	776.9	970.4
— outflow		(3,094.7)	(155.2)	(217.9)	(1,217.1)	(1,504.5)
Forward exchange contracts	(18.4)	(19.5)	(17.2)	–	(2.3)	–
	(3,535.8)	(4,710.7)	(704.8)	(391.9)	(1,682.8)	(1,931.2)

[1] The above table reflects the future value of contractual cash flows of financial liabilities only, hence derivative assets are excluded. As derivatives are exchanges of cash flows, the positive cash flows of derivatives assets are set out below to provide a meaningful analysis of Stockland Trust Group's total derivatives.

2012						
Derivative assets	**214.2**	**250.8**	**73.1**	**49.4**	**58.9**	**69.4**
2011						
Derivative assets	149.4	135.5	67.4	24.9	30.7	12.5

39 Financial instruments (continued)

(d) LIQUIDITY RISK (continued)

LOAN FACILITY OFFER

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) has provided loan facility offers to three unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. Loan facility offers of $60.8 million and $52.0 million expire on 31 August 2012 and 31 December 2012 respectively. A further loan facility offer of $40.0 million expires on 28 August 2013.

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

(e) MARKET RISK

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

(i) FOREIGN EXCHANGE RISK

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

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

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

	Stockland Consolidated Group				Stockland Trust Group		
	GBP £M	USD $M	Yen ¥M	Euro €M	GBP £M	USD $M	Yen ¥M
2012							
Borrowings	**(60.1)**	**(1,405.3)**	**(13,000.0)**	**–**	**(60.1)**	**(1,405.3)**	**(13,000.0)**
Unrecognised firm commitment[1]	**–**	**(90.5)**	**–**	**–**	**–**	**(90.5)**	**–**
Other net assets	**65.7**	**–**	**–**	**2.2**	**–**	**–**	**–**
CCIRS	**6.5**	**1,495.8**	**13,000.0**	**–**	**6.5**	**1,495.8**	**13,000.0**
FEC	**(10.8)**	**–**	**–**	**(3.0)**	**–**	**–**	**–**
Total exposure	**1.3**	**–**	**–**	**(0.8)**	**(53.6)**	**–**	**–**
2011							
Borrowings	(250.0)	(1,241.3)	(13,000.0)	–	(250.0)	(1,241.3)	(13,000.0)
Other net assets	115.2	–	–	2.0	105.9	–	–
CCIRS	196.4	1,241.3	13,000.0	–	196.4	1,241.3	13,000.0
FEC	(65.9)	–	–	(3.0)	–	–	–
Total exposure	(4.3)	–	–	(1.0)	52.3	–	–

1 On 1 August 2012, USD 90.5 million was raised and converted to AUD floating coupons through CCIRS. Refer to Note 42 for further detail.

39 Financial instruments (continued)

(e) MARKET RISK (continued)

(i) FOREIGN EXCHANGE RISK (continued)

Cross currency interest rate swap contracts ("CCIRS")

Stockland's foreign medium term notes create both an interest rate and a foreign currency risk exposure. Stockland's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Stockland has entered into a series of CCIRS which cover 100% of the US, UK and Asian private placement principals outstanding and are timed to expire when each private placement loan matures. These swaps also swap the obligation to pay fixed interest to floating interest.

These CCIRS have been designated as fair value, cash flow and net investment hedges with the movements in fair value recognised in accordance with the accounting policy at Note 1(m). During the previous and current financial years, certain CCIRS no longer qualified as effective under hedge accounting rules. Whilst this is the case, management believe the hedges in place as at 30 June 2012 are economic hedges.

Refer to Note 39(f) for the carrying values of these CCIRS.

Sensitivity analysis – foreign exchange risk

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income and equity if there was an increase/decrease in exchange rates of 10% (2011: 10%) at balance date with all other variables held constant.

	Stockland Consolidated Group			
	Statement of Comprehensive Income		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2012				
AUD / GBP exchange rate movement of 7 pence	**8.0**	**(9.7)**	**(9.1)**	**11.2**
AUD / USD exchange rate movement of 10 cents	**(10.7)**	**12.8**	**(3.7)**	**4.9**
AUD / YEN exchange rate movement of 8 Yen	**0.7**	**(3.5)**	**–**	**–**
AUD / EUR exchange rate movement of 8 cents	**0.2**	**(0.1)**	**–**	**–**
Total impact[1]	**(1.8)**	**(0.5)**	**(12.8)**	**16.1**
30 June 2011				
AUD / GBP exchange rate movement of 7 pence	17.0	(17.0)	(16.4)	19.9
AUD / USD exchange rate movement of 11 cents	(9.5)	10.8	(1.4)	1.8
AUD / YEN exchange rate movement of 9 Yen	3.4	(6.9)	–	–
AUD / EUR exchange rate movement of 7 cents	0.1	(0.1)	–	–
Total impact[1]	11.0	(13.2)	(17.8)	21.7

[1] The increase/(decrease) in exchange rates would have $Nil (2011: $Nil) impact on the Stockland Consolidated Group's Underlying Profit.

39 Financial instruments (continued)

(e) MARKET RISK (continued)

(i) FOREIGN EXCHANGE RISK (continued)

Sensitivity analysis – foreign exchange risk (continued)

	Stockland Trust Group			
	Statement of Comprehensive Income		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2012				
AUD / GBP exchange rate movement of 7 pence	**6.3**	**(8.0)**	**–**	**–**
AUD / USD exchange rate movement of 10 cents	**(10.7)**	**12.8**	**(3.7)**	**4.9**
AUD / YEN exchange rate movement of 8 Yen	**0.7**	**(3.5)**	**–**	**–**
Total impact[1]	**(3.7)**	**1.3**	**(3.7)**	**4.9**
30 June 2011				
AUD / GBP exchange rate movement of 7 pence	(6.9)	10.1	(0.7)	0.7
AUD / USD exchange rate movement of 11 cents	(9.5)	10.8	(1.4)	1.8
AUD / YEN exchange rate movement of 9 Yen	3.4	(6.9)	–	–
Total impact[1]	(13.0)	14.0	(2.1)	2.5

1 The increase/(decrease) in exchange rates would have $Nil (2011: $Nil) impact on the Stockland Trust Group's Underlying Profit.

(ii) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.

Stockland's interest rate risk arises from borrowings. Borrowings issued at variable rates expose Stockland to cash flow interest rate risk. Borrowings issued at fixed rates expose Stockland to fair value interest rate risk. Stockland manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Stockland manages its fair value interest rate risk through cross currency interest rate swaps.

Interest rate derivatives

Stockland's treasury policy allows Stockland to enter into a variety of approved derivative instruments to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures. These derivatives have been recorded on the Balance Sheet at their fair value in accordance with AASB 139. These derivatives have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the Statement of Comprehensive Income. Refer accounting policy at Note 1(m).

Refer to Note 39(f) for the carrying values of these interest rate derivatives.

39 Financial instruments (continued)

(e) MARKET RISK (continued)

(ii) INTEREST RATE RISK (continued)

Interest rate derivatives (continued)

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

	Net exposure (after the effect of derivatives)	
	2012 $M	2011 $M
Stockland Consolidated Group and Stockland Trust Group		
Fixed rate interest-bearing loans and borrowings[1]	**2,138.5**	1,732.7
Floating rate interest-bearing loans and borrowings[1]	**1,190.4**	1,218.7
	3,328.9	2,951.4

1 Notional principal amounts.

Sensitivity analysis – interest rate risk

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income and equity if market interest rates at balance date had been 100 basis points higher/lower (2011: 100 basis points) with all other variables held constant.

	Stockland Consolidated Group			
	Statement of Comprehensive Income		Equity	
	100bp higher $M	**100bp lower $M**	**100bp higher $M**	**100bp lower $M**
30 June 2012				
Effect of market interest rate movement	**45.3**[1]	**(28.3)**[2]	**(8.3)**	**7.8**
30 June 2011				
Effect of market interest rate movement	(37.3)[1]	(11.1)[2]	(0.1)	0.1

1 The impact on the Statement of Comprehensive Income would be reflected as $44.0 million gain (2011: $37.7 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $1.3 million gain (2011: $0.4 million gain) in "Interest income from other parties". The impact to Stockland Consolidated Group's Underlying Profit would be limited to the interest income gain of $1.3 million gain (2011: $0.4 million gain).

2 The impact on the Statement of Comprehensive Income would be reflected as $27.0 million loss (2011: $10.7 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $1.3 million loss (2011: $0.4 million loss) in "Interest income from other parties". The impact to Stockland Consolidated Group's Underlying Profit would be limited to the interest income loss of $1.3 million loss (2011: $0.4 million loss).

39 Financial instruments (continued)

(e) MARKET RISK (continued)

(ii) INTEREST RATE RISK (continued)

Sensitivity analysis – interest rate risk (continued)

	Stockland Trust Group			
	Statement of Comprehensive Income		Equity	
	100bp higher $M	100bp lower $M	100bp higher $M	100bp lower $M
30 June 2012				
Effect of market interest rate movement	**83.0**[1]	**(66.0)**[2]	**(8.3)**	**7.8**
30 June 2011				
Effect of market interest rate movement	(2.7)[1]	(45.8)[2]	(0.1)	0.1

1 The impact on the Statement of Comprehensive Income would be reflected as $44.0 million gain (2011: $37.7 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $39.0 million gain (2011: $35.0 million gain) in "Interest income from other parties". The impact to Stockland Trust Group's Underlying Profit would be limited to the interest income gain of $39.0 million gain (2011: $35.0 million gain).

2 The impact on the Statement of Comprehensive Income would be reflected as $27.0 million loss (2011: $10.8 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules" and $39.0 million loss (2011: $35.0 million loss) in "Interest income from other parties". The impact to Stockland Trust Group's Underlying Profit would be limited to the interest income loss of $39.0 million loss (2011: $35.0 million loss).

(iii) EQUITY PRICE RISK

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

Sensitivity analysis - equity price risk

The following sensitivity analysis shows the effect on the Statement of Comprehensive Income if the market price of the underlying equity securities/units at balance date had been 10% higher/lower (2011: 10%) with all other variables held constant.

	Stockland Consolidated Group		Stockland Trust Group	
	10% higher $M	10% lower $M	10% higher $M	10% lower $M
30 June 2012				
Market price of securities	**9.1**	**(9.1)**	**2.5**	**(2.5)**
30 June 2011				
Market price of securities	14.7	(14.7)	2.6	(2.6)

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

(i) FINANCIAL INSTRUMENT CLASSIFICATIONS AND FAIR VALUES

Determination of fair value

The fair value of medium term notes (domestic and foreign) and derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates and exchange rates.

The fair value of interest rate derivatives and CCIRS is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties.

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

The fair value of “Other financial assets – Securities in listed entities” is determined by reference to the quoted bid price of the entity at balance date. The fair value of “Other financial assets – Units in unlisted entities” is determined by reference to the net assets of the underlying investments.

For the previous financial year, the fair value of equity derivative contracts was determined using a generally accepted pricing model based on quoted market inputs (e.g. bid price of the underlying listed entity) and the strike price adjusted for specific features of the instruments.

Fair values versus carrying amounts

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

	Stockland Consolidated Group and Stockland Trust Group			
	Carrying amount 2012 $M	**Fair value 2012 $M**	Carrying amount 2011 $M	Fair value 2011 $M
Domestic medium term notes	**(682.0)**	**(743.0)**	(689.1)	(718.0)
Foreign medium term notes	**(1,650.6)**	**(1,649.4)**	(1,718.3)	(1,748.7)
	(2,332.6)	**(2,392.4)**	(2,407.4)	(2,466.7)

The difference of $59.8 million (2011: $59.3 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

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

Fair values of derivatives

	Current other assets		Non-current other assets		Current other liabilities		Non-current other liabilities	
	2012 $M	2011 $M	**2012 $M**	2011 $M	**2012 $M**	2011 $M	**2012 $M**	2011 $M
Stockland Consolidated Group								
Derivatives that do qualify as effective under hedge accounting rules:								
— Fair value hedges	**–**	–	**13.0**	–	**(18.7)**	(12.3)	**(101.4)**	(364.5)
— Cash flow hedges	**–**	–	**–**	–	**–**	–	**(5.1)**	(3.4)
Derivatives that do not qualify as effective under hedge accounting rules:								
— CCIRS	**–**	–	**76.1**	38.7	**(9.3)**	–	**(288.7)**	(134.7)
— Interest rate derivatives	**6.5**	0.8	**112.7**	91.7	**(2.6)**	(0.5)	**(382.3)**	(170.5)
— Foreign exchange contracts	**4.4**	16.9	**–**	–	**–**	–	**(1.5)**	(1.5)
	10.9	17.7	**201.8**	130.4	**(30.6)**	(12.8)	**(779.0)**	(674.6)
Stockland Trust Group								
Derivatives that do qualify as effective under hedge accounting rules:								
— Fair value hedges	**–**	–	**13.0**	–	**(18.7)**	(12.3)	**(101.4)**	(364.5)
— Cash flow hedges	**–**	–	**–**	–	**–**	–	**(5.1)**	(3.4)
Derivatives that do not qualify as effective under hedge accounting rules:								
— CCIRS	**–**	–	**76.1**	38.5	**(9.3)**	–	**(288.7)**	(134.7)
— Interest rate derivatives	**6.5**	0.8	**112.7**	91.7	**(2.6)**	(0.5)	**(382.3)**	(170.5)
— Foreign exchange contracts	**4.4**	16.9	**1.5**	1.5	**(4.4)**	(16.9)	**(1.5)**	(1.5)
	10.9	17.7	**203.3**	131.7	**(35.0)**	(29.7)	**(779.0)**	(674.6)

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

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

Fair value hierarchy

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

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

	Stockland Consolidated Group			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2012				
Financial assets carried at fair value				
Securities in listed entities	**65.9**	**–**	**–**	**65.9**
Units in unlisted entities	**–**	**–**	**25.2**	**25.2**
Derivative assets	**–**	**53.8**	**158.9**	**212.7**
	65.9	**53.8**	**184.1**	**303.8**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(262.4)**	**(547.2)**	**(809.6)**
Financial liabilities designated at fair value through profit or loss	**–**	**(643.5)**	**–**	**(643.5)**
Retirement Living resident obligations	**–**	**–**	**(1,753.4)**	**(1,753.4)**
	–	**(905.9)**	**(2,300.6)**	**(3,206.5)**
	65.9	**(852.1)**	**(2,116.5)**	**(2,902.7)**
2011				
Financial assets carried at fair value				
Securities in listed entities	121.0	–	–	121.0
Units in unlisted entities	–	–	26.4	26.4
Derivative assets	–	33.6	114.5	148.1
	121.0	33.6	140.9	295.5
Financial liabilities carried at fair value				
Derivative liabilities	–	(215.1)	(472.3)	(687.4)
Financial liabilities designated at fair value through profit or loss	–	(839.9)	–	(839.9)
Retirement Living resident obligations	–	–	(1,629.2)	(1,629.2)
	–	(1,055.0)	(2,101.5)	(3,156.5)
	121.0	(1,021.4)	(1,960.6)	(2,861.0)

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year.

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

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

Fair value hierarchy (continued)

	Stockland Trust Group			
	Level 1 $M	**Level 2 $M**	**Level 3 $M**	**Total $M**
2012				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**24.8**	**24.8**
Derivative assets	**–**	**55.3**	**158.9**	**214.2**
	–	**55.3**	**183.7**	**239.0**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(266.8)**	**(547.2)**	**(814.0)**
Financial liabilities designated at fair value through profit or loss	**–**	**(643.5)**	**–**	**(643.5)**
	–	**(910.3)**	**(547.2)**	**(1,457.5)**
	–	**(855.0)**	**(363.5)**	**(1,218.5)**
2011				
Financial assets carried at fair value				
Units in unlisted entities	–	–	25.9	25.9
Derivative assets	–	34.9	114.5	149.4
	–	34.9	140.4	175.3
Financial liabilities carried at fair value				
Derivative liabilities	–	(232.0)	(472.3)	(704.3)
Financial liabilities designated at fair value through profit or loss	–	(839.9)	–	(839.9)
	–	(1,071.9)	(472.3)	(1,544.2)
	–	(1,037.0)	(331.9)	(1,368.9)

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year.

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

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

Fair value hierarchy (continued)

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

	Stockland Consolidated Group			
	Units in unlisted entities $M	Derivatives $M	Retirement Living resident obligations $M	Total $M
2012				
Balance at 1 July	**26.4**	**(357.8)**	**(1,629.2)**	**(1,960.6)**
Total gains and losses recognised in:				
— profit or loss	**0.4**	**(25.6)**	**24.3**	**(0.9)**[1]
— other comprehensive income	**–**	**(4.9)**	**–**	**(4.9)**[2]
Purchases	**0.6**	**–**	**(21.0)**	**(20.4)**
Net cash settled on resident turnover	**–**	**–**	**(127.5)**	**(127.5)**
Capital distributions	**(2.2)**	**–**	**–**	**(2.2)**
Balance at 30 June	**25.2**	**(388.3)**	**(1,753.4)**	**(2,116.5)**
2011				
Balance at 1 July	32.5	(41.4)	(898.4)	(907.3)
Total gains and losses recognised in:				
— profit or loss	(1.9)	(320.3)	(5.1)	(327.3)[1]
— other comprehensive income	(0.1)	3.9	–	3.8[2]
Purchases	2.8	–	–	2.8
Acquisitions through business combinations	–	–	(608.0)	(608.0)
Net cash settled on resident turnover	–	–	(117.7)	(117.7)
Capital distributions	(6.9)	–	–	(6.9)
Balance at 30 June	26.4	(357.8)	(1,629.2)	(1,960.6)

1 Of this amount, $53.4 million loss (2011: $355.3 million loss) represents the total losses for the year included in profit or loss for assets and liabilities held at the end of the reporting period.

2 All of this balance represents the total gains or losses for the year included in other comprehensive income for assets and liabilities held at the end of the reporting period.

39 Financial instruments (continued)

(f) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

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

Fair value hierarchy (continued)

	Stockland Trust Group		
	Units in unlisted entities $M	**Derivatives $M**	**Total $M**
2012			
Balance at 1 July	**25.9**	**(357.8)**	**(331.9)**
Total gains and losses recognised in:			
— profit or loss	**0.5**	**(25.6)**	**(25.1)**[1]
— other comprehensive income	**–**	**(4.9)**	**(4.9)**[2]
Purchases	**0.6**	**–**	**0.6**
Capital distributions	**(2.2)**	**–**	**(2.2)**
Balance at 30 June	**24.8**	**(388.3)**	**(363.5)**
2011			
Balance at 1 July	31.9	(41.4)	(9.5)
Total gains and losses recognised in:			
— profit or loss	(1.9)	(320.3)	(322.2)[1]
— other comprehensive income	–	3.9	3.9[2]
Purchases	2.8	–	2.8
Capital distributions	(6.9)	–	(6.9)
Balance at 30 June	25.9	(357.8)	(331.9)

1 Of this amount, $53.4 million loss (2011: $350.2 million loss) represents the total losses for the year included in profit or loss for assets and liabilities held at the end of the reporting period.
2 All of this balance represents the total gains or losses for the year included in other comprehensive income for assets and liabilities held at the end of the reporting period.

40 Key Management Personnel disclosures

STOCKLAND CONSOLIDATED GROUP

The following were Key Management Personnel ("KMP") of the Stockland Consolidated Group at any time during the reporting period, and unless otherwise indicated, were KMP for the entire period.

NON-EXECUTIVE DIRECTORS

Mr Graham Bradley, Chairman
Mr Duncan Boyle
Ms Carolyn Hewson
Mr Barry Neil
Ms Carol Schwartz
Mr Peter Scott
Mr Terry Williamson

EXECUTIVE DIRECTOR

Mr Matthew Quinn, Managing Director

SENIOR EXECUTIVES

Mr Tim Foster	Chief Financial Officer ("CFO")
Mr Mark Hunter	Chief Executive Officer ("CEO") Residential
Ms Karyn Munsie	Executive General Manager ("EGM") Corporate Affairs (ceased employment 2 July 2012)
Mr David Pitman	CEO Retirement Living
Mr Michael Rosmarin	Group Executive, Strategy and Human Resources
Mr John Schroder	CEO Commercial Property

FORMER NON-EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE

Mr Nicholas Greiner	Former Deputy Chairman (retired 19 October 2010)
Ms Rilla Moore	Former EGM Human Resources (retired 24 September 2010)

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

40 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

REMUNERATION OF KEY MANAGEMENT PERSONNEL BY THE STOCKLAND CONSOLIDATED GROUP

		Short-term				Post-employment		Other long-term	Share-based payments		
		Salary[1] $	Non-monetary benefits[2] $	STI[3] cash $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	Deferred STI $	LTI[5, 6] $	Total $
Total remuneration											
Key Management Personnel	**2012**	**7,817,621**	**25,235**	**1,915,000**	**9,757,856**	**218,101**	**500,000**	**(93,536)**	**241,666**	**(16,036)**	**10,608,051**
	2011	8,179,637	54,901	5,995,000	14,229,538	248,626	70,500	75,087	–	3,972,623	18,596,374

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary scarified items and FBT payable on these items.
3 STIs are earned in the financial year to which they relate and are paid in August of the following financial year.
4 Includes any change in accruals for long service leave.
5 The methods and assumptions used to calculate the fair value of share-based payments are disclosed within this note.
6 Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP grants. The cumulative expense relating to certain equity-settled schemes has been reversed during the prior and current financial years due to anticipated non-performance in relation to certain hurdles.

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 22 to 47 of the Directors' Report.

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION

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

Measurement

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

The remuneration to the individual under the PRP is this fair value multiplied by the number of equity instruments granted to the individual to determine the total value of the remuneration benefit for each issue.

Refer to Note 1(cc)(vi) for further details regarding the accounting policy for rights granted under the PRP.

Allocation of accounting expense

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

For the equity remuneration granted by Stockland, where the individual forfeits the rights due to failure to meet a service or performance condition, no remuneration in respect of that grant is reflected in the remuneration disclosures in that period, unless forfeiture relates to a market condition. The cumulative expense on forfeited rights is reversed through the Statement of Comprehensive Income.

Where amendments are made to the terms and conditions of the grant subsequent to the grant date, the value of the grant immediately prior to and following the modification is determined. This occurs upon resignation or termination where the amendment relates to rights becoming vested in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service conditions. In this situation, the value that would have been recognised in future periods in respect of the rights not forfeited is brought to account in the period that the rights vest.

40 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION (continued)

Equity holdings and transactions

Stockland securities acquired under ESS plans

During the current and previous financial year, there have been no securities acquired under the ESS plans. Refer to Note 26 for more information regarding the discontinuation of these plans. Stockland securities held under the ESS plans are included in the following table.

Stockland securities held

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

		Total securities held at 1 July	Purchased	Vested rights converted to securities	Sold	Total securities held at 30 June
Non-Executive Directors						
G Bradley	**2012**	**180,723**	**–**	**–**	**–**	**180,723**
	2011	180,723	–	–	–	180,723
D Boyle	**2012**	**61,169**	**–**	**–**	**–**	**61,169**
	2011	61,169	–	–	–	61,169
C Hewson	**2012**	**17,809**	**–**	**–**	**–**	**17,809**
	2011	17,809	–	–	–	17,809
B Neil	**2012**	**51,607**	**–**	**–**	**–**	**51,607**
	2011	51,607	–	–	–	51,607
C Schwartz	**2012**	**10,000**	**–**	**–**	**–**	**10,000**
	2011	–	10,000	–	–	10,000
P Scott	**2012**	**28,049**	**–**	**–**	**–**	**28,049**
	2011	28,049	–	–	–	28,049
T Williamson	**2012**	**94,430**	**–**	**–**	**–**	**94,430**
	2011	94,430	–	–	–	94,430
Executive Director						
M Quinn	**2012**	**1,884,500**	**–**	**361,500**	**–**	**2,246,000**
	2011	1,967,800	–	197,500	(280,800)	1,884,500
Senior Executives						
M Hunter	**2012**	**58,345**	**–**	**40,549**	**(30,000)**	**68,894**
	2011	38,500	–	24,845	(5,000)	58,345
D Pitman	**2012**	**39,000**	**–**	**69,500**	**–**	**108,500**
	2011	–	–	39,000	–	39,000
J Schroder	**2012**	**175,500**	**–**	**155,000**	**–**	**330,500**
	2011	90,000	–	85,500	–	175,500

Mr T Foster, Mr M Rosmarin and Ms K Munsie do not hold any Stockland securities as at 30 June 2012 (2011: nil).

Mr N Greiner and Ms R Moore retired during the previous financial year. Details of their Stockland securityholdings as at 30 June 2011 and 2012 are not available.

40 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP (continued)

BASIS OF DISCLOSURES INCLUDED AS REMUNERATION (continued)

Rights holdings and transactions under the PRP

The movement during the year in the number of rights held by KMP, is as follows:

		Total rights held at 1 July	Granted during the period[1]	Vested on 30 June	Forfeited during the year/ lapsed on 30 June	Total rights held at 30 June[2]	Vested rights at 30 June
Executive Director							
M Quinn	**2012**	**2,289,000**	**–**	**–**	**(1,260,000)**	**1,029,000**	**794,000**
	2011	1,983,000	1,029,000	(361,500)	(361,500)	2,289,000	794,000
Senior Executives							
T Foster	**2012**	**594,000**	**362,000**	**–**	**(226,000)**	**730,000**	**–**
	2011	226,000	368,000	–	–	594,000	–
M Hunter	**2012**	**724,000**	**331,000**	**–**	**(387,000)**	**668,000**	**65,394**
	2011	468,098	337,000	(40,549)	(40,549)	724,000	65,394
K Munsie	**2012**	**428,000**	**207,000**	**–**	**(635,000)**	**–**	**–**
	2011	217,000	211,000	–	–	428,000	–
D Pitman	**2012**	**640,000**	**290,000**	**–**	**(345,000)**	**585,000**	**108,500**
	2011	484,000	295,000	(69,500)	(69,500)	640,000	108,500
M Rosmarin	**2012**	**213,000**	**228,000**	**–**	**–**	**441,000**	**–**
	2011	–	213,000	–	–	213,000	–
J Schroder	**2012**	**965,000**	**426,000**	**–**	**(531,000)**	**860,000**	**330,500**
	2011	841,000	434,000	(155,000)	(155,000)	965,000	330,500
Former Senior Executives							
R Moore[3]	**2012**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	381,000	–	(69,500)	(311,500)	–	108,500

1 Post modification number of rights granted. Refer to page 35 of the Remuneration Report.
2 Balance excludes rights that have vested/lapsed on 30 June.
3 Ms R Moore retired during the previous financial year. Movements in her rights held under the PRP during the financial year up until her retirement are disclosed above.

40 Key Management Personnel disclosures (continued)

STOCKLAND CONSOLIDATED GROUP
(continued)

OTHER TRANSACTIONS WITH KMP

Detailed below are transactions between Stockland and entities with which Directors have an association. These transactions do not meet the definition of related parties since the Directors as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the financial year to Directors' personally-related entities were total revenues of $12,416,966 (2011: $24,106,821), and total expenses of $11,414,587 (2011: $47,222,565). Details of the transactions are as follows:

Mr G Bradley was a Director of Singapore Telecommunications Limited, the holding company of the Singtel Optus group ("Optus") until July 2011. Optus is paying commercial rent at the Macquarie Park property. Rents received and receivable from Optus for the financial year until 31 July 2011 were $731,740 (2011: $10,061,050).

Stockland has also entered into various agreements with Optus for the provision of telephony/ telecommunications services. Amounts paid and payable to Optus during the financial year until 31 July 2011 were $88,448 (2011: $2,343,467).

Mr G Bradley is the Chairman of the HSBC Bank Australia Limited ("HSBC"), which provided derivative financial instruments to Stockland and its controlled entities during the financial year. The transactions with HSBC relate to four derivative instruments held throughout the year. As at 30 June 2012, only two derivatives are outstanding with a combined fair value $2.3 million (2011: $3.6 million). Fees paid to HSBC during the financial year were $1.0 million (2011: $Nil).

Mr P Scott is Chairman of Sinclair Knight Merz Holdings Limited ("Sinclair Knight Merz"), an unlisted public company which provided consulting services to Stockland and its controlled entities during the financial year. Fees paid and payable to Sinclair Knight Merz during the financial year were $335,978 (2011: $324,294).

Sinclair Knight Merz is paying commercial rent at various Stockland's properties. Rents received and receivable from Sinclair Knight Merz for the financial year were $9,944,795 (2011: $9,093,220).

Mr P Scott was appointed to the Advisory Panel of Laing O'Rourke Australia ("Laing O'Rourke") on 1 September 2008 and resigned on 1 August 2011. Laing O'Rourke provided construction services to Stockland during the financial year. Amounts paid and payable to Laing O'Rourke during the financial year up until 1 August 2011 were $6,264,464 (2011: $33,021,778).

Mr P Scott is Chairman of Perpetual Limited ("Perpetual"). Amounts paid and payable to Perpetual during the financial year were $47,746 (2011: $Nil).

Mr D Boyle is a Director of Clayton Utz, which provided legal services to Stockland and its controlled entities during the financial year. Legal fees paid and payable to Clayton Utz during the financial year were $2,863,345 (2011: $2,712,408).

Mr D Boyle is also a Director of QBE Insurance Group Limited, which provided public liability and fidelity insurance services to Stockland and its controlled entities during the financial year. Insurance premiums paid and payable to QBE Insurance Group Limited during the financial year were $Nil (2011: $35,905).

Ms C Hewson was a Director of Westpac Banking Corporation ("Westpac") (until 30 June 2012), which provided financial services to Stockland and its controlled entities during the financial year. Transactions with Westpac range from managing cash deposits, to providing funding through interest-bearing loans and also as counterparties of derivatives.

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

Ms C Hewson is a Director of BHP Billiton Limited ("BHP"). BHP is paying commercial rent on various Stockland properties. Rents received and receivable from BHP during the financial year were $1,740,431 (2011: $2,396,440).

Mr B Neil is a Director of Terrace Tower Group Pty Limited ("Terrace Tower"). During the previous financial year, Stockland purchased land from Terrace Tower for $22.0 million, on deferred terms. No such purchases were made in the current financial year.

Ms C Schwartz is a member of the City of Melbourne's Enterprise Melbourne Advisory Board. Amounts paid and payable to the City of Melbourne during the financial year were $793,979 (2011: $Nil).

Ms C Schwartz is a member of The Sydney Institute. Amounts paid and payable to The Sydney Institute during the financial year were $20,627 (2011: $Nil).

Mr N Greiner is Chairman of Valemus, the holding company of Abigroup Limited ("Abigroup") and Baulderstone Hornibrook Pty Limited ("Baulderstone Hornibrook"). Mr N Greiner was a Director of Stockland until 19 October 2010.

During the previous financial year, Baulderstone Hornibrook provided construction services to Stockland. Amounts paid and payable to Baulderstone Hornibrook during the previous financial year when Mr N Greiner was a Director of Stockland was $8,784,713.

During the previous financial year, Baulderstone Hornibrook paid commercial rent at the Triniti Business Campus property. Rents received and receivable from Baulderstone Hornibrook during the previous financial year was $2,556,111.

41 Other related party disclosures

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M

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

RESPONSIBLE ENTITY FEES AND OTHER TRANSACTIONS

REVENUE

Revenue was brought to account by Stockland Trust (the Responsible Entity) or its related parties on the following services provided to the Stockland Consolidated Group on normal terms and conditions.

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Responsible Entity management fees	**–**	–	**8.1**	8.6
Property management and leasing	**–**	–	**30.1**	29.8
Recoupment of expenses	**–**	–	**58.1**	56.9
	–	–	**96.3**	95.3

The Responsible Entity management fees are calculated at 0.1% of gross assets of the Stockland Trust Group.

INTEREST

Interest was received from Stockland Corporation Limited, a related party of the Responsible Entity, by the Stockland Trust Group.

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Interest income	**–**	–	**362.1**	285.5

The Stockland Trust Group has an unsecured loan to Stockland Corporation Limited repayable at call to the Stockland Trust Group of $3,831.5 million (2011: $3,239.8 million). The Stockland Trust Group has an unsecured loan to Stockland Development Pty Limited (“Stockland Development”) repayable at call to the Stockland Trust Group of $Nil (2011: $157.7 million). Interest on both loans was payable monthly in arrears at interest rates within the range of 8.5% to 8.9% during the year ended 30 June 2012 (2011: 7.7% to 8.8%).

RENT

Rent paid to the Stockland Trust Group by Stockland Corporation Limited, a related party of the Responsible Entity.

	Stockland Consolidated Group 2012 $M	Stockland Consolidated Group 2011 $M	Stockland Trust Group 2012 $M	Stockland Trust Group 2011 $M
Rent paid	**–**	–	**10.5**	10.3

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

41 Other related party disclosures (continued)

	Stockland Consolidated Group		Stockland Trust Group	
	2012 $M	2011 $M	**2012 $M**	2011 $M
OTHER RELATED PARTIES				
The major transactions between Stockland and the unlisted property funds managed by Stockland during the financial year, which have been received or are due and receivable, are outlined below.				
Responsible Entity fees	**2.4**	3.2	**–**	–
Management and service fees	**0.5**	0.5	**–**	–
Performance fees expense	**1.3**	0.2	**–**	–
Property management and leasing fees	**1.4**	6.3	**–**	–
Limited debt guarantee fee	**–**	0.1	**–**	–

Stockland has trade receivables of $5.1 million (2011: $5.6 million) due from the unlisted property funds.

As at 30 June 2012, the carrying amount of Stockland's investment in the unlisted property funds was $25.2 million (2011: $26.4 million).

LOAN FACILITY OFFER

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) has provided loan facility offers to three unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. Loan facility offers of $60.8 million and $52.0 million expire on 31 August 2012 and 31 December 2012 respectively. A further loan facility offer of $40.0 million expires on 28 August 2013.

42 Events subsequent to the end of the year

STOCKLAND CONSOLIDATED GROUP AND STOCKLAND TRUST GROUP

On 25 July 2012, Managing Director Mr. Matthew Quinn announced his decision to retire by February 2013. The Board are undertaking a comprehensive internal and external search to select his successor.

On 1 August 2012, settlement for the US Private Placement Interest Bearing Notes issued on 18 June 2012 was completed. This was for a total of AUD 155.3 million, and was issued in three tranches USD 40.5 million (AUD 40.4 million) of 10 year notes, USD 50.0 million (AUD 49.9 million) of 12 year notes and AUD 65.0 million of 10 year notes in the US private placement market. The two USD tranches were fully hedged into AUD in terms of both the principal and interest components.

On 1 August 2012, Stockland exchanged contracts on two assets classified as Held for sale in the Financial Report. These assets are Stockland Bay Village, Bateau Bay NSW and 255-267 St Georges Terrace, Perth WA. The proceeds are in line with the 30 June 2012 book values.

There were no other material events subsequent to the year end.

STOCKLAND DIRECTORS' DECLARATION For the year ended 30 June 2012

1. In the opinion of the Directors of Stockland Corporation Limited ("the Company"), and the Directors of the Responsible Entity of Stockland Trust ("the Trust"), Stockland Trust Management Limited (collectively referred to as "the Directors"):

   (a) the Financial Statements and Notes, and the Remuneration Report in the Directors' Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ("Stockland Consolidated Group") and Stockland Trust and its controlled entities ("Stockland Trust Group"), set out on pages 50 to 145, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of Stockland Consolidated Group's and Stockland Trust Group's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that both Stockland Consolidated Group and Stockland Trust Group will be able to pay their debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those Group entities pursuant to ASIC Class Order 98/1418.

3. The Trust has operated during the year ended 30 June 2012 in accordance with the provisions of the Trust Constitution as amended dated 24 October 2006.

4. The Register of Unitholders has, during the year ended 30 June 2012, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

5. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the year ended 30 June 2012.

6. The Directors draw attention to Note 1(a) to the Financial Statements, which includes a Statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Graham Bradley
Chairman

Matthew Quinn
Managing Director

Dated at Sydney, 8 August 2012

Independent Auditor's Report

KPMG

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial reports which have been prepared in accordance with ASIC Class Order 05/642 and comprise:

- the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 42 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Stockland Consolidated Group which comprises the consolidation of Stockland Corporation Limited and the entities it controlled at the year end and from time to time during the financial year including Stockland Trust and entities it controlled at the year end and from time to time during the financial year, which form the consolidated entity ("Stockland Consolidated Group").
- the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 42 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of Stockland Trust Group which comprises the consolidation of Stockland Trust and entities it controlled at the year end and from time to time during the financial year, which form the consolidated entity ("Stockland Trust Group").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust (collectively referred to as "the directors") are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that are free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial reports based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We performed the procedures to assess whether in all material respects the financial reports present fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Stockland Consolidated Group and Stockland Trust Group's financial position and of their performance.

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion:

(a) the financial reports of Stockland Consolidated Group and Stockland Trust Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Stockland Consolidated Group's and Stockland Trust Group's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

(b) the financial reports also comply with International Financial Reporting Standards as disclosed in note 1(a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report of Stockland Corporation Limited included in the directors' report for the year ended 30 June 2012. The directors are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Stockland Corporation Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

David Rogers
Partner

Sydney
Dated this the 8th day of August 2012

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Independent auditor's report on the Compliance Plan to the directors of Stockland Trust Management Limited (as Responsible Entity of Stockland Trust)

KPMG

We have audited the compliance plans of the Schemes listed in Appendix 1 which were established by Stockland Trust Management Limited as the responsible entity for the schemes for the year ended 30 June 2012. The compliance plans were approved by the directors of the responsible entity and last lodged with the Australian Securities Investment Commission as listed in Appendix I.

Directors' responsibility for the compliance plan

The directors of the responsible entity are responsible for ensuring that the schemes compliance plan meets the requirements of Section 601HA of the *Corporations Act 2001*, including that it sets out adequate measures that the responsible entity is to apply in operating the schemes to ensure compliance with the *Corporations Act 2001* and the schemes' constitution, and for complying with the compliance plan. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001*. The directors' assertions regarding the design and operation of the compliance plans have been acknowledged in the attached directors' declaration dated 8 August 2012.

Auditor's responsibility

Our responsibility is to express an opinion on whether the responsible entity complied with the compliance plan during the year ended 30 June 2012 and the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date, in all material respects.

We conducted our audit in accordance with Standards on Assurance Engagements. These Standards on Assurance Engagements require that we comply with relevant ethical requirements relating to assurance engagements and plan and perform the engagement to obtain reasonable assurance that the responsible entity complied with the compliance plans and the plans met the requirements of the Corporations Act 2001. Our procedures included obtaining an understanding of the compliance plans and the measures which they contain and examining, on a test basis, evidence supporting the operation of these measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plans during the year ended 30 June 2012, and the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

Use of report

This audit report has been prepared for Stockland Trust Management Limited as the responsible entity of the schemes listed in Appendix 1 in accordance with section 601HGof the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report, or the compliance plans to which it relates to any person or users other than the directors of the responsible entity, or for any purpose other than that for which it was prepared.

Inherent limitations

Because of the inherent limitations of any compliance measures, as documented in the compliance plans, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plans and the measures in the plan, as an audit is not performed continuously throughout the year and the procedures performed on the compliance plans and measures were undertaken on a test basis.

Any projection of the evaluation of the compliance plans to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

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

Auditor's opinion

In our opinion, in all material respects:

a) Stockland Trust Management Limited has complied with each of the compliance plans for the Schemes listed in Appendix 1 for the year ended 30 June 2012 and

b) the compliance plans continue to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

KPMG

KPMG

Brendan Twining
Partner

Sydney
8 August 2012

Appendix 1

Scheme name	ARSN	Last modified and lodged with ASIC
Stockland Trust	092 897 348	9 July 2004
Macquarie Park Trust	116 396 804	23 September 2005

Securityholders

FOR THE YEAR ENDED 30 JUNE 2012

The information set out below was prepared as at 16 August 2012 and applies equally to Stockland Trust and Stockland Corporation Limited, as members are required to hold equal numbers of units in the Trust and shares in the Corporation under the terms of the joint quotation on the Australian Securities Exchange. There are on issue 2,203,547,228 ordinary units in the Trust and ordinary shares in the Corporation. The number of holders is 45,565 and the number of holders holding less than a marketable parcel is 2,179 holders holding 116,593 securities.

On-market buy back

On 19 August 2011, Stockland announced it will undertake an on-market buyback of up to 10% of its issued capital, to be funded by its ongoing asset sale program and the deferral of some uncommitted development expenditure, as advised at the FY12 results announcement.

On 2 August 2012, Stockland announced it would extend the buyback to purchase up to 10% of its issued capital. At the date of the announcement it had completed the buyback of approximately 7.5% of its issued capital.

Largest twenty ordinary Unitholders/Securityholders	Number of securities	Percentage of issued securities
HSBC Custody Nominees (Australia) Limited	594,170,353	26.96
J P Morgan Nominees Australia Limited	439,332,259	19.94
National Nominees Limited	372,171,636	16.89
Citicorp Nominees Pty Ltd	138,692,673	6.29
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	78,547,746	3.56
BNP Paribas Noms Pty Ltd <Master Cust DRP>	51,442,729	2.33
AMP Life Limited	45,606,306	2.07
J P Morgan Nominees Australia Limited <Cash Income A/C>	19,917,397	0.90
BNP Paribas Noms Pty Ltd <DRP>	18,913,304	0.86
BNP Paribas Noms Pty Ltd <SMP Accounts DRP>	17,770,001	0.81
RBC Investor Services Australia Nominees Pty Limited <APN A/C>	15,780,351	0.72
HSBC Custody Nominees (Australia) Limited <NT – Comnwlth Super Corp A/C>	13,754,647	0.62
Equity Trustees Limited <EQT SGH Property Inc Fund>	11,394,527	0.52
Bond Street Custodians Limited <ENH Property Securities A/C>	9,183,640	0.42
Questor Financial Services Limited <TPS RF A/C>	8,200,937	0.37
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	6,945,010	0.32
EG Holdings Pty Ltd	6,411,632	0.29
UBS Wealth Management Australia Nominees Pty Ltd	5,991,859	0.27
Queensland Investment Corporation	4,836,550	0.22
Suncorp Custodian Services Pty Limited	3,986,482	0.18

Distribution of Securityholders	Number of securities	Number of Securityholders
1 – 1,000	4,303,584	9,305
1,001 – 5,000	58,483,285	21,424
5,001 – 10,000	62,844,631	8,750
10,001 and over	2,077,915,728	6,086

Substantial Securityholders	Number of units/shares
Vanguard Investments Australia/Vanguard Group Inc	169,936,759
Commonwealth Bank Of Australia/Colonial First State Limited	133,101,992
Blackrock Investment Management (Australia) Limited and Associated Entites (Blackrock Group)	131,344,992

Securityholder information

End of financial year tax statement

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

Shareholder Review and Financial Report

Members have a choice of whether they receive:

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

Further information

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

Registry

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

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

Reinvestment plan

Stockland operates a Dividend and Distribution Reinvestment Plan ("DRP") which allows securityholders to use their dividend/distribution payments used to buy more Stapled Securities in Stockland at a discount of up to 5 per cent as determined by the Board. These securities are acquired by members at no brokerage or other associated costs.

The DRP was not operating for the February 2012 and August 2012 dividend/distribution. 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
1 January – 30 June

Record dates

31 December 2012
28 June 2012

Annual General Meeting

Will be held at Four Seasons Hotel, 199 George St, Sydney NSW 2000 at 2.30pm on Wednesday 17 October 2012.

Directory

Head Office

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

Corporation/Responsible Entity

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

Custodian

The Trust Company Limited
ACN 004 027 749
35 Clarence Street
Sydney NSW 2000

Directors

NON-EXECUTIVE

Graham Bradley – Chairman
Duncan Boyle
Carolyn Hewson
Barry Neil
Carol Schwartz
Peter Scott
Terry Williamson

EXECUTIVE

Matthew Quinn – Managing Director

COMPANY SECRETARIES

Phillip Hepburn
Derwyn Williams

Unit/Share registry

Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street,
Sydney NSW 2000
Freecall: 1800 804 985
Telephone: (61 3) 9415 4000
Email: stockland@computershare.com.au

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation Limited
Australia and New Zealand Banking Group Limited
National Australia Bank Limited

Auditor

KPMG

Quoted Securities

SGP ordinary units/shares on the Australian
Securities Exchange

Designed and produced by Designworks.

Stockland

30 June 2012

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ACN 000 181 733

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Note: All figures are in Australian dollars unless otherwise indicated.