Appendix 4E

For the year ended 30 June 2017
(previous corresponding period being the year ended 30 June 2016)

Results for announcement to the market

STAPLING ARRANGEMENT

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited (ABN 43 000 181 733) and its controlled entities ("the Corporation"), and Stockland Trust (ARSN 092 897 348) and its controlled entities ("the Trust") on the Australian Stock Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

The Financial Report has been prepared based upon a business combination of the parent entity, Stockland Corporation Limited and its controlled entities, and Stockland Trust and its controlled entities, in accordance with AASB 3 *Business Combinations*.

		2017 $M
Revenue from ordinary activities	**Up 17.9% to**	**2,744**
Net profit after tax attributable to securityholders	**Up 34.4% to**	**1,195**
Funds from operations attributable to securityholders	**Up 8.5% to**	**802**

Dividends and distributions

Year ended 30 June 2016	Amount per security	Franked amount per security	Record date	Payment date
Interim dividend/distribution	**12.6 ¢**	**– ¢**	**31 December 2016**	**28 February 2017**
Final dividend/distribution	**12.9 ¢**	**– ¢**	**30 June 2017**	**31 August 2017**

Securityholders may elect to participate in Stockland's Dividend and Distribution Reinvestment Plan. The last date for the receipt of an election notice for participation in the Dividend and Distribution Reinvestment Plan was 5 July 2017. A discount rate of 1.0% will be applied under the Dividend and Distribution Reinvestment Plan. Securities issued under the Dividend and Distribution Reinvestment Plan rank equally with other securities for the final distribution.

Other information

Year ended 30 June	2017	2016
Net tangible assets per security	**$4.04**	**$3.82**

This report is based on accounts which have been audited.

The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the Consolidated Annual Report that follows.

Excellence through diversity

FINANCIAL REPORT
30 June 2017

Stockland

CONTENTS

KEEPING IT SIMPLE…

The aim of the text in 'Keeping it simple' boxes is to explain more complex sections in plain English.

Notes to the financial statements provide information required by law, accounting standards or ASX Listing Rules to explain a particular feature of the financial statements. The notes to the financial statements will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

GLOSSARY

Capitalised terms and acronyms used in this Report are defined in the Glossary.

Front cover features our Cardinal Freeman The Residences in Ashfield, Sydney

Letter from the Chairman

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

—

TOM POCKETT
CHAIRMAN

Dear Securityholders,

It was a great honour to be invited by my fellow board directors to become Chairman last October.

I am pleased to report that Stockland delivered a strong result across our diversified portfolio for the 2017 financial year. This outcome is a result of the disciplined and consistent implementation of our strategy.

STRENGTH THROUGH DIVERSITY

Funds from operations (FFO) grew by 8.5% to $802 million and FFO per security grew 7.4% on the prior year. This was slightly above our previous guidance range for the year. Statutory profit was $1,195 million up 34.4%.

In our **Commercial Property** business, our Retail Town Centres are the largest component of our portfolio. We delivered 3.5% comparable FFO growth, and continued to remix our assets to reflect changing customer trends.

Within the financial year we made good progress on our Commercial Property development pipeline. The first stage opening of our $412 million Stockland Green Hills shopping centre redevelopment in Maitland, NSW, was well received by locals, and our customers in Ballarat eagerly anticipate the opening of our $37 million redevelopment of Stockland Wendouree.

Our Logistics and Business Parks portfolio achieved strong comparable FFO growth with positive leasing results. Recent industrial redevelopments in Sydney and Melbourne were completed on budget and fully leased.

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

Profitability of our **Residential** business improved strongly, at 17.4% growth on the previous year. A record 6,604 lots were settled in the financial year, with 75% of sales to owner occupiers and more than 50% of net deposits coming from first home buyers.

We have made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

Our focus remains on owner occupiers and first home buyers, placing us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** development pipeline is also proceeding well and we remain committed to providing high quality retirement living options for our residents. We delivered our Urban Development Institute of Australia (UDIA) award winning apartments at Cardinal Freeman The Residences in Sydney's inner-west, our vertical village at Birtinya, Sunshine Coast is making good progress, and planning is underway at a number of brownfield projects.

DISTRIBUTION

As forecast, our full year distribution was 25.5 cents per security, representing a payout ratio of 77% of funds from operations.

We saw a good take-up of our distribution reinvestment plan with over 20% of securities participating, providing funds for our accretive development pipeline.

We are targeting to increase distributions by 4% to 26.5 cents per security in FY18, assuming there is no material change in market conditions.

GOVERNANCE

The expectations being placed on companies continue to evolve and the Board closely monitors and engages with these changing expectations, which go to the heart of our ability to deliver long term value.

The Board is committed to an open and transparent relationship with stakeholders. We believe we have the right mix of skills and experience to oversee a high standard of governance, integrity and accountability.

In July we were delighted to welcome Andrew Stevens to the Board. Andrew is a highly regarded director with extensive expertise in the technology sector and significant commercial experience. He has strengthened the breadth and depth of knowledge and leadership capabilities on our Board and we look forward to his contribution.

As required by the Stockland Constitution, Andrew will offer himself for election by securityholders at the 2017 Annual General Meeting on 25 October 2017.

STRONG CULTURE

The Board recognises and promotes the importance of a strong culture and the shared benefits that this can bring to employees and securityholders.

Our employees have all contributed to the strong result for the year. It is also pleasing that we maintained a high employee engagement score of 82%, with 95% of respondents saying they are willing to work above and beyond what is required to help Stockland succeed. Our safety and employee turnover metrics improved and we were recognised by the Workplace Gender Equity Agency (WGEA) as an Employer of Choice for Gender Equality.

> ***We are targeting to increase distributions by 4% to 26.5 cents per security in FY18, assuming there is no material change in market conditions.***
>
> **TOM POCKETT**
> CHAIRMAN

Our focus on sustainability remains with many key achievements during the year including Aura, our largest masterplanned community, achieving the highest ever Green Star Communities Rating – World Leadership – of any greenfield community in Australia.

We have also retained our global sustainability leadership credentials.

We were named Global Real Estate Sector Leader by both the S&P Dow Jones Sustainability Indices and GRESB (the Global Real Estate Sustainability Benchmark) in the category Diversified – Retail/Office.

CONCLUSION

Thank you to my Board colleagues and our employees for their continued enthusiasm and dedication to delivering exceptional outcomes. The Board and I are confident we have the right management and strategy in place and look forward to discussing these results with you at our Annual General Meeting in October.

TOM POCKETT
CHAIRMAN

Letter from the Managing Director and CEO

Our disciplined approach to acquisitions and our focus on creating the most liveable and connected communities and their town centres set us up well for the future.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Dear Securityholders,

We've delivered another positive performance this financial year across our diversified business, by reinforcing our position as the leading creator of communities in Australia, strategically repositioning our assets, and restocking the portfolio.

We continue to see the benefits of our disciplined approach to implementing our strategy – to grow our asset returns and improve customer experiences, deliver operational excellence, and improve our capital strength.

GROW ASSET RETURNS AND CUSTOMER BASE

Commercial Property accounts for around 70% of our assets and remains a key profit driver, delivering comparable growth in funds from operations of 3.4% across the portfolio, with 3.5% in Retail, 3.6% in Logistics and Business Parks, and 2.3% in Office.

In a challenging environment, our retail business delivered positive income growth, maintained high occupancy and continued to focus on remixing our portfolio in line with our customer needs and trade area dynamics.

Our centres combine traditional, everyday shopping needs with food, entertainment, lifestyle and services, and are the 'town centres' of their communities. Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average by 8.3%.

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99% and the portfolio now represents 15% of our total assets.

The Sydney office portfolio also performed well this year, where the majority of our assets are located. The Perth and Canberra markets remain challenging, but we are seeing positive leasing momentum at our properties.

Our **Residential** business settled a record 6,604 lots, up 7.6% on FY16, achieved significant operating profit (FFO) growth of 17.4%, and lifted return on assets to 20.8% on the core portfolio. Importantly, strategic metropolitan acquisitions with strong transport links added around 9,900 lots to inventory during the period. We commence FY18 with record pre-sales of 5,811 lots.

We have continued to expand our medium density business, with 213 homes settled this year and close to 600 currently under construction. Medium density development is a key growth driver for our residential business as we extend our focus on community creation into the important "missing middle" of our major capital cities.

Our leadership in housing affordability initiatives, and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** business also delivered its fourth consecutive year of double-digit growth. Operating profit was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins.

Our developments are progressing well and we are broadening our customer reach through our new non-deferred management fee communities for over 55s, called 'Aspire', with two projects underway.

We take pride in our retirement living business, and we are committed to open, transparent and respectful relationships with our residents. Every year, we run independent surveys of residents to better understand their satisfaction levels with our service. Last year, more than 6,800 residents responded to this survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

CAPITAL STRENGTH

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

Gearing at the end of FY17 was 22.7%, at the lower end of our 20 – 30% target range, due to disciplined capital management and operating cash flows.

We retained an A-/stable credit rating from Standard and Poor's and also obtained a new comparable A3 rating from Moody's in August 2017. This confirms the strength of our balance sheet and provides access to a broader range of debt markets, positioning the business well to continue to grow in the future.

OPERATIONAL EXCELLENCE

We continue to progress implementation of new systems, including Salesforce and SAP, which will improve efficiencies across our business.

We have also introduced new digital technology in our assets including virtual masterplans at some of our new communities and our Geni app trial at Stockland Balgowlah. We will continue to look at ways to introduce technology to enhance our customers' experience across our assets.

Once again, we were recognised as a global leader for our sustainability credentials and we remain committed to excellence in this space. Stockland has been a signatory to the United Nations Global Compact since 2015, and we remain committed to its principles and to promoting the Global Compact where we operate. I am pleased to confirm our continued support of this important initiative.

OUTLOOK

In the year ahead, we expect positive economic conditions to continue, and interest rates to remain fairly stable. We commence the financial year well placed to meet our goals of sustainable profit growth on a through the cycle basis, with strong occupancy and pre-sales.

While lending conditions to investors and foreign buyers are tightening, owner occupiers remain our core focus and represent 75% of our net residential sales, with less than 3% of total buyers requiring Foreign Investment Review Board approval.

We expect FY18 FFO growth to be slightly lower than FY17 primarily due to non-Sydney office let-up assumptions, higher Commercial Property outgoings, particularly electricity prices, and lower Retirement Living development profit reflecting project timing.

Our disciplined approach to acquisitions and our focus on creating the most liveable and connected communities and their town centres set us up well for the future.

Assuming no material change in market conditions, we are targeting growth in FFO per security of 5.0 – 6.5% in FY18, with growth skewed to the first half due to timing of residential settlements, with distribution per security growth targeted at 4%, representing 26.5 cents per security.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Directors' Report

Year ended 30 June 2017

The Directors of Stockland Corporation Limited (ACN 000 181 733) and the Directors of Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust (ARSN 092 897 348), present their report together with the Financial Report of Stockland and the Financial Report of Trust for the year ended 30 June 2017 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, (collectively referred to as 'Stockland' or "Group'). The Financial Report of Trust comprises the consolidated Financial Report of the Trust and its controlled entities ('Stockland Trust Group' or 'Trust').

Operating and Financial Review

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $16.6 billion of real estate assets. We are Australia's largest community creator and hence we own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

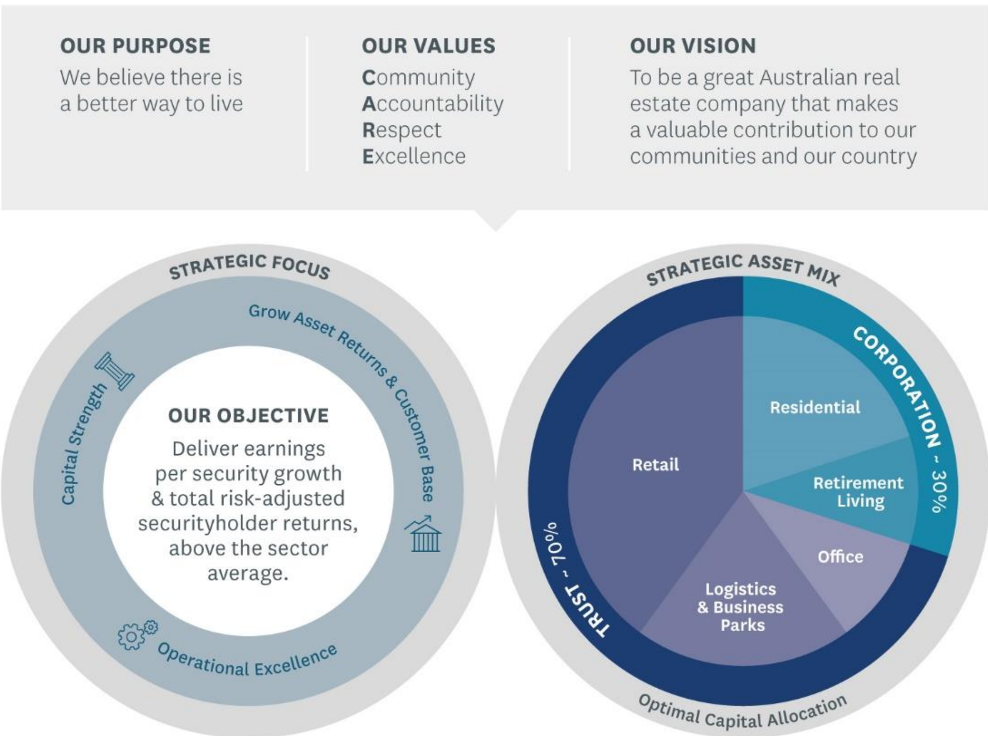
Founded in 1952, today Stockland leverages its diversified model to help create thriving communities with dynamic town centres where people live, shop and work. Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

This approach is underpinned by our purpose – "we believe there is a better way to live" – and is brought to life by our employees who are guided by Stockland's values of Community, Accountability, Respect, and Excellence (CARE).

Our primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality communities and property assets and delivering great customer experiences.

To optimise value to securityholders we are structured as a stapled security: a combination of a unit in Stockland Trust and a share in Stockland Corporation that are together traded as one security on the Australian Securities Exchange. This stapled structure allows Stockland to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

Our strategy



Five year indicative asset mix

We focus on three strategic priorities:

- Grow asset returns and provide great customer experiences – driving returns in our core businesses
- Operational excellence – improving the way we operate across the Group to drive efficiencies, compliance, sustainability and employee engagement
- Capital strength – actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

Our FY17 progress (1 July 2016 to 30 June 2017) against these priorities is set out below:

Strategic priorities	FY17 progress
Grow asset returns and our customer base	• 3.4% growth in comparable FFO across our Commercial Property portfolio • 75% Retail tenant satisfaction TenSAT score produced by Monash University • 2.9% Retail rental growth on new specialty leases and renewals • $758 million of accretive retail development under construction or completed and a pipeline of $1.0 billion • Stable 99.5% occupancy across Retail portfolio • 89% Logistics and Business Parks tenant satisfaction • 99% occupancy across Logistics and Business Parks portfolio • $680 million accretive Logistics and Business Parks development pipeline • 17.4% growth in Residential operating profit and 15.3% net operating profit margin • Residential core portfolio return on assets lifted to 20.8% • 83% Residential communities liveability score – Stockland Liveability Survey • 11.1% growth in Retirement Living operating profit • Retirement Living cash return on assets increased to 6.2% • 84% resident satisfaction score in Retirement Living villages
Operational excellence	• Recognised as Global Real Estate Sector Leader on the Dow Jones Sustainability Index (DJSI) for 2016-17 the second consecutive year • Global Sector Leader on Global Real Estate Sustainability Benchmark (GRESB) for Diversified – Office/Retail sector • Recognised by CDP with a position on the Climate A list for leading global climate performance • Received Employer of Choice for Gender Equality citation from WGEA three years in a row • Successful implementation of Salesforce and SAP SuccessFactors modules with further deployment of SAP systems over the next year • Improved return on equity (excluding workout assets) from 11.0% to 11.4%
Capital strength	• Maintained S&P A-/stable credit rating for over ten years and new equivalent Moody's credit rating of A3 (received in August 2017) • 22.7% gearing remains within our target range of 20 – 30% • Reduced average cost of debt to 5.5% for FY17 • Increased our access to diverse funding sources

Risks and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks faced in the business. We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business. More information on Stockland's risk management policy is available at stockland.com.au.

There are various risks that could impact our business. The nature and potential impact of these risks change over time. For example, future climate change impacts will place greater demands on our assets and communities and influence the actions and behaviours of our stakeholders. For the benefit of our stakeholders, and society more broadly, we are committed to creating climate resilient, energy efficient assets and communities with a greater ability to endure severe weather impacts and operate without disruption. Climate change risks and opportunities are reflected in several risks listed above: extreme weather events, changing regulation, and the ability to develop products that meet anticipated future demand. To manage these risks we have a Climate Change Action Plan (in place since 2006) and detailed Climate Adaptation Strategy (in place since 2011). For more information on our climate change action, including governance, strategy, performance and sustainability targets, refer to our sustainability reporting http://www.stockland.com.au/sustainability. Our FY17 performance and progress will be released on 22 September 2017.

Our risks include but are not limited to:

	Risk	Our response
Short term – strategy execution	Increased competition and changing market conditions impact our opportunities for growth	Continue to: • maintain a diversified business model at scale in each sector • reinvest in our assets to meet changing customer needs • focus on retaining a strong balance sheet with appropriate gearing • use diverse funding sources • concentrate on efficiency and cost management • maintain a prudent approach to provisioning • replenish our land and asset pipeline • maintain discipline and agility in our investment decision making • use a rigorous whole of business approach informed by detailed research to drive our capital allocation process
	Systems enhancements affect business process efficiency	As part of our continued investment in the efficiency of our operations, we have made significant progress on improving the Group's systems capabilities including the successful implementation of Salesforce and SAP SuccessFactors. Deployment of further SAP and Salesforce capabilities will continue during next year. We continue to maintain two-way engagement with employees to enable a smooth transition.
	Housing affordability is increasingly challenging in Australia	Our Residential business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We believe a suite of measures is required to unlock housing supply and address affordability. These include early planning and delivery of infrastructure and simplified development controls to enable housing diversity. Our affordability initiatives in Qld, NSW and Vic have given first home buyers priority to purchase land and get a foothold in the market. We will also continue to: • partner with government and industry to drive solutions • provide a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments • balance the demand from home owners and investors so that our residential communities remain attractive to future buyers
	Extreme weather, security risks and price shocks impact business continuity and community resilience	Continue to: • train our employees and increase their risk awareness • undertake regular scenario testing • engage with peers and across industries • invest in asset upgrades and adapt community design to improve resilience • assess and implement wholesale energy strategies and renewable energy installations

	Risk	Our response
	Change within the retail sector impacts rental growth	The retail landscape is constantly evolving. Within the last ten years the sector has seen a convergence of technical advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers. We have been pro-active and have pre-empted many of the changes. We continue to: • focus on experiential retail, services, food catering • redevelop our assets to create diverse, walkable town centres that form the social hub of the community • Leverage deep customer insights and analytics to inform our tenant remixing
	Regulatory changes impact our business and customers	Continue to: • engage with industry and government on policy areas including taxation and planning reform • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and prepared for potential regulatory changes
Longer term – changing marketplace	Ability to develop products that meet anticipated future customer and societal demands	Continue to: • foster a culture of innovation where we remain flexible, and identify and take advantage of opportunities to leverage movements in stakeholder preferences • evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community), Quantium (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources • focus on creating sustainable and liveable communities and assets, resilient to changes in climate • enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing demographics, including an aging population and more socially conscious millennials
	Our ability to harness opportunities arising from digital disruption	Continue to: • identify, develop and integrate technical enhancements across our business, including online residential and retirement living engagement opportunities • support Stockland retail centres as thriving community hubs by delivering quality services and community spaces that are e-enabled • promote employee innovation and collaboration through Ideas@Stockland to further enable us to take advantage of new opportunities
	Capital market volatility impacts our ability to access suitable capital	Our long term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. Variable economic activity and changing capitalisation rates may impact the valuation of our assets. So that we are able to continue to raise sufficient capital to fund growth, we will continue to: • focus on retaining a strong balance sheet at appropriate levels of gearing • maintain and increase access to diverse funding sources • maintain our prudent capital management policies
	Ability to adapt our operating model to meet the changing nature of the workforce	Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work and encouraging creative and adaptive teamwork. This year we successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working. We will continue to: • encourage flexible work practices supported by our new collaboration platforms • train our senior leaders to be more agile and resilient through programs such as our Stockland Leadership Experience
	Increasing expectation on corporates	Community expectations on the social and behavioural operations of a "good corporate" are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues. We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development.

Directors' Report

Year ended 30 June 2017

Stockland results and outlook

Key metrics:

- Full year distribution was 25.5 cents per security
- Statutory profit was $1,195 million, up 34.4% on FY16
- Statutory earnings per security was 49.8 cents, up 33.2% on FY16
- Funds from operations (FFO) was $802 million, up 8.5% on FY16
- FFO per security was 33.4 cents, up 7.4% on FY16
- Adjusted funds from operations (AFFO)[1] per security was 28.6 cents up 8.7% on FY16
- Gearing was 22.7%
- Return on equity[2] was 11.4%, excluding workout assets
- Net tangible assets (NTA) per security of $4.04 up 5.8%

Stockland delivered another positive performance this financial year across our diversified business, by reinforcing our position as the leading creator of communities in Australia, strategically repositioning our assets, and restocking the portfolio.

All of our businesses contributed to this result. Our Residential and Retirement Living businesses achieved record results and Commercial Property delivered a good performance across the different asset classes, despite challenging conditions in the retail market.

We continue to see the benefits of a disciplined approach to implementing our strategy – to grow our asset returns and provide great customer experiences, deliver operational excellence, and improve our capital strength.

Our Residential business delivered double-digit FFO growth again this year, due to new projects commencing, above forecast sales results, strategic acquisitions and positive market conditions.

We have maintained our position as Australia's leading creator of new communities, settling 6,604 lots over the reporting period, with over 50% of net deposits to first home buyers. We have also diversified our Residential business through medium density development. We remain well placed in the current lending environment with 75% of our sales to owner occupiers, and ongoing positive market conditions.

Our Retirement Living business delivered its fourth year of double-digit FFO growth. This is underpinned by a dedicated focus on customer service, open and respectful communication and resident satisfaction. We are progressing our redevelopment pipeline to provide the highest quality retirement living options for our residents.

Our NTA per security increased by 5.8% to $4.04, with income growth and an average tightening in capitalisation rates on our Commercial Property portfolio from 6.4% to 6.2%.

Our shopping centres are the heart of communities they serve, and are the town centres of the future. Our diversified business model enables us to leverage community creation through our centres, which we continue to enhance by providing lifestyle, food, service, entertainment and leisure precincts to improve customer experience.

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

A commitment to actively managing our debt program has seen us improve our weighted average cost of debt, which has fallen from 5.8% in FY16, to 5.5% in FY17 and increased our weighted average debt maturity.

Gearing at the end of FY17 was 22.7%, at the lower end of our 20 – 30% target range, due to disciplined capital management and operating cash flows.

We retained an A-/stable credit rating from Standard and Poor's (S&P) and in August 2017, also obtained a second rating from Moody's of A3. This confirms the strength of our balance sheet and provides access to a broader range of debt markets, positioning the business well to continue to grow in the future.

We are continuing to implement new SAP systems, which will improve efficiencies across our business.

Once again, we were recognised as a global leader for our sustainability credentials and we remain committed to excellence in this space.

[1] AFFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. For Stockland, the key differences between FFO and AFFO relate to cash paid for incentives and leasing costs, and maintenance capital expenditure. These items are deducted from FFO to determine AFFO.

[2] Return on Equity accumulates individual business Return on Assets and adjusted for cash interest paid and average drawn debt for the 12 month period. Excludes residential community workout projects.

Outlook

Our results have been driven by our ongoing commitment to delivering the best communities and vibrant town centres across the country. We have continued to focus on strategically repositioning our assets and enhancing the customer experience across our diversified portfolio. A disciplined approach to acquisitions and focus on creating the most liveable and connected communities will set us up well for the future.

In the year ahead, we expect positive economic conditions to continue, and interest rates to remain fairly stable. We commence the financial year well placed to meet our goals of sustainable profit growth on a through the cycle basis, with strong occupancy and pre-sales.

Our Commercial Property business should maintain moderate growth in returns, with comparable FFO growth of 2 – 3% including comparable retail FFO growth of around 3%. We will continue to invest, grow and remix our portfolio, increasing our focus on convenient and desirable town centres, with selected divestments funding much of this activity.

In the coming year, we expect residential settlements to again exceed 6,000 lots, including around 350 medium density homes. While lending conditions to investors and foreign buyers are tightening, owner occupiers remain our core focus and represent 75% of our net residential sales, with less than 3% of the total to buyers requiring Foreign Investment Review Board approval.

While current regulatory settings are likely to lead to some moderation in growth rates for residential property prices, we continue to expect an elongated cycle for the east coast markets. We enter FY18 in a position of leadership in housing affordability with strong pre-sales.

Our Retirement Living business will continue to grow profits in FY18, but at a more moderate level due to the timing of development completions.

We expect FY18 FFO growth to be slightly lower than FY17, primarily due to non-Sydney office let-up assumptions, higher Commercial Property outgoings, particularly electricity prices, and lower Retirement Living development profit reflecting project timing.

Assuming no material change in market conditions, we are targeting growth in FFO per security of 5.0 – 6.5% in FY18, with growth skewed to the first half due to timing of residential settlements, with distribution per security growth targeted at 4%, representing 26.5 cents per security.

Funds from Operations (FFO)

FFO has replaced underlying profit as our primary reporting measure from FY17. FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. It is designed to present the results of the ongoing operating activities of Stockland in a way that appropriately reflects our underlying performance. FFO is the basis on which the distributions and dividends are determined.

FFO excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities.

Reconciliation of FFO to statutory profit

	2017			2016		
Year ended 30 June	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	**2,695**	**49**	**2,744**	2,359	(31)	2,328
Cost of property developments sold:						
• Land and development	**(1,292)**	**–**	**(1,292)**	(1,049)	–	(1,049)
• Capitalised interest	**(142)**	**–**	**(142)**	(124)	–	(124)
• Utilisation of inventory impairment provision	**103**	**–**	**103**	67	–	67
Net write-back of inventory impairment provision	**–**	**3**	**3**	–	–	–
Investment property expenses	**(236)**	**(12)**	**(248)**	(227)	(12)	(239)
Share of profits of equity-accounted investments	**29**	**55**	**84**	31	59	90
Management, administration, marketing and selling expenses	**(304)**	**–**	**(304)**	(270)	(1)	(271)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**209**	**209**	–	373	373
• Retirement Living	**28**	**59**	**87**	26	45	71
Net change in fair value of Retirement Living resident obligations	**–**	**(82)**	**(82)**	–	(85)	(85)
Net gain on other financial assets	**–**	**1**	**1**	–	4	4
Net loss on sale of other non-current assets	**–**	**(1)**	**(1)**	–	(2)	(2)
Finance income	**4**	**118**	**122**	8	–	8
Finance expense	**(83)**	**–**	**(83)**	(81)	(171)	(252)
Profit before income tax	**802**	**399**	**1,201**	740	179	919
Income tax expense	**–**	**(6)**	**(6)**	–	(30)	(30)
Profit for the year	**802**	**393**	**1,195**	740	149	889

Statutory profit increased to $1,195 million for the year end 30 June 2017 underpinned by the strong FFO performance and growth in our business.

Significant fair value adjustments were excluded from FFO with the largest component comprising the Commercial Property portfolio with increased valuations driven by continued capitalisation rate compression and income growth.

Mark-to-market derivatives and financial instruments also resulted in a fair value gain of $118 million for the year ended 30 June 2017 compared to a fair value loss of $171 million in the prior year. The net derivative gain reflects the increase in market interest rate against where we have fixed our interest rates with interest rate hedge benefits.

Dividend income of $71 million from the investment in BGP Holdings Plc is also excluded from FFO as it is considered a significant one-off item, outside the course of our core ongoing business activities.

Capital management

Financial position

We maintained our focus on prudent balance sheet management, continuing to utilise diverse funding sources throughout the year. Our gearing level decreased to 22.7% at 30 June 2017 (30 June 2016: 23.8%), driven by strong operating cash flows allowing continued investment without needing to increase debt and the impact of revaluation gains across the Commercial Property portfolio. Gearing remains within our target range of 20 – 30%. We continue to retain our A-/stable credit rating from S&P and obtained a new A3 rating from Moody's (equivalent to S&P's A-), in August 2017.

We manage our exposure to financial markets, including movements in foreign exchange rates and interest rates, through the use of derivative financial instruments in order to provide greater certainty over future financing costs, taking advantage of the historically low interest rate environment. The fixed/hedged ratio of 109% at 30 June 2017 (30 June 2016: 96%) represents the proportion of debt that has fixed interest based on drawn debt at 30 June 2017. The overhedged position resulted from strong operating cash inflows at the end of the financial year and is expected to revert to around 100%. The weighted average cost of debt for the period has decreased to 5.5% (2016: 5.8%).

Interest cover has increased to 4.8:1 (30 June 2016: 4.5:1) due to stronger performance across the business.

Balance Sheet

($M)	FY17	FY16	Change %
Cash	**238**	208	↑14%
Real estate assets[1]:			
• Commercial Property	**10,255**	9,706	↑6%
• Residential	**2,483**	2,517	↓1%
• Retirement Living	**3,848**	3,589	↑7%
Other assets	**701**	922	↓24%
Total assets	**17,945**	16,942	
Interest bearing loans and borrowings	**3,529**	3,800	↓7%
Retirement Living resident obligations	**2,629**	2,427	↑8%
Other liabilities	**1,410**	1,461	↓3%
Total liabilities	**7,568**	7,688	
Net assets/total equity	**9,927**	9,254	

The Commercial Property investment portfolio has increased by $549 million to $10,255 million primarily due to net valuation uplift across all three asset classes (up $264 million including equity-accounted joint venture investments) and capital and development expenditure of $333 million.

Retail portfolio values benefited from income growth and capitalisation rate compression, including the following centres in NSW: Wetherill Park ($43 million), Glendale ($32 million), Shellharbour ($30 million), and Balgowlah ($21 million). Our Office portfolio recorded a net valuation gain of $67 million largely due to an uplift at 135 King Street, NSW ($52 million), while Logistics and Business Parks similarly delivered valuation gains of $18 million during the period. Valuation gains across the portfolio saw our weighted average capitalisation rate reduce marginally from 6.4% to 6.2%.

The increase in capital and development expenditure predominantly reflects continued investment in the Retail development pipeline including the redevelopment of Green Hills, NSW.

Residential assets, which represent mainly land under development, decreased slightly to $2,483 million at 30 June 2017. Strong settlement volumes in FY17 (up 8% on prior period) and the sale of some previously impaired land and capital efficient restocking led to a reduction in inventory, while a disciplined approach to development expenditure throughout the year ensured that production did not exceed sales. Whilst we settled 6,604 lots during the year we have added approximately 9,900 lots to the pipeline. Finished goods levels remain appropriate. Land acquisitions reflect our focus on acquiring land on capital efficient terms where possible.

The value of the Retirement Living assets, net of resident loan obligations, was $1,219 million, an increase of $57 million from June 2016. This primarily reflects capital expenditure on the development pipeline including the redevelopment of Cardinal Freeman, Sydney, and fair value uplift on the investment property portfolio, partly offset

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

by an increase in resident loan obligations created on first sales of development units. We have identified potential to develop a further 2,970 Retirement Living units in our existing portfolio.

Total debt decreased by $271 million to $3,529 million at 30 June 2017 primarily as a result of favourable fair value movements on foreign denominated debt due to an appreciation in the AUD against the USD, EUR and HKD and largely offsets the net unfavourable movements in derivative financial instruments. Movements in other assets and liabilities mainly reflect the changes in value of the Group's financial instruments, equity-accounted investments and intangibles.

Cash flows

($M)	FY17	FY16	Change %
Operating cash flows	**921**	787	↑17%
Investing cash flows	**(380)**	(508)	↓25%
Financing cash flows	**(511)**	(241)	↑112%
Net change in cash and cash equivalents	**30**	38	↓ 21%
Cash at the end of the period	**238**	208	↑14%

Operating cash inflows are up $134 million on the prior year, primarily as a result of increased FFO and favourable movements in working capital, partially offset by increased payments for Residential land.

Net cash outflows from investing activities reflects our continued commitment to growing our asset base and mainly comprises payments for and development of Commercial Property investment properties ($374 million), with the largest individual contribution relating to ongoing development at Green Hills. Investment in Retirement living totalled $133 million with main villages including Cardinal Freeman, Willowdale and Mernda Village. Investing cash inflows includes $71 million in dividend receipts relating to our investment in BGP Holdings Plc together with proceeds from sale of investment properties of $74 million.

Net financing cash outflows primarily reflect dividends paid (net of DRP). The prior year included $335 million in net proceeds from borrowings to fund acquisitions and development expenditure and also included payments to terminate derivatives ($119 million), with no payments on terminations in the current year.

Equity

Distribution/Dividend Reinvestment Plan (DRP)

On 9 June 2017, Stockland announced that the DRP would operate for the final distribution to 30 June 2017 to help fund the accretive development pipeline. We achieved a take-up rate of 21.6%.

The DRP security price of $4.20 was determined by the average of the daily volume weighted averages of the selling price over a 15 day trading period immediately preceding 27 July 2017, with a discount of 1.0% on the securities acquired under the DRP.

Distributions

The dividend and distribution payable for the year ended 30 June 2017 is 25.5 cents per Ordinary Stapled Security. Our distribution policy is to pay the higher of 100% of Trust taxable income or 75 – 85% of FFO.

The distribution for the full year comprises:

Stockland	FY17 Cents	FY16 Cents
Trust distribution	**25.5**	24.5
Corporation dividend, fully franked	**–**	–
Total dividend/distribution	**25.5**	24.5

Registers closed at 5.00pm (AEST) on 5 July 2017 to determine entitlement to the half year dividend/distribution, which will be paid on 31 August 2017.

Business unit performance and priorities

Commercial Property

Our Commercial Property business comprises retail centres, logistics and business parks, and office assets. We are one of the largest retail property owners, developers and managers in Australia. Our 41 retail centres accommodate more than 3,500 retailers. The Logistics and Business Parks portfolio comprises 27 properties, encompassing 1.4 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The Office portfolio comprises eight assets, mostly in Sydney, NSW.

Portfolio at 30 June 2017	Approximate value*
41 retail centres	$7.1 billion
27 logistics and business parks	$2.0 billion
8 office buildings	$0.8 billion
76 Commercial Property assets	**$9.9 billion**

*Stockland's ownership interest

Performance

	Funds from operations			
Commercial Property ($M, unless otherwise stated)	**FY17**	**FY16**	**Change**	**Comparable growth**
• Retail	**419**	402	↑4.1%	↑3.5%
• Logistics and Business Parks	**143**	132	↑8.3%	↑3.6%
• Office	**59**	68	↓13.2%	↑2.3%
Trading profit	**5**	–		
Net overheads	**(18)**	(18)		
Total Commercial Property	**608**	584	↑4.2%	↑3.4%
Return on Asset (ROA)	**8.1%**	8.3%		

Our Commercial Property business continued to deliver solid recurrent earnings with a 3.4% increase in comparable FFO to $608 million, with strong performance across all asset classes.

Retail

In a challenging environment, we have delivered positive FFO growth of 4.1%, maintained high occupancy and we continued to focus on remixing our portfolio, in line with our customer needs and trade area dynamics.

Nationally, retail sales have been impacted by low wages growth, some retailer closures in the past year, and mixed results from major tenants. While trading at some of our centres has been variable, we have seen an improvement in sales growth in the second half and particularly in the final quarter. Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average of $8,273 per square metre by 8.3%.

We continue to see growth in lifestyle and entertainment tenancies, particularly larger format operators such as JB Hi-Fi, Hoyts and Harris Scarfe, and we've recently confirmed that H&M will open new stores at our Townsville and Rockhampton centres. Growth in specialty retail sales of 9.7% in retail services and 5.3% in casual dining and food catering over FY17, reflects the success of our remixing strategy. We also continue to look at ways to introduce technology to enhance our customers experience across our centres.

Momentum continued in the delivery of the retail development pipeline, with the $412 million transformation of Stockland Green Hills at East Maitland progressing on schedule, and a $37 million redevelopment underway at Stockland Wendouree in Ballarat.

Retail strategic priorities

The Retail business maintains its focus on creating market leading town centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area market share. We have $449 million at cost, of retail development under construction and a future pipeline of $1 billion, targeting incremental IRRs of 9%+[1] and stabilised FFO yields of 7%+ from this activity.

Our retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering, fast casual dining, speciality food, theatre, targeted apparel, health and retail services.

[1] Unlevered 10 year IRR on incremental development from completion.

We will continue to focus on tailoring our offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and invest in industry research and technology to adapt to an evolving retail landscape.

Logistics and Business Parks

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99%, following a period of active leasing and renewals, and the portfolio now represents 15% of our total assets.

We achieved strong comparable FFO growth of 3.6% with positive leasing results, particularly in the Sydney market.

Our development pipeline is also progressing well, with recent redevelopments at Ingleburn (Sydney), Erskine Park (Sydney) and Oakleigh (Melbourne) all completed on budget and fully leased. A $77 million development project is underway at Warwick Farm (Sydney), which is majority pre-leased to Daikin, for a 10 year term. The future pipeline also looks very positive.

Logistics and Business Parks strategic priorities

Our focus is on growing and developing a market leading portfolio of logistics centres and business parks. We will leverage our existing assets and land, strong tenant relationships and asset management skills to become a scale player in this market.

Office

We achieved solid comparable FFO growth of 2.3%. Our Sydney office portfolio performed well this year, which represents the majority of our assets. Total FFO growth was lower due to the sale of Waterfront Place and Eagle Street Pier, Brisbane, in FY15. The Perth and Canberra market remains challenging, but we are seeing positive leasing momentum at our assets. Several of our Sydney properties also have development opportunities.

Office strategic priorities

In Office we continue to focus on optimising returns. We intend to retain the majority of our residual office portfolio (strongly weighted to Sydney) whilst we maximise returns and assess development opportunities over time. Joint ventures (or part sales) will also be considered as appropriate.

Residential

Stockland is the largest residential land developer in Australia. The business has 56 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country. We hold 80,400 lots in our portfolio, with a total end value of approximately $21.1 billion[1].

Performance

Residential Communities ($M, unless otherwise stated)	FY17	FY16	Change
Lots settled (lots)	**6,604**	6,135	↑7.6%
Revenue	**$1,767m**	$1,482m	↑19.3%
– Including superlot revenue[2]	**$91m**	$109m	↓16.3%
EBIT (before interest in COGS)	**$412m**	$354m	↑16.4%
EBIT margin	**23.3%**	23.9%	↓
Operating profit (FFO)[3]	**$270m**	$230m	↑17.4%
Operating profit margin	**15.3%**	15.5%	↓
ROA – core portfolio[4]	**20.8%**	19.6%	↑
ROA – total portfolio	**15.2%**	13.8%	↑

Our Residential business delivered another year of double-digit operating profit (FFO) growth of 17.4%, and a net operating profit margin of 16.6% on the core portfolio. We settled a record 6,604 lots in FY17, and we commence FY18 with record pre-sales.

We made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

We have continued to expand our medium density business, with 213 homes settled this year, close to 600 currently under construction and pipeline of over 2,800 across Australia. Medium density development is a key

[1] Excluding value on projects identified for disposal and assuming no material change in market conditions.
[2] 44 superlot settlements in FY17; 33 superlot settlements in FY16.
[3] Operating profit is equal to FFO for the Residential business.
[4] Core excludes impaired projects.

growth driver for our Residential business as we extend our focus on community creation in the important "missing middle" of our major capital cities.

We continue to deliver some of the most liveable and desirable new communities in Australia. Our leadership in housing affordability and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

During the year, the Residential business reviewed its application of whole of life (WOL) accounting to ensure ongoing consistency across our portfolio, ahead of our change in systems, specifically in relation to the allocation of costs and treatment of superlots consistently with retail lots. There was no net impact to our WOL profitability and no material change to FFO in FY17.

We regularly review our approach to managing project cost contingencies and potential revenue upside as part of our WOL accounting within the Residential business. This ensures effective risk management to support our business performance through the business cycle. The cost contingency and revenue review resulted in no incremental FFO in FY17.

Residential strategic priorities

The Residential business is making good progress on its plans to make the portfolio more resilient and profitable in the future by continuing to focus on:

(1) Reshaping the portfolio – actively manage the portfolio to improve returns and achieve and maintain an optimal pipeline with a preference to acquire land on capital efficient terms. We continue to make good progress in activating our land through the launch of new projects and working through low margin and impaired stock.

(2) Broaden our market reach – increase revenue by creating a better community value proposition that drives high customer referrals and broaden market reach through a medium density/built form offering.

(3) Improving efficiency – continue to manage costs. Project management has been embedded into the business and is driving significant cost savings.

Retirement Living

Stockland is a top three retirement living operator within Australia, with over 9,600 established units in 65 established villages across five states and the Australian Capital Territory. The portfolio includes a development pipeline of over 2,900 units.

Performance

Retirement Living ($M, unless otherwise stated)	**FY17**	**FY16**	**Change**
EBIT	**69**	64	↑8.3%
Operating profit (FFO)[1]	**63**	57	↑11.1%
Occupancy	**95.0%**	94.9%	↑
Cash ROA	**6.2%**	5.8%	↑
Established			
– Established settlements (units)	**731**	716	↑2.1%
– Withheld settlements (units)	**49**	19	↑
Total sales volume (units)	**780**	**735**	**↑6.1%**
Average re-sale price	**$339k**	$329k	↑3.3%
Turnover cash per unit	**$86k**	$81k	↑6.2%
Turnover cash margin	**25.4%**	24.7%	↑
Reservations on hand (units)	**128**	155	↓17.4%
Development			
Average price per unit	**$539k**	$509k	↑5.8%
Average margin – excludes Deferred Management Fee (DMF)	**19.1%**	16.8%	↑
Development settlements (units)	**270**	297	↓9.1%
Reservations on hand (units)	**58**	67	↓13.4%

[1] Operating profit is equal to FFO for the Retirement Living business.

Operating profit (FFO) in Retirement Living was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins. Reservations on hand reflect the availability of stock in key markets. Cash ROA increased to 6.2%, from 5.8% in FY16.

This is the fourth consecutive year of double-digit operating profit growth for our business, driven by our focus on resident satisfaction underpinned by a customer-centric culture.

Our development pipeline is proceeding well, with the delivery of our UDIA award-winning apartments at Cardinal Freeman The Residences in Sydney's inner-west. We are also making good progress on our new vertical village at Birtinya, in the heart of the Sunshine Coast's new health hub.

We continue to invest in new projects, with planning underway on a number of brownfield redevelopments at existing villages.

Development margins were high this year at 19.1% due to project delivery mix, but will normalise in FY18 to around 15 – 17%.

We are further extending our reputation for quality villages and broadening our customer reach through our new, non-deferred management fee communities for over 55s, called 'Aspire'. We have two projects currently underway, at our Elara residential community in Sydney and Calleya in Perth, and the initiative will be rolled out at other locations in our portfolio over the coming years.

We understand there is a lot of focus on the sector at the moment. We take pride in our Retirement Living business, and we are committed to open, transparent and respectful relationships with our residents. Every year we engage independent consultants to assess resident satisfaction. Last year, more than 6,800 residents participated in the survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

Retirement Living strategic priorities

The business remains focused on being a preferred operator and developer of Retirement Living villages by creating high quality retirement villages in Australia. The business has a clear strategy to continue to improve its return on assets by:

(1) Actively managing the portfolio;

(2) Growing development volumes; and

(3) Differentiating the customer experience through access to a range of resident care and other services.

Directors' Report

Year ended 30 June 2017

Directors

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

Tom Pockett

BComm, FCA
(Non-Executive)

Mr Pockett was appointed to the Board on 1 September 2014 and became Non-Executive Chairman on 26 October 2016. He is the Chairman of Autosports Group Limited (appointed 26 October 2016) and a Non-Executive Director of Insurance Australia Group Limited (appointed 1 January 2015), O'Connell Street Associates Limited (appointed 1 November 2014) and Sunnyfield, a not-for-profit disability services provider in New South Wales. Mr Pockett was Chief Financial Officer of Woolworths Limited from August 2002 to February 2014. He was an Executive Director of Woolworths Limited from November 2006 to 1 July 2014. He previously held the position of Deputy Chief Financial Officer at the Commonwealth Bank of Australia and prior to that held several senior finance roles within the Lend Lease Group following a successful career with Deloitte. Mr Pockett was formerly Chairman of The Quantium Group Holdings Pty Limited (September 2014 to February 2016), and a Director of ALH Group Pty Ltd (September 2014 to February 2016) and Hydrox Holdings Pty Ltd (September 2014 to December 2015). Mr Pockett was a member of the Financial Reporting Council from March 2003 to March 2006, National President of G100 from August 2000 to January 2003. Mr Pockett is a member of the Stockland Human Resources Committee and Chairman of the Sustainability Committee. Mr Pockett is former Chair of the Stockland Audit Committee and the Stockland Capital Partners Limited Audit Committee, and a former member of the Stockland Risk Committee. Mr Pockett is a Chartered Accountant.

Former Directorships of listed entities in last three years
Mr Pockett was a Director of Woolworths Limited from November 2006 to 1 July 2014.

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 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, BT Investment Management, South Australia Water, the Economic Development Board of South Australia and Westpac Banking Corporation. Ms Hewson is Chair of the Human Resources Committee and a member of the Sustainability Committee and was Chair of the Risk Committee until 1 October 2014.

Former Directorships of listed entities in last three years
None.

Barry Neil

BE (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over forty years' experience in property, both in Australia and overseas. He is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited, a Director of 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 Chair of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Audit and Sustainability Committees.

Former Directorships of listed entities in last three years
None.

Stephen Newton

BA (Ec and Acc), M.Com, MICAA, MAICD (Non-Executive)

Mr Newton was appointed to the Board on 20 June 2016. Mr Newton is currently a Director of BAI Communications Group, Gateway Lifestyle Residential Parks Group and Viva Energy REIT Group. He is also an Advisory Board Member, representing Alberta Investment Management Corp (Canada), of the Forestry Investment Trust, and Chairman of the Finance Council for the Catholic Archdiocese of Sydney. He is a former Director of Campus Living Funds Management Limited, Australand Property Group, University of Notre Dame Australia and Newcastle Airport Limited.

Mr Newton has extensive experience across real estate investment, development and management and infrastructure investment and management. He is a Principal of Arcadia Funds Management Limited, a real estate investment management and capital advisory business he established in 2002. Prior to this, Mr Newton was the Chief Executive Officer - Asia/Pacific for the real estate investment management arm of Lend Lease Corporation and a member of the global senior executive management group. His career at Lend Lease spanning almost 23 years included experience across residential development, retail shopping centres, and commercial and industrial property as well as real estate investment in Australia and overseas.

Mr Newton is a Member of the Institute of Chartered Accountants in Australia. Mr Newton is the Chair of the Stockland Audit Committee and a member of the Stockland Risk and Sustainability Committees.

Former Directorships of listed entities in last three years
Mr Newton was a Director of Australand Property Group from December 2007 to October 2014.

Nora Scheinkestel

LLB(Hons), PhD, FAICD (Non-Executive)

Dr Scheinkestel was appointed to the Board on 19 August 2015. She is an experienced company director, having served for over 20 years as a non-executive chairman and director of companies in a wide range of industry sectors and in the public, government and private spheres. She is currently Chairman of Macquarie Atlas Roads Limited (appointed 28 August 2014) as well as a Director of its stapled entity, Macquarie Atlas Roads International Limited (appointed 17 April 2015) and of Telstra Corporation Limited (appointed 12 August 2010), Ausnet Services Limited and the Victorian Arts Centre Trust. Dr Scheinkestel is also an Associate Professor at the Melbourne Business School (MBS) at Melbourne University and a former member of the Takeovers Panel.

Dr Scheinkestel's executive background is as a senior banking executive in international and project financing. She previously held positions with CRA Ltd, Macquarie Bank, Chase AMP and Deutsche Bank, where, as head of the Project Finance Unit, she was responsible for the development and financing of major projects in Australasia and South East Asia. She is a published author of Rethinking Project Finance – Allocating and Mitigating Risk in Australasian Projects.

In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership. Dr Scheinkestel is Chair of the Risk Committee and a member of the Stockland Audit and Sustainability Committees.

Former Directorships of listed entities in last three years
Dr Scheinkestel was a Director of Orica Limited from August 2006 to December 2015 and Insurance Australia Group Limited from 1 July 2013 to 16 September 2014.

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. Ms Schwartz is a Director of the Reserve Bank of Australia and is on the Board of a number of organisations including Qualitas Property Partners and the Australian Chamber Orchestra. Her other appointments include Chair of Our Community and Creative Partnerships Australia, and Chair of Women's Leadership Institute Australia. Ms Schwartz is also the former Chair of Temple and Webster. Ms Schwartz serves on the Risk, Human Resources and Sustainability Committees.

Former Directorships of listed entities in last three years
Ms Schwartz was Chair of Temple and Webster from 10 December 2015 to 25 October 2016.

Mark Steinert

BAppSc, G Dip App Fin & Inv (Sec Inst), F Fin, AAPI (Managing Director)

Mr Steinert was appointed Managing Director and Chief Executive Officer of Stockland on 29 January 2013. Mr Steinert was also appointed to the Board on 29 January 2013. Mr Steinert has over twenty-six years of experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and ten years in listed real estate with UBS. Mr Steinert was appointed as Head of Australasian Equities at UBS in 2004 and as Global Head of Research in New York in late 2005. In 2012 he was appointed as Global Head of Product Development and Management for Global Asset Management at UBS, a $559 billion Global Fund Manager. Mr Steinert is a member of the Stockland Sustainability Committee and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds. He is the immediate past President and current Director of the Property Council of Australia, and also served as a Director of the Green Building Council of Australia until 30 June 2016.

Former Directorships of listed entities in last three years
None.

Andrew Stevens

BComm, MComm, FCA, MAICD (Non-Executive)

Andrew Stevens was appointed to the Board on 1 July 2017.*

Mr Stevens is currently a Non-Executive Director of MYOB Group Limited and Thorn Group Limited. He is also Chairman of Advanced Manufacturing Growth Centre Limited (AMGC), Director of Committee for Economic Development Australia (CEDA), and a Board Member of the Greater Western Sydney Giants.

Mr Stevens has some 30 years' experience in business and technology, most notably holding senior leadership roles at IBM for 12 years. As the Managing Director, Australia and New Zealand at IBM from 2011 to 2014, Mr Stevens led the transformation of the business to become a leader in cloud-based computing, helping blue chip clients to derive business benefits from new and emerging technologies. Prior to this, Mr Stevens was the COO of PwC Consulting in Asia Pacific.

Mr Stevens is also a member of the Advisory Board of the Australian School of Business at the University of New South Wales, a Member of the Professional Conduct Oversight Committee of Chartered Accountants Australia and New Zealand, a Member of the Chief of Defence's Gender Equity Advisory Board and a Member of the Male Champions of Change

Mr Stevens is a Fellow of the Institute of Chartered Accountants and Member of the Australian Institute of Chartered Accountants. Mr Stevens is a member of the Stockland Audit and Sustainability Committees.

Former Directorships of listed entities in last three years
None.

**As required by the Stockland Constitution, Mr Stevens will offer himself for election by securityholders at the 2017 Annual General Meeting to be held in October.*

Former Directors

Graham Bradley

BA, LLB (Hons 1), LLM, FAICD
Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and retired from the Board on 26 October 2016. Mr Bradley was Non-Executive Chairman from 25 October 2005 to 26 October 2016. He is Non-Executive Chairman of HSBC Bank Australia Limited (appointed December 2004), Virgin Australia International Holdings Limited (appointed March 2012) and Energy Australia Holdings Limited (appointed June 2012). He is a Non-Executive Director of GI Dynamics Inc. (appointed June 2011), the Hongkong and Shanghai Banking Corporation Limited (appointed November 2012) and is a Non-Executive Chairman of GrainCorp Limited (appointed as Chairman in May 2017 and as a Director in March 2017) and is Chairman of Infrastructure NSW (appointed July 2013). He was formerly Chairman of the Film Finance Corporation of Australia Limited (January 2004 to June 2010) and a Director of MBF Australia Limited (November 2003 to November 2007), and Singapore Telecommunications Limited (May 2004 to July 2011). Prior to his resignation, Mr Bradley chaired the Sustainability Committee, and was a member of the Human Resources Committee. Mr Bradley continues to chair the Stockland CARE Foundation.

Former Directorships of listed entities in last three years
Mr Bradley was Chairman of Po Valley Energy Limited from September 2004 to April 2016.

Peter Scott

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

Mr Scott was appointed to the Board on 9 August 2005 and retired from the Board on 17 August 2016. Mr Scott is a Director of O'Connell Street Associates Pty Limited (appointed May 2008) and Transurban Group (appointed 1 March 2016). He is also Chairman of Igniting Change, a not-for-profit making organisation (appointed 11 October 2005). He was Chairman of Perpetual Limited from July 2005 to May 2017, Chairman of Perpetual Equity Investment Company Limited from December 2014 to June 2017, Chairman of Sinclair Knight Mertz Holdings from October 2007 to December 2013, and 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. Prior to his resignation, Mr Scott was Chair of the Risk Committee and a member of the Sustainability Committee. He also served as Chair of the Human Resources Committee until October 2014.

Former Directorships of listed entities in last three years
Mr Scott was a Director of Perpetual Limited from July 2005 to May 2017 and Perpetual Equity Investment Company Limited from August 2014 to June 2017.

External Independent Committee Members and Independent Directors of Stockland

Anthony Sherlock

BEc, FCA, MAICD

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 Invigor Group Limited, Equatorial Mining Limited, Kerrygold 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 Committee. Mr Sherlock was also a member of the Stockland and the Stockland Capital Partners Financial Services Compliance Committees prior to the incorporation of these committees into the Audit Committee and Stockland Capital Partners Audit Committee respectively.

Company Secretary

Katherine Grace

BA (Hons), LLB (Hons 1st Class), MPP, MAICD (Company Secretary)

Ms Grace was appointed as General Counsel and Company Secretary in August 2014. Ms Grace has over 15 years' experience specialising in the property sector. Before joining Stockland, Ms Grace was General Counsel and Company Secretary for Westfield Retail Trust. She has extensive experience in corporate, property, debt and capital market transactions. Prior to Westfield Retail Trust, Ms Grace was General Counsel at Valad Property Group. She has previously held positions in legal private practice (where she acted for a variety of corporations and financial institutions in relation to landmark developments across Australia and overseas) and at Multiplex Limited and Pacific Capital Partners.

Ms Grace reports directly to the Managing Director and also has accountability directly to the Board of Directors, through the Chairman, on all matters regarding the proper functioning of the Board.

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		Human Resources Committee		Sustainability Committee		Risk Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Director										
Ms C Hewson	12	12	–	–	4	4	2	2	–	–
Mr B Neil	12	12	7	7	–	–	2	2	–	–
Mr S Newton	12	12	5	5	–	–	2	2	3	3
Mr T Pockett	11	12	2	2	2	2	2	2	1	1
Ms N Scheinkestel	11	12	7	7	–	–	2	2	4	4
Ms C Schwartz	10	12	–	–	4	4	1	2	4	4
Mr M Steinert	12	12	–	–	–	–	2	2	–	–
Former Director										
Mr G Bradley[1]	4	4	–	–	2	2	–	–	–	–
Mr P Scott[2]	2	2	–	–	–	–	–	–	1	1

A – Meetings attended / **B** – Meetings eligible to attend
1 Retired from the Board on 26 October 2016
2 Retired from the Board on 17 August 2016

Stockland Capital Partners

	Scheduled Board		Audit Committee	
	A	**B**	**A**	**B**
Director				
Mr B Neil	4	4	–	–
Mr T Pockett	–	–	1	1
Mr S Newton	–	–	3	3
Mr A Sherlock	4	4	4	4
Mr M Steinert	4	4	–	–

A – Meetings attended / **B** – Meetings eligible to attend

Directors' Report

Year ended 30 June 2017

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 as summarised in the table at the end of this corporate governance statement.

Role of the Board

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

- 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;
- oversees the development and implementation of Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems, financial reporting and fosters high ethical standards throughout Stockland;
- 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;
- sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his or her direct reports and reviews Senior Executive and Board succession planning and Board performance;
- approves and monitors the annual budget, business plans, financial statements, financial policies and financial reporting and major capital expenditure, acquisitions and divestitures;
- determines and adopts dividend and distribution policies for Stockland;
- oversees compliance with laws and regulations which apply to Stockland and its businesses; and
- appoints and monitors the independence of Stockland's external auditors.

The Board has delegated certain responsibilities to standing Committees which operate in accordance with the Charters approved by the Board. The majority of members of each Committee of the Board are required to be independent Non-Executive Directors. All Non-Executive Directors may attend any meeting of a Committee. The Board and Committees may meet with external advisors with, or in the absence of management.

The Board has delegated the day to day management of the business of Stockland to management through the Managing Director and Chief Financial Officer subject to authority limits applicable to the Senior Executives. The Board has, however, reserved certain matters for the Board of a strategic, sensitive or extraordinary nature or which exceeds the thresholds set in the delegation of authorities framework to management pursuant to which it has control.

The Company Secretary is directly accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

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. Further information in relation to communication with Stockland's securityholders is located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

Stockland's Directors, Senior Executives and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct (the 'Code') is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. Further information in relation to the Code is located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

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:

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

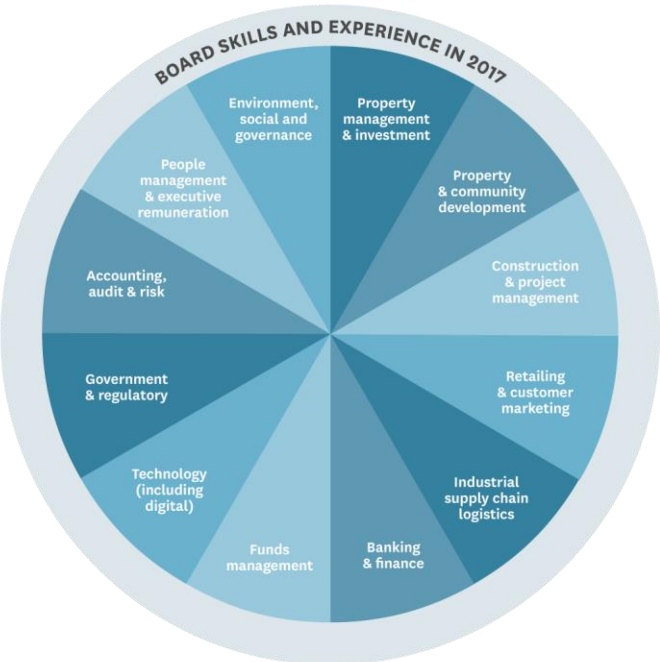
Composition and diversity of the Board

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 deliver long term sustainable profitable returns to securityholders.

As 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 18 to 22, including details of their other listed company Directorships and experience.

The Board 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 Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively. These include experience with property investment and management, property and community development, construction and project management, retailing and consumer marketing, technology (including digital), industrial supply chain logistics, funds management, banking and finance, government and regulatory relations and environmental, social and governance matters. It is also advantageous for some Board members to have experience in the audit and risk management field, capital management, mergers and acquisitions, people management and executive remuneration. The Board believes that the core skills of importance to Stockland are well represented among the current Directors. In addition, most Directors have occupied senior executive management positions in large corporations both in Australia and globally, including CEO and CFO positions, covering a wide range of industry sectors or have held senior positions in relevant finance and accounting disciplines.

Board skills and experience in 2017



The Board also believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among Directors. As at 30 June 2017, of the seven Directors, including the Managing Director, four had tenure of less than six years, two had tenure of between six and nine years and one had served for more than nine years. In August 2016 and October 2016, Mr Peter Scott and Mr Graham Bradley retired from the Board respectively and Mr Andrew Stevens was appointed to the Board on 1 July 2017. These changes reflect the ongoing succession planning and renewal programme for the Board.

In defining the Board's requirements for new Directors, consideration is given to the skills, professional experience, and educational backgrounds of continuing members of the Board, the organisation's strategy and any identified skills required to supplement the Board's capabilities as the organisation's strategy evolves. Criteria used includes the value of gender diversity on the Board.

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. Directors coming up for re-election are also reviewed by the Human Resources Committee and, in the Director's 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.

Stockland has for many years had a focus on actively encouraging gender diversity at all levels within the organisation and a culture that supports workplace diversity and inclusion. As part of this focus, gender diversity targets are set by management and regularly reviewed and endorsed by the Human Resources Committee. In 2013, we reached our original 2017 target for women in our management levels of 40% and we have now revised this target to 50% by 2020. We also set annual progress targets for both Women in Management (47.3% for FY18) and Women in Senior Management (39% for FY18). The latter group is approximately 11% of all employees.

In addition, we have a formal Diversity and Inclusion Policy which is available on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance. Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in the 2017 Remuneration Report on pages 41 to 42 within the Directors' Report as well as on the Stockland website at https://www.stockland.com.au/about-stockland/sustainability.

Board Independence

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 will 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.

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

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

In this context, the Board considers that any Director-related business relationship that is or is likely in the future to be more than 10% of the Director-related business's revenue to be material. All Directors are expected to act in the best interests of Stockland at all times.

Having considered carefully the above criteria, the Board has determined that all of Stockland's Non-Executive Directors are independent Directors for the 2017 financial year.

In making this determination, the Board considered the transactions between Stockland and entities with which Stockland Directors are associated as Directors or advisors. 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.

Board meetings

The Board currently holds 9 scheduled meetings each financial year. Additional meetings are convened as required. During the 2017 financial year, the Board held 12 formal meetings and a considerable number of additional unscheduled informal briefings and discussions.

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.

Board and Director performance

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

On a regular basis an external review is also conducted. An external consultant was engaged to facilitate a review of Board performance in 2015 and it is intended that a new external review be conducted in 2017. As part of the external 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 Company has adopted a process requiring each Committee Chairman to lead a discussion on a regular basis on their Committee's performance and effectiveness.

Director remuneration and securities ownership

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

To underpin the alignment of Directors and securityholder interests, the Board believes that Directors should hold a meaningful number of Stockland securities. In August 2015 the Board revised its existing policy to increase the minimum number of securities each Non-Executive Director is required to acquire from 10,000 to 40,000 securities within a reasonable time of becoming a Director. The increased minimum roughly equates to one year's base Board fees. All new directors will have a period of three years to comply with this policy and any existing directors as at August 2015 that hold less than 40,000 securities will have until 30 June 2018 to comply. Stockland also has a policy regarding the 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.

Board Committees

Four permanent 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) Risk Committee; and

(4) Sustainability Committee.

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 and the Sustainability Committee is chaired by an independent Director and has a majority of independent Directors.

The Board reviews the composition of each Committee periodically, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, and to ensure Committee members have skills appropriate to their roles. Each Committee has its own written charter which it reviews annually 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 membership and the procedures for the Committee meetings are set out in the charters for each Board Committee located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

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.

A copy of the charter for the Human Resources Committee is located at the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance. The Human Resources Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Human Resources 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 37 to 51 for further information.

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

(1) Ms C Hewson (Chair) – Non-Executive Director
(2) Ms C Schwartz – Non-Executive Director
(3) Mr T Pockett – Non-Executive Director (appointed in October 2016)
(4) Mr G Bradley – Non-Executive Director (retired in October 2016)

The Human Resources Committee meets as frequently as required and held 4 meetings during the 2017 financial year.

Audit Committee

The Board has delegated oversight for the preparation of Stockland's Financial Reports and the maintenance of a sound financial reporting control environment to the Audit Committee.

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

- the integrity of Stockland's Financial Reports and external audit;
- the appropriateness of Stockland's accounting policies and processes;
- the effectiveness of Stockland's financial reporting controls and procedures;
- the effectiveness of Stockland's internal control environment;
- compliance with its Australian Financial Services Licence and Compliance Plan; and
- compliance with relevant laws and regulations including any prudential supervision procedures.

The Audit Committee works in conjunction with the Sustainability Committee, Human Resources Committee and Risk Committee to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures.

A copy of the charter for the Audit Committee is located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

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.

In addition, Stockland has an internal audit function which also regularly reviews and independently assesses the effectiveness and efficiency of the control frame work, risk management framework and periodic reporting.

Audit Committee meetings are held at least quarterly and are attended by Stockland's external auditor and, where appropriate, by the Managing Director, the Chief Financial Officer and, as required, other Stockland Executives and external advisors. The Committee meets privately with the external auditor and internal auditor in the absence of management at least twice a year.

The Committee has at least three independent Non-Executive members with the majority being independent Directors. The Chairman of the Audit Committee will not also be the Chairman of the Board.

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

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

(1) Mr S Newton (Chair) – Non-Executive Director (appointed October 2016)

(2) Mr T Pockett – Non-Executive Director (Audit Committee Chair until appointment as Chair of the Board in October 2016)

(3) Mr B Neil – Non-Executive Director

(4) Dr N Scheinkestel – Non-Executive Director

(5) Mr A Stevens – Non-Executive Director (appointed July 2017)

The Audit Committee met 7 times during the 2017 financial year.

Tax Strategy – Our Approach to Tax

Stockland's tax strategy is to conduct all its tax affairs in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship.

Consistent with the Board approved low tax risk appetite, Stockland maintains a low tax risk profile to ensure we remain a sustainable business and an attractive investment proposition, in both the short and long term.

Tax Control and Governance Policy Framework

Stockland maintains a Tax Control and Governance Framework (TCGF), reviewed and approved by our Board Audit Committee, which outlines the principles governing Stockland's tax strategy and risk management policy.

Our Tax Control and Governance Framework is consistent with the guidelines published by the Australian Taxation Office (ATO) regarding tax risk management and governance processes for large business taxpayers.

We undertake periodic reviews of the TCGF to test the robustness of the design of the framework against ATO benchmarks and to demonstrate the operating effectiveness of internal controls to stakeholders.

The key principles of our TCGF are summarised as follows:

- A tax strategy that ensures all tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship;
- A balanced tax risk appetite which is consistent with the Board approved risk appetite, to ensure Stockland remains a sustainable business and a reputable and attractive investment proposition;
- A commitment to engage and maintain relationships with tax authorities which are open, transparent and co-operative, consistent with Stockland's Code of Conduct and Ethical Behaviour policy; and
- An operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low tax jurisdictions.

Voluntary Tax Transparency Code

As part of Stockland's commitment to tax transparency and demonstrating good corporate citizenship, Stockland has adopted the Australian Federal Government's Voluntary Tax Transparency Code (TTC), which provides a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information.

Tax Disclosures & Information

For information and detailed reconciliations of Stockland's tax expense, effective tax rate and deferred tax balances please refer to Section (B3) in the 2017 Financial Report.

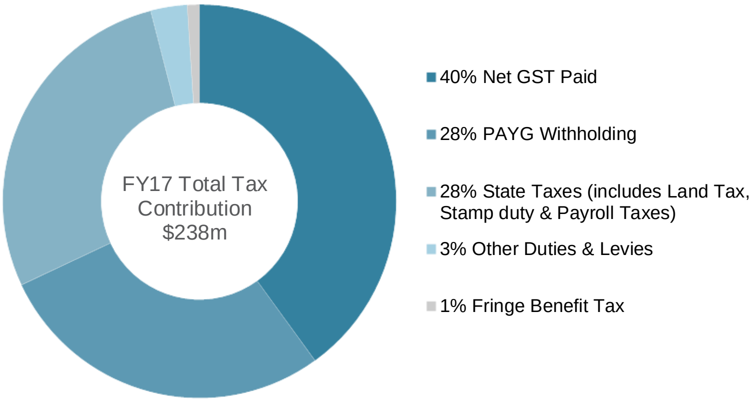
Tax Contribution Summary

As Australia's largest diversified property group, which owns, develops and manages commercial property assets, residential and retirement living communities, Stockland contributes to the Australia economy, through the various taxes levied at the federal, state and local government level.

For 2017 these taxes totalled approximately $2385m, and were either borne by Stockland as a cost of our business or collected and remitted as part of our broader contribution to the Australian tax system.

The chart below illustrates the types of taxes which contributed to the taxes paid and/or collected and remitted for the 2017 year:

Total Tax Contribution



Risk Committee

The Board as a whole is ultimately responsible for the sound management of risk and compliance across the organisation.

The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Risk 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 reviews Stockland's risk management framework on an annual basis including in the 2017 financial year to satisfy itself that it continues to be sound and any material changes are reviewed and resolved at Board level. Further information about risk management at Stockland is available at https://www.stockland.com.au/about-stockland/corporate-governance.

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

(1) Dr N Scheinkestel (Chair) – Non-Executive Director (Chair from August 2016)

(2) Ms C Schwartz – Non-Executive Director

(3) Mr S Newton – Non-Executive Director (appointed October 2016)

(4) Mr P Scott – Non-Executive Director (Chair until retirement in August 2016)

(5) Mr T Pockett – Non-Executive Director (Member until appointment as Chair of the Board in October 2016)

A copy of the charter for the Risk Committee is located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

The Risk Committee met 4 times during the 2017 financial year.

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 Sustainability Committee is to consider: 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.

A copy of the charter for the Sustainability Committee is located on the Stockland website under the heading Corporate Governance at https://www.stockland.com.au/about-stockland/corporate-governance.

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

With regard to environmental regulation, Stockland is committed to achieving high standards of environmental performance. The Sustainability Committee regularly considers 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 Sustainability Committee monitors environmental performance by setting objectives, monitoring progress against these objectives and identifying remedial action where required.

The Committee comprises the whole Board, and met 2 times during the 2017 financial year.

Stockland Capital Partners

Stockland Capital Partners ('Capital Partners') was established in 2005 to offer 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.

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has one external independent Non-Executive Director who is not a member of the Stockland Board. The independent Director 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 consent of the independent Director must be obtained as to any related party contract with Stockland.

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

(1) Mr B Neil (Chair) – Non-Executive Director
(2) Mr A Sherlock – External Independent Non-Executive Director
(3) Mr M Steinert – Managing Director

The SCPL Board met 4 times during the 2017 financial year.

The Stockland Capital Partners Audit Committee mirror the Audit Committee and the Risk Committee of Stockland but covers SCPL and the unlisted funds for which SCPL is the Responsible Entity or Manager. In addition, prior to its incorporation into the Stockland Capital Partners Audit Committee in February 2016, the Financial Services Compliance Committee oversaw the Compliance Plan approved by SCPL for Stockland Direct Retail Trust No. 1 ('SDRT No. 1'). Further information about these committees and SCPL generally is located on the Stockland website at https://www.stockland.com.au/investor-centre/unlisted-property-funds.

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 2017, in their opinion:

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 give a true and fair view of the Stockland's financial condition and operational results and comply with relevant Australian Accounting Standards and the Corporations Regulations 2001.

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 either directly or through delegation to Senior Executives; and
(4) the risk management and internal compliance and control systems, based on the risk management model adopted by the Board, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2017, 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.

Corporate Governance Principles and Recommendations

	ASX Principles and Recommendations	Recommendation Followed	Reference
Principle 1: Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Financial Report p. 24, and Board Charter at https://www.stockland.com.au/about-stockland/corporate-governance
1.2	A listed entity should:		
	a) undertake appropriate checks before appointing a person, or putting forward to securityholders a candidate for election, as a director; and	Yes	Financial Report, p. 25 – 26, and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	See notice of annual general meeting and announcements to securityholders as required from time to time
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Financial Report p. 24 and Board Charter at https://www.stockland.com.au/about-stockland/corporate-governance
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	Yes	Financial Report, p. 25 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose that policy or a summary of it; and	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	Yes	Financial Report, p. 26 and 42, and at https://www.stockland.com.au/about-stockland/corporate-governance
	(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or	N/A	See 1.5(c)(2) below.
	(2) if the entity is a 'relevant employer' under the Workplace Gender Equality Act (WEGA), the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.	Yes	See WGEA Report at https://www.stockland.com.au/about-stockland/sustainability
1.6	A listed entity should:		
	a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	Financial Report p. 27
	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Financial Report p. 27
1.7	A listed entity should:		
	a) have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes	Remuneration report.
	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Remuneration report.

	ASX Principles and Recommendations	Recommendation Followed	Reference
Principle 2: Structure the Board to add value			
2.1	The board of a listed entity should:		
	a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report p. 28 and at https://www.stockland.com.au/about-stockland/corporate-governance Note that the Human Resources Committee carries out the role of the Nomination Committee, see details for this Committee in Section 8.1.
	b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Financial Report p. 25 – 26
2.3	A listed entity should disclose:		
	a) the names of the directors considered by the board to be independent directors;	Yes	Financial Report p. 18 – 22 and 26
	b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	N/A	N/A
	c) the length of service of each director.	Yes	Financial Report p. 18 – 22
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Financial Report p. 26 and Board Charter at https://www.stockland.com.au/about-stockland/corporate-governance
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Financial Report p. 26 and Board Charter at https://www.stockland.com.au/about-stockland/corporate-governance
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
Principle 3: Act ethically and responsibly			
3.1	A listed entity should:		
	a) have a code of conduct for its directors, senior executives and employees; and	Yes	Financial Report p. 24 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose that code or a summary of it.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance

ASX Principles and Recommendations	Recommendation Followed	Reference
Principle 4: Safeguard integrity in corporate reporting		
4.1 The board of a listed entity should:		
a) have an audit committee which:		
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	Yes	Financial Report p. 28 – 29
(2) is chaired by an independent director, who is not the chair of the board,	Yes	Financial Report p. 28 – 29
and disclose:		
(3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
(4) the relevant qualifications and experience of the members of the committee; and	Yes	Financial Report p. 18 – 22 and 28 – 29
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report p. 23 and 29
b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	N/A
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Financial Report p. 31
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from securityholders relevant to the audit.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
Principle 5: Make timely and balanced disclosure		
5.1 A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
Principle 6: Respect the rights of securityholders		
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of securityholders.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.4 A listed entity should give securityholders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance

ASX Principles and Recommendations		Recommendation Followed	Reference
Principle 7: Recognise and manage risk			
7.1	The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and	Yes	Financial Report, p. 30
	(2) is chaired by an independent director,	Yes	Financial Report. p. 30
	and disclose: (3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	(4) the members of the committee; and	Yes	Financial Report. p. 30
	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report. p. 23 and 30
	b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A	N/A
7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	Financial Report. p. 30 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Financial Report. p. 30
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or	Yes	Financial Report. p. 30 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	N/A	N/A
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Operating and Financial Review and at https://www.stockland.com.au/about-stockland/sustainability
Principle 8: Remunerate fairly and responsibly			
8.1	The board of a listed entity should: a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and	Yes	Financial Report. p. 28
	(2) is chaired by an independent director,	Yes	Financial Report. p. 28
	and disclose: (3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	(4) the members of the committee; and	Yes	Financial Report. p. 28
	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report. p. 23 and 28
	b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	N/A	N/A

ASX Principles and Recommendations		Recommendation Followed	Reference
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	Remuneration Report
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes	Remuneration Report and at https://www.stockland.com.au/about-stockland/corporate-governance

Remuneration Report – Audited

The Board is pleased to present this Remuneration Report for Stockland for the year ended 30 June 2017 (FY17), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the Corporations Act 2001. The Remuneration Report covers Stockland and the Trust.

1. Overview

At Stockland, the Human Resources Committee is responsible for recommending Senior Executive remuneration policies to the Board for its approval and is charged with reviewing Stockland's remuneration policies each year to ensure that they remain fair and competitive when compared to those of companies of similar size, business mix and complexity in the property industry in Australia.

In FY17 there was no change to the Fixed Pay for the Managing Director and CEO. There were certain changes to Stockland's Remuneration Framework that were announced last year, effective for this year, which are set out in section 2.3. During the year, two of our nine Senior Executives were awarded modest increases in their fixed pay to reflect increased scope of responsibilities and market relativities.

Following the continued strong financial and operational performance delivered by the executive team in FY17 as reflected in the Corporate Balanced Scorecard set out in section 3.3 of this Report as well as the higher maximum STI opportunity outlined in section 2.3, the aggregate Short Term Incentive (STI) awarded to our Senior Executives was higher than in the previous year. Under our remuneration policies, the greater part of the increased STI awards was made in the form of Stockland securities with deferred vesting. A portion of the Long Term Incentives (LTI) awards available to our Senior Executives vested as relevant Earnings Per Share (EPS) hurdles were achieved in the three years to 30 June 2017.

1.1 Key Messages

(a) Financial Highlights for FY17

Stockland again delivered strong financial and organisational performance with reported FFO of $802 million for the full year to 30 June 2017 and FFO per security of 33.4 cps, an increase of 7.4% on the prior financial year. Total Shareholder Return (TSR) for the year to 30 June 2017 was 7.1% and for the three years to 30 June 2017 was 40.0%.

(b) Fixed Pay

In FY17, there was no increase in the Fixed Pay for the Managing Director as the current level of Fixed Pay remains appropriate. The Managing Director's Fixed Pay has remained unchanged for the prior three years. The Fixed Pay for two Senior Executives was increased to reflect their increased scope of responsibilities and market relativities. The average increase in Fixed Pay for the Senior Executives was less than 2%. Our considered approach to remuneration will continue in FY18 with no changes planned for the Fixed Pay of the Managing Director or the majority of our Senior Executives.

(c) Annual STI

Reflecting Stockland's strong business, financial and organisational performance, as measured against our Corporate Balanced Scoreboard, above target STIs were awarded to the Managing Director and Senior Executives this year. These awards are set out in section 3.3. In line with our remuneration framework, any STI awarded above target takes the form of Stockland securities which vest in future years, subject to continued service by those executives and to Stockland's clawback policy.

(d) LTI Vesting for the year

Over the three years to 30 June 2017, Stockland delivered a Compound Average Growth in underlying EPS of 6.5%. This was above the maximum vesting target of 6.25% set in FY15. Accordingly all of the EPS component of the FY15 LTI has vested. Stockland delivered a TSR over the three year performance period of 40.0% which, while a strong return, was nevertheless below the performance benchmark (the ASX AREIT 200 index excluding Stockland) of 50.5% and accordingly none of the TSR component of the FY15 LTI has vested. These combined outcomes resulted in the vesting of 50% of FY15 LTI awards.

2. Remuneration Framework

Stockland is committed to an executive remuneration framework that supports Stockland's objectives to deliver growth in EPS and total risk-adjusted securityholder returns above the average Australian Real Estate Investment Trust index, to create quality property assets and to deliver value for our customers.

2.1 Framework

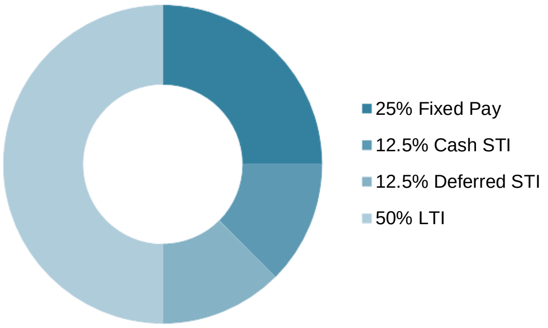
Stockland's remuneration policies are framed around several key principles, including:

- Fixed Pay should be fair, competitive and regularly benchmarked against market practice;
- A significant portion of executive remuneration should be 'at risk'; that is awarded only if clear performance criteria set in advance are achieved;
- 'At risk' or variable pay should be aligned to securityholder interests;
- Variable pay as a portion of total remuneration should be higher for more Senior Executives;
- Short term incentives must be affordable and funded from annual earnings;
- STI awards should be based on a mix of individual and company performance measures that reflect progress against a Balanced Scorecard;
- A portion of performance-based pay for Executives should be awarded as Stockland securities with deferred vesting;
- Vesting of LTI should be dependent on achievement of long-term goals;
- LTI should not only help motivate and retain key Executives but also build a sense of ownership of business performance that benefits all stakeholders;
- Remuneration policies and decisions must reflect prudent risk and capital management considerations; and
- Unvested equity awards should be forfeited if employees resign during the applicable vesting period and should be subject to a broadly framed clawback policy which give the Board discretion to adjust or forfeit these awards in certain circumstances.

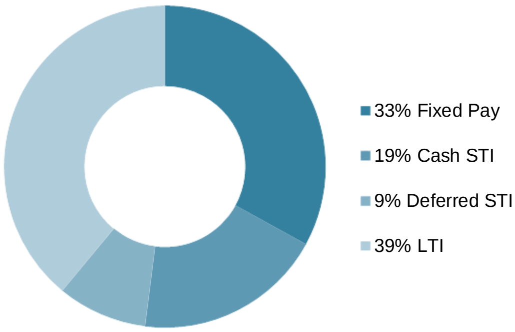
2.2 Remuneration mix

Stockland has not changed its remuneration mix in FY17 however the basis for determining the number of LTI performance rights granted has been updated. The number of LTI rights awarded is based on the Volume Weighted Average Price of Stockland securities for the ten working days post 30 June (face value methodology), this is consistent with the approach for determining number of Deferred STI awards. Previously the number of LTI rights awarded was based on the fair value at grant date. Variable pay (STI and LTI) is a key component of remuneration for our Senior Executives. Generally, Stockland's Senior Executives have a greater proportion of remuneration at risk than their counterparts in comparable companies.

Managing Director & CEO



Other Senior Executives



The table below provides a summary of Stockland's framework and how each component is determined.

Principles and Philosophy	Remuneration component	Measure	At Risk Weighting
Fixed Remuneration should be fair, competitive and regularly benchmarked to relevant market levels	**Fixed Pay (FP)** Salary and other benefits (including statutory superannuation)	External benchmarking based on surveys sourced from a number of organisations including EY, AON Hewitt and Mercer	
A significant portion of remuneration should be 'at risk' and fairly reward executives if pre-set objectives and hurdles are achieved and/or exceeded and Build a sense of business ownership and alignment which benefits all securityholders interests	**Short term Incentive (STI)** 50% awarded as cash for performance up to target for MD (two-thirds as cash for other Senior Executives) 50% awarded in deferred securities for performance up to target for Managing Director & CEO (one-third for Senior Executives) and 100% awarded as deferred securities for any performance above target Any deferred securities vest equally subject to continued service after 1 and 2 years	Depends on company and individual performance reflecting progress against a Balanced Scorecard of Key Performance Indicators (KPIs) based on • Business/Financial outcomes • Customer/Stakeholder and Sustainability performance • Leadership and People Management • Operational Excellence and Risk Management	**Target** 100% of FP (Managing Director & CEO) 80 – 90% of FP (Other Senior Executives) **Maximum** 150% of Target
	Long Term Incentive (LTI) Delivered as Performance Rights measured against performance hurdles over a three year performance period. Any rights then convert to deferred securities if performance hurdles are exceeded which vest equally subject to continued service after 3 and 4 years	**Earnings per security (EPS)** • Compound Average Growth Rate in Funds From Operations (FFO) (50% weighting) and **Total Shareholder Return (TSR)** • above a composite index reflecting AREIT 200 competitors, as described in section 2.3 with maximum vesting occurring if Stockland's TSR is 10% or more above this index (50% weighting)	Managing Director & CEO 200% of FP Other Senior Executives 120% of FP
	Minimum securityholding requirement	The Managing Director & CEO is required to maintain a minimum holding of Stockland securities equivalent to at least two times fixed pay (one times fixed pay for other Senior Executives) for any securities granted after 1 July 2010	

2.3 Enhancements to Remuneration Framework

As outlined in last year's remuneration report, following a review of the competitiveness of Stockland's Remuneration Framework relative to our property industry peers, the Board has made four changes which applied from FY17. These changes were as follows:

- To make our long-term incentive program simpler and more transparent, we awarded LTI grants based on the face value of Stockland's securities at the time of grant, rather than the fair value methodology which we had used for the past 10 years. The new methodology will not increase the monetary value of long-term incentives that can be earned by our Senior Executives if relevant hurdles are achieved compared to the previous fair value approach.

  To make our long-term incentive plan more reflective of Stockland's performance compared with our major competitors we measure our relative TSR performance against a tailored index rather than the ASX AREIT 200 Index excluding Stockland as follows:

AREIT 200 Large Caps equally weighted and forms 80% of the index		
DXS	DEXUS PROPERTY GROUP	13.33%
GMG	GOODMAN GROUP	13.33%
GPT	GPT GROUP	13.33%
MGR	MIRVAC GROUP	13.33%
SCG	SCENTRE GROUP	13.33%
VCX	VICINITY CENTRES	13.33%
AREIT 200 Smaller Caps equally weighted and forms 20% of the index		
ABP	ABACUS PROPERTY GROUP	2.22%
BWP	BWP TRUST	2.22%
CHC	CHARTER HALL GROUP	2.22%
CQR	CHARTER HALL RETAIL REIT	2.22%
CMW	CROMWELL PROPERTY GROUP	2.22%
GOZ	GROWTHPOINT PROPERTIES AUSTRALIA	2.22%
IOF	INVESTA OFFICE FUND	2.22%
NSR	NATIONAL STORAGE REIT	2.22%
SCP	SHOPPING CENTRES AUSTRALASIA PROPERTY GROUP	2.22%

- Consistent with the focus on Funds From Operations (FFO) as our key financial measure, the Earnings Per Security component on the LTI awards from FY17 will be based on Growth in FFO per security. LTI awards made before FY17 will remain based on Underlying Profit.
- Based on benchmarking with our peers, and to further weight short term remuneration towards "at risk" compensation, we increased the potential maximum STI opportunity which our Senior Executives may earn, subject to their performance against the Corporate Balanced Scorecard and their individual annual objectives, from 125% of Target to 150% of Target. Increasing this short-term incentive brings our remuneration policy into line with most of our industry peers, and is in line with our philosophy of restraining the growth of Fixed Pay in favour of increased "at risk" incentive opportunity for our Executives. There is no change to the existing potential STI at Target for any of our executives.

3. Remuneration Outcomes

3.1 Financial performance over the past 5 years

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

	FY13	FY14	FY15	FY16	FY17
Underlying Profit[1] ($M)	495	555	608	660	**696**
FFO[2] ($M)	472	573	657	740	**802**
Statutory profit ($M)	105	527	903	889	**1,195**
Security price as at 30 June[3] ($)	3.48	3.88	4.10	4.71	**4.38**
Distributions/Dividends per security (cents)	24.0	24.0	24.0	24.5	**25.5**
Underlying EPS (cents)	22.4	24.0	25.9	27.8	**29.0**
FFO per security (cents)	21.3	24.8	28.0	31.1	**33.4**
Statutory EPS (cents)	4.7	22.8	38.5	37.4	**49.8**
Stockland TSR – 1 year (%)	17.5	20.5	12.3	16.4	**7.1**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	24.8	11.3	24.2	21.1	**(6.7)**

1 Underlying Profit was the performance measure used in determining the EPS component of LTI remuneration for periods up to and including 30 June 2016. Performance against this benchmark is set out in section 3.4.
2 FFO replaced underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit is provided on page 11 of the Operating and Financial Review.
3 FY12 closing security price was $3.08.

3.2 Fixed Pay

Fixed Pay includes salary, superannuation and other employee benefits. Annual reviews of Fixed Pay take into account each individual's skills and experience relevant to their roles, internal and external benchmarks and the importance of a considered approach to pay. Our policy is to review Senior Executives' Fixed Pay each year against independently provided external data sources and market benchmarks from a group of ASX50 companies and larger property firms, ensuring that our Fixed Pay remains competitive with companies of comparable size and complexity in our industry.

For the 2017 financial year, Fixed Pay did not increase for our Managing Director and CEO or for the majority of our Senior Executives. The average increase across all Key Management Personnel (KMP) in FY17 was less than 2%.

3.3 STI

STI rewards the annual progress towards long-term objectives. All permanent employees employed at 30 June of the applicable financial year and who have greater than 3 months service are eligible to be considered for a STI award.

(a) STI pool

STI awards are dependent on Group, business unit and individual performance measures based on a Balanced Scorecard approach which the Board uses to set financial and non-financial Key Performance Indicators (KPIs) that are aligned to overall business strategy and priorities. The Corporate Balanced Scorecard is used by the Board to determine the size of the overall STI pool.

The Board's assessment of performance against the Corporate Balanced Scorecard in FY17 is provided in the following table.

Corporate Balanced Scorecard

KPI	Commentary	Overall Rating
Business and Financial Performance (75%)		
Group performance • Funds from Operations per security (FFOps) guidance of 6% to 7%; and • Return on Equity[1] (ROE) of 10%.	• FFOps growth was 7.4% to 33.4 cps. • ROE was 11.4%.	Above Target
Business Performance • Operating Business performance in line with plan;	Business unit profitability was up on FY16: • Commercial Property FFO of $608 million was up on FY16 and in line with plan. • Residential Operating Profit of $270 million was well up on FY16 and above plan. • Retirement Living profit of $63 million was up on FY16 and in line plan.	Above or On Target

KPI	Commentary	Overall Rating
• Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile • Credit Rating Maintain A- rating • Debt Maturity profile >5 years • Liquidity Buffer 10% above committed and undrawn facilities • Gearing within range 20 – 30%	• Average Debt Maturity was over 5 years and Credit Rating maintained, liquidity buffer increased with gearing and interest cover all within guidelines	On or Above Target
• Deliver against Key Business Priorities	• Good progress against our strategic priorities being; Grow asset returns and our customer base, Operational excellence and Capital strength	On or Above Target
Customer, Stakeholder and Sustainability Performance		
• Achieve independent customer satisfaction ratings goals for each business unit.	• The customer satisfaction scores were above target for Retirement Living but below target for Commercial and Residential	At Target
• Embed sustainable business practices across Stockland and make good progress towards environment improvement goals	• The Leading Global Real Estate firm in DJSI Sustainability Survey. Continued progress across our GHG measures and other sustainability targets	On or Above Target
Organisational Performance (25%)		
People Management		
• Maintain employee-initiated turnover (employees rated good and above) to 12.0% or less	• Turnover was 10.6%;	Above Target
• Achieve employee engagement target – 80%	• Employee engagement score of 82%;	Above Target
• Maintain women as percentage of total management at 45.2% or better • Increase women as percentage of total senior management to 36.0% or better • Increase female General Managers to 33% or better	• Women in management was 45.9% • Women in senior management was 37.3% • 34.6% of General Managers were females	Above Target
• Progress longer term diversity and inclusiveness objectives	• Good progress made including again being recognised as a WGEA Employer of Choice for Gender Equality for third consecutive year	On Target
Operational Excellence & Risk Management		
• Continued Process Improvement and enhanced innovation	• Good progress with implementation of key systems as part of Core Systems Program	On Target
• Embed strong risk compliance and safety management practices	• Excellent safety record with no major preventable injuries with continued embedding of the risk and compliance framework	On Target

1 Excluding Residential workout projects. ROE was 10.1% including these projects.

The approved STI pool for all employees in FY17 was $37.9 million of which $9.4 million (or 25% of the pool) was awarded in Stockland securities with deferred vesting and is subject to the risk of forfeiture until vesting dates at the end of FY18 and FY19.

Details of the FY17 and previous years' STI pools for all employees are provided below. The approved total STI pool includes Cash STI awards as well as Deferred STI awards that are subject to vesting in future years and to service conditions being met.

$ millions	FY13	FY14	FY15	FY16	FY17
Underlying profit	495	555	608	660	**696**
Funds from Operations	472	573	657	740	**802**
Cash STI[1]	17.9	21.4	24.0	28.1	**28.4**
DSTI[2]	3.6	6.0	9.0	8.9	**9.5**
Total STI pool	21.5	27.4	33.0	37.0	**37.9**

1 Includes applicable superannuation.

(b) STI outcomes – Managing Director and CEO and other Senior Executives

The table below sets out the STI awards for FY17. STI incentives are awarded in both cash and Stockland securities with deferred vesting. For amounts up to the Target STI awarded, the Managing Director and CEO receives one-half of STI in cash and one-half in deferred securities and Senior Executives receive two-thirds of STI in cash and one-third in deferred securities. Any STI above target is awarded as securities with deferred vesting. Half of the deferred STI securities vest 12 months after award with the remaining half vesting 24 months after award, provided employment continues to the applicable vesting date.

	Target STI (as % of Fixed Pay)	Maximum STI (as % of Fixed Pay)	STI awarded (as % of Maximum STI)	STI paid in cash[1]		STI deferred into equity[2]		DSTIs granted[3]
	%	%	%	$	%	$	%	
Managing Director								
Mark Steinert	100	150	88	750,000	38	1,230,000	62	287,888
Senior Executives								
Stephen Bull	90	135	83	420,000	53	368,000	47	86,133
Katherine Grace	80	120	83	293,333	54	252,667	46	59,138
Tiernan O'Rourke	80	120	81	466,667	55	380,333	45	89,019
Darren Rehn	90	135	89	450,000	50	448,000	50	104,857
Michael Rosmarin	80	120	86	320,000	52	299,000	48	69,983
John Schroder	90	135	76	630,000	58	447,000	42	104,623
Simon Shakesheff	80	120	85	320,000	52	294,000	48	68,813
Andrew Whitson	90	135	93	450,000	48	488,000	52	114,219

1 The portion of STI awarded for the FY17 performance year which is paid as cash.
2 The portion of STI awarded for FY17 performance that is deferred into Stockland securities which will vest over the next two years.
3 The number of securities granted for deferred STI is based on the Volume Weighted Average Price for the ten business days after 30 June 2017. This price was $4.2725.

3.4 LTI

Our LTI plan aims to align executive remuneration with securityholder returns and help retain our key talent. LTI awards are issued as performance rights granted under the Stockland Performance Rights Plan. Half of the LTI allocated to Senior Executives is linked to Stockland's performance against underlying EPS growth targets with the remaining half linked to a TSR performance hurdle.

The tables below show Stockland's performance against the respective underlying EPS and TSR performance hurdles for the three years to 30 June 2017.

Hurdle	Target/ benchmark performance	Actual performance	Out/(Under) performance	% Vested	Weight	Vesting outcome
Underlying EPS for FY15 – 17						
Compound Average Growth Rate EPS[1]	4.5%	6.5%	2.0%	100%	50%	50%
TSR for FY15 – 17						
Relative TSR FY15 – FY17[2]	50.5%	40.0%	(10.5%)	0%	50%	0%
Total Vesting						**50%**

1 Based on Underlying Profit
2 Benchmark based on ASX AREIT 200 Index excluding Stockland. For LTI awards made in FY17 and future years, the TSR performance benchmark will be the weighted index of AREIT 200 companies as outlined in section 2.3.

(a) LTI awarded for FY17

The performance rights that were awarded to the Managing Director and CEO and other Senior Executives under the Performance Rights Plan in FY17 are outlined in the table below. These awards are subject to a three year performance period (FY17 – FY19) with the awards measured against two performance hurdles: Relative TSR and FFO Growth.

As advised at the October 2016 AGM, the maximum vesting hurdle based on the Compound Annual Growth Rate for FFO for LTI awards granted during FY17 was 6.5% (37.5 cps) for the three years from 1 July 2016 to 30 June 2019, with the threshold or minimum vesting hurdle being 4.75% (35.8 cps).

	Vesting date[1]	LTIs Granted[2]	Fair Value of LTI[3]
Executive Director			$
Mark Steinert	30/06/2019	309,790	607,188
	30/06/2020	309,789	607,186
		619,579	**1,214,374**
Senior Executives			
Stephen Bull	30/06/2019	86,742	176,954
	30/06/2020	86,741	176,952
		173,483	**353,906**
Katherine Grace	30/06/2019	68,154	139,034
	30/06/2020	68,154	139,034
		136,308	**278,068**
Tiernan O'Rourke	30/06/2019	108,427	221,191
	30/06/2020	108,426	221,189
		216,853	**442,380**
Darren Rehn	30/06/2019	92,937	189,591
	30/06/2020	92,937	189,591
		185,874	**379,182**
Michael Rosmarin	30/06/2019	74,350	151,674
	30/06/2020	74,349	151,672
		148,699	**303,346**
John Schroder	30/06/2019	130,112	265,428
	30/06/2020	130,112	265,428
		260,224	**530,856**
Simon Shakesheff	30/06/2019	74,350	151,674
	30/06/2020	74,349	151,672
		148,699	**303,346**
Andrew Whitson	30/06/2019	92,937	189,591
	30/06/2020	92,937	189,591
		185,874	**379,182**

1 Vesting date refers to the date at which the performance and service conditions are met. The rights convert to securities subject to the three year performance period to 30 June 2019. Any rights which convert to securities then vest at the dates shown. The securities remain in holding lock until the 10th anniversary of the grant date except at Board discretion.
2 The number of rights granted is based on the Volume Weighted Average Price for the ten business days after 30 June 2016. The price was $4.842.
3 Fair value is determined 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 section (D7) of the financial statements.

3.5 Executive Remuneration for FY17

Executives received a mix of remuneration during FY17 including Fixed Pay, STI awarded as cash and deferred securities and LTI awarded as performance rights.

The table below outlines the cash remuneration that was received in relation to FY17 which includes Fixed Pay and the non-deferred portion of any FY17 STI. The table also includes the value of DSTI awards from FY15 and FY16 which vested during FY17 and LTI awards from FY15 which vested during FY17. This information differs from that provided in the remuneration for executives set out in section 3.5(b) which was calculated in accordance with statutory rules and applicable Accounting Standards.

(a) Executive remuneration (non-statutory presentation)

		Fixed pay[1] $	STI awarded and received as cash $	Total Cash payments in relation to financial year $	Previous years' DSTI which were realised[3] $	Previous years' LTI which were realised[3] $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert	**2017**	**1,500,000**	**750,000[2]**	**2,250,000**	**1,080,721**	**1,889,970**	**1,776,090**
Managing Director and CEO	2016	1,500,000	750,000[2]	2,250,000	1,177,557	1,077,413	2,154,825
Senior Executives							
Stephen Bull	**2017**	**700,000**	**420,000**	**1,120,000**	**307,708**	**491,655**	**462,090**
Group Executive and CEO, Retirement Living	2016	700,000	420,000	1,120,000	273,481	280,245	560,490
Katherine Grace	**2017**	**550,000**	**293,333**	**843,333**	**176,426**	**178,485**	**356,970**
General Counsel and Company Secretary	2016	500,000	266,667	766,667	93,743	–	–
Tiernan O'Rourke	**2017**	**875,000**	**466,667**	**1,341,667**	**323,700**	**643,860**	**604,440**
Chief Financial Officer	2016	850,000	453,333	1,303,333	295,845	367,380	734,760
Darren Rehn	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**499,320**	**499,320**
Group Executive and Chief Investment Officer	2016	750,000	450,000	1,200,000	560,777	268,470	536,940
Michael Rosmarin	**2017**	**600,000**	**320,000**	**920,000**	**214,235**	**454,425**	**427,050**
Chief Operating Officer	2016	600,000	320,000	920,000	226,673	259,050	518,100
John Schroder	**2017**	**1,050,000**	**630,000**	**1,680,000**	**430,664**	**794,970**	**746,790**
Group Executive and CEO, Commercial Property	2016	1,050,000	630,000	1,680,000	440,988	453,338	906,675
Simon Shakesheff	**2017**	**600,000**	**320,000**	**920,000**	**244,763**	**434,715**	**427,050**
Group Executive, Strategy and Stakeholder Relations	2016	600,000	320,000	920,000	303,795	237,855	475,710
Andrew Whitson	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**531,075**	**499,320**
Group Executive and CEO, Residential	2016	750,000	450,000	1,200,000	400,571	302,618	605,235

1 Fixed Pay includes salary, superannuation and salary sacrificed items.
2 For Mark Steinert this is 50% (two thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.
3 This represents the value of all prior years' deferred STI and LTI which vested during FY17 using the 30 June 2017 closing security price of $4.38.
4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY17 values are based on the closing 30 June 2017 security price of $4.38 (FY16: $4.71).

(b) Executive remuneration (statutory presentation)

		Short-term					Post-employment		Other long-term	Shared-based payments		Total	Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	Cash STI[3] $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	DSTI $	LTI $	Total $	(STI + LTI) Percent of Total %	(DSTI + LTI) Percent of Total %
Executive Director														
Mark Steinert	**2017**	**1,510,074**	**–**	**–**	**750,000**	**2,260,074**	**19,616**	**–**	**11,544**	**1,150,000**	**1,353,794**	**4,795,028**	**67.9**	**52.2**
Managing Director and CEO	2016	1,520,706	–	–	750,000	2,270,706	19,308	–	8,990	1,068,750	1,317,587	4,685,341	66.9	50.9
Senior Executives														
Stephen Bull	**2017**	**698,335**	**12,422**	–	**420,000**	**1,130,757**	**19,616**	**–**	**16,338**	**346,083**	**359,768**	**1,872,562**	**60.1**	**37.7**
Group Executive and CEO, Retirement Living	2016	653,474	12,326	–	420,000	1,085,800	19,308	–	31,811	295,111	314,291	1,746,321	58.9	34.9
Katherine Grace	**2017**	**541,711**	**–**	**–**	**293,333**	**835,044**	**19,616**	**–**	**2,307**	**215,099**	**239,505**	**1,311,571**	**57.0**	**34.7**
General Counsel & Company Secretary	2016	484,406	–	–	266,667	751,073	19,308	–	1,025	151,219	158,582	1,081,207	53.3	28.7
Tiernan O’Rourke	**2017**	**890,878**	**–**	**–**	**466,667**	**1,357,545**	**19,616**	**–**	**5,308**	**352,694**	**454,345**	**2,189,508**	**58.2**	**36.9**
Chief Financial officer	2016	801,940	–	–	453,333	1,255,273	19,308	–	3,440	306,660	401,004	1,985,685	58.5	35.6
Darren Rehn	**2017**	**737,040**	**–**	**–**	**450,000**	**1,187,040**	**19,616**	**–**	**5,772**	**403,625**	**381,511**	**1,997,564**	**61.8**	**39.3**
Group Executive and Chief Investment Officer	2016	733,579	–	–	450,000	1,183,579	19,308	–	4,793	308,958	229,836	1,746,474	56.6	30.9
Michael Rosmarin	**2017**	**580,477**	**12,422**	**–**	**320,000**	**912,899**	**19,616**	**–**	**10,045**	**251,917**	**318,161**	**1,512,638**	**58.8**	**37.7**
Chief Operating Officer	2016	563,958	12,326	–	320,000	896,284	19,308	–	5,752	210,667	283,048	1,415,059	57.5	34.9
John Schroder	**2017**	**1,012,438**	**8,217**	**–**	**630,000**	**1,650,655**	**19,616**	**–**	**24,508**	**439,750**	**556,660**	**2,691,189**	**60.4**	**37.0**
Group Executive and CEO, Commercial Property	2016	1,045,834	12,326	–	630,000	1,688,160	19,308	–	38,862	417,667	495,212	2,659,209	58.0	34.3
Simon Shakesheff	**2017**	**557,967**	**–**	**–**	**320,000**	**877,967**	**19,616**	**–**	**3,535**	**270,000**	**314,898**	**1,486,016**	**60.9**	**39.4**
Group Executive, Strategy & Stakeholder Relations	2016	581,814	–	–	320,000	901,814	19,308	–	2,429	253,228	275,435	1,452,214	58.4	36.4
Andrew Whitson	**2017**	**743,859**	**12,422**	**–**	**450,000**	**1,206,281**	**19,616**	**–**	**27,759**	**420,292**	**386,767**	**2,060,715**	**61.0**	**39.2**
Group Executive and CEO, Residential	2016	710,610	12,326	–	450,000	1,172,936	19,308	–	33,509	362,292	338,526	1,926,571	59.7	36.4
Total consolidated remuneration	**2017**	**7,272,779**	**45,483**	–	**4,100,000**	**11,418,262**	**176,544**	**–**	**107,116**	**3,849,460**	**4,365,409**	**19,916,791**	**61.8**	**41.2**
	2016	7,096,321	49,304	**–**	4,060,000	11,205,625	173,772	–	130,611	3,374,552	3,813,521	18,698,081	60.2	38.4

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/September of the following financial year.
4 Includes any change in accruals for long service leave.

4. Non-Executive Director Remuneration

4.1 Directors' Fees

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 Human Resources Committee is responsible for reviewing and recommending to the Board any changes to Board and Committee 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 Committee may take advice from external consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board committees. Where a special purpose Board committee is established by the Board, committee members may receive a fee in line with those paid for existing Board committees. Non-Executive Directors do not receive performance-related remuneration or termination benefits other than accumulated superannuation.

In FY17, there were no changes in the base fees for the Chairman, Non-Executive Directors or any of the Board Committee. The Board decided to cease the Financial Services Compliance Committee as well as the Stockland Capital Partners Limited Financial Services Compliance Committee given the oversight and responsibilities of the Audit and Risk Committees.

In FY18, in line with our considered approach to remuneration, there will be no changes in the base fees for the Chairman and Non-Executive Directors or for Board committee fees.

		FY18	FY17
Stockland Board			
Chairman		$500,000	$500,000
Non-Executive Director		$175,000	$175,000
Stockland Board Committees			
Audit	Chair	$40,000	$40,000
	Member	$20,000	$20,000
Risk	Chair	$35,000	$35,000
	Member	$17,500	$17,500
Financial Services Compliance	Chair	–	$10,900
	Member	–	$6,540
Human Resources	Chair	$35,000	$35,000
	Member	$17,500	$17,500
SCPL Board			
Chairman		$32,700	$32,700
Non-Executive Director		$32,700	$32,700
Independent Non-Executive Director[1]		$30,000	$30,000
SCPL Board Committees			
Audit	Chair	$15,260	$15,260
	Member	$8,720	$8,720
Financial Services Compliance	Chair	–	$10,900
	Member	–	$6,540

1 Independent Non-Executive Directors of SCPL are those who are not on the Stockland Board.

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 FY17.

Total fees of $1,749,156 (70% of the approved limit) were paid to Non-Executive Directors in FY17. This amount was 9.4% lower than the total fees paid in FY16.

The nature and amount of each element of remuneration for each Non-Executive Director is detailed below:

		Short-term		Post-employment	
		Board and Committee Fees	Non-monetary benefits	Superannuation contributions	Total[1]
		$	$	$	$
Non-Executive Directors					
Tom Pockett[2]	**2017**	**395,619**	**–**	**14,712**	**410,331**
	2016	246,075	–	4,827	250,902
Carolyn Hewson	**2017**	**195,987**	**–**	**14,013**	**210,000**
	2016	205,173	–	4,827	210,000
Barry Neil	**2017**	**212,988**	**–**	**14,712**	**227,700**
	2016	222,873	–	4,827	227,700
Stephen Newton	**2017**	**218,745**	**–**	**14,712**	**233,457**
	2016	–	–	–	–
Nora Scheinkestel	**2017**	**219,891**	**–**	**14,712**	**234,603**
	2016	160,693	–	4,827	165,520
Carol Schwartz	**2017**	**195,987**	**–**	**14,013**	**210,000**
	2016	199,515	–	4,827	204,342
Former Non-Executive Directors					
Graham Bradley[3]	**2017**	**186,252**		**4,904**	**191,156**
	2016	495,173	–	4,827	500,000
Peter Scott[4]	**2017**	**25,220**	**4,293**	**2,396**	**31,909**
	2016	205,173	–	4,827	210,000
Duncan Boyle[5]	**2017**	**–**	**–**	**–**	**–**
	2016	57,886	–	4,827	62,713
Terry Williamson[5]	**2017**	**–**	**–**	**–**	**–**
	2016	77,352	–	4,827	82,179
Total consolidated remuneration	**2017**	**1,650,689**	**4,293**	**94,174**	**1,749,156**
	2016	1,869,913	–	43,443	1,913,356

1 The fees for each Director are paid on a total cost basis which includes any applicable compulsory superannuation (the amount of superannuation included in the total fees will vary depending on the timing of payments and in line with applicable legislation).
2 Tom Pockett was appointed Chairman 26 October 2016.
3 Graham Bradley retired 26 October 2016.
4 Peter Scott retired 16 August 2016.
5 Terry Williamson and Duncan Boyle retired 27 October 2015.

4.2 Directors' security holdings

To align our Directors with securityholder interests, the Board believes that Directors should hold a meaningful number of Stockland securities. Each Non-Executive Director is required to acquire 40,000 securities within a reasonable time after becoming a Director. This minimum roughly equates to one year's base Board fees. All new directors have a period of three years to comply with this policy and Directors holding less than 40,000 securities have until 30 June 2018 to comply. Stockland also has a policy regarding the minimum securityholding 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 relevant interest of each Director in Stockland securities, 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:

	Stockland	
	2017	**2016**
Non-Executive Directors		
Carolyn Hewson	**36,778**	35,648
Barry Neil	**61,718**	58,510
Stephen Newton	**20,000**	10,000
Tom Pockett	**40,000**	30,000
Nora Scheinkestel	**43,467**	41,207
Carol Schwartz	**40,000**	40,000
Andrew Stevens[1]	**–**	–
Executive Director		
Mark Steinert[2]	**1,383,960**	1,001,364

1 Andrew Stevens was appointed 1 July 2017, pending approval at the 2017 AGM.
2 The Executive Director also holds vested DSTI securities and vested LTI rights which have not been exercised, and unvested DSTI and LTI rights as detailed in section 5.3 of this Report.

5. Other remuneration information

5.1 Remuneration governance

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

The Committee also oversees all employment and remuneration policies to ensure that, at all levels in the organisation, fairness and balance are maintained between reward, cost and value to Stockland.

The Committee approves the remuneration framework for all employees, including risk and financial control personnel and employees whose total remuneration includes a significant variable component.

Following the retirement of Graham Bradley as a Director in October 2016, Tom Pockett joined the Committee which now comprises three independent Non-Executive Directors: Carolyn Hewson (Chair), Carol Schwartz and Tom Pockett.

The roles and responsibilities of the Committee are outlined in the Committee's charter which is available on Stockland's website.

5.2 Use of remuneration consultants during the year

Stockland seeks relevant benchmarking and commentary on a number of remuneration issues from a variety of consultants including EY. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt and Mercer. During FY17, no remuneration recommendations in relation to Key Management Personnel, as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2001, were made by these or other consultants.

5.3 Stockland Equity held by Key Management Personnel

The table below outlines the number of vested and ordinary holdings (personal) and unvested equity (DSTI and LTI) held by Managing Director, other Senior Executives and Non-Executive Directors as at the end of FY17. This table highlights the direct exposure that each executive has to the Stockland security price.

Employee	Holding	Balance 1 July 2016	Acquired/ (Disposed) or Granted	Equity Incentives which lapsed	Equity Incentives which vested	Balance 30 June 2017	Maximum value yet to vest[1]
Executive Director							**$**
Mark Steinert	Securities	1,094,898	289,062	–	678,240	2,062,200	–
	DSTI	358,265	287,888	–	(246,740)	399,413	897,500
	LTI	1,789,750	619,579	(405,500)	(431,500)	1,572,329	1,514,998
Senior Executives							
Stephen Bull	Securities	158,277	–	–	182,503	340,780	–
	DSTI	106,251	86,133	–	(70,253)	122,131	272,767
	LTI	480,500	173,483	(105,500)	(112,250)	436,233	453,333
Katherine Grace	Securities	19,903	–	–	81,030	100,933	–
	DSTI	60,658	59,138	–	(40,280)	79,516	180,278
	LTI	313,000	136,308	(81,500)	(40,750)	327,058	344,296
Tiernan O'Rourke	Securities	164,362	(20,500)	–	220,904	364,766	–
	DSTI	108,546	89,019	–	(73,904)	123,661	277,772
	LTI	609,000	216,853	(138,000)	(147,000)	540,853	563,566
Darren Rehn	Securities	250,891	–	–	196,800	447,691	–
	DSTI	121,369	104,857	–	(82,800)	143,426	323,583
	LTI	510,000	185,874	(114,000)	(114,000)	467,874	486,116
Michael Rosmarin	Securities	189,200	(45,127)	–	152,662	296,735	–
	DSTI	71,383	69,983	–	(48,912)	92,454	210,683
	LTI	430,000	148,699	(97,500)	(103,750)	377,449	391,523
John Schroder	Securities	607,732	(27,643)	–	279,825	859,914	–
	DSTI	142,563	104,623	–	(98,325)	148,861	332,150
	LTI	752,250	260,224	(170,500)	(181,500)	660,474	685,113
Simon Shakesheff	Securities	226,481	(56,350)	–	155,132	325,263	–
	DSTI	82,318	68,813	–	(55,882)	95,249	214,167
	LTI	425,500	148,699	(97,500)	(99,250)	377,449	391,523
Andrew Whitson	Securities	201,383	(100,000)	–	204,050	305,433	–
	DSTI	121,369	114,219	–	(82,800)	152,788	346,917
	LTI	517,250	185,874	(114,000)	(121,250)	467,874	486,116
Non-Executive Directors							
Carolyn Hewson	Securities	35,648	1,130	–	–	36,778	–
Barry Neil	Securities	58,510	3,208	–	–	61,718	–
Stephen Newton	Securities	10,000	10,000	–	–	20,000	–
Tom Pockett	Securities	30,000	10,000	–	–	40,000	–
Nora Scheinkestel	Securities	41,207	1,215	–	–	43,467	–
Carol Schwartz	Securities	40,000	–	–	–	40,000	–

1 The maximum value of the LTI and DSTI yet to vest has been determined as the amount of the fair value of the rights that is yet to be expensed over the remaining vesting period. The minimum value of LTI and DSTI yet to vest is nil, as the securities are subject to performance hurdles being met and the risk of forfeiture until vesting dates.

5.4 Senior Executives' employment and termination arrangements

The Managing Director and CEO and other Senior Executives are on rolling contracts until notice of termination is given by either Stockland or the Senior Executive. The notice period for the Managing Director and CEO and other Senior Executives is six and three months, respectively. In appropriate circumstances, payment may be made in lieu of notice. Where Stockland initiates termination, including mutually agreed resignation, the Executive would receive a termination payment of twelve months' Fixed Pay (including applicable notice).

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

In cases of termination for cause or resignation, all unvested employee 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 DSTI, full vesting on 30 June in the year of termination. For LTI, unvested rights are vested prorated based on service to the date of termination. Any applicable prorated hurdled rights remain subject to the applicable performance hurdles over the full performance period. Any applicable restricted rights vest on 30 June in the year of termination. Other unvested LTI awards forfeited.

5.5 Key Management Personnel

Individuals who were KMPs of Stockland at any time during the financial year are as follows:

Non-Executive Directors

Mr Tom Pockett	(appointed Chairman 26 October 2016)
Mr Graham Bradley	(Chairman until retirement on 26 October 2016)
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Stephen Newton	
Dr Nora Scheinkestel	
Ms Carol Schwartz	
Mr Andrew Stevens	(appointed 1 July 2017)
Mr Peter Scott	(retired 16 August 2016)

Executive Director

Mr Mark Steinert	Managing Director and Chief Executive Officer

Senior Executives

Mr Stephen Bull	Group Executive and CEO Retirement Living
Ms Katherine Grace	General Counsel and Company Secretary
Mr Tiernan O'Rourke	Chief Financial Officer
Mr Darren Rehn	Group Executive and Chief Investment Officer
Mr Michael Rosmarin	Group Executive and Chief Operating Officer
Mr John Schroder	Group Executive and CEO Commercial Property
Mr Simon Shakesheff	Group Executive and Strategy, Stakeholder Relations and Research
Mr Andrew Whitson	Group Executive and CEO Residential

Indemnities and insurance of officers and auditor

Since the end of the prior year, the Group 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, the Group 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 the Group's auditor, PwC provided certain other services to the Group 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, other advisory 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 PwC 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 PwC, as auditor of Stockland.

Details of the amounts paid to the auditor of the Group, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in section (F9) 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 53 and forms part of the Directors' Report for the year ended 30 June 2017.

Rounding off

Stockland is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Tom Pockett Chairman	Mark Steinert Managing Director

Dated at Sydney, 16 August 2017

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

Year ended 30 June 2017

Auditor's Independence Declaration

As lead auditor for the audit of Stockland Corporation Limited and Stockland Trust for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Stockland Corporation Limited and the entities it controlled during the period and Stockland Trust and the entities it controlled during the period.

S J Hadfield
Partner
PricewaterhouseCoopers

Sydney
16 August 2017

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2017

		Stockland		Trust	
Year ended 30 June	**Section**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Revenue	(B1)	**2,744**	2,328	**762**	737
Cost of property developments sold:					
• Land and development		**(1,292)**	(1,049)	**–**	–
• Capitalised interest		**(142)**	(124)	**–**	–
• Utilisation of inventory impairment provision		**103**	67	**–**	–
Net write-back of inventory impairment provision	(C1a)	**3**	–	**–**	–
Investment property expenses		**(248)**	(239)	**(237)**	(230)
Share of profits of equity-accounted investments	(E1)	**84**	90	**84**	90
Management, administration, marketing and selling expenses		**(304)**	(271)	**(39)**	(27)
Net change in fair value of investment properties:					
• Commercial Property	(C1b)	**209**	373	**184**	329
• Retirement Living	(B2c)	**87**	71	**–**	–
Net change in fair value of Retirement Living resident obligations	(B2c)	**(82)**	(85)	**–**	–
Net gain on other financial assets	(D4)	**1**	4	**1**	6
Net (loss)/gain on sale of other non-current assets		**(1)**	(2)	**1**	(2)
Finance income	(D1)	**122**	8	**391**	294
Finance expense	(D1)	**(83)**	(252)	**(192)**	(365)
Profit before income tax		**1,201**	919	**955**	832
Income tax expense	(B3a)	**(6)**	(30)	**–**	–
Profit for the year		**1,195**	889	**955**	832
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets – net change in fair value	(D4)	**66**	7	**–**	–
Available for sale financial assets – reclassified to profit or loss	(D4)	**(71)**	–	**–**	–
Cash flow hedges – net change in fair value of effective portion		**(21)**	23	**(21)**	23
Cash flow hedges – reclassified to profit or loss		**(4)**	4	**(4)**	4
Other comprehensive (loss)/income, net of tax		**(30)**	34	**(25)**	27
Total comprehensive income for the year		**1,165**	923	**930**	859
Basic earnings per security (cents)	(F2)	**49.8**	37.4	**39.8**	35.0
Diluted earnings per security (cents)	(F2)	**49.6**	37.3	**39.6**	35.0

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

As at 30 June 2017

		Stockland		Trust	
As at 30 June	Section	2017 $M	2016 $M	2017 $M	2016 $M
Current assets					
Cash and cash equivalents	(D2)	**238**	208	**117**	97
Trade and other receivables	(C2a)	**139**	134	**22**	18
Inventories	(C1a)	**756**	802	**–**	–
Other financial assets	(D4)	**23**	79	**–**	79
Other assets		**96**	91	**71**	70
		1,252	1,314	**210**	264
Non-current assets held for sale	(C3b)	**71**	97	**69**	61
Total current assets		**1,323**	1,411	**279**	325
Non-current assets					
Trade and other receivables	(C2a)	**83**	100	**3,252**	3,510
Inventories	(C1a)	**1,725**	1,713	**–**	–
Investment properties – Commercial Property	(C1b)	**9,283**	8,800	**9,186**	8,702
Investment properties – Retirement Living	(C1c)	**3,824**	3,576	**–**	–
Equity-accounted investments	(E1)	**574**	524	**556**	505
Other financial assets	(D4)	**286**	468	**278**	432
Property, plant and equipment		**51**	53	**–**	–
Intangible assets	(C3a)	**156**	122	**–**	–
Deferred tax assets	(B3b)	**22**	27	**–**	–
Other assets		**168**	148	**170**	152
Total non-current assets		**16,172**	15,531	**13,442**	13,301
Total assets		**17,495**	16,942	**13,721**	13,626
Current liabilities					
Trade and other payables	(C2b)	**585**	643	**410**	422
Interest-bearing loans and borrowings	(D3)	**267**	481	**267**	481
Retirement Living resident obligations	(C1c)	**2,444**	2,205	**–**	–
Development provisions	(C1a)	**319**	284	**–**	–
Other financial liabilities	(D4)	**38**	19	**38**	19
Other liabilities		**125**	82	**54**	36
Total current liabilities		**3,778**	3,714	**769**	958
Non-current liabilities					
Trade and other payables	(C2b)	**10**	–	**–**	–
Interest-bearing loans and borrowings	(D3)	**3,262**	3,319	**3,262**	3,319
Retirement Living resident obligations	(C1c)	**185**	222	**–**	–
Development provisions	(C1a)	**109**	113	**–**	–
Other financial liabilities	(D4)	**203**	297	**203**	297
Other liabilities		**21**	23	**–**	–
Total non-current liabilities		**3,790**	3,974	**3,465**	3,616
Total liabilities		**7,568**	7,688	**4,234**	4,574
Net assets		**9,927**	9,254	**9,487**	9,052
Securityholders' funds					
Issued capital	(D7)	**8,790**	8,681	**7,480**	7,374
Reserves		**93**	126	**75**	103
Retained earnings/undistributed income		**1,044**	447	**1,932**	1,575
Total securityholders' funds		**9,927**	9,254	**9,487**	9,052

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

Year ended 30 June 2017

Attributable to securityholders of Stockland

	Section	Issued capital $M	Reserves: Executive remuneration $M	Reserves: Cash flow hedge $M	Reserves: Fair value $M	Retained earnings $M	Total equity $M
Opening balance as at 1 July 2015		**8,560**	**35**	**36**	**13**	**143**	**8,787**
Profit for the year		–	–	–	–	889	**889**
Other comprehensive income, net of tax		–	–	27	7	–	**34**
Total comprehensive income		**–**	**–**	**27**	**7**	**889**	**923**
Dividends and distributions	(D8)	–	–	–	–	(585)	**(585)**
Securities issued under DRP	(D7a)	125	–	–	–	–	**125**
Expense relating to Share Plans, net of tax	(F7)	–	13	–	–	–	**13**
Acquisition of treasury securities	(D7b)	(9)	–	–	–	–	**(9)**
Securities vested under Share Plans	(D7b)	5	(5)	–	–	–	**–**
Total of other movements		**121**	**8**	**–**	**–**	**(585)**	**(456)**
Balance as at 30 June 2016		**8,681**	**43**	**63**	**20**	**447**	**9,254**
Profit for the year		**–**	**–**	**–**	**–**	**1,195**	**1,195**
Other comprehensive (loss)/income, net of tax		**–**	**–**	**(25)**	**(5)**	**–**	**(30)**
Total comprehensive income		**–**	**–**	**(25)**	**(5)**	**1,195**	**1,165**
Dividends and distributions	(D8)	**–**	**–**	**–**	**–**	**(615)**	**(615)**
Securities issued under DRP	(D7a)	**121**	**–**	**–**	**–**	**–**	**121**
Expense relating to Share Plans, net of tax	(F7)	**–**	**18**	**–**	**–**	**–**	**18**
Acquisition of treasury securities	(D7b)	**(16)**	**–**	**–**	**–**	**–**	**(16)**
Securities vested under Share Plans	(D7b)	**4**	**(4)**	**–**	**–**	**–**	**–**
Transfer of lapsed securities under Share Plans		**–**	**(17)**	**–**	**–**	**17**	**–**
Total of other movements		**109**	**(3)**	**–**	**–**	**(598)**	**(492)**
Balance as at 30 June 2017		**8,790**	**40**	**38**	**15**	**1,044**	**9,927**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statements of Changes in Equity

Year ended 30 June 2017

Attributable to securityholders of Trust

			Reserves			
	Section	Issued capital $M	Executive remuneration $M	Cash flow hedge $M	Undistributed income $M	Total equity $M
Opening balance as at 1 July 2015		7,255	32	36	1,328	8,651
Profit for the year		–	–	–	832	**832**
Other comprehensive income		–	–	27	–	**27**
Total comprehensive income		**–**	**–**	**27**	**832**	**859**
Distributions	(D8)	–	–	–	(585)	**(585)**
Securities issued under DRP	(D7a)	123	–	–	–	**123**
Expense relating to Share Plans, net of tax	(F7)	–	13	–	–	**13**
Acquisition of treasury securities	(D7b)	(9)	–	–	–	**(9)**
Securities vested under Share Plans	(D7b)	5	(5)	–	–	**–**
Total of other movements		**119**	**8**	**–**	**(585)**	**(458)**
Balance as at 30 June 2016		7,374	40	63	1,575	9,052
Profit for the year		**–**	**–**	**–**	**955**	**955**
Other comprehensive (loss)/income		**–**	**–**	**(25)**	**–**	**(25)**
Total comprehensive (loss)/income		**–**	**–**	**(25)**	**955**	**930**
Distributions	(D8)	**–**	**–**	**–**	**(615)**	**(615)**
Securities issued under DRP	(D7a)	**118**	**–**	**–**	**–**	**118**
Expense relating to Share Plans, net of tax	(F7)	**–**	**18**	**–**	**–**	**18**
Acquisition of treasury securities	(D7b)	**(16)**	**–**	**–**	**–**	**(16)**
Securities vested under Share Plans	(D7b)	**4**	**(4)**	**–**	**–**	**–**
Transfer of lapsed securities under Share Plans		**–**	**(17)**	**–**	**17**	**–**
Total of other movements		**106**	**(3)**	**–**	**(598)**	**(495)**
Balance as at 30 June 2017		**7,480**	**37**	**38**	**1,932**	**9,487**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statements

Year ended 30 June 2017

		Stockland		Trust	
Year ended 30 June	**Section**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**3,004**	2,496	**879**	854
Cash payments in the course of operations (including GST)		**(1,847)**	(1,575)	**(403)**	(398)
Payments for land		**(283)**	(186)	**–**	–
Distributions received from equity-accounted investments		**33**	35	**33**	32
Distributions received from managed funds		**–**	1	**–**	–
Receipts from Retirement Living residents		**378**	371	**–**	–
Payments to Retirement Living residents, net of DMF		**(165)**	(164)	**–**	–
Interest received		**3**	8	**273**	294
Interest paid		**(202)**	(199)	**(202)**	(199)
Net cash flow from operating activities	(F3)	**921**	787	**580**	583
Cash flows from investing activities					
Proceeds from sale of investment properties		**74**	11	**72**	42
Payments for and development of investment properties:					
• Commercial Property		**(374)**	(431)	**(399)**	(475)
• Retirement Living		**(133)**	(167)	**–**	–
Payments for plant and equipment and software		**(38)**	(35)	**–**	–
Proceeds from sale/capital returns from investments		**20**	221	**–**	219
Payments for investments, including equity-accounted investments		**(1)**	(107)	**(1)**	(66)
Distributions received from other entities		**72**	–	**1**	–
Net cash flow used in investing activities		**(380)**	(508)	**(327)**	(280)
Cash flows from financing activities					
Payment for securities under Share Plans	(D7b)	**(16)**	(9)	**(16)**	(9)
Proceeds from borrowings		**1,563**	2,589	**1,563**	2,589
Repayment of borrowings		**(1,582)**	(2,254)	**(1,582)**	(2,254)
Loans to related entities		**–**	–	**278**	(54)
Payments for termination and restructuring of derivatives	(D1)	**–**	(119)	**–**	(119)
Dividends and distributions paid (net of DRP)		**(476)**	(448)	**(476)**	(448)
Net cash flow used in financing activities		**(511)**	(241)	**(233)**	(295)
Net increase in cash and cash equivalents		**30**	38	**20**	8
Cash and cash equivalents at the beginning of the year		**208**	170	**97**	89
Cash and cash equivalents at the end of the year		**238**	208	**117**	97

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

Consolidated Notes

Year ended 30 June 2017

(A) Basis of preparation

IN THIS SECTION

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Specific accounting policies are described in the section to which they relate.

A glossary of acronyms and defined terms is included at the back of the Financial Report.

Stockland represents the combination or stapling of Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities. Stockland Corporation Limited and Stockland Trust are both for profit entities that were incorporated, formed and 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 Stockland Corporation Limited and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both Stockland Corporation Limited and the Responsible Entity of the Stockland 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 Stockland Corporation Limited or Stockland Trust or either entity terminating the stapling arrangement.

The financial statements as at and for the year ended 30 June 2017 were authorised for issue by the Directors on 16 August 2017.

(i) Statement of compliance

The financial statements are general purpose financial reports which have been prepared in accordance with the requirements of the Corporations Act 2001, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards adopted by the International Accounting Standard Board.

(ii) Basis of preparation

As permitted by Class Order 13/1050, issued by ASIC, these financial statements are combined financial statements that present the financial statements and accompanying notes of both Stockland and the Trust.

The financial statements are presented in Australian dollars, which is Stockland Corporation Limited's and Stockland Trust's functional currency and the functional currency of the majority of Stockland and the Trust.

The financial statements have been prepared on a going concern basis using historical cost conventions, except for investment properties (including non-current assets held for sale), derivative financial instruments, certain financial assets and liabilities which are stated at their fair value.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Financial Report have been rounded to the nearest million dollars, unless otherwise stated.

Certain comparative amounts have been restated to conform with the current year's presentation.

Change to the Group's primary reporting measure

From 1 July 2016, FFO has replaced underlying profit as the Group's primary reporting measure. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry.

FFO is calculated by adding back tenant incentive amortisation and deducting straight-line rent from underlying profit in relation to the Commercial Property segment. There is no difference between underlying profit and FFO for Residential and Retirement Living segments. FFO also excludes non-cash tax benefits/expenses.

Following this change, Stockland has revised the operating segment information presented in section (B2) to present profit indicators on an FFO basis. Comparative disclosures have been restated to ensure consistency between the periods.

(ii) Basis of preparation (continued)

Stockland and Trust net current asset deficiency position

Stockland and the Trust have a net current asset deficiency at 30 June 2017.

Based on the profits and net operating cash inflows in the period and forecast for the next 12 months Stockland and the Trust will be able to pay their debts as and when they become due and payable. Undrawn bank facilities of $790 million (refer to section (D3c)) are also available, should they need to be drawn down.

The deficiency in the Trust primarily arises due to the requirement under Accounting Standards to classify the 'at call' intercompany loan receivable from the Corporation as a non-current asset.

In relation to Stockland, a number of liabilities are classified as current under Accounting Standards that are not expected to result in actual net cash outflows within the next 12 months (in particular Retirement Living resident obligations). Similarly, some assets held as non-current will generate cash income in the next 12 months (including Retirement Living Deferred Management Fee (DMF) included within Investment Properties – Retirement Living, development work in progress and vacant stock).

In addition, current inventory is held on the balance sheet at the lower of cost and net realisable value, whereas this is expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (2017: $2,439 million; 2016: $2,202 million), approximately 8% of residents are estimated to leave each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units, the resident obligations will be repaid from 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 12 months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the corresponding Retirement Living assets are classified as non-current under Accounting Standards, as the majority are not expected to be realised within 12 months.

(iii) Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. 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.

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.

Assumptions underlying management's estimates of fair value and recoverability can be found in the following sections to the financial statements:

Area of Estimation	Section
Tax losses – assumptions underlying recognition and recoverability	(B3b)
Inventories – assumptions underlying net realisable value and profit margin recognition	(C1a)
Commercial properties – assumptions underlying fair value	(C1b)
Retirement Living – assumptions underlying fair value	(C1c)
Goodwill – assumptions underlying recoverable value	(C3a)
Software – assumptions underlying recoverable value	(C3a)
Fair value of investment in other entities – assumptions underlying fair value	(D4)
Fair value of derivatives – assumptions underlying fair value	(D4)
Valuation of share based payments – assumptions underlying fair value	(D7c)

(B) Results for the year

IN THIS SECTION

This section explains the results and performance of the Group.

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

(b) Accounting policies that are relevant for understanding the items recognised in the financial statements; and

(c) Analysis of the result for the year by reference to key areas, including revenue, results by operating segment and income tax.

(B1) Revenue

Revenue is recognised at the fair value of the consideration received or receivable, net of the amount of GST levied.

Property development sales

Revenue from land and property sales is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue can be reliably measured.

Rent from investment properties

Rent is recognised on a straight-line basis over the lease term, net of any incentives.

Rent from investment properties includes $6 million (2016: $5 million) contingent (turnover) rent billed to tenants. Contingent rent represents 1% (2016: 1%) of gross lease income.

Deferred Management Fee (DMF) revenue

DMF is recognised over the tenancy period and includes both fixed fees recognised on a straight-line basis and contingent fees recognised when earned.

DMF calculated on the entry price of the unit are recognised each period, however fees are only realised in cash at the end of the residents tenure.

DMF calculated on the exit price of the unit are recognised and realised in cash at the end of the resident's tenure.

Accounting for DMF is further explained in section (B2c).

Dividends and distributions

Revenue from dividends and distributions are recognised in profit or loss on the date they are declared by the relevant entity.

Revenue recognised in statutory profit during the year is set out below:

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Property development sales	**1,787**	1,484	**–**	–
Rent from investment properties	**752**	728	**749**	726
DMF revenue	**107**	88	**–**	–
Dividends and distributions	**71**	4	**–**	3
Other revenue	**27**	24	**13**	8
Total revenue	**2,744**	2,328	**762**	737

(B2) Operating segments

KEEPING IT SIMPLE…

This section shows a reconciliation from Funds From Operations (FFO) to statutory profit. From 1 July 2016, FFO replaced underlying profit as the Group's key profit measure. This reflects the way the business is managed and how the Directors and Executive Committee assess performance.

FFO is presented on a proportionate consolidation basis within the segment report, whereby earnings from equity-accounted investments are grossed up and included in segment EBIT based on Stockland's proportionate ownership interest.

FFO is a non-IFRS measure that is designed to present, in the opinion of the CODM, the results from ongoing operating activities in a way that appropriately reflects the Group's underlying performance. FFO is the basis on which distributions and dividends are determined and reflects the way the business is managed and how the CODM assess the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. FFO also excludes income tax items that do not represent cash payments. Profit or loss items excluded from FFO are outlined and explained in section (B2b).

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director and the Executive Committee, who are the CODM.

Stockland has four reportable segments, as listed below:

- Commercial Property – invests in, develops and manages retail, office and logistic & business park properties;
- Residential – delivers a range of master planned and mixed use residential communities in growth areas and townhouses and apartments in general metropolitan areas;
- Retirement Living – designs, develops and manages communities for retirees; and
- Other – dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

The Trust has one reportable segment in which it operates, being Commercial Property, therefore no separate segment note has been prepared.

There is no customer who accounts for more than 10% of the gross revenues of Stockland or the Trust.

(B2a) Funds From Operations (FFO)

The following table shows the contribution to FFO by each reportable segment:

Stockland

Year ended 30 June 2017	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	840[1]	1,773	82[2]	–	2,695
Total external segment revenue	**840**	**1,773**	**82**	**–**	**2,695**
Segment EBIT	**545[1,3]**	**412**	**69[2]**	**–**	**1,026**
Amortisation of lease incentives and fees	69	–	–	–	69
Straight-line rent adjustments	(6)	–	–	–	(6)
Interest expense in cost of sales	–	(142)	(6)	–	(148)
Share of interest expense in joint ventures	–	–	–	–	–
Segment FFO[3]	**608**	**270**	**63**	**–**	**941**
Interest income					4
Interest expense					(83)
Unallocated corporate and other expenses					(60)
FFO for the year					**802**

(B2a) Funds From Operations (FFO) (continued)

Year ended 30 June 2016	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	797[1]	1,487	75[2]	–	2,359
Total external segment revenue	797	1,487	75	–	2,359
Segment EBIT	525[1,3]	354	64[2]	–	943
Amortisation of lease incentives and fees	67	–	–	–	67
Straight-line rent adjustments	(8)	–	–	–	(8)
Interest expense in cost of sales	–	(124)	(7)	–	(131)
Share of interest expense in joint ventures	(1)	–	–	–	(1)
Segment FFO[3]	583	230	57	–	870
Interest income					8
Interest expense					(81)
Unallocated corporate and other expenses					(57)
FFO for the year					740

1 External segment revenue and segment EBIT adds back $56 million (2016: $55 million) of amortisation of leases incentives and excludes $6 million (2016: $8 million) of straight-line rent adjustments.
2 External segment revenue and segment EBIT excludes $31 million (2016: $16 million) of unrealised DMF revenue.
3 Includes profits from equity-accounted investments of $29 million (2016: $31 million) in Commercial Property and $nil (2016: $nil) in Residential.

(B2b) Reconciliation of FFO to statutory profit

FFO excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities.

Stockland

		2017			2016		
Year ended 30 June	**Note**	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	A,B,C	**2,695**	**49**	**2,744**	2,359	(31)	2,328
Cost of property developments sold:							
• Land and development		**(1,292)**	**–**	**(1,292)**	(1,049)	–	(1,049)
• Capitalised interest		**(142)**	**–**	**(142)**	(124)	–	(124)
• Utilisation of inventory impairment provision		**103**	**–**	**103**	67	–	67
Net write-back of inventory impairment provision		**–**	**3**	**3**	–	–	–
Investment property expenses	D	**(236)**	**(12)**	**(248)**	(227)	(12)	(239)
Share of profits of equity-accounted investments	E	**29**	**55**	**84**	31	59	90
Management, administration, marketing and selling expenses		**(304)**	**–**	**(304)**	(270)	(1)	(271)
Net change in fair value of investment properties:							
• Commercial Property	E	**–**	**209**	**209**	–	373	373
• Retirement Living	E	**28**	**59**	**87**	26	45	71
Net change in fair value of Retirement Living resident obligations	E	**–**	**(82)**	**(82)**	–	(85)	(85)
Net gain on other financial assets		**–**	**1**	**1**	–	4	4
Net loss on sale of other non-current assets	F	**–**	**(1)**	**(1)**	–	(2)	(2)
Finance income	G	**4**	**118**	**122**	8	–	8
Finance expense	G	**(83)**	**–**	**(83)**	(81)	(171)	(252)
Profit before income tax		**802**	**399**	**1,201**	740	179	919
Income tax expense	H	**–**	**(6)**	**(6)**	–	(30)	(30)
Profit for the year		**802**	**393**	**1,195**	740	149	889

(B2b) Reconciliation of FFO to statutory profit (continued)

Trust

Year ended 30 June	Note	2017 FFO $M	2017 Statutory adjustments $M	2017 Statutory profit $M	2016 FFO $M	2016 Statutory adjustments $M	2016 Statutory profit $M
Revenue	B	**813**	**(51)**	**762**	784	(47)	737
Investment property expenses	D	**(225)**	**(12)**	**(237)**	(218)	(12)	(230)
Share of profits of equity-accounted investments	E	**29**	**55**	**84**	31	59	90
Management, administration, marketing and selling expenses		**(39)**	**–**	**(39)**	(27)	–	(27)
Net change in fair value of Commercial Property	E	**–**	**184**	**184**	–	329	329
Net gain on other financial assets		**–**	**1**	**1**	–	6	6
Net gain/(loss) on sale of other non-current assets	F	**–**	**1**	**1**	–	(2)	(2)
Finance income	G	**273**	**118**	**391**	294	–	294
Finance expense	G	**(192)**	**–**	**(192)**	(194)	(171)	(365)
Profit before income tax		**659**	**296**	**955**	670	162	832
Income tax benefit/(expense)		**–**	**–**	**–**	–	–	–
Profit for the year		**659**	**296**	**955**	670	162	832

Explanation of statutory adjustments

A DMF revenue of $29 million (2016: $16 million) has been excluded from FFO until it is realised in cash. The Retirement Living segment result is reconciled from FFO to statutory profit in section (B2c).

B Straight-line rent adjustments $6 million (2016: $8 million) are excluded from FFO, offset by amortisation of lease incentives of $57 million (2016: $55 million).

C Non-recurring distribution revenue of $71 million (2016: $nil) relating to the BGP strategic investment has been excluded from FFO.

D Amortisation of lease fees are excluded from FFO.

E FFO excludes the net change in fair value of investment properties for properties held by Stockland both directly and indirectly through equity-accounted investments. Similarly, the net change in fair value of Retirement Living resident obligations is excluded from FFO. Refer to section (C1b) for further information on fair value adjustments for the Commercial Properties and (C1c) for Retirement Living.

F Net gain/(loss) on sale of other non-current assets predominantly relate to the gain/(loss) on the sale of investment properties.

G Net change in fair value of financial instruments and foreign exchange movements, classified as finance income/expenses, are excluded from FFO. Refer to section (D1).

H FFO excludes income tax expenses or benefits that do not represent a cash settlement.

(B2c) Retirement Living segment result

KEEPING IT SIMPLE …

Retirement Living residents generally lend Stockland an amount equivalent to the value of the Independent Living Unit (ILU) or Serviced Apartment (SA) in exchange for a lease to live in the ILU or SA and access to community facilities, which are Stockland owned and maintained. This loan is recorded as a resident obligation liability.

During the resident's tenure, Stockland earns Deferred Management Fees (DMF) revenue which is calculated based on the individual resident contract. There are various contractual arrangements, however a standard contract will typically provide for DMF to be earned at a rate of 8% in the first year and 3% in subsequent years, capped at 35%, with Stockland and the resident sharing in any net capital gain when the ILU or SA is re-leased to the next resident. The DMF on an individual ILU or SA covers, to a significant extent, the resident's share of up-front capital costs of building the common infrastructure of the village, which typically includes amenities such as a pool, bowling green and community hall, and allow the resident to pay for these at the end of their tenancy, instead of the start. The DMF revenue is included in the Retirement Living FFO when Stockland receives the accumulated DMF in cash when a resident leaves and a new resident enters the ILU or SA.

The Retirement Living segment result also includes the settled development margin associated with new villages and village expansions or redevelopments. This settled development margin represents the unit price realised on first lease less the cost of development and is recognised in FFO on settlement of a newly developed unit.

Unrealised fair value gains and losses from revaluations of investment property and resident obligations are excluded from FFO. Refer to section (C1c) for further information on the fair value measurement and valuation technique used for Retirement Living investment properties and resident obligations.

(B2c) Retirement Living segment result (continued)

Reconciliation of Retirement Living statutory profit to segment results

		2017			2016		
Year ended 30 June	**Note**	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**	**FFO $M**	**Statutory adjustments $M**	**Statutory profit $M**
Total realised revenue		**78**	**–**	**78**	72	–	72
Net DMF base fees earned, unrealised	A	**–**	**29**	**29**	–	16	16
DMF Revenue		**78**	**29**	**107**	72	16	88
Net change in fair value of investment properties:							
• settled development margin		**28**	**–**	**28**	26	–	26
• operating villages and villages under development	B	**–**	**59**	**59**	–	45	45
Total net change in fair value of investment properties		**28**	**59**	**87**	26	45	71
Net change in fair value of Retirement Living resident obligations	B	**–**	**(82)**	**(82)**	–	(85)	(85)
Management, administration, marketing and selling expenses		**(39)**	**–**	**(39)**	(37)	(1)	(38)
Other expenses		**(4)**	**–**	**(4)**	(4)	–	(4)
Retirement Living profit/(loss)		**63**	**6**	**69**	57	(25)	32

Explanation of statutory adjustments

A DMF base fees earned comprise DMF which is calculated on the entry price of a unit. For statutory profit these fees are accrued progressively as Stockland becomes entitled to the fee but is not recognised in FFO until the accumulated DMF is realised in cash.

B FFO excludes the net change in fair value for operating villages, villages under development and Retirement Living resident obligations. Refer to section (C1c).

(B2d) Balance sheet by operating segment

Stockland

30 June 2017	**Commercial Property $M**	**Residential $M**	**Retirement Living $M**	**Other $M**	**Unallocated $M**	**Consolidated $M**
Assets						
Cash	**–**	**–**	**–**	**–**	**238**	**238**
Real estate related assets[1]	**10,218**	**2,453**	**3,848**	**–**	**37**	**16,556**
Intangibles	**–**	**–**	**76**	**–**	**80**	**156**
Other financial assets	**–**	**–**	**–**	**–**	**310**	**310**
Other assets	**42**	**135**	**18**	**–**	**40**	**235**
Total assets	**10,260**	**2,588**	**3,942**	**–**	**705**	**17,495**
Liabilities						
Interest-bearing liabilities	**–**	**–**	**–**	**–**	**3,529**	**3,529**
Retirement Living resident obligations	**–**	**–**	**2,629**	**–**	**–**	**2,629**
Other financial liabilities	**–**	**–**	**–**	**–**	**242**	**242**
Other liabilities	**117**	**569**	**15**	**–**	**467**	**1,168**
Total liabilities	**117**	**569**	**2,644**	**–**	**4,238**	**7,568**
Net assets/(liabilities)	**10,143**	**2,019**	**1,298**	**–**	**(3,533)**	**9,927**
Other items						
Acquisition of investment properties	**20**	**–**	**–**	**–**	**–**	**20**

(B2d) Balance sheet by operating segments (continued)

30 June 2016	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	208	208
Real estate related assets[1]	9,668	2,517	3,589	–	38	15,812
Intangibles	–	–	76	–	46	122
Other financial assets	–	–	–	–	547	547
Other assets	50	151	15	–	37	253
Total assets	9,718	2,668	3,680	–	876	16,942
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,800	3,800
Retirement Living resident obligations	–	–	2,427	–	–	2,427
Other financial liabilities	–	–	–	–	316	316
Other liabilities	115	549	14	–	467	1,145
Total liabilities	115	549	2,441	–	4,583	7,688
Net assets/(liabilities)	9,603	2,119	1,239	–	(3,707)	9,254
Other items						
Acquisition of investment properties	222	–	–	–	–	222

1 Includes non-current assets held for sale, inventory, investment properties, equity-accounted investments and certain other assets.

(B3) Taxation

KEEPING IT SIMPLE…

This section sets out Stockland's tax accounting policies and provides an analysis of the income tax expense/benefit and deferred tax balances, including a reconciliation of tax expense to accounting profit.

Accounting income is not always the same as taxable income, creating temporary differences. These differences usually reverse over time. Until they reverse a deferred asset or liability must be recognised on the balance sheet, to the extent that there is convincing evidence that a reversal will take place. This is known as the balance sheet liability method.

Stockland

Accounting for income tax

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income (OCI) or directly in equity. Income tax expense is calculated at the applicable corporate tax rate of 30%, and is comprised of current and deferred tax expense.

Current tax expense represents the expense relating to the expected taxable income at the applicable tax rate for the financial year. Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability.

Tax consolidation

Stockland Corporation Limited is head of the tax consolidated group which includes its wholly-owned Australian resident subsidiaries. As a consequence, all members of the tax consolidated group are taxed as a single entity.

Members of the tax consolidated group have entered into a tax funding arrangement. The arrangement requires that Stockland Corporation Limited assumes the current tax liabilities and deferred tax assets arising from unused tax losses, with payments to or from subsidiaries settled via intercompany loan. Any subsequent period adjustments are recognised by Stockland Corporation Limited only and do not result in further amounts being payable or receivable under the tax funding arrangement. The tax liabilities of the entities included in the tax consolidated group will be governed by the tax sharing agreement should Stockland Corporation Limited default on its tax obligations.

(B3) Taxation (continued)

Trust

Under current Australian income tax legislation, Stockland Trust and its sub-trusts are not liable for income tax on their taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust.

(B3a) Income tax benefit/(expense)

	Stockland	
Year ended 30 June	**2017 $M**	**2016 $M**
Current tax benefit/(expense)		
Current year	**27**	49
Adjustments for prior years	**–**	(2)
	27	47
Deferred tax expense		
Origination and reversal of temporary differences	**(33)**	(77)
Total income tax expense	**(6)**	(30)

Reconciliation of profit before income tax to income tax expense

	Stockland	
	2017	**2016**
Year ended 30 June	**Statutory profit $M**	**Statutory profit $M**
Profit before income tax	**1,201**	919
Less: Trust profit before income tax	**(955)**	(832)
Less: Intergroup eliminations	**8**	8
Profit before income tax of Stockland Corporation	**254**	95
Prima facie income tax expense calculated at 30%	**(76)**	(28)
Increase/(decrease) in income tax benefit/(expense) due to:		
Other assessable income	**–**	(1)
Other non-assessable income	**–**	1
Non-assessable dividend income	**21**	–
Tax losses recognised during the period	**49**	–
Underprovided in prior years	**–**	(2)
Income tax expense	**(6)**	(30)
Effective tax rate	**2%**	32%
Effective tax rate (excluding tax losses recognised during the year)	**22%**	32%

Tax benefit/(expense) relating to items of other comprehensive income

	Stockland	
Year ended 30 June	**2017 $M**	**2016 $M**
Fair value reserve	**1**	(2)
Tax benefit/(expense) relating to items of other comprehensive income	**1**	(2)

(B3b) Deferred tax

Stockland

A deferred tax asset is recognised to the extent that there is convincing evidence that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed for recoverability at each balance date and the recognised amount is adjusted as required. This is a key area of accounting estimation and judgement for the Group.

Deferred tax is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates.

Deferred tax arises due to 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:

(i) initial recognition of goodwill;

(ii) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and

(iii) differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
As at 30 June	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Inventories	**93**	116	**(177)**	(170)	**(84)**	(54)
Investment properties	**10**	11	**(382)**	(339)	**(372)**	(328)
Other financial assets	**–**	1	**(7)**	(9)	**(7)**	(8)
Property, plant and equipment	**6**	7	**–**	–	**6**	7
Trade and other payables	**13**	15	**–**	–	**13**	15
Retirement Living resident obligations	**22**	27	**–**	–	**22**	27
Provisions	**5**	5	**–**	–	**5**	5
Reserves	**9**	9	**–**	–	**9**	9
Tax losses carried forward	**569**	493	**–**	–	**569**	493
Tax assets/(liabilities)	**727**	684	**(566)**	(518)	**161**	166
Less: Tax losses not recognised	**(139)**	(139)	**–**	–	**(139)**	(139)
Recognised tax assets/(liabilities)	**588**	545	**(566)**	(518)	**22**	27
Set-off of deferred tax liabilities	**(566)**	(518)	**566**	518	**–**	–
Net tax asset	**22**	27	**–**	–	**22**	27

Movement in temporary differences during the financial year

	Opening balance 1 July 2015 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2016 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2017 $M
Inventories	(34)	(20)	–	(54)	**(30)**	**–**	**(84)**
Investment properties	(237)	(91)	–	(328)	**(44)**	**–**	**(372)**
Other financial assets	(6)	–	(2)	(8)	**–**	**1**	**(7)**
Property, plant and equipment	9	(2)	–	7	**(1)**	**–**	**6**
Trade and other payables	17	(2)	–	15	**(2)**	**–**	**13**
Retirement Living resident obligations	33	(6)	–	27	**(5)**	**–**	**22**
Provisions	5	–	–	5	**–**	**–**	**5**
Reserves	7	2	–	9	**–**	**–**	**9**
Recognised tax losses carried forward	265	89	–	354	**76**	**–**	**430**
	59	(30)	(2)	27	**(6)**	**1**	**22**

(B3b) Deferred Tax (continued)

Recoverability of deferred tax assets

An assessment of the recoverability of the net deferred tax asset has been made to determine if the carrying value should be reduced or more tax losses should be recognised with reference to the latest available profit forecasts, to determine the availability of suitable taxable profits or taxable temporary differences. The assessment for the current period determined that the deferred tax asset has been recognised to the extent that there is convincing evidence it will be recovered, and accordingly no additional deferred tax asset write-off is required and no additional tax losses have been recognised.

At each reporting period, the net deferred tax asset and unrecognised tax losses will be assessed for recoverability and recognition, respectively. This may lead to the partial or full recognition of this unrecognised tax benefit in future reporting periods.

Stockland has $139 million (2016: $139 million) of unrecognised deferred tax assets, relating to tax losses of $463 million (2016: $463 million). This balance consists of $132 million (2016: $133 million) Australian income tax losses and $7 million (2016: $6 million) Australian capital losses.

Trust

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

(C) Operating assets and liabilities

IN THIS SECTION

This section shows the real estate and operating assets used to generate the Group's trading performance and the liabilities incurred as a result.

(C1) Real estate assets and liabilities

(C1a) Inventories

Properties held for development and 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 activities are expensed.

Cost of acquisition

The cost of acquisition comprises the purchase price of the land, including land under option, along with any direct costs incurred as part of the acquisition including legal, valuation and stamp duty costs.

Land under options

Stockland has a number of arrangements with third parties primarily relating to the purchase of land on capital efficient terms, through call or put and call option arrangements.

Where the arrangement uses call options only, the decision to proceed with a purchase is controlled by Stockland. A future obligation under a call option is only triggered if Stockland exercises the option. No asset or liability for the land under option is recognised on the balance sheet until the option has been exercised. The call option is not disclosed as a capital commitment as there is no commitment to purchase until the option is exercised.

Where Stockland enters into put and call options, it is with a fixed exercise price. Where such an arrangement exists, the put option requires Stockland to purchase the land at the discretion of the seller, creating a present obligation once the option is exercised by the holder. If Stockland also presently exhibits control over the future economic benefits of the asset such as via a presently exercisable call option or physical control of the asset, the land is recognised in inventory with a corresponding liability recognised in provisions for development costs at the exercise price of the option.

For both put and call options, any costs incurred in relation to the options including option fees are included in inventory.

Development and other costs

Cost includes variable and fixed costs directly related to specific contracts, costs related to general contract activity which can be allocated to specific projects on a reasonable basis, and other costs specifically chargeable under the contract including under rectification provisions.

Interest capitalised

Financing costs on qualifying assets are also included in the cost of inventory. Finance costs were capitalised at interest rates ranging from 5.2% to 5.6% during the financial year (2016: 5.2% to 6.4%). Capitalised finance costs are further disclosed in section (D1).

Allocation of inventory to cost of sales

A Whole of Life (WOL) methodology is applied to calculate the margin percentage for each project. All costs, including those costs spent to date and those forecast in the future, are allocated proportionally in line with net revenue for each lot to achieve a WOL margin percentage. The WOL margin percentage and therefore allocation of costs can change as revenue and cost forecasts are updated.

Impairment provision

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Net realisable value is based on the most reliable evidence available at the time of the amount the inventories are expected to realise (using estimates such as revenue escalations) and the estimate of total costs (including 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. This is a key area of accounting estimation and judgement for the Group.

(C1a) Inventories (continued)

Each reporting period, key estimates are reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, a net write-back of $3 million of impairment provisions have been recognised in the profit or loss for the year ended 30 June 2017 (2016: $nil).

Development cost provisions

The provision for development costs relates to obligated future costs including land acquired on capital efficient deferred terms. This includes present obligations that are recognised in relation to put options.

The development provision is recorded as a separate liability in the balance sheet with a corresponding asset recognised in inventory as a cost of acquisition.

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.

The composition of inventory is presented in the table below:

	2017			2016		
As at 30 June	Current $M	Non-current $M	Total $M	Current $M	Non-current $M	Total $M
Finished development stock held for sale						
• cost of acquisition	**40**	**–**	**40**	103	–	103
• development and other costs	**150**	**–**	**150**	196	–	196
• interest capitalised	**25**	**–**	**25**	40	–	40
• impairment provision	**(1)**	**–**	**(1)**	(31)	–	(31)
Total finished stock held for sale[1]	**214**	**–**	**214**	308	–	308
Development work in progress						
Residential communities under development						
• cost of acquisition	**277**	**1,052**	**1,329**	350	1,099	1,449
• development and other costs	**204**	**430**	**634**	125	419	544
• interest capitalised	**64**	**328**	**392**	75	334	409
• impairment provision	**(27)**	**(146)**	**(173)**	(85)	(164)	(249)
Total residential communities under development	**518**	**1,664**	**2,182**	465	1,688	2,153
Apartments						
• cost of acquisition	**–**	**–**	**–**	–	–	–
• development and other costs	**–**	**7**	**7**	2	2	4
• interest capitalised	**–**	**–**	**–**	–	–	–
• impairment provision	**–**	**–**	**–**	–	–	–
Total apartments	**–**	**7**	**7**	2	2	4
Logistics & business parks projects						
• cost of acquisition	**12**	**32**	**44**	25	26	51
• development and other costs	**26**	**8**	**34**	16	6	22
• interest capitalised	**7**	**–**	**7**	7	–	7
• impairment provision	**(21)**	**(9)**	**(30)**	(21)	(9)	(30)
Total logistics & business parks projects	**24**	**31**	**55**	27	23	50
Retirement Living projects						
• cost of acquisition	**–**	**12**	**12**	–	–	–
• development and other costs	**–**	**10**	**10**	–	–	–
• interest capitalised	**–**	**1**	**1**	–	–	–
• impairment provision	**–**	**–**	**–**	–	–	–
Total Retirement Living projects	**–**	**23**	**23**	–	–	–
Total inventory	**756**	**1,725**	**2,481**	802	1,713	2,515

1 Included within current finished development stock held for sale are logistics and business parks of $5 million (2016: $7 million). There are no apartments included in finished development stock held for sale (2016: $nil).

(C1a) Inventories (continued)

The following impairment provisions are included in the inventory balance with movements for the year recognised in the profit or loss:

	Residential communities $M	Apartments $M	Logistics & business parks $M	Total $M
Opening balance as at 1 July 2016	280	–	30	310
Amounts utilised	**(103)**	**–**	**–**	**(103)**
Net amounts reversed	**(3)**	**–**	**–**	**(3)**
Balance as at 30 June 2017	**174**	**–**	**30**	**204**

Development cost provisions

The following development provisions are recorded as a separate liability on the balance sheet with a corresponding asset recognised in inventory:

As at 30 June	2017 $M	2016 $M
Current	**319**	284
Non-current	**109**	113
Total development cost provision	**428**	397

Movement in development cost provisions

	$M
Opening balance as at 1 July 2016	397
Additional provisions recognised	**317**
Amounts used during the financial year	**(286)**
Balance as at 30 June 2017	**428**

(C1b) Commercial properties

Commercial 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.

Commercial properties are initially recognised at cost including any acquisition costs and subsequently stated at fair value at each balance date. Fair value is based on the latest independent valuation adjusting for capital expenditure and capitalisation and amortisation of lease incentives since the date of the independent valuation report. Any gain or loss arising from a change in fair value is recognised in the profit or loss in the period. The valuation of Commercial properties is a key area of accounting estimation and judgement for the Group.

Commercial properties under development are classified as investment properties 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 properties undergoing development or redevelopment are included in the cost of the development.

As at 30 June 2017, fair value for commercial properties in development has been assessed by the Directors after considering the latest valuations and subsequent capital works-in-progress. An independent valuation of the property will be undertaken upon completion of the works.

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 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 or loss as an expense as incurred.

(C1b) Commercial Properties (continued)

Lease incentives

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 using a straight-line basis.

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.

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 recognised in the profit or loss in the year of disposal.

Commercial properties including Stockland's share of property held by equity-accounted investments

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Retail	**7,017**	6,660	**6,961**	6,609
Logistics & Business Parks	**2,035**	1,962	**2,035**	1,962
Office	**868**	845	**865**	829
Capital works in progress and sundry properties	**312**	202	**238**	130
Book value of commercial properties	**10,232**	9,669	**10,099**	9,530
Less amounts classified as:				
• Property, plant and equipment	**(43)**	(44)	**–**	–
• Non-current assets held for sale	**(71)**	(67)	**(69)**	(61)
• Other assets (including lease incentives and lease fees)	**(218)**	(200)	**(223)**	(205)
• Other assets (including lease incentives and lease fees) attributable to equity-accounted investments	**(8)**	(10)	**(8)**	(10)
• Other receivables (straight-lining of operating lease rental income)	**(67)**	(61)	**(71)**	(65)
• Other receivables (straight-lining of operating lease rental income) attributable to equity-accounted investments	**(13)**	(13)	**(13)**	(13)
Total investment properties (including share of investment properties held by equity-accounted investments)	**9,812**	9,274	**9,715**	9,176
Less: Stockland's share of investment properties held by equity-accounted investments	**(529)**	(474)	**(529)**	(474)
Total investment properties	**9,283**	8,800	**9,186**	8,702
Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**8,800**	7,917	**8,702**	7,840
Acquisitions	**20**	222	**20**	222
Transfers from equity-accounted investments[1]	**–**	70	**–**	70
Expenditure capitalised	**333**	287	**357**	345
Transfers to non-current assets held for sale	**(71)**	(67)	**(69)**	(61)
Disposals	**(8)**	(2)	**(8)**	(43)
Net change in fair value of investment properties	**209**	373	**184**	329
Balance at the end of the financial year	**9,283**	8,800	**9,186**	8,702

1 Transfer of 50% of Stockland Bundaberg. In the prior year, Stockland acquired the remaining 50% of the trust that holds Stockland Bundaberg.

(C1b) Commercial Properties (continued)

Description	Independent valuation		Independent valuers' cap rate[1] %		Book value ($M)	
	Date	$M	2017	2016	2017	2016
Retail						
Directly owned						
Stockland Shellharbour, Shellharbour NSW[6]	Dec 2016	740	**5.50**	5.75	**758**	700
Stockland Wetherill Park, Western Sydney NSW	Dec 2016	740	**5.50**	6.75	**742**	685
Stockland Merrylands, Merrylands NSW	Jun 2017	555	**5.50**	5.75	**555**	537
Stockland Rockhampton, Rockhampton QLD	Dec 2016	419	**5.75**	6.00	**426**	406
Stockland Green Hills, East Maitland NSW	Dec 2015	354	**5.75**	5.75	**398**	354
Stockland Glendale, Newcastle NSW	Jun 2017	336	**5.75**	6.25	**336**	301
Stockland Point Cook, Point Cook VIC	Dec 2015	230	**6.25**	6.25	**234**	230
Stockland Townsville, Townsville QLD (50%)[2]	Dec 2015	229	**6.00 – 6.75**	6.00 – 6.75	**227**	227
Stockland Cairns, Cairns QLD	Jun 2017	211	**6.25**	6.00	**211**	235
Stockland Burleigh Heads, Burleigh Heads QLD	Jun 2017	206	**6.50 – 7.25**	6.75 – 7.50	**206**	191
Stockland Baldivis, Baldivis WA	Dec 2015	200	**6.00**	6.00	**204**	200
Stockland Hervey Bay, Hervey Bay QLD	Jun 2017	185	**6.25**	6.25	**185**	195
Stockland The Pines, Doncaster East VIC	Jun 2017	182	**6.00**	6.25	**182**	170
Stockland Forster, Forster NSW	Dec 2016	172	**6.25**	6.50	**173**	167
Stockland Balgowlah, Balgowlah NSW	Jun 2017	170	**5.50**	6.00	**170**	148
Stockland Jesmond, Newcastle NSW	Jun 2017	168	**6.25**	6.50	**168**	161
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2017	158	**6.00**	6.25	**158**	145
Stockland Wendouree, Wendouree VIC	Dec 2015	148	**6.50**	6.50	**150**	149
Stockland Gladstone, Gladstone QLD	Dec 2016	147	**6.50**	7.00	**149**	142
Stockland Bundaberg, Bundaberg QLD	Jun 2016	139	**6.50**	6.50	**143**	139
Stockland Caloundra, Caloundra QLD	Dec 2016	140	**5.96**	6.50	**141**	127
Stockland Nowra, Nowra NSW[6]	Jun 2017	128	**6.00**	6.50	**129**	117
Stockland Cleveland, Cleveland QLD	Dec 2016	112	**6.25**	6.75	**113**	103
Stockland Bull Creek, Bull Creek WA	Dec 2016	107	**6.25**	6.50	**107**	103
Stockland Traralgon, Traralgon VIC	Jun 2017	100	**6.50**	6.75	**100**	108
Stockland Bathurst, Bathurst NSW	Dec 2015	94	**6.75**	6.75	**96**	95
Stockland Wallsend, Wallsend NSW	Dec 2016	79	**6.75**	7.00	**80**	71
Stockland Tooronga, Tooronga VIC	Dec 2016	70	**5.75**	6.00	**71**	63
Stockland Corrimal, Corrimal NSW	Jun 2017	69	**7.00**	6.75	**69**	75
Stockland Harrisdale Complex, Harrisdale WA[7]	Dec 2016	55	**6.25**	–	**55**	48
Shellharbour Retail Park, Shellharbour NSW	Dec 2016	54	**7.75**	7.75	**54**	53
Stockland Cammeray, Cammeray NSW	Dec 2016	49	**6.00**	6.25	**49**	45
Stockland Highlands, Craigieburn VIC[3]	Dec 2016	39	**6.00**	6.50	**39**	34
Stockland Kensington, Kensington QLD	Jun 2017	31	**6.00**	–	**31**	–
North Shore Townsville, Townsville QLD	Dec 2016	23	**6.50**	6.75	**23**	23
Stockland Merrylands Court, Merrylands NSW[3]	Dec 2014	10	**7.50**	7.50	**10**	10
Woolworths Toowong, Toowong QLD[3,4]	Dec 2015	6	**n/a**	n/a	**7**	7
Stockland Townsville Kingsvale Sunvale, QLD (50%)[2,5]	Dec 2014	5	**n/a**	n/a	**3**	2
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)[2,8]	–	–	**–**	8.00	**–**	14
Stockland Vincentia Shopping Centre, Vincentia NSW[8]	–	–	**–**	8.25	**–**	11
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec 2016	66	**6.25**	6.50	**67**	64
Total Retail[9]					**7,017**	6,660

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Property is not held by the Trust.
4 Property is valued as land.
5 Independent valuation based on 100% ownership.
6 Independent valuation excludes the adjacent property owned by Stockland.
7 The values adopted in the comparative period are a result of a Directors' valuation.
8 Property was disposed of during the period.
9 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

	Independent valuation		Independent valuers' cap rate[1] %		Book value ($M)	
Description	**Date**	**$M**	**2017**	**2016**	**2017**	**2016**
Logistics & Business Parks						
Directly owned						
Yennora Distribution Centre, Yennora NSW	Dec 2015	381	**7.00**	7.00	**390**	384
Triniti Business Campus, North Ryde NSW	Dec 2015	178	**7.00**	7.00	**180**	176
Ingleburn Distribution Centre, Ingleburn NSW[6]	Dec 2016	105	**6.75**	–	**105**	78
60-66 Waterloo Road, Macquarie Park NSW	Dec 2015	95	**6.50 – 7.00**	6.50 – 7.00	**99**	97
Hendra Distribution Centre, Brisbane QLD	Jun 2017	93	**7.75**	8.25	**93**	88
Stockland Mulgrave, Mulgrave VIC[6]	Dec 2016	92	**7.00**	–	**93**	93
Port Adelaide Distribution Centre, Port Adelaide SA	Jun 2017	92	**9.00**	9.00	**92**	101
Brooklyn Estate, Brooklyn VIC	Dec 2015	83	**8.00**	8.00	**82**	82
Forrester Distribution Centre, St Marys NSW	Dec 2015	81	**7.25**	7.25	**81**	81
Macquarie Technology Centre, Macquarie Park NSW	Dec 2016	56	**6.98**	7.00-8.25	**57**	54
9-11a Ferndell Street, Granville NSW	Dec 2015	56	**7.25 – 9.00**	7.25-9.00	**56**	54
1090-1124 Centre Road, Oakleigh VIC[8]	Jun 2017	53	**6.75**	9.25	**53**	40
Toll Business Park, Altona VIC	Jun 2017	53	**6.25 – 7.25**	6.75 – 7.50	**53**	50
Balcatta Distribution Centre, Balcatta WA[10]	Dec 2016	48	**6.75**	7.00	**52**	59
20-50 & 76-82 Fillo Drive and 10 Stubb Street, Somerton VIC	Dec 2016	51	**7.56**	8.25	**52**	45
16 Giffnock Avenue, Macquarie Park NSW	Jun 2017	51	**7.12**	7.75	**51**	43
23 Wonderland Drive, Eastern Creek NSW[6]	Dec 2016	37	**6.75**	–	**37**	36
Altona Distribution Centre, Altona VIC	Jun 2017	36	**7.50**	8.25	**36**	31
72-76 Cherry Lane, Laverton North VIC	Dec 2015	32	**7.00**	7.00	**32**	32
2 Davis Road, Wetherill Park NSW	Jun 2016	26	**7.25**	7.25	**26**	26
2-8 Baker Street, Botany NSW	Dec 2015	23	**6.25**	6.25	**25**	24
Erskine Park, Erskine Park NSW[6]	Dec 2016	22	**6.00**	–	**23**	19
Coopers Paddock, Warwick Farm NSW[5]	–	–	**–**	–	**19**	19
40 Scanlon Drive, Epping VIC	Dec 2015	9	**7.50**	7.50	**9**	9
Export Park, 9-13 Viola Place, Brisbane Airport QLD[4]	Jun 2017	6	**10.44**	9.29	**6**	9
M1 Yatala Enterprise Park, Yatala QLD	Jun 2017	6	**n/a**	n/a	**6**	7
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Jun 2017	227	**6.75**	6.75	**227**	227
Total Logistics & Business Parks[12]					**2,035**	1,962
Office						
Directly owned						
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[2, 3, 4, 7]	Jun 2017	280	**5.50 – 6.00**	6.00 – 7.00	**259**	232
Durack Centre, 263 Adelaide Terrace, Perth WA[4]	Jun 2017	106	**8.00**	8.00	**106**	116
601 Pacific Highway, St Leonards NSW	Dec 2015	98	**7.00**	7.00	**95**	97
77 Pacific Highway, North Sydney NSW	Dec 2016	73	**6.50**	7.00	**73**	69
110 Walker Street, North Sydney NSW	Dec 2015	30	**7.25**	7.25	**30**	30
40 Cameron Avenue, Belconnen ACT[4]	Jun 2017	25	**10.50**	11.00	**25**	33
80-88 Jephson Street, Toowong QLD[9]	Jun 2017	17	**8.00**	8.75	**17**	22
23-29 High Street, Toowong QLD[9]	Jun 2017	7	**7.00**	7.50	**7**	6
Garden Square, Mt Gravatt QLD[11]	–	–	**–**	n/a	**–**	35
Owned through equity-accounted investments						
135 King Street, Sydney NSW (50%)[3]	Jun 2017	256	**4.50 – 5.38**	4.75 – 6.00	**256**	206
Total Office[12]					**868**	845

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Book value includes the retail component of the property.
4 Property is a leasehold property.
5 The values adopted above are a result of a Directors' valuations.
6 The values adopted in the comparative period are a result of a Directors' valuation.
7 The book value excludes the revaluation relating to the area occupied by Stockland. This owner-occupied area is classified as property, plant and equipment and is recognised at historical cost.
8 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
9 Property is not held by the Trust.
10 Independent valuation excludes the adjacent property owned by Stockland.
11 Property was disposed of during the period.
12 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

Fair value measurement, valuation techniques and inputs

The adopted valuations (both internal and external) for investment properties in the Retail, Office and Logistics & Business Parks portfolios are a combination of the valuations determined using the Discounted Cash Flow (DCF) method and the income capitalisation method.

The adopted value of properties in the properties under development portfolio is based on an internal tolerance check performed by the Directors at each reporting date. The tolerance check takes into account the expected cost of completion, the stage of completion, the risk associated with the project, expected underlying income and applying the income capitalisation method.

The following table shows the valuation techniques used in measuring the fair value of commercial properties, as well as significant unobservable inputs used.

Class of property	Fair value hierarchy	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs	
				30 June 2017	30 June 2016
Retail	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$188 – \$794	\$188 – \$794
			10 year average specialty market rental growth	2.9% – 3.9%	3.0% – 4.0%
			Adopted capitalisation rate	4.5% – 7.3%	4.8% – 7.8%
			Adopted terminal yield	4.8% – 7.5%	5.0% – 8.0%
			Adopted discount rate	6.8% – 8.5%	6.8% – 9.0%
Logistics & Business Parks	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$56 – \$429	\$56 – \$430
			10 year average market rental growth	2.3% – 3.7%	2.4% – 3.7%
			Adopted capitalisation rate	6.0% – 10.4%	6.3% – 9.3%
			Adopted terminal yield	6.5% – 12.0%	6.5% – 11.0%
			Adopted discount rate	7.3% – 9.3%	7.5% – 9.3%
Office	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$304 – \$796	\$317 – \$707
			10 year average market rental growth	2.7% – 4.1%	2.9% – 3.9%
			Adopted capitalisation rate	5.4% – 10.5%	6.0% – 11.0%
			Adopted terminal yield	5.6% – 11.3%	6.5% – 11.0%
			Adopted discount rate	7.0% – 11.8%	7.5% – 11.0%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	\$117 – \$725	\$56 – \$794
			Adopted capitalisation rate	5.5% – 6.7%	5.8% – 8.0%

Both the DCF and income capitalisation methods use inputs which are not frequently observable, in determining fair value, as per the table above.

The table below explains the key inputs used to measure fair value for commercial properties:

DCF method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
10 year average specialty market rental growth	An average of a 10 year period of forecast annual percentage growth rates in Retail specialty tenancy rents. Specialty tenants are those tenancies with a gross lettable area of less than 400 square metres (excludes ATMs and kiosks).

(C1b) Commercial Properties (continued)

10 year average market rental growth	The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out the DCF method. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.

Valuation process

The Commercial Property valuation team are responsible for managing the bi-annual valuation process across Stockland's balance sheet investment portfolio. The aim of the valuation process is to ensure that assets are held at fair value in Stockland's accounts and facilitate compliance with applicable regulations (for example the Corporations Act 2001 and ASIC regulations) and the STML Responsible Entity Constitution and Compliance Plan.

Stockland's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. Internal tolerance checks have been performed by Stockland's internal valuers who hold recognised relevant professional qualifications.

Internal tolerance check

An internal tolerance check is performed every six months with the exception of those properties being independently valued during the current reporting period. Stockland's internal valuers perform tolerance checks by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management teams. For the Retail, Office and Logistics & Business Parks classes, appropriate capitalisation rates, terminal yields and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and DCF valuation. The internal tolerance check is generally weighted equally between the capitalisation value (50% weighting) and the DCF valuation (50% weighting).

The current book value, which is the value per the asset's most recent external valuation plus any capital expenditure since the valuation date, is compared to the internal tolerance check.

- If the internal tolerance check is within 5.0% of the current book value, then the current book value is retained, and judgement is taken that this remains the fair value of the property.
- If the internal tolerance check varies by more than 5.0% to the current book value (higher or lower), then an external independent valuation will be undertaken and adopted after assessment by the Commercial Property valuation team to provide an appropriate level of evidence to support fair value.

The internal tolerance checks are reviewed by Commercial Property senior management who recommend the adopted valuation to the Audit Committee and Board in accordance with Stockland's internal valuation protocol above.

A development feasibility is prepared for each commercial property under development. The feasibility includes an estimated valuation upon project completion based on the income capitalisation method. During the development period, fair value is assessed by reference to the value of the property when complete, less deductions for costs required to complete the project and appropriate adjustments for profit and risk. The fair value is compared to the current book value.

- If the internal tolerance check is within 5.0% of the current book value, then the current book value is retained, and judgement is taken that this remains the fair value of the property under development.
- If the internal tolerance check varies by more than 5.0% to the current book value (higher or lower), then an internal valuation will be adopted with an external valuation obtained on completion of the development.

(C1b) Commercial Properties (continued)

External Valuations

The STML Responsible Entity Limited Compliance Plan requires that each asset in the portfolio must be valued by an independent external valuer at least once every three years.

In practice, assets are generally independently valued more than once every three years primarily as a result of:

- A variation between book value and internal tolerance check. Refer to the internal tolerance check section above.
- The asset is undergoing major development or significant capital expenditure on a property.
- An opportunity to undertake a valuation in line with a joint owners' valuation.
- Ensuring an appropriate cross-section of assets are externally assessed at each reporting period.

Sensitivity information

Significant input	Impact on fair value of an increase in input	Impact on fair value of a decrease in input
Net market rent	Increase	Decrease
10 year specialty market rental growth	Increase	Decrease
10 year average market rental growth	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the DCF method.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a DCF valuation, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

Non-cancellable operating lease receivable from investment property tenants

Annual rent receivable by the Group under current leases from tenants is from property held by the Commercial Property business.

Non-cancellable operating lease receivable not recognised in the financial statements at balance date:

	Stockland		Trust	
As at 30 June	2017 $M	2016 $M	2017 $M	2016 $M
Within one year	**608**	607	**610**	609
Later than one year but not later than five years	**1,588**	1,575	**1,602**	1,588
Later than five years	**1,039**	1,075	**1,038**	1,077
Total non-cancellable operating lease receivable	**3,235**	3,257	**3,250**	3,274

(C1c) Retirement Living

For information on results of the Retirement Living business refer to section (B2c).

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.

Stockland

As at 30 June	2017 $M	2016 $M
Net investment in Retirement Living		
Operating villages	**3,622**	3,368
Villages under development	**202**	208
Total Retirement Living investment properties	**3,824**	3,576
Existing resident obligations	**(2,616)**	(2,414)
Net carrying value of Retirement Living villages	**1,208**	1,162
Retirement Living net carrying value movement during the year		
Balance at the beginning of the financial year	**1,162**	1,137
Expenditure capitalised	**162**	168
Transferred to assets held for sale	**–**	(12)
Realised fair value movements	**28**	26
Cash received on first sales	**(146)**	(152)
Change in fair value of investment properties	**17**	(20)
Other movements	**(15)**	15
Balance at the end of the financial year	**1,208**	1,162

Disposals

During the year, Stockland disposed of five villages located in Western Australia for total proceeds of $12 million. At 30 June 2016, these villages were revalued to their sale price and classified as assets held for sale.

Fair value measurement, valuation techniques and inputs

The fair value of Retirement Living investment properties (including villages under development) is the value of the Retirement Living assets and the future cash flows associated with the contracts. Changes in fair value of investment properties are recognised in profit or loss.

The fair value is determined by the Directors using a DCF methodology. The valuation of Retirement Living investment properties and resident obligations is a key area of accounting estimation and judgement for the Group.

Both the investment properties and resident obligations are considered to be level 3 in the Fair Value Hierarchy. Refer to section (D5).

The following inputs are used to measure the fair value of the investment properties:

	Range of unobservable inputs	
Inputs	**30 June 2017**	**30 June 2016**
Discount rate[1]	12.5% – 14.5% (Average: 13.0%)	12.5% – 14.0% (Average: 12.9%)
Average 20 year growth rate	3.6%	3.7%
Average length of stay of existing and future residents	10.8 years	10.6 years
Current market value of unit	$0.1 million – $2.1 million	$0.1 million – $1.3 million
Renovation/Reinstatement cost	$5k – $80k	$5k – $80k
Renovation recoupment	0% – 100%	0% – 100%

1 Discount rate includes a premium to allow for future capital expenditure.

(C1c) Retirement Living (continued)

The DCF methodology uses unobservable inputs as shown in the table above. These are further explained below:

Item	Description
DCF method	Under the DCF method, an asset or liability's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows the property asset will generate. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the external valuations performed.
20 year growth rate	This is the rate that it is expected the unit will increase in value over 20 years. Growth rates from the external valuation reports are taken as a base to estimate the 20 year rate on a semi-annual basis.
Average length of stay of existing and future residents	Assumptions on future resident gender and entry age based upon analysis of historical entrant profiles are used to estimate average length of stay.
Current market value	Market values are generally reviewed semi-annually by the sales and operational teams, and approved by the National Sales Manager and CEO Retirement Living.
Renovation/Reinstatement cost	The cost that is required to maintain the independent living units and serviced apartments to the appropriate condition.
Renovation recoupment	The percentage of renovation costs that will be recouped from the residents based on contractual terms.

Valuation process

The Retirement Living finance team are responsible for managing the bi-annual valuation process across Stockland's Retirement Living portfolio. The aim of the valuation process is to confirm that assets are held at fair value on Stockland's balance sheet.

Operating villages

Internal valuations are completed every six months using valuation models with reference to external market data. An independent professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the investment properties valued provides assurance on the key assumptions used. The most recent independent assessment was obtained at 30 April 2017. Independent valuations are also obtained from time to time.

Villages under construction

Villages under construction are carried at fair value. There are two elements to the value of villages under construction - the value of land and other development expenditure and the value of discounted future DMF revenue. The land and other development expenditure is made up of costs incurred to date plus a development margin. Development margin is recognised on a percentage of completion basis and is based on an internally certified level of completion of the stage. Development margin recognition is also described in section (B2c). The DMF asset is recognised on a percentage of completion basis.

Units are transferred from villages under construction to established villages once they have been leased for the first time. This transfer is at the cost of the unit plus development profit recognised during construction.

Sensitivity information

Significant input	Impact on fair value of an increase in input	Impact on fair value of a decrease in input
Discount rate	Decrease	Increase
20 year growth rate	Increase	Decrease
Average length of stay of existing and future residents[1]	Decrease	Increase
Current market value of unit	Increase	Decrease
Renovation cost	Decrease	Increase
Renovation recoupment	Increase	Decrease

1 This is dependent on the length of stay as the majority of contracts have maximum DMF periods.

(C1c) Retirement Living (continued)

When assessing a DCF valuation, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

In theory, an increase (softening) in the discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

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.

Current resident obligations

Based on actuarial turnover calculations, approximately 8% 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 from receipts from incoming residents.

Accounting Standards require that resident obligations are classified as current because all residents have the right to terminate their occupancy contract with immediate effect, and Stockland has no unconditional contractual right to defer settlement for at least 12 months.

Non-current resident obligations

The non-current obligation relates to certain legacy contracts that give Stockland a right to defer settlement for up to eight years.

As at 30 June	Current $M	Non-Current $M	Total $M
2017			
Existing resident obligations	**2,439**	**177**	**2,616**
Former resident obligations	**5**	**8**	**13**
Total resident obligations	**2,444**	**185**	**2,629**
2016			
Existing resident obligations	2,202	212	2,414
Former resident obligations	3	10	13
Total resident obligations	2,205	222	2,427

Fair value measurement, valuation techniques and inputs

The fair value of the resident obligations is the amount payable on demand to residents 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 in profit or loss.

Inputs used in relation to the resident obligations are identical to those used for Investment Properties. Refer above for a detailed description of the inputs used.

Valuation process

Resident obligations are calculated in the valuation model, as at the measurement date based on the initial loan amount paid by the resident adjusted for DMF and their share of capital gain or loss arising on the unit.

It is impractical to have the resident obligations valued externally, therefore these are valued every six months by the Directors as described above. Key assumptions used in these valuations are externally reviewed and assessed for reasonableness each reporting period.

(C1c) Retirement Living (continued)

Sensitivity information

As the resident obligations are a financial liability, a quantitative sensitivity analysis has been disclosed. Sensitivity of the resident obligations to changes in the assumptions are shown in the table below:

		Increase/(decrease) in resident obligations			
		Increase in input		Decrease in input	
Significant input	Change in assumption	2017 $M	2016 $M	2017 $M	2016 $M
Current market value	10%	**167**	150	**(167)**	(150)

Current market value is the only input that will significantly impact the fair value of the resident obligation since this impacts the amount of any capital gain that will be shared between Stockland and the resident upon exit.

(C2) Financial assets and liabilities

KEEPING IT SIMPLE …

This section shows the financial assets and liabilities Stockland generates through its trading activity.

Careful management of working capital enables the Group to meet its trading and financing obligations within its ordinary operating cycle. Cash and cash equivalents are disclosed in section (D2).

(C2a) 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.

	Stockland		Trust	
As at 30 June	2017 $M	2016 $M	2017 $M	2016 $M
Current				
Trade receivables	**45**	54	**4**	2
Provision for impairment	**(1)**	(2)	**(1)**	(1)
Net trade receivables	**44**	52	**3**	1
Other receivables	**95**	82	**19**	17
Total current trade and other receivables	**139**	134	**22**	18
Non-current				
Straight-lining of rental income	**67**	62	**71**	65
Other receivables	**16**	38	**–**	–
Receivables due from related companies	**–**	–	**3,181**	3,445
Total non-current trade and other receivables	**83**	100	**3,252**	3,510

(C2b) Trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

		Stockland		Trust	
As at 30 June	Section	2017 $M	2016 $M	2017 $M	2016 $M
Current					
Trade payables and accruals		**237**	273	**100**	129
Land purchases		**10**	48	**–**	–
Distributions payable	(D8)	**312**	295	**312**	295
GST payable/(receivable)		**26**	27	**(2)**	(2)
Total current trade and other payables		**585**	643	**410**	422
Non-current					
Land purchases		**10**	–	**–**	–
Total non-current trade and other payables		**10**	–	**–**	–

The carrying values of trade receivables and payables at balance date represent a reasonable approximation of their fair values.

(C3) Other non-financial assets and liabilities

(C3a) Intangible assets

Intangible assets are an identifiable non-monetary asset without physical substance. Stockland has two types of intangible assets: goodwill and software. There are no intangible assets held in the Trust.

Stockland

	Goodwill $M	Software $M	Total $M
Cost			
Opening balance as at 1 July 2015	117	80	197
Additions	–	33	33
Balance as at 30 June 2016	117	113	230
Additions	**–**	**44**	**44**
Balance as at 30 June 2017	**117**	**157**	**274**
Accumulated amortisation and impairment losses			
Opening balance as at 1 July 2015	(41)	(58)	(99)
Amortisation charge	–	(9)	(9)
Impairment charge	–	–	–
Balance as at 30 June 2016	(41)	(67)	(108)
Amortisation charge	**–**	**(10)**	**(10)**
Impairment charge	**–**	**–**	**–**
Balance as at 30 June 2017	**(41)**	**(77)**	**(118)**
Carrying amounts			
As at 30 June 2016	76	46	122
As at 30 June 2017	**76**	**80**	**156**

(C3a) Intangible assets (continued)

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 at the date of acquisition.

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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. The determination of the recoverability of goodwill is a key area of accounting estimation and judgement for the Group.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash-generating units (CGU). The allocation is made to each CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

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 Limited on 31 October 2010.

Impairment Test

An impairment test was performed with no impairment recognised in the current year (2016: $nil).

The goodwill impairment test is based upon the value in use method using cash flow projections for Retirement Living unrecognised development profits. Unrecognised development profits comprises of cash flows from both the development pipeline and deferred repayment contracts which are considered to benefit from the acquisitions.

Deferred Repayment (DR) Contracts

The Australian Retirement Communities portfolio acquired in 2007, included a number of DR contracts. These DR contracts were entered into prior to the Stockland acquisition at a wholesale price on development, and therefore were expected to result in higher conversion profit upon next settlement when they are priced at retail value and converted to Stockland target contracts.

The cash flows are discounted over their forecast maturity at 13.0% (2016: 12.9%) and cash flows beyond the five year period have been determined by applying a growth rate of 3.6% p.a. (2016: 3.7% p.a.). The growth rate applied does not exceed the long-term average rate for the Australian retirement living property market.

Development Pipeline

Future development cash flows are based on formal budgets approved by management expected to commence in the next five year period and future development pipeline assumptions. The cash flows incorporate projections for development costs, selling price and associated DMF for the Retirement Living Communities in the development pipeline.

Future cash flows are discounted at 15.0% (2016: 15.0%). Cash flows beyond the five year period have been determined by applying a growth rate of 3.6% p.a. (2016: 3.7% p.a.). The growth rate applied does not exceed the long-term average rate for the Australian Retirement Living property market.

Management believe that due to the extended time it takes to develop a village and the general long-term nature of Retirement Living Communities, where Stockland has the ability to manage assets over that extended period, it is reasonable to use a cash flow period of greater than five years.

(C3a) Intangible assets (continued)

Software

Software is stated at cost less accumulated amortisation and impairment losses. Amounts incurred in design and testing of software are capitalised, including employee costs and an appropriate part of directly attributable overhead costs, where the software will generate probable future economic benefits. This is a key area of accounting estimation and judgement for the Group.

Costs associated with maintaining software are recognised as an expense as incurred.

All software is currently amortised based on the straight-line method and using rates between 20 – 33% from the point at which the asset is ready for use. Amortisation is recognised in profit or loss. Rates used are consistent with the prior year.

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

Impairment Test

No impairment has been recognised in the current year (2016: $nil).

(C3b) 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. Investment property held for sale will continue to be carried at fair value. 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 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.

Property, plant and equipment are not depreciated once classified as held for sale.

	Stockland		Trust	
	2017 $M	2016 $M	2017 $M	2016 $M
Investment properties transferred from Commercial Property	**71**	67	**69**	61
Investment properties transferred from Retirement Living	**–**	12	**–**	–
Eagle Street Pier Pty Limited	**–**	18	**–**	–
Total non-current assets held for sale	**71**	97	**69**	61

In the prior year, Stockland completed the sale of the property at Eagle Street Pier which were held by Eagle Street Pier Pty Limited. The final proceeds from the sale of the Eagle Street Pier property were distributed by the joint venture to Stockland and its joint venture partner in July 2016.

Refer to (E1) for further details.

(D) Capital structure and financing costs

IN THIS SECTION

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Board determines the appropriate capital structure of the Group, specifically, how much is raised from securityholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance the Group's activities both now and in the future.

The Board considers the Group's capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan. During the year Stockland's credit rating remained unchanged at A-/stable, and the Board continued to focus on improving the efficiency of the balance sheet.

The Group is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions and net assets. In accordance with risk management policies, the Group uses derivatives to hedge these underlying exposures.

(D1) Net financing costs

KEEPING IT SIMPLE …

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial assets and liabilities. The presentation of the net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

Mark-to-market movements reflect the change in market value of the Group's derivative instruments between the later of inception or 1 July 2016 and 30 June 2017. The market value at year end is not necessarily the same as the value at which they will be settled at maturity.

Finance income includes interest receivable on funds invested, any net gains on fair value movement of effective and ineffective hedged items, financial instruments and any net foreign exchange gains recognised in profit or loss.

Interest income is recognised in profit or 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.

Finance costs include interest payable on short-term and long-term borrowings calculated using the effective interest method, payments on derivatives, losses on hedging instruments that are recognised in profit or 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 whilst in active development until the assets are ready for their intended use or sale. Total interest capitalised must not exceed the net interest expense in any period. 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 or the decision is taken to dispose of the asset, the capitalisation of borrowing costs is also suspended.

The rate at which interest has been capitalised to qualifying assets is disclosed in section (C1).

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.

The fair value of derivatives is discussed further in section (D5).

(D1) Net financing costs (continued)

Net financing costs can be analysed as follows:

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Finance income				
Interest income from related parties	**–**	–	**272**	293
Interest income from other parties	**4**	8	**1**	1
Interest income	**4**	8	**273**	294
Net gain on fair value hedges	**26**	–	**26**	–
Net gain on derivatives	**92**	–	**92**	–
Total gain on debt and derivatives	**118**	–	**118**	–
Finance income	**122**	8	**391**	294
Finance expense				
Interest expense relating to interest-bearing financial liabilities	**200**	197	**200**	197
Interest paid or payable on other financial liabilities at amortised cost	**9**	12	**–**	–
Less: interest capitalised to inventories	**(113)**	(116)	**–**	–
Less: interest capitalised to investment properties	**(13)**	(12)	**(8)**	(3)
Interest expense	**83**	81	**192**	194
Net loss on fair value hedges	**–**	15	**–**	15
Net loss on derivatives	**–**	156	**–**	156
Total loss on debt and derivatives	**–**	171	**–**	171
Total finance expense	**83**	252	**192**	365

The interest expense relating to interest-bearing financial liabilities includes $82 million (2016: $96 million) related to interest on financial liabilities carried at amortised cost.

The table below shows the composition of gains/losses on derivatives, including those eligible and ineligible for hedge accounting:

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Net gain/(loss) on fair value hedges				
(Loss)/gain on net change in fair value of derivatives	**(137)**	151	**(137)**	151
Gain/(loss) on net change in fair value of interest-bearing liabilities	**163**	(166)	**163**	(166)
Net gain/(loss) on fair value hedges	**26**	(15)	**26**	(15)
Net gain/(loss) on derivatives				
Gain/(loss) on foreign exchange movement	**22**	(25)	**22**	(25)
Gain/(loss) on fair value movement	**70**	(131)	**70**	(131)
Net gain/(loss) on derivatives	**92**	(156)	**92**	(156)

In the prior year, financial instruments were closed out by the Group for nil consideration. The following table shows the cash and profit or loss impact of closing out these instruments:

	Stockland		Trust	
	2017 $M	2016 $M	**2017 $M**	2016 $M
Cash costs of closing out financial instruments	**–**	(119)	**–**	(119)
Cumulative fair value loss previously recognised	**–**	112	**–**	112
Loss realised during the year	**–**	(7)	**–**	(7)

(D2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand form an integral part of Stockland's cash management and are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statements. As at 30 June 2017, Stockland does not have any bank overdrafts.

Included in the cash and cash equivalents balance is $110 million (2016: $99 million) in cash that is relating to joint ventures and/or held to satisfy real estate and financial services licensing requirements, and is not immediately available for use by the Group.

(D3) Interest-bearing loans and borrowings

KEEPING IT SIMPLE …

The Trust borrows money from financial institutions and debt investors in the form of bonds and other financial instruments. The Trust's bonds generally have fixed interest rates and are for a fixed term.

The interest expense on these instruments are shown in section (D1).

Stockland and Trust

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs and subsequently are stated at amortised cost. Any difference between cost and redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method. However, where an effective fair value hedge is in place, borrowings are carried at fair value and changes in the fair value are recognised in profit or loss.

The table below shows fair value of each of these instruments. Fair value reflects the principal amount and remaining duration of these notes based on current market interest rates and conditions at balance date.

		Carrying value			
	Section	Current $M	Non-Current $M	Total $M	Fair value $M
2017					
Foreign medium term notes	(D3a)	**267**	**2,575**	**2,842**	**3,119**
Domestic medium term notes	(D3b)	**–**	**557**	**557**	**608**
Bank facilities	(D3c)	**–**	**130**	**130**	**130**
Total		**267**	**3,262**	**3,529**	**3,857**
2016					
Foreign medium term notes	(D3a)	331	2,644	2,975	3,257
Domestic medium term notes	(D3b)	150	555	705	764
Bank facilities	(D3c)	–	120	120	120
Total		481	3,319	3,800	4,141

The difference of $328 million (2016: $341 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to notes being carried at amortised cost, while 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.

(D3a) Foreign medium term notes

Stockland and Trust

US private placement

The Trust has issued fixed coupon notes in the US private placement market. Generally, notes are issued in United States dollars (USD) and converted back to Australian dollars (AUD) principal and AUD floating coupons through CCIRS.

In the current year, the Trust settled new US private placement debt which was transacted in the prior year. The debt is equivalent to $398 million and comprises of four tranches denominated in either USD or AUD with terms of between 10 and 15 years.

(D3a) Foreign medium term notes (continued)

During the current year, the Trust also repaid USD 242 million ($277 million) of its notes that were issued in the US private placement market and matured in July 2016, October 2016 and June 2017.

The fair value of the US private placements as at 30 June 2017 is $2,384 million (2016: $2,482 million). Details of the foreign medium term notes on issue in the US private placement market are set out below:

			Face value[1]		Carrying amount	
Maturity date	**Fixed rate coupon**	**Floating CCIRS[2]**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
July 2016	5.04%	0.79% – 0.78%	**–**	62	**–**	65
October 2016	5.87%	0.76%	**–**	27	**–**	25
June 2017	5.93%	0.48% – 0.76%	**–**	188	**–**	242
October 2017	5.96%	0.76%	**61**	61	**53**	57
June 2018	5.98%	0.25%	**250**	250	**214**	223
October 2018	6.01%	0.73% – 0.65%	**269**	269	**239**	260
July 2019	5.19%	0.85% – 0.83%	**71**	71	**72**	75
July 2020	5.24%	0.87% – 0.86%	**90**	90	**93**	96
September 2021	4.32%	2.44% – 2.48%	**176**	176	**245**	266
June 2022	6.15%	1.00%	**28**	28	**39**	41
August 2022	3.99%/6.80%	2.93% – 3.08%	**105**	105	**102**	109
August 2024	4.14%	2.99%	**50**	50	**49**	53
August 2025	3.75%	1.62%	**156**	156	**163**	181
December 2025	5.09%	–	**100**	100	**100**	100
August 2026	3.09%	–	**200**	–	**239**	–
June 2027	6.28%	0.87%	**20**	20	**31**	32
August 2027	3.85%	1.63%	**131**	131	**137**	153
August 2028	3.19%/4.35%	2.23%/–	**139**	–	**81**	–
February 2029	4.67%	1.52%	**141**	141	**182**	209
August 2030	4.00%	1.69%	**72**	72	**77**	87
August 2031	3.34%	2.27%	**59**	–	**53**	–
Total			**2,118**	1,997	**2,169**	2,274
Less: attributable transaction costs					**(5)**	(2)
Total balance sheet carrying amount					**2,164**	2,272

1 Face value of the notes in AUD after the effect of the CCIRS.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2017 was 1.705% (2016: 1.96%)

Asian and European private placement

The Trust has issued medium term notes into the Asian and European private placement markets with face values of Hong Kong dollars (HKD) 470 million ($62 million), HKD 400 million ($55 million), HKD 540 million ($100 million) and Euros (EUR) 300 million ($433 million).

All notes are issued at a fixed coupon payable in HKD and EUR and converted back to AUD floating coupons through cross currency principal and interest rate swaps.

(D3a) Foreign medium term notes (continued)

The fair value of the notes as at 30 June 2017 is $735 million (2016: $775 million). Details of the foreign medium term notes on issue in the Asian and European private placement market are set out below:

		CCIRS		Face value[1]		Carrying amount	
Maturity date	**Fixed rate coupon**	**Type**	**Rate[2]**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
November 2021	1.50%	Floating	1.48%	**433**	433	**445**	453
May 2025	3.37%	Floating	1.63%	**62**	62	**78**	85
October 2025	4.00%	Floating	1.63%	**55**	55	**73**	80
January 2026	3.38%	Fixed	4.90%	**100**	100	**86**	88
Total				**650**	650	**682**	706
Less: attributable transaction costs						**(3)**	(3)
Total balance sheet carrying amount						**679**	703

1 Face value of the notes in Australian dollars after the effect of the CCIRS.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2017 was 1.705% (2016: 1.96%).

(D3b) Domestic medium term notes

Stockland and Trust

Medium term notes have been issued at either face value, or at a discount or premium to face value and are carried at amortised cost. 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.

During the year, the Trust repaid $150 million of its medium term domestic notes that matured in July 2016.

The fair value of the notes as at 30 June 2017 is $608 million (2016: $764 million). Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	**Fixed rate coupon**	**2017 $M**	**2016 $M**
July 2016	7.50%	**–**	150
September 2019	5.50%	**150**	150
November 2020	8.25%	**160**	160
November 2022	4.50%	**250**	250
Total		**560**	710
Less: attributable transaction costs		**(3)**	(5)
Total balance sheet carrying amount at amortised cost		**557**	705

(D3c) Bank facilities

Stockland and Trust

The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. Details of maturity dates and security for facilities, excluding bank guarantee facilities (refer to section F4), are set out below:

	2017		2016	
Maturity date	**Utilised $M**	**Facility Limit $M**	**Utilised $M**	**Facility Limit $M**
July 2017	**–**	**–**	–	100
December 2017	**–**	**100**	–	200
July 2018	**–**	**100**	–	–
August 2018	**–**	**–**	–	120
December 2018	**–**	**100**	–	–
August 2019	**–**	**120**	–	–
January 2019	**–**	**–**	–	250
January 2020	**–**	**250**	–	–
February 2020	**–**	**–**	20	150
November 2020	**–**	**–**	100	100
February 2021	**30**	**150**	–	–
November 2021	**100**	**100**	–	–
	130	**920**	120	920

(D4) Other financial assets and liabilities

KEEPING IT SIMPLE …

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure. The Group uses derivatives to manage exposure to foreign exchange and interest rate risk.

Investments in other financial assets are managed in accordance with the Group’s documented risk policy. Based on the nature of the asset and its purpose, movements in the fair value of other financial assets are recognised either through profit or loss or other comprehensive income.

Investments in other entities

The fair value of ‘Securities in listed entities’ is determined by reference to the quoted bid price of the entity at balance date.

The fair value of ‘Units in unlisted entities’ is determined by reference to the net assets of the underlying investments at balance date.

The valuation of investments is a key area of accounting estimation and judgement for the Group.

These investments are included in ‘non-current assets – other financial assets’ unless the Group intends to dispose of the investment within 12 months of balance date in which case the investment is classified as ‘current assets – other financial assets’.

An investment is derecognised when the Group 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 12 months of balance date, the liability is recorded as ‘current liabilities – other liabilities’.

(D4) Other financial assets and liabilities (continued)

Investment in BGP Holdings, Plc (BGP)

BGP is a European (predominantly Euro currency denominated) real estate investment company. Stockland holds a 12.4% non-transferrable, non-tradable investment in BGP, which was acquired via an in specie distribution through its previous investment in the GPT Group. This investment is held as an available for sale investment, in current Other Financial Assets.

During the year, BGP successfully completed the sale of their property portfolio and have advised their intention to wind up the BGP group of companies and distribute the proceeds to shareholders through a combination of distributions and returns of capital. In February 2017, Stockland received $71 million being the first tranche of proceeds from BGP.

At 30 June 2017, BGP indicated that total cash of approximately €136 million ($202 million based on the spot rate at the end of the year) will be returned to shareholders as part of the return of capital process, equating to a prima facie value of $25 million for Stockland's share of the investment (after deducting for transaction costs and warranty provisions). There is uncertainty around the timing of receipt of the remaining proceeds, however BGP have indicated that this distribution is expected within the next 6 months. Stockland have recognised a fair value of $23 million ($16 million after tax) for this investment. The fair value is now based on an expected cash flow model after adjusting for risks of further potential delays and liquidation costs by applying a risk premium of 10%. An increment of 5% to these risk adjusted cash flows would result in a decrease of $1 million in the fair value of this investment. Similarly, a decrement of 5% would result in an increase of $1 million in the fair value.

Reconciliation from opening balance to closing balance for the fair value of the investment in BGP

Stockland	$M
Opening balance as at 1 July 2016	28
Net gain recognised in other comprehensive income	**66**
Distribution received	**(71)**
Balance as at 30 June 2017	**23**

Investments made by Stockland CARE Foundation (CARE Foundation)

The CARE Foundation is a charitable trust set up by Stockland. Under accounting standards, the CARE Foundation is considered a subsidiary that forms part of Stockland's consolidated group. Included in other financial assets is $9 million (2016: $8 million) of donations made by Stockland Trust to the CARE Foundation in the prior years which the CARE Foundation has invested to fund its ongoing charitable projects.

Derivative financial instruments

Stockland holds a number of derivative instruments including interest rate swaps, foreign exchange contracts and Cross Currency Interest Rate Swaps (CCIRS).

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. The valuation of derivatives is key area of accounting estimation and judgement for the Group.

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

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Third party valuations are used to determine the fair value of Stockland's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

The gain or loss on re-measurement to fair value is recognised in profit or 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 below.

Stockland enters into ISDA Master Agreements with its derivative counterparties. Under the terms of these arrangements, where certain credit events occur, the net position owing/receivable to a single counterparty in relation to all outstanding derivatives with that counterparty, will be taken as owing/receivable and all the relevant arrangements terminated. As Stockland does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet. In the event a credit event occurred, the ISDA Master Agreement would allow reduction to derivative assets and derivative liabilities of the same amount of $134 million (2016: $205 million).

(D4) Other financial assets and liabilities (continued)

Derivatives that qualify for hedge accounting

Stockland uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception of the transaction, Stockland designates and documents these derivative instruments into a hedging relationship with the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

Stockland also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or 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 matures 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 profit or 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 profit or 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 profit or loss within finance income or expense.

Amounts in the cash flow hedge reserve are recognised in profit or loss in the periods when the hedged item is recognised in profit or 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 matures 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 profit or 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 profit or loss.

(D4) Other financial assets and liabilities (continued)

The following table shows the fair value of financial instruments analysed by type of instrument:

Stockland

	Other financial assets		Other financial liabilities	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Current				
Fair value hedges	**–**	–	**(8)**	(3)
CCIRS – through profit or loss	**–**	72	**(28)**	(9)
Interest rate derivatives – through profit or loss	**–**	7	**(2)**	(7)
Securities in unlisted entities	**23**	–	**–**	–
Total current other financial instruments	**23**	79	**(38)**	(19)
Non-current				
Investments in other entities				
Securities in unlisted entities	**9**	36	**–**	–
Other investments	**8**	8	**–**	–
Total non-current investments in other entities	**17**	44	**–**	–
Fair value hedges	**168**	271	**(44)**	(18)
Cash flow hedges	**36**	53	**(27)**	(5)
CCIRS – through profit or loss	**39**	64	**–**	(7)
Interest rate derivatives – through profit or loss	**26**	36	**(132)**	(267)
Total non-current other financial instruments	**286**	468	**(203)**	(297)

Trust

	Other financial assets		Other financial liabilities	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Current				
Fair value hedges	**–**	–	**(8)**	(3)
CCIRS – through profit or loss	**–**	72	**(28)**	(9)
Interest rate derivatives – through profit or loss	**–**	7	**(2)**	(7)
Total current other financial instruments	**–**	79	**(38)**	(19)
Non-current				
Investments in other entities				
Securities in unlisted entities	**9**	8	**–**	–
Total non-current investments in other entities	**9**	8	**–**	–
Fair value hedges	**168**	271	**(44)**	(18)
Cash flow hedges	**36**	53	**(27)**	(5)
CCIRS – through profit or loss	**39**	64	**–**	(7)
Interest rate derivatives – through profit or loss	**26**	36	**(132)**	(267)
Total non-current other financial instruments	**278**	432	**(203)**	(297)

(D5) Fair value hierarchy

KEEPING IT SIMPLE …

The financial instruments included on the balance sheet are measured at either fair value or amortised cost. The measurement of fair value may in some cases be subjective and may depend on the inputs used in the calculations. The Group generally uses external valuations based on market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

- Level 1: quoted 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').

Determination of fair value

The fair value of derivative financial instruments, including domestic and foreign medium term notes, interest rate derivatives and CCIRS, is determined in accordance with generally accepted pricing models by discounting the expected future cash flows 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 debit or credit value adjustments based on Stockland or the derivative counterparties current credit worthiness.

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 table below sets out the financial instruments included on the balance sheet at 'fair value'.

Quantitative sensitivities required under AASB 13 *Fair Value Measurement* in relation to the Retirement Living resident obligations have been disclosed in section (C1c).

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2017				
Financial assets carried at fair value				
Derivative assets	**–**	**269**	**–**	**269**
Securities in unlisted entities	**–**	**–**	**32**	**32**
Other investments	**8**	**–**	**–**	**8**
Total financial assets carried at fair value	**8**	**269**	**32**	**309**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(241)**	**–**	**(241)**
Retirement Living resident obligations	**–**	**–**	**(2,629)**	**(2,629)**
Total financial liabilities carried at fair value	**–**	**(241)**	**(2,629)**	**(2,870)**
Net position	**8**	**28**	**(2,597)**	**(2,561)**
2016				
Financial assets carried at fair value				
Derivative assets	–	503	–	503
Securities in unlisted entities	–	–	36	36
Other investments	8	–	–	8
Total financial assets carried at fair value	8	503	36	547
Financial liabilities carried at fair value				
Derivative liabilities	–	(316)	–	(316)
Retirement Living resident obligations	–	–	(2,427)	(2,427)
Total financial liabilities carried at fair value	–	(316)	(2,427)	(2,743)
Net position	8	187	(2,391)	(2,196)

(D5) Fair value hierarchy (continued)

Trust

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2017				
Financial assets carried at fair value				
Derivative assets	**–**	**269**	**–**	**269**
Securities in unlisted entities	**–**	**–**	**9**	**9**
Total financial assets carried at fair value	**–**	**269**	**9**	**278**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(241)**	**–**	**(241)**
Total financial liabilities carried at fair value	**–**	**(241)**	**–**	**(241)**
Net position	**–**	**28**	**9**	**37**
2016				
Financial assets carried at fair value				
Derivative assets	–	503	–	503
Securities in unlisted entities	–	–	8	8
Total financial assets carried at fair value	–	503	8	511
Financial liabilities carried at fair value				
Derivative liabilities	–	(316)	–	(316)
Total financial liabilities carried at fair value	–	(316)	–	(316)
Net position	–	187	8	195

Derivative financial assets and liabilities are not offset in the balance sheet as under agreements held with derivative counterparties, the Group does not have a legally enforceable right to set off the position payable/receivable to a single counterparty.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

Stockland

	Units in unlisted entities $M	Derivatives $M	Retirement Living resident obligations $M	Total $M
Opening balance as at 1 July 2015	24	(13)	(2,211)	(2,200)
Total gains and losses recognised in:				
• profit or loss	3	–	(3)	–
• other comprehensive income	9	–	–	9
Net cash settled on resident turnover	–	–	(213)	(213)
Disposed / settled	–	13	–	13
Balance as at 30 June 2016	36	–	(2,427)	(2,391)
Total gains and losses recognised in:				
• profit or loss	**(70)**	**–**	**12**	**(58)**
• other comprehensive income	**66**	**–**	**–**	**66**
Net cash settled on resident turnover	**–**	**–**	**(214)**	**(214)**
Disposed / settled	**–**	**–**	**–**	**–**
Balance as at 30 June 2017	**32**	**–**	**(2,629)**	**(2,597)**

(D5) Fair value hierarchy (continued)

Trust

	Units in unlisted entities $M	Derivatives $M	Total $M
Opening balance as at 1 July 2015	5	(13)	(8)
Total gains and losses recognised in:			
• profit or loss	3	–	3
Disposed / settled	–	13	13
Balance as at 30 June 2016	8	–	8
Total gains and losses recognised in:			
• profit or loss	**1**	**–**	**1**
Capital distributions	**–**	**–**	**–**
Disposed / settled	**–**	**–**	**–**
Balance as at 30 June 2017	**9**	**–**	**9**

(D6) Financial risk factors

KEEPING IT SIMPLE …

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The Group uses derivative financial instruments within its policies described below as hedges to manage certain risk exposures.

Financial risk and capital management is carried out by a central treasury department. 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 rates, liquidity, foreign exchange and credit risks, use of derivative financial instruments and investing excess liquidity. The Audit Committee assists the Board in monitoring the implementation of these treasury policies.

The sensitivity analysis included in this section shows the impact that a shift in the financial risks would have on the financial statements at year-end, but is not a forecast or prediction. In addition, it does not include any management action that might take place to mitigate these risks, were they to occur.

(D6a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect 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 returns.

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 (AUD). Stockland has currency exposures to the Euro (EUR), Hong Kong dollar (HKD) and US dollar (USD).

The Group manages its foreign exchange exposure by using CCIRS and forward exchange contracts.

The Group's foreign medium term notes create both an interest rate and a foreign currency risk exposure. The Group's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the Group has entered into a series of CCIRS which cover 100% of the US, UK, European 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. When swaps held are no longer effective in hedging the interest rate and foreign currency risk exposure, management will reassess the value in continuing to hold the swap.

(D6a) Market risk (continued)

In accordance with the accounting policy, these CCIRS have been designated as fair value and cash flow hedges with the movements in fair value recognised whilst they are still in effective hedge relationships.

The following table provides a summary of the face values of the Group's foreign exchange risk exposures together with the derivatives which have been entered into to manage these exposures.

	Stockland			Trust		
	EUR €M	HKD $M	USD $M	EUR €M	HKD $M	USD $M
2017						
Borrowings	**(300)**	**(1,410)**	**(1,493)**	**(300)**	**(1,410)**	**(1,493)**
Other net assets	**18**	**–**	**–**	**–**	**–**	**–**
CCIRS	**300**	**1,410**	**1,493**	**300**	**1,410**	**1,493**
Foreign exchange contracts	**(2)**	**–**	**–**	**–**	**–**	**–**
Total exposure	**16**	**–**	**–**	**–**	**–**	**–**
2016						
Borrowings	(300)	(1,410)	(1,469)	(300)	(1,410)	(1,469)
Other net assets	23	–	–	–	–	–
CCIRS	300	1,410	1,469	300	1,410	1,469
Foreign exchange contracts	(3)	–	–	–	–	–
Total exposure	20	–	–	–	–	–

Sensitivity analysis – foreign exchange risk

The following sensitivity analysis shows the impact on the profit or loss and equity if there was an increase/decrease in AUD exchange rates of 10% at balance date with all other variables held constant.

Stockland

	Profit or loss		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
2017				
EUR	**(3)**	**4**	**(46)**	**46**
HKD	**–**	**–**	**(9)**	**12**
USD	**(3)**	**4**	**(20)**	**27**
Total impact	**(6)**	**8**	**(75)**	**85**
2016				
EUR	(3)	4	(47)	47
HKD	–	–	(10)	13
USD	(7)	8	(21)	26
Total impact	(10)	12	(78)	86

(D6a) Market risk (continued)

Trust

	Profit or loss		Equity	
	Increase $M	**Decrease $M**	**Increase $M**	**Decrease $M**
2017				
EUR	**–**	**–**	**(46)**	**46**
HKD	**–**	**–**	**(9)**	**12**
USD	**(3)**	**4**	**(20)**	**27**
Total impact	**(3)**	**4**	**(75)**	**85**
2016				
EUR	–	–	(47)	47
HKD	–	–	(10)	13
USD	(7)	8	(21)	26
Total impact	(7)	8	(78)	86

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.

The Trust's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk. The Group's treasury policy allows it 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. The Group 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. The Trust manages its fair value interest rate risk through CCIRS and fixed-to-floating interest rate swaps.

These derivatives have been recorded on the balance sheet at their fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. 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 profit or loss.

The table below provides a summary of the Group's interest rate risk exposure on interest-bearing loans and borrowings after the effect of the interest rate derivatives.

Stockland and Trust

	Net exposure (after the effect of derivatives)	
As at 30 June	**2017 $M**	**2016 $M**
Fixed rate interest-bearing loans and borrowings[1]	**3,755**	3,331
Floating rate interest-bearing loans and borrowings[1]	**(297)**	146
Total interest-bearing loans and borrowings	**3,458**	3,477

1 Notional principal amounts

(D6a) Market risk (continued)

Sensitivity analysis – interest rate risk

The following sensitivity analysis shows the impact on profit or loss and equity if market interest rates at balance date had been 100 basis points higher/lower (2016: 100 basis points) with all other variables held constant.

Stockland

As at 30 June	2017 100bp higher $M	2017 100bp lower $M	2016 100bp higher $M	2016 100bp lower $M
Impact on profit or loss				
Impact on interest income/(expense)	**2**	**(2)**	2	(2)
Impact on net gain/(loss) on derivatives – through profit or loss	**130**	**(137)**	153	(160)
Total impact on profit or loss	**132**	**(139)**	155	(162)
Impact on equity				
Total impact on equity	**33**	**(35)**	39	(42)

Trust

As at 30 June	2017 100bp higher $M	2017 100bp lower $M	2016 100bp higher $M	2016 100bp lower $M
Impact on profit or loss				
Impact on interest income/expense	**35**	**(35)**	35	(35)
Impact on net gain/loss on derivatives – through profit or loss	**130**	**(137)**	153	(160)
Total impact on profit or loss	**165**	**(172)**	188	(195)
Impact on equity				
Total impact on equity	**33**	**(35)**	39	(42)

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. The Group'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 other comprehensive income.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

Sensitivity analysis – equity price risk

The following sensitivity analysis shows the impact on profit or loss and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower with all other variables held constant.

As at 30 June	2017 10% higher $M	2017 10% lower $M	2016 10% higher $M	2016 10% lower $M
Stockland				
Total impact on profit or loss	**2**	**(2)**	2	(2)
Total impact on equity	**–**	**–**	–	–
Trust				
Total impact on profit or loss	**–**	**–**	–	–
Total impact on equity	**–**	**–**	–	–

(D6b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Group.

The Group has no significant concentrations of credit risk to any single counterparty and has policies to review the aggregate exposure of tenancies across its portfolio. The Group 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 Audit 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.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

As at 30 June 2017, these financial institutions had an S&P credit rating of BBB (negative outlook) or above (2016: BBB stable or above).

Bank guarantees and mortgages over land are held as security over certain trade and other receivables balances.

As at 30 June 2017 and 30 June 2016, there were no significant financial assets that were past due.

(D6c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying businesses, the Group aims to maintain 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.

The Group manages liquidity risk through monitoring the maturity of its debt portfolio. The Group also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn credit facilities. The current weighted average debt maturity is 5.7 years (2016: 5.3 years).

KEEPING IT SIMPLE …

The table below analyses the Group's financial liabilities including derivatives into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), and therefore may not reconcile with the amounts disclosed on the balance sheet.

As derivative assets have been excluded from this table, refer to section (D5) for the fair value of the derivative assets to provide a meaningful analysis of Stockland's total derivatives.

Stockland

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
2017						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	**(257)**	**(257)**	**(247)**	**(10)**	**–**	**–**
Dividends and distributions payable	**(312)**	**(312)**	**(312)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,529)**	**(4,279)**	**(418)**	**(357)**	**(1,622)**	**(1,882)**
Retirement Living resident obligations	**(2,629)**	**(2,629)**	**(2,444)**	**(4)**	**(3)**	**(178)**
Derivative financial liabilities						
Interest rate derivatives	**(134)**	**(148)**	**(61)**	**(41)**	**(46)**	**–**
CCIRS	**(107)**					
• Inflow		**646**	**296**	**239**	**9**	**102**
• Outflow		**(798)**	**(332)**	**(281)**	**(29)**	**(156)**
Total financial liabilities	**(6,969)**	**(7,777)**	**(3,518)**	**(454)**	**(1,691)**	**(2,114)**

(D6c) Liquidity risk (continued)

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
2016						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	(321)	(323)	(323)	–	–	–
Dividends and distributions payable	(295)	(295)	(295)	–	–	–
Interest-bearing loans and borrowings	(3,800)	(4,443)	(644)	(416)	(1,135)	(2,248)
Retirement Living resident obligations	(2,427)	(2,428)	(2,205)	(3)	(8)	(212)
Derivative financial liabilities						
Interest rate derivatives	(274)	(302)	(71)	(67)	(118)	(46)
CCIRS	(42)					
• Inflow		730	59	307	254	110
• Outflow		(797)	(58)	(328)	(287)	(124)
Total financial liabilities	(7,159)	(7,858)	(3,537)	(507)	(1,294)	(2,520)

In most cases settlement of Retirement Living resident obligations occurs simultaneously with receipt of the incoming resident's contribution. Of the total Retirement Living resident obligations, $2,616 million (2016: $2,414 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents. Refer to section (C1c) for further details on Retirement Living resident obligations.

Trust

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
2017						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	**(100)**	**(100)**	**(100)**	**–**	**–**	**–**
Distributions payable	**(312)**	**(312)**	**(312)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,529)**	**(4,279)**	**(418)**	**(357)**	**(1,622)**	**(1,882)**
Derivative financial liabilities						
Interest rate derivatives	**(134)**	**(148)**	**(61)**	**(41)**	**(46)**	**–**
CCIRS	**(107)**					
• Inflow		**646**	**296**	**239**	**9**	**102**
• Outflow		**(798)**	**(332)**	**(281)**	**(29)**	**(156)**
Total financial liabilities	**(4,182)**	**(4,991)**	**(927)**	**(440)**	**(1,688)**	**(1,936)**
2016						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	(129)	(129)	(129)	–	–	–
Distributions payable	(295)	(295)	(295)	–	–	–
Interest-bearing loans and borrowings	(3,800)	(4,443)	(644)	(416)	(1,135)	(2,248)
Derivative financial liabilities						
Interest rate derivatives	(274)	(302)	(71)	(67)	(118)	(46)
CCIRS	(42)					
• Inflow		730	59	307	254	110
• Outflow		(797)	(58)	(328)	(287)	(124)
Total financial liabilities	(4,540)	(5,236)	(1,138)	(504)	(1,286)	(2,308)

(D7) Issued capital

KEEPING IT SIMPLE …

This section explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The movements in equity of the Group and the balances are presented in the statements of changes in equity.

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

For so long as Stockland remains jointly quoted, the number of shares in Stockland Corporation Limited and the number of units in the Stockland Trust shall be equal and the securityholders and unitholders shall be identical. Unitholders of Stockland 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. 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.

The following table provides details of securities issued by the Group:

	Stockland and Trust		Stockland		Trust	
Details	**Number of securities 2017**	**Number of securities 2016**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Ordinary securities on issue						
Issued and fully paid	**2,418,400,142**	2,392,042,302	**8,817**	8,696	**7,507**	7,389
Other equity securities						
Treasury securities	**(6,002,501)**	(3,878,867)	**(27)**	(15)	**(27)**	(15)
Total Issued Capital	**2,412,397,641**	2,388,163,435	**8,790**	8,681	**7,480**	7,374

(D7a) Ordinary securities

The following table provides details of movements in securities issued:

Details	**Stockland and Trust Number of securities**	**Stockland $M**	**Trust $M**
Movement of securities issued			
Opening balance as at 1 July 2015	2,361,717,862	8,571	7,266
Securities issued under the DRP	30,324,440	125	123
Balance as at 30 June 2016	2,392,042,302	8,696	7,389
Securities issued under the DRP	**26,357,840**	**121**	**118**
Balance as at 30 June 2017	**2,418,400,142**	**8,817**	**7,507**

Distribution/Dividend Reinvestment Plan (DRP)

In the current year, Stockland issued 26,357,840 securities (2016: 30,324,440) under the DRP. The DRP security price for each period was determined by the average of the daily volume weighted averages over a 15-day trading period and applying a 1.0% discount.

On 9 June 2017, Stockland announced that the DRP would operate for the final distribution to 30 June 2017 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.20 being the average for 15 daily volume weighted average prices of Stockland securities for the 15-day trading period immediately preceding Wednesday 26 July 2017, with a discount of 1.0% on the securities acquired under the DRP.

(D7b) Other equity securities

Treasury securities

Treasury securities are securities in Stockland that are held by the Stockland Employee Securities Plan Trust. Securities are held until the end of the vesting period affixed to the securities. As the securities are held on behalf of eligible employees, the employees are entitled to the distributions and dividends.

Movement of other equity securities

Details	Stockland and Trust Number of securities	Stockland $M	Trust $M
Opening balance as at 1 July 2016	3,878,867	(15)	(15)
Securities acquired	**3,937,661**	**(16)**	**(16)**
Securities transferred to employees on vesting	**(1,814,027)**	**4**	**4**
Balance as at 30 June 2017	**6,002,501**	**(27)**	**(27)**

Securities acquired

During the year, 3,937,661 securities (2016: 2,030,936) were acquired on market at an average price of $4.89 for the purpose of issuing securities under the Share Plans.

Securities transferred to employees on vesting

During the year, 1,814,027 securities (2016: 773,218) vested and were transferred to employees under the Share Plans.

At 30 June 2017, the Stockland Employee Securities Plan Trust is holding 6,002,501 securities, including 3,163,934 securities which have already vested and which employees are entitled to transfer out of the plan.

(D7c) Share based payments

KEEPING IT SIMPLE …

Stockland operates three Share Plans for eligible employees which are described below:

LTI
Under the LTI, 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 underlying EPS growth and/or relative TSR) and has a three year vesting period. Eligibility is by invitation of the Board and is reviewed annually.

DSTI
For Executives and Senior Management there is a compulsory deferral of at least one third of STI incentives into Stockland securities to further align remuneration outcomes with securityholders. Half of the awarded DSTI securities will vest 12 months after award with the remaining half vesting 24 months after award, provided employment continues to the applicable vesting date.

$1,000 Plan
Under this plan, eligible employees receive up to $1,000 worth of Stockland securities.

The share options granted under the three Share Plans are held at fair value. The valuation of share options is a key area of accounting estimation and judgement for the Group.

The number and weighted average fair value of LTI rights and DSTI securities under the Share Plans are as follows:

	Weighted average price per right/security		Number of rights/securities	
Details	2017	2016	2017	2016
Rights/Securities outstanding at the beginning of the year	**$2.40**	$2.29	**11,783,499**	10,990,123
Rights/Securities granted during the year	**$3.42**	$2.76	**5,897,525**	5,996,393
Rights/Securities forfeited and lapsed during the year	**$2.19**	$1.75	**(2,071,939)**	(2,240,203)
Rights converted to vested Stockland stapled securities	**$3.26**	$3.19	**(4,057,151)**	(2,962,814)
Rights/Securities outstanding at the end of the year	**$3.04**	$2.40	**11,551,934**	11,783,499

(D7c) Share based payments (continued)

LTI

The fair value of LTI rights 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, the period over which the rights are subject to performance and service conditions, with a corresponding increase in reserves.

Where the individual forfeits the rights due to failure to meet a service or performance condition, the cumulative expense is reversed through profit or loss in the current year. The cumulative expenditure for rights forfeited due to market conditions are not reversed.

Where amendments are made to the terms and conditions subsequent to the grant, 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 recognised in the period that the rights vest.

The number of rights granted to employees under the plan for the year ended 30 June 2017 was 3,426,525 (2016: 3,986,221).

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

Details	2017	2016
Grant date	**28 September 2016**	31 August 2015
Fair value of rights granted under plan	**$2.04**	$2.66
Spot price of the Stapled Securities at grant date	**$4.71**	$3.91
Exercise price	**–**	–
Distribution yield	**5.7%**	6.3%
Risk-free rate at grant date	**1.6%**	2.0%
Expected remaining life at grant date	**2.8 years**	2.8 years
Volatility of Stockland	**19.0%**	20.0%
Volatility of Index price	**16.0%**	15.0%

The LTI rights of 8,180,154 (2016: 8,924,633) are outstanding as at 30 June 2017, which have fair values ranging from $1.50 to $2.04 (2016: $1.45 to $2.08) per right and a weighted average restricted period remaining of 1.5 years (2016: 1.5 years).

During the year, 2,216,821 rights (2016: 1,060,733) vested and will convert to securities with a weighted average fair value of $2.25 (2016: $1.59).

DSTI

The fair value of securities granted under the DSTI has been calculated based on the 10 day volume weighted average price post 30 June 2017 of $4.27 (2016: $4.84).

The DSTI outstanding as at 30 June 2017, included in the table above, are 3,366,075 (2016: 2,858,866). The DSTI outstanding have fair values ranging from $4.27 to $4.84 (2016: $3.94 to $4.84) per security.

$1,000 Plan

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.

(D8) Dividends and distributions

Dividends and distributions recognised in the financial year by the Group are detailed below.

The tax preferred component represents income of Stockland Trust which is not included in the Trust's taxable income. The tax preferred component includes concessional capital gain amounts not included in the Trust's taxable income and tax deferred amounts, being the amount distributed in excess of the Trust's taxable income.

Stockland Corporation Limited

There was no dividend from Stockland Corporation Limited during the current, or previous, financial year.

The dividend franking account balance as at 30 June 2017 is $14 million based on a 30% tax rate (2016: $13 million). For the current year, the interim and final distributions are paid solely out of the Trust and therefore the franking percentage is not relevant.

Stockland Trust

	Cents per security	Total amount $M	Date of payment	Tax preferred %
2017				
Interim distribution	**12.6**	**303**	**28 February 2017**	**27.6**
Final distribution	**12.9**	**312**	**31 August 2017**	**27.6**
Total distribution	**25.5**	**615**		
2016				
Interim distribution	12.2	290	29 February 2016	24.3
Final distribution	12.3	295	31 August 2016	24.3
Total distribution	24.5	585		

(E) Group structure

IN THIS SECTION

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole. The Group includes entities that are classified as joint ventures, joint operations, associates and structured entities.

Joint ventures and associates are accounted for using the equity method, while joint operations are proportionately consolidated and structured entities are recorded as investments at cost.

In this section of the notes there is information about:

(1) Interests in joint operations;

(2) Transactions with non-controlling interests; and

(3) Changes to the structure that occurred during the year as a result of business combinations or the disposal of a discontinued operation

(E1) Equity-accounted investments

Stockland and the Trust have interests in a number of individually immaterial joint ventures that are accounted for using the equity method. The Group did not have investments in associates at 30 June 2017 or 30 June 2016.

(E1a) Investments in joint ventures

A joint venture is either a venture or operation over whose activities the Group has joint control, established by contractual agreement. Investments in joint venture entities are accounted for on an equity-accounted basis. Investments in joint ventures are assessed for impairment when indicators of impairment are present and if required, written down to the recoverable amount.

The Group's share of the joint venture's profit or loss and other comprehensive income is from the date joint control commences until the date joint control ceases.

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

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

The following table analyses, in aggregate, the carrying amount and share of profit or loss and other comprehensive income of these joint venture entities.

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Aggregate carrying amount of individually immaterial joint venture entities	**574**	524	**556**	505
Aggregate share of:				
Profit from continuing operations	**84**	90	**84**	90
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**84**	90	**84**	90

(E1a) Investments in joint ventures (continued)

The ownership interest in each of these immaterial entities is presented below:

	Stockland		Trust	
Year ended 30 June	2017 %	2016 %	2017 %	2016 %
Investment in joint ventures:				
Brisbane Casino Towers	**50**	50	**–**	–
Compam Property Management Pty Limited	**50**	50	**50**	50
Eagle Street Pier Pty Limited	**50**	50	**–**	–
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
The King Trust	**50**	50	**50**	50
Willeri Drive Trust	**50**	50	**50**	50

Changes to Joint Ventures

Eagle Street Pier Pty Limited

Through a joint venture entity, Stockland held an indirect interest in a property located Eagle Street Pier in Brisbane. On 19 June 2015, this joint venture entity entered into an agreement to sell the property to an unrelated party. The sale was settled in the prior year, with the final distribution received in July 2016. Refer to (C3b) for further details.

At 30 June 2015, the joint venture entity was reclassified as an asset held for sale at which point the investment was no longer equity-accounted. The entity is intended to be voluntarily wound up in the 2018 financial year.

(E1b) Investments in 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 statements include the Group'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 the Group'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 the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(E2) Other arrangements

(E2a) Investments in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group considers all Retail Funds in which it currently holds an investment, and from which it currently earns fee income, to be structured entities.

The Group holds interests in closed-end, unlisted property funds that invest in real estate assets in Australia for the purpose of generating investment income and for capital appreciation. The funds finance their operations through unitholder contributions and also through external banking facilities. These funds have been determined to meet the definition of a structured entity.

SDRT No.1

As at 30 June 2017, Stockland held a 19.9% interest in SDRT No.1 (2016: 19.9%), valued at $9 million. The Group's interest in this fund is included in the 'Other Financial Assets' line item on the balance sheet.

The maximum exposure to risk for SDRT No.1 is the carrying value of its investment in the Fund.

(E2b) Joint operations

Interests in unincorporated joint operations are consolidated by recognising the Group's proportionate share of the joint operations' assets, liabilities, revenues and expenses and the joint operation's 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 and are not included in the above table.

Consolidated Notes

Year ended 30 June 2017

(E3) Controlled entities

The following entities were 100% controlled during the current and prior years:

Controlled entities of Stockland Trust

9 Castlereagh Street Unit Trust	Stockland Industrial No. 1 Property 1 Trust
ADP Trust	Stockland Industrial No. 1 Property 4 Trust
Advance Property Fund	Stockland Industrial No. 1 Property 5 Trust
Capricornia Property Trust	Stockland Industrial No. 1 Property 6 Trust
Endeavour (No. 1) Unit Trust	Stockland Industrial No. 1 Property 7 Trust
Flinders Industrial Property Trust	Stockland Industrial No. 1 Property 8 Trust
Flinders Industrial Property Subtrust (No. 1)	Stockland Industrial No. 1 Property 9 Trust
Hervey Bay Holding Trust	Stockland Industrial No. 1 Property 11 Trust
Hervey Bay Sub Trust	Stockland Marrickville Unit Trust[2]
Industrial Property Trust	Stockland Mornington Unit Trust[2]
Jimboomba Village Shopping Centre and Tavern Trust	Stockland Mulgrave Unit Trust
SDOT 4 Property # 1 Trust	Stockland North Ryde Unit Trust[2]
SDOT 4 Property # 2 Trust	Stockland Padstow Unit Trust[2]
SDOT 4 Property # 3 Trust	Stockland Parkinson Unit Trust[2]
SDRT 1 Property # 3 Trust	Stockland Quarry Road Trust
SDRT 3 Property # 1 Trust	Stockland Retail Holding Sub-Trust No. 1
SDRT 3 Property # 2 Trust	Stockland Retail Holding Trust No. 1
SDRT 3 Property # 3 Trust	Sugarland Shopping Centre Trust
Shellharbour Property Trust	Stockland Wholesale Office Trust No. 1
Stockland Bayswater Unit Trust[2]	Stockland Wholesale Office Trust No. 2
Stockland Bundaberg Trust	Stockland Richlands Unit Trust[2]
Stockland Castlereagh Street Trust	Stockland St Marys Unit Trust[2]
Stockland Direct Diversified Fund	Stockland Tingalpa Unit Trust[2]
Stockland Direct Office Trust No. 4	Stockland Willawong Industrial Trust
Stockland Direct Retail Trust No. 3	Stockland Wonderland Drive Property Trust
Stockland Eastern Creek Trust	SWOT2 Sub Trust No. 1
Stockland Finance Holdings Pty Limited[1]	SWOT2 Sub Trust No. 2
Stockland Finance Pty Limited[1]	SWOT2 Sub Trust No. 3
Stockland Harrisdale Trust	

1 These entities are parties to the Deed of Cross Guarantee (Finance) as at 30 June 2017.
2 These entities were formed/incorporated or acquired in the current year.

(E3) Controlled entities (continued)

Controlled entities of Stockland Corporation Limited

ARC Joint Ventures Pty Ltd[1]	Stockland Birtinya Retirement Village Pty Limited[1, 2]
Bayview Road Property Trust	Stockland Buddina Pty Limited.[1]
Bellevue Gardens Trust	Stockland Caboolture Waters Pty Limited[1]
Endeavour (No. 2) Unit Trust	Stockland Caloundra Downs Pty Limited[1]
IOR Friendly Society Pty Limited	Stockland Capital Partners Limited[6]
Jimboomba Trust	Stockland Care Foundation Pty Limited
Knowles Property Management Unit Trust	Stockland Care Foundation Trust
Knox Unit Trust	Stockland Castlehaven Pty Limited[5]
Mayflower Investments Pty Ltd	Stockland Castleridge Pty Limited[5]
Merrylands Court Pty Limited	Stockland Catering Pty Limited
Nowra Property Unit Trust	Stockland Development (Holdings No. 1) Pty Limited[1]
Northpoint No. 1 Trust[2]	Stockland Development (Holdings) Pty Limited[1]
Northpoint No. 2 Trust[2]	Stockland Development (NAPA NSW) Pty Limited[1]
Northpoint No. 3 Trust[2]	Stockland Development (NAPA QLD) Pty Limited[1]
Northpoint No. 4 Trust[2]	Stockland Development (NAPA VIC) Pty Limited[1]
Northpoint No. 5 Trust[2]	Stockland Development (PHH) Pty Limited[1]
Northpoint No. 6 Trust[2]	Stockland Development (PR1) Pty Limited
Patterson Lakes Unit Trust	Stockland Development (PR2) Pty Limited
Retirement Living Acquisition Trust	Stockland Development (PR3) Pty Limited
Retirement Living Holding Trust No. 1	Stockland Development (PR4) Pty Limited
Retirement Living Holding Trust No. 2	Stockland Development (Sub3) Pty Limited
Retirement Living Holding Trust No. 3	Stockland Development (Sub4) Pty Limited
Retirement Living Holding Trust No. 4	Stockland Development (Sub5) Pty Limited
Retirement Living Holding Trust No. 5	Stockland Development (Sub6) Pty Limited
Retirement Living Holding Trust No. 6	Stockland Development (Sub7) Pty Limited[1]
Retirement Living Unit Trust No. 1	Stockland Development Pty Limited[1]
Retirement Living Unit Trust No. 2	Stockland Direct Retail Trust No. 2
Rogan's Hill Retirement Village Trust	Stockland Eurofinance Pty Limited[1]
SDRT 2 Property 1 Trust	Stockland Farrington Grove Retirement Village Pty Limited[5]
SDRT 2 Property 2 Trust	Stockland Financial Services Pty Limited[1]
SDRT 2 Property 3 Trust	Stockland Golden Ponds Forster Pty Limited[5]
SDRT 2 Property 4 Trust	Stockland Greenleaves Management Services Pty Limited[5]
Stockland (Billingham) Limited[4]	Stockland Greenleaves Village Pty Limited[5]
Stockland (Boardwalk Sub2) Pty Limited	Stockland Hibernian Investment Company Pty Limited[1,5]
Stockland (IH) No. 1 Pty Limited	Stockland Highlands Pty Limited[1]
Stockland (NSW) No. 1 Pty Limited	Stockland Highlands Retirement Village Pty Limited[5]
Stockland (NSW) No. 2 Pty Limited	Stockland Holding Trust No. 3
Stockland (Queen Street) Limited[3]	Stockland Holding Trust No. 4
Stockland (Queensland) Pty Limited[1]	Stockland Holding Trust No. 5
Stockland (Russell Street) Pty Limited[1]	Stockland Holding Trust No. 6
Stockland (Stafford) Limited[3]	Stockland Holdings Limited[4]
Stockland (UK) Limited[4]	Stockland IOR Group Pty Limited[5]
Stockland (Warminster) Limited[3]	Stockland Kawana Waters Pty Limited[1]
Stockland A.C.N 116 788 713 Pty Ltd[1,5]	Stockland Knox Village Pty Limited [1,5]
Stockland Aevum Limited[1,5]	Stockland Lake Doonella Pty Limited[1]
Stockland Aevum SPV Finance No. 1 Pty Limited[5]	Stockland Lensworth Glenmore Park Limited[1,5]
Stockland Affinity Retirement Village Pty Limited[5]	Stockland Lincoln Gardens Pty Limited[5]
Stockland Albert & Co Pty Ltd[1,5]	Stockland Long Island Village Pty Limited[1,5]
Stockland Bellevue Gardens Pty Limited[5]	Stockland Management Limited[6]
Stockland Bells Creek Pty Limited.[1]	Stockland Maybrook Manor Pty Limited[5]

(E3) Controlled entities (continued)

Controlled entities of Stockland Corporation Limited

Stockland Mernda Retirement Village Pty Limited[5]	Stockland Selandra Rise Retirement Village Pty Limited
Stockland Miami (Fund) Unit Trust[2]	Stockland Services (UK) Limited[4]
Stockland Miami (Non-Fund) Unit Trust[2]	Stockland Services Pty Limited[1]
Stockland Miami (QLD) Pty Limited[1, 2]	Stockland Singapore Pte Limited
Stockland Midlands Terrace Adult Community Pty Limited[1,5]	Stockland South Beach Pty Limited[1]
Stockland North Lakes Development Pty Limited[1]	Stockland Syndicate No. 1 Trust
Stockland North Lakes Pty Limited[1]	Stockland Templestowe Retirement Village Pty Limited[1,5]
Stockland Oak Grange Pty Limited[1,5]	Stockland The Hastings Valley Parklands Village Pty Limited[5]
Stockland Ormeau Trust	Stockland The Pines Retirement Village Pty Limited[1]
Stockland Patterson Village Pty Limited[1,5]	Stockland Trust Management Limited[6]
Stockland Pine Lake Management Services Pty Limited[5]	Stockland Tweed Heads Retirement Village Pty Limited[1]
Stockland Pine Lake Village Pty Limited[5]	Stockland Vermont Retirement Village Pty Limited[1,5]
Stockland PR1 Trust	Stockland WA (Estates) Pty Limited[1]
Stockland PR2 Trust	Stockland WA Development (Realty) Pty Limited[1]
Stockland PR3 Trust	Stockland WA Development (Sub 6) Pty Limited
Stockland PR4 Trust	Stockland WA Development (Vertu Sub 1) Pty Limited
Stockland Property Holdings Limited[4]	Stockland WA Development Pty Limited[1]
Stockland Property Management Pty Limited[1]	Stockland Wallarah Peninsula Management Pty Limited[1]
Stockland Property Services Pty Limited[1]	Stockland Wallarah Peninsula Pty Limited[1]
Stockland Queenslake Village Pty Limited[5]	Stockland Wantirna Village Pty Limited[1,5]
Stockland Retail Services Pty Limited[1]	Stockland Willowdale Retirement Village Pty Limited[5]
Stockland Retirement Pty Limited[1]	Stockland Willows Retirement Village Services Pty Limited[5]
Stockland Ridgecrest Village Management Services Pty Limited	Templestowe Unit Trust
Stockland Ridgecrest Village Pty Limited	The Mount Gravatt Retirement Village Unit Trust
Stockland Rosebud Village Pty Limited[1]	The Pine Lake Management Services Unit Trust
Stockland RVG (Queensland) Pty Limited	Toowong Place Pty Limited
Stockland Salford Living Pty Limited	Vermont Unit Trust
Stockland Scrip Holdings Pty Limited	

1 These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2017.
2 These entities were formed/incorporated or acquired in the current year.
3 These entities were sold or liquidated in the current financial year.
4 These UK entities are in liquidation at 30 June 2017.
5 These entities changed names during the current financial year to include the word ‘Stockland’. The change was effective from 5 December 2016.
6 These entities were removed from the Deed of Cross Guarantee during the year and are no longer part of the Closed Group as at 30 June 2017. Refer to section (E4).

All Stockland entities were formed/incorporated in Australia with the exception of Stockland Singapore Pte Limited which is incorporated in Singapore 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, distribution/dividend and equitable rights.

(E4) Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the ‘Closed Group’), identified in section (E3), 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 Corporations (Wholly-owned Companies) Instrument 2016/785 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 new instrument does not apply to trusts or entities regulated by the Australian Prudential Regulation Agency (APRA), such as holders of Australian Financial Services Licences (AFSLs).

On 22 December 2016, the following entities (being holders of AFSLs) were removed from the Closed Group as a result of requirements of the instrument: Stockland Capital Partners Limited, Stockland Management Limited and Stockland Trust Management Limited.

Pursuant to the requirements of this instrument, a summarised consolidated Statement of Comprehensive Income for the year ended 30 June 2017 and consolidated balance sheet as at 30 June 2017, comprising the members of the Closed Group after eliminating all transactions between members, are set out on the following pages.

	Closed Group	
Balance sheet	**2017 $M**	**2016[1] $M**
Current assets		
Cash and cash equivalents	**95**	60
Trade and other receivables	**104**	69
Inventories	**751**	794
Other assets	**26**	23
	976	946
Non-current assets held for sale	**1**	36
Total current assets	**977**	982
Non-current assets		
Trade and other receivables	**4**	23
Inventories	**1,725**	1,713
Investment properties	**2,031**	1,892
Equity-accounted investments	**25**	25
Other financial assets	**38**	1
Property, plant and equipment	**23**	32
Intangibles	**80**	38
Deferred tax assets	**22**	29
Total non-current assets	**3,948**	3,753
Total assets	**4,925**	4,735
Current liabilities		
Trade and other payables	**389**	337
Interest-bearing loans and borrowings	**2,657**	2,784
Retirement Living resident obligations	**1,147**	1,006
Provisions	**331**	295
Other liabilities	**43**	24
Total current liabilities	**4,567**	4,446
Non-current liabilities		
Trade and other payables	**10**	–
Retirement Living resident obligations	**38**	38
Provisions	**130**	136
Total non-current liabilities	**178**	174
Total liabilities	**4,745**	4,620
Net assets	**180**	115
Equity		
Issued capital	**1,310**	1,307
Reserves	**3**	3
Accumulated losses	**(1,133)**	(1,195)
Total equity	**180**	115

1 2016 balance sheet represents the consolidated balance sheet of the entities that were members of the Closed Group as at 30 June 2016.

(E4) Deed of Cross Guarantee (continued)

	Closed Group 2017 $M	Closed Group 2016 $M
Summarised Statement of Comprehensive Income		
Profit/(loss) before income tax benefit	**76**	(19)
Income tax expense	**(6)**	(30)
Profit/(loss) for the year/Total comprehensive income/(expense)	**70**	(49)

	Closed Group 2017 $M	Closed Group 2016 $M
Summary of movements in accumulated losses		
Accumulated losses at 1 July	**(1,195)**	(1,146)
Adjustment for entities removed from the Closed Group during the year	**(8)**	–
Profit/(loss) for the year	**70**	(49)
Accumulated losses at 30 June	**(1,133)**	(1,195)

(E5) Parent entity disclosures

The financial information of the parent entities of Stockland and the Trust has been prepared on the same basis as the consolidated financial report.

The parent entity of Stockland and the Trust was Stockland Corporation Limited and Stockland Trust, respectively.

	Stockland Corporation Limited		Stockland Trust	
	2017 $M	2016 $M	2017 $M	2016 $M
Results for the year ended 30 June				
Profit/(loss) for the year	**253**	62	**950**	836
Other comprehensive (loss)/income	**–**	–	**(21)**	13
Total comprehensive income for the year	**253**	62	**929**	849
Financial position as at 30 June				
Current assets	**4,167**	3,910	**607**	376
Total assets[1]	**4,305**	4,049	**20,076**	16,909
Current liabilities	**3,831**	3,831	**7,960**	5,402
Total liabilities	**3,831**	3,831	**10,672**	7,940
Net assets	**474**	218	**9,404**	8,969
Issued capital	**1,310**	1,307	**7,480**	7,374
Reserves	**3**	3	**70**	94
(Accumulated losses)/ retained earnings	**(839)**	(1,092)	**1,854**	1,501
Total equity	**474**	218	**9,404**	8,969

1 There were no intangible assets as at 30 June 2017 (2016: $nil).

Parent entity contingencies

There are no contingencies within either parent entity as at 30 June 2017 (2016: $nil).

Parent entity capital commitments

Neither parent entity has entered into any capital commitments as at 30 June 2017 (2016: $nil).

ASIC Deed of Cross Guarantee

Stockland Corporation Limited has entered into a Deed of Cross Guarantee with the effect that it has guaranteed debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in section (E4).

(F) Other items

IN THIS SECTION

This section includes information about the financial performance and position of the Group that must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 or the Corporations Regulations.

(F1) Accounting policies

KEEPING IT SIMPLE …

To aid the reader, accounting policies that apply to a specific category in the profit or loss or balance sheet have been included within the relevant notes.

The accounting policies listed below are those that apply across a number of the Group's profit or loss and balance sheet categories and are not specific to a single category.

Principles of consolidation

Controlled entities

The consolidated financial statements of the Group incorporate the assets, liabilities and results of all controlled entities.

Controlled entities are all entities over which the parent entities Stockland 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 Stockland or the Trust controls another entity.

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.

Foreign currency

Transactions

Foreign currency transactions are translated into the entity's functional currency at the exchange rate on the transaction date.

Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Monetary assets and liabilities	Balance date
Non-monetary assets and liabilities measured at historical cost	Date of transaction
Non-monetary assets and liabilities measured at fair value	Date fair value is determined

Foreign exchange differences arising on translation are recognised in the profit or loss.

Translation of financial reports of foreign operations

Financial reports of foreign operations are translated to Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Revenues and expenses of foreign operations	Date of transaction
Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation	Balance date
Equity items	Historical rates

(F1) Accounting policies (continued)

The following foreign exchange differences are recognised directly in the foreign currency translation reserve, a separate component of equity:

- Foreign currency differences arising on translation of foreign operations;
- Exchange differences arising from the translation of the net investment in foreign entities and of related hedges. They are recycled into profit or 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. These monetary items are considered to form part of the net investment in a foreign operation.

Reserves

Executive remuneration reserve

The executive remuneration reserve arises due to the rights and deferred securities awarded under the LTI and DSTI being accounted for as share based payments. The fair value of the rights and deferred securities is recognised as an employee expense in profit or loss with a corresponding increase in the reserve over the vesting period. On vesting, the LTI and DSTI awards are settled by allocating treasury securities to the rights holder, the cost to acquire the treasury securities is recognised in the executive remuneration reserve by a transfer from treasury securities. Where rights are forfeited due to failure to satisfy a service or performance condition, the cumulative expense is reversed through profit or loss in the current year. The cumulative expenditure for rights which lapse due to failure to satisfy a market condition are transferred to retained earnings on expiry.

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 to section (D4).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

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.

New and amended Accounting Standards

Mandatory in future years

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017. Stockland's assessment of the impact of these new standards and interpretations is set out below:

AASB 9* Financial Instruments *(effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. Stockland does not intend to early adopt this standard.

The key changes to the standard are the classification and measurement of financial assets, the introduction of an expected credit loss model for impairment of financial assets and amended rules for hedge accounting.

A modified classification has been established for equity instruments which are strategic in nature and that are not expected to be sold. This removes the profit or loss impact of changes in value of these strategic investments, as fair value gains and losses are recorded as an increase or reduction in equity through other comprehensive income. On maturity or disposal, these gains or losses are no longer recycled through profit or loss.

Under the new standard, Stockland does not raise a provision solely for past due loans and debtors balances, instead a forward looking estimate that reflects current and forecast credit conditions is raised at inception and considered annually. Amendments to the standard focus on aligning hedge accounting to Stockland's risk management strategy. This will expand the range of eligible hedging instruments, ease restrictions on layered items and allow for a portfolio management approach to hedge accounting.

When adopted, the standard will affect in particular Stockland's accounting for its available for sale financial assets under the new classification for equity instruments, but no impact is expected on Stockland's financial liabilities. Based on an assessment performed during the year, Stockland does not expect the impact of these changes to be material.

(F1) Accounting policies (continued)

AASB 15* Revenue from Contracts with Customers *(effective for annual reporting periods beginning on or after 1 January 2018)

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Stockland does not intend to early adopt this standard.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or service passes to the customer. It requires the identification of discrete performance obligations within a transaction and allocating an associated transaction price to these obligations.

Work to date notes that revenue of the Residential business group would fall within the scope of this standard. Revenue from the Retirement Living and Commercial Property business groups are generally within the scope of AASB 16 Leases.

Stockland currently recognises revenue from land and property sales when the risks and rewards of ownership are transferred to the buyer and the amount of revenue can be reliably measured. Based on our initial assessment, this is consistent with the point in time that control of the goods or service passes to the customer and, as such, no material impact is expected from the application of the new standard.

AASB 16* Leases *(effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* replaces existing guidance, including AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. Stockland does not intend to early adopt this standard.

The revised lease standard sets out a comprehensive model for identifying lease arrangements and subsequent measurement. Under the new standard, the lessee is required to recognize all right-of-use assets and corresponding lease liabilities on the balance sheet, with the exception of short term and low value leases. The right-of-use asset reflects the lease liability, direct costs and any adjustments for lease incentives or restoration. The lease liability is the net present value of future lease payments for the lease term, which incorporates any options reasonably expected to be exercised. The contracted cash flows are separated into principal repayments and interest components, using the effective interest rate method. Depreciation expense on the right-of-use asset and interest expense on the lease liability will now be recognised instead of a rental expense.

An initial assessment has been performed based on operating leases that exist in the current reporting period. Based on this assessment, a right-of-use asset and a corresponding lease liability will be recognised on the balance sheet for each lease arrangement, however no material net balance sheet or profit or loss impact is anticipated.

Lessor accounting remains largely unchanged, and hence there is no material impact anticipated on accounting for income from Stockland's Retirement Living and Commercial Property businesses.

(F2) Earnings per security (EPS)

KEEPING IT SIMPLE …

EPS is the amount of post-tax profit attributable to each security.

Basic EPS is calculated on the Group's statutory profit for the year divided by the weighted average number of securities outstanding. This is highly variable as it includes unrealised fair value movements in investment properties and financial instruments.

Diluted EPS adjusts the Basic EPS for the dilutive effect of any instruments, such as options, that could be converted into ordinary securities.

Basic FFO per security is disclosed in the Directors' Report on page 11 and more directly reflects underlying income performance of the portfolio.

The calculation of basic EPS has been based on the following profit attributable to ordinary securityholders and weighted average number of ordinary securities outstanding.

	Stockland		Trust	
Year ended 30 June	**2017 cents**	**2016 cents**	**2017 cents**	**2016 cents**
Basic and diluted EPS				
Basic EPS	**49.8**	37.4	**39.8**	35.0
Diluted EPS	**49.6**	37.3	**39.6**	35.0

Reconciliations of earnings used in calculating EPS

	Stockland		Trust	
Year ended 30 June	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Basic and diluted earnings				
Profit attributable to securityholders	**1,195**	889	**955**	832

Weighted average number of securities used as the denominator

	Stockland and Trust	
As at 30 June	**2017 No.**	**2016 No.**
Weighted average number of securities (basic)		
Weighted average number of securities	**2,401,240,450**	2,375,730,846
Weighted average number of securities (diluted)		
Weighted average number of securities (basic)	**2,401,240,450**	2,375,730,846
Effect of rights and securities granted under Share Plans	**7,963,712**	5,639,783
Weighted average number of securities/units (diluted)	**2,409,204,162**	2,381,370,629

Rights and securities granted under Share Plans are only included in diluted earnings per security where Stockland is meeting performance hurdles for contingently issuable share based payment rights.

(F3) Notes to cash flow statements

	Stockland		Trust	
	2017 $M	2016 $M	2017 $M	2016 $M
Reconciliation of profit to net cash flow from operating activities				
Profit for the year	**1,195**	889	**955**	832
Add/(less) items classified as investing/financing activities:				
Net (gain)/loss on fair value hedges	**(26)**	15	**(26)**	15
Net (gain)/loss on derivatives	**(92)**	156	**(92)**	156
Interest capitalised to investment properties	**(13)**	(12)	**(8)**	(3)
Net loss on sale of non-current assets	**–**	2	**–**	2
Net gain on other financial assets	**–**	(4)	**(1)**	(6)
Dividends and distributions income	**(71)**	(4)	**–**	(3)
Add/(less) non-cash items:				
DMF base fee earned, unrealised	**(29)**	(16)	**–**	–
Net write-back of inventory impairment provision	**(3)**	–	**–**	–
Depreciation	**14**	13	**–**	–
Straight-line rent adjustment	**(8)**	(8)	**(8)**	(8)
Net change in fair value of investment properties (including equity-accounted investments)	**(295)**	(476)	**(239)**	(387)
Share of profits of equity-accounted investments, net of distributions received	**4**	4	**4**	2
Equity-settled share based payments	**18**	13	**–**	–
Other items	**(9)**	(8)	**4**	(6)
Net cash flow from operating activities before change in assets and liabilities	**685**	564	**589**	594
Decrease/(increase) in receivables	**6**	(39)	**(6)**	6
(Increase) in other assets	**(20)**	(1)	**(4)**	(1)
Decrease in inventories	**34**	52	**–**	–
Increase in deferred tax assets	**1**	30	**–**	–
(Decrease) in payables and other liabilities	**(10)**	(34)	**1**	(16)
Increase in resident obligations	**202**	216	**–**	–
Increase/(decrease) in other provisions	**23**	(1)	**–**	–
Net cash flow from operating activities	**921**	787	**580**	583

(F4) Contingent liabilities

KEEPING IT SIMPLE …

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Contingent liabilities at 30 June 2017 comprise bank guarantees and insurance bonds.

	Stockland and Trust	
	2017 $M	**2016 $M**
Guarantees		
Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $560 million (2016: $570 million)	**413**	334

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

(F5) Commitments

Capital expenditure commitments

Commitments for acquisition of land and future development costs not recognised in the financial statements at balance date:

	Stockland		Trust	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Inventory commitments	**301**	283	**–**	–
Investment property commitments	**283**	298	**239**	240
Total capital expenditure commitments	**584**	581	**239**	240

Operating lease commitments

Commitments for operating lease expenditure not recognised in the financial statements at balance date:

Within one year	**9**	9	**–**	–
Later than one year but not later than five years	**28**	24	**–**	–
Later than five years	**12**	14	**–**	–
Total operating lease commitments	**49**	47	**–**	–

During the current financial year, $9 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (2016: $8 million).

(F6) Related party disclosures

Details of arrangements with Stockland and the Trust related party entities are set out below:

	Stockland		Trust	
	2017 $'000s	2016 $'000s	2017 $'000s	2016 $'000s
Revenue				
Responsible Entity fees	**551**	738	**–**	–
Management and service fee	**75**	834	**–**	–
Property management, tenancy design and leasing fees	**2,224**	3,755	**–**	–
Rental income	**–**	–	**4,709**	4,600
Finance income	**–**	9	**271,487**	292,206
Total revenue from related parties	**2,850**	5,336	**276,196**	296,806
Expenses				
Responsible Entity fees	**–**	–	**35,457**	20,027
Property management, tenancy design and leasing fees	**–**	–	**25,927**	25,557
Recoupment of expenses	**–**	–	**64,103**	66,782
Development management fee capitalised to investment property	**–**	–	**30,952**	51,926
Total expenses to related parties	**–**	–	**156,439**	164,292

Responsible Entity and other management fees

Stockland received Responsible Entity and other Management Fees from the unlisted property funds managed by Stockland during the financial year.

The Trust pays Responsible Entity fees to Stockland Trust Management Limited, calculated at 0.3% to 0.35% of gross assets of the Trust less intercompany loans (2016: 0.2%).

Property management expenses and tenancy design fees were paid by the Trust to Stockland Trust Management Limited (the Responsible Entity) or its related parties provided in the normal course of business and on normal terms and conditions.

Rental income

Rent was paid by Stockland Corporation Limited, a related party of the Responsible Entity to Stockland Trust in the normal course of business and on normal terms and conditions.

Finance income

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of Stockland provided a loan facility offer to an unlisted property fund managed by Stockland, SREEF No.1. This offer was on market terms and conditions available at the date of acceptance of the loan facility offer. SREEF No.1 was wound up during the prior year, and the loan facility offer was extinguished.

The Trust has an unsecured loan to Stockland Corporation Limited of $3,198 million (2016: $3,437 million) repayable at call. Interest on the loan is payable monthly in arrears at interest rates within the range of 7.8% to 7.9% during the year ended 30 June 2017 (2016: 7.7% to 8.9%). The Trust has not called on this loan at 30 June 2017.

Interest was paid by Stockland Corporation Limited to Stockland Trust, a related party of the Responsible Entity provided in the normal course of business and on normal terms and conditions.

Development Management Fee

A development management deed was executed between Stockland Trust and Stockland Development Pty Limited (a controlled entity of the Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for the Corporation's property development expertise and is calculated based on a fixed 4.0% of total development costs in line with recent changes to benchmark methodologies (in the prior year, the fee was calculated as 50.0% of the total valuation gain or loss on the completion of a development). Fees are paid by Stockland Trust to Stockland Development Pty Limited.

(F6) Related party disclosures (continued)

Stockland has trade receivables of $861 thousand (2016: $469 thousand) due from the unlisted property funds.

As at 30 June 2017, the carrying amount of Stockland's investment in the unlisted property funds was $8,747 thousand (2016: $8,575 thousand).

(F7) Personnel expenses

Personnel expenses comprised of the following:

	Stockland		Trust	
Year ended 30 June	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Wages and salaries (including on-costs)	**198**	192	**–**	–
Equity-settled share based payment transactions	**18**	14	**–**	–
Contributions to defined contribution plans	**13**	13	**–**	–
Increase in annual and long service leave provisions	**2**	1	**–**	–
Total personnel expenses	**231**	220	**–**	–

This disclosure note includes the accounting policies for all items related to personnel expenses. This includes the treatment of balance sheet items that relate to personnel expenses such as provision for employee benefits, which are included in Other Liabilities on the balance sheet.

Personnel expenses

The total personnel expenses for the year was $231 million (2016: $220 million), which includes $18,304 thousand of equity-settled share based payment transactions (2016: $13,664 thousand).

Annual leave

Accrued annual leave of $9 million (2016: $8 million) is presented as current, since Stockland does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, Stockland expects all employees to take the full amount of accrued leave within the next 12 months.

Long service leave

The current portion of long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

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

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

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 12 months and are measured at the amounts expected to be paid when they are settled.

Superannuation plan

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

(F8) Key Management Personnel disclosures

Key management personnel compensation comprised of the following:

Year ended 30 June	2017 $'000s	2016 $'000s
Short term employee benefits	**12,972**	13,075
Post-employment benefits	**270**	217
Other long term benefits	**107**	131
Termination benefits	**–**	–
Share based payments	**8,215**	7,188
Total Key Management Personnel compensation	**21,564**	20,611

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 37 to 51 of the Directors' Report.

Other transactions with Key Management Personnel

There are transactions between the Group and entities with which Key Management Personnel have an association. These transactions do not meet the definition of related parties since the Key Management Personnel 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-Key Management Personnel related entities on an arm's length basis.

From time to time Key Management Personnel acquire Residential land lots from the Group. These purchases are at market rates and on an arm's length basis. For FY17 this amounted to $279 thousand.

(F9) Auditor's remuneration

	Stockland		Trust	
	2017 $'000s	**2016 $'000s**	**2017 $'000s**	**2016 $'000s**
Auditor of Stockland – PricewaterhouseCoopers Australia				
Audit services				
Audit and review of the Financial Report	**1,583**	1,574	**536**	514
Audit of Unlisted Property Fund Financial Reports	**119**	145	**–**	–
Regulatory audit and assurance services	**724**	675	**479**	387
Other audit and assurance services	**9**	55	**–**	20
Total remuneration in relation to audit services	**2,435**	2,449	**1,015**	921
Other non-audit related services				
Taxation compliance services	**–**	282	**–**	157
Other non-audit services	**466**	400	**–**	–
Total remuneration in relation to non-audit services	**466**	682	**–**	157
Total auditor remuneration	**2,901**	3,131	**1,015**	1,078

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

(F10) Events subsequent to the end of the year

Stockland and Trust

Other than disclosed elsewhere in this report, there has not arisen in the interval between the end of the current financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations, the results of operations, or the state of the affairs in future years of Stockland and the Trust.

Directors' Declaration

Year ended 30 June 2017

(1) In the opinion of the Directors of Stockland Corporation Limited, and the Directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as 'the Directors'):

the Financial Statements and Notes of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ('Stockland') and Stockland Trust and its controlled entities ('Trust'), set out on pages 54 to 123, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Stockland's and the Trust's financial position as at 30 June 2017 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

there are reasonable grounds to believe that both Stockland and the Trust will be able to pay their debts as and when they become due and payable.

(2) There are reasonable grounds to believe that Stockland Corporation Limited and the Stockland entities identified in section (E3) 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 Corporations (Wholly-owned Companies) Instrument 2016/785.

(3) Stockland Trust has operated during the year ended 30 June 2017 in accordance with the provisions of the Trust Constitution of 24 October 2006, as amended.

(4) The Register of Unitholders has, during the year ended 30 June 2017, been properly drawn up and maintained so as to give a true account of the unitholders of the Stockland 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 2017.

(6) The Directors draw attention to section 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:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 16 August 2017

Independent Auditor's Report

Independent auditor's report

To the stapled securityholders of Stockland and the unitholders of Stockland Trust Group

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Stockland, being the consolidated stapled entity ('Stockland'), which comprises Stockland Corporation Limited and its controlled entities, and Stockland Trust and its controlled entities (together the Stockland Trust Group or the Trust) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial positions of Stockland and the Stockland Trust Group as at 30 June 2017 and of their financial performance for the year then ended; and

(b) complying with Australian Accounting Standards *and the Corporations Regulations 2001*.

What we have audited

The financial reports of Stockland and the Stockland Trust Group (the financial report) comprise:

- the consolidated balance sheets as at 30 June 2017
- the consolidated statements of profit or loss and other comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated cash flow statements for the year then ended
- the notes to the consolidated financial statements, which include summaries of significant accounting policies
- the directors' declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Stockland and the Stockland Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of Stockland and the Trust, their accounting processes and controls and the industry in which they operate.

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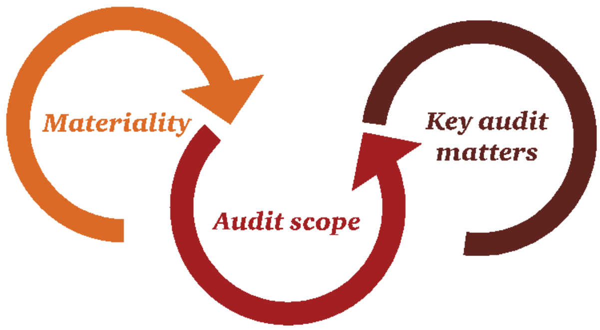
Independent Auditor's Report

The structure of Stockland is commonly referred to as a 'stapled group.' In a stapled group the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of Stockland, the shares in Stockland Corporation Limited ("SCL") have been stapled to the units in Stockland Trust. For the purposes of consolidation accounting, Stockland Trust is 'deemed' the parent and the consolidated report reflects the consolidation of SCL and its controlled entities and Stockland Trust and its controlled entities.



Materiality

- For the purpose of our audit of Stockland and the Stockland Trust Group, we used overall materiality of $40.2 million and $32.9 million, respectively, which represents 5% of Funds from Operations. The metric is defined in note B2 of the financial report.
- We applied these thresholds, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial reports as a whole.
- We chose Funds from Operations because, in our view, it is the primary metric against which the performance of Stockland and the Stockland Trust Group is most commonly measured in the industry.
- We chose 5% based on our professional judgement, noting that it is within the common range relative to profit-based benchmarks.

Audit scope

- Our audit focused on where Stockland and the Stockland Trust Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The audit of Stockland and the Stockland Trust Group was performed by a team primarily based in Sydney. We ensured that the audit team possessed the appropriate skills and competencies needed for the audits, and this included industry expertise in real estate, as well as IT specialists, valuation, tax and treasury professionals.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
  - Valuation of Investment properties - Commercial Property
  - Valuation of Investment properties - Retirement Living
  - Carrying value of inventory and costs of goods sold
  - Recoverability of deferred tax assets
- These are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period and were determined separately for Stockland and the Trust. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial reports and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure are made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of Investment Properties – Commercial Property *(Refer to Note C1b)* **Stockland** - *$9,283 million* **Stockland Trust Group** - *$9,186 million*	
Stockland and the Trust's Commercial Property portfolio ("Commercial Property") is comprised of retail, office, and logistics and business park investment properties, as well as properties under development. Commercial Properties are valued at fair value as at reporting date using a combination of the income capitalisation method and the discounted cash flow method. The value of Commercial Properties is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions are key in establishing fair value: • net market rent • average market rental growth • capitalisation rate • discount rate • terminal yield. At the end of each reporting period the directors determine the fair value of the Commercial Properties in accordance with their valuation policy. The policy requires all properties to be externally valued by an independent valuation expert at least once every 3 years. If a property is not externally valued at balance date, the fair value adopted is supported by an internal tolerance check. If this internal tolerance check differs from the book value (most recent external valuation plus capital expenditure incurred) by 5% or more, an independent valuation is required for the current period. We focused on this matter because of the: • relative size of the Commercial Property portfolio to net assets and related valuation movements • inherent subjectivity of the key assumptions that underpin the valuations.	We obtained a sample of publicly available independent property market reports to understand the prevailing market conditions and trends in the markets in which Stockland and the Trust invest, and we compared those factors against current year valuations. We met with management and discussed the specifics of selected individual properties including, amongst other things, any significant new leases entered into during the year, lease expiries, expectations for future leases, capital expenditure and vacancy rates. For a sample of leases we agreed the underlying lease terms to the tenancy schedule and, for a sample of properties, we compared the rental income used in the independent valuation and internal tolerance check models to the tenancy schedule. We found that the data used in the samples tested was consistent with tenant leases. We compared market capitalisation rates and discount rates by location and asset grade to a reasonable range determined by us based on benchmark market data. Where capitalisation rates and discount rates adopted were outside our anticipated ranges, we discussed with management the rationale supporting the rate applied in the valuation and the reasons to support the adopted metric. **Independent valuations** For a sample of independent valuations we also: • evaluated the competence and capabilities of the relevant independent valuer • read the valuers' terms of engagement - we did not identify any terms that might have affected their objectivity or imposed limitations on their work relevant to their valuation • inspected the final valuation reports and compared the valuations to the fair value listed in the accounting records of Stockland and the Trust.

Key audit matter	How our audit addressed the key audit matter
	Internal tolerance checks We verified that the capitalisation and discounted cash flow models used for the internal tolerance checks were consistent with market practice. Stockland and the Trust used an off-the-shelf software package for the internal tolerance checks. We assessed the design of the key controls over the valuation system, and for a sample of valuations we tested the mathematical accuracy of the system's calculations noting no material exceptions.
Valuation of Investment properties - Retirement Living *(Refer to note C1c)* **Stockland -** *$3,824 million* **Stockland Trust Group** – *the KAM is not applicable as the Trust does not invest in Retirement Living assets*	
Stockland's Retirement Living portfolio ("Retirement Living") comprises retirement village investment properties, as well as properties under development. Retirement Living investment properties are valued at fair value at the reporting date using a discounted cash flow analysis. The value of investment properties in this segment is dependent on the terms of the residents' contracts and the inputs to the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property directly impact fair values. Amongst others, the following assumptions are key in establishing fair value: • discount rates • growth rates • average length of stay of existing and future residents • current market value of units • renovation / reinstatement costs • renovation recoupment. The Stockland valuation policy requires that all key valuation assumptions be externally appraised by an independent valuation expert each reporting period. In addition, at each reporting period a selection of properties are individually valued by an independent valuation expert. We focused on this matter because of the: • relative size of the Retirement Living portfolio to net assets and related valuation movements • inherent subjectivity of the key assumptions that underpin the valuations.	We obtained a sample of publicly available independent property market reports to understand the prevailing market conditions and trends in the markets which Stockland invests, and we compared those factors against current year valuations. We met with management and discussed the specifics of selected individual properties including, amongst other things, vacancy rates, growth rates, discount rates, unit values, and capital expenditure. For a sample of resident contracts across the portfolio, we compared the terms used in the valuations to underlying contracts. We found that the data used in the samples tested was materially consistent with the sampled resident contracts. We compared the key assumptions by property and location to a reasonable range determined by us based on benchmark market data for these assumptions. Where assumptions were outside our anticipated ranges, we discussed with management the rationale supporting the rate applied in the valuation and the reasons to support the adopted metric. **Independent review of assumptions** For the independent review of key valuation assumptions obtained by management, we: • Assessed the competency and capabilities of the relevant independent expert. • Read the expert's terms of engagement - we did not identify any terms that might affect their objectivity or impose limitations on their work relevant to their valuation. • Inspected the final valuation report and compared the assumptions to those used in Stockland's valuation model.

Key audit matter	How our audit addressed the key audit matter
	Property valuations For a sample of Retirement Living property valuations we: • Compared the resident information used in the valuation model to a sample of resident contracts. • Assessed the design of the controls over the valuation model and the associated key assumptions used by Stockland to satisfy ourselves that the model was operating effectively. Examined independent property valuations undertaken by management's expert and compared them with the outputs from the valuation model.

Inventory

(Refer to note C1a)

Stockland - *$2,481 million*

Stockland Trust Group – *the KAM is not applicable as the Trust does not hold inventory assets*

(a) Carrying value of inventory

Key audit matter	How our audit addressed the key audit matter
Stockland has a portfolio of residential development projects that it develops for future sale, which are classified as inventory. Stockland's inventory is accounted for at the lower of the cost and net realisable value for each inventory project, as assessed at each reporting date. The cost of the inventory is calculated using actual land acquisition costs, construction costs, development related costs and interest capitalised for eligible projects. Net realisable value is calculated based on the estimated selling price of the inventory, less the estimated costs of completion, including forecast capitalised interest, and associated selling costs. Each of these factors is impacted by expected future market and economic conditions which include sales prices, sales rates, interest rates and construction costs. Where an inventory project's net realisable value is lower than its cost, the inventory project is written down (impaired) to its net realisable value under Australian accounting standards. ***(b) Cost of goods sold*** When inventory is sold by Stockland the carrying amount of the relevant inventory is recognised as an expense in the same period that the sale is recognised. The expense recognised is based directly upon the forecast profit margin for the relevant project as a whole, and results in the recognition of a profit margin in the period the inventory is sold. To the extent that expected future costs exceed expected future revenues the inventory is written down to its net realisable value.	We obtained a sample of the publicly available independent property market reports to understand the prevailing market conditions and trends in the markets in which Stockland invests, and we compared those factors against the assumptions adopted in the current year's assessment of net realisable value of inventory. For each project we discussed with management matters such as the overall project strategy and forecast profitability. Using the information gained from these discussions and our existing knowledge of the business, we used a risk-based approach to select a sample of projects on which to perform further procedures over the net realisable value. For the sample of projects selected we: • Further discussed with management the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, construction progress and costs and any new and previous write downs. • Obtained Stockland's model of the project's forecast future returns, known as feasibility models, and tested the mathematical accuracy of the model to satisfy ourselves that it was operating effectively. • Compared the estimated selling prices to market sales data in similar locations or, where available, to recent sales in the project. • Compared the forecast costs to complete the project to the relevant construction contracts (if applicable) or the construction contract proposals. • Compared the carrying value to the project's net realisable value (NRV).

Independent Auditor's Report

Key audit matter	*How our audit addressed the key audit matter*
We focused on these matters because of the: • relative size of the inventory balance • inherent subjectivity of the key assumptions that underpin net realisable value and the related assessments of whether a project is impaired, and the profit margin recognised.	In addition we: • Traced a sample of additions to the cost of the project (e.g. construction costs) to invoices and verified that they were valid costs that could be capitalised. • Checked that interest was capitalised for qualifying assets and recalculated the interest capitalised during the period • Traced a sample of sales recorded to the underlying sale documents and the receipt of cash. • Recalculated the cost of goods sold recognised for the sample of sales recorded based on the relevant project's forecast profit margin.
Recoverability of deferred tax asset *(Refer to note B3b)* **Stockland -** *$22 million* **Stockland Trust Group –** *the KAM is not applicable as while the Trust generates taxable profits each year, this Trust income is distributed each year in full and is taxed in the hands of the unitholders as a Trust Distribution.*	
Stockland recognised a net deferred tax asset ("DTA") of $22 million at 30 June 2017, comprising a deferred tax asset of $588 million and a deferred tax liability of $566 million. An additional future tax benefit of $139 million relating to carried forward tax losses was not recognised by Stockland at 30 June 2017. The recognition of the DTA is dependent on the satisfaction of either the continuity of ownership test ("COT") or, where this fails, the same business test ("SBT") under the *Income Tax Assessment Act 1997*. Where either of these tests is satisfied, a DTA is recognised for the unused tax losses to the extent that there is convincing evidence that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Stockland estimates the likely forecast taxable profits each year based on current and approved Board strategies to assess the utilisation period of recognised tax losses. We focused on this matter because of the: • relative size of the gross DTA and DTL and the carry forward tax losses not recognised at reporting date • inherent subjectivity and sensitivity of the key assumptions that underpin the recognition and valuation of the net DTA.	The recoverability of the DTA and carried forward tax losses, and the period over which they will be used, depends upon the forecast profitability of the Stockland Corporation Limited tax consolidated group. Our audit work focussed on the review of the Board approved forecast which support the strategic and operational plans of Stockland, including SCL. We then examined SCL's taxable profit forecasts to assess whether key assumptions were consistent with Stockland's board approved forecast. In addition, we used our internal tax experts to assist in our consideration of Stockland's assessment that tax losses would be available for the relevant periods.

Other information

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity for Stockland Trust (collectively referred to as "the directors"), are responsible for the other information. The other information comprises the Letter from the Chairman, Letter from the Managing Director and CEO, the Directors Report, Security Information and key dates, and the Glossary included in Stockland and the Stockland Trust Group's annual report for the year ended 30 June 2017 but does not include the financial reports and our auditor's report thereon.

Our opinions on the financial reports do not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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 give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of Stockland and the Stockland Trust Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Stockland or the Stockland Trust Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's reports.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 37 to 51 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the remuneration report of Stockland and the Stockland Trust Group for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Hadfield
Partner

N R McConnell
Partner

Sydney
16 August 2017

Security Information and Key Dates

Securityholders

As at 31 July 2017, there were 2,418,400,142 Securities on issue and the top 20 securityholders as at 31 July 2017 is as set out in the table below. There is no on-market buy-back currently.

Top 20 securityholders as at 31 July 2017	Number of Securities held	Percentage (%) of total Securities
HSBC Custody Nominees (Australia) Limited	923,372,531	38.18
J P Morgan Nominees Australia Limited	436,719,352	18.06
Citicorp Nominees Pty Limited	293,499,387	12.14
National Nominees Limited	169,379,997	7.00
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	83,568,676	3.46
BNP Paribas Nominees Pty Ltd <DRP>	33,180,752	1.37
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	31,712,901	1.31
AMP Life Limited	13,225,929	0.55
IOOF Investment Management Limited <IPS SUPER A/C>	12,154,437	0.50
National Nominees Limited <N A/C>	9,744,048	0.40
RBC Investor Services Australia Nominees Pty Limited <HARVESTER ETF>	7,972,308	0.33
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	7,105,946	0.29
E G Holdings Pty Limited	6,411,632	0.27
HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,495,218	0.23
Bond Street Custodians Limited <ENH Property Securities A/C>	4,662,659	0.19
RBC Investor Services Australia Nominees Pty Limited <BKMINI A/C>	4,372,427	0.18
CPU Share Plans Pty Ltd <SGP STI CONTROL ACCOUNT>	4,312,967	0.18
Custodial Services Limited <BENEFICIARIES HOLDING A/C>	4,015,201	0.17
Peter & Lyndy White Foundation Pty Ltd <P & L White Foundation A/C>	3,755,093	0.16
BNP Paribas Noms (NZ) Ltd <DRP>	3,645,382	0.15

Distribution of securityholders as at 31 July 2017	Number of securityholders	Number of Securities	Percentage (%) of total securityholders
1 – 1,000	11,817	5,542,206	0.23
1,001 – 5,000	24,101	65,035,303	2.69
5,001 – 10,000	9,385	67,456,728	2.79
10,001 – 100,000	6,353	128,922,203	5.33
100,001 – over	202	2,151,443,702	88.96

There were 2,006 securityholders holding less than a marketable parcel (120) at close of trading on 31 July 2017.

Substantial securityholders as at 31 July 2017	Number of Securities held
Vanguard Investments Australia Limited/Vanguard Group Inc.	219,630,399
BlackRock Group (BlackRock Inc. and subsidiaries)	209,276,672
State Street Corporate and subsidiaries	136,943,104

Security Information and Key Dates

Annual 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:

- a printed copy of the Shareholder Review only;
- a printed copy of this Report only;
- printed copies of the Shareholder Review and this Report; or
- electronic versions of the Shareholder Review and this Report.

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.

Distribution/Dividend Periods

1 July – 31 December

1 January – 30 June

Key Dates

25 October 2017

Annual General Meeting
The Westin Sydney, 1 Martin Place, Sydney, NSW 2000 at 2.30pm

29 December 2017

Record date

21 February 2018

Half-year results announcement

29 June 2018

Record date

23 August 2018

Full-year results announcement

Security Information and Key Dates

Head Office

Level 25, 133 Castlereagh Street
Sydney NSW 2000
Toll free: 1800 251 813
Telephone: (61 2) 9035 2000

Stockland Entities

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

Custodian

The Trust Company Limited
ACN 004 027 749
Level 13, 123 Pitt Street
Sydney NSW 2000

Directors

Non-Executive

Tom Pockett – Chairman
Carolyn Hewson
Barry Neil
Stephen Newton
Nora Scheinkestel
Carol Schwartz
Graham Bradley[1]
Peter Scott[2]

Andrew Stevens[3]

Executive

Mark Steinert – Managing Director

Company Secretary

Katherine Grace

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

Auditor

PricewaterhouseCoopers

Your securityholding

If you would like to update your personal details or change the way you receive communications from Stockland, please contact Computershare on the detail provided. Computershare will also be able to provide you with information on your holding.

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**

1 Graham Bradley retired as a Non-Executive Director and Chairman at the 2016 Annual General Meeting 26 October 2016.
2 Peter Scott retired as a Non-Executive Director 16 August 2016.
3 Andrew Stevens was appointed as a Non-Executive Director 1 July 2017.

Glossary

AASB	Australian accounting standards as issued by the Australian Accounting Standards Board
AFFO	Adjusted funds from operations
A-REIT	Australian Real Estate Investment Trust
ASIC	The Australian Securities Investment Commission
ASX	Australian Securities Exchange or ASX Limited
CCIRS	Cross-currency interest rate swap
CODM	Chief Operating Decision Makers as defined by AASB8 *Operating Segments*
DCF	Discounted cash flow
DMF	Deferred Management Fees earned from Residents' within the Retirement Living business
DRP	Distribution and Dividend Reinvestment Plan
DSTI	Deferred Short Term Incentives
EBIT	Earnings before interest and income tax
EPS	Earnings per share
FFO	Funds from operations
GST	Goods and services tax
IRR	Internal Rate of Return
KPI	Key Performance Indicators
LTI	Long Term Incentives
NED	Non-Executive Director
NRV	Net Realisable Value
Report	This Stockland 2017 Financial Report
ROA	Return on Assets
ROE	Return on Equity
SCPL	Stockland Capital Partners Limited (ACN 078 081 722)
SDRT No. 1	Stockland Direct Retail Trust No. 1 (ARSN 121 832 086)
Security	A stapled security in Stockland comprising one share in Stockland Corporation and one unit in Stockland Trust
Share Plans	Employee share plans which comprises the LTI, DSTI and $1,000 employee plans
SREEF No.1	Stockland Residential Estates Equity Fund No. 1
Statutory Profit	Profit as defined by Australian Accounting Standards
STI	Short Term Incentives
STML	Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust
Stockland Corporation Group	Stockland Corporation Limited and its controlled entities
Stockland Corporation or the Company	Stockland Corporation Limited (ACN 000 181 733)
Stockland or Group	The stapled entity, comprising of the combination of Stockland Corporation Group and Stockland Trust Group
Stockland Trust	Stockland Trust (ARSN 092 897 348)
Stockland Trust Group or Trust	Stockland Trust and its controlled entities
TSR	Total Securityholder Return
Underlying Profit	A non-IFRS measure used to measure the Group's underlying performance. From 1 July 2016, this measure has been replaced by FFO.
WALE	Weighted average lease expiry

Stockland Corporation Ltd
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

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