**Stockland Corporation Limited**
**and its controlled entities**

Half Year Financial Report
31 December 2004

**Stockland Corporation Limited and its controlled entities**

**Half Year Financial Report 31 December 2004**

## Contents

## Stockland Corporation Limited and its controlled entities

## Directors' Report

The directors present their report together with the Financial Report of Stockland Corporation Limited and its controlled entities (together "the consolidated entity") for the half year ended 31 December 2004 and the review report thereon. The consolidated entity forms part of the combined entity, Stockland.

### Directors

The directors of Stockland Corporation Limited at any time during or since the end of the half year are:

| Name | Period of directorship |
|---|---|
| **Non-Executive Directors** | |
| Peter Daly, *Chairman* | Appointed May 1980 |
| Nicholas Greiner, *Deputy Chairman* | Appointed September 1992 |
| Graham Bradley | Appointed February 2004 |
| Bruce Corlett | Appointed November 1996 |
| David Fairfull | Appointed March 1990 |
| Barry Thornton | Appointed October 1995, resigned October 2004 |
| Terry Williamson | Appointed April 2003 |
| **Executive Directors** | |
| Matthew Quinn, *Managing Director* | Appointed October 2000 |
| Hugh Thorburn, *Finance Director* | Appointed July 2004 |

### Review of operations

During the half year the consolidated entity completed the acquisition of the Lensworth property development group of companies for a cost of $825.0 million, plus working capital of $22.8 million, and acquisition costs of $38.5 million. The Lensworth portfolio consists primarily of large, master planned urban community based projects, with properties located in key growth corridors.

The consolidated entity has achieved a 23.3% increase in net profit to $60.9 million for the half year ended 31 December 2004. This compares with the $49.4 million result achieved in the corresponding period in 2003.

Earnings per share increased by 11.9% from 4.2 cents to 4.7 cents for the period.

The dividend payment is 4.2 cents per share, up 23.5% from the 3.4 cents paid for the previous corresponding period. The dividend is fully franked.

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

The external auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2004.

**Stockland Corporation Limited and its controlled entities**

**Directors' Report**

**Rounding**

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

Dated at Sydney this 8th day of February 2005.

Signed in accordance with a resolution of the directors:

Matthew Quinn
*Managing Director*

**Independence declaration under Section 307C of the Corporations Act 2001**

To: The directors of Stockland Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the review of the financial report of Stockland Corporation for the half year ended 31 December 2004 there have been:

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

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

KPMG

*KPMG*

Michael J Coleman
Partner
Sydney, 8th February 2005

**Stockland Corporation Limited and its controlled entities**

**Statement of Financial Performance**

**For the half year ended 31 December 2004**

| | Note | Consolidated 2004 $'000 | 2003 $'000 |
|---|---|---|---|
| **Revenue from ordinary activities** | | | |
| *From operating activities* | | | |
| Property development sales | | **318,404** | 340,728 |
| Rental income | | **3,542** | 792 |
| Hotel operation revenue | | **33,740** | 32,375 |
| Revenue from Stockland Trust capital works | | **24,810** | 52,750 |
| Management and agency fee income | | **13,523** | 8,181 |
| Interest income | | **3,340** | 2,527 |
| Other revenue | | **14,897** | 8,917 |
| *From outside operating activities* | | | |
| Gross proceeds from sale of non current-assets | | **3,575** | 251 |
| **Total revenue from ordinary activities** | | **415,831** | 446,521 |
| | | | |
| Cost of property developments sold | | **(169,128)** | (213,632) |
| Rental expenses | | **(1,013)** | (159) |
| Hotel operation expenses | | **(30,351)** | (27,547) |
| Cost of capital works for Stockland Trust | | **(24,810)** | (52,750) |
| Management, administration, marketing and selling expenses[1] | | **(93,724)** | (69,532) |
| Borrowing costs | | **(5,702)** | (8,417) |
| Book value of non-current assets sold | | **(3,807)** | (239) |
| Share of net profits/(losses) of investments accounted for using the equity method | | **184** | (63) |
| **Profit from ordinary activities before related income tax expense** | | **87,480** | 74,182 |
| | | | |
| Income tax expense relating to ordinary activities | | **(26,628)** | (24,760) |
| | | | |
| **Net profit** | | **60,852** | 49,422 |
| | | | |
| **Non-owner transaction changes in equity** | | | |
| Increase in asset revaluation reserve | | | |
| - fair value adjustment | | **354** | - |
| Total revenues, expenses and valuation adjustments attributable to members of the company recognised directly in equity | | **354** | - |
| | | | |
| **Total changes in equity from non-owner related transactions, attributable to members of the company** | | **61,206** | 49,422 |
| | | | |
| **Basic earnings per share** | 3 | 4.7¢ | 4.2¢ |

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

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 9 to 20.

**Stockland Corporation Limited and its controlled entities**

**Statement of Financial Position**

**As at 31 December 2004**

| | Notes | Consolidated 31 Dec 2004 $'000 | 30 June 2004 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | | **19,378** | 20,899 |
| Receivables | | **52,788** | 40,240 |
| Capital works in progress for Stockland Trust | | **44,973** | 14,875 |
| Inventories | 6 | **466,393** | 300,888 |
| Other assets | | **36,379** | 22,534 |
| **Total current assets** | | **619,911** | 399,436 |
| **Non-current assets** | | | |
| Receivables | | **55,124** | 76,408 |
| Inventories | 6 | **1,683,083** | 794,883 |
| Investment properties | 7 | **19,049** | 18,695 |
| Other financial assets | | **38** | 38 |
| Property, plant and equipment | | **24,337** | 21,762 |
| Investments accounted for using the equity method | | **4,756** | 8,165 |
| Intangible assets | | **53,684** | 54,559 |
| Deferred tax assets | | **10,888** | 8,345 |
| **Total non-current assets** | | **1,850,959** | 982,855 |
| **Total assets** | | **2,470,870** | 1,382,291 |
| **Current liabilities** | | | |
| Payables | | **210,646** | 78,890 |
| Interest-bearing liabilities | | **1,674,723** | 731,213 |
| Current tax liabilities | | **12,198** | 28,287 |
| Provisions | | **73,775** | 61,037 |
| **Total current liabilities** | | **1,971,342** | 899,427 |
| **Non-current liabilities** | | | |
| Payables | | **45,385** | 58,007 |
| Deferred tax liabilities | | **27,530** | 19,248 |
| Provisions | | **1,814** | 857 |
| **Total non-current liabilities** | | **74,729** | 78,112 |
| **Total liabilities** | | **2,046,071** | 977,539 |
| **Net assets** | | **424,799** | 404,752 |
| **Equity** | | | |
| Contributed equity | 8 | **328,296** | 315,448 |
| Reserves | | **6,023** | 5,670 |
| Retained profits | | **90,480** | 83,634 |
| **Total equity** | | **424,799** | 404,752 |

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 9 to 20.

**Stockland Corporation Limited and its controlled entities**

**Statement of Cash Flows**

**For the half year ended 31 December 2004**

| | | Consolidated | |
|---|---|---|---|
| | | **2004** | 2003 |
| | | **$'000** | $'000 |
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | **451,693** | 477,948 |
| Cash payments in the course of operations | | **(480,249)** | (642,374) |
| Payments to joint venture entity | | **(2,250)** | (2,357) |
| Payments from joint venture entity | | **-** | 78 |
| Interest received | | **1,321** | 2,136 |
| Borrowing costs paid | | **(33,448)** | (19,470) |
| Income taxes (paid)/received | | **(36,977)** | 1,474 |
| **Net cash used in operating activities** | 9 | **(99,910)** | (182,565) |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of plant and equipment | | **3,575** | 251 |
| Payments for plant and equipment | | **(8,507)** | (3,163) |
| Payments for investment properties | | **-** | (2,969) |
| Repayment of loans by directors and executives under the Executive Securities Plan | | **26,473** | 8,086 |
| Advances to directors and executives under the Executive Securities Plan | | **(20,782)** | (22,447) |
| Repayment of loans from other entities | | **50** | 52 |
| Payments for controlled entities | 9 | **(805,917)** | - |
| **Net cash used in investing activities** | | **(805,108)** | (20,190) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | **11,002** | 32,698 |
| Proceeds from borrowings | | **1,051,180** | 255,221 |
| Repayment of borrowings | | **(107,670)** | (34,500) |
| Dividends paid | | **(51,015)** | (27,684) |
| **Net cash provided by financing activities** | | **903,497** | 225,735 |
| | | | |
| **Net (decrease)/increase in cash held** | | **(1,521)** | 22,980 |
| **Cash at the beginning of the half year** | | **20,899** | 8,171 |
| **Cash at the end of the half year** | | **19,378** | 31,151 |

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the half year financial statements set out on pages 9 to 20.

**Stockland Corporation Limited and its controlled entities**

**Notes to and forming part of the financial statements**

**For the half year ended 31 December 2004**

## 1 Statement of significant accounting policies

### Basis of preparation of half year financial report

Stockland Corporation Limited ("the Company") and its controlled entities (together "the consolidated entity") form part of the combined entity, Stockland. Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities (the "Trust") on the Australian Stock Exchange. The Articles of Association of the Company and the Constitution of 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 Stockland Trust shall be equal, and that shareholders and unitholders be identical. Both the Company and the Responsible Entity of Stockland Trust must at all time act in the best interest of Stockland.

The stapling arrangement will cease upon the earliest of either the winding up of the Company or Stockland Trust or either entity terminating the stapling arrangements.

The Half Year Financial Report is a general purpose financial report which has been drawn up for the purpose of fulfilling the requirements of the Australian Securities and Investments Commission ("ASIC").

The Half Year Financial Report has been prepared in accordance with Australian Accounting Standard 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board.

The Half Year Financial Report is to be read in conjunction with the 30 June 2004 Annual Financial Report, the Stockland 31 December 2004 Half Year Report and any public announcements made by Stockland during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those applied in the 30 June 2004 Annual Financial Report.

The Half Year Financial Report does not include full note disclosures of the type normally included in an Annual Financial Report.

Some line items and sub-totals reported in the previous period have been reclassified and repositioned in the Financial Report.

| | Consolidated 2004 $'000 | Consolidated 2003 $'000 |
|---|---|---|
| **2 Dividends** | | |
| During the reporting period Stockland Corporation Limited has paid or provided for dividends not previously recognised in retained profits as follows: Interim dividend of 4.2 cents per share (100% franked) to be paid on 28 February 2005 (December 2003: 3.4 cents per share (100% franked) paid on 27 February 2004) | **54,005** | 39,644 |

| | Consolidated 2004 No. | Consolidated 2003 No. |
|---|---|---|
| **3 Earnings per share** | | |
| Weighted average number of shares used as the denominator | **1,285,840,046** | 1,166,005,327 |

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

A reconciliation of profit after tax to basic earnings used in the calculation of earnings per share has not been provided as these amounts are equal.

## 4 Segment reporting

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate expenses.

The consolidated entity comprises the following main business segments, based on the management reporting system:

- property development;
- property management and investment (including trust management);
- hotel management; and
- other.

## 4 Segment reporting (continued)

| Business Segments | Property Development | | Property Management and Investment | | Hotel Management | | Other | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Revenue** | | | | | | | | | | |
| External segment revenue | **343,214** | 393,478 | **17,065** | 8,973 | **33,740** | 32,375 | **21,812** | 11,695 | **415,831** | 446,521 |
| **Total revenue** | **343,214** | 393,478 | **17,065** | 8,973 | **33,740** | 32,375 | **21,812** | 11,695 | **415,831** | 446,521 |
| **Result** | | | | | | | | | | |
| Segment result before interest | **103,426** | 92,032 | **4,579** | (61) | **3,376** | 3,592 | **3,962** | 2,056 | **115,343** | 97,619 |
| Interest expense | **-** | - | **-** | - | **-** | - | **(5,702)** | (8,417) | **(5,702)** | (8,417) |
| Interest expense included in cost of sales | **(4,212)** | (7,874) | **-** | - | **-** | - | **-** | - | **(4,212)** | (7,874) |
| Segment result after interest | **99,214** | 84,158 | **4,579** | (61) | **3,376** | 3,592 | **(1,740)** | (6,361) | **105,429** | 81,328 |
| Share of net profits/(losses) of equity accounted investments | **184** | (63) | **-** | - | **-** | - | **-** | - | **184** | (63) |
| | **99,398** | 84,095 | **4,579** | (61) | **3,376** | 3,592 | **(1,740)** | (6,361) | **105,613** | 81,265 |
| Unallocated corporate expenses | | | | | | | | | **(18,133)** | (7,083) |
| Profit from ordinary activities before income tax | | | | | | | | | **87,480** | 74,182 |
| Income tax expense | | | | | | | | | **(26,628)** | (24,760) |
| **Net profit** | | | | | | | | | **60,852** | 49,422 |

## 5 Additional interest acquired in controlled entity

The following interest in controlled entities was acquired during the period:

| Name | Date acquired | Consolidated entity's interest | Consideration $'000 |
|---|---|---|---|
| **2004** | | | |
| Lensworth* | 9 December 2004 | 100.0% | 886,308 |

Consideration included $825.0 million, a working capital adjustment of $22.8 million (initial adjustment $20.7 million, further adjustment $2.1 million) and acquisition costs, including stamp duty of $38.5 million. There was no contribution from Lensworth to the consolidated entity's results for the period ending 31 December 2004.

*Lensworth includes the following 100% controlled entities (all of which are incorporated in Australia): Lensworth Caloundra Downs Pty Ltd, Lensworth Caboolture Waters Pty Ltd, Lensworth North Lakes Development Pty Ltd, Lensworth North Lakes Pty Ltd, Lensworth Lake Doonella Pty Ltd, Lensworth Bells Creek Pty Ltd, Lensworth Kawana Waters Pty Ltd, Lensworth Buddina Pty Ltd, Lensworth Realty Pty Ltd, Lensworth Glenmore Park Pty Ltd, Lensworth Wallarah Peninsula Pty Ltd, Lensworth Highlands Pty Ltd, and Lensworth Services Pty Ltd.

The consolidated entity did not gain control over any entities during the prior corresponding half year period.

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 30 June 2004 $'000 |
| **6 Inventories** | | |
| **Current** | | |
| Land and property held for resale – at cost: | | |
| cost of acquisition | **122,960** | 44,386 |
| development costs | **73,760** | 64,059 |
| other costs | **7,924** | 5,996 |
| | **204,644** | 114,441 |
| Land and property under development – at cost: | | |
| cost of acquisition | **67,239** | 48,933 |
| development costs | **47,436** | 35,843 |
| other costs | **11,798** | 9,838 |
| | **126,473** | 94,614 |
| Apartments – at cost: | | |
| cost of acquisition | **7,919** | 9,866 |
| development costs | **20,511** | 17,312 |
| other costs | **1,150** | 2,858 |
| | **29,580** | 30,036 |
| Retail projects – at cost: | | |
| cost of acquisition | **37,668** | 34,567 |
| development costs | **61,540** | 23,766 |
| other costs | **6,488** | 3,464 |
| | **105,696** | 61,797 |
| | **466,393** | 300,888 |

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 30 June 2004 $'000 |

## 6 Inventories (continued)

| | | |
|---|---|---|
| **Non-current** | | |
| Land and property under development – at cost: | | |
| cost of acquisition | **1,354,754** | 532,200 |
| development costs | **74,893** | 64,099 |
| other costs | **39,995** | 29,745 |
| | **1,469,642** | 626,044 |
| Apartments – at cost: | | |
| cost of acquisition | **163,884** | 122,991 |
| development costs | **27,559** | 17,685 |
| other costs | **11,529** | 7,609 |
| | **202,972** | 148,285 |
| Retail projects – at cost: | | |
| cost of acquisition | **8,155** | 13,761 |
| development costs | **827** | 4,487 |
| other costs | **1,487** | 2,306 |
| | **10,469** | 20,554 |
| | **1,683,083** | 794,883 |

Other costs include borrowing costs, rates and taxes. Borrowing costs were capitalised at a weighted average interest rate of 6.25% from 1 July 2004 to 31 December 2004 (30 June 2004: 6.00% from 1 July 2003 to 30 June 2004).

## 7 Investment properties

Details of individual investment properties comprising investment properties are set out below:

| | | |
|---|---|---|
| 210-222 Russell Street, Melbourne, VIC | **17,194** | 16,840 |
| 88 The Esplanade, Darwin, NT | **1,855** | 1,855 |
| | **19,049** | 18,695 |

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 30 June 2004 $'000 |
| **8 Contributed equity** | | |
| **Share capital** | | |
| 1,295,427,011 (June 2004: 1,265,632,116) shares, at issue price | **328,296** | 315,448 |
| **Movement in shares** | | |
| Balance at the beginning of the financial period | **315,448** | 254,490 |
| Dividend Reinvestment Plan | | |
| August 2003 – 17,130,177 shares at $0.40 | - | 6,852 |
| February 2004 – 24,312,522 shares at $0.45 | - | 10,941 |
| August 2004 – 25,587,391 shares at $0.43 | **11,002** | - |
| Executive Securities Plan | | |
| August 2003 – 4,345,000 shares at $0.40 | - | 1,738 |
| February 2004 – 790,000 shares at $0.45 | - | 356 |
| August 2004 – 3,127,500 shares at $0.43 | **1,345** | - |
| Employee Share Plan | | |
| August 2003 – 32,250 shares at $0.40 | - | 13 |
| August 2004 – 46,004 shares at $0.43 | **20** | - |
| Incentive Share Plan | | |
| November 2004 – 784,000 securities at $0.46 | **361** | - |
| November 2004 – 250,000 securities at $0.48 | **120** | - |
| Share Purchase Plan | | |
| October 2003 – 6,710,250 shares at $0.41 | - | 2,751 |
| Acquisitions – shares issued | | |
| ADP Trust allotment: | | |
| July 2003 – 77,121,752 shares at $0.01 | - | 771 |
| August 2003 – 7,398,808 shares at $0.01 | - | 74 |
| Placements | | |
| September 2003 – 50,000,000 shares at $0.41 | - | 20,500 |
| less: transaction costs | - | (314) |
| February 2004 – 39,000,000 shares at $0.45 | - | 17,550 |
| less: transaction costs | - | (274) |
| Balance at the end of the financial period | **328,296** | 315,448 |

## Stockland Corporation Limited and its controlled entities

## Notes to and forming part of the financial statements

## For the half year ended 31 December 2004

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 31 Dec 2003 $'000 |

### 9 Notes to the Statement of Cash Flows

#### (a) Businesses acquired

On the 9 December 2004 the consolidated entity completed the acquisition of the Lensworth property development group of companies.

| | | |
|---|---|---|
| Details of the acquisition are as follows: | | |
| Consideration | | |
| Cash | **810,794** | - |
| Deferred purchase consideration | **37,020** | - |
| Other deferred acquisitions costs | **38,494** | - |
| | **886,308** | - |
| | | |
| Fair value of net assets acquired: | | - |
| Inventories | **892,544** | - |
| Cash assets | **4,877** | - |
| Receivables | **1,764** | - |
| Property, plant and equipment | **506** | - |
| Payables | **(11,283)** | - |
| Other provisions | **(2,100)** | - |
| Net assets acquired | **886,308** | - |
| Goodwill on acquisition | **-** | - |
| | **886,308** | - |
| | | |
| Net cash outflow on acquisition: | | |
| Cash consideration | **810,794** | - |
| Less cash balances acquired | **(4,877)** | - |
| | **805,917** | - |

**Stockland Corporation Limited and its controlled entities**

**Notes to and forming part of the financial statements**

**For the half year ended 31 December 2004**

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 31 Dec 2003 $'000 |

## 9 Notes to the Statement of Cash Flows (continued)

### (b) Reconciliation of profit from ordinary activities after income tax expense to net cash used in operating activities

| | | |
|---|---|---|
| Profit from ordinary activities after income tax | **60,852** | 49,422 |
| Add/(less) items classified as investing/financing activities: | | |
| Decrease/(increase) in distributions receivable from joint venture entity | **3,409** | (2,215) |
| Profit on sale of non-current assets | **232** | 239 |
| (Less)/add non-cash items: | | |
| Amortisation/depreciation | **3,506** | 1,698 |
| (Decrease)/increase income tax payable | **(16,088)** | 24,736 |
| Increase in deferred taxes payable | **5,739** | 1,498 |
| Net cash provided by operating activities before change in assets and liabilities | **57,650** | 75,378 |
| Change in assets and liabilities adjusted for the effects of purchases of controlled entities during the financial period: | | |
| (Increase)/decrease in receivables | **(12,702)** | 5,151 |
| Increase in other assets | **(26,424)** | (7,399) |
| Increase/(decrease) in payables and other liabilities | **39,295** | (7,071) |
| Increase in employee benefits | **3,432** | 4,762 |
| Increase in inventories | **(161,161)** | (253,386) |
| Net cash used in operating activities | **(99,910)** | (182,565) |

## 10 Contingent liabilities

| | Consolidated | |
|---|---|---|
| | **31 Dec 2004 $'000** | 30 June 2004 $'000 |
| ***Joint and several liabilities*** | | |
| A controlled entity, as a 33.33% partner in a joint venture partnership (Subiaco Joint Venture), is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership as at 31 December 2004 are sufficient to meet such liabilities. | | |
| ***Bank guarantees*** | | |
| The consolidated entity has given joint and several guarantees in support of the following: | | |
| Bank guarantees issued against performance contracts, maximum facility $500 million included within bank multi-use facilities (30 June 2004: $500 million) | **210,688** | 143,321 |
| Other | **16,691** | - |
| | **227,379** | 143,321 |

In addition, the consolidated entity has guaranteed $25.8 million in respect of a $98.5 million bank facility issued on behalf of a wholly owned entity, Stockland Funds Management Limited, as Responsible Entity of the Stockland Direct Office Trust No.1 (50% owner of SDOT Sub Trust No.1 an associate of Stockland). As at 31 December 2004 the facility had been drawn down to the amount of $92.5 million. The assets of the trust as at 31 December 2004 are sufficient to meet such liabilities.

## Stockland Corporation Limited and its controlled entities

## Notes to and forming part of the financial statements

## For the half year ended 31 December 2004

### 11 Events subsequent to balance date

Other than the matters discussed below there has not arisen in the interval between the end of the half year and the date of this report any item, transactions or event of a material or unusual nature which is likely, in the opinion of the directors, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

***International Financial Reporting Standards***

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards ("IFRS") as issued by the AASB. The first Financial Reports to be completed under IFRS will be for the half year ending 31 December 2005 and year ending 30 June 2006, with the comparatives also restated to comply with IFRS.

The effects of the differences discussed below have not been quantified as at the date of this financial report. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to Stockland's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Board has established a formal project, monitored by the Audit Committee, to achieve transition to IFRS reporting, beginning with the half-year ending 31 December 2005. The consolidated entity's implementation project consists of three phases as described below:

**Assessment and planning phase**

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The consolidated entity considers the assessment and planning phase to be complete in most respects as at 31 December 2004.

**11 Events subsequent to balance date (continued)**

***International Financial Reporting Standards (continued)***

**Design phase**

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to facilitate transition to IFRS. The design phase incorporates:

- formulating revised accounting policies and procedures for compliance with IFRS requirements
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS
- developing revised IFRS disclosures
- designing accounting and business processes to support IFRS reporting obligations
- identifying and planning required changes to financial reporting and business source systems
- developing training programs for staff.

The consolidated entity is well into the design phase, with work progressing in each of the areas described above. The design phase will be completed by the end of this financial year.

**Implementation phase**

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the company to generate the required disclosures of AASB 1 *"First time adoption of Australian Equivalents to International Financial Reporting Standards"* as it progresses through its transition to IFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, the consolidated entity expects this phase will be substantially complete by 30 June 2005 which will ensure that the consolidated entity will meet the AASB implementation dates.

The key potential implications on the consolidated entity identified by the project team and being examined in respect of the conversion to IFRS are as follows:

- the disclosure requirements are generally more extensive and prescriptive than those required under current Australian Accounting Standards. All material items should be disclosed separately on the face of the income statement or in the notes.
- operating lease income, including future rent reviews predetermined by fixed increases but excluding future turnover rents, and all lease incentives expense, will be recognised on a straight-line basis over the lease term.

**Stockland Corporation Limited and its controlled entities**

**Notes to and forming part of the financial statements**

**For the half year ended 31 December 2004**

## 11 Events subsequent to balance date (continued)

***International Financial Reporting Standards (continued)***

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value. The criteria for the use of hedge accounting includes an expectation that the hedge will be highly effective at inception and over the life of the hedge. Actual hedge effectiveness must be measured on an ongoing basis. Effective cash flow hedges are fair valued with changes in fair value recognised in equity. Effective fair value hedges are fair valued with changes in fair value recognised in the income statement.
- income tax will be calculated based on the balance sheet approach instead of the income statement liability approach. More deferred tax assets and liabilities will be recognised relating to revalued assets. As tax effects follow the underlying transaction, some tax effects will be recognised in equity. In addition the application of UIG 52 in respect of the accounting for Tax Consolidation is under review in the context of IFRS.
- any revaluation increments and decrements relating to revalued property, plant and equipment will be monitored and recognised on an individual asset basis, not on a class of assets basis.
- goodwill and intangible assets with indefinite useful lives will no longer be amortised but tested for impairment at least annually. Intangible assets with a finite useful life will continue to be amortised but subject to impairment testing when there are indicators of impairment present.
- impairment of assets will be determined by ascertaining recoverable amount ,being the higher of fair value and value in use, and comparing to the carrying amount. Impairment testing will be required at an asset, cash generating unit level or cash generating unit's level (after the allocation of any goodwill) and may result in additional write downs.
- investment properties will be fair valued with increments and decrements going through the income statement instead of the Asset Revaluation Reserve. Owner occupied properties will be classified as property, plant and equipment.
- equity-based compensation in the form of shares and options will be recognised at grant date at fair value, and expensed over the vesting periods. On transition, only those shares and options granted after 7 November 2002 remaining unvested at 1 January 2005 are recognised.
- revenue from pre-completion sales contracts will not be recognised until legal title is transferred, unless the risks and rewards of ownership is passed to the buyer before that date.
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

**Stockland Corporation Limited and its controlled entities**

**Directors' Declaration**

In the opinion of the directors of Stockland Corporation Limited:

1 the financial statements and notes set out on pages 6 to 20, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 8 day of February 2005.

Signed in accordance with a resolution of the directors:

Matthew Quinn
*Managing Director*

KPMG

## Independent Review Report to the Shareholders of Stockland Corporation Limited

### *Scope*

*The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements (1 to 11), and the directors' declaration for Stockland Corporation Limited Consolidated Entity (the "consolidated entity") for the half year ended 31 December 2004. The consolidated entity comprises both Stockland Corporation Limited ("the Company") and the entities it controlled during the half year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Review approach

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of procedures described, anything has come to our attention that would indicate that the financial report does present fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance, as represented by the results of its operations and its cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of the consolidated entity personnel and;
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all of the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

KPMG

## Independent Review Report to the Shareholders of Stockland Corporation Limited

### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Stockland Corporation Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

*KPMG*

Michael J Coleman
Partner
Sydney, 8th February 2005