Financial
Report
30 June 2014

Stockland

Focused on growth

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STREAMLINED FINANCIAL STATEMENTS

In preparing the financial statements, we have changed the format and layout to make them less complex and more relevant to securityholders. We have grouped the note disclosures into six sections:

- 'Basis of preparation';
- 'Results for the year';
- 'Operating assets and liabilities';
- 'Capital structure and financing costs';
- 'Group structure'; and
- 'Other items'.

Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used or information required to understand the note. The purpose of this format is to provide readers with a clearer understanding of what drives the financial performance and position of the Group.

KEEPING IT SIMPLE....

The aim of the text in 'keeping it simple' boxes is to provide commentary on more complex sections, or notes, in plain English.

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

Letter from the **Chairman**

Dear Securityholders,

I am pleased to report strong profit growth in FY14. Underlying earnings grew by 12.2% to $555 million and underlying earnings per security was up 7.1% on FY13. Statutory profit was $527 million, significantly higher than last year.

These results reflect the good progress we have made under Mark Steinert's leadership with all three of our major businesses – Commercial, Residential and Retirement Living – contributing positively to our improved results. The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

Our results were buoyed by improved profits from our Residential business where we achieved a 12.5% increase in lot sales and ended the year with a record number of contracts in hand. Our Retail business also achieved solid gains with the settling in of major developments at Shellharbour and Townsville, and completion of our Hervey Bay Stage 1 development. We made good progress towards growing our Logistics and Business Parks division and made further progress towards improved operating results in our Retirement Living division.

The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

DISTRIBUTION

As promised, distribution per security was 24 cents. I am pleased that in FY14 our earnings were in line with distributions. In FY15 we expect to maintain our distribution at 24 cents per security and to make further progress towards our target payout ratio.

I thank securityholders who participated in our distribution reinvestment plan which operated for both the first and second half distributions in FY14. We had solid uptake from investors, generating over $160 million of capital that will help fund our developments.

EXECUTIVE AND BOARD CHANGES

During the year we welcomed our new Chief Financial Officer, Tiernan O'Rourke, to the Executive Committee and in August 2014 welcomed Katherine Grace, our newly appointed Group Counsel and Company Secretary and Darren Rehn, Chief Investment Officer, to the executive team. I would like to express our thanks to Phillip Hepburn, our Company Secretary for the past 13 years, for his dedicated service.

Tom Pockett, former long-serving Chief Financial Officer of Woolworths, joined the Board in September 2014. Tom brings to the Board his deep experience as a senior finance executive, as well as extensive experience in the retailing sector, supply chain logistics, and property developments and management.

SUSTAINABILITY LEADERSHIP

We at Stockland have a strong commitment to delivering sustainable business outcomes for all of our stakeholders. Both our employees and the Board take great pride in working for a group that looks beyond short term profits to take account of the broader community and environmental impacts of our business. Our achievements were recognised by several awards this year, including being named Most Sustainable Property Company by the World S&P Dow Jones Sustainability Index.

We are also committed to better business reporting. This year we took steps to streamline our annual financial reporting in an effort to make our reporting less complex and more accessible. We welcome your feedback on our new reporting format so we can continue to improve.

REMUNERATION

Reflecting on our continued prudent approach to executive remuneration, no increases were made to fixed pay for the Managing Director or Senior Executives in 2014 and there was no increase in the fees paid to Non-Executive Directors. The fixed pay for new Senior Executives appointed during FY14 was also lower than for previous incumbents.

Total annual incentive awards increased this year in line with our improved profit performance. Changes introduced in the last two years, however, meant that two-fifths of the increased awards in FY14 were made in Stockland securities with vesting deferred to future years.

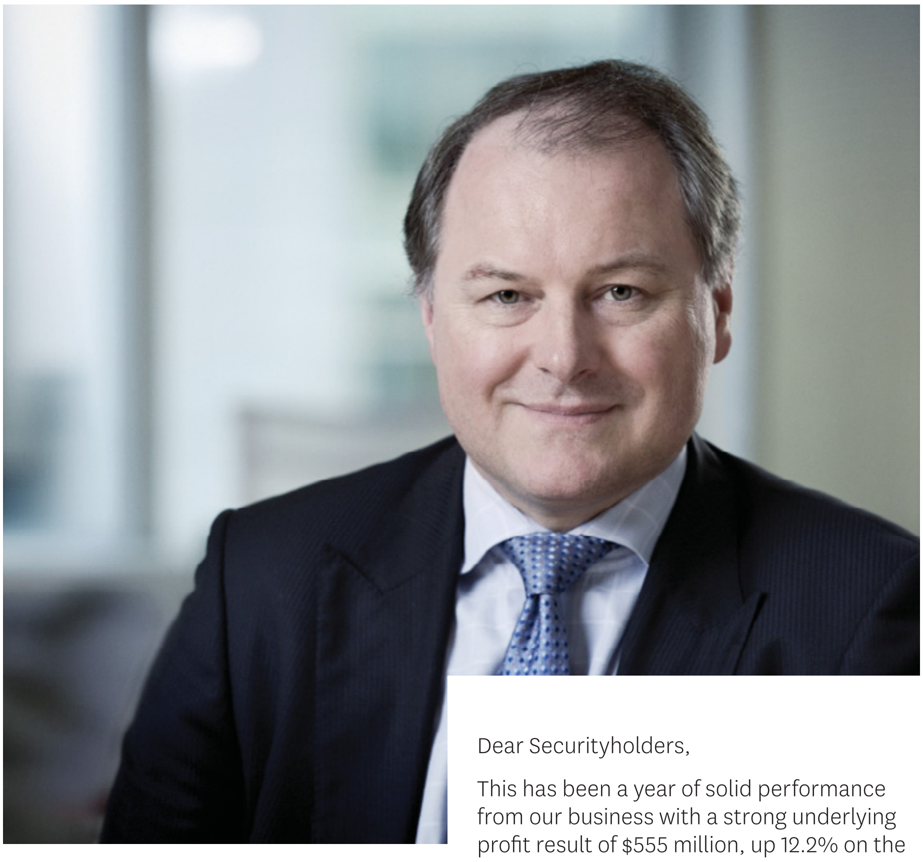
CONCLUSION

In closing, I would like to thank all Stockland employees and my fellow Board members for a year of dedication and achievement. The Board is confident that Stockland is well-positioned to create sustainable earnings growth into the future.

Graham Bradley AM
Chairman

We at Stockland have a strong commitment to delivering sustainable business outcomes for all of our stakeholders. Both our employees and the Board take great pride in working for a group that looks beyond short term profits to take account of the broader community and environmental impacts of our business.

Letter from the **Managing Director and CEO**



This has been a year of solid performance from our business, with a strong underlying profit result, up 12.2% on the prior year.

Dear Securityholders,

This has been a year of solid performance from our business with a strong underlying profit result of $555 million, up 12.2% on the prior year.

We commenced the year with a clear objective: to deliver earnings per security growth and total risk-adjusted securityholder returns above the sector average. We have made progress on our objective by focusing on three strategic focus areas: growing our assets and customer base, capital strength and operational excellence.

Our strong result demonstrates our approach is working and we are now well-positioned to deliver sustainable profit growth into the future. In this letter I provide a brief summary of the progress on our strategic focus areas.

GROW OUR ASSETS AND CUSTOMER BASE

Our **Commercial Property** business, which accounts for around 70% of our assets, achieved a solid result with Funds from Operations (FFO) up 5.1% to $542 million, and operating profit growth on the previous year of 3.0% to $497 million.

Retail FFO was up 9.9% on the prior year, reflecting a strong contribution from recently redeveloped centres, our leasing capability, and our ability to meet changing market conditions. Comparable FFO, which measures like-for-like centres, was up 3.9%.

The first stage of our Stockland Hervey Bay redevelopment opened in July with an overwhelming response from local shoppers. Our $460 million of redevelopments underway continue to progress well and are expected to deliver incremental internal rates of return of 12–14%. In FY15, I look forward to the progressive opening of our Stockland Wetherill Park and Stockland Baldivis shopping centres.

We maintained our strong balance sheet and A-/stable credit rating. At 25%, our gearing remains comfortably within our target range of 20–30%.

During the year, we also made significant progress establishing Logistics and Business Parks as a core business growing our portfolio by over $270 million. We optimised the performance of the existing portfolio through active leasing, while pursuing growth through acquisition and development resulting in a year on year improvement in FFO of 6.9%.

Our Office FFO was 16.5% lower than the prior year reflecting asset sales and soft market conditions. We will continue to selectively down-weight this portfolio.

Our **Residential** business grew strongly in FY14. Operating profit up 57.2% on the prior year, with core projects performing well, capitalising on strong market conditions.

Our new projects are experiencing very strong demand and are contributing to substantial improvements in our margins and volumes. In addition to our Willowdale (Sydney) and Calleya (Perth) projects, Elara, in Sydney's north west has now also launched and will contribute its first settlements in FY15.

As part of our growth strategy we acquired 2,300 lots adjoining our successful residential projects with expected returns at or above our hurdle rates. We also made good progress establishing our strategy to reach new customers with medium density products and completed homes and this will see us commence work on 550 new homes in FY15.

Our **Retirement Living** business achieved strong comparable operating profit growth, up 13.8% on the prior year. During the year we also established a strategic partnership with Opal Aged Care. Opal acquired our four aged care facilities and we will work with them to extend this continuum of care offering at other villages in our portfolio.

We have undertaken a detailed and thorough review of the entire Retirement Living business and are confident we are now well placed to sustainably grow our profits. We have reduced our return on asset target to 7.0–7.5% by FY19 and expect to progressively grow towards this each year.

CAPITAL STRENGTH

Capital strength has remained a strategic focus area and during the year we established an Investment Review Group to ensure a disciplined approach to capital allocation.

We maintained our strong balance sheet and A-/stable credit rating and our gearing remains at 25%, comfortably within our target range of 20–30%.

During FY14 we established three new capital partnerships and will continue to pursue opportunities to recycle capital. We also acquired a 19.9% strategic stake in Australand. Subsequent to period end, we agreed to sell our Australand securities to Fraser Centrepoint Limited, resulting in a capital profit of circa $80 million that we will prudently reinvest in our growth strategy.

In particular, we will accelerate our expansion into medium density residential and mixed use development, grow our Logistics and Business Parks capabilities, invest in our communities and our people, and accelerate planned system and process enhancements.

OPERATIONAL EXCELLENCE

Improving the way we operate to drive efficiencies and effectiveness has also remained a key focus area. Throughout the year we built on our efficiency improvements achieving an 8% comparable reduction in total overheads. Initiatives such as an integrated approach to marketing campaigns has lowered costs while improving their effectiveness. Overheads will increase modestly in FY15 as the business continues to grow.

Our people remain highly engaged and are delivering exceptional outcomes across the business including the delivery of Australia's first Green Star Retirement Living Village and recognition as a leader in procurement at the World Procurement Excellence Awards.

OUTLOOK

The outlook for global economic growth has generally improved over the last 12 months, but is unlikely to return to trend levels in the near term.

Assuming residential market conditions remain reasonable, we would expect to achieve settlements at the upper end of our through-the-cycle target range in FY15. Commercial Property is well placed to achieve 2–3% comparable net operating income growth and we should see a steady improvement in Retirement Living unit turnovers. Overall we are targeting earnings per share growth of 6.0-7.5% in FY15, assuming no material change in market conditions.

I am confident in the strategy that we have set for the business and confident that we have the right team in place to deliver our objective of sustainable earnings growth above the sector average.

Mark Steinert
Managing Director and CEO

Directors' Report
Year ended 30 June 2014

The Directors of Stockland Corporation Limited and the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, present their report together with the Financial Report of Stockland and the Financial Report of Stockland Trust Group for the year ended 30 June 2014 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust"), ("Stockland"). The Financial Report of Stockland Trust Group comprises the consolidated Financial Report of Stockland Trust and its controlled entities ("Stockland Trust Group").

Operating and Financial Review

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $13.7 billion of real estate assets. Stockland owns, manages and develops shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

The company was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Today Stockland leverages its diversified model, to help create thriving communities where people live, shop and work.

This is an approach that is underpinned by the Group's purpose "we believe there is a better way to live". This is brought to life by its 1,440 employees who are guided by Stockland's values of community, accountability, respect, and excellence (CARE).

As a responsible listed entity Stockland's 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 property assets and delivering value for its customers.

To provide the greatest value to securityholders Stockland is structured as a stapled security; a combination of a unit in a trust and a share in a company that are traded together on the Australian Securities Exchange. This allows the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation).

Group Strategy

Stockland's strategy has three focus areas:

- Growing its assets and customer base - driving returns in core businesses by implementing business unit strategies
- Capital strength - actively managing the Group's balance sheet
- Operational excellence - improving the way Stockland operates across the Group to drive efficiencies and effectiveness

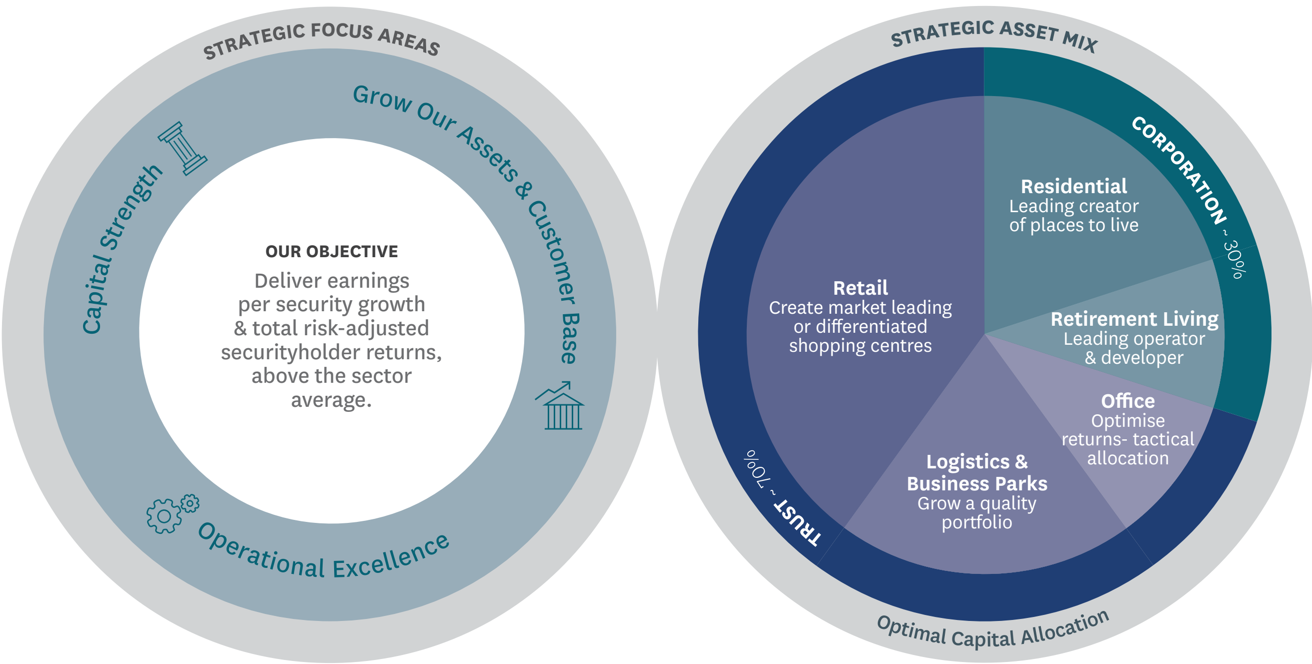
Stockland leverages its strong asset mix by taking an integrated approach; allocating capital across the portfolio for optimal returns, ensuring business is undertaken with a customer focus, and collaborating across business units to utilise systems, skills and knowledge to deliver strong business and community outcomes.

Stockland strategy

OUR PURPOSE
We believe there is a better way to live

OUR VALUES
Community
Accountability
Respect
Excellence

OUR VISION
To be a great Australian property company that delivers value to all our stakeholders



Five year indicative asset mix

Stockland strategic priorities	FY14 Progress
Grow our assets and customer base	• Medium Density and Completed Homes program extend our customer reach synergistically • Acquired 2,300 lots adjoining successful residential projects • Retail development creating high performing shopping centres • Acquired $274 million of Logistics and Business Park assets at accretive 7.7% yield • Retirement Living Continuum of Care and $160 million development at Cardinal Freeman
Capital strength	• Maintained a strong balance sheet and credit rating • Active capital recycling programme • Capital partnering progress • Established the Investment Review Group
Operational excellence	• Continuous improvement in use of technology • Retirement Living unit turnover process improvement • Continued to drive operational efficiency • Recognised as leader in sustainability • Continued commitment to safety

Risks and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks it faces in its business. Stockland recognises 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 its employees, tenants, customers, business partners, consultants and the communities in which it does business. Refer to page 26 for more detail on Stockland's risk management approach.

There are various risks that could impact Stockland's strategy and outlook and the nature and potential impact of these risks change over time. These include, but are not limited to:

	Risk	Response and opportunities
Short term - strategy execution	Consumers remain cautious and focused on cost of living	Continue to: • provide affordable and accessible product options • enhance customer satisfaction and customer insights • deliver leading or differentiated retail centres with focus on value and convenience
	Out-dated systems affect timeliness and accuracy of information and decision-making	Continue to: • enhance decision-making tools, including the development of the new TRAC (time, revenue and cost) proprietary application to manage projects, inventory and financial feasibility, launching in late calendar 2014 • execute the IT strategy with focus on long term strategic investment
	Prolonged economic downturn creates challenging operating conditions	Established an Investment Review Group, led by the Chief Investment Officer, to enhance investment decision discipline and capital allocation Continue to: • focus on retaining a strong balance sheet with low gearing • concentrate on efficiency and cost management • leverage a diversity of funding sources
Longer term – changing marketplace	Technology impacts spending habits and lifestyles, reducing demand for our traditional products	Continue to: • evolve Stockland's market leading product innovation and customer insights such as the Virtual Customer and Asset Directory and Stockland Exchange (Stockland's online research community) • foster a culture of innovation to ensure the Group identifies and takes advantage of new opportunities • ensure Stockland retail centres are thriving community hubs by delivering quality retail and community spaces
	Regulatory changes impact business	Continue to: • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and engage with regulators and standards setters on good practice
	Greater demand from customers for transparency and sustainable products	Continue to: • remain flexible and open to opportunities to take advantage of shifts in stakeholder preferences • focus on elements that create sustainable and liveable communities and assets • foster a culture of high transparency, trust and accountability

Stockland results to 30 June 2014

Stockland delivered an Underlying Profit for the year ending 30 June 2014 (FY14) of $555 million, up 12.2% on the prior corresponding period. Statutory Profit was $527 million, significantly higher than FY13. This solid performance reflects the Group's focus on successfully implementing its growth strategy as well as positive residential market conditions.

Stockland delivered underlying earnings per security growth of 7.1%, exceeding previous guidance and distributions for the year were steady at 24 cents per security, in line with underlying earnings.

Throughout FY14 Stockland has focused on its core strategic priorities of growing its assets and customer base; capital strength; and operational excellence. This strong result demonstrates that the approach is working and Stockland is now well positioned to deliver sustainable earnings growth.

Stockland's core businesses performed solidly with year on year profit growth in Retail, Residential, Logistics and Business Parks, and Retirement Living. During the year, the Group continued its focus on organically growing the business with significant ongoing investment in its core portfolios and $390 million of strategic acquisitions.

Stockland has grown its Logistics and Business Parks portfolio by over $270 million, acquiring three new assets and an increased share in Optus Centre, while continuing to invest in optimising its existing assets and land. In the Residential business Stockland acquired four parcels of land adjoining successful projects where the business can achieve good speed to market and leverage its existing investments.

Stockland also continued to invest in growth opportunities in its core businesses including three major shopping centre redevelopment projects, new development stages at seven retirement villages and introducing medium density products and completed homes in its residential communities.

The Group also continued to build on its efficiency improvements achieving an 8% comparable reduction in total overheads. Initiatives such as an integrated approach to marketing campaigns has lowered costs while improving their effectiveness.

Capital strength has remained a key strategic pillar for Stockland. The Group has maintained its strong balance sheet and A-/stable credit rating. At 25.0%, Stockland's gearing remains comfortably within its target range of 20-30% and has diverse and long-dated debt, which supports the business's growth strategy.

During FY14 Stockland established three new capital partnerships at Optus Centre, Piccadilly Complex and 135 King St and Glasshouse office/retail complex, and will continue to pursue opportunities to recycle capital to fund its growth strategy.

During FY14, the Group acquired a 19.9% strategic stake in Australand. Subsequent to period end, Stockland agreed to sell its Australand securities to Fraser Centrepoint Limited, resulting in a capital profit of circa $80 million that the Group will prudently reinvest in its growth strategy.

Key metrics:

- Stockland's full year distribution was steady at 24.0 cents.
- Statutory Profit was $527 million.
- Underlying Profit was $555 million, up 12.2% on FY13.
- Funds From Operations was $573 million, up 21.4% on FY13
- Underlying earnings per security 24.0 cents, up 7.1% on FY13
- Statutory earnings per security 22.8 cents
- Funds From Operations per security was 24.8 cents, up 16.4% on FY13

Funds From Operations (FFO) has been included as a key performance metric for FY14. 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. Underlying Profit has been adjusted for: amortisation of fitout incentives, amortisation of rent-free incentives, straight-line rent and non-cash income tax expense/benefit included in Underlying Profit. Apart from Stockland's Commercial Property business, Underlying Profit and FFO reported for the other business units remain the same.

Group FFO reflects strong growth in cashflows across Stockland's Commercial Property and Residential businesses. The Group expects FFO to exceed Underlying Profit in the future.

The increase in Statutory Profit in FY14 was primarily driven by positive growth in Underlying Profit, a favourable movement in the fair values of the Commercial Property investment properties and no impairment charges recognised on residential inventory in the current period compared with $318 million recognised in FY13. The movement in Statutory Profit after tax reflects a number of non-cash items which are excluded from Underlying Profit.

Valuation movements in Commercial Property contributed $93 million (FY13: $60 million) to Statutory Profit, primarily due to valuation uplift recognised on the completion of the Shellharbour retail redevelopment and cap rate compression across the Retail and Office portfolio. A change in assumptions for capital expenditure and growth rates resulted in a $50 million decrease in Retirement Living investment property valuation (FY13: $47 million)

A goodwill impairment of $23 million arose following Stockland's review of the deferred repayment contracts acquired through the Australian Retirement Communities acquisition. This led to a change in assumptions around the timing and quantum of cash inflows arising under these contracts.

Other movements which affected the Statutory Profit included a $35 million gain realised on disposal of the Group's investment in FKP and $69 million resulting from changes in the market value of the Group's financial instruments in the year ended 30 June 2014.

The Group recognised an income tax expense on significant items of $34 million.

Group Results Summary

Underlying Profit is determined following the principles of AICD/Finsia for reporting Underlying Profit, having regard to the guidance from ASIC's RG 230 "Disclosing non-IFRS information" ("RG 230"). The reconciliation between Underlying Profit and Statutory Profit is provided below for Stockland. The Group has reported consistently on this basis for more than six years to help investors understand the performance of its business.

Stockland Underlying Profit and Statutory Profit Reconciliation

	2014			2013		
	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M
Revenue	**1,924**	**15**	**1,939**	1,725	3	1,728
Cost of property developments sold:						
• Land and development	**(926)**	**–**	**(926)**	(731)	–	(731)
• Capitalised interest	**(156)**	**–**	**(156)**	(125)	–	(125)
• Utilisation of provision for write-down of inventories	**180**	**–**	**180**	89	–	89
Investment property expenses	**(224)**	**–**	**(224)**	(223)	–	(223)
Share of profits of investments accounted for using the equity method	**36**	**26**	**62**	39	5	44
Management, administration, marketing and selling expenses	**(248)**	**–**	**(248)**	(277)	–	(277)
Net provision for write-down of inventories	**–**	**–**	**–**	–	(367)	(367)
Net gain/(loss) from fair value adjustment of investment properties:						
• Commercial Property	**–**	**93**	**93**	–	60	60
• Retirement Living	**16**	**(98)**	**(82)**	22	(111)	(89)
Existing Retirement Living resident obligations fair value movement	**–**	**33**	**33**	–	61	61
Impairment of goodwill	**–**	**(23)**	**(23)**	–	–	–
Net gain/(loss) from fair value adjustment of other financial assets	**–**	**35**	**35**	–	(37)	(37)
Net loss on sale of other non-current assets	**–**	**(6)**	**(6)**	–	(8)	(8)
Finance income	**5**	**–**	**5**	6	–	6
Finance expense	**(79)**	**(69)**	**(148)**	(85)	(13)	(98)
Profit before income tax	**528**	**6**	**534**	440	(407)	33
Income tax benefit/(expense)	**27**	**(34)**	**(7)**	55	17	72
Profit after tax for the year attributable to security holders	**555**	**(28)**	**527**	495	(390)	105
Earnings per security (cents)	**24.0**	**-**	**22.8**	22.4	-	4.7

Underlying Profit is a non-IFRS measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties). These items are required to be included in the Statutory Profit in accordance with Australian Accounting Standards.

Other Statutory Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. Underlying Profit is the basis on which distributions are determined.

Business unit performance and priorities

Commercial Property

Stockland's Commercial Property business comprises retail centres, logistics and business parks, and office assets. Stockland is one of the largest retail property owners, developers and managers in Australia. Stockland's 40 retail centres accommodate more than 3,200 tenants, realising over $6 billion of retail sales per annum. The logistics and business parks portfolio (the former industrial portfolio now including business parks and logistics) comprises 21 properties with just over 1.2 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The office portfolio comprises 10 assets in key locations including three joint ventures.

Portfolio at 30 June 2014	Approximate value
40 retail centres	$5.5 billion
21 logistics and business parks	$1.6 billion
10 office buildings	$1.0 billion
71 Commercial Property assets	**$8.1 billion**

Performance

Commercial Property ($m, unless otherwise stated)	Funds From Operations			Underlying Profit		
	FY14	FY13	Change	FY14	FY13	Change
Net operating income:						
• Retail	369	336	↑9.9%	347	324	↑7.5%
• Logistics and Business Parks	108	101	↑6.9%	100	95	↑5.5%
• Office	85	101	↓16.5%	70	87	↓20.3%
Total net operating income (NOI)	**562**	**538**	**↑4.4%**	**517**	**506**	**↑ 2.3%**
Fees and Trust costs	0	2	↓100%	0	2	↓ 100%
Net operating costs	(20)	(26)	↓22.1%	(20)	(26)	↓22.1%
Operating Profit	**542**	**514**	**↑5.1%**	**497**	**482**	**↑3.0%**
ROA				**8.4%**	**8.2%**	

The Commercial Property portfolio continued to deliver a solid result with Funds from Operations up 5.1% to $543 million and Underlying Profit up on the previous year to $497 million.

Retail

Retail FFO was up 9.9% and Underlying Profit up 7.5% on the prior year reflecting a strong contribution from recently redeveloped centres and the benefits of Stockland's active re-mixing of tenants within existing centres. Comparable FFO, which compares like for like centres, was up 3.9%.

Retail sales have improved over the year. Despite some uncertainty around the Federal budget, and warmer winter weather, Stockland has seen a steady improvement in sales results with its strongest specialty sales growth achieved in the June quarter.

Stockland continued to deliver solid results due to its development and leasing capability and its ability to meet changing market conditions. Occupancy remains very high at 99.6% and the business achieved 734 lease deals for the year, 6.7% more than the previous year. Stockland's commitment to delivering excellent service and outcomes for tenants has underpinned its success.

The $463 million of redevelopments underway continue to progress well and are expected to deliver an average Internal Rate of Return (IRR) of 12-14%. The first stage of the Stockland Hervey Bay redevelopment opened in July 2014 with an overwhelming response from local shoppers. The Stockland Wetherill Park redevelopment is on track to open progressively from the end of 2014 and the Stockland Baldivis expansion is scheduled to open in mid-2015.

Retail strategic priorities: The Retail business maintains its focus on creating market leading or differentiated centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. Further projects, representing $700 million of investment, with an average incremental internal rate of return[1] (IRR) of 13-14 per cent, are planned over the next five years.

Stockland's retail mix, underpinned by supermarkets, mini majors and speciality food and retail services, is proving to be resilient to online leakage. The business will continue to focus on tailoring its offering to the specific trade area, retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape.

Logistics and Business Parks

During FY14 Stockland made significant progress establishing Logistics and Business Parks as a core business. There has been a focus on optimising the performance of the existing portfolio through active leasing, while pursuing growth through acquisition and development.

This resulted in a year on year improvement in FFO of 6.9% and Underlying Profit up 5.5%. Weighted average lease expiry increased significantly to 4.9 years (3.9 years in FY13) and occupancy lifted to 96.4%.

The business has made significant progress improving the performance of its existing assets and growing the portfolio with $274 million of new assets added over the last 12 months. Stockland has worked diligently to improve the performance of the portfolio, executing leases over 350,000sqm of space and identifying opportunities to upgrade assets to meet tenant demand.

Logistics and Business Parks strategic priorities: Stockland is focused on growing a quality portfolio of logistics centres and business parks. The business will leverage its existing assets and land, strong tenant relationship and asset management skills to become a scale player in this market.

Office

Office FFO was 16.5% lower and Underlying Profit 20.3% lower than the prior year reflecting asset sales and soft market conditions. Stockland has been selectively down-weighting in office and the portfolio now represents 8% of assets. Weighted average lease expiry improved marginally to 4.5 years and occupancy was 90.3%. Leases were executed for 40,000sqm during the year.

Office strategic priorities: Stockland continue to focus on optimising returns from the portfolio while managing its exposure tactically. The business will also consider joint-ventures (or part sales) as appropriate.

Residential

Stockland is the largest residential developer in Australia. The business has 63 communities across New South Wales, Queensland, Victoria and Western Australia. The business is focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country with over 78,500 lots remaining in its portfolio, with a total end value of approximately $20.4 billion[2].

Residential as at 30 June 2014[2]

Approximate portfolio - active	Approximate portfolio - inactive	Approximate total end value
30,000 lots	48,500 lots	$20.4 billion

2 Excluding properties identified for disposal

Performance

Residential Communities ($m, unless otherwise stated)	FY14	FY13	Change
Lots settled (no. of lots)	5,219	4,641	↑12.5%
Revenue	1,042	914	↑14.0%
EBIT (before interest in COGS)	244	181	↑34.1%
EBIT margin	23.4%	19.9%	↑
Operating Profit	95	60	↑57.2%
Operating Profit margin	9.1%	6.6%	↑
ROA – core projects only[3]	12.2%	8.7%	↑
ROA – total portfolio	5.8%	5.5%	↑

Stockland's Residential business continues to grow strongly with operating profit up 57.2% on the prior year. The Residential team achieved 5,219 lot settlements for the year and started FY15 with a record 3,185 contracts on hand.

The business's core projects performed well, capitalising on strong market conditions. New residential projects are experiencing strong demand and contributing to substantial improvements in margins and volumes. In addition to Willowdale in New South Wales and Calleya in Western Australia, Elara in Sydney's north west, has now also launched and will contribute its first settlements in FY15.

All the states Stockland operate in are experiencing generally positive housing market conditions, although some regional areas are more challenged. Demand in Sydney remains very strong with relatively low supply impacting affordability in the established housing market. In Victoria the market is steady with good demand balanced by higher competition. The outlook in Queensland is particularly strong, underpinned by positive economic indicators and a slower start to the housing market recovery. As Stockland has previously noted, while Western Australia has moderated from historically high levels, demand remains above the long-term average.

The business is making good progress on its strategy to reach new customers with medium density products and completed homes. Stockland launched its first townhouses at Highlands in Victoria and released its first completed homes in Queensland. Stockland is now implementing plans to expand these initiatives in FY15 when it expects to commence construction of 550 new dwellings.

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; right size the land bank; and retain its preference to acquire land on capital efficient terms. The business continues to work through its low margin and impaired stock.

(2) Improving efficiency – continue to tightly manage costs. Project management has been embedded into the business driving cost savings.

(3) Delivering revenue growth – 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. Stockland's medium density and completed homes strategies are underway.

Retirement Living

Stockland is a top three retirement living operator within Australia, with a deep development pipeline and over 8,200 established units across five states and the Australian Capital Territory.

Retirement Living as at 30 June 2014

Portfolio	Short-medium term development pipeline	Estimated development pipeline end value
8,298 established units	Approximately 3,390 units	$1.5 billion

3 Core excludes impaired, develop out, and disposal projects

Performance

Retirement Living ($m, unless otherwise stated)	FY14	FY13	Change
Transaction value[4]	321	303	↑5.9%
Operating profit	40	35	↑13.8%
ROA	4.5%	4.3%	↑
Established			
Established unit turnovers	647	547	↑18.3%
Average re-sale price	$314k	$310k	↑1.2%
Turnover cash per unit	$75k	$78k	↓3.3%
Turnover cash margin	24.0%	25.2%	↓
Reservations on hand (no. of units)	115	129	↓10.6%
Established occupancy	94.9%	94.0%	↑
Development			
New unit settlement	262	304	↓13.8%
Average price	$389k	$406k	↓4.3%
Average margin	15.8%	18.0%	↓
Reservations on hand (no. of units)	85	63	↑34.9

Retirement Living achieved strong comparable operating profit growth up 13.8% on FY13 (excluding Aged Care). Established unit turnover increased 18.3% on the previous year to 647 units.

The business has consistently high resident satisfaction in its existing villages and a development pipeline for future growth. This ensures that Stockland is well placed to grow this business organically, particularly as the number of older Australians increases.

During FY14 the new Retirement Living management team undertook a complete review of the business applying more conservative and asset-specific assumptions. This resulted in a $50 million reduction in the fair value of the Retirement Living investment properties and a $23 million impairment to the carrying value of Retirement Living goodwill.

During the year the business established a strategic partnership with Opal Aged Care. Opal has acquired four existing Stockland aged care facilities. The business will work with Opal to extend this continuum of care offering at other villages in the portfolio.

Stockland will take an active approach to managing the portfolio, recycling capital to optimise returns. Each of the business's current and future developments will deliver an average incremental IRR of 15-20%. The business recently commenced its largest project to date, a $160 million redevelopment at Cardinal Freeman Village in Sydney's inner west. This will redefine retirement living in this high-demand area.

Retirement Living strategic priorities: The Retirement Living business is focused on being the preferred operator and developer of Retirement Living villages. The business has a clear strategy to continue to improve return on assets by managing costs, differentiating the customer experience and growing development volumes.

Capital management

Financial position

The Group maintained a strong focus on prudent balance sheet management and retained its A-/ stable credit rating. Gearing increased to 25.0% at 30 June 2014 (June 2013: 22.7%), within Stockland's target range of 20-30%, following the investment in Australand and acquisition of Logistics and Business Park assets and Residential land.

As part of Stockland's ongoing commitment to active capital management, the Group will maintain balanced and diverse funding sources and continue to review its interest rate hedging in line with prudent risk management. The fixed/hedged ratio has decreased to 59% at 30 June 2014 (June 13: 85%) closer to the Group's target ratio. The weighted average cost of debt at 30 June 2014 has decreased to 6.2% (June 2013: 6.8%).

4 Includes established villages and new developments

Interest cover has increased to 3.9:1 (June 2013: 3.0:1) due to stronger earnings across the business and a decrease in interest expense following the equity raising in May 2013.

Stockland Balance Sheet

$ million	June 2014	June 2013	Change
Cash	231	227	↑1.8%
Real Estate Assets			
• Commercial Property	8,363	7,866	↑ 6.3%
• Residential	2,325	2,311	↑ 0.6%
• Retirement Living	2,860	2,897	↓ 1.3%
• Other	127	72	↑76.4%
Other assets	994	697	↑42.6%
Total assets	**14,900**	**14,070**	
Interest bearing loans and borrowings	3,118	2,461	↑26.7%
Resident loan obligations	1,865	1,774	↑ 5.1%
Other liabilities	1,619	1,640	↓ 1.3%
Total liabilities	**6,602**	**5,875**	
Net assets/total equity	**8,298**	**8,195**	

The value of the Commercial Property investment portfolio has increased by $497 million to $8,363 million primarily due to continued growth from capital expenditure on the retail development pipeline, the acquisition of three Logistic and Business park assets, the valuation uplift on completion of Shellharbour and cap rate compression across the Retail and Office portfolio. This is partly offset by the disposal of Office assets including the sale of 50% of Piccadilly Complex.

Residential assets (mainly land under development) increased marginally by $14 million to $2,325 million at 30 June 2014. Development expenditure, including acquisition of land on deferred payment terms, has been actively managed to maintain stable inventory levels, offsetting the cost of inventory sold during the year. Finished goods inventory is lower than previous years due to management focus on reducing aged stock and selling impaired projects.

The Group's investment in Retirement Living property, net of resident loan obligations, was $995 million, a decrease of $128 million from the 30 June 2013 balance. Changes in assumptions to capital expenditure and growth rates during the period led to a reduction in the value of the established portfolio. A production shift in the development pipeline during 2H14, caused the level of capitalised development expenditure to fall.

The Group's total debt increased by $657 million to $3,118 million at 30 June 2014 mainly due to the drawdown of debt to fund capital investment including the investment in Australand. Movements in other assets and liabilities mainly reflect the changes in value of the Group's strategic investments and financial instruments.

Cash flows

Stockland Cash Flows

$ million	FY14	FY13	Change %
Operating cash flows	752	583	↑ 28.9%
Investing cash flows	(693)	147	nm
Financing cash flows, including FX on cash	(55)	(639)	↓91.3%
Net change in cash and cash equivalents	4	91	↓95.7%
Cash at the end of the period	231	227	–

Operating cash flows were strong, as a result of a focus on capital efficient residential development and operating cost efficiency. Stronger residential settlements during the year also contributed to the improvement in operating cash flows.

Cash flows from investing activities were higher as a result of the investment in Australand, acquisition of Logistics and Business Park assets and a reduction in proceeds generated from the sale of Commercial Properties.

Proceeds from bank loans and new medium term notes issued were used to repay maturing debt, derivatives and financial instruments as well as fund the acquisition of the investment in Australand. Net financing cash flow also includes distributions paid to securityholders during the period.

Equity

Dividend/Distribution Reinvestment Plan

On 18 December 2013 Stockland announced it was reactivating the Dividend Reinvestment Plan ("DRP") to enable investors to reinvest distributions in the Group's securities. On 10 February 2014 the issue price was determined to be $3.64 for each stapled security and 21,227,813 securities were issued on 28 February 2014.

On 12 June 2014, Stockland announced that the DRP would operate for the second half year distribution to 30 June 2014 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $3.92 based on the volume weighted average price over the 15-day trading period immediately preceding 21 July 2014 and applying a 1% discount.

Capital restructure

On 29 November 2013, Stockland re-allocated capital of $507 million between the Trust and Corporation following shareholder approval at the Annual General Meeting on 29 October 2013.

Distributions

The dividend and distribution payable for the half year to 30 June 2014 is 12.0 cents per stapled security, consistent with 12.0 cents paid to 31 December 2013. Stockland remains confident earnings will continue to improve and for this reason distributions are above Stockland's target 75-85% payout ratio. The distribution comprises:

Stockland Consolidated Group	FY14 Cents	FY14 Cents
Trust distribution	24.0	24.0
Corporation dividend, fully franked	–	–
Total dividend and distribution	**24.0**	**24.0**

Registers closed at 5.00pm on 30 June 2014 to determine entitlement to the year-end dividend and distribution, which will be paid on 29 August 2014.

Outlook

The outlook for global economic growth has generally improved over the last 12 months, but is unlikely to return to trend levels in the near term.

In Australia, businesses and consumers remain cautious. However, housing markets have responded well to strong population growth, improving buyer sentiment and low interest rates and Stockland expects that this sector will continue to be positive for the balance of FY15. In addition, housing construction is likely to provide a boost to economic activity over the next few years.

Assuming residential market conditions remain reasonable, Stockland would expect to achieve settlements at the upper end of its target range of 5000-6000 lots in FY15. Commercial Property is well placed to achieve 2-3% comparable net operating income growth and Stockland should see a steady improvement in Retirement Living unit turnovers.

Overall Stockland is targeting earnings per share growth of 6.0 – 7.5% in FY15, assuming no material change in market conditions. This excludes any impact from the circa $80 million pre tax capital profit released from the sale of the Australian strategic stake.

Stockland expects to maintain its distribution at 24 cents per security.

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:

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

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Non-Executive Chairman on 25 October 2005. He is Non-Executive Chairman of HSBC Bank Australia Limited (appointed December 2004), Virgin Australia International Holdings Limited (appointed March 2012), Energy Australia Holdings Limited (appointed June 2012) and Po Valley Energy Limited (appointed September 2004). He is a Non-Executive Director of GI Dynamics Inc. (appointed June 2011) and The Hongkong and Shanghai Banking Corporation Limited (appointed November 2012) and was appointed Chairman of Infrastructure NSW (appointed July 2013). He also chairs the Australian Advisory Board of Anglo American Australia Limited (appointed August 2006). He was formerly Chairman of the Film Finance Corporation of Australia Limited (January 2004-June 2008) and a Director of MBF Australia Limited (November 2003-November 2007), and Singapore Telecommunications Limited (May 2004-July 2011). Mr Bradley is a member of the Human Resources Committee.

Former Directorships of listed entities in last three years
Mr Bradley was a Director of Singapore Telecommunications Limited from May 2004 to July 2011.

Duncan Boyle
BA (Hons), FCII, FAICD
(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He has over forty years' experience within the insurance industry in Australia, New Zealand, the United Kingdom and Europe. Mr Boyle is a Director of QBE Insurance Group Limited (appointed September 2006), and TAL Dai Ichi Life Australia Pty Ltd and TAL Life Limited (appointed May 2014). He was a Director of O'Connell Street Associates Pty Limited until 30 June 2013 and Clayton Utz (until June 2014). Mr Boyle served as Chairman of the Sustainability Committee until 30 June 2012. Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Former Directorships of listed entities in last three years
None.

Carolyn Hewson
BEc (Hons), MA (Ec), FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over thirty years' experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a Non-Executive Director of 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 Risk Committee and a member of the Human Resources Committee.

Former Directorships of listed entities in last three years
Ms Hewson was a Director of Westpac Banking Corporation from February 2003 to June 2012 and BT Investment Management Limited from December 2007 to December 2013.

Barry Neil
BEng (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 Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee.
He was a member of the Sustainability Committee until 30 June 2012.

Former Directorships of listed entities in last three years
None.

Carol Schwartz
BA, LLB, MBA, FAICD (Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations. Ms Schwartz is on the Board of a number of organisations including the Sydney Institute, Bank of Melbourne, Qualitas Property Partners, and the National Australia Day Council. Her other appointments include Chair of Our Community and Creative Partnerships, Australia, and Co-Chair in Australia for Women Corporate Directors. Ms Schwartz serves on the Risk Committee and was a member of the Stockland Audit and Corporate Responsibility and Sustainability Committees until June 2012.

Former Directorships of listed entities in last three years
None.

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

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

Former Directorships of listed entities in last three years
None.

Mark Steinert
BAppSc, G Dip App Fin & Inv (Sec Inst), F Fin, AAPI Managing Director (appointed 29 January 2013)

Mr Steinert was appointed Managing Director & CEO of Stockland on 29 January 2013. He has twenty-five 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 Director of The Green Building Council of Australia and Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds.

Former Directorships of listed entities in last three years
None.

Terry Williamson
BEc, MBA, FCA, FCIS, MACS (Non-Executive)

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

Former Directorships of listed entities in last three years
None.

External Independent Committee Members and Independent Directors of the Stockland

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 Equatorial Mining Limited and 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 and Risk Committee, the Stockland and the Stockland Capital Partners Financial Services Compliance Committees and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Company Secretaries

Phillip Hepburn
BEc, LLM, Grad Dip CSP, FCIS, FCSA, MAICD
Company Secretary

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

Derwyn Williams
BComm, CPA, FCIS, FCSA, MAICD
Company Secretary

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

Directors' meetings

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

Stockland (Stockland Corporation Limited and Stockland Trust Management Limited)

	Scheduled Board		Audit Committee		Financial Services Compliance Committee		Human Resources Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	14	14	–	–	–	–	5	5	3	3	–	–
Mr D Boyle	13	14	6	6	–	–	–	–	3	3	–	–
Ms C Hewson	12	14	–	–	–	–	5	5	3	3	4	4
Mr B Neil	13	14	6	6	–	–	–	–	3	3	–	–
Ms C Schwartz	12	14	–	–	–	–	–	–	3	3	4	4
Mr P Scott	12	14	–	–	–	–	4	5	3	3	4	4
Mr M Steinert	14	14	–	–	–	–	–	–	3	3	–	–
Mr T Williamson	13	14	6	6	4	4	–	–	3	3	–	–
Other members												
Mr P Hepburn	–	–	–	–	4	4	–	–	–	–	–	–
Mr A Sherlock	–	–	–	–	4	4	–	–	–	–	–	–

Stockland Capital Partners

	Scheduled Board		Audit Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr B Neil	8	8	–	–	–	–
Mr A Sherlock	8	8	5	5	4	4
Mr M Steinert	8	8	–	–	–	–
Other members						
Mr P Hepburn	–	–	–	–	4	4
Mr T Williamson	–	–	5	5	4	4

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

Corporate Governance

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

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

Role of the Board

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

- 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 security holders;
- establishes Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;
- appoints the Managing Director, approves the appointment of the Company Secretaries 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 direct reports;
- approves the annual budget and monitors financial and operating performance;
- reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
- approves major capital expenditure, acquisitions and divestitures;
- reviews Executive and Board succession planning and Board performance;
- monitors compliance with laws and regulations which apply to Stockland and its business; and
- appoints and monitors the independence of Stockland's external auditors.

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

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

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

- 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 of the Board

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

At the date of this report, the Board comprised one Executive Director and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 1 to 3, including details of their other listed and unlisted company Directorships and experience.

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

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

- 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.

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.

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

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

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

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

Stockland announced that, from 1 September 2014, Mr Tom Pockett will be appointed a Director of Stockland Corporation Limited and Stockland Trust Management Limited, the Responsible Entity of Stockland Trust.

When determining the optimal number of Directors, the Board has regard to the importance of maintaining the right mix of skills, professional experience and Director tenure on the Board, the expected future workload of Directors, Board succession planning, cost, efficiency and the advantage of having flexibilities to add a new Director should an outstanding candidate become available in the absence of an immediate retirement. Taking these factors into account, the Board has determined to increase the number of Directors for the next financial year to nine. Refer to the Directors section on pages 1 to 3 of the Directors' Report for the individual Directors' skills, experience and expertise.

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

Board diversity

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

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

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

Stockland has for many years had a policy of actively encouraging gender diversity at all levels within the organisation and a culture that supports workplace diversity. For example, in 2012 we set targets to increase the proportion of women in management from 35% to 40%. These targets are regularly reviewed by the Human Resources Committee. In the 2013 financial year we exceeded our goal, and we have now set a new five-year goal to achieve 45% by 2017. In addition, we have a formal Diversity and Inclusion Policy which is available on the Stockland website (www.stockland.com.au). Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in the 2014 Remuneration Report on page 31 within the Directors' Report as well as the 2014 financial year Corporate Responsibility & Sustainability Report which is also posted on the Stockland website.

Director induction and ongoing education

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

Terms of appointment and retirement of Non-Executive Directors

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

The Constitution provides that a Director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law Directors' duties and Stockland's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditor" on page 52.

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

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

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

Board meetings

The Board currently holds 10 scheduled meetings each financial year. Additional meetings are convened as required. During the 2014 financial year, the Board held 14 meetings. Agendas for each meeting are prepared by the Company Secretary with input from the Chairman and Managing Director and are distributed prior to the meeting together with supporting papers.

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

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

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

Board and Director performance

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

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

The Company has adopted a process requiring each Committee Chairman to lead a discussion on a regular basis on their Committee's performance and effectiveness.

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

Director remuneration and securities ownership

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

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

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

Board Committees

Five 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;

(4) Sustainability Committee; and

(5) Financial Services Compliance 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. The Financial Services Compliance Committee and the Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as Members.

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

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

Human Resources Committee

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

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

The Committee has specific authority to approve:

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

The purpose of the Committee is to consider and make recommendations to the Board on the size, composition and desired competencies of the Board; Director independence, performance, remuneration and succession arrangements; the content of the annual Remuneration Report; and remuneration of Senior Executives and changes to overall remuneration policies. The Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 30 to 50 for further information.

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

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

The Human Resources Committee meets as frequently as required and held 5 meetings during the financial year.

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

Audit Committee

The 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; and
- compliance with relevant laws and regulations including any prudential supervision procedures to the extent that they impact the integrity of Stockland's financial statements.

The Audit Committee works in conjunction with the Sustainability Committee, Financial Services Compliance 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.

The membership and the procedures for the Committee meetings are set out in the Board Committee Charter.

The Audit Committee's responsibilities include:

- review of compliance with Stockland's statutory financial reporting obligations (covering legal, ASX compliance, tax and other matters of relevance) and review the final draft of the Half Year and Annual financial statements and the Directors' Report together with reports and opinions from external auditors prior to the approval by the Board for release to the shareholders and the ASX;
- review the way financial information is presented to investors and analysts;
- review and monitor compliance with applicable laws, regulations and accounting standards, to the extent that they impact the integrity of Stockland's financial statements;
- review and assess the appropriateness of management's responses and actions to remedy any compliance breaches that may impact the integrity of Stockland's financial statements;
- review and monitor the effectiveness of Stockland's internal control systems and processes;

- review accounting policies and controls and make recommendations for any changes required to Stockland policies;
- review and assess the appropriateness of applicable accounting policies and methods, particularly those involving significant estimates and judgements;
- approve the appointment of the internal auditor and the annual internal audit fee;
- oversee and approve the performance of the internal auditor;
- review and approve Internal Audit's annual program of work;
- periodically assess the adequacy of resourcing and capability of Stockland's Finance and Internal Audit functions;
- oversee and appraise the performance of the external auditors and make recommendations to the Board on the appointment and rotation of the external auditor and approval of the annual audit fee;
- review and approve the external auditor's annual audit plan;
- approve all work conducted by the external auditor subject to agreed delegations to management to approve the scope and fees applicable to such work;
- review and monitor as appropriate the ongoing independence of the external auditor;
- review reports on the adequacy of Stockland's internal control environment from Internal Audit and the external auditors;
- review the appropriateness of and monitor the timely implementation of management's actions to address internal control weaknesses identified by Internal Audit and the external auditors;
- at least twice each year arrange discussions with both the external auditor and internal auditor in the absence of management, including matters the auditor may wish to discuss in Management's absence;
- conduct annual reviews of the adequacy of Stockland's fraud controls and policy, the whistleblowing policy, approve amendments to these policies and monitor ongoing compliance;
- review and assess the appropriateness of responses and actions to matters raised under the whistleblowing policy;
- review and approve any emissions, NGER's or energy efficiency reporting by the Group;
- undertake such further investigations which the Committee considers necessary or may be requested by the Board; and
- carry out an annual review of the ongoing appropriateness of this Charter and recommend any amendments to the Board.

In order to appropriately discharge its responsibilities, the Audit Committee is specifically authorised to amend Stockland's accounting policies which the Committee determines do not require Board approval; and review and approve any NGER's or emissions reporting by the Group.

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

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

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

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

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

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

(1) Mr T Williamson (Chair) – Non-Executive Director

(2) Mr B Neil – Non-Executive Director

(3) Mr D Boyle – Non-Executive Director

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board. The Committee met 6 times during the 2014 financial year.

Risk Committee

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

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

The Risk Committee's responsibilities include:

- annually reviewing Stockland's risk appetite statement and risk policy and recommend amendments to the Board;
- oversee the establishment and implementation of Stockland's risk management framework, appropriate risk policies and mitigation plans for managing material risks and assess and approve any variations to the risk management framework and policies;
- monitor and assess whether Stockland operates within the risk appetite statement and risk policy approved by the Board;
- review and approve Group Risk's annual program of work to assess material risks that may affect Stockland's ability to achieve its corporate objectives;
- monitor changes in the economic business or regulatory environment which may impact on the risk profile of Stockland and changes to Stockland's business that may give rise to new risks;
- monitor management's performance in addressing in a timely manner improvements in risk management recommended through Stockland's risk review functions;
- periodically assess the adequacy of resourcing and capability within Stockland's risk functions;
- monitor and assess the ongoing effectiveness of Stockland's treasury policy and operations including recommending any amendments of the treasury policy to the Board;
- in conjunction with management, review Stockland's current and future liquidity, funding and derivative exposures and strategies and review delegated authorities granted to management relating to treasury operations;
- review and approve the Health, Safety and Environment program including policies designed to promote the safety of employees, tenants and visitors to Stockland's properties;
- oversee the establishment and maintenance of Stockland's business continuity and disaster recovery plans;
- oversee the adequacy and effectiveness of Stockland's insurance policies and arrangements;
- review statements by Stockland to external stakeholders regarding Stockland's risk appetite statement and risk policy;
- review and assess matters requiring Board approval including breaches or significant variations to policies, limits and delegations of authority where these have not been reviewed by the Board or delegated to the Committee by the Board; and
- undertake investigations which the Committee considers necessary or requested by the Board.

The Committee has specific authority to approve:

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

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

(1) Ms C Hewson (Chair) – Non-Executive Director

(2) Mr P Scott – Non-Executive Director

(3) Ms C Schwartz – Non-Executive Director

The Committee met 4 times during the 2014 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 Committee is to oversee Stockland's commitment to operate its businesses ethically, responsibly and sustainably.

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.

The responsibilities of the Committee are to:

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

The Committee:

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

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

The Committee comprises the whole Board and its members which included:

(1) Mr G Bradley (Chair) – Non-Executive Director

(2) Mr D Boyle – Non-Executive Director

(3) Mr B Neil – Non-Executive Director

(4) Ms C Schwartz – Non-Executive Director

(5) Ms C Hewson – Non-Executive Director

(6) Mr P Scott – Non-Executive Director

(7) Mr M Steinert – Managing Director

(8) Mr T Williamson – Non-Executive Director

The Committee met 3 times during the 2014 financial year.

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.

Financial Services Compliance Committee

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

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

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

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

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

The Committee met 4 times during the 2014 financial year.

Stockland Capital Partners

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

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

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has 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.

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

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

(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 8 times during the 2014 financial year.

Stockland Capital Partners Audit and Risk Committee

The Stockland Capital Partners Audit and Risk Committee mirrors 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.

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

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

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

(1) Mr T Williamson (Chair) – Non-Executive Director of Stockland

(2) Mr A Sherlock – External Independent Non-Executive Director of Stockland Capital Partners Limited

The Committee met 5 times during the 2013 financial year.

Stockland Capital Partners Financial Services Compliance Committee

A Financial Services Compliance Committee oversees the Compliance Plan approved by SCPL for Stockland Direct Office Trust No. 2 ("SDOT No. 2"), Stockland Direct Office Trust No. 3 ("SDOT No. 3"), Stockland Holding Trust No. 2 ("SHT2") and Stockland Direct Retail Trust No. 1 ("SDRT No. 1"). SDOT No. 3 and SHT2 Trusts were wound up during the year and final distributions made to Unitholders and were as a consequence de-registered as a Management Investment Scheme.

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

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

(1) Mr T Williamson (Chair) – Non-Executive Director

(2) Mr A Sherlock – External Independent Non-Executive Director

(3) Mr P Hepburn – Executive Member

The Committee met 4 times during the 2014 financial year.

Risk Management

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

Stockland recognises the importance of building and fostering a risk aware culture, such that every individual takes responsibility for risk and controls in their area of authority. Stockland's approach to risk management is guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), the ASX Corporate Governance Principles and other applicable regulatory standards.

Risk management is the responsibility of every employee, and is assured according to the "Three Lines of Defence":

(1) First Line of Defence: All functions (Business Units and Group, including the Executive Committee) are responsible for managing risk through identification, assessment, and treatment of risks. This includes developing, implementing, and following appropriate processes, procedures, checklists and other controls, and monitoring those controls to ensure they are, and remain, effective.

(2) Second Line of Defence: The Group Risk functions assist the First Line of Defence, and are responsible for the design and implementation of the risk management framework, and for adapting it to changes in the business and the external environment in which Stockland operates. They are jointly responsible for building risk management capabilities throughout the business through actively engaging with employees in risk management processes and supporting training initiatives. The Group Risk functions report to Executive management and separately to the relevant Board Committees. Their responsibilities include:

- Strategy: Provides advice to management and the Board on strategic risks, and includes leading Group wide strategic risk reviews.
- Operational Risk: Oversees the active management of all classes of operational risk and supports the systematic identification of risks through embedding an operational risk framework, systems, and reporting. This includes the development, implementation and monitoring of systems and processes for work, health and safety, environment, business continuity, public and physical asset protection, and generally insurances. Operational Risk provides oversight and assurance through the establishment of common practices, standards and accreditations across the business to ensure, as a minimum, regulatory compliance in these areas.
- Group Compliance: Oversees the operation and suitability of the compliance framework, and its review and continuous improvement. This includes advising on adequacy of proposed controls, developing and implementing policies and associated procedures, training, and periodic monitoring and reporting, to assist the First Line of Defence in compliance with their obligations under law, regulation, policies, and governance expectations.

(3) Third Line of Defence: Independent oversight and checking from:

- The Board and Board Committees, including the Risk Committee, Audit Committee, Financial Services Compliance Committee, Sustainability Committee, and Human Resources Committee, in respect of the matters set out in their respective charters;
- Internal Audit, which regularly and independently assesses the effectiveness and efficiency of the risk management framework, and periodic reporting. This includes supporting and advising on implementing appropriate risk management processes and controls, and undertaking projects to provide independent assessment of internal controls; and
- External audit, which regularly and independently assesses the effectiveness of financial controls and processes in connection with the preparation of the Group's financial statements.

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

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

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 2014, to the best of their knowledge and belief:

With regard to Stockland's Financial Reports:

(1) Stockland's financial records have been properly maintained in accordance with section 286 of the Corporations Act 2001; and

(2) Stockland's financial statements present a true and fair view, in all material respects, of the Stockland's financial condition and operational results and are prepared in accordance with relevant Australian Accounting Standards.

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

(3) the statements made with respect to the integrity of Stockland's Financial Reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and

(4) the risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2014, nothing has come to the attention of the Managing Director and the Chief Financial Officer that would indicate any material change to any of the statements made above.

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

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

Code of Conduct and Ethical Behaviour

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

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

(1) protection of Stockland's assets;

(2) confidentiality and commercially sensitive information;

(3) employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;

(4) Stockland's responsibilities to securityholders and the financial community generally;

(5) Stockland's responsibilities to its customers and the broader community;

(6) dealings with external parties including its customers, the media and regulatory authorities;

(7) compliance with laws;

(8) conflicts of interest and disclosure requirements;

(9) prevention of Directors and key Executives from taking advantage of information or their position for personal gain;

(10) fair dealing and proper use of Stockland's assets;

(11) outside business interests, corporate entertainment and political contributions; and

(12) Stockland's "whistleblowing" policy.

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

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

Employee and Director trading in Stockland securities

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

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

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

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

Communication to securityholders

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

(1) Annual and Half Year Financial Reports lodged with the ASX and made available to all securityholders;

(2) Shareholder Review sent to all securityholders;

(3) Announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;

(4) the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;

(5) copies of announcements, presentations, past and current reports to securityholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and

(6) relevant announcements lodged with the Singapore Securities Exchange ("SGX") following the issue of Notes in Singapore by Stockland Finance Pty Limited, a wholly-owned subsidiary of Stockland Trust.

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

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

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

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

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

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

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

Remuneration Report – Audited

The Board is pleased to present the Remuneration Report ("Report") for Stockland for the year ended 30 June 2014 ("FY14"), 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 Stockland Trust Group.

Our Report follows the format we have used for the past three years.

Remuneration policies

The Board is committed to ensuring that Stockland's remuneration policies are fair, responsible and competitive and that we communicate our remuneration arrangements with full transparency. On an ongoing basis, the Board monitors these policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective to meet Stockland's changing business priorities and market challenges.

Since 2011, we have made a number of significant adjustments to our remuneration policies including:

- Introducing deferral for part of Short Term Incentive ('STI') awards so that at least one-third of any STI awarded to our Senior Executives (and 50% for the Managing Director) is deferred into Stockland securities which vest over two years;
- Reducing the maximum STI opportunity for our Senior Executives from 200% to 125% of Target STI;
- Extending the vesting period of our Long Term Incentives ('LTI') to four years; and
- Introducing clawback provisions on all unvested equity awards.

There was no change to the remuneration arrangements for our Managing Director for FY14 nor to the remuneration framework for the Senior Executives who are Key Management Personnel ('KMP').

Remuneration Outcomes

The Short Term Incentives pool awarded to all employees, including those awarded to our Senior Executives totalled $27.4 million in FY14. This was $5.9 million more than was awarded in FY13 and reflected our improved profit performance in FY14. Due to the changes introduced in the last two years, two-fifths of the increased STI awarded in FY14 comprised Stockland securities with vesting deferred to future financial years subject to continued service.

The FY14 STI outcome reflected the Board's assessment of performance against the measures outlined in our Corporate Scorecard set out in this Report. We believe that these measures create appropriate alignment for our employees with our securityholders' interests and encourage proper management of risk in delivering business objectives.

In FY14, no increases were made in Fixed Pay for the Managing Director and our Senior Executives and no increases were made in the base fees and committee fees paid to Non-Executive Directors ('NEDs'). Fixed Pay for new Senior Executives appointed during FY14 were lower than that paid to previous incumbents.

Our prudent approach to remuneration will continue in FY15 with no changes proposed to base fees to our Non-Executive Directors or to the Fixed Pay for our Managing Director. This will be the third successive year in which base fees for NEDs have remained unchanged. Market benchmarking indicates, however, that a review may be appropriate in FY16. Fees paid to Directors who serve on key Board Committees will, however, be adjusted in FY15 to reflect increased workloads and time demands, as well as market relativities.

Remuneration Governance

Human Resources Committee

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

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

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

In FY14, the HR Committee comprises three independent Non-Executive Directors: Peter Scott (Chair), Graham Bradley and Carolyn Hewson.

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

Use of remuneration consultants

Stockland seeks relevant benchmarking and commentary on a number of remuneration issues from a variety of consultants including Ernst & Young. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt and Mercer. During FY14, 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 (the "Act") were made by these or other consultants.

Diversity and Inclusion

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

Diversity, including gender diversity, forms an integral part of our People Strategy, as reflected in our Diversity and Inclusion policies – spanning appropriate gender balance, flexible working, parental leave, and other support, in addition to focusing on the employment of people with a wider range of ethnic backgrounds and people with disabilities. Our Diversity and Inclusion Policy is available on our website, with a detailed update against objectives provided in our Annual Review.

At a management level, the Diversity Steering Committee is chaired by the Managing Director and helps guide implementation of our diversity and inclusion strategy.

Focus Area	Key Outcomes
Gender balance and Inclusion	• At the end of FY14, 45.4% of our managers were women which was in excess of our FY14 target of 43.4% and above our FY17 target of 45% • Our recruitment approach was reviewed and includes specific requirements around the gender mix of both candidates and Stockland interviewers
Inclusive Culture	• The Diversity and Inclusion score in our annual staff engagement survey increased 3% to 87%
Reflecting the Communities in which we operate	• Formal partnerships were launched with disability recruiters with candidates hired in several locations • Our Indigenous Reconciliation Action Plan was launched
Flexibility and Work Life Quality	• The return to work rate for parental leave continued to be above 90% • Over 20% of all employees now work part-time or are casual with increased number of employees working remotely
Industry Advocacy and Thought Leadership	• We continued to be actively involved in both industry and broader corporate groups through direct participation and sponsorship
Gender Pay	• Gender pay equity continued to be actively reviewed during FY14, with pay equity improving overall. Pay equity is a key part of the annual remuneration review across all roles

Key Management Personnel ("KMP")

KMP are those people who have the authority and responsibility for planning, directing and controlling Stockland's activities, directly or indirectly. They include Non-Executive Directors, the Managing Director and those of the Managing Director's direct reports who are members of the Executive Committee who are heads of business units or functional areas ("Senior Executives"). Individuals who were KMP of the Stockland Consolidated Group at any time during the financial year are listed on page 51.

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

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

Remuneration Philosophy and Principles

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

- Fixed Pay should be fair, competitive and regularly benchmarked against relevant market evidence;
- A significant portion of Executive remuneration should be "at risk";
- "At risk" or variable pay should be aligned to securityholder interests and individuals should have clear performance criteria set in advance;
- The level of variable pay increases as a portion of total remuneration as responsibility increases;
- Performance-based pay or Short-Term Incentives ("STIs") must be affordable and funded from annual Underlying Profit, and total STI payments should not exceed 5% of underlying profit;
- STI awards depend on individual performance against measures reflecting progress against a Balanced Scorecard of Key Performance Indicators ("KPIs"). A portion of performance-based pay for Executives is awarded as Stockland equity with deferred vesting;
- Long-Term Incentives ("LTIs") with vesting dependent on achievement of long-term goals not only help motivate and retain key Executives but also build a sense of ownership of business performance that benefits all securityholders;
- Remuneration policies, framework and decisions take account of risk management and capital management considerations; and
- Unvested incentive awards are forfeited if employees resign during the applicable vesting period and are subject to broadly framed clawback provisions which give the Board discretion to adjust or forfeit these awards in certain circumstances.

Link between remuneration and performance for FY14

Key financial performance measures

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

	FY10	FY11	FY12	FY13	FY14
Underlying Profit[1] ($M)	692.3	726.3	676.1	494.8	555.4
Net Tangible Assets per Security ($)	3.59	3.65	3.68	3.50	3.53
Security Price as at 30 June ($)	3.72	3.41	3.08	3.48	3.88
Dividends/Distributions Per Security (¢)	21.8	23.7	24.0	24.0	24.0
Underlying Earnings Per Security (¢)	29.1	30.5	29.3	22.4	24.0
Stockland TSR – 1 year (%)	22.5	(5.3)	0.5	17.5	20.5
A-REIT 200 TSR (exc SGP) – 1 year (%)	20.4	4.4	9.9	24.8	11.3

1 The reconciliation of Underlying Profit to Statutory Profit is provided in Note B2 to the financial statements of the Annual Report and on page 5 of the Operating and Financial Review.

Short-Term Incentive ("STI")

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

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

Corporate Balanced Scorecard

Key Performance Indicators	Commentary	Overall Rating
Underlying Profit Performance		
• Earnings per security ("EPS") growth target of 5% to 6% (23.5-23.7 cps); and	• Actual underlying EPS growth was 7.1% to 24.0 cps.	Above Target
• Return on Equity[1] ("RoE") of 7.2%.	• RoE was 8.4%.	Above Target
Business Performance		
• Operating Business performance in line with plan;	Business unit profitability was mixed: • Commercial Property profit of $497m was up on FY13 but slightly under plan. Hervey Bay development completed, Logistics and Business Park strategy progressing well; • Residential profit of $95m was significantly above plan. 5,219 lots settled and with improved margins; and • Retirement Living profit of $40m was up on FY13 but below FY14 plan. Development pipeline was delivered in line with schedule of start dates and returns.	At Target

• Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile;
  • Credit Rating
  • Debt Maturity profile
  • Liquidity Buffer
  • Gearing within range
  • Interest cover
	• Average Debt maturity was over 5 years and Credit Rating maintained, with liquidity buffer, gearing and interest cover all within guidelines.	At Target

• Improved forecasting, Investment discipline and Return on Assets ("RoA") for new investments.	• Strong investment disciplines in place including the establishment of the Investment Review Group.	At Target
• Deliver against Key Business Priorities	• Good progress against key priorities.	At Target
Customer, Stakeholder and Sustainability Performance		
• Achieve independently assessed customer satisfaction ratings goals for each business unit.	• Customer satisfaction scores were at or above targets across all business groups.	At Target
• Strengthen Investor relationships	• Good progress made	At Target
• Embed sustainable business practices across Stockland and make good progress towards environment improvement goals	• Top Ranked Global Real Estate firm in DJSI Sustainability Index. Continued progress against key targets.	Above Target
People Management		
• Reduce Employee-Initiated turnover (employees rated good and above) to 12% or less;	• Turnover was 12%;	At Target
• Achieve Employee Engagement target – 80%; and	• Employee engagement score of 85%;	Above Target
• Progress against Women in management target - 45% by FY17	• Women in management was 45%.	Above Target
• Progress longer term diversity and inclusiveness objectives	• Good progress made including launch of Indigenous Reconciliation Action Plan	At Target
Operational Excellence & Operational Risk/WH&S		
• Embed centralised group functions and achieve operational efficiency outcomes;	• Group functions established and delivering operational efficiencies;	At Target
• Embed strong risk compliance and safety management practices.	• Excellent safety record with no major preventable injuries. Compliance framework implemented with greater controls	At Target

[1] Excluding Residential workout projects

Short-Term Incentives ("STI")

The approved STI pool for all employees in FY14 was $27.4 million which was 4.9% of FY14 Underlying Profit.

Details of the FY14 and previous years' STI pools for all employees are provided below. The approved STI pool includes Cash STI awards as well as Deferred STI awards subject to vesting in future years subject to service conditions being met.

	FY10	FY11	FY12	FY13	FY14
Underlying Profit ($M)	692.3	726.3	676.1	494.8	555.4
Cash STI ($M)[1]	25.3	27.2	21.6	17.9	21.4
Deferred STI ($M)[2]	5.6	6.3	4.2	3.6	6.0
Total STI pool ($M)[2]	**30.9**	**33.5**	**25.8**	**21.5**	**27.4**

1 Includes applicable superannuation.

2 The STI pools for FY10 to FY12 have been restated using the STI/LTI mix including deferred STI that applied for employees in FY13 to ensure comparison on a like with like basis.

Long-Term Incentives ("LTI")

Our LTI awards are linked to two measures: target underlying EPS growth and relative TSR performance. There was no LTI vesting in FY14 based on performance against these two hurdles measured over the period from 1 July 2011 to 30 June 2014.

Half of the LTI allocated to employees is linked to Stockland's performance against underlying EPS Growth Targets. The Group exceeded the target in FY14 but fell short in FY12 and FY13. Accordingly, there was no vesting for the EPS portion of the 2011 (FY12) LTI awards to any employee.

The other half of the LTI award is linked to the TSR performance hurdle. From 1 July 2011 to 30 June 2014, Stockland's TSR returned a positive absolute return of 42.2% but underperformed over the period against its peer group benchmark of 52.7% (as measured by the A-REIT Accumulation Index excluding Stockland) so there was no vesting of the TSR portion of the 2011 LTI awards to any employee.

Details on the performance of each hurdle for FY11 grants are outlined in the table below:

Hurdle	Target/ benchmark performance	Actual performance	Under performance	% vested	Weight	Vesting outcome
EPS						
FY12 Underlying EPS Growth	6.0%	(3.9%)				
FY13 Underlying EPS Growth	(10.0%)	(23.5%)				
FY14 Underlying EPS Growth	5.0%	7.1%				
Aggregate Underlying EPS Growth	**1.0%**	**(20.3%)**	**(21.8%)**	**0%**	**50%**	**0%**
TSR						
Relative TSR FY12-FY14	52.7%	42.2%	(10.5%)	0%	50%	0%
Total Vesting						**0%**

FY14 LTI awards – Underlying EPS Growth Target

As advised at the October 2013 AGM, the three year threshold hurdle Compound Annual Growth Rate ('CAGR') for LTI awards granted during FY14 was 5% for the three years from 1 July 2013 to 30 June 2016.

The prospective target for maximum or full vesting of the EPS Growth component of FY15 LTI awards, whose performance period is from 1 July 2014 to 30 June 2017, is 6.25% CAGR. The threshold hurdle for vesting to commence is a CAGR of 4.5% or 27.4 cps over the same period.

Executive Remuneration for FY14 (non statutory)

Executives received a mix of remuneration during FY14 including Fixed Pay, STI awarded as cash and as deferred securities which may vest one or two years later subject to continued employment, and a LTI which may vest three and four years later subject to performance hurdles and continued employment.

The table below outlines the cash remuneration that was received in relation to the FY14 which includes Fixed Pay and the non-deferred portion of any FY14 STI. The table also includes the value of a portion of the deferred STI award from FY13 which vested during FY14. No previous years' LTI vested during FY14. This information differs from that provided in the statutory remuneration of Executives set out in the table on page 36 which was calculated in accordance with statutory rules and applicable Accounting Standards.

		Fixed pay[1] $	STI awarded and received as cash $	Total Cash payments in relation to financial year $	Previous years' Deferred STI which were realised[3] $	Previous years' LTI which were realised LTI $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert[5]	**2014**	**1,500,000**	**750,000[2]**	**2,250,000**	**113,393**	**–**	**–**
Managing Director and CEO	2013	690,410	207,500[2]	897,910	–	–	–
Senior Executives							
Stephen Bull	**2014**	**650,000**	**373,333**	**1,023,333**	–	–	**529,822**
Group Executive and CEO, Retirement Living	2013	–	–	–	–	–	–
Tiernan O'Rourke[6]	**2014**	**619,452**	**330,374**	**949,826**	–	–	–
Chief Financial Officer	2013	–	–	–	–	–	–
Michael Rosmarin	**2014**	**600,000**	**320,000**	**920,000**	**104,752**	–	**884,640**
Chief Operating Officer	2013	550,000	176,667	726,667	50,657	–	741,240
John Schroder	**2014**	**1,050,000**	**620,000**	**1,670,000**	**211,063**	**–**	**1,652,880**
Group Executive and CEO, Commercial Property	2013	1,030,000	403,333	1,433,333	90,458	–	1,510,320
Simon Shakesheff[7]	**2014**	**518,356**	**276,457**	**794,813**	–	–	–
Group Executive, Strategy and Stakeholder Relations	2013	–	–	–	–	–	–
Andrew Whitson	**2014**	**700,000**	**420,000**	**1,120,000**	–	–	**519,121**
Group Executive and CEO, Residential	2013	–	–	–	–	–	–
Former Executives							
Tim Foster	**2014**	**294,863**	**–**	**294,863**	**152,797**		**1,404,560**
Former Chief Financial Officer	2013	875,000	163,333	1,038,333	56,989	–	2,540,400
Mark Hunter	**2014**	–	–	–	–	–	–
Former Group Executive and CEO, Residential	2013	800,000	–	800,000	119,405	–	3,476,520
David Pitman	**2014**	**151,507**	–	**151,507**	–	–	–
Former Group Executive and CEO, Retirement Living	2013	700,000	210,000	910,000	56,989	–	3,045,000
Matthew Quinn	**2014**	–	–	–	–	–	–
Former Managing Director	2013	1,308,316	650,000	1,958,316	–	–	3,580,920

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 which vested during FY14 using the 30 June 2014 closing security price of $3.88. No LTI vested during FY14 or in FY13.
4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY14 values are based on the closing 30 June 2014 security price of $3.88 (FY13: $3.48)
5 Mark Steinert commenced employment in January 2013
6 Tiernan O'Rourke commenced employment in October 2013
7 Simon Shakesheff commenced employment in July 2013

FY14 Statutory Remuneration

		Short-term					Post-employment		Other long-term	Shared-based payments		Total	Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] cash $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	Deferred STI ("DSTI") $	LTI $	Total $	(STI + LTI) Percent of Total %	(DSTI+LTI) Percent of Total %
Executive Director														
M Steinert	**2014**	**1,553,202**	–	–	**750,000**	**2,303,202**	**17,775**	–	**535**	**485,667**	**558,370**	**3,365,549**	**53.3**	**31.0**
Managing Director	2013	736,865	–	–	207,500	944,365	8,235	–	2,490	55,333	108,825	1,119,248	33.2	14.7
Senior Executives														
S Bull	**2014**	**645,575**	**11,128**	–	**373,333**	**1,030,036**	**17,775**	–	**30,257**	**77,778**	**100,758**	**1,256,604**	**43.9**	**14.2**
CEO Retirement Living	2013	–	–	–	–	–	–	–	–	–	–	–	–	–
T O'Rourke	**2014**	**638,639**	–	–	**330,374**	**969,013**	**12,648**	–	–	**76,927**	**132,087**	**1,190,675**	**45.3**	**17.6**
Chief Financial officer	2013	–	–	–	–	–	–	–	–	–	–	–	–	–
M Rosmarin	**2014**	**591,002**	**6,936**	–	**320,000**	**917,938**	**17,775**	–	**4,347**	**123,194**	**135,853**	**1,199,107**	**48.3**	**21.6**
Chief Operating Officer	2013	537,881	4,102	–	176,667	718,650	16,470	–	1,848	75,694	147,283	959,945	41.6	23.2
J Schroder	**2014**	**1,001,194**	**11,128**	–	**620,000**	**1,632,322**	**17,775**	–	**40,887**	**240,972**	**242,805**	**2,174,762**	**50.8**	**22.2**
CEO Commercial Property	2013	1,030,419	10,781	–	403,333	1,444,533	16,470	–	16,279	153,473	286,773	1,917,528	44.0	23.0
S Shakesheff	**2014**	**511,334**	–	–	**276,457**	**787,791**	**17,091**	–	–	**709,322**	**85,518**	**1,599,722**	**67.0**	**49.7**
Group Executive, Strategy & Stakeholder Relations	2013	–	–	–	–	–	–	–	–	–	–	–	–	–
A Whitson	**2014**	**720,435**	**6,169**	–	**420,000**	**1,146,604**	**17,775**	–	**19,037**	**133,333**	**108,802**	**1,425,550**	**46.4**	**17.0**
CEO Residential	2013	–	–	–	–	–	–	–	–	–	–	–	–	–
Former Executives														
T Foster[7]	**2014**	**276,925**	–	–	–	**276,925**	**8,546**	**82,734**	**(8,862)**	**65,139**	**65,160**	**489,641**	**26.6**	**26.6**
Chief Financial Officer	2013	875,245	–	–	163,333	1,038,578	16,470	875,000	4,470	77,778	113,813	2,126,109	16.7	9.0
M Hunter[8]	**2014**	–	–	–	–	–	**4,444**	**162,802**	**(122,984)**	–	–	**44,262**	–	–
CEO Residential	2013	771,370	–	–	–	771,370	15,810	707,700	(25,236)	64,167	44,649	1,578,460	6.9	6.9
D Pitman[9]	**2014**	**135,414**	**507**	–	–	**135,921**	**4,704**	**59,006**	**(29,093)**	–	–	**170,539**		
CEO Retirement Living	2013	661,980	10,781	–	210,000	882,761	16,470	–	11,063	8,750	39,038	958,082	26.9	5.0
K Munsie[5]	**2014**	–	–	–	–	–	–	–	–	–	–	–	–	–
Former EGM Corporate Affairs	2013	–	–	–	–	–	–	–	(5,064)	–	–	(5,064)	–	–
M Quinn[6]	**2014**	–	–	–	–	–	–	–	–	–	–	–	–	–
Former Managing Director	2013	1,266,256	–	30,330	650,000	1,946,586	12,339	997,353	(23,614)	–	–	2,932,664	22.2	–
Total consolidated remuneration	**2014**	**6,073,720**	**35,868**	–	**3,090,164**	**9,199,752**	**136,308**	**304,542**	**(65,876)**	**1,912,332**	**1,429,353**	**12,916,411**	**49.8**	**25.9**
	2013	5,880,016	25,664	30,330	1,810,833	7,746,843	102,264	2,580,053	(17,764)	435,195	740,381	11,592,037	25.8	10.1

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 STIs (in cash) are earned in the financial year to which they relate and are paid in August of the following financial year.
4 Includes any change in accruals for long service leave.
5 Ms K Munsie's employment terminated on 2 July 2012 and the amounts shown for FY13 represent the amounts paid for her statutory leave entitlements. Her contractual termination payment was included in her 2012 remuneration.
6 Mr M Quinn ceased employment on 11 January 2013.
7 Mr T Foster ceased employment on 31 October 2013.
8 Mr M Hunter ceased employment on 28 June 2013.
9 Mr D Pitman ceased employment on 17 September 2013.

Short-Term Incentives for Executives

STIs are directly linked to group, business unit and individual performance measures based on a Balanced Scorecard approach. The objectives for the Executive Committee are approved by the Managing Director, after review by the HR Committee. The actual performance against the objectives is assessed by the Managing Director and approved by the HR Committee. The STI awarded for FY14 is outlined below with the amounts paid as cash and/or awarded and deferred into Stockland securities shown in the last two columns.

A minimum of one-half of any STI awarded for the current Managing Director and one-third for Senior Executives is deferred into Stockland securities which will vest over two years, subject to continued service. The maximum STI that can be awarded to Executives is 125% of Target STI.

	Target STI (as % of Fixed Pay)	STI awarded (as % of Maximum)	STI paid in cash[1]		STI deferred into equity[2]	
	%	%	$	%	$	%
Managing Director						
Mark Steinert	100	88	750,000	45	900,000	55
Senior Executives						
Stephen Bull	90	77	373,333	67	186,667	33
Tiernan O'Rourke[3]	80	83	330,374	64	184,626	36
Michael Rosmarin	80	82	320,000	65	170,000	35
John Schroder	90	79	620,000	67	310,000	33
Simon Shakesheff[4]	80	85	276,457	63	163,543	37
Andrew Whitson	90	94	420,000	57	320,000	43

1 The portion of STI awarded for the FY14 performance year which is paid as cash.
2 The portion of STI awarded for FY14 performance that is deferred into Stockland securities which will vest over the next two years.
3 Calculations are pro rata based on Tiernan O'Rourke's employment which commenced 8 October 2013.
4 Calculations are pro rata based on Simon Shakesheff's employment which commenced 22 July 2013.

Equity Awards received by Executives

The table below outlines for the Managing Director and Senior Executives the number of vested and unvested equity units as at the end of FY14 as well as ordinary holdings held. This table is intended to reflect the direct exposure that each executive has to the Stockland security price. Further detail on current equity incentives then follows.

Employee	Holding	Balance 1 July 2013	Acquired/ (Disposed) or Granted	Equity Incentives which lapsed	Equity Incentives which vested	Balance 30 June 2014
Executive Director						
Mark Steinert	Vested/Personal	247,800	10,095	–	29,225	287,120
	PRP rights (unvested)	528,000	915,000	–	–	1,443,000
	Deferred STI Securities (unvested)	58,451	229,592	–	(29,225)	258,818
Senior Executives						
Stephen Bull	Vested/Personal	–	–	–	8,451	8,451
	PRP rights (unvested)	224,008	238,000	(136,552)	–	325,456
	Deferred STI Securities (unvested)	16,902	47,619	–	(8,451)	56,070
Tiernan O'Rourke	Vested/Personal	–	–	–	–	–
	PRP rights (unvested)	–	312,000	–	–	312,000
	Deferred STI Securities (unvested)	–	47,098	–	–	47,098
Michael Rosmarin	Vested/Personal	14,556	1,779	–	26,998	43,333
	PRP rights (unvested)	460,500	220,000	(228,000)	–	452,500
	Deferred STI Securities (unvested)	39,440	43,367	–	(26,998)	55,809
John Schroder	Vested/Personal	356,494	(111,533)	–	54,398	299,359
	PRP rights (unvested)	861,000	385,000	(426,000)	–	820,000
	Deferred STI Securities (unvested)	82,801	79,082	–	(54,398)	107,485
Simon Shakesheff	Vested/Personal	–	–	–	145,104	145,104
	PRP rights (unvested)	–	202,000	–	–	202,000
	Deferred STI Securities (unvested)	–	253,643	–	(145,104)	108,539
Andrew Whitson	Vested/Personal	–	–	–	5,634	5,634
	PRP rights (unvested)	219,484	257,000	(133,794)	–	342,690
	Deferred STI Securities (unvested)	10,728	81,633	–	(5,634)	86,727

Vesting profile of deferred STI

A minimum of one-third of any STI awarded for the KMP is deferred into Stockland securities which will vest over two years, subject to continued service. The vesting profile of current deferred STI awards and Fair Value ("FV") is shown below:

	Deferred STI plan	Securities Granted[1]	Total FV deferred	FV expensed	FV expensed in prior years	Vesting date[2]	Maximum value to be recognised in future years
Executive Director							
Mark Steinert	FY13 – Tranche 1	29,225	$103,749	$69,167	$34,583	30/06/2014	–
	FY13 – Tranche 2	29,225	$103,749	$41,500	$20,750	30/06/2015	$41,500
	FY14 – Tranche 1	114,796	$450,000	$225,000	–	30/06/2015	$225,000
	FY14 – Tranche 2	114,796	$450,000	$150,000	–	30/06/2016	$300,000
Senior Executives							
Stephen Bull	FY13 – Tranche 1	8,451	$30,000	$15,000	$15,000	30/06/2014	–
	FY13 – Tranche 2	8,451	$30,000	$10,000	$10,000	30/06/2015	$10,000
	FY14 – Tranche 1	23,810	$93,333	$46,667	–	30/06/2015	$46,666
	FY14 – Tranche 2	23,810	$93,333	$31,111	–	30/06/2016	$62,222
Tiernan O'Rourke	FY14 – Tranche 1	23,549	$92,313	$46,156	–	30/06/2015	$46,156
	FY14 – Tranche 2	23,549	$92,313	$30,771	–	30/06/2016	$61,542
Michael Rosmarin	FY12 – Tranche 2	14,556	$46,667	$15,556	$31,111	30/06/2014	–
	FY13 – Tranche 1	12,441	$44,667	$22,083	$22,083	30/06/2014	–
	FY13 – Tranche 2	12,442	$44,667	$14,722	$14,722	30/06/2015	$14,722
	FY14 – Tranche 1	21,684	$85,000	$42,500	–	30/06/2015	$42,500
	FY14 – Tranche 2	21,684	$85,000	$28,333	–	30/06/2016	$56,667
John Schroder	FY12 – Tranche 2	25,994	$83,333	$27,778	$55,556	30/06/2014	–
	FY13 – Tranche 1	28,404	$100,834	$50,417	$100,813	30/06/2014	–
	FY13 – Tranche 2	28,404	$100,834	$33,611	$33,611	30/06/2015	$33,611
	FY14 – Tranche 1	39,541	$155,000	$77,500	–	30/06/2015	$77,500
	FY14 – Tranche 2	39,541	$155,000	$51,667	–	30/06/2016	$103,333
Simon Shakesheff	FY14 – Tranche 1	20,860	$81,772	$40,886	–	30/06/2015	$40,886
	FY14 – Tranche 2	20,860	$81,772	$27,257	–	30/06/2016	$54,514
	FY14 – Sign On Tranche 1	145,104	$528,179	$528,179	–	30/06/2014	–
	FY14 – Sign On Tranche 2	52,626	$191,559	$95,779	–	30/06/2015	$95,779
	FY14 – Sign On Tranche 3	14,193	$51,663	$17,221	–	30/06/2016	$34,442
Andrew Whitson	FY13 – Tranche 1	5,634	$20,000	$10,000	$10,000	30/06/2014	–
	FY13 – Tranche 2	5,634	$20,000	$6,667	$6,667	30/06/2015	$6,667
	FY14 – Tranche 1	40,816	$160,000	$80,000	–	30/06/2015	$80,000
	FY14 – Tranche 2	40,816	$160,000	$53,333	–	30/06/2016	$106,667

1 Securities granted are based on the 30 day volume weighted average price over June of the applicable performance year.

2 Vesting dates refer to when service conditions are met. The Human Resources Committee then confirms vesting during July in the following year considering whether clawback provisions will apply.

Vesting profile of long-term incentives

	Rights previously granted	Rights granted during the year	Grant date	Fair value per right at grant date[1]	Vesting date[2]	No. Vested during the year[3]	No. lapsed during the year[4]	Maximum value to be recognised in future years[5]
Executive Director								
Mark Steinert[6]	264,000	–	14/01/2013	$1.20	30/06/2015	–	–	$126,963
	264,000	–	14/01/2013	$1.20	30/06/2016	–	–	$181,376
	–	457,500	31/08/2013	$2.08	30/06/2016	–	–	$633,028
	–	457,500	31/08/2013	$2.08	30/06/2017	–	–	$712,156
Senior Executives								
Stephen Bull	136,552	–	31/08/2011	$1.10	30/06/2014	–	136,552	–
	43,728	–	31/08/2012	$1.20	30/06/2015	–	–	$17,491
	43,728	–	31/08/2012	$1.20	30/06/2016	–	–	$26,237
	–	119,000	31/08/2013	$1.45	30/06/2016	–	–	$115,152
	–	119,000	31/08/2013	$1.45	30/06/2017	–	–	$129,546
Tiernan O'Rourke	–	156,000	31/08/2013	$1.45	30/06/2016	–	–	$150,956
	–	156,000	31/08/2013	$1.45	30/06/2017	–	–	$169,826
Michael Rosmarin	228,000	–	31/08/2011	$1.10	30/06/2014	–	228,000	–
	116,250	–	31/08/2012	$1.20	30/06/2015	–	–	$46,500
	116,250	–	31/08/2012	$1.20	30/06/2016	–	–	$69,750
	–	110,000	31/08/2013	$1.45	30/06/2016			$106,443
	–	110,000	31/08/2013	$1.45	30/06/2017			$119,749
John Schroder	426,000	–	31/08/2011	$1.10	30/06/2014	–	426,000	–
	217,500	–	31/08/2012	$1.20	30/06/2015	–	–	$87,000
	217,500	–	31/08/2012	$1.20	30/06/2016	–	–	$130,500
	–	192,500	31/08/2013	$1.45	30/06/2016	–	–	$186,276
	–	192,500	31/08/2013	$1.45	30/06/2017	–	–	$209,560
Simon Shakesheff	–	101,000	31/08/2013	$1.45	30/06/2016	–	–	$97,734
	–	101,000	31/08/2013	$1.45	30/06/2017	–	–	$109,951
Andrew Whitson	133,794	–	31/08/2011	$1.10	30/06/2014	–	133,794	–
	42,845	–	31/08/2012	$1.20	30/06/2015	–	–	$17,138
	42,845	–	31/08/2012	$1.20	30/06/2016	–	–	$25,707
	–	128,500	31/08/2013	$1.45	30/06/2016	–	–	$124,345
	–	128,500	31/08/2013	$1.45	30/06/2017	–	–	$139,888

1 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 Note D7 of the financial statements.

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

3 There was no vesting reflecting no meeting of performance conditions (see page 25). The full balance of the original grant will lapse.

4 This includes the rights which lapsed due to not meeting performance conditions as well as rights which were forfeited due to termination of employment.

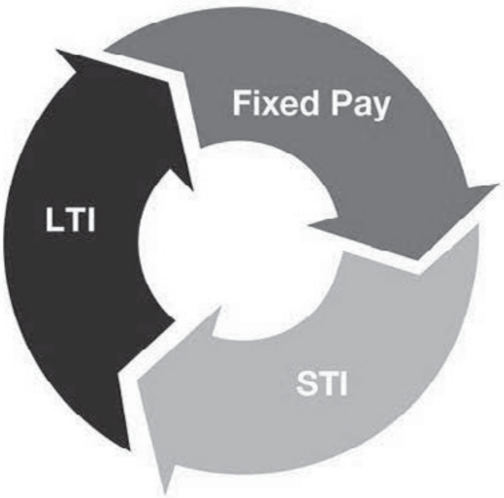
5 The minimum future value of unvested securities is $Nil as future performance and service criteria may not be met.

Remuneration Framework

Stockland's remuneration structure has three components:

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

Stockland Remuneration Framework



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

Fixed Pay
Competitive fixed pay to attract and retain talent.

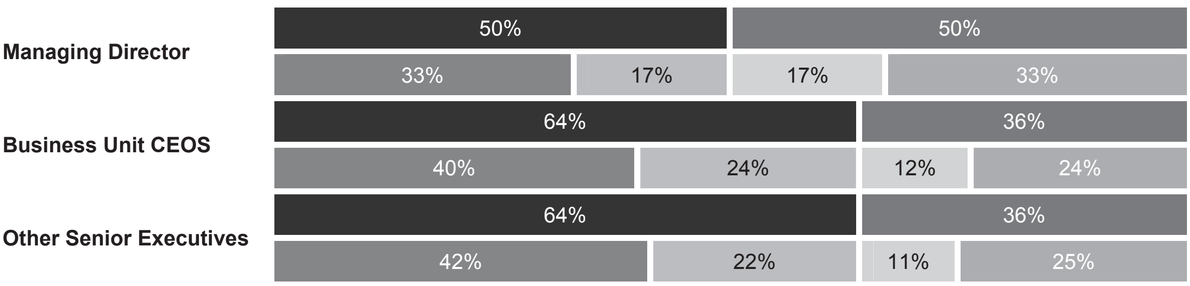
STI
Pay for performance based on a balanced scorecard of KPIs:

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

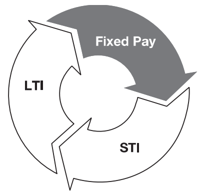
A portion of STI is deferred into securities for Executives to further align with securityholder value creation.

Remuneration and variable pay mix

Variable pay (STI and LTI) is a key component of Executives' remuneration packages. Stockland's remuneration mix has historically had a greater proportion of the remuneration package "at risk" than is typical of comparable companies. There was no change in FY14 to the total remuneration mix at target for Executives (as a percentage of Fixed Pay) or the weighting of equity-based awards (Deferred STI and LTI) to cash-based awards (Fixed Pay and Cash STI) other than for the new Managing Director.



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



Fixed Pay

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

How and when is Fixed Pay determined?

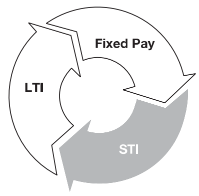
Fixed Pay at Stockland is reviewed annually with changes effective from 1 July.

When reviewing Fixed Pay a number of factors are considered including individuals' skills and experience relevant to their roles, internal and external relativities and a prudent approach to cost.

We use external benchmarking surveys sourced by a number of organisations including Ernst & Young and AON Hewitt.

What comparator groups are used to benchmark Fixed Pay?

Fixed Pay for the Executives is reviewed against appropriate market benchmarks from the ASX50 group of companies and larger property firms.



Short-Term Incentives

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

Who participates?

All permanent Stockland employees employed at 30 June of the applicable financial year and who have greater than three months service are eligible.

What is the STI opportunity?

An individual's STI opportunity is based on a percentage of Fixed Pay and varies by job level as defined by employees' "job band".

Job Band	Target STI (as percentage of Fixed Pay)	Maximum STI (as percentage of Fixed Pay)
Managing Director	100%	125%
Senior Executives	80% – 90%	100% – 112.5%
General Managers	45%	90%
Senior Managers	30%	60%
Other Employees	5% – 15%	30%

How is the size of the STI pool determined?

The size of the STI pool is based on the Board's assessment of Stockland's performance against its Balance Scorecard objectives as set out on page 33.

Is the overall STI pool capped?

Yes. The maximum overall STI pool is capped at 5% of Stockland's Underlying Profit in the applicable year.

When and how are individual STI outcomes decided?

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

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

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

How is STI delivered?

	Percentage of STI awarded as Deferred STI	
Job Band	**Up to and including target STI**	**Above target STI**
Managing Director	50%	100%
Senior Executives	33%	100%
General Managers	33%	50%
Senior Managers	33%	33%

Stockland awards STI as a combination of cash and Stockland securities.

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

How are the number of deferred STI securities determined?

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

When does the deferred STI vest?

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

What happens if an Executive leaves Stockland?

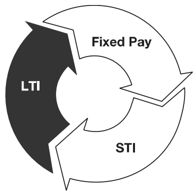
Any unvested deferred STI will lapse. The Board retains discretion to review this in certain circumstances where termination is Stockland initiated, such as redundancy or mutually agreed resignation.

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

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

Do clawback provisions apply to the deferred STI?

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



Long-Term Incentives

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

Who participates?

The Managing Director, Senior Executives, General Managers and Senior Managers participate in LTI. This group represents approximately 13% of all employees.

Annual participation is reviewed and approved by the Board.

What is the LTI opportunity?

An individual's LTI participation is based on their Fixed Pay and Job Band as follows:

Job Band	LTI participation (as % of Fixed Pay)
Managing Director	100%
Senior Executives	60%
General Managers	25%
Senior Managers	10%

How is LTI delivered?

Employees are granted a number of rights in the Performance Rights Plan ("PRP"). Each right is granted over an ordinary security at no cost to the employee.

Grants are made as either Hurdled Rights (subject to performance hurdles) or Restricted Rights (subject to service only). Grants to the Managing Director and Senior Executives are made fully as Hurdled Rights.

What are the performance hurdles?

Each Hurdled Rights grant is divided into two equal tranches, with the following performance hurdles:

- Stockland's Total Securityholder Return ("TSR") measured against the ASX Australian Real Estate Investment Trusts ("A-REIT") Accumulation Index (excluding Stockland); and
- Growth in Stockland's Underlying Earnings Per Security ("EPS") measured against a three year target set by the Board.

Restricted Rights which are granted to General and Senior Managers are subject to continued service only.

How are the number of rights determined for each LTI grant?

The number of rights granted is determined by dividing the dollar value of LTI participation by a grant value which includes assumptions for the expected vesting for the EPS growth target.

The grant value of the TSR component is determined based on an accounting valuation methodology using assumptions for expected life of the right, volatility, risk-free interest rate, market price of the Stockland securities at the time of grant and dividend yield.

The grant value for the EPS performance hurdle will be based on the volume weighted average price for Stockland securities over the 10 working days after 30 June 2014 and adjusted for the probability of vesting.

The valuation of both hurdles is calculated by an independent external consultant.

When does the LTI vest?	The number of rights which convert to Stockland securities is determined at the end of the three year performance period based on the Board's assessment of actual performance against the applicable performance hurdles, as advised by an independent external consultant. Half of any rights which convert to securities at the end of the performance period then vest with the remaining securities being subject to an additional twelve month vesting requirement subject to continued employment with Stockland. Vested securities are also subject to a seven year holding lock following vesting so that they may only be traded subject to approval of the Board or its delegated authority.
What happens if an Executive leaves Stockland?	Any unvested rights lapse. The Board retains discretion to review this in certain circumstances where termination is Stockland initiated such as redundancy or mutually agreed resignation.
Are rights which convert to securities purchased on-market?	At the Board's discretion, securities which convert are either purchased on-market or issued. No rights vested in FY14. However, in previous years where vesting did occur, securities have been purchased on-market to avoid dilution.
Do participants receive distributions or dividends on LTI grants?	Participants do not receive distributions on any rights during the three year performance period. If any rights convert to securities post the performance period, distributions will be paid as per other Stockland securities.
Is performance retested if performance hurdles are not exceeded?	There is no retesting with any rights which do not exceed the applicable performance hurdles lapsed at the end of the performance period.
Are there any minimum securityholding requirements for Executives?	Stockland requires that minimum securityholdings for the Managing Director (equal to two times Fixed Pay) and Executive Committee members (equal to one times Fixed Pay) must be maintained if the Executive wishes to sell any Stockland securities which were granted after 1 July 2010 other than to meet any tax obligations of the applicable securities.
Do clawback provisions apply to LTI?	The Board may at its absolute discretion determine that some or all of an employee's LTI award be forfeited if, in the Board's reasonable opinion, adverse circumstances affecting the performance or reputation of the Company have come to their attention.
How is performance assessed and rewarded against these hurdles?	The number of performance rights which convert to Stockland securities are based on the following schedule:

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

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

Other equity-based benefit programs

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

Dealing in securities

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

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

Employment and termination arrangements for Managing Director and Senior Executives

Do any Senior Executives have fixed term contracts?

Senior Executives are on rolling contracts until notice is given by either Stockland or the Executive.

What notice period is required under these contracts?

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

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

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

Does the Executive receive a termination payment if Stockland initiates termination?

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

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

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

STI is determined in line with the annual assessment process with any STI awarded.

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

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

Death or Total and Permanent Disablement	Full vesting of any unvested equity awards.
For termination other than for cause or resignation	For unvested Deferred STI, full vesting on 30 June in the year of termination. For LTI, unvested Hurdled and/or Restricted rights are pro rated based on service to the date of termination. Any applicable pro rated 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.

Non-Executive Director Remuneration

Remuneration policy

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

The HR Committee is responsible for reviewing and recommending to the Board any changes to Board Committees' remuneration, taking into account the size and scope of Stockland's activities, the responsibilities and liabilities of Directors and the demands placed upon them. In developing its recommendations, the HR Committee 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, a special committee may be payable in line with fees paid for existing Board Committees. Non-Executive Directors do not receive performance-related remuneration or termination benefits other than accumulated superannuation.

The Board decided to continue to take a prudent approach to Board remuneration with no increases in base Board or Committee fees in FY14. Selected Committee fees were, however, increased in line with market benchmarks and to reflect the increasing demands placed on directors who serve on committees over recent years.

The Board has also confirmed that there will again be no increases in base fees for FY15.

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

Board fees

Stockland Board		FY15	FY14
Chairman		$500,000	$500,000
Non-Executive Director		$170,000	$170,000
Stockland Board Committees			
Audit	Chair	$40,000	$40,000
	Member	$20,000	$20,000
Risk	Chair	$35,000	$25,000
	Member	$17,500	$12,500
Financial Services Compliance	Chair	$10,900	$10,900
	Member	$6,540	$6,540
Human Resources	Chair	$35,000	$30,000
	Member	$17,500	$15,000
SCPL Board			
Chairman		$32,700	$32,700
Non-Executive Director		$32,700	$32,700
Independent Non-Executive Director[1]		$45,000	$45,000
SCPL Board Committees			
Audit	Chair	$15,260	$15,260
	Member	$8,720	$8,720
Financial Services Compliance	Chair	$10,900	$10,900
	Member	$6,540	$6,540

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

Approved Remuneration pool

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently $2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. No increase in the total fee pool is proposed for FY15.

Total fees of $1,764,760 (71% of the approved limit) were paid to Non-Executive Directors in FY14 which was the same as the total fees for FY13. The nature and amount of each element of remuneration for each Non-Executive Director of Stockland are detailed below:

Remuneration paid in FY14

		Short-term		Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total[1] $
Non-Executive Directors					
G Bradley	2014	495,556	–	4,444	500,000
(Chairman)	2013	495,882	–	4,118	500,000
D Boyle	2014	185,556	–	4,444	190,000
	2013	185,882	–	4,118	190,000
C Hewson	2014	205,556	–	4,444	210,000
	2013	205,882	–	4,118	210,000
B Neil	2014	218,256	–	4,444	222,700
	2013	218,582	–	4,118	222,700
C Schwartz	2014	178,056	–	4,444	182,500
	2013	178,382	–	4,118	182,500
P Scott	2014	208,056	–	4,444	212,500
	2013	208,382	–	4,118	212,500
T Williamson	2014	242,616	–	4,444	247,060
	2013	242,942	–	4,118	247,060
Total consolidated remuneration	**2014**	**1,733,652**	**–**	**31,108**	**1,764,760**
	2013	**1,735,934**	**–**	**28,826**	**1,764,760**

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.

Directors' security holdings

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

		Stockland Securities	Units in SDOT[1] No. 2	Units in SDOT[1] No. 3	Units in SDRT[2] No. 1
Non-Executive Directors					
G Bradley	2014	183,705	750,000	–	–
	2013	180,723	750,000	–	–
D Boyle	2014	61,169	–	–	–
	2013	61,169	–	–	–
C Hewson	2014	18,395	–	–	–
	2013	17,809	–	–	–
B Neil	2014	52,119	–	–	–
	2013	51,607	–	–	–
C Schwartz	2014	10,000	–	–	–
	2013	10,000	–	–	–
P Scott	2014	28,973	25,000	–	20,000
	2013	28,049	25,000	20,000	20,000
T Williamson	2014	95,528	100,000	–	–
	2013	94,430	100,000	–	–
Executive Director					
M Steinert	2014	287,120	–	–	–
	2013	247,800	–	–	–
Total	**2014**	**737,009**	**875,000**	**–**	**20,000**
	2013	**691,587**	**875,000**	**20,000**	**20,000**

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

The above holdings of Executive Directors include vested securities acquired under LTI plans but do not include unvested performance rights or securities detailed on page 38 of this Report.

Alignment with securityholder interests is supported by the policy requiring Directors to acquire a minimum securityholding. Non-Executive Directors are required to build over a reasonable time, a holding of at least 10,000 Stockland stapled securities. All Non-Executive Directors have met this requirement as at 30 June 2014. The policies requiring Executive Directors to retain securities acquired under the Group's incentive schemes are set out on page 45.

Key Management Personnel

Non-Executive Directors	
Mr Graham Bradley	Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	
Mr Barry Neil	
Ms Carol Schwartz	
Mr Peter Scott	
Mr Terry Williamson	
Executive Director	
Mr Mark Steinert	Managing Director
Senior Executives	
Mr Stephen Bull	Group Executive, CEO, Retirement Living (appointed 15 July 2013)
Mr Tiernan O'Rourke	Chief Financial Officer ("CFO") (commenced employment 8 October 2013)
Mr Michael Rosmarin	Group Executive, Chief Operating Officer
Mr John Schroder	Group Executive, CEO, Commercial Property
Mr Simon Shakesheff	Group Executive, Strategy & Stakeholder Relations (commenced employment 22 July 2013)
Mr Andrew Whitson	Group Executive, CEO, Residential (appointed 1 July 2013)
Former Senior Executives	
Mr David Pitman	CEO, Retirement Living (ceasing employment 17 September 2013)
Mr Tim Foster	Chief Financial Officer ("CFO") (ceased employment 31 October 2013)

Indemnities and insurance of officers and auditor

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

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

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

Non-audit services

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

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

- the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit Committee resolved that the provision of non-audit services during the financial year by 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 Stockland, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in Note E6 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 2014.

Rounding off

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

Signed in accordance with a resolution of the Directors:

Graham Bradley Chairman	Mark Steinert Managing Director

Dated at Sydney, 18 August 2014

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

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Stockland Consolidated Group and Stockland Trust Group for the year ended 30 June 2014, 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 Consolidated Group and the entities it controlled during the period and Stockland Trust Group and the entities it controlled during the period.

I L Hammond
Partner
PricewaterhouseCoopers

Sydney
18 August 2014

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Consolidated Statements of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2014

	Notes	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Revenue	(B1)	**1,939**	1,728	**694**	681
Cost of property developments sold:					
• Land and development		**(926)**	(731)	**–**	–
• Capitalised interest		**(156)**	(125)	**–**	–
• Utilisation of provision for write-down of inventories		**180**	89	**–**	–
Investment property expenses		**(224)**	(223)	**(217)**	(215)
Share of profits of equity-accounted investments	(E1), (E2)	**62**	44	**56**	43
Management, administration, marketing and selling expenses		**(248)**	(277)	**(38)**	(29)
Net provision for write-down of inventories		**–**	(367)	**–**	–
Net change in fair value of investment properties:					
• Commercial Property	(C1b)	**93**	60	**82**	40
• Retirement Living	(B2)	**(82)**	(89)	**–**	–
Net change in fair value of existing Retirement Living resident obligations	(B2)	**33**	61	**–**	–
Impairment of goodwill	(C3a)	**(23)**	–	**–**	–
Net change in fair value of other financial assets		**35**	(37)	**1**	–
Net loss on sale of other non-current assets		**(6)**	(8)	**(8)**	(9)
Finance income	(D1)	**5**	6	**331**	353
Finance expense	(D1)	**(148)**	(98)	**(260)**	(217)
Profit before income tax benefit		**534**	33	**641**	647
Income tax (expense)/ benefit	(B4a)	**(7)**	72	**–**	–
Profit for the year attributable to securityholders/unitholders		**527**	105	**641**	647
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets - net change in fair value	(D4a)	52	–	–	–
Available for sale financial asset – reclassified to profit and loss	(D4a)	(1)	–	–	–
Cash flow hedges – net change in fair value of effective portion		(13)	10	(14)	10
Cash flow hedges – reclassified to profit or loss		4	(2)	5	(2)
Foreign operations – foreign currency translation differences		11	12	–	–
Foreign operations – reclassified to profit and loss		1	–	–	–
Other comprehensive income/(expense), net of tax		**54**	20	**(9)**	8
Total comprehensive income attributable to securityholders/unitholders		**581**	125	**632**	655
Basic earnings per security/unit (cents)	(B5)	22.8	4.7	27.7	29.2
Diluted earnings per security/unit (cents)	(B5)	22.7	4.7	27.7	29.2

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 2014

		Stockland		Stockland Trust Group	
	Notes	2014 $M	2013 $M	2014 $M	2013 $M
Current assets					
Cash and cash equivalents	(D2)	**231**	227	**131**	138
Trade and other receivables	(C2a)	**119**	154	**34**	48
Inventories	(C1a)	**570**	668	**–**	–
Other financial assets	(D4a)	**508**	4	**7**	4
Other assets		**58**	62	**49**	44
		1,486	1,115	**221**	234
Non-current assets held for sale	(C3d)	**120**	91	**–**	84
Total current assets		**1,606**	1,206	**221**	318
Non-current assets					
Trade and other receivables	(C2a)	**77**	89	**3,709**	3,966
Inventories	(C1a)	**1,746**	1,691	**–**	–
Investment properties – Commercial Property	(C1b)	**7,489**	6,991	**7,412**	6,988
Investment properties – Retirement Living	(C1c)	**2,852**	2,808	**–**	–
Investments accounted for using the equity method	(E1), (E2)	**650**	543	**608**	507
Other financial assets	(D4a)	**126**	233	**126**	176
Property, plant and equipment	(C3b)	**104**	221	**–**	–
Deferred tax assets	(B4b)	**33**	59	**–**	–
Intangible assets	(C3a)	**94**	117	**–**	–
Other assets		**123**	112	**127**	118
Total non-current assets		**13,294**	12,864	**11,982**	11,755
Total assets		**14,900**	14,070	**12,203**	12,073
Current liabilities					
Trade and other payables	(C2b)	**554**	576	**372**	391
Interest-bearing loans and borrowings	(D3)	**356**	143	**356**	143
Retirement Living resident obligations	(C1c)	**1,666**	1,577	**–**	–
Provisions	(C3c)	**257**	175	**30**	1
Other financial liabilities	(D4b)	**69**	292	**16**	237
Other liabilities		**51**	39	**34**	28
Total current liabilities		**2,953**	2,802	**808**	800
Non-current liabilities					
Trade and other payables	(C2b)	**53**	34	**–**	–
Interest-bearing loans and borrowings	(D3)	**2,762**	2,318	**2,762**	2,318
Retirement Living resident obligations	(C1c)	**199**	197	**–**	–
Provisions	(C3c)	**170**	92	**–**	–
Other financial liabilities	(D4b)	**465**	432	**465**	432
Total non-current liabilities		**3,649**	3,073	**3,227**	2,750
Total liabilities		**6,602**	5,875	**4,035**	3,550
Net assets		**8,298**	8,195	**8,168**	8,523
Securityholders'/unitholders' funds					
Issued capital	(D7)	**8,420**	8,348	**7,116**	7,554
Reserves		**73**	13	26	28
Retained earnings/undistributed income		**(195)**	(166)	1,026	941
Total Securityholders'/unitholders' funds		**8,298**	8,195	**8,168**	8,523

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

Consolidated Statements of Changes in Equity
Year ended 30 June 2014

Attributable to securityholders of Stockland

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Fair value reserve $M	Foreign currency translation reserve $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2012		7,963	20	3	–	(29)	270	8,227
Profit for the period		–	–	–	–	–	105	105
Other comprehensive income, net of tax		–	–	8	–	12	–	20
Total comprehensive income		–	–	8	–	12	105	125
Securities bought back during on-market buyback, net of transaction costs	(D7a)(i)	(3)	–	–	–	–	–	(3)
Securities issued from capital raising, net of transaction costs	(D7a)(ii)	393	–	–	–	–	–	393
Acquisition of treasury shares	(D7b)	(5)	–	–	–	–	–	(5)
Dividends and distributions	(D8)	–	–	–	–	–	(541)	(541)
Expense relating to rights and securities granted under share plans, net of tax	(D7c)	–	(1)	–	–	–	–	(1)
Total of other movements through reserves		385	(1)	–	–	–	(541)	(157)
Balance as at 30 June 2013		8,348	19	11	–	(17)	(166)	8,195
Profit/(loss) for the period		**–**	**–**	**–**	**(1)**	**1**	**527**	**527**
Other comprehensive income, net of tax		**–**	**–**	**(9)**	**52**	**11**	–	**54**
Total comprehensive income		**–**	**–**	**(9)**	**51**	**12**	**527**	**581**
Securities issued under Dividend Reinvestment Plan	(D7a)(iv)	**77**	**–**	–	–	–	–	**77**
Acquisition of treasury shares	(D7b)	**(6)**	–	–	–	–	–	**(6)**
Dividends and distributions	(D8)	**–**	**–**	–	–	–	**(556)**	**(556)**
Expense relating to rights and securities granted under share plans, net of tax	(D7c)	**–**	**7**	–	–	–	–	**7**
Securities vested under share plans	(D7b)	**1**	**(1)**	–	–	–	–	–
Total of other movements through reserves		**72**	**6**	**–**	**–**	**–**	**(556)**	**(478)**
Balance as at 30 June 2014		8,420	25	2	51	(5)	(195)	8,298

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

Attributable to unitholders of the Stockland Trust Group

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2012		7,180	18	3	835	8,036
Profit for the period		–	–	–	647	647
Other comprehensive income		–	–	8	–	8
Total comprehensive income		–	–	8	647	655
Securities bought back during on-market buyback, net of transaction costs	(D7a)(i)	(3)	–	–	–	(3)
Securities issued from capital raising , net of transaction costs	(D7a)(ii)	382	–	–	–	382
Acquisition of treasury shares	(D7b)	(5)	–	–	–	(5)
Distributions	(D8)	–	–	–	(541)	(541)
Expense relating to rights and securities granted under share plans, net of tax	(D7c)	–	(1)	–	–	(1)
Total of other movements through reserves		374	(1)	–	(541)	(168)
Balance as at 30 June 2013		7,554	17	11	941	8,523
Profit for the period		–	–	–	**641**	**641**
Other comprehensive income		–	–	**(9)**	–	**(9)**
Total comprehensive income		**–**	**–**	**(9)**	**641**	**632**
Securities issued under Dividend Reinvestment Plan	(D7a)(ii)	**74**	–	–	–	**74**
Acquisition of treasury shares	(D7b)	**(6)**	–	–	–	**(6)**
Distributions	(D8)	–	–	–	**(556)**	**(556)**
Expense relating to rights and securities granted under share plans, net of tax	(D7c)	–	**8**	–	–	**8**
Securities vested under share plans	(D7b)	1	(1)			
Transfer of capital	(D7a)(iii)	(507)	–	–	–	**(507)**
Total of other movements through reserves		**(438)**	**7**	–	**(556)**	**(987)**
Balance as at 30 June 2014		7,116	24	2	1,026	8,168

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

Consolidated Cash Flow Statements
Year ended 30 June 2014

	Notes	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**2,018**	1,812	**788**	738
Cash payments in the course of operations (including GST)		**(1,106)**	(1,096)	**(359)**	(396)
Payments for land		**(160)**	(116)	**–**	–
Distributions received from associates and joint venture entities		**31**	30	**30**	29
Distributions received from investments in managed funds		**–**	1	**–**	1
Receipts from Retirement Living residents		**292**	285	**–**	–
Payments to Retirement Living residents, net of DMF		**(131)**	(123)	**–**	–
Interest received		**5**	6	**331**	353
Interest paid		**(197)**	(216)	**(196)**	(214)
Net cash inflow from operating activities	**(F3)**	**752**	583	**594**	511
Cash flows from investing activities					
Proceeds from sale of investment properties		**321**	499	**277**	499
Payments for and development of investment properties					
Commercial Property		**(512)**	(270)	**(488)**	(264)
Retirement Living		**(86)**	(121)	**–**	–
Payments for plant and equipment		**(19)**	(20)	**–**	–
Proceeds from sale/capital returns from investments		**139**	91	**14**	79
Payments for investments, including joint ventures and associates		**(539)**	(35)	**(75)**	(4)
Distributions received from other entities		**3**	3	**–**	–
Net cash inflow from investing activities		**(693)**	147	**(272)**	310
Cash flows from financing activities					
Proceeds from capital raising, net of transaction costs		**–**	393	**–**	382
Reallocation of capital		**–**	–	**(507)**	–
Payment for securities/units under employee share plans		**(6)**	(5)	**(6)**	(5)
Payments for on-market buyback, net of transaction costs		**–**	(3)	**–**	(3)
Proceeds from borrowings		**4,380**	4,176	**4,380**	4,176
Repayment of borrowings		**(3,697)**	(4,667)	**(3,697)**	(4,667)
Loans to related entities		**–**	–	**236**	(70)
Payments for termination and restructuring of derivatives	**(D1)**	**(257)**	(4)	**(258)**	(8)
Dividends and distributions paid (excluding DRP)		**(475)**	(529)	**(477)**	(529)
Net cash utilised in financing activities		**(55)**	(639)	**(329)**	(724)
Net increase/(decrease) in cash and cash equivalents		**4**	91	**(7)**	97
Cash and cash equivalents at the beginning of the year		**227**	136	**138**	41
Cash and cash equivalents at the end of the year		**231**	227	**131**	138

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

Consolidated Notes
Year ended 30 June 2014

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(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 their respective notes to the financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in 2014 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

Stockland represents the combination or stapling of Stockland Corporation Limited ("the Company") and its controlled entities ("the Stockland Corporation Group") and Stockland Trust ("the Trust") and its controlled entities ("the Stockland Trust Group"). Both the Company and the Trust (collectively referred to as "Stockland" or "the Group") are for profit entities that were incorporated and formed in Australia respectively, and are both domiciled in Australia.

The constitutions of Stockland Corporation Limited and Stockland Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company and the Responsible Entity of the Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust or either entity terminating the stapling arrangement.

The financial statements as at and for the year ended 30 June 2014 were authorised for issue by the Directors on 18 August 2014.

(i) Statement of compliance

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

(ii) Basis of preparation

As permitted by Class Order 13/1050, issued by the Australian Securities and Investments Commission ("ASIC"), these financial statements are combined financial statements that present the financial statements and accompanying notes of both Stockland and the Stockland Trust Group.

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

The financial statements have been prepared on a going concern basis, using historical cost conventions except for:

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

In accordance with ASIC Class Order 98/100, amounts in the Annual Report have been rounded to the nearest million dollars, unless otherwise stated.

Stockland and Stockland Trust Group net current asset deficiency position

Stockland and the Stockland Trust Group have a net current asset deficiency at 30 June 2014.

Based on the profits and net operating cash inflows in the period and forecast for the next 12 months Stockland and the Stockland Trust Group will be able to pay their debts as and when they become due and payable. Undrawn bank facilities of $844 million (refer to Note D3c) are also available should they need to be drawn down.

The deficiency in the Stockland Trust Group 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 actually result in net cash outflows within the next 12 months from signing date (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 DMF, development work in progress and vacant stock).

In addition, current inventory (predominantly Residential finished goods) 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 Retirement Living resident obligations for existing residents (June 2014: $1,635 million, June 2013: $1,546 million), in the short term 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 twelve months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the offsetting Retirement Living assets are classified as non-current under Accounting Standards as the majority are not expected to be realised within twelve months.

Stockland Corporation Group net asset deficiency position

As at 30 June 2014, the Stockland Corporation Group is in a net asset position of $143 million. However, as at 30 June 2013, the Stockland Corporation Group was in a net asset deficiency position of $303 million.

In order to support the going concern assumption for Stockland Corporation as at 30 June 2013 a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited Group to confirm that the intercompany debt of $3,903 million would not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter being 13 February 2013.

During the period to 31 December 2013, following shareholder approval, Stockland reallocated capital of $507 million between the Trust and Corporation. This has resulted in Stockland Corporation being in a net asset position greater than $100 million as at 30 June 2014, therefore a letter of support is not required from Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) as at 30 June 2014.

(iii) Accounting Policies

Principles of consolidation

Controlled entities

The consolidated financial statements of Stockland and the Stockland Trust Group incorporate the assets, liabilities and results of all controlled entities as at 30 June 2014.

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

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.

Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

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

The following foreign exchange differences are recognised directly in the Foreign Currency Translation Reserve ("FCTR"), 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 the 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 shares awarded under the PRP and DSTI being accounted for as share-based payments. The fair value of the rights is recognised as an employee expense in the profit or loss with a corresponding increase in reserves and decrease upon vesting.

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 Note (D6d) Financial risk factors for further information.

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.

(iv) New and amended Accounting Standards

Mandatory for the year to 30 June 2014

Stockland has adopted all the mandatory amended accounting standards issued that are relevant to its operations and effective for the current reporting period. Of the accounting standards that have been amended and published that are mandatory for this reporting period, the following have been noted for their material impact on Stockland:

- AASB 10 *Consolidated Financial Statements*: **The Group has performed detailed analysis and the impact of the standard does not have any impact on its composition**. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.
- AASB 11 *Joint Arrangements*: **The Group has performed detailed analysis and this standard does not have any impact on the recognition of joint arrangements in its financial statements**. AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint venture or joint operation. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.
- AASB 12 *Disclosure of Interests in Other Entities*: **Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.** AASB 12 requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities'. Disclosures can be found in Section E.
- AASB 13 *Fair Value Measurement*: **Application of the new standard will not affect the amount recognised in the financial statements. It has led to additional disclosures in relation to asset and liabilities which are fair valued**. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures including valuation techniques, process and valuation inputs. As a result of the new standard requirements, there has been no material change in the measurement of Stockland's assets and liabilities.

Mandatory in future years

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2014. 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. When adopted, the standard will affect in particular Stockland's accounting for its available-for-sale financial assets, but no impact is expected on Stockland's financial liabilities. Stockland has not yet decided when to adopt AASB 9.

AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014)
The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting* (effective 1 January 2014)
The AASB has made small amendments to AASB 139 *Financial Instruments*: Recognition and measurement. The amendments will allow entities to continue hedge accounting, where a derivative contract that was designated as a hedge has been novated to a central counterparty as a consequence of laws or regulations. The Group intends to apply the amendments from 1 July 2014. Since the Group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

(v) Critical accounting estimates and judgements

Stockland 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 can be found in the following notes to the financial statements:

Area of Estimation	Note
Commercial properties – assumptions underlying fair value	(C1b)
Retirement Living – assumptions underlying fair value	(C1c)
Inventories – assumptions underlying net realisable value	(C1a)
Goodwill – assumptions underlying recoverable value	(C3a)
Fair value of derivatives – assumptions underlying fair value	(D5)
Valuation of share-based payments – assumptions underlying fair value	(D7c)
Tax losses – assumptions underlying recoverability	(B4b)

(B) Results for the year

In this section

This section explains the results and performance of Stockland and the Stockland Trust 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:

(a) Accounting policies that are relevant for understanding the items recognised in the financial statements.

(b) Analysis of the Group's result for the year by reference to key areas, including: revenue, results by operating segment, personnel costs, income tax and earnings per security.

(B1) Revenue

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

Property development sales

Revenue from land and property sales is recognised when Stockland has transferred significant risks and rewards of ownership 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 $9 million (2013: $8 million) contingent rent billed to tenants. Contingent rent represents 1% of gross lease income.

Deferred Management Fees

Deferred Management Fees ("DMF") are recognised over the tenancy period. DMF's include both fixed fees recognised on a straight line basis and contingent fees recognised when earned.

DMF are calculated on the entry price of the unit. DMF 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 Note B2.

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 during the year is set out below:

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Property development sales	**1,109**	955	**–**	–
Rent from investment properties	**679**	674	**681**	680
Deferred Management Fees from Retirement Living	**74**	55	**–**	–
Dividend and distribution income	**19**	1	**–**	1
Other revenue	**58**	43	**13**	–
Total revenue	**1,939**	1,728	**694**	681

(B2) Operating segments

Keeping it simple . . .

Segment reporting requires presentation of financial information by business. The information must be disclosed based on the information that is internally provided to the chief operating decision maker.

Stockland and Stockland Trust Group determine and present operating segments based on the information that is internally provided to the Managing Director and the Executive Committee, whom are the chief operating decision makers ("CODMs").

The CODMs assess the performance of the Group based on underlying profit for the Group as a whole and on segment operating profit (underlying profit less interest, tax and unallocated expenses).

Both underlying profit and segment operating profit are presented on a proportionate consolidation basis, whereby earnings from equity accounted investments are grossed up and included in segment EBIT based on our proportionate ownership interest.

Stockland has four reportable segments, as listed below.

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

The Stockland Trust Group 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 Stockland Trust Group.

Stockland

30 June 2014	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Consolidated $M
External segment revenue	1,040	59[2]	696	129	1,924
Total segment revenue	**1,040**	**59**	**696**	**129**	**1,924**
Segment EBIT[1]	244	45	497	34	820
Interest expense in cost of sales	(149)	(5)	–	(7)	(161)
Share of interest expense in joint ventures	–	–	(5)	–	(5)
Segment operating profit	**95**	**40**	**492**	**27**	**654**
Interest income					5
Net borrowing costs					(79)
Unallocated corporate other expenses					(52)
Underlying profit before tax benefit					**528**
Income tax benefit on underlying profit					27
Underlying profit after tax benefit					**555**
[1] Included within segment operating profits:					
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))	1	–	36	–	37
Total share of profits of investments accounted for using the equity method	**1**	**–**	**61**	–	**62**
Straight line rent adjustments	–	–	7	–	7
Amortisation of lease incentives	–	–	(52)	–	(52)

[2] $15 million (2013: $3 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of underlying profit to statutory profit on the following page.

30 June 2013	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Consolidated $M
External segment revenue	912	51[2]	691	71	1,725
Total segment revenue	**912**	**51**	**691**	**71**	**1,725**
Segment EBIT[1]	181	41	482	5	709
Interest expense in cost of sales	(121)	(6)	–	(3)	(130)
Segment operating profit	**60**	**35**	**482**	**2**	**579**
Interest income					6
Net borrowing costs					(85)
Unallocated corporate other expenses					(60)
Underlying profit before tax benefit					**440**
Income tax benefit on underlying profit					55
Underlying profit after tax benefit					**495**
[1] Included within segment operating profit:					
Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))	–	–	39	–	39
Total share of profits of investments accounted for using the equity method	**–**	**–**	**44**	**–**	**44**
Straight line rent adjustments	–	–	17	–	17
Amortisation of lease incentives	–	–	(49)	–	(49)

Reconciliation of Underlying Profit to Statutory Profit

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

Stockland

	2014			2013		
	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M
Revenue	**1,924**	**15**[A]	**1,939**	1,725	3	1,728
Cost of property developments sold:						
• Land and development	**(926)**	**–**	**(926)**	(731)	–	(731)
• Capitalised interest	**(156)**	**–**	**(156)**	(125)	–	(125)
• Utilisation of provision for write-down of inventories	**180**	**–**	**180**	89	–	89
Investment property expenses	**(224)**	**–**	**(224)**	(223)	–	(223)
Share of profits of investments accounted for using the equity method	**36**	**26**[B]	**62**	39	5	44
Management, administration, marketing and selling expenses	**(248)**	**–**	**(248)**	(277)	–	(277)
Net Provision for write-down of inventories	**–**	**–**	**–**	–	(367)	(367)
Net gain/(loss) from fair value adjustment of investment properties:						
Commercial Property	**–**	**93**[C]	**93**	–	60	60
Retirement Living	**16**	**(98)**[D]	**(82)**	22	(111)	(89)
Existing Retirement Living resident obligations fair value movement	**–**	**33**[E]	**33**	–	61	61
Impairment of goodwill	**–**	**(23)**[F]	**(23)**			
Net gain/(loss) from fair value adjustment of other financial assets	**–**	**35**[G]	**35**	–	(37)	(37)
Net loss on sale of other non-current assets	**–**	**(6)**[H]	**(6)**	–	(8)	(8)
Finance income	**5**	**–**	**5**	6	–	6
Finance expense	**(79)**	**(69)**[I]	**(148)**	(85)	(13)	(98)
Profit before income tax benefit	**528**	**6**	**534**	**440**	**(407)**	**33**
Income tax benefit/(expense)	**27**	**(34)**	**(7)**	**55**	**17**	**72**
Profit for the year attributable to securityholders	**555**	**(28)**	**527**	**495**	**(390)**	**105**

Adjustments

A DMF base fees earned, unrealised (refer Note B2 on page 71 – Additional information on the Retirement Living segment result)
B Share of net gain from fair value of investment properties in joint ventures and associates
C Net gain from fair value adjustment of investment properties – Commercial Property (refer Note C1b)
D Net loss from fair value adjustment of investment properties – Retirement Living (refer Note C1c)
E Retirement Living resident obligations fair value movement (refer Note C1c)
F Impairment of goodwill (refer Note C3a)
G Net gain from fair value adjustment of other financial assets (refer Note D4)
H Net realised loss on sale of other non-current assets
I Net loss from fair value of financial instruments and foreign exchange movements (refer Note D1)

Stockland Trust Group

	2014			2013		
	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M	Underlying profit $M	Statutory profit adjustments $M	Statutory profit $M
Revenue	**694**	**–**	**694**	681	–	681
Investment property expenses	**(217)**	**–**	**(217)**	(215)	–	(215)
Share of profits of investments accounted for using the equity method	**36**	**20**[A]	**56**	38	5	43
Management, administration, marketing and selling expenses	**(38)**	**–**	**(38)**	(29)	–	(29)
Net gain/(loss) from fair value adjustment of investment properties:						
Commercial Property	**–**	**82**[B]	**82**	–	40	40
Net change in fair value of other financial assets	**–**	**1**[C]	**1**	–	–	–
Net (loss)/gain on sale of other non-current assets	**–**	**(8)**[D]	**(8)**	–	(9)	(9)
Finance income	**331**	**–**	**331**	353	–	353
Finance expense	**(192)**	**(68)**[E]	**(260)**	(208)	(9)	(217)
Profit before income tax benefit	**614**	**27**	**641**	**620**	**27**	**647**
Income tax benefit/(expense)	**–**	**–**	**–**	**–**	**–**	**–**
Profit for the year attributable to securityholders	**614**	**27**	**641**	**620**	**27**	**647**

Adjustments

A Share of net gain from fair value of investment properties in joint ventures and associates
B Net gain from fair value adjustment of investment properties – Commercial Property (refer note C1b)
C Net change in fair value of other financial assets
D Net realised loss on sale of other non-current assets
E Fair value of adjustments of financial instruments and foreign exchange movements (refer Note D1)

Stockland

30 June 2014	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	231	231
Real estate related assets[1,2]	2,325	2,860	8,321	127	42	13,675
Intangibles	–	94	–	–	–	94
Other financial assets	–	–	–	–	634	634
Other assets	166	2	71	2	25	266
Total assets	**2,491**	**2,956**	**8,392**	**129**	**932**	**14,900**
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,118	3,118
Retirement Living resident obligations	–	1,865	–	–	–	1,865
Other financial liabilities	–	–	–	–	534	534
Other liabilities	528	17	296	63	181	1,085
Total liabilities	**528**	**1,882**	**296**	**63**	**3,833**	**6,602**
Net assets/(liabilities)	**1,963**	**1,074**	**8,096**	**66**	**(2,901)**	**8,298**
1 Investments accounted for using the equity method	25	–	625	–	–	650
Other items						
Acquisition of investment properties	–	–	224	–	–	224

30 June 2013	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	227	227
Real estate related assets[1,2]	2,311	2,897	7,787	72	79	13,146
Intangibles	–	117	–	–	–	117
Other financial assets	–	–	–	–	237	237
Other assets	135	5	78	5	120	343
Total assets	**2,446**	**3,019**	**7,865**	**77**	**663**	**14,070**
Liabilities						
Interest-bearing liabilities	–	–	–	–	2,461	2,461
Retirement Living resident obligations	–	1,774	–	–	–	1,774
Other financial liabilities	–	56	–	–	668	724
Other liabilities	385	18	284	1	228	916
Total liabilities	**385**	**1,848**	**284**	**1**	**3,357**	**5,875**
Net assets/(liabilities)	**2,061**	**1,144**	**7,581**	**103**	**(2,694)**	**8,195**
1 Investments accounted for using the equity method	24	–	519	–	–	543
Other items						
Acquisition of investment properties	–	–	5	–	–	5

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

Additional information on the Retirement Living segment result

Keeping it simple . . .

Accounting for Retirement Living assets is not straight forward therefore we have included a section specifically in relation to it.

Retirement Living residents generally lend Stockland an amount equivalent to the value of the unit in exchange for a lease to live in the unit and access to community facilities. This loan is recorded as a resident obligation liability.

During the resident's tenure, Stockland earns Deferred Management Fees ("DMF") which are calculated based on the individual resident contract ("DMF contract"). There are various contractual arrangements, however a typical contract will provide for DMF to be earned over a fixed period, plus provide a share of any net capital gain when the unit is re-leased to the next resident. The DMF, on an individual unit covers the resident's share of up-front capital costs of building the common infrastructure of the village, which 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 segment results when Stockland receives the accumulated DMF in cash when a resident leaves and a new resident enters the unit.

The Retirement Living segment result also includes the development margin realised on settlement of newly developed units. This settled development margin represents the unit price realised on first lease *less* the cost of development. Refer to note C1c for further information on the fair value measurement and valuation technique used for Retirement Living Investment Properties and Resident Obligations.

Reconciliation of Retirement Living statutory profit to segment results

	2014			2013		
	Underlying profit $M	**Statutory profit adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory profit adjustments $M**	**Statutory profit $M**
Total realised revenue	**59**	**–**	**59**	52	–	52
DMF base fees earned, unrealised	**–**	**15**[A]	**15**	**–**	3	3
Revenue	**59**	**15**	**74**	52	3	55
Net gain/(loss) from fair value adjustment of investment properties:						
• settled development margin	**16**	**–**	**16**	22	**–**	22
• operating villages and villages under development	**–**	**(98)**[B]	**(98)**	**–**	(111)	(111)
Total net gain/(loss) from fair value adjustment of investment properties	**16**	**(98)**	**(82)**	22	(111)	(89)
Existing Retirement Living resident obligations fair value movement	**–**	**33**[D]	**33**	–	61	61
Impairment of goodwill	**–**	**(23)**[C]	**(23)**	**–**	**–**	**–**
Investment property expenses	**(6)**	**–**	**(6)**	(6)	**–**	(6)
Management, administration, marketing and selling expenses	**(29)**	**–**	**(29)**	(33)	**–**	(33)
Retirement Living profit	**40**	**(73)**	**(33)**	35	(47)	(12)

Adjustments

A DMF base fees unrealised - DMF base fees earned represent the DMF income earned on the entry price of the unit, recognised annually as Stockland becomes contractually entitled to that DMF income on entry price contracts

B Net loss from fair value adjustment of investment properties – Retirement Living operating villages and villages under development (refer Note C1c)

C Impairment of goodwill (refer Note C3a)

D Retirement Living resident obligations fair value movement (refer Note C1c)

(B3) Personnel expenses

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Personnel expenses				
Wages and salaries (including on-costs)	**162**	174	–	–
Contributions to defined contribution plans	**11**	11	–	–
Equity-settled share-based payment transactions	**7**	1	–	–
Increase in annual and long service leave provision	**3**	1	–	–
$1,000 Employee Security Plan including associated costs	**1**	1	–	–
Total personnel expenses	**184**	188	**–**	**–**

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. These items are presented in Note C3(c).

Provision for employee benefits

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers 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 entire amount of the provision of $7 million (2013 - $8 million) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

However, based on past experience, the Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Long service leave

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

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

Bonus entitlements

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

Superannuation plan

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

(B4) Taxation

Keeping it simple . . .

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

Income tax is accounted for using the balance sheet method. Accounting income is not always the same as taxable income, creating timing differences. These differences usually reverse over time. Until they reverse a deferred asset or liability must be recognised on the balance sheet. This is known as the balance sheet method.

Stockland Corporation Limited

Accounting for income tax
Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Income tax expense 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
The Company and its wholly owned Australian resident subsidiaries are part of a tax consolidated group ("TCG"). As a consequence, all members of the TCG are taxed as a single entity. The head entity in the TCG is Stockland Corporation Limited.

Nature of tax funding and sharing arrangements
The Company, in conjunction with other members of the TCG, has entered into a tax funding arrangement. The arrangement requires that the Company 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 the Company 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 TCG will be governed by the tax sharing agreement should the Company default on its tax obligations.

Stockland Trust

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

(B4a) Income tax expense/(benefit)

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Current tax expense/(benefit)				
Current year	**(100)**	(112)	–	–
Adjustments for prior years	**-**	(1)	–	–
	(100)	(113)	**–**	**–**
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	**74**	(65)	–	–
	(26)	(178)	**–**	**–**
Derecognition of tax losses and temporary differences	**33**	106	–	–
Total income tax expense/(benefit) in the Statement of Profit or Loss	**7**	(72)	**–**	**–**

Numerical reconciliation between income tax benefit and pre-tax net profit

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Profit before income tax benefit	**534**	33	–	–
Less: Profit from Trust and intergroup eliminations	**(654)**	(647)		
	(120)	(614)	–	–
Prima facie income tax benefit calculated at 30%	**(36)**	(184)	–	–
Increase/(decrease) in income tax expense due to:				
Other non-deductible expenses	**7**	5	–	–
Assessable income not recognised in profit before income tax expense	**–**	1	–	–
Tax effect of FX loss transferred from Foreign Currency Translation Reserve	**4**	2	–	–
Recognition of prior year UK tax losses	**(1)**	(1)	–	–
Over-provided in prior years	**–**	(1)	–	–
Non-recognition of Australian tax losses	**33**	106	–	–
Income tax expense/(benefit)	**7**	(72)	**–**	**–**

Tax expense relating to items of other comprehensive income (“OCI”)

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Fair value reserve	**22**	–	–	–
Foreign currency translation reserve	**–**	–	–	–
Tax expense relating to items of comprehensive income	**22**	**–**	**–**	**–**

(B4b) Deferred tax

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

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	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**	**2014 $M**	**2013 $M**
Inventories	**137**	181	**(156)**	(177)	**(19)**	4
Investment properties	**15**	12	**(200)**	(186)	**(185)**	(174)
Property, plant and equipment	**3**	–	–	–	**3**	–
Other financial assets	–	32	**(22)**	–	**(22)**	32
Trade and other payables	**14**	11	–	–	**14**	11
Retirement Living resident obligations	**9**	13	–	–	**9**	13
Interest-bearing loans and borrowings	–	–	–	(1)	**–**	(1)
Provisions	**4**	4	–	–	**4**	4
Reserves	**5**	4	–	–	**5**	4
Tax losses carried forward	**397**	305	–	–	**397**	305
Tax assets/(liabilities)	**584**	562	**(378)**	(364)	**206**	198
Less: Tax losses not recognised	(173)	(139)	–	–	(173)	(139)
Recognised tax assets/(liabilities)	**411**	423	**(378)**	(364)	**33**	59
Set-off of tax balances	(378)	(364)	378	364	–	–
Net tax asset	**33**	59	–	–	**33**	59

Recoverability of deferred tax assets (“DTA”)

An assessment of the recoverability of the net DTA has been made to determine if the carrying value should be reduced with reference to the latest available profit forecasts, to determine the availability of suitable taxable profits. The assessment for the period has determined that a tax benefit of $33 million for the current period (2013: tax benefit of $106 million) is not currently considered to be recoverable with sufficient certainty and accordingly has not been recognised. The DTA not recognised during the current and prior period primarily relates to the tax benefit associated with asset write-downs.

At each reporting period, the recoverability of the net DTA will be reassessed. This may lead to the partial or full recognition of this unrecognised tax benefit in future reporting periods.

The Group has $173 million (2013: $139 million) of unrecognised deferred tax assets. This balance consists of $128 million (2013: $106 million) Australian income tax losses, $15 million (2013: $3 million) Australian capital losses; $10 million (2013: $10 million) of UK capital losses and $20 million (2013: $20 million) of UK trading losses.

Movement in temporary differences during the financial year

	Balance 1 July 2013 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2013 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2014 $M
Trade and other receivables	(1)	1	–	–	–	–	**–**
Inventories	(75)	79	–	4	(23)	–	**(19)**
Other assets	1	(1)	–	–	–	–	**–**
Investment properties	(153)	(21)	–	(174)	(11)	–	**(185)**
Property, plant and equipment	–	–	–	–	3	–	**3**
Other financial assets	20	12	–	32	(32)	(22)	**(22)**
Trade and other payables	11	–	–	11	3	–	**14**
Retirement Living resident obligations	18	(5)	–	13	(4)	–	**9**
Interest-bearing loans and borrowings	(1)	–	–	(1)	1	–	**–**
Provisions	7	(3)	–	4	–	–	**4**
Reserves	5	(1)	–	4	1	–	**5**
Recognised tax losses carried forward	155	11	–	166	58	–	**224**
	(13)	**72**	**–**	**59**	**(4)**	**(22)**	**33**

Stockland Trust Group

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

(B5) Earnings per security/unit

Keeping it simple . . .

Earnings per security ("EPS") is the amount of post-tax profit attributable to each security.

Basic EPS is calculated on Stockland's and the Stockland Trust Group's statutory profit for the year attributable to equity securityholders of $527 million (2013: $105 million) divided by 2,311,367,784 (2013: 2,212,035,375) being the weighted average number of securities outstanding.

Diluted EPS reflects Stockland's and the Stockland Trust Group's statutory profit for the year attributable to equity securityholders divided by the weighted average number of securities outstanding after adjustment for the effects of all dilutive potential ordinary securities.

Basic and diluted underlying earnings per security are disclosed in the Directors' Report on page 5.

The calculation of basic earnings per security has been based on the following profit attributable to ordinary securityholders and weighted-average number of ordinary securities outstanding.

	Stockland		Stockland Trust Group	
	2014 cents	**2013 cents**	**2014 cents**	**2013 cents**
Basic and diluted earnings per security/unit				
Basic earnings per security/unit	**22.8**	4.7	**27.7**	29.2
Diluted earnings per security/unit	**22.7**	4.7	**27.7**	29.2

Reconciliations of earnings used in calculating earnings per security/unit

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Basic and diluted earnings				
Profit attributable to securityholders/unitholders	**527**	105	**641**	647

Weighted average number of securities/units used as the denominator

	Stockland and Stockland Trust Group	
	2014 No.	**2013 No.**
Weighted average number of securities/units (basic)		
Weighted average number of securities/units as at 30 June	**2,311,367,784**	2,212,035,375
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic) as at 30 June	**2,311,367,784**	2,212,035,375
Effect of rights and securities/units granted under share plans	**7,153,903**	5,524,753
Weighted average number of securities/units (diluted) as at 30 June	**2,318,521,687**	**2,217,560,128**

Rights and securities/units granted under security plans are only included in diluted earnings per security/unit where Stockland are meeting performance hurdles for contingently issuable share based payment rights.

(C) Operating assets and liabilities

In this section

This section shows the real estate assets used to generate Stockland's and Stockland Trust Group's trading performance and the liabilities incurred as a result. Information on other assets and liabilities are in the following sections:

- Section B – Deferred tax assets and liabilities
- Section D – Financing activities
- Section E – Investments in associates and other joint ventures.

(C1) Real Estate assets and liabilities

(C1a) Inventories

Land and property held for resale

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.

Development work in progress

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. Costs expected to be incurred under rectification provisions as well as financing costs on qualifying assets are also included. Finance costs were capitalised at interest rates ranging from 6.1% to 7.1% during the financial year (2013: 6.0% to 6.9%). Capitalised finance costs are further explained in Note D1.

Estimates of net realisable value ("NRV") of inventories

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. NRV 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.

Consistent with previous periods, key estimates have been reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, no impairment provisions have been recognised in the profit or loss for the year ended 30 June 2014.

In the prior year an impairment charge of $367 million was recognised. The impairment charge related to:

- $12 million of actual and estimated selling prices and costs of properties in the UK;
- $80 million of changes in estimates of future selling prices and costs of certain residential communities' projects;
- $248 million to reduce the carrying value to net estimated sales proceeds for certain residential communities' projects which have been identified for disposal;
- $15 million for apartments; and
- $12 million for industrial land identified for disposal.

	2014			2013		
	Current	Non-current	Total	Current	Non-current	Total
Finished development stock held for sale[1,2]	$M	$M	$M	$M	$M	$M
• cost of acquisition	**73**	**–**	**73**	112	–	112
• development and other costs	**165**	**–**	**165**	230	–	230
• interest capitalised	**43**	**–**	**43**	71	–	71
• impairment provision	**(36)**	**–**	**(36)**	(107)	–	(107)
Total finished stock held for sale	**245**	**–**	**245**	306	–	306
Development work in progress						
Residential communities under development						
• cost of acquisition	**245**	**1,223**	**1,468**	201	1,223	1,424
• development and other costs	**195**	**288**	**483**	137	336	473
• interest capitalised	**102**	**325**	**427**	94	352	446
• impairment provision	**(218)**	**(136)**	**(354)**	(171)	(246)	(417)
Total residential communities under development	**324**	**1,700**	**2,024**	261	1,665	1,926
Apartments						
• cost of acquisition	**14**	**–**	**14**	35	–	35
• development and other costs	**18**	**–**	**18**	31	–	31
• interest capitalised	**5**	**–**	**5**	8	–	8
• impairment provision	**(36)**	**–**	**(36)**	(46)	–	(46)
Total apartments	**1**	**–**	**1**	28	–	28
Retail projects[2]						
• cost of acquisition	**–**	**–**	**–**	91	–	91
• development and other costs	**–**	**–**	**–**	9	–	9
• interest capitalised	**–**	**–**	**–**	–	–	-
• impairment provision	**–**	**–**	**–**	(60)	–	(60)
Total retail projects	**–**	**–**	**–**	40	–	40
Logistics & business parks projects[2]						
• cost of acquisition	**–**	**29**	**29**	53	20	73
• development and other costs	**–**	**16**	**16**	2	4	6
• interest capitalised	**–**	**7**	**7**	–	2	2
• impairment provision	**–**	**(6)**	**(6)**	(22)	–	(22)
Total logistics & business parks projects	**–**	**46**	**46**	33	26	59
Total inventory	**570**	**1,746**	**2,316**	668	1,691	2,359

1 Included within current finished development stock held for sale are Apartments of $15 million (2013: $23 million) and Office and Logistics & Business Parks of $17 million (2013: $21 million).

2 UK assets have been transferred to Assets Held for Sale in the current year. Included in the comparative of current inventories are Stockland UK assets as follows: $7 million of Finished development stock held for sale, $40 million of Retail projects and $25 million of Logistics & Business Parks projects.

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	UK $M	Total $M
Balance as at 1 July 2013	519	53	80	652
Additional provisions created/(reversed)	–	–	–	–
Amounts utilised	(129)	(17)	(34)	(180)
Transfers to assets held for sale	–	–	(57)	(57)
Other[1]	2	4	11	17
Balance as at 30 June 2014	**392**	**40**	**–**	**432**

[1] Includes foreign exchange movements and transfers to/from other provisions

(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.

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 2014, 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 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.

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.

During the year, net losses of $8 million (2013:loss of $8 million) were recognised on disposal of commercial properties. These losses arose from the sale of:

- 50% of Piccadilly Complex, Sydney
- Adelaide Street Plaza, Fremantle
- 78 Waterloo Road, North Ryde

Commercial properties including Stockland's share of property held by joint ventures and associates

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Retail	**5,483**	5,281	**5,457**	5,256
Office	**1,043**	1,241	**1,045**	1,245
Logistics & Business Parks	**1,572**	1,254	**1,570**	1,254
Capital works in progress and sundry properties	**341**	175	**233**	90
Book value of commercial properties	**8,439**	7,951	**8,305**	7,845
Less amounts classified as:				
• Property, plant and equipment	**(45)**	(93)	**–**	–
• Non-current assets held for sale	**–**	(84)	**–**	(84)
• Other assets (including lease incentives and lease fees) [3]	**(158)**	(148)	**(165)**	(152)
• Other assets (including lease incentives and lease fees) attributable to investments accounted for using the equity method	**(22)**	(20)	**(21)**	(19)
• Other receivables (straight-lining of operating lease rental income) [3]	**(49)**	(46)	**(52)**	(51)
• Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method	**(18)**	(13)	**(18)**	(11)
Total investment properties (including share of investment property held by associates and joint ventures)	**8,147**	7,547	**8,049**	7,528
Less: Stockland's share of investment properties held by associates and joint venture entities	**(658)**	(556)	**(637)**	(540)
Carrying value of investment properties[3]	**7,489**	6,991	**7,412**	6,988
Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**6,991**	7,021	**6,988**	7,013
Acquisitions	**224**	5	**216**	5
Disposals	**(177)**	(283)	**(177)**	(283)
Expenditure capitalised	**306**	262	**303**	287
Transfers to assets classified as held for sale	**–**	(74)	**–**	(74)
Transfers from property, plant and equipment[1]	**52**	–	**–**	–
Net gain from fair value adjustment of investment properties[2]	**93**	60	**82**	40
Carrying amount at the end of the financial year	**7,489**	6,991	**7,412**	6,988

[1] Transfer of 50% from owner occupied property, plant and equipment for the Piccadilly Complex which was disposed during the year.

[2] All gains relate to property held at year end.

[3] Real estate assets disclosed in Note (B2) includes the carrying amount of investment properties, lease incentives, lease fees and straight lining of operating lease rental income (excluding those that relate to equity accounted investments) and Investments accounted for using the equity method (Note E1 & E2)

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[4] %	Book value 30 June 2014 $M	Book value 30 June 2013 $M
Retail					
Directly owned					
Stockland Shellharbour, Shellharbour NSW	Dec 2013	680	6.00	**683**	635
Stockland Merrylands, Merrylands NSW	Dec 2012	474	6.25	**475**	473
Stockland Townsville, Townsville QLD	Dec 2013	432	6.25-7.25	**432**	419
Stockland Rockhampton, Rockhampton QLD	Dec 2012	365	6.50	**367**	365
Stockland Wetherill Park, Western Sydney NSW	Dec 2011	358	6.75	**372**	362
Stockland Green Hills, East Maitland NSW	Jun 2014	308	6.50	**308**	277
Stockland Glendale, Newcastle NSW	Jun 2014	270	6.50	**270**	259
Stockland Cairns, Cairns QLD	Jun 2013	217	6.75	**221**	217
Stockland Point Cook, Point Cook VIC	Dec 2013	184	7.25	**185**	187
Stockland Burleigh Heads, Burleigh Heads QLD	Jun 2013	168	7.50-9.25	**170**	168
Stockland Forster, Forster NSW	Jun 2014	149	7.00	**149**	136
Stockland The Pines, Doncaster East VIC	Dec 2012	139	7.50	**140**	139
Stockland Gladstone, Gladstone QLD	Dec 2013	135	7.50	**137**	119
Stockland Wendouree, Wendouree VIC	Dec 2013	127	7.25	**129**	115
Stockland Jesmond, Newcastle NSW	Jun 2014	127	7.50	**127**	123
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2014	117	7.25	**117**	110
Stockland Balgowlah, Balgowlah NSW	Dec 2012	115	7.25	**116**	115
Stockland Caloundra, Caloundra QLD	Dec 2013	110	7.25	**111**	106
Stockland Bull Creek, Bull Creek WA	Jun 2013	91	7.25	**93**	91
Stockland Nowra, Nowra NSW	Dec 2012	88	7.75	**90**	89
Stockland Cleveland, Cleveland QLD	Dec 2012	86	7.50	**89**	87
Stockland Traralgon, Traralgon VIC	Dec 2013	86	7.75	**87**	80
Stockland Bathurst, Bathurst NSW	Dec 2013	80	7.75	**81**	78
Stockland Hervey Bay, Hervey Bay QLD	Jun 2012	64	7.50	**66**	65
Stockland Corrimal, Corrimal NSW	Dec 2012	61	8.00	**63**	62
Stockland Wallsend, Wallsend NSW	Jun 2014	58	8.00	**58**	53
Stockland Tooronga, Tooronga VIC	Dec 2012	50	7.25	**51**	50
Shellharbour Retail Park, Shellharbour NSW	Dec 2013	48	8.25	**50**	48
Stockland Baldivis, Baldivis WA	Jun 2011	45	7.50	**46**	46
Stockland Cammeray, Cammeray NSW	Dec 2012	32	7.50	**33**	32
Stockland Highlands, Craigieburn VIC[1]	Jun 2014	26	7.75	**26**	25
North Shore Townsville, Townsville QLD	Dec 2013	21	7.50	**21**	20
Woolworths Toowong, Toowong QLD[2]	Jun 2013	14	n/a	**14**	14
Stockland Vincentia Shopping Centre, Vincentia NSW	Jun 2014	12	9.50	**12**	11
Stockland Merrylands Court, Merrylands NSW	Dec 2013	9	9.00	**9**	10
Hervey Bay Central Square, Hervey Bay QLD	Aug 2012	5	9.00	**6**	6
Stockland Townsville Kingsvale Sunvale, QLD	Dec 2012	5	n/a	**6**	6
Adelaide Street Plaza, Fremantle WA	Jun 2012	11	9.75	**–**	11
Owned through associates and joint ventures					
Stockland Riverton, Riverton WA (50%)	Jun 2013	61	7.25	**61**	61
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Dec 2013	16	8.75	**16**	17
Total Retail[3]				**5,483**	5,281

[1] This property is not held by Stockland Trust.
[2] This property is valued as land.
[3] Totals may not add due to rounding.
[4] A range of cap rates are disclosed for a complex comprising of a number of properties.

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[5] %	Book value 30 June 2014 $M	Book value 30 June 2013 $M
Office					
Directly owned					
Durack Centre, 263 Adelaide Terrace, Perth WA[2]	Jun 2014	157	8.25-8.75	**157**	153
601 Pacific Highway, St Leonards NSW	Jun 2014	80	8.25	**80**	69
77 Pacific Highway, North Sydney NSW	Jun 2014	56	8.25	**56**	55
40 Cameron Avenue, Belconnen ACT[2]	Jun 2014	43	10.50	**43**	44
Garden Square, Mt Gravatt QLD	Jun 2014	37	9.25	**36**	38
110 Walker Street, North Sydney NSW	Jun 2014	27	8.25	**27**	25
80-88 Jephson Street, Toowong QLD	Jun 2013	19	9.00	**19**	19
23 High St, Toowong QLD	Jun 2013	4	8.25	**4**	4
27-29 High Street, Toowong QLD	Jun 2013	3	8.50	**3**	3
78 Waterloo Road, Macquarie Park NSW	Dec 2012	71	7.75	**–**	72
Owned through associates and joint ventures					
Waterfront Place, Eagle Street, Brisbane QLD (50%)	Jun 2014	288	6.75	**287**	264
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (2014: 50%; 2013: 100%)[1, 2]	Jun 2014	193[3]	6.75-8.25	**195**	364
135 King Street, Sydney NSW (50%)[1]	Dec 2012	128	6.90-7.30	**135**	132
Total Office[4]				**1,043**	1,241

1 Book value includes the retail component of the property.
2 This property is a leasehold property.
3 Valuation based on 50% ownership.
4 Totals may not add due to rounding.
5 A range of cap rates are disclosed for a complex comprising of a number of properties.

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[5] %	Book value 30 June 2014 $M	Book value 30 June 2013 $M
Logistics & Business Parks					
Directly owned					
Yennora Distribution Centre, Yennora NSW	Dec 2013	351	7.75	**360**	348
Triniti Business Campus, North Ryde NSW	Jun 2014	168	7.75	**168**	170
Port Adelaide Distribution Centre, Port Adelaide SA	Jun 2013	82	10.00	**85**	82
Hendra Distribution Centre, Brisbane QLD	Dec 2012	82	9.25	**84**	83
Brooklyn Estate, Brooklyn VIC	Dec 2012	80	9.25	**83**	80
Forrester Distribution Centre, St Marys NSW[2]	–	–	–	**78**	–
41-47 Stennett Road, Ingleburn, NSW[2]	–	–	–	**77**	–
60-66 Waterloo Road, Macquarie Park NSW	Jun 2014	73	7.50-7.75	**73**	66
Brownes Complex, Balcatta WA[2]	–	–	–	**57**	–
9-11a Ferndell Street, Granville NSW	Jun 2014	45	9.00-10.00	**45**	43
16 Giffnock Avenue, Macquarie Park NSW	Jun 2014	37	8.75	**37**	36
Macquarie Technology Centre, Macquarie Park NSW	Jun 2014	33	8.25-9.00	**34**	34
1090-1124 Centre Road, Oakleigh VIC	Dec 2012	32	9.25	**32**	32
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Jun 2014	32	8.75	**32**	32
Altona Distribution Centre, Altona VIC	Jun 2013	28	9.25	**28**	28
2 Davis Road, Wetherill Park NSW	Dec 2013	17	8.75	**17**	16
11-25 Toll Drive, Altona North VIC	Dec 2012	16	8.25	**16**	16
32-54 Toll Drive, Altona VIC	Dec 2012	15	8.25	**15**	15
56-60 Toll Drive, Altona North VIC	Jun 2013	15	8.25	**15**	15
76-82 Fillo Drive, Somerton VIC	Jun 2014	15	9.00	**15**	14
Export Park, 9-13 Viola Place, Brisbane Airport QLD[3]	Jun 2013	12	9.75	**12**	12
M1 Yatala Enterprise Park, Yatala QLD	Jun 2013	9	n/a	**10**	9
40 Scanlon Drive, Epping VIC	Jun 2013	8	8.50	**8**	8
Owned through associates and joint ventures					
Optus Centre, Macquarie Park NSW (2014: 51%; 2013: 31%)	Jun 2014	192[1]	7.50	**192**	116
Total Logistics & Business Parks[4]				**1,572**	1,254

1 Valuation based on 51% ownership.
2 Forrester Distribution Centre, St Mary's NSW; 41-47 Stennett Road, Ingleburn NSW; and Brownes Complex, Balcatta WA were acquired on 11 December 2013, 20 June 2014 and 27 June 2014, respectively. The value adopted above is as a result of a Directors' valuation adopted as at 30 June 2014.
3 This property is a leasehold property.
4 Totals may not add due to rounding.
5 A range of cap rates are disclosed for a complex comprising of a number of properties.

Fair value measurement, valuation techniques and inputs

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	Fair Value 30 June 2014 $M	Valuation Technique	Inputs used to Measure Fair Value	Range of Unobservable Inputs 30 June 2014
Retail	Level 3	5,483	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$194-$1,122
				10 year average specialty market rental growth	3.3%-4.25%
				Adopted capitalisation rate	6.0%-9.5%
				Adopted terminal yield	6.25%-9.75%
				Adopted discount rate	8.75%-10.0%
Office	Level 3	1,043	DCF and income capitalisation method	Net market rent (per sqm p.a)	$330-$726
				10 year average market rental growth	1.7%-3.8%
				Adopted capitalisation rate	6.75%-10.50%
				Adopted terminal yield	8.25%-10.50%
				Adopted discount rate	8.25%-10.50%
Logistics & Business Parks	Level 3	1,572	DCF and income capitalisation method	Net market rent (per sqm p.a)	$54-$434
				10 year average market rental growth	2.7%-3.8%
				Adopted capitalisation rate	7.5%-10.0%
				Adopted terminal yield	7.75%-11.5%
				Adopted discount rate	8.75%-10.50%
Properties under development	Level 3	341	Income capitalisation method	Net market rent (per sqm p.a)	$400-$3,200
				Adopted capitalisation rate	6.25%-6.75%
Total		**8,439**			

The adopted valuations (both internal and external) for investment properties in the Retail, Office and Logistics & Business Parks portfolios is 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 the Directors' assessment of fair value at each reporting date taking 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.

Both the DCF and income capitalisation methods use inputs which are unobservable frequently, in determining fair value, as per the table above.

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

Discounted cash flow 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).
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 a discounted cash flow calculation. 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 that the Group is compliant with applicable regulations (for example the Corporations Act and ASIC regulations) and the STML RE 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 valuations have been performed by Stockland's internal valuers who hold recognised relevant professional qualifications.

Internal Valuations

All Stockland commercial properties are required to be internally valued every six months with the exception of those properties being independently valued during the current reporting period. Stockland's internal valuers perform internal valuations 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 rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and DCF valuation. The adopted internal value is generally weighted more to the capitalisation value (75% weighting) than the DCF valuation (25% 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 valuation.

- If the internal valuation 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 valuation 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 valuations are reviewed by Commercial Property senior management who recommend the adopted valuation to the 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. Through this process, we arrive at fair value. The fair value is compared to the current book value.

- If the internal valuation 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 valuation varies by more than 5.0% to the current book value (higher or lower), then the directors' valuation will be adopted.

External Valuations

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

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

- A variation between book value and internal valuation as referred to in the internal valuations section above.
- The asset is undergoing major development or there is significant capital expenditure on a property.
- A period where there is significant market movement.
- An opportunity to undertake a valuation in line with a joint owners' valuation.
- To ensure an appropriate cross-section of assets are externally assessed at each reporting period.

Sensitivity information

Investment properties

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant 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 discounted cash flow approach.

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 discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving at 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 Stockland 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		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Within one year	**556**	486	**532**	495
Later than one year but not later than five years	**1,450**	1,266	**1,400**	1,296
Later than five years	**889**	727	**877**	727
Total non-cancellable operating lease receivable	**2,895**	2,479	**2,809**	2,518

(C1c) Retirement Living

Retirement Living investment properties
Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. Retirement villages comprise independent living units, serviced apartments, community facilities and integral plant and equipment.

For further information on Retirement Living refer to Note B2 – Additional Information on the Retirement Living segment result.

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, in the short term 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 twelve months.

Non-current resident obligations
Certain legacy contracts are classified as non-current as these contracts give Stockland a right to defer settlement for up to eight years.

Net Investment in Retirement Living

	Stockland 2014 $M	2013 $M
Stockland's net investment in Retirement Living		
Operating villages	**2,639**	2,572
Villages under development	**213**	236
Total Retirement Living assets	**2,852**	2,808
Existing resident obligations	**(1,823)**	(1,731)
Net carrying value of Retirement Living villages	**1,029**	1,077
Retirement Living net carrying value movement during the year		
Carrying amount at the beginning of the financial year	**1,077**	1,102
Transfers to assets held for sale	**(1)**	(7)
Expenditure capitalised	**85**	126
Realised fair value movements	**18**	24
Cash received on first sales	**(103)**	(125)
Change in fair value of investment properties	**(50)**	(47)
Other movements	**3**	4
Carrying amount at the end of the financial year	**1,029**	1,077
Current and Non-current liabilities – Retirement Living resident obligations		
Current resident obligations		
Existing resident obligations	**1,635**	1,546
Former resident obligations	**31**	31
Total current resident obligations	**1,666**	1,577
Non-current resident obligations		
Existing resident obligations	**188**	185
Former resident obligations	**11**	12
Total non-current resident obligations	**199**	197
Total resident obligations		
Existing resident obligations	**1,823**	1,731
Former resident obligations	**42**	43
Total resident obligations	**1,865**	1,774

Fair value measurement, valuation techniques and inputs
The fair value of Retirement Living investment properties (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 discounted cash flow methodology.

Resident obligations
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
Both the investment properties and resident obligations are considered to be level 3 in the Fair Value Hierarchy (the Fair Value Hierarchy is explained further in Note D5).

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

Inputs Used to Measure Fair Value	Range of Unobservable Inputs 30 June 2014
Discount rate	12.5% – 14.0% (Average: 12.8%)
Average 20 year growth rate	3.8%
Average length of stay of existing and future residents	9.9 years
Current market value of unit	$0.1 million - $1.2 million
Renovation/Reinstatement cost	$5k - $60k
Renovation recoupment	0% – 100%

There are no additional inputs in relation to the resident obligations. As noted above the fair value of the obligations is based on contractual positions as at the measurement date.

The discounted cash flow 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 ILUs 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 ensure that assets are held at fair value in Stockland's balance sheet.

DMF
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.

To support the Directors' valuation of operating villages, independent assessment on key assumptions are undertaken on a regular basis allowing frequent substantiation of assumptions underlying Director valuations. The most recent independent assessment was obtained at 30 June 2014.

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 cash flows from the DMF asset. 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 complete basis and is based on an internally certified level of completion of the stage. Development margin recognition is also described in Note B2. The DMF asset is recognised on a percentage 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.

Resident obligations
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 not possible to have the resident obligations valued externally, therefore these are valued every six months by the Directors as described in the process above.

Sensitivity information
Investment properties

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant 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.

When assessing a discounted cash flow, 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
As the resident obligations are a financial liability, a quantitative sensitivity analysis as required by AASB 13 *Fair Value Measurement* has been disclosed. Sensitivity of the resident obligation to changes in the weighted assumptions is shown in the table below.

This 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.

		Impact on Resident Obligations	
Significant input	Change in assumption	Increase in obligation $M	Decrease in obligation $M
Current market value	10%	114	114

(C2) Financial assets and liabilities

Keeping it simple . . .

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

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle. Cash and cash equivalents are disclosed in Note 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		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Current				
Trade receivables	**66**	106	**8**	9
Provision for impairment	**(1)**	(1)	**(1)**	–
Net trade receivables	**65**	105	**7**	9
Other receivables	**54**	49	**27**	39
Total current receivables	**119**	154	**34**	48
Non-current				
Straight-lining of rental income	**49**	46	**52**	51
Other receivables	**28**	43	**–**	12
Receivables due from related companies	**–**	–	**3,657**	3,903
Total non-current receivables	**77**	89	**3,709**	3,966

(C2b) Trade and other payables

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

	Note	Stockland		Stockland Trust Group	
		2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Current					
Trade payables and accruals		**224**	253	**94**	116
Trade payables – land purchases		**27**	28	**–**	–
Other payable – distribution payable	(D8)	**280**	277	**280**	277
Goods and services tax ("GST") payable/(receivable)		**23**	18	**(2)**	(2)
Total current trade and other payables		**554**	576	**372**	391
Non-current					
Trade payables – land purchases		**49**	34	–	–
Other		**4**	–	–	–
Total non-current trade and other payables		**53**	34	–	–

(C3) Other non-financial assets and liabilities

(C3a) Intangible assets

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.

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's"). The allocation is made to those CGU's or groups of CGU's 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 (ARC) on 28 February 2007, the acquisition of the Rylands Retirement Living business on 17 July 2008 and the acquisition of Aevum on 31 October 2010.

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Goodwill				
Opening carrying amount	**117**	117	–	–
Impairment	**(23)**	–	–	–
Closing carrying amount	**94**	117	–	**–**

Impairment Test

An impairment loss of $23 million (2013: $Nil) was fully allocated against goodwill and included in 'impairment of goodwill' in the profit or loss in the year. 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 (DR) contracts which are considered to benefit from the acquisitions.

An impairment arose following Stockland's review of the DR contracts during the year which led to a change in assumptions around the timing and quantum of cash inflows arising under these contracts.

Deferred Repayment (DR) Contracts

The ARC portfolio acquired in 2007, included a number of DR contracts. These DR contracts were initially sold prior to 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 12.8% (2013: 12.8%) and cash flows beyond the five year period have been determined by applying a growth rate of 3.9% p.a. (2013: 3.9% pa). 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% (2013: 16.0%). Cash flows beyond the five year period have been determined by applying a growth rate of 3.9% p.a. (2013: 3.9% pa). 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.

Following the impairment loss recognised in the Retirement Living CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

(C3b) Property, plant and equipment

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

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

All assets having limited useful lives, except land, are depreciated from the date of acquisition using the straight-line method over their estimated useful lives. Depreciation is recognised in profit or loss.

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

- Leasehold improvements 10-20%
- Plant and equipment (including IT hardware and software) 2-50%
- Owner-occupied property 2%
- Aged Care properties: land 0%, buildings 2%, furniture and fittings 10-20%

These rates are consistent with the prior year.

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

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

	Aged Care properties $M	Owner-occupied property $M	Leasehold improvements, plant and equipment $M	Total $M
Cost				
Balance as at 1 July 2012	88	96	90	274
Additions	–	–	22	22
Disposals	–	–	(5)	(5)
Effects of movements in exchange rates	–	–	1	1
Balance as at 30 June 2013	**88**	**96**	**108**	**292**
Additions	–	–	18	18
Disposals	–	(48)	–	(48)
Transfers to assets held for sale	(88)	–	–	(88)
Balance as at 30 June 2014	**–**	**48**	**126**	**174**
Depreciation and impairment losses				
Balance as at 1 July 2012	(4)	(14)	(41)	(59)
Depreciation charge for the year	(1)	(3)	(13)	(17)
Disposals	–	–	5	5
Balance as at 30 June 2013	**(5)**	**(17)**	**(49)**	**(71)**
Depreciation charge for the year	(1)	(1)	(14)	(16)
Impairment	(9)	–	–	(9)
Disposals	–	11	–	11
Transfers to assets held for sale	15	–	–	15
Balance as at 30 June 2014	**–**	**(7)**	**(63)**	**(70)**
Carrying amounts				
As at 30 June 2013	83	79	59	221
As at 30 June 2014	**–**	**41**	**63**	**104**

(C3c) Provisions

Keeping it simple . . .

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This includes constructive obligations that are recognised in relation to put options.

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Current				
Employee benefits	**9**	10	**–**	–
Development costs	**241**	163	**29**	–
Other	**7**	2	**1**	1
Total current provisions	**257**	175	**30**	1
Non-current				
Employee benefits	**4**	4	**–**	–
Development costs	**166**	88	**–**	–
Total non-current provisions	**170**	92	**–**	–

The provision for development costs relates to obligated future costs including land acquired on capital efficient deferred terms.

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 constructive obligation. If Stockland also presently exhibit 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.

Movement in development costs and other provisions

	Stockland		Stockland Trust Group	
	Development costs $M	Other $M	Development costs $M	Other $M
Carrying amount at the beginning of the financial year	251	2	–	1
Additional provisions recognised	296	5	29	–
Unused amounts reversed	(7)	–	–	–
Amounts used during the financial year	(133)	–	–	–
Carrying amount at the end of the financial year	**407**	**7**	**29**	**1**

(C3d) 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		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Investment Properties transferred from Retirement Living	**8**	7	–	–
Investment Properties transferred from Commercial Property	**–**	84	–	84
Property, plant & equipment – Aged Care	**73**	–	–	–
Inventory transferred from UK	**39**	–	–	–
Total	**120**	**91**	**–**	**84**

The balance for the property, plant and equipment for Aged Care is shown after a $9 million provision to write down the assets to reflect the sale value. Sale of the Aged Care business occurred on 21 July 2014.

There remain two assets in the UK business which are held for sale. The sale of these assets are expected to complete by 30 June 2015.

(D) Capital Structure and Financing Costs

In this section

This section outlines how Stockland and the Stockland Trust 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 Stockland, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance Stockland's activities both now and in the future.

The Board considers Stockland's and the Stockland Trust 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.

Stockland and Stockland Trust 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, Stockland and Stockland Trust 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 value of our derivative instruments between the later of inception or 1 July 2013 and 30 June 2014. The 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 bank overdrafts and short-term and long-term borrowings calculated using the effective interest method, payments on derivatives, losses on hedging instruments that are recognised in 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 Note (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 at Note (D4).

Net financing costs can be analysed as follows:

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Interest income from related parties	**–**	–	**329**	352
Interest income from other parties	**5**	6	**2**	1
Finance income	**5**	6	**331**	353
Interest expense relating to interest-bearing financial liabilities	**196**	217	**196**	216
Interest paid or payable on other financial liabilities at amortised cost	**15**	9	**–**	–
Less interest capitalised to inventories	**(120)**	(125)	**–**	–
Less interest capitalised to investment properties	**(12)**	(16)	**(4)**	(8)
Interest expense	**79**	85	**192**	208
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**5**	4	**5**	4
Net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**63**	5	**63**	5
Net foreign exchange loss transferred from the foreign currency translation reserve	**1**	4	**–**	–
Total fair value and foreign exchange movements on debt and derivatives	**69**	13	**68**	9
Finance expense	**148**	98	**260**	217

The interest expense relating to interest-bearing financial liabilities includes $113 million (2013: $131 million) related to interest on financial liabilities at amortised cost.

The net loss from hedged items and financial instruments treated as fair value hedges of $5 million (2013: $4 million) comprise:

- a loss arising on the change in fair value of the derivatives of $13 million (2013: gain of $13 million); and
- a gain arising on the net change in fair value of the interest-bearing liabilities of $8 million (2013: loss of $17 million).

The net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules comprise:

For Stockland:

- a loss of $76 million (2013: gain of $49 million) from fair value movements; and
- a gain of $13 million (2013: loss of $54 million) from net unrealised foreign exchange movement.

For Stockland Trust Group:

- a loss of $77 million (2013: gain of $49 million) from fair value movements; and
- a gain of $14 million (2013: loss of $54 million) from net unrealised foreign exchange movement.

During the year financial instruments were closed out by Stockland and the Stockland Trust Group at cash costs of $257 million (2013: $4 million) and $258 million (2013: $8 million), respectively. The following amounts were recognised in the profit or loss in the current year:

- a loss of $5 million was recognised by Stockland (2013: $2 million gain), as cumulative fair value losses of $252 million had previously been recognised. The remaining loss of $58 million (2013: $7 million) is unrealised.
- a loss of $5 million was recognised by Stockland Trust Group (2013: $2 million), as cumulative fair value losses of $253 million had previously been recognised. The remaining loss of $58 million (2013: $6 million) is unrealised.

(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 are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement. As at 30 June 2014 Stockland does not have any bank overdrafts.

(D3) Interest-bearing loans and borrowings

Keeping it simple . . .

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

The interest payable and receivable on these instruments is shown in the net financing costs note in D1.

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 recognised in profit or loss. Refer to Note D5 for further details of measuring fair value of interest-bearing loans and borrowings.

		Stockland		Stockland Trust Group	
	Note	2014 $M	2013 $M	2014 $M	2013 $M
Current					
Unsecured					
Foreign medium term notes	(D3a)	**92**	143	**92**	143
Domestic medium term notes	(D3b)	**264**	–	**264**	–
Total current debt		**356**	143	**356**	143
Non-current					
Unsecured					
Foreign medium term notes	(D3a)	**1,778**	1,711	**1,778**	1,711
Domestic medium term notes	(D3b)	**458**	607	**458**	607
Bank facilities	(D3c)	**526**	–	**526**	–
Total non-current debt		**2,762**	2,318	**2,762**	2,318

Fair values versus carrying amounts

All financial instruments recognised on the balance sheet are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings:

	Stockland and Stockland Trust Group			
	Carrying amount 2014 $M	Fair value 2014 $M	Carrying amount 2013 $M	Fair value 2013 $M
Foreign medium term notes	**1,870**	**2,017**	1,854	1,959
Domestic medium term notes	**722**	**781**	607	667
Total medium notes	**2,592**	**2,798**	2,461	2,626

The difference of $206 million (2013: $165 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139 Financial Instruments, 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 Stockland Trust Group

UK private placement

During the 2007 financial year, Stockland issued medium term notes with a face value of $149 million (GBP 60 million) into the UK private placement market. All notes were issued at a fixed coupon payable in GBP and converted to AUD floating coupons through cross-currency principal and interest rate swaps (“CCIRS”).

During the current year, Stockland fully repaid GBP 60 million (AUD 102 million) of its medium term notes that were issued into the UK private placement market and matured in October 2013.

The fair value of the UK notes as at 30 June 2014 is $nil million (2013: $100 million). Details of the foreign medium term notes on issue in the UK private placement market are set out below:

			Carrying Amount	
Maturity date	**Fixed rate coupon**	**Floating CCIRS[1]**	**2014 $M**	**2013 $M**
October 2013	5.63%	0.63%	–	100
Total Balance Sheet carrying amount			**–**	**100**

1 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2014 was 2.71% (2013: 2.82%).

US private placement

During previous financial years, Stockland issued notes in the US private placement market. All notes were issued at a fixed coupon and all notes that were issued in USD were converted back to AUD principal and AUD floating coupons through CCIRS.

During the year, Stockland repaid USD 40 million (AUD 51 million) of its notes that were issued in the US private placement market and matured in July 2013. In addition, Stockland issued USD 125 million (AUD 141 million) of 15 year notes in the US private placement market. The principal and interest of the foreign denominated notes have been swapped back to Australian dollars through CCIRS.

The fair value of the US private placements as at 30 June 2014 is $1,742 million (2013: $1,637 million).

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

Maturity date	Fixed rate coupon	Floating CCIRS[2]	Face value[1] 2014 $M	Face value[1] 2013 $M	Carrying amount 2014 $M	Carrying amount 2013 $M
July 2013	4.79%	0.65% - 0.63%	–	51	**–**	43
July 2014	4.89%	0.71% - 0.70%	28	28	**23**	25
June 2015	5.81%	0.39%	75	75	**69**	72
July 2015	4.99%	0.78% - 0.77%	64	64	**54**	55
October 2015	5.72%	0.70% - 0.60%	99	99	**73**	77
July 2016	5.04%	0.79% - 0.78%	62	62	**52**	53
October 2016	5.87%	0.76%	27	28	**21**	22
June 2017	5.93%	0.48%[2] - 0.41%[3]	179	170	**201**	209
October 2017	5.96%	0.76%	61	61	**48**	50
June 2018	5.98%	0.25%	250	250	**179**	183
October 2018	6.01%	0.73% - 0.65%	269	269	**215**	223
July 2019	5.19%	0.85% - 0.83%	71	71	**60**	62
July 2020	5.24%	0.87% - 0.86%	90	90	**78**	79
September 2021	4.32%	2.44% - 2.48%	176	176	**198**	199
June 2022	6.15%	1.00%	28	28	**34**	36
August 2022	3.99%/6.80%	2.93% - 3.08%	105	105	**102**	99
August 2024	4.14%	2.99%	50	50	**47**	45
June 2027	6.28%	0.87%	20	21	**28**	28
February 2029	4.67%	1.52%	141	–	**142**	–
Total			**1,795**	**1,698**	**1,624**	1,560
Less: Attributable transaction costs					**(3)**	(4)
Total Balance Sheet carrying amount					**1,621**	1,556

1 Face value of the notes in Australian dollars after the effect of the CCIRSs.

2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2014 was 2.71% (2013: 2.82%).

3 Variable interest rate margin above the 90 day Libor rate. The 90 day Libor rate as at 30 June 2014 was 0.55% (2013: 0.51%).

Asian private placement

Stockland issued medium term notes with a face value of $151 million (JPY 13,000 million) into the Asian private placement market in the 2006 financial year and a further $62 million (HKD 470 million) in the 2013 financial year.

During the current year, Stockland issued medium term notes with a face value of $55 million (HKD 400 million) into the Asian private placement market which matures in May 2025.

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

The fair value of the notes as at 30 June 2014 is $275 million (2013: $222 million). Details of the foreign medium term notes on issue in the Asian private placement market are set out below:

Maturity date	Fixed rate coupon	Floating CCIRS[1]	Carrying Amount 2014 $M	Carrying Amount 2013 $M
May 2025	3.37%	1.63%	**60**	60
October 2025	4.00%	1.63%	**57**	**–**
August 2035	3.99%	0.80%	**133**	139
Total			**250**	199
Less: attributable transaction costs			**(1)**	(1)
Total Balance Sheet carrying amount			**249**	198

1 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2014 was 2.71% (2013: 2.82%).

(D3b) Domestic medium term notes

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 current year, Stockland repurchased medium term notes from the domestic private placement market. The total face value of these notes were $36 million and were due to mature in February 2015. In addition, Stockland also issued $150 million of notes in the domestic private placement market which mature in September 2019.

The fair value of the notes as at 30 June 2014 is $781 million (2013: $667 million). Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	Fixed rate coupon	2014 $M	2013 $M
February 2015	**8.50%**	**264**	300
July 2016	**7.50%**	**150**	150
September 2019	**5.50%**	**150**	–
November 2020	**8.25%**	**160**	160
Total		**724**	610
Less: attributable transaction costs		**(2)**	(3)
Total Balance Sheet carrying amount at amortised cost		**722**	607

(D3c) Bank facilities

Stockland and Stockland Trust Group

The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are carried at amortised cost. Details of maturity dates and security for facilities, excluding bank guarantee facilities (refer to Note F1), are set out below:

Facility limit				Utilised	
2014 $M	2013 $M	Security	Maturity date	2014 $M	2013 $M
–	100	Unsecured	November 2013	–	–
–	100	Unsecured	July 2014	–	–
–	120	Unsecured	August 2014	–	–
–	100	Unsecured	September 2014	–	–
–	100	Unsecured	December 2014	–	–
100	–	Unsecured	July 2015	–	–
470	–	Unsecured	August 2015	346	–
100	–	Unsecured	September 2015	–	–
–	100	Unsecured	November 2015	–	–
100	175	Unsecured	December 2015	–	–
175	–	Unsecured	December 2016	–	–
100	–	Unsecured	January 2017	–	–
–	150	Unsecured	February 2017	–	–
–	175	Unsecured	November 2017	–	–
150	–	Unsecured	February 2018	140	–
175	–	Unsecured	November 2018	40	–
1,370	**1,120**			**526**	**–**

(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. Stockland uses derivatives to manage exposure to foreign exchange and interest rate risk.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. 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 to Note D6(d).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate 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 the Group'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.

Other financial assets

Investments in other financial assets which are managed in accordance with Stockland's documented risk policy based on their fair value and held-for-trading purposes will be designated as financial assets carried at fair value through profit or loss. Investments in other financial assets will be recognised at fair value with movements recognised in other comprehensive income.

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.

These investments are included in "Non-current assets – Other financial assets" unless Stockland intends to dispose of the investment within twelve months of balance date in which case the investment is classified as "Current assets – Other financial assets".

During the year, Stockland obtained a 19.9% (115,166,597 securities) stake in Australand at an average price of $3.78. This comprises a 15.7% direct holding in securities of Australand and 4.2% indirect interest via a cash settled equity swap agreement. The direct holding is included in "Securities in listed entities" while the indirect holding is included in "Other Financial Instrument". Based on the closing price of Australand at 30 June 2014, this holding has resulted in the following gains:

- $52 million (net of tax) of fair value gains recognised in Other Comprehensive Income
- $1 million (net of tax) recognised in the Statement of Profit & Loss on partial sale of the indirect holding

Both the direct holding and indirect interest have been classified as current as at 30 June 2014.

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

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

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
(D4a) Other financial assets				
Current				
Investments in other entities at fair value through Profit or Loss/Other Comprehensive Income				
Other financial instrument	**99**	–	–	–
Securities in listed entities	**404**	–	–	–
Total current investments in other entities at fair value through Profit or Loss/Other Comprehensive Income	**503**	–	–	–
Derivatives that do not qualify as effective under hedge accounting rules				
Interest rate derivatives	**5**	3	**5**	3
Foreign exchange contracts	**–**	1	**2**	1
Total current other financial assets	**508**	4	**7**	4
Non-current				
Investments in other entities at fair value through profit or loss/Other Comprehensive Income				
Units in unlisted entities	**6**	20	6	19
Securities in listed entities	–	58	–	–
Total non-current investments in other entities at fair value through Profit or Loss/Other Comprehensive Income	**6**	78	**6**	19
Derivatives that qualify as effective under hedge accounting rules				
Fair value hedges	**24**	23	**24**	23
Derivatives that do not qualify as effective under hedge accounting rules				
CCIRS	**47**	66	**47**	66
Interest rate derivatives	**49**	66	**49**	66
Foreign exchange contracts	**–**	–	–	2
Total non-current other financial assets	**126**	233	**126**	176
(D4b) Other financial liabilities				
Current				
Aged Care accommodation bonds	**53**	56	–	–
Derivatives that qualify as effective under hedge accounting rules				
Fair value hedges	**4**	8	**4**	8
Derivatives that do not qualify as effective under hedge accounting rules				
CCIRS	**6**	222	**6**	223
Interest rate derivatives	**4**	5	**4**	5
Foreign exchange contracts	**2**	1	**2**	1
Total current other financial liabilities	**69**	292	**16**	237
Non-current				
Derivatives that qualify as effective under hedge accounting rules				
Fair value hedges	**99**	88	**99**	88
Cash flow hedges	**4**	(3)	**4**	(3)
Derivatives that do not qualify as effective under hedge accounting rules				
CCIRS	**79**	47	**79**	47
Interest rate derivatives	**283**	298	**283**	298
Foreign exchange contracts	**–**	2	**–**	2
Total non-current other financial liabilities	**465**	432	**465**	432

(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 this fair value may in some cases be subjective and may depend on the inputs used in the calculations. Stockland 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: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value

The fair value of derivative financial instruments, including domestic and foreign medium term notes, interest rate derivatives and cross currency interest rate swaps ("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 Note C1c.

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2014				
Financial assets carried at fair value				
Securities in listed entities	**404**	**–**	**–**	**404**
Units in unlisted entities	**–**	**–**	**6**	**6**
Derivative assets	**–**	**125**	**–**	**125**
Other financial instrument	**–**	**99**	**–**	**99**
Total financial assets carried at fair value	**404**	**224**	**6**	**634**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(470)**	**(11)**	**(481)**
Financial liabilities designated in effective fair value hedges	**–**	**(981)**	**–**	**(981)**
Aged care accommodation bonds	**–**	**–**	**(53)**	**(53)**
Retirement Living resident obligations	**–**	**–**	**(1,865)**	**(1,865)**
Total financial liabilities carried at fair value	**–**	**(1,451)**	**(1,929)**	**(3,380)**
Net position	**404**	**(1,227)**	**(1,923)**	**(2,746)**
2013				
Financial assets carried at fair value				
Securities in listed entities	58	–	–	58
Units in unlisted entities	–	–	20	20
Derivative assets	–	158	1	159
Total financial assets carried at fair value	58	158	21	237
Financial liabilities carried at fair value				
Derivative liabilities	–	(668)	–	(668)
Financial liabilities designated in effective fair value hedges	–	(837)	–	(837)
Aged care accommodation bonds	–	–	(56)	(56)
Retirement Living resident obligations	–	–	(1,774)	(1,774)
Total financial liabilities carried at fair value	–	(1,505)	(1,830)	(3,335)
Net position	58	(1,347)	(1,809)	(3,098)

Stockland Trust Group

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2014				
Financial assets carried at fair value				
Units in unlisted entities	–	**–**	**6**	**6**
Derivative assets	–	**127**	**–**	**127**
Total financial assets carried at fair value	–	**127**	**6**	**133**
Financial liabilities carried at fair value				
Derivative liabilities	–	**(470)**	**(11)**	**(481)**
Financial liabilities designated in effective fair value hedges	–	**(981)**	**–**	**(981)**
Total financial liabilities carried at fair value	–	**(1,451)**	**(11)**	**(1,462)**
Net position	–	**(1,324)**	**(5)**	**(1,329)**
2013				
Financial assets carried at fair value				
Units in unlisted entities	–	–	19	19
Derivative assets	–	160	1	161
Total financial assets carried at fair value	**–**	160	20	180
Financial liabilities carried at fair value				
Derivative liabilities	–	(669)	–	(669)
Financial liabilities designated in effective fair value hedges	–	(837)	–	(837)
Total financial liabilities carried at fair value	**–**	(1,506)	–	(1,506)
Net position	**–**	(1,346)	20	(1,326)

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

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 $110 million (FY13: $108 million).

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	Aged Care Accommodation bonds $M	Retirement Living resident obligations $M	Total $M
Balance at 1 July 2012	25	(388)	(54)	(1,700)	(2,117)
Total gains and losses recognised in:					
• profit or loss	–	(18)	–	85	67
• other comprehensive income	–	–	–	–	–
Transfer to Level 2	–	407	–	–	407
Other transfers	–	–	(9)	9	-
Purchases	1	–	–	–	1
Net cash settled on resident turnover	–	–	7	(168)	(161)
Capital distributions	(6)	–	–	–	(6)
Balance at 30 June 2013	20	1	(56)	(1,774)	(1,809)
Total gains and losses recognised in:					
• profit or loss	–	**(12)**	–	**72**	**60**
• other comprehensive income	–	–	–	–	–
Transfer to Level 2	–	–	–	–	–
Other transfers	–	–	**(7)**	**7**	–
Purchases	–	–	–	–	–
Net cash settled on resident turnover	–	–	**10**	**(170)**	**(160)**
Capital distributions	**(14)**	–	–	–	**(14)**
Balance at 30 June 2014	**6**	**(11)**	**(53)**	**(1,865)**	**(1,923)**

Stockland Trust Group

	Units in unlisted entities $M	Derivatives $M	Total $M
Balance at 1 July 2012	24	(388)	(364)
Total gains and losses recognised in:			
• profit or loss	–	(18)	(18)
• other comprehensive income	–	–	–
Transfer out of level 3	–	407	407
Purchases	1	–	1
Capital distributions	(6)	–	(6)
Balance at 30 June 2013	19	1	20
Total gains and losses recognised in:			
• profit or loss	-	**(12)**	**(12)**
• other comprehensive income	-	**–**	**–**
Transfer out of level 3	-	**–**	**–**
Purchases	-	**–**	**–**
Capital distributions	**(13)**	**–**	**(13)**
Balance at 30 June 2014	**6**	**(11)**	**(5)**

(D6) Financial risk factors

Keeping it simple . . .

Stockland's and Stockland Trust Group 's activities expose the Group to a variety of financial risks; market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Stockland and Stockland Trust Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. Stockland and Stockland Trust 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 under policies approved by the Board. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate, liquidity, foreign exchange and credit risks, use of derivative financial instruments and investing excess liquidity. The Risk Committee assists the Board in monitoring the implementation of these treasury policies.

(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 return.

Foreign exchange risk

Foreign exchange risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars. Stockland has currency exposures to the Pound Sterling, US Dollar, Yen, Euro and Hong Kong Dollar.

Stockland manages its foreign exchange exposure by using cross currency interest rate swap contracts ("CCIRS") and forward exchange contracts ("FEC").

Stockland's foreign medium term notes create both an interest rate and a foreign currency risk exposure. Stockland's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Stockland has entered into a series of CCIRS which cover 100% of the US, UK and Asian private placement principals outstanding and are timed to expire when each private placement loan matures. These swaps also swap the obligation to pay fixed interest to floating interest. 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.

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 Stockland's foreign exchange risk exposures together with the derivatives which have been entered into to manage these exposures.

	Stockland					Stockland Trust Group			
	GBP £M	USD $M	Yen ¥M	Euro €M	HKD $HK	GBP £M	USD $M	Yen ¥M	HKD $HK
2014									
Borrowings	**–**	**(1,511)**	**(13,000)**	**–**	**(870)**	**–**	**(1,511)**	**(13,000)**	**(870)**
Other net assets	**24**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**–**
CCIRS	**(54)**	**1,511**	**13,000**	**–**	**870**	**(54)**	**1,511**	**13,000**	**870**
FEC	**22**	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**–**
Total exposure	**(8)**	**–**	**–**	**1**	**–**	**(54)**	**–**	**–**	**–**
2013									
Borrowings	(60)	(1,426)	(13,000)	–	(470)	(60)	(1,426)	(13,000)	(470)
Other net assets	49	–	–	2	–	–	–	–	–
CCIRS	6	1,426	13,000	–	470	6	1,426	13,000	470
FEC	–	–	–	(3)	–	–	–	–	–
Total exposure	(5)	–	–	(1)	-	(54)	–	–	–

Sensitivity analysis – foreign exchange risk
The following sensitivity analysis shows the effect on the profit or loss and equity if there was an increase/decrease in exchange rates of 10% (2013:10%) at balance date with all other variables held constant.

Stockland

	Profit or loss		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2014				
GBP	**6**	**(6)**	**(4)**	**5**
USD	**(12)**	**7**	**(15)**	**18**
YEN	**(3)**	**–**	**–**	**–**
EUR	**1**	**–**	**–**	**–**
HKD	**–**	**–**	**(1)**	**2**
Total impact	**(8)**	**1**	**(20)**	**25**
30 June 2013				
GBP	8	(10)	(7)	9
USD	(10)	12	(13)	16
YEN	(4)	(2)	–	–
EUR	–	–	–	–
HKD	–	–	(1)	1
Total impact	(6)	–	(21)	26

Stockland Trust Group

	Profit or loss		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
30 June 2014				
GBP	**10**	**(10)**	**–**	**–**
USD	**(12)**	**7**	**(15)**	**18**
YEN	**(3)**	**–**	**–**	**–**
HKD	**–**	**–**	**(1)**	**2**
Total impact	**(5)**	**(3)**	**(16)**	**20**
30 June 2013				
GBP	8	(10)	–	–
USD	(10)	12	(13)	16
YEN	(4)	(2)	–	–
HKD	–	–	(1)	1
Total impact	(6)	–	(14)	17

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.

Stockland's interest rate risk arises from borrowings. Borrowings issued at variable rates expose Stockland to cash flow interest rate risk. Borrowings issued at fixed rates expose Stockland to fair value interest rate risk. Stockland's treasury policy allows Stockland to enter into a variety of approved derivative instruments to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures. Stockland manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Stockland manages its fair value interest rate risk through 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. 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 Stockland's interest rate risk exposure on interest-bearing loans and borrowings after the effect of the interest rate derivatives.

	Net exposure (after the effect of derivatives)	
	2014 $M	**2013 $M**
Stockland and Stockland Trust Group		
Fixed rate interest-bearing loans and borrowings[1]	**1,969**	2,436
Floating rate interest-bearing loans and borrowings[1]	**1,344**	408
Total interest-bearing loans and borrowings	**3,313**	2,844

1 Notional principal amounts

Sensitivity analysis – interest rate risk

The following sensitivity analysis shows the effect on profit or loss and equity if market interest rates at balance date had been 100 basis points higher/lower (2013: 100 basis points) with all other variables held constant.

Stockland

	Profit or loss		Equity	
	100bp higher $M	**100bp lower $M**	**100bp higher $M**	**100bp lower $M**
30 June 2014				
Effect of market interest rate movement	**49**	**(70)**	**9**	**(10)**
30 June 2013				
Effect of market interest rate movement	73	(92)	8	(9)

The impact of a 100bp increase on the profit or loss would be reflected as:

- $47 million gain (2013: $71 million gain) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules"; and
- $2 million gain (2013: $2 million gain) in "Interest income from other parties".

The impact of a 100bp decrease on the profit or loss would be reflected as:

- $68 million loss (2013: $90 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules"; and
- $2 million loss (2013: $2 million loss) in "Interest income from other parties".

Stockland Trust Group

	Profit or loss		Equity	
	100bp higher $M	100bp lower $M	100bp higher $M	100bp lower $M
30 June 2014				
Effect of market interest rate movement	**85**	**(106)**	**9**	**(10)**
30 June 2013				
Effect of market interest rate movement	111	(130)	8	(9)

The impact of a 100bp increase on profit or loss would be reflected as:

- $47 million gain (2013: $71 million gain) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules"; and
- $38 million gain (2013: $40 million gain) in "Interest income from other parties".

The impact of a 100bp decrease on profit or loss would be reflected as:

- $68 million loss (2013: $90 million loss) in "Net unrealised gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules"; and
- $38 million loss (2013: $40 million loss) in "Interest income from other parties".

Equity price risk

Equity price risk is the risk that the fair value of investments in listed/unlisted entities fluctuate due to changes in the underlying share/unit price. Stockland's equity price risk arises from investments in listed securities and units in unlisted funds. These investments are classified as financial assets carried at fair value, with any resultant gain or loss recognised in other comprehensive income.

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

Sensitivity analysis - equity price risk

The following sensitivity analysis shows the effect on profit or loss and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower (2013: 10%) with all other variables held constant.

Stockland

	Profit or loss		Equity	
	10% higher $M	10% lower $M	10% higher $M	10% lower $M
30 June 2014				
Market price of securities	**1**	**(1)**	**50**	**(50)**
30 June 2013				
Market price of securities	8	(8)	–	–

Stockland Trust Group

	Profit or loss		Equity	
	10% higher $M	10% lower $M	10% higher $M	10% lower $M
30 June 2014				
Market price of securities	**1**	**(1)**	**–**	**–**
30 June 2013				
Market price of securities	2	(2)	–	–

(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 Stockland.

Stockland has no significant concentrations of credit risk to any single counterparty and has policies to review the aggregate exposure of tenancies across its portfolio. Stockland also has policies to ensure that sales of properties and development services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Risk Committee. There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating and country of origin.

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 2014, these financial institutions had an S&P credit rating of A- or above (2013: A- or above).

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

As at 30 June 2014 and 30 June 2013, there were no significant financial assets that were past due.

(D6c) Liquidity risk

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

Stockland manages liquidity risk through monitoring the maturity of its debt portfolio. Stockland also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn credit facilities. The current weighted average debt maturity is 5.2 years (2013: 5.4 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 Note 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
30 June 2014						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	**(304)**	**(310)**	**(251)**	**(23)**	**(36)**	**–**
Dividends and distributions payable	**(280)**	**(280)**	**(280)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,118)**	**(3,898)**	**(527)**	**(600)**	**(1,272)**	**(1,499)**
Aged Care accommodation bonds	**(53)**	**(53)**	**(53)**	**–**	**–**	**–**
Retirement Living resident obligations	**(1,865)**	**(1,867)**	**(1,666)**	**(1)**	**(9)**	**(191)**
Derivative financial liabilities						
Interest rate derivatives	**(287)**	**(321)**	**(77)**	**(72)**	**(132)**	**(40)**
Cross currency interest rate swaps	**(192)**					
• inflow		**1,600**	**154**	**312**	**587**	**547**
• outflow		**(1,941)**	**(157)**	**(362)**	**(790)**	**(632)**
Forward exchange contracts	**(2)**	**(2)**	**(2)**	**–**	**–**	**–**
Total financial liabilities	**(6,101)**	**(7,072)**	**(2,859)**	**(746)**	**(1,652)**	**(1,815)**
30 June 2013						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(315)	(316)	(280)	(17)	(19)	-
Dividends and distributions payable	(277)	(277)	(277)	–	–	–
Interest-bearing loans and borrowings	(2,461)	(3,188)	(290)	(536)	(1,026)	(1,336)
Aged Care accommodation bonds	(56)	(56)	(56)	–	–	–
Retirement Living resident obligations	(1,774)	(1,777)	(1,577)	(2)	(7)	(191)
Derivative financial liabilities						
Interest rate derivatives	(305)	(341)	(90)	(81)	(129)	(41)
Cross currency interest rate swaps	(361)					
• inflow		1,423	198	144	536	545
• outflow		(1,952)	(425)	(149)	(702)	(676)
Forward exchange contracts	(2)	(2)	–	(2)	–	–
Total financial liabilities	(5,551)	(6,486)	(2,797)	(643)	(1,347)	(1,699)

For the Retirement Living resident obligations, under an exit or entry fee contract, settlement of Stockland's obligation in most cases occurs simultaneously with receipt of the incoming resident's contribution. Under the deferred repayment contract, the terms of the contract allow Stockland the unconditional right to defer settlement for a maximum of eight years after the resident turnover date based on the resident's tenure. Of the total Retirement Living resident obligations, $1,822 million (2013: $1,731 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents. Refer to page 89 for an explanation on the current and non-current classification of the Retirement Living resident obligations.

Stockland Trust Group

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
30 June 2014						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	**(94)**	**(94)**	**(94)**	**–**	**–**	**–**
Distributions payable	**(280)**	**(280)**	**(280)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,118)**	**(3,898)**	**(527)**	**(600)**	**(1,272)**	**(1,499)**
Derivative financial liabilities						
Interest rate derivatives	**(287)**	**(321)**	**(77)**	**(72)**	**(132)**	**(40)**
Cross currency interest rate swaps	**(192)**					
• inflow		**1,600**	**154**	**312**	**587**	**547**
• outflow		**(1,941)**	**(157)**	**(362)**	**(790)**	**(632)**
Forward exchange contracts	**(2)**	**(2)**	**(2)**	**–**	**–**	**–**
Total financial liabilities	**(3,973)**	**(4,936)**	**(983)**	**(722)**	**(1,607)**	**(1,624)**
30 June 2013						
Non-derivative financial liabilities						
Trade and other payables (exc. GST)	(116)	(116)	(116)	–	–	–
Distributions payable	(277)	(277)	(277)	–	–	–
Interest-bearing loans and borrowings	(2,461)	(3,189)	(291)	(536)	(1,026)	(1,336)
Derivative financial liabilities						
Interest rate derivatives	(305)	(341)	(90)	(81)	(129)	(41)
Cross currency interest rate swaps	(361)					
• inflow		1,423	198	144	536	545
• outflow		(1,952)	(425)	(149)	(702)	(676)
Forward exchange contracts	(3)	(3)	(1)	(2)	-	-
Total financial liabilities	(3,523)	(4,455)	(1,002)	(624)	(1,321)	(1,508)

(D6d) Hedging

Stockland use 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.

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.

(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 Stockland and Stockland Trust Group and the balances at 30 June 2014 are presented in the Statements of Changes in Equity.

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

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

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. 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 Stockland's issued securities and Stockland Trust Group's issued units.

	Stockland and Stockland Trust Group		Stockland		Stockland Trust Group	
	Number of securities/ units 2014	Number of securities/ units 2013	2014 $M	2013 $M	2014 $M	2013 $M
Ordinary securities/units on issue						
Issued and fully paid	**2,326,978,560**	2,305,750,747	**8,430**	8,353	**7,126**	7,559
Other equity securities/units						
Treasury Shares	**(2,704,874)**	(1,374,761)	**(10)**	(5)	**(10)**	(5)
Total Issued Capital	**2,324,273,686**	2,304,375,986	**8,420**	8,348	**7,116**	7,554

(D7a) Ordinary securities/units

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

Details	Stockland and Stockland Trust Group Number of securities/units	Stockland $M	Stockland Trust Group $M
Movement of securities/units issued			
Balance as at 1 July 2012	2,203,547,228	7,963	7,180
Securities/units bought back as part of the on-market buyback and cancelled	(889,265)	(3)	(3)
Securities/units issued as part of the capital raising	103,092,784	400	389
Less: transaction costs from capital transactions during the financial year	-	(7)	(7)
Balance as at 1 July 2013	**2,305,750,747**	**8,353**	**7,559**
Securities/units issued as part of the distribution reinvestment plan	**21,227,813**	**77**	**74**
Transfer of capital to Stockland Corporation Limited	**–**	**–**	**(507)**
Closing balance as at 30 June 2014	**2,326,978,560**	**8,430**	**7,126**

(D7a)(i) On-market buyback
During the year ended 30 June 2012, Stockland announced an on-market buyback of up to 10% of its issued capital. Securities acquired through the buyback were purchased on-market at a price no more than 5% above their last five trading day average closing market price at the time.

On 13 February 2013, the on-market buyback ceased. As at cessation of the on-market buyback, a total of 180,378,754 securities (8.19% of issued capital) had been bought back and cancelled at a total price of $548 million for an average price of $3.04.

(D7a)(ii) Capital raising
In the prior year, Stockland raised $400 million (pre-fees) through a fully underwritten placement to institutional investors of 103,092,784 securities at $3.88 each. This was at a 2.5% discount to the closing price on 21 May 2013.

Stockland also dispatched a non-underwritten Security Purchase Plan ("SPP") inviting eligible securityholders to participate in a non-underwritten SPP capped at $100 million. The SPP was subsequently withdrawn due to the decrease in share price during the offering period.

On 18 December 2013 Stockland announced that the Dividend Reinvestment Plan (DRP) will operate for the half year distribution to 31 December 2013. This is disclosed further below.

(D7a)(iii) Transfer of capital
At the Annual General Meeting of Stockland Corporation Limited and Meeting of Unitholders of Stockland Trust on 29 October 2013, securityholders approved a proposal to reallocate capital from the Stockland Trust to Stockland Corporation Limited. On 29 November 2013, Stockland Trust Group reallocated $507 million of issued capital (equivalent to $0.22 per security) to Stockland Corporation Limited. The number of units and the number of shares on issue remained unchanged following the reallocation.

(D7a)(iv) Dividend Reinvestment Plan
On 18 December 2013 Stockland announced that the Dividend Reinvestment Plan ("DRP") would operate for the half year distribution to 31 December 2013. Under the DRP to 31 December 2013, 21,227,813 securities were issued on 28 February 2014.

On 12 June 2014, Stockland announced that the Dividend Reinvestment Plan ("DRP") would operate for the second half year distribution to 30 June 2014 and that Investors participating in the DRP will be entitled to receive a full distribution. Participating unitholders will receive a discount of 1.0 per cent on the securities acquired under the DRP.

The DRP security price was determined to be $3.92 based on the volume weighted average price over the 15-day trading period immediately preceding 21 July 2014.

(D7b) Other equity securities/units

Treasury Shares
Treasury shares are securities/units in Stockland that are held by the Stockland Employee Securities Plan Trust for the purpose of issuing shares under the Deferred Short Term Incentive ("DSTI") scheme.

The securities/units are held on behalf of Executives and Senior Management eligible under the scheme until the end of the vesting period. During the vesting period, the Executives and Senior Management are entitled to the distributions and dividends.

Movement of other equity securities/units

Details	Stockland and Stockland Trust Group Number of securities/units	Stockland $M	Stockland Trust Group $M
Opening balance as at 1 July 2013	1,374,761	(5)	(5)
Acquisition of securities/units by the Trust	1,508,503	(6)	(6)
Transferred to ordinary shares on vesting	(178,390)	1	1
Balance as at 30 June 2014	**2,704,874**	**(10)**	**(10)**

(D7c) Share based payments

Keeping it simple . . .

Stockland operates three share based compensation schemes which are described below.

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

Deferred Short Term Incentive awards ("DSTI")
For Executives and Senior Management there is a compulsory deferral of at least one third of short term incentives ("STI") into Stockland securities to further align remuneration outcomes with securityholders. Half of the awarded STI 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.

PRP
The number of rights granted to employees under the plan for the year ended 30 June 2014 was 3,968,989 (2013: 5,918,020).

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

Where the individual forfeits the rights due to failure to meet a service or performance condition, no remuneration in respect of that grant is expensed in that period, unless forfeiture relates to a market condition. The cumulative expense on forfeited rights is reversed through profit or loss.

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.

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

	2014 Grant at 31 August 2013	2013 Grant at 31 August 2012
Fair value of rights granted under plan	$2.15	$1.79
Spot price of the Stapled Securities at grant date	$3.73	$3.19
Exercise price	–	–
Distribution yield	7.3%	9.0%
Risk-free rate at grant date	2.8%	2.4%
Expected remaining life at grant date	2.8 years	2.8 years
Volatility of Index price[1]	20.0%	25.0%
Correlation (Stockland and the Index)[2]	77.0%	77.0%

1 The volatility is based on the historic volatility of the security adjusted for any expected changes to future volatility due to publicly available information.

2 Represents the estimated correlation of Stockland's TSR and the TSR of the ASX 200 Property Trust Accumulation Index (excluding Stockland).

The PRP rights outstanding as at 30 June 2014 have fair values ranging from $1.79 to $2.15 (2013: $1.66 to $1.79) per right and a weighted average restricted period remaining of 1.5 years (2013: 1.5 years).

As at 30 June 2014, no rights vested (2013: Nil). As no rights vested, the weighted average fair value of vested rights during the financial year was $Nil (2013: $Nil).

During the current financial year, no rights converted to Stockland stapled securities, as vesting conditions determined during the previous financial year were not met (2013:no rights).

DSTI

The fair value of securities granted under the DSTI has been calculated based on the 30 day volume weighted average price over June 2014 of $3.99 (2013: $3.55).

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

	Weighted average price per right/security		Number of rights/securities	
	2014	2013	2014	2013
Rights/securities outstanding at the beginning of the year	**$3.14**	$2.14	**9,328,574**	16,287,918
Rights granted during the year	**$2.30**	$2.07	**5,633,380**	7,038,548
Rights/securities forfeited and lapsed during the year	**$1.71**	$1.40	**(4,208,925)**	(13,811,514)
Securities exercised during the year	**–**	–	**–**	–
Rights converted to Stockland stapled securities	**$3.56**	$3.57	**(771,236)**	(186,378)
Rights/securities outstanding at the end of the year	**$2.19**	$3.14	**9,981,793**	9,328,574

The DSTI rights outstanding as at 30 June 2014, included in the table above, are 2,166,114 (2013: 1,306,906). The rights outstanding have fair values ranging from $3.55 to $3.99 (2013: $3.55 to $3.57) per right.

$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 Stockland and the Stockland Trust Group are detailed below.

2014

Stockland Corporation Limited

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

The dividend franking account balance as at 30 June 2014 is $12.5 million based on a 30% tax rate (2013: $12.2 million).

Stockland Trust

	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution	**12.0**	**276**	**28 February 2014**	**16.5**
Final distribution	**12.0**	**280**	**29 August 2014**	**16.5**
Total distribution	**24.0**	**556**		

2013

Stockland Corporation Limited

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

Stockland Trust

	Cents per unit	Total amount $M	Date of payment	Tax preferred %
Interim distribution	12.0	264	28 February 2013	15.5
Final distribution	12.0	277	31 August 2013	15.5
Total distribution	24.0	541		

(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.

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

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 Stockland's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

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

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

Joint ventures

A joint venture is either a venture or operation over whose activities Stockland 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.

Stockland'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 Stockland'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 Stockland 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 Stockland's interest in the joint venture until such time as they are realised by the joint venture on consumption or sale.

Joint operations

Interests in unincorporated joint operations are consolidated by recognising Stockland'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.

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. Stockland considers all Retail Fund's in which it currently holds an investment, and from which it currently earns fee income, to be structured entities.

(E1) Investments in associates

Stockland and the Stockland Group Trust have interests in a number of individually immaterial associates that are accounted for using the equity method.

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

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Aggregate carrying amount of individually immaterial associates	–	109	–	116
Aggregate share of:				
Profit from continuing operations	**6**	8	**6**	8
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	**6**	8	**6**	8

On 7 February 2014, Stockland and Stockland Group Trust's equity interest in one of its associates Macquarie Park Trust increased from 31% to 51% and became a joint venture from that date. Accordingly, the information presented in the above table includes the results of Macquarie Park Trust only for the period from 1 July 2013 to 7 February 2014.

(E2) Investments in joint venture entities

Stockland and the Stockland Trust Group have interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

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		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Aggregate carrying amount of individually immaterial joint venture entities	**650**	434	**608**	391
Aggregate share of:				
Profit from continuing operations	**56**	36	**50**	35
Post-tax profit or loss from discontinued operations	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**56**	36	**50**	35
Total comprehensive income from equity-accounted investments	**62**	44	**56**	43

(E3) Investments in unconsolidated structured entities

Stockland holds an interest in a number of closed-end, unlisted property funds (the Funds) that invest in real estate assets in Australia for the purpose of generating investment income and for capital appreciation. These funds have been determined to meet the definition of a structured entity.

Stockland holds a 19.9% (30 June 2013: 19.9%) interest in Stockland Direct Office Trust No. 2 (SDOT No.2), valued at $1 million at 30 June 2014 (30 June 2013: $14 million). Stockland also holds a 19.9% interest in Stockland Direct Retail Trust No.1 (SDRT No.1) (30 June 2013; 18.7%), valued at $5 million at 30 June 2014 (30 June 2013: $5 million). Stockland's interest in each of these Funds is disclosed within the 'Other Financial Assets' line item on the Balance Sheet. Stockland is also entitled to responsible entity and other management fees from these funds which are detailed in note F4. The amount receivable for these fees at 30 June 2014 is $3 million (30 June 2013: $5 million) which is disclosed within the other receivables line item in Note (C2a).

The Funds finance their operations through unitholder contributions and also through external banking facilities. Stockland also provides a loan facility offer to SDRT No.1 which is considered in Note (F4b). The maximum exposure to risk for SDOT No.2 is the carrying value of Stockland's investment in the Fund, and for SDRT No.1 its maximum exposure to risk is the carrying value of its investment in the Fund and the amount of the loan facility extended to the Fund.

(E4) Controlled entities

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

Stockland Trust
Controlled entities of Stockland Trust

ADP Trust	Stockland Direct Office Trust No. 4
Advance Property Fund	SDOT 4 Property # 1 Trust
Flinders Industrial Property Trust	SDOT 4 Property # 2 Trust
Stockland Finance Pty Limited[1]	SDOT 4 Property # 3 Trust
SDRT 3 Property # 1 Trust	Stockland Direct Retail Trust No. 3
Capricornia Property Trust	SDRT 3 Property # 2 Trust
Industrial Property Trust	SDRT 3 Property # 3 Trust
Shellharbour Property Trust	Stockland Retail Holding Trust No. 1
Stockland Industrial No. 1 Property 1 Trust	Stockland Retail Holding Sub-Trust No. 1
Stockland Industrial No. 1 Property 4 Trust	Endeavour (No. 1) Unit Trust
Stockland Industrial No. 1 Property 5 Trust	Stockland Wholesale Office Trust No. 1
Stockland Industrial No. 1 Property 6 Trust	9 Castlereagh Street Unit Trust
Stockland Industrial No. 1 Property 7 Trust	Stockland Castlereagh St Trust
Stockland Industrial No. 1 Property 8 Trust	SWOT2 Sub Trust No. 1
Stockland Industrial No. 1 Property 9 Trust	SWOT2 Sub Trust No. 2
Stockland Industrial No. 1 Property 11 Trust	SWOT2 Sub Trust No. 3
Jimboomba Village Shopping Centre and Tavern Trust	Stockland Finance Holdings Pty Limited[1]
Hervey Bay Holding Trust	Stockland Wholesale Office Trust No. 2
Hervey Bay Sub Trust	Stockland Direct Diversified Fund

Stockland Corporation Limited
Controlled entities of Stockland Corporation Limited

Albert & Co. Pty Limited[2]	Stockland North Lakes Pty Limited
Stockland Development Pty Limited	Stockland Highlands Pty Limited
Stockland Capital Partners Limited[2]	Lensworth Glenmore Park Limited
Stockland Management Limited[2]	Stockland Wallarah Peninsula Pty Limited[2]
Stockland Property Management Pty Limited[2]	Stockland Wallarah Peninsula Management Pty Limited[2]
Stockland Property Services Pty Limited[2]	Stockland South Beach Pty Limited[2]
Stockland Holding Trust No. 3	Stockland WA Development (VERTU Sub 1) Pty Limited[1]
Stockland Holding Trust No. 4	Jimboomba Trust
Stockland Holding Trust No. 5	Nowra Property Unit Trust
Stockland Holding Trust No. 6	Stockland Direct Retail Trust No. 2
Stockland (Queensland) Pty Limited[2]	SDRT 2 Property 1 Trust
Stockland (Russell Street) Pty Limited[2]	SDRT 2 Property 2 Trust
Stockland Singapore Pte Limited[1]	SDRT 2 Property 3 Trust
Stockland Trust Management Limited[2]	SDRT 2 Property 4 Trust
Stockland WA Development Pty Limited	ARC Joint Ventures Pty Limited[2]
Stockland WA (Estates) Pty Limited[2]	Oak Grange Pty Limited[2]
Endeavour (No. 2) Unit Trust	Rosebud Village Pty Limited[2]
Stockland Development (Holdings) Pty Limited[2]	Vermont Retirement Village Pty Limited[2]
Stockland Development (PHH) Pty Limited[2]	Knox Village Pty Limited[2]
Stockland Development (NAPA QLD) Pty Limited[2]	Patterson Village Pty Limited[2]
Stockland Development (NAPA NSW) Pty Limited[2]	Templestowe Retirement Village Pty Limited[2]
Stockland Development (NAPA VIC) Pty Limited[2]	Stockland PR1 Trust
Stockland Services Pty Limited[2]	Stockland PR2 Trust
Stockland Lake Doonella Pty Limited[2]	Stockland PR3 Trust
Stockland North Lakes Development Pty Limited[2]	Stockland PR4 Trust

1 Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group, as at 30 June 2014.

2 These companies are parties to the Deed but are currently ineligible for relief under the Class Order.

Controlled entities of Stockland Corporation Limited (continued)

Stockland Development (Holdings No. 1) Pty Limited[2]	Long Island Village Pty Limited[2]
Stockland Bells Creek Pty Limited[2]	Midlands Terrace Adult Community Pty Limited[2]
Stockland Buddina Pty Limited	Wantirna Village Pty Limited[2]
Stockland Caboolture Waters Pty Limited[2]	Retirement Living Holding Trust No. 1
Stockland Caloundra Downs Pty Limited[2]	Retirement Living Holding Trust No. 2
Stockland Kawana Waters Pty Limited	Retirement Living Holding Trust No. 3
Retirement Living Holding Trust No. 4	Aevum Limited[2]
Retirement Living Holding Trust No. 5	Hibernian Investment Company Pty Limited
Retirement Living Holding Trust No. 6	IOR Group Pty Limited
Retirement Living Acquisition Trust	IOR Friendly Society Pty Limited[2]
Knowles Property Management Unit Trust	Salford Living Pty Limited[2]
Knox Unit Trust	Stockland Financial Services Pty Limited[2]
Patterson Lakes Unit Trust	Stockland WA Development (Realty) Pty Limited[2]
Bayview Road Property Trust	Stockland Development (Sub3) Pty Limited[1]
Vermont Unit Trust	Stockland Development (Sub4) Pty Limited[1]
Templestowe Unit Trust	Stockland Development (Sub5) Pty Limited[1]
Retirement Living Unit Trust No. 1	Stockland Development (Sub6) Pty Limited[1]
Retirement Living Unit Trust No. 2	Stockland Development (Sub7) Pty Limited[1]
Stockland Services (UK) Limited[1, 3]	Stockland Eurofinance Pty Limited[2]
Stockland Holdings Limited[1, 3]	Stockland Retirement Pty Limited[2]
Stockland Asset Management Limited[1, 3]	Stockland WA Development (Sub 6) Pty Limited[1]
Stockland Management (UK) Limited[1, 3]	Stockland (NSW) No. 1 Pty Limited[1]
Stockland (Queen Street) Limited[1, 3]	Stockland (NSW) No. 2 Pty Limited[1]
Stockland (Stafford) Limited[1, 3]	Stockland Development (PR1) Pty Limited[1]
Stockland Land Limited[1, 3]	Stockland Development (PR2) Pty Limited[1]
Stockland (CReAM) Limited[1, 3, 4]	Stockland Development (PR3) Pty Limited[1]
Stockland (Dalgety Bay) Limited[1, 3]	Stockland Development (PR4) Pty Limited[1]
Stockland (Billingham) Limited[1, 3]	Stockland (IH) No. 1 Pty Limited[1]
Stockland Developments (UK) Limited[1, 3]	Stockland Scrip Holdings Pty Limited[1]
CReAM (GP) Limited (75%)[1, 3, 4]	Highlands Retirement Village Pty Limited[1]
CReAM (GP No. 4) Limited (75%)[1, 3, 4]	A.C.N 116 788 713 Pty Limited[2]
CReAM (GP No. 5) Limited (75%)[1, 3, 4]	Castleridge Pty Limited[1]
Stockland (Rylands) No. 1 Pty Limited[1]	Willows Retirement Village Services Pty Limited[1]
Stockland (Rylands) No. 2 Pty Limited[1]	Maybrook Manor Pty Limited[1]
Stockland (St Andrew) Limited[1, 3, 4]	Aevum SPV Finance No. 1 Pty Limited[1]
Stockland (Yeovil) Limited[1, 3, 4]	Affinity Retirement Village Pty Limited[1]
Stockland Property Holdings Limited[1,3]	Macquarie Waratah Management Pty Limited[1, 4]
Stockland (Lowestoft) Limited[1, 3, 4]	Macquarie Waratah Holdings Pty Limited[1, 4]
Stockland (William Hunter) Limited[1, 3, 4]	Macquarie Waratah Holdings (NSW) Pty Limited[1, 4]
Stockland (Warminster) Limited[1, 3]	Macquarie Grove Management Pty Limited[1, 4]
Stockland (Cumbernauld) Limited[1, 3]	Waratah Highlands Management Pty Limited[1, 4]
Stockland (Boardwalk Sub2) Pty Limited[1]	Blue Valley Enterprises Pty Limited[1, 4]
Castlehaven Pty Limited[1]	Macquarie Waratah Villages Pty Limited[1, 4]
Pine Lake Management Services Pty Limited[1]	The Hastings Valley Parklands Village Pty Limited[1]
Greenleaves Village Pty Limited[1]	Queenslake Village Pty Limited[1]
Mount Gravatt Retirement Village Unit Trust	Golden Ponds Forster Pty Limited[1]

1 Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group, as at 30 June 2014.

2 These companies are parties to the Deed but are currently ineligible for relief under the Class Order.

3 These companies are registered in the UK.

4 These companies/trusts are in liquidation as at 30 June 2014.

Controlled entities of Stockland Corporation Limited (continued)

Pine Lake Management Services Unit Trust	Lincoln Gardens Pty Limited[1]
Stockland Catering Pty Limited[1]	Rogan's Hill Retirement Village Trust
Selandra Rise Retirement Village Pty Limited[1]	Ridgecrest Village Pty Limited [1]
Bellevue Gardens Pty Limited[1]	RVG (Queensland) Pty Limited[1]
ARVT1 Trust[2]	Greenleaves Management Services Pty Limited[1]
ARVT2 Trust[2]	Ridgecrest Village Management Services Pty Limited[1]
Mernda Retirement Village Pty Limited	Pine Lake Village Pty Limited[1]
Bellevue Gardens Trust	Farrington Grove Retirement Village Pty Limited[1]

[1] Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group as at 30 June 2014.
[2] These companies/trusts are in liquidation as at 30 June 2014.

The following entities are no longer controlled entities and were terminated or liquidated during the financial year:

Stockland Trust
Controlled entities of Stockland Trust

Australian Commercial Property Trust	Stockland Brisbane Office Trust
SDOT3 Property No 1 Trust	ADP (NZ) Trust
Stockland Retail Holding Sub Trust No. 2	

Stockland Corporation
Controlled entities of Stockland Trust

ARVT 3 Trust	Stockland (Gracechurch) Limited
ARVT 4 Trust	CReAM (GP No. 3) Limited (75%)
ARVT 5 Trust	Stockland LP (Hammersmith) Limited
ARVT 6 Trust	CReAM Nominees (No. 3) Limited (75%)
Macquarie Waratah Holdings Trust	CReAM Nominees (No. 5) Limited (75%)
Macquarie Waratah Holdings (NSW) Trust	Stockland GP Limited
Stockland LP Limited	

All Stockland entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust which was formed in New Zealand, Stockland Singapore Pte Limited which is incorporated in Singapore and Stockland Services (UK) Limited, Stockland (UK) Limited, Stockland Holding Limited and all UK subsidiaries identified as being incorporated in the UK.

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

(E5) Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the "Closed Group"), identified in Note (E4), are parties to a Deed of Cross Guarantee (the "Deed"). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

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

Pursuant to the requirements of this Class Order, a summarised consolidated Statement of Comprehensive Income for the year ended 30 June 2014 and consolidated Balance Sheet as at 30 June 2014, comprising the members of the Closed Group after eliminating all transactions between members are set out on the following page.

	Closed Group 2014 $M	Closed Group 2013 $M
Summarised Statement of Comprehensive Income		
Profit/(loss) before income tax benefit	**(166)**	(525)
Income tax benefit	**(7)**	72
Loss for the year/Total comprehensive expense	**(173)**	(453)
Balance Sheet		
Current assets		
Cash and cash equivalents	**80**	75
Trade and other receivables	**656**	676
Inventories	**566**	589
Other financial assets	**502**	–
Other assets	**10**	15
	1,814	1,355
Non-current assets held for sale	**73**	7
Total current assets	**1,887**	1,362
Non-current assets		
Trade and other receivables	**11**	54
Inventories	**1,746**	1,690
Investment properties	**1,591**	1,552
Other financial assets	**30**	139
Investments accounted for under the equity method	**24**	19
Property, plant and equipment	**62**	142
Deferred tax assets	**30**	59
Intangible assets	**10**	10
Total non-current assets	**3,504**	3,665
Total assets	**5,391**	5,027
Current liabilities		
Trade and other payables	**166**	169
Retirement Living resident obligations	**836**	827
Provisions	**226**	173
Other liabilities	**66**	12
Other financial liabilities	**2**	–
Total current liabilities	**1,296**	1,181
Non-current liabilities		
Other payables	**53**	35
Interest-bearing loans and borrowings	**3,656**	3,903
Retirement Living resident obligations	**38**	38
Provisions	**170**	92
Other liabilities	**–**	1
Total non-current liabilities	**3,917**	4,069
Total liabilities	**5,213**	5,250
Net assets/(liabilities)	**178**	(223)
Equity		
Issued capital	**1,303**	794
Reserves	**50**	(15)
Accumulated losses	**(1,175)**	(1,002)
Total equity	**178**	(223)

Summary of movements in Closed Group's retained earnings

	Closed Group 2014 $M	Closed Group 2013 $M
Summary of movements in consolidated retained earnings		
Accumulated losses at 1 July	**(1,002)**	(549)
Profit/(loss) for the period	**(173)**	(453)
Accumulated losses at 30 June	**(1,175)**	(1,002)

(E6) Parent entity disclosures

The financial information of the parent entity of Stockland has been prepared on the same basis as the consolidated financial report, except as set out below:

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial report of the parent. Distributions received from the subsidiaries, associates and joint ventures are recognised in the parent entity's profit or loss rather than being deducted from the carrying amount of the investments.

As at and for the year ended 30 June 2014 and 30 June 2013 the parent entity of Stockland was Stockland Corporation Limited ("the Company"). The parent entity of the Stockland Trust Group was Stockland Trust.

	Stockland Corporation Limited		Stockland Trust	
	2014 $M	2013 $M	2014 $M	2013 $M
Results of the parent entity				
Provision for write down of investments in controlled entities and intercompany receivables	**80**	(495)	–	–
(Loss)/profit for the year	**(199)**	(530)	**781**	638
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income for the year	**(199)**	(530)	**781**	638
Financial position of the parent entity at year end				
Current assets	**3,881**	3,448	**604**	1,578
Total assets[1]	**3,975**	3,600	**16,914**	13,759
Current liabilities	**3,832**	–	**7,160**	4,350
Total liabilities	**3,832**	3,903	**8,835**	5,463
Net assets	**143**	(303)	**8,079**	8,296
Total equity of the parent entity comprising of:				
Issued capital	**1,439**	794	**7,116**	7,554
Reserves	**2**	2	**24**	23
Retained earnings	**(1,298)**	(1,099)	**939**	719
Total equity	**143**	(303)	**8,079**	8,296

[1] No intangible assets are included in total assets (2013: $Nil).

Stockland Corporation Limited net asset deficiency position

As at 30 June 2014, the Stockland Corporation is in a net asset position. However, as at 30 June 2013, the Stockland Corporation was in a net asset deficiency position of $303 million.

In order to support the going concern assumption for Stockland Corporation as at 30 June 2013 a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited to confirm that the intercompany debt of $3,903 million would not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter being 13 February 2013.

During the year to 30 June 2014, following shareholder approval, Stockland reallocated capital of $507 million between the Trust and Corporation. This has resulted in Stockland Corporation being in a net asset position greater than $100 million as at 30 June 2014, therefore a letter of support is not required from Stockland Trust Management Limited (as Responsible Entity of Stockland Trust).

Parent Entity contingencies

There are no contingencies within either parent entity as at 30 June 2014 (2013: $Nil).

Parent entity capital commitments

Neither parent entity has entered into any capital commitments as at 30 June 2014 (2013: $Nil).

Parent entity guarantees in respect of debts of its subsidiaries

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note (E5).

(F) Other items

In this section

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations.*

(F1) 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.

There are no known contingent liabilities other than the bank guarantees and insurance bonds at 30 June 2014.

	Stockland		Stockland Trust Group	
	2014 $M	**2013 $M**	**2014 $M**	**2013 $M**
Guarantees				
Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $450 million (2013: $450 million)	**262**	226	**262**	226

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

(F2) Commitments

Capital expenditure commitments

Commitments for the acquisition of land and future development costs not recognised in the financial statements at balance date:

Inventory commitments	**240**	114	–	–
Investment property commitments	**305**	103	**229**	93
	545	217	**229**	93

Operating lease commitments

Commitments for the operating lease expenditure not recognised in the financial statements at balance date:

Within one year	**4**	4	–	–
Later than one year but not later than five years	**8**	10	–	–
Later than five years	**1**	–	–	–
	13	14	–	**–**

During the current financial year, $7 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (2013: $5 million).

(F3) Notes to Cash Flow Statements

	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Reconciliation of profit to net cash inflow from operating activities:				
Profit	**527**	105	**641**	647
Add/(less) items classified as investing/financing activities:				
Unwinding of present value of Retirement Living obligation	**1**	1	**–**	–
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**5**	4	**5**	4
Net (gain)/loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**76**	(49)	**77**	(49)
Net loss on sale of non-current assets	**6**	8	**8**	9
Interest capitalised to investment properties	**(12)**	(16)	**(4)**	(7)
Dividends and distributions income	**(19)**	(1)	**–**	–
Net (gain)/loss from fair value adjustment of other financial assets	**(35)**	37	**(1)**	–
Impairment of goodwill	**23**	–	**–**	–
Add/(less) non-cash items:				
Fair value (gains)/losses for investment properties (including associates and joint ventures)	**(36)**	(15)	**(103)**	(45)
Net (gain)/loss on foreign exchange	**(12)**	57	**(14)**	53
Depreciation	**16**	17	**–**	–
Provision for write-down of inventories	**–**	367	**–**	–
Straight-line rent adjustment	**(7)**	(15)	**(6)**	(15)
Share of profits of investments accounted for using the equity method, net of distributions received	**(5)**	(9)	**(4)**	(9)
Equity-settled share-based payments	**–**	1	**–**	1
Other items	**(2)**	–	1	(5)
Net cash inflow from operating activities before change in assets and liabilities	**526**	492	**600**	584
Decrease/(increase) in receivables	**48**	42	**26**	(103)
Decrease/(increase) in other assets	**(2)**	83	**(4)**	8
Increase in prepayments	**(1)**	–	**–**	–
(Increase) in inventories	**(41)**	(20)	**–**	–
Increase/(decrease) in payables and other liabilities	**98**	(63)	**(28)**	22
Increase/(decrease) in deferred taxes payable	**3**	(74)	**–**	–
(Decrease) in employee benefits	**(1)**	(1)	**–**	–
Increase in other provisions	**122**	124	**–**	–
Net cash inflow from operating activities	**752**	583	**594**	511

(F4) Related party disclosures

(F4a) Other related party transactions

Details of related party dealings with the Stockland and Stockland Trust Group companies are set out below:

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 Stockland Trust Group paid Responsible Entity fees to Stockland trust Management Limited, calculated at 0.2% of gross assets of the Stockland Trust Group less intercompany from 1 January 2013 (0.1% up to 31 December 2012).

Property management expenses were paid by Stockland Trust Group 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 the Stockland Trust Group in the normal course of business and on normal terms and conditions.

Interest income
The Stockland Trust Group has an unsecured loan to Stockland Corporation Limited Group repayable at call to the Stockland Trust Group of $3,657 million (2013: $3,903 million). Interest on both loans was payable monthly in arrears at interest rates within the range of 8.6% to 9.6% during the year ended 30 June 2014 (2013: 8.4% to 9.4%). The Stockland Trust Group has not called on this loan at 30 June 2014.

A letter of support was signed on 13 February 2013 by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited to confirm that the intercompany debt at 31 December 2013 of $3,903 million would not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least $100 million, or twenty months from the date of the letter.

During the period to 31 December 2013, following shareholder approval, Stockland reallocated capital of $507 million between the Trust and Corporation. This has resulted in Stockland Corporation being in a net asset position greater than $100 million as at 30 June 2014, therefore a letter of support is not required from Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) as at 30 June 2014.

Interest was paid by Stockland Corporation Limited to the Stockland Trust Group, 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 Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for Corporation's property development expertise and is calculated as 50 per cent of the total valuation gain or loss on the completion of a development. Fees are paid by Stockland Trust to Stockland Development Pty Limited.

	Stockland		Stockland Trust Group	
	2014 $'000's	**2013 $'000's**	**2014 $'000's**	**2013 $'000's**
Revenue				
Responsible Entity fees	**1,238**	2,037	–	–
Management and service fee	**625**	513	–	–
Property management and leasing fees	**1,422**	1,581	–	–
Rental income	–	–	**9,324**	10,400
Interest income	–	–	**328,293**	351,881
Total revenue from related parties	**3,285**	4,131	**337,617**	362,281
Expenses				
Responsible Entity fees	-	-	**17,020**	12,100
Property management and leasing fees	-	-	**24,966**	22,000
Recoupment of expenses	-	-	**49,746**	52,500
Development management fee capitalised to investment property	-	-	**11,300**	29,100
Total expenses to related parties	**-**	**-**	**103,032**	115,700

Stockland has trade receivables of $2,860 thousand (2013: $5,455 thousand) due from the unlisted property funds.

As at 30 June 2014, the carrying amount of Stockland's investment in the unlisted property funds was $6,029 thousand (2013: $19,917 thousand).

(F4b) Loan facility offer

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of Stockland has provided loan facility offers to two unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. A loan facility offer to Stockland Direct Retail Trust No. 1 ("SDRT No. 1") of $40 million expires on 28 February 2015. SDRT No. 1 is charged a line fee of 30 basis points on this facility offer. A loan facility offer to Stockland Residential Estates Equity Fund No. 1 ("SREEF No.1") of $40 million expires on 30 September 2016. SREEF No. 1 is not charged a line fee on this facility offer.

(F5) Key Management Personnel disclosures

			Short-term				Post-employment		Other long-term	Shared-based payments		Total
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	STI[3] cash $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	DSTI $	LTI $	Total $
Total remuneration												
Key Management	2014	7,807,372	35,869	–	3,090,164	10,933,405	167,413	304,543	(65,877)	1,912,332	1,429,353	14,681,169
Personnel	2013	7,615,950	25,664	30,330	1,810,833	9,482,777	131,090	2,580,053	(17,764)	435,195	740,382	13,351,733

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary scarified items and FBT payable on these items.
3 STIs (in cash) are earned in the financial year to which they relate and are paid in August of the following financial year.
4 Includes any change in accruals for long service leave.
5 The methods and assumptions used to calculate the fair value of share-based payments are disclosed within this note.
6 Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP grants. The cumulative expense relating to certain equity-settled schemes has been reversed during the prior and current financial years due to anticipated non-performance in relation to certain hurdles.

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 30 to 51 of the Directors' Report.

Other transactions with KMP

There are transactions between Stockland and entities with which Directors have an association. These transactions do not meet the definition of related parties since the Directors as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-Director related entities on an arm's length basis.

(F6) Auditor's remuneration

	Stockland		Stockland Trust Group	
	2014 $'000's	2013 $'000's	2014 $'000's	2013 $'000's
Audit services				
Auditor of Stockland				
Audit and review of the Financial Report				
PwC Australia	**1,406**	1,373	**490**	494
KPMG Australia	–	50	–	–
Audit of Unlisted Property Fund Financial Reports				
PwC Australia	**233**	200	–	–
Regulatory audit and assurance services				
PwC Australia	**559**	613	**421**	331
KPMG Australia	–	118	–	–
Other audit and assurance services				
PwC Australia	**294**	111	–	–
KPMG Australia	–	314	–	–
Regulatory audit and assurance services (Overseas firms)				
KPMG UK	–	16	–	–
Total remuneration in relation to audit services	**2,492**	2,795	**911**	825
Other services				
Other non-audit related services				
Taxation compliance services				
PwC Australia	**232**	108	**152**	92
KPMG Australia	–	11	–	–
Taxation compliance services (Overseas firms)				
Overseas KPMG firms	–	57	–	–
Other taxation and restructuring services				
PwC Australia	**32**	127	–	15
KPMG Australia	–	23	–	–
Total remuneration in relation to non-audit services	**264**	326	**152**	107
Total auditor remuneration	**2,756**	3,121	**1,063**	932

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

(F7) Events subsequent to the end of the year

Stockland and Stockland Trust Group

On 15 August 2014, Stockland announced it had accepted the takeover offer from Fraser's Centrepoint Limited for its investment in Australand, resulting in a capital profit of circa $80 million (before any related tax effect) that the Group will prudently reinvest in its growth strategy.

Other than this event, 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 Stockland Trust Group.

Directors' Declaration
Year ended 30 June 2014

(1) In the opinion of the Directors of Stockland Corporation Limited ("the Company"), and the Directors of the Responsible Entity of Stockland Trust ("the Trust"), Stockland Trust Management Limited (collectively referred to as "the Directors"):

(a) the financial statements and Notes, in the Directors' Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ("Stockland") and Stockland Trust and its controlled entities ("Stockland Trust Group"), set out on pages 54 to 137, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Stockland's and Stockland Trust Group's financial position as at 30 June 2014 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that both Stockland and Stockland Trust Group will be able to pay their debts as and when they become due and payable.

(2) There are reasonable grounds to believe that the Company and the Group entities identified in Note 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 Class Order 98/1418.

(3) The Trust has operated during the year ended 30 June 2014 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 2014, been properly drawn up and maintained so as to give a true account of the unitholders of the Trust.

(5) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the year ended 30 June 2014.

(6) The Directors draw attention to Note A to the financial statements, which includes a Statement of Compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Graham Bradley
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 18 August 2014

Independent Auditor's Report

pwc

Independent auditor's report to the stapled securityholders of Stockland Consolidated Group and the unitholders of Stockland Trust Group

Report on the financial report

We have audited the accompanying financial report which comprises:

- the Consolidated Balance Sheet as at 30 June 2014, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Stockland Consolidated Group, being the consolidated stapled entity ("Stockland Consolidated Group"). The consolidated stapled entity, as disclosed in Note A of the financial report, comprises Stockland Corporation Limited and the entities it controlled during that year, including Stockland Trust and the entities it controlled during that year, and

- the Consolidated Balance Sheet as at 30 June 2014, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Stockland Trust Group, being the consolidated entity ("Stockland Trust Group"). The consolidated entity comprises Stockland Trust and the entities it controlled during that year.

Directors' responsibility for the financial report

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, (collectively referred to as "the directors") are responsible for the preparation of the financial report that gives 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 report that is free from material misstatement, whether due to fraud or error. In Note A, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Stockland Consolidated Group and Stockland Trust Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the

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purpose of expressing an opinion on the effectiveness of the Stockland Consolidated Group and Stockland Trust Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Stockland Consolidated Group and Stockland Trust Group is in accordance with the *Corporations Act 2001,* including:

 (i) giving a true and fair view of Stockland Consolidated Group and Stockland Trust Group's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note A.

Report on the Remuneration Report

We have audited the remuneration report included in pages 30 to 53 of the directors' report for the year ended 30 June 2014. The directors of Stockland Consolidated Group 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.

Auditor's opinion

In our opinion, the remuneration report of Stockland Consolidated Group for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Matters relating to electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Stockland Consolidated Group and Stockland Trust Group for the year ended 30 June 2014 included on Stockland's web site. Stockland Consolidated Group's directors are responsible for the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

I L Hammond Partner	S J Hadfield Partner	Sydney 18 August 2014

Securityholder Information

SECURITYHOLDERS

The information set out below was prepared as at 29 August 2014 and applies equally to Stockland Trust and Stockland Corporation Limited, as members are required to hold equal numbers of units in the Trust and shares in the Corporation under the terms of the joint quotation on the Australian Securities Exchange. Following allotment of a further 21,768,184 ordinary securities under the Distribution/Dividend Reinvestmnet Plan on 29 August 2014, there are on issue 2,348,746,744 ordinary units in the Trust and ordinary shares in the Corporation. There is no current on-market buy back.

Largest Twenty Ordinary Unitholders/Securityholders	Number of securities	Percentage of issued securities
HSBC Custody Nominees (Australia) Limited	655,742,394	27.92
JP Morgan Nominees Australia Limited	454,400,585	19.35
National Nominees Limited	390,204,946	16.61
Citicorp Nominees Pty Limited	174,881,870	7.45
BNP Paribas Noms Pty Ltd <DRP>	97,328,376	4.14
RBC Investor Services Australia Nominees Pty Limited <PI Pooled A/C>	50,619,186	2.16
AMP Life Limited	39,552,373	1.68
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	38,892,125	1.66
RBC Investor Services Australia Nominees Pty Limited <APN A/C>	25,056,866	1.07
Questor Financial Services Limited <TPS Rf A/C>	8,916,679	0.38
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	8,338,551	0.36
RBC Investor Services Australia Nominees Pty Limited <Piselect>	6,961,783	0.30
EG Holdings Pty Ltd	6,411,632	0.27
Bond Street Custodians Limited <ENH Property Securities A/C>	6,304,781	0.27
RBC Investor Services Australia Nominees Pty Limited <PIIC A/C>	6,302,401	0.27
UBS Wealth Management Australia Nominees Pty Ltd	5,928,418	0.25
UBS Nominees Pty Ltd	5,225,000	0.22
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	4,989,096	0.21
UBS Nominees Pty Ltd	4,101,546	0.17
Trustees Of The Redemptorist Fathers	3,562,000	0.15

Distribution of Securityholders	Number of securities	Percentage of securityholders
1 – 1,000	4,126,672	0.18
1,001 – 5,000	58,912,503	2.51
5,001 – 10,000	65,941,260	2.81
10,001 and over	2,219,766,309	94.51

There were 1,855 securityholders holding less than a marketable parcel (118) at close of trading on 29 August 2014.

Substantial Securityholders	Number of units/shares
Perpetual Limited and Subsidiaries	165,121,768
Blackrock Group (Blackrock Inc. and Subsidiaries)	152,823,003
Vanguard Investments Australia Limited/Vanguard Group Inc.	139,801,176
AMP Limited (and its related bodies corporate)	117,303,805

END OF FINANCIAL YEAR TAX STATEMENT

After 30 June each year you will receive a comprehensive tax statement. This statement summarises the distributions and dividends paid to you during the year, and includes information required to complete your tax return.

SHAREHOLDER REVIEW AND FINANCIAL REPORT

Members have a choice of whether they receive:

- the Shareholder Review only;
- a Financial Report;
- the Shareholder Review plus Financial Report; or
- electronic versions of the Shareholder Review and Financial 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 PERIODS

1 July – 31 December
1 January – 30 June

RECORD DATES

31 December 2014
30 June 2015

ANNUAL GENERAL MEETING

Will be held in the Australia Ballroom at the Menzies Hotel, 14 Carrington Street, Sydney, New South Wales at 2.30pm on Tuesday 28 October 2014.

Key Dates

28 OCTOBER 2014

Annual General Meeting
The Menzies Hotel, 14 Carrington Street, Sydney NSW 2000 at 2.30pm

18 DECEMBER 2014

Announcement of estimated dividend/distribution

31 DECEMBER 2014

Record date

11 FEBRUARY 2015

Half-year result announcement

23 JUNE 2015

Announcement of estimated dividend/distribution

30 JUNE 2015

Record date

19 AUGUST 2015

Full-year result announcement

Directory

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CORPORATION/RESPONSIBLE ENTITY

Stockland Corporation Limited
ACN 000 181 733
Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

CUSTODIAN

The Trust Company Limited
ACN 004 027 749
35 Clarence Street
Sydney NSW 2000

DIRECTORS

NON-EXECUTIVE[1]

Graham Bradley – Chairman
Duncan Boyle
Carolyn Hewson
Barry Neil
Carol Schwartz
Peter Scott
Terry Williamson

EXECUTIVE

Mark Steinert – Managing Director

COMPANY SECRETARIES[2]

Phillip Hepburn
Derwyn Williams

UNIT/SHARE REGISTRY

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BANKERS

Commonwealth Bank of Australia
Westpac Banking Corporation Limited
Australia and New Zealand Banking Group Limited

AUDITOR

PricewaterhouseCoopers

QUOTED SECURITIES

SGP ordinary units/shares on the Australian Securities Exchange

YOUR SECURITYHOLDING

If you would like to update your personal details or chain 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 Mr Tom Pockett has been appointed as a non-executive director on 1 September 2014.

2 Ms Katherine Grace has been appointed as General Counsel and Company Secretary on 16 September 2014 when Mr Phillip Hepburn steps down as General Counsel and Group Secretary.

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