

Stockland Trust and its controlled entities

Annual Financial Report 30 June 2010

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Trust and its controlled entities

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Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

The Directors of Stockland Trust Management Limited ("STML"), the Responsible Entity of Stockland Trust, present their report together with the consolidation Financial Report of the Stockland Trust ("the Trust") and its controlled entities (together "the consolidated entity") for the year ended 30 June 2010 and the Independent Auditor's Report thereon. The consolidated entity, together with Stockland Corporation Limited (and its controlled entities) ("Corporation") forms part of the stapled group, Stockland ("Stockland").

Directors

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

Graham Bradley

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

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is President of the Business Council of Australia, Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited, Po Valley Energy Limited (appointed as a Director September 2004) and Boart Longyear Limited (appointed as a Director and Chairman February 2007). Mr Bradley has been a Director of Singapore Telecommunications Limited since March 2004 and was a Director of MBF Australia Limited from November 2003 to November 2007. He was also a Director and Chairman of Film Finance Australia Limited from January 2004 to June 2008. Mr Bradley was the Managing Director of Perpetual Limited for eight years until September 2003 and was the National Managing Partner of Blake Dawson and a Principal of McKinsey & Company prior to that. Mr Bradley is a member of the Human Resources and Corporate Responsibility and Sustainability Committees.

Former Directorships of listed entities in last three years

Mr Bradley was a Director and Chair of Proteome Systems Limited from May 2004 to November 2007.

Nicholas Greiner

B.Ec (Hons), MBA
Deputy Chairman
(Non-Executive)

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He was a member of the New South Wales Parliament from 1980 to 1992 and Premier and Treasurer for the last five years of that period. Prior to entering Parliament and after a distinguished academic career, he held executive positions in the United States of America and in Australia. He is currently Chairman of Bradken Limited (appointed as a Director in April 2004), Valemus (formerly Bilfinger Berger Australia), QBE Lenders Mortgage Insurance Ltd, Citigroup Australia, Deputy Chairman of CHAMP Private Equity and a Director of various private groups. Mr Greiner is Chair of the Corporate Responsibility and Sustainability Committee.

Former Directorships of listed entities in last three years

Mr Greiner was a Director of Australian Vintage Wines Limited from September 1992 to November 2008 and Bluefreeway Limited from November 2006 to July 2009.

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Directors' Report

For the year ended 30 June 2010

Directors (continued)

Duncan Boyle

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

Mr Boyle was appointed to the Board on 7 August 2007. He has over thirty six years experience as a Senior Executive and Director within the insurance industry in Australia, New Zealand and the United Kingdom. Mr Boyle is a Director of QBE Insurance Group Limited (appointed September 2006), Clayton Utz (appointed November 2008) and O'Connell Street Associates Pty Limited. Mr Boyle is a member of the Stockland Audit and Risk and Treasury Committees.

Former Directorships of listed entities in last three years

None.

Carolyn Hewson

B.Ec (Hons), Ec.,
FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over twenty five years experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a non-executive Director of Westpac Banking Corporation (appointed February 2003), BT Investment Management (appointed December 2007) and BHP Billiton (appointed March 2010), and previously served as a Director on the Boards of the Australian Gas Light Company, AGL Energy Limited, AMP, CSR Limited, South Australia Water and the Economic Development Board of South Australia. Ms Hewson is a member of the Stockland Audit and Risk and Human Resources Committees.

Former Directorships of listed entities in last three years

Ms Hewson was a Director of AGL Energy Limited from October 2006 to March 2009.

Barry Neil

B.Eng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty seven years experience in property, both in Australia and overseas. He is a Director of Dymocks Book Arcade Pty Limited 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 a member of the Corporate Responsibility and Sustainability Committee.

Former Directorships of listed entities in last three years

None.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Directors (continued)

Matthew Quinn

B.Sc (Hons), ACA,
ARCS, FAPI, FRICS
Managing Director

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He was appointed Chairman of Australian Business and Community Network Limited in November 2007. Mr Quinn is a member of the Corporate Responsibility and Sustainability Committee, a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Former Directorships of listed entities in last three years

None.

Carol Schwartz

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

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations and is Executive Chairman of Qualitas Property Partners and on the Board of a number of organisations including Yarra Capital Partners, The Sydney Institute and the City of Melbourne's Enterprise Melbourne Advisory Board. Her other appointments include Executive in Residence at Melbourne Business School and Chairman of Our Community. Ms Schwartz is a past National President of the Property Council of Australia. She has also previously been Chairman of Industry Superannuation Property Trust, Executive Director, Highpoint Property Group and a Director of OPSM Group Limited. She has served on a number of government boards including Melbourne's Dockland's Authority and the Victorian Growth Areas Authority Task Force.

Former Directorships of listed entities in last three years

None.

Peter Scott

B.E (Hons), M.Eng Sc, FIE.
Aust, CPEng, MICE
(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of Sinclair Knight Merz Holdings Limited and Chairman-elect of Perpetual Limited where he was appointed a Director on 31 July 2005. Mr Scott is a Director of Pilotlight, a non-profit making organisation and O'Connell Street Associates Pty Limited. He was appointed to the Advisory Board of Laing O'Rourke Australia in August 2008. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott is Chairman of the Human Resources Committee and Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds.

Former Directorships of listed entities in last three years

None.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Directors (continued)

Hugh Thorburn

B.Comm, FCA
Finance Director

Mr Thorburn was Finance Director from 1 July 2004 until his retirement on 26 February 2010, following his appointment as Chief Financial Officer upon his commencement at Stockland on 16 February 2004. He is a Chartered Accountant and has held a number of senior financial and general management roles in Australian companies. Mr Thorburn was a member of the Treasury Committee until 26 February 2010.

Former Directorships of listed entities in last three years

Mr Thorburn was a Director of Stockland from July 2004 to February 2010.

Terry Williamson

B.Ec, MBA, FCA, FCIS,
MACS
(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Avant Insurance Limited, ING Australia Limited and a member of the University of Sydney Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Price Waterhouse for 17 years. Mr Williamson is Chair of the Stockland and Stockland Capital Partners Audit and Risk Committees, the Treasury Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Former Directorships of listed entities in last three years

None.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

External Independent Committee Members and Independent Directors of the consolidated entity

Anthony Sherlock

B. Ec., 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 IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining 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 and Sydney Attractions Group Limited, and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Audit and Risk Committee, the Stockland and Stockland Capital Partners Financial Services Compliance Committees, and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

David Kent

BA (Hons) 1st Class,
MAICD

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the S H Ervin Gallery Committee and a Director of the Royal Sydney Golf Club Foundation and The Australian Club Inc. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Chairman of Everest Financial Group, Director of the Everest Alternative Investment Trust, Executive General Manager of Axiss Australia and Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation and Chairman of the Brett Whiteley Foundation. He is a member of the Board Equity and Finance Committee of Sinclair Knight Merz and of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Company Secretaries

Phillip Hepburn

B.Ec, LL.M, Grad Dip CSP,
FCIS, MAICD
Company Secretary

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

B.Comm, ASA, FCIS,
MAICD
Company Secretary

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

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

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

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee		Human Resources Committee		Corporate Responsibility and Sustainability Committee		Treasury Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	11	11	-	-	-	-	4	4	4	4	-	-
Mr N Greiner	9	11	-	-	-	-	-	-	4	4	-	-
Mr D Boyle	11	11	5	5	-	-	-	-	-	-	4	4
Ms C Hewson	11	11	5	5	-	-	4	4	-	-	-	-
Mr B Neil	11	11	-	-	-	-	-	-	4	4	-	-
Mr M Quinn	11	11	-	-	-	-	-	-	4	4	-	-
Mr P Scott	11	11	-	-	-	-	4	4	-	-	-	-
Mr H Thorburn	7	7	-	-	-	-	-	-	-	-	3	3
Mr T Williamson	11	11	5	5	4	4	-	-	-	-	4	4
Other members												
Mr P Hepburn	-	-	-	-	4	4	-	-	-	-	-	-
Mr A Sherlock	-	-	-	-	4	4	-	-	-	-	-	-

Stockland Capital Partners

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr P Scott	4	4	-	-	-	-
Mr D Kent	4	4	-	-	-	-
Mr M Quinn	4	4	-	-	-	-
Mr A Sherlock	3	4	6	6	4	4
Other members						
Mr P Hepburn	-	-	-	-	4	4
Mr T Williamson	-	-	6	6	4	4

A – Meetings attended

B – Meetings eligible to attend

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

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.

The Board of Directors of the Responsible Entity (Stockland Trust Management Limited) is responsible for the management and governance of the consolidated entity.

Role of the Board

The Board of the Responsible Entity has overall responsibility for the good governance of the consolidated entity. The Board:

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

The Board has delegated responsibility to the Managing Director to manage the consolidated entity'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 the consolidated entity'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 units or debt by the Trust and key risk management and accounting policies.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

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

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

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

Composition of the Board

The Responsible Entity 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 the consolidated entity so as to sustain superior returns to unitholders.

At the date of this report, the Board comprised one Executive Director and eight 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 4 including details of their other listed company directorships and prior experience.

The Responsible Entity recognises that having a majority of independent Directors provides assurance that the Board is structured properly to fulfil its role in holding Management accountable for the consolidated entity'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.

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

1. is not a substantial unitholder of the consolidated entity or of a company holding more than 5% of the Trust's voting units, or an officer of or directly or indirectly associated with a unitholder holding more than 5% of the Trust's voting units;
2. is not and has not within the last three years, been an employee of the related entity Stockland Corporation Limited;
3. is not a principal of a material professional advisor to the consolidated entity;
4. is not a material supplier or customer of the consolidated entity or an officer of, or directly or indirectly associated with, a significant supplier or customer;
5. has no material contractual relationship with the consolidated entity or any of its associates other than as a Director of the consolidated entity or Stockland Corporation Limited; and
6. has no other interest or relationship that could interfere with the Director's ability to act in the best interests of the consolidated entity 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 the consolidated entity at all times.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Composition of the Board (continued)

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

In making this determination, the Board considered the transactions between the consolidated entity and entities with which the consolidated entity's Directors are associated as directors or advisors set out in Note 36 to the Consolidated Financial Statements. The Board concluded that none of these transactions rendered these entities significant suppliers to, or customers of, the consolidated entity 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 the consolidated entity's Directors receive direct financial benefits as principals, partners or substantial shareholders of the entities concerned.

The composition of the Board changed during the financial year with the retirement of Mr Hugh Thorburn as a Director on 26 February 2010 and the appointment of Ms Carol Schwartz as a Non-Executive Director on 1 July 2010.

The Constitution of the Responsible Entity (the "Constitution") provides that:

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

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

Board diversity

When a Director 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.

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

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Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Board diversity (continued)

Stockland has for many years had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. For example, several years ago we set targets to increase the proportion of women in management to 35%. These targets are regularly reviewed by the Human Resources Committee. In FY10 we exceeded our goal, and we have now set a new five-year goal to achieve 40%. In addition, we have a formal Gender Diversity Policy which is available on our website (www.stockland.com.au). Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in our FY10 Corporate Responsibility & Sustainability Report which is also posted on our website.

Director induction and ongoing education

The Responsible Entity 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 consolidated entity and meetings are also arranged with Stockland's key Executives. Directors also have the opportunity to visit the Stockland facilities and to meet with Stockland Management to gain a better understanding of business operations. Directors retain the right of access to all consolidated entity information and Stockland Executives.

In addition, quarterly updates on legal and regulatory compliance are provided to Directors to keep them apprised of material developments affecting the consolidated entity.

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 the consolidated entity. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law directors' duties and the consolidated entity's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditors" on page 48.

Directors are required to keep the Board advised of any interest that may be in conflict with those of the consolidated entity, 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.

The Responsible Entity has also entered into a deed of disclosure with each Director, ensuring that the consolidated entity can comply with its obligations under the ASX Listing Rules relating to disclosure of changes in Directors' stapled securityholdings.

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

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Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Board meetings

The Board currently holds ten scheduled meetings each financial year. Additional meetings are convened as required. During the 2010 financial year, the Board held 11 meetings including one special Board meeting. 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 Stockland Senior Executive, as well as reports addressing matters of strategy, governance and compliance. Stockland Senior Executives are directly involved in Board discussions and Directors have a number of further opportunities to contact a wider group of Stockland's employees, including visits to business operations.

Board papers are designed to focus Board attention on current and future issues of importance to the consolidated entity'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 Stockland's 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.

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. Additionally, an external review of the effectiveness of the Board was performed during the financial year, with no issues identified.

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 Deputy Chairman follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness. In FY10, the Board review process was facilitated by an external facilitator.

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

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

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Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Director remuneration and share ownership

Non-Executive Directors receive fees for their services. During the 2010 financial year, a majority of Non-Executive Directors elected to take part of their fees in Stockland securities acquired on market, though the Board resolved to discontinue this option in March 2010 as a result of changes in federal legislation.

Non-Executive Directors are paid superannuation but receive no other retirement benefits. Refer to the Remuneration Report on pages 25 to 47 for further information.

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. In March 2010, the Board adopted a new policy on minimum securityholdings for Stockland's Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Stockland's Senior Executives with those of stapled securityholders.

The Remuneration Report also describes Stockland's process for evaluating the performance of Stockland's 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 and Risk Committee;
3. Corporate Responsibility and Sustainability Committee;
4. Treasury 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 and Risk Committee and the Human Resources Committee comprise only independent Directors. The Treasury Committee, Financial Services Compliance Committee and the Corporate Responsibility and Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

All Board Committees have written charters which are reviewed on a regular basis. All Non-Executive Directors may attend any Board Committee meeting. Committees may meet with external advisors in the absence of Management.

The terms of reference for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website (www.stockland.com.au).

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Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Board Committees (continued)

The Human Resources Committee

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

- periodically the size, composition and desired competencies of the Board, policies on Director independence and Board succession plans and makes recommendations to the Board for the appointment of new Directors;
- the Board's process for reviewing the performance of the Board, its Committees and individual Directors;
- Board and Committee fees (including the Directors' fee cap) annually in light of the liability and workload of Directors and relevant external benchmarks;
- the terms of employment and remuneration arrangements for the Managing Director and his direct reports, including assessing their performance against agreed objectives and their participation in security-based incentive plans;
- the effectiveness and competitiveness of Stockland's remuneration policies including Executive incentive schemes;
- Executive development and succession plans;
- the Group'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 recommend 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 discretion under those employee incentive plans;
- routine changes to security-based incentive plans and exercise of the Board's 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 assist the Board to exercise sound corporate governance in relation to the appointment, performance and remuneration of Directors, the Managing Director and Senior Executives reporting to the Managing Director and overall Stockland employment and remuneration policies. The Committee seeks to ensure that there is a strong link between employee reward, the consolidated entity's performance and ultimately unitholder 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 25 to 47 for further information.

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

Mr P Scott (Chair) – Non-Executive Director

Mr G Bradley – Non-Executive Director

Ms C Hewson – Non-Executive Director

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

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Board Committees (continued)

Audit and Risk Committee

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

- review reports from the external auditors and the Group Risk team (including internal audit), correspondence with regulatory authorities, and monitor management's responses to any identified deficiencies;
- review accounting policies, operating and accounting controls, audit and risk management policies and associated governance arrangements and make recommendations to the Board for necessary changes to Group policies;
- oversee and appraise the quality of reviews and the overall performance of the external auditors, the Chief Risk Officer and the Group Risk team (including internal audit) and make recommendations to the Board on the appointment of the external auditor and annual audit fee;
- monitor key corporate risks and risk mitigation strategies and internal control systems, including reviewing the effectiveness of the Disaster Recovery Plan, and the adequacy of the corporate insurance programme and recommend any changes in policies or resources required;
- review and assess the Group's compliance with applicable laws and regulations; and
- review compliance with the Group's statutory financial reporting obligations and review the final draft of the half yearly and annual financial statements and the Directors' Report prior to approval by the Board for release to securityholders and the ASX.

The Committee has specific authority to approve:

- the external auditor's annual audit plan and their statement of independence and approve the scope of the Group Risk (including internal audit) annual work plan;
- engagements of the external auditor for non-audit work above a fee level of \$100,000 only where such engagements will not impugn the independence of the external auditor;
- the annual audit fee payable to external auditors;
- the annual work plan for the Group Risk division; and
- amendments to Group accounting and risk policies which the Committee determines do not require Board approval.

The external auditor provides a declaration of independence each reporting period, consistent with the requirements of the Corporations Act 2001.

Audit and Risk Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Chief Financial Officer, the consolidated entity's external auditor and, as required, other Stockland Executives and external advisors. The Committee met five times during the 2010 financial year. The Committee meets privately with the external auditor in the absence of management at least once a year. The Committee has written terms of reference which incorporates the ASX Guidelines.

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

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

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

Mr T Williamson (Chair) – Non-Executive Director

Mr D Boyle – Non-Executive Director

Ms C Hewson – 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.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Corporate Governance (continued)

Board Committees (continued)

Corporate Responsibility and Sustainability Committee

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

The responsibilities of the Committee are to:

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

The Committee has specific authority to:

- approve external reporting on major corporate responsibility and sustainability policies, principles and initiatives, including the annual Corporate Responsibility and Sustainability Report;
- approve reports to Government agencies related to sustainability performance where Board approval is required; and
- act as a first point of reference for management to the Board 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 the consolidated entity's business operations to the highest standard of ethical business practice, corporate citizenship and environmental responsibility.

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

Mr N Greiner (Chair) – Non-Executive Director

Mr G Bradley – Non-Executive Director

Mr B Neil – Non-Executive Director

The Committee met four times during the 2010 financial year.

Environmental Regulation

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Board Committees (continued)

Treasury Committee

The purpose of the Treasury Committee is to assist the Board to oversee the effectiveness of Stockland's policies for managing the Group's financial resources and for securing current and future financing needs prudently and in a way that manages financial exposures with an appropriate balance of risk and return.

The responsibilities of the Committee are to:

- review the effectiveness of the Group's Treasury Policy and of its implementation;
- review reports from management on the Group's current and future funding needs and liquidity and consider the risk implications of the Group's funding strategies and derivative exposures;
- review strategies for managing risk associated with debt maturities and covenants, financial counterparties and interest rates, foreign currency and other financial exposures, and recommend to the Board necessary changes to the Treasury Policy;
- review delegated authorities to borrow, raise finance, invest funds and enter into hedge facilities and recommend changes in these to the Board as required from time to time;
- assess alternative funding sources, investments and funding arrangements against the Group's Treasury Policy and recommend to the Board any appropriate changes to the Treasury Policy;
- review the key indicators on Treasury performance and financial exposure risks that are routinely reported to the Board and recommend any changes required; and
- assess periodically, in consultation with the Chief Financial Officer, the adequacy of the Treasury function's staff resources and capability and make recommendations to the Board, as necessary.

The Committee has specific authority to approve:

- delegations from the Chief Financial Officer to his subordinates in relation to Treasury matters;
- 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 Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director

Mr H Thorburn – Finance Director (retired February 2010)

Mr T Foster – Chief Financial Officer (appointed February 2010)

Mr D Boyle – Non-Executive Director

The Committee met four times during the 2010 financial year.

Financial Services Compliance Committee

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

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

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

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

Mr T Williamson (Chair) – Non-Executive Director

Mr A Sherlock – External Independent Member

Mr P Hepburn – Executive Member

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

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 of Stockland, Stockland Capital Partners Limited ("SCPL") operates this business, with a separate Board of Directors ("SCPL Board").

Stockland Capital Partners Limited acts as the Responsible Entity or Manager of Stockland's unlisted funds.

Since the Capital Partners business has dealings with and may acquire assets from the consolidated entity, the SCPL Board has two independent Non-Executive Directors who are not members of the Stockland Trust Management Limited Board. They must approve each transaction SCPL enters into with the consolidated entity 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 the consolidated entity under the terms of any agreement, the SCPL Board has resolved that the unanimous consent of the two independent Directors must be obtained as to any related party contract with the consolidated entity.

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 the consolidated entity.

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

Mr P Scott (Chair) – Non-Executive Director

Mr M Quinn – Managing Director

Mr A Sherlock – Independent Non-Executive Director

Mr D Kent – Independent Non-Executive Director

The SCPL Board met four times during the 2010 financial year.

Stockland Capital Partners Audit and Risk Committee

The Stockland Capital Partners Audit and Risk Committee mirrors the Audit and Risk Committee of the consolidated entity but covers Stockland Capital Partners Limited and Stockland's unlisted funds.

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

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

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

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

Mr A Sherlock – Non-Executive Director of Stockland Capital Partners Limited

Stockland Capital Partners Financial Services Compliance Committee

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

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

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

Mr T Williamson (Chair) – Non-Executive Director

Mr A Sherlock – Independent Non-Executive Director

Mr P Hepburn – Executive Member

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Risk Management

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

Stockland's Risk Management Framework is integrated with its day-to-day business processes and functional responsibilities and is supported by a dedicated Group Risk function. The approach to risk management is guided by the Australia/New Zealand Risk Management Standard (AS/NZS 4360) and other applicable international standards. A copy of Stockland's Risk Management Policy Statement is available on the Corporate Governance section of the Stockland website (www.stockland.com.au).

Risk Management responsibilities

Stockland's Group Risk function is 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. Business Units are responsible for integrating the Risk Management Framework within their business processes and systems.

The Board is responsible for satisfying itself that Management has in place a sound system for the management and internal control of material business risks. The Board is assisted in its oversight function by the Audit and Risk Committee, which receives regular reports from Management, Group Risk and external audit on Stockland's material business risks and monitors the effectiveness of Risk Management Framework. Minutes of the Audit and Risk Committee meetings are circulated to the full Board. The Board receives at least annually a comprehensive report of Stockland's material business risks.

The Chief Risk Officer ("CRO") leads Stockland's Group Risk team which is responsible for three main functions:

- Group Compliance monitors compliance to relevant laws and regulations and implements programs to assist the business in managing legislative requirements. Such areas include compliance with Stockland's Australian Financial Services Licences, with findings reported to the Stockland Trust Management Limited and Stockland Capital Partners Limited Financial Services Compliance Committees, as well as monitoring compliance with Real Estate Licencing regulations;
- Business Review regularly assesses the effectiveness and efficiency of the Risk Management Framework. This includes supporting and advising the business on implementing appropriate supporting and advising the business on implementing appropriate risk management processes and practices, and undertaking projects to provide independent assessment of internal controls, including financial controls; and
- Risk Advisory provides forward-looking risk advice to the Board and Management, and builds Stockland's risk management capability. This includes leading Group-wide strategic risk reviews, developing risk reporting tools for use by the businesses, conducting independent risk assessments on capital investments and training management in risk assessment and management. Risk Advisory is also responsible for reporting consolidated risk information to Executive Management and the Board.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Risk Management (continued)

Risk Management responsibilities (continued)

Group Risk works collaboratively with other Group functions and the Business Units to provide an additional layer of assurance to the Board that risk is appropriately managed. The Group uses sensitivity analysis, scenario planning and stress testing to identify and quantify material risks to delivery of projects and business plans.

The Chief Risk Officer has a direct reporting relationship to both the Chief Financial Officer and the Chairman of the Audit and Risk and Compliance Committees.

The ongoing monitoring of risks by Executive Management is achieved through regular reports and briefings from the Business Units and Group Risk. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts. The CRO also provides regular reports to the Audit and Risk Committee.

Executive confirmations

In accordance with the consolidated entity'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 2010 that, to the best of their knowledge and belief:

With regard to the consolidated entity's financial reports:

- the consolidated entity's financial records have been properly maintained in accordance with section 286 of the Corporations Act; and
- the consolidated entity's financial statements present a true and fair view, in all material respects, of the consolidated entity's financial condition and operational results and are in accordance with relevant Australian Accounting Standards.

With regard to risk management and internal compliance and control systems of the consolidated entity:

- the statements made with respect to the integrity of the consolidated entity'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
- 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 2010, 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 the consolidated entity 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.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Code of Conduct and Ethical Behaviour

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

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

1. protection of the consolidated entity's assets;
2. confidentiality and commercially sensitive information;
3. Responsible Entity's employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;
4. the consolidated entity's responsibilities to unitholders and the financial community generally;
5. the consolidated entity'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 the consolidated entity's assets;
11. outside business interests, corporate entertainment and political contributions; and
12. Stockland's "whistleblowing" policy.

The consolidated entity 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 are encouraged to report the breach to their line manager or the Chief Risk Officer. Where a report is received, the matter must be investigated. Appropriate disciplinary action is taken if the allegation is proven. This could include legal action or dismissal, depending on the severity of the breach.

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

Employee and Director trading in Stockland securities

Subject to applicable minimum securityholding policies, Directors of the Responsible Entity and Executives may trade in Stockland securities only during nominated trading windows which are typically of one month's duration following the announcements of Stockland's half-yearly and full year results and after the Annual General Meeting.

At other times, Directors may trade only with the consent of two Non-Executive Directors, one of which must be the Chairman or Deputy Chairman. Stockland Senior Executives who wish to trade outside nominated trading windows may do so after first obtaining the consent of the Chairman and the Managing Director. Notwithstanding those designated windows and approval requirements, a person is prohibited from trading if they possess material, price-sensitive information about Stockland that is not generally available to the public.

Directors and employees may subscribe for securities in any offering in an unlisted property fund promoted by Stockland. Applications by Directors and employees for such securities are on the same terms as applied to other investors. Directors and employees are prohibited from trading in unlisted property fund securities while they possess material, non-public, price-sensitive information.

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Corporate Governance (continued)

Communication to unitholders

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

1. Annual and Half Year Financial Reports lodged with the ASX and made available to all unitholders;
2. announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;
3. the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;
4. copies of announcements, presentations, past and current reports to unitholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and
5. 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.

The consolidated entity has a unitholder 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. The consolidated entity'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.

The consolidated entity 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 unitholders and other interested parties.

Unitholders 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.

Unitholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the Notice of Meeting, all unitholders are eligible to vote on all resolutions. Unitholders 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.

The consolidated entity's external auditor attends the Annual General Meeting and may answer questions from unitholders concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the consolidated entity 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 unitholders 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).

The consolidated entity encourages unitholders to receive electronic communications. It is now possible to update unitholder information, elect to participate in the Distribution Reinvestment Plan (when operating), or elect to receive electronic communications from Stockland via the website.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Principal activity

The principal activity of the consolidated entity during the financial year was investment in income producing retail, office, industrial and office park properties.

The consolidated entity operates primarily in mainland Australia.

There were no other significant changes in the nature of the activities of the consolidated entity during the financial year.

Review and results of operations

The consolidated entity recorded a profit attributable to unitholders calculated in accordance with Australian Accounting Standards ("AASBs") of \$388.9 million for the year ended 30 June 2010 (2009: loss of \$1,083.8 million). This profit includes a number of certain significant items that, in the opinion of the Directors, need adjustment to enable unitholders to obtain an understanding of the consolidated entity's underlying profit (refer to table below).

The underlying profit for the year was \$642.7 million (2009: \$623.2 million), reflecting a 3.1 per cent increase from the prior year.

The following table provides information to unitholders that reconciles the underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with AICD / Finsia principles for reporting underlying profit.

		Consolidated	
		2010	2009
	Notes	\$M	\$M
Underlying profit		642.7	623.2
Certain significant items:			
<i>Fair value adjustment of investment properties</i>			
Net loss from fair value adjustment of investment properties ¹		(314.4)	(929.2)
Share of net loss from fair value adjustment of investment properties in associates and joint ventures		(36.8)	(177.9)
<i>Fair value adjustment of other financial assets, impairment and net loss on sale of non-current assets</i>			
Net gain/(loss) from fair value adjustment of other financial assets		28.1	(265.3)
Impairment of goodwill		-	(161.1)
Net loss on sale of other non-current assets		(13.9)	(32.8)
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net gain/(loss) on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	5	47.4	(163.6)
Net gain/(loss) from hedged items and financial instruments treated as fair value hedges	5	3.1	(7.6)
Net gain/(loss) on other financial instruments that do not qualify as effective under hedge accounting rules		63.7	(30.0)
Net unrealised foreign exchange (loss)/gain	5	(31.0)	60.5
Profit/(loss) for the year attributable to unitholders of the consolidated entity		388.9	(1,083.8)

¹ The net loss from fair value adjustment of investment properties includes site remediation costs of \$9.4 million (2009: \$Nil)

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Review and results of operations (continued)

Basic underlying earnings per unit was 27.0 cents, a decrease of 25.0 per cent from 36.0 cents in the prior year. Basic earnings per unit was 16.3 cents.

	Consolidated	
	2010	2009¹
	Cents	Cents
Basic underlying earnings per unit	27.0	36.0
Diluted underlying earnings per unit	26.8	35.8
 Basic earnings per unit	 16.3	 (62.6)
Diluted earnings per unit	16.2	(62.6)

¹ The prior year weighted average number of securities has been adjusted as required by AASB 133 "Earnings per Share" ("AASB 133").

Refer to Note 7 of the accompanying Financial Statements for further information regarding the earnings per unit calculations.

Distribution per unit

The distribution payment is 21.8 cents per unit, down 35.5 per cent from 33.8 cents paid for the previous corresponding period. The payment comprises:

Trust distribution, estimated 30.6% tax preferred
(prior year actual 31.9% tax preferred)

21.8	33.8
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Registers closed at 5.00pm on 30 June 2010 to determine entitlement to the year end distribution, which will be paid on 31 August 2010.

Operational highlights

Commercial Property

Retail

- Comparable net income growth of 4%
- High portfolio occupancy of over 99%
- Weighted average lease term of 3.3 years for specialty shops and 8.1 years for majors
- Sustainable specialty occupancy costs of 13.4%
- Weighted average capitalisation rate of 7.4%

Office and Industrial

- Comparable net rental down 1% in Office and 3% in Industrial due to high incentives and longer time to let
- High portfolio occupancy of 92% in Office and 95% in Industrial
- Weighted average lease term of 4.6 years in Office and 3.4 years in Industrial
- Weighted average capitalisation rate of 7.9% for Office assets and 8.6% for Industrial assets

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Distributions

Distributions paid or declared by the Trust to unitholders since the end of the prior year are set out in Note 27 of the accompanying Financial Statements.

State of affairs

Changes in the state of affairs of the consolidated entity during the financial year are set out in the various reports in the Stockland Annual Report. Refer to Note 25 of the accompanying Financial Statements for units issued and Notes 20 and 23 for debt movements.

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

Likely developments

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

Other information about certain likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years is included in the various reports in the Stockland Annual Report. Further information about likely developments has not been included in this report because disclosure of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Events subsequent to the end of the year

Stockland's offer to acquire Aevum Limited

On 2 August 2010, Stockland announced an all-cash off-market offer to purchase the entire share capital of Aevum Limited ("Aevum") for \$1.50 per share, which values Aevum's total equity at \$266 million.

Prior to launching its takeover offer Stockland increased its ownership interest in Aevum by 5.8% following off-market purchases at a price of \$1.50 per share for a total of \$15.2 million with settlement on 5 August 2010, resulting in a total ownership interest of 15.9%. The acquisition of the remaining 84.1% of Aevum's issued share capital at \$1.50 per share would require a cash payment of \$223.8 million.

The offer is subject to certain conditions, regulatory and other approvals, including 50.1% minimum acceptance condition; no prescribed occurrences; no material adverse change; and no specified index decline.

The acquisition would be fully funded from existing cash reserves and undrawn and available debt facilities and is not expected to result in a material change to Stockland's strategic weightings or gearing. The acquisition would be earnings accretive from the financial year commencing 1 July 2011 and would significantly increase Stockland's market share in Retirement Living.

The offer is expected to open on 20 August 2010 and close late September 2010.

Revised distribution policy

On 11 August 2010, Stockland announced a change in its distribution policy. Under the revised distribution policy, dividends/distributions made to securityholders are based on the greater of 75% of underlying profit or the Trust's Taxable Income. As a result of the distribution policy change, the final dividend/distribution to securityholders is 11.0 cents per ordinary stapled security, resulting in a full year dividend/distribution of 21.8 cents per ordinary stapled security. This represents an increase of 0.2 cents per ordinary stapled security from the estimated final dividend/distribution of 10.8 cents per ordinary stapled security announced to the market on 17 June 2010.

The increase in the final dividend/distribution of 0.2 cents per ordinary stapled security (\$4.8 million) has not been recognised as a liability in the Financial Report as at 30 June 2010.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited

The Board presents the Remuneration Report for Stockland for the year ended 30 June 2010 (FY10), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the Corporations Act 2001.

The report sets out current remuneration arrangements for all of the stapled group ("Stockland") employees, including Directors and Executives of the Responsible Entity under the following sections:

1. Remuneration in brief

- 1.1 External environment
- 1.2 Board review of policies
- 1.3 Gender diversity and remuneration
- 1.4 Key decisions in FY10
- 1.5 Managing Director remuneration
- 1.6 Chief Financial Officer ("CFO") transition
- 1.7 Frequently asked questions

2. Remuneration philosophy

- 2.1 Remuneration governance
- 2.2 Remuneration policy
- 2.3 Remuneration framework
- 2.4 Dealing in securities

3. Link between remuneration and performance

4. Executive Remuneration

- 4.1 Key Management Personnel
- 4.2 Legacy incentive plans, Executives' loans and other arrangements
- 4.3 Employment and termination arrangements
- 4.4 Remuneration in FY10

5. Non-Executive Director Remuneration

- 5.1 Remuneration policy
- 5.2 Non-Executive Director fees
- 5.3 Remuneration in FY10
- 5.4 Independent remuneration advisors
- 5.5 Directors' securityholdings

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

1. Remuneration in brief

The Board is committed to clear and transparent communication of Stockland's remuneration arrangements. In this section we explain the key remuneration decisions made during the year, review policies in light of the current regulatory and governance environment and outline the actual value of remuneration paid to Stockland's Directors and Senior Executives in FY10. The later sections of this report, starting on page 31, include more detail regarding the remuneration philosophy, framework and outcomes in accordance with statutory obligations and Accounting Standards.

1.1 External environment

In setting and reviewing its remuneration policies and arrangements, the Stockland Board pays close regard to evolving market practice and prevailing regulatory and governance standards.

The Board actively monitors the tax, regulatory and governance developments impacting remuneration. For example, the Board has carefully considered the Productivity Commission's report of 19 December 2009 on the regulation of Director and Executive remuneration in Australia. Stockland supports many of the recommendations contained in the report and has already adopted a number of those recommendations, for example:

- Remuneration policy at Stockland is overseen by the Board's Human Resources ("HR") Committee which has for many years comprised three Non-Executive Directors, all independent;
- Stockland's remuneration framework is kept simple and explained in plain English;
- Consistent with the policy adopted some years ago, the HR Committee directly engages an external remuneration consultant to provide comparative market data on the Managing Director's remuneration and Non-Executive Director fees; and
- Executives are prohibited from hedging Stockland securities under Stockland's Security Trading Policy and this policy has been in place for several years.

1.2 Board review of policies

Setting Executive remuneration policies is viewed by the Board as one of its most important responsibilities.

Whilst Stockland's remuneration policies have proven to be robust through various business cycles, continuous improvement in remuneration policy is important to Stockland's ongoing performance and ability to attract and retain key talent.

As the economy gains strength, the Board remains committed to ensuring that Executive pay is fair, competitive, rewards high performance and not excessive risk taking, does not provide windfall benefits unrelated to performance and is structured in a way that aligns management's objectives with long-term securityholder interests.

The Board has in FY10 endorsed the following enhancements aimed at strengthening alignment of Executive performance with long-term securityholders' interests and ensuring the Group's remuneration framework is simple and consistent:

Minimum securityholding requirement for Senior Executives

The Managing Director and his Executive Committee are prohibited from disposing of Stockland securities acquired under Stockland's Long-Term Incentive ("LTI") plans granted on or after 1 July 2010, unless immediately after that disposal they would continue to hold a number of Stockland securities equal to a minimum aggregate value (the minimum holding) of two times Fixed Pay for the Managing Director and one times Fixed Pay for the rest of the Executive Committee.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.2 Board review of policies (continued)

Tighter vesting rules for equity-based incentives

In response to feedback from securityholders, vesting rules have been strengthened so that no vesting will occur unless earnings per security (“EPS”) growth exceeds the Target (formerly vesting occurred if EPS equalled the Target). This aligns the EPS hurdle to our total securityholder return (“TSR”) hurdle. The targets are discussed on page 33.

Suspension of Non-Executive Director Security Acquisition Plan

This plan was approved by securityholders in 2006 but was suspended in March 2010 as its attractiveness significantly diminished following changes in tax legislation applying to all employee share schemes. Non-Executive Directors are, however, encouraged to own Stockland securities and are required to acquire a minimum of 10,000 securities within a reasonable time after appointment. As at 30 June 2010, all Stockland Directors owned securities in excess of this minimum requirement.

1.3 Gender diversity and remuneration

At Stockland we value diversity and aim to create a vibrant and inclusive workplace, reflective of the communities in which we operate. Embracing a diverse workforce is critical for our business to attract and retain the most talented people.

Gender diversity forms an integral part of our People Strategy. Increasing the number of women in leadership positions will facilitate different and more innovative thinking, more informed decision-making and ultimately better business outcomes. The proportion of women in management roles at Stockland has increased from 28% in FY07 to 35% in FY10, with the Board endorsing a new target of 40% within five years.

Stockland’s performance management process and remuneration framework facilitate fair evaluation of employee performance and equitable reward decisions. Performance is measured against Balanced Scorecard objectives that employees set together with their managers annually. A comprehensive analysis of all proposed remuneration decisions concerning women is undertaken as part of the annual remuneration review. Completed by Human Resources and endorsed by the Managing Director, this special review assists in promoting gender pay equity.

The Board has decided to adopt early the new ASX Corporate Governance Council’s gender diversity principles not due to apply until January 2011. Stockland has already provided voluntary disclosure of gender metrics in the Group’s 2009 Corporate Responsibility & Sustainability (“CR&S”) report available on our website and will continue to do so in the CR&S report where details of the Diversity Policy and performance against those objectives are set out.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.4 Key decisions in FY10

While the Australian economy has shown positive signs of recovery, weak global conditions, financial market volatility and rising interest rates are weighing on domestic business and consumer confidence. In this environment and indeed throughout all business cycles, the Board is committed to ensuring that remuneration decisions and payments remain effective and appropriate.

In line with this, the Board has made the following decisions:

- To award no increase in Fixed Pay¹ for the Managing Director for FY11. This follows no increases in FY09 and FY10;
- To continue restraint on executive Fixed Pay for FY11, with increases granted only where an individual's responsibilities have materially changed or there was a significant anomaly compared to the market based on independent benchmarking. This follows similar restraint for executive Fixed Pay in FY09 and FY10;
- To continue to link performance based pay to Stockland's underlying profit² and to other Balanced Scorecard measures; and
- To make no increase in the base Directors' fee in FY11, following no increase in either of the previous two years. Based on externally advised benchmarking against peer companies, however, some adjustments (both up and down) were made for FY11 for certain Board Committee roles and the Board Chairman's fee was increased. These adjustments are designed to reflect the market median of comparable companies and to reflect the changing workloads of Board Committees. In addition, the Board has determined not to appoint a Deputy Chairman after Mr Greiner's retirement in October 2010. The net increase in annual Board remuneration resulting from these adjustments will be in the order of \$30,000, or about 2%, and total Board remuneration will remain at approximately 66 per cent of the fee cap approved by securityholders in 2007.

¹ Fixed Pay is defined on page 32.

² Throughout this report, the term "underlying profit" is used as set out on page 22 of the Directors' Report.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.5 Managing Director remuneration

The remuneration of the Managing Director, set out on page 43 of this report, is calculated in accordance with statutory obligations and Accounting Standards, and is “theoretical” due to the complex way equity-based incentive pay is calculated for accounting purposes. To provide more meaningful information to securityholders (as recommended by the Productivity Commission’s report), the following table sets out clearly and concisely the cash and other benefits actually received by the Managing Director during FY10.

Realised value of Senior Executive remuneration received in FY10

		Fixed Pay	STI¹	LTI²	Total
		\$'000	\$'000	\$'000	\$'000
Executive Director					
Matthew Quinn	2010	1,900	1,750	735	4,385
Managing Director	2009	1,900	1,235	754	3,889

¹ Short-term incentive.

² Long-term incentive.

Detail of the calculation of the LTI value is shown on page 40.

1.6 Chief Financial Officer (“CFO”) transition

Conscious that the search for a new CFO could take quite some time, the previous Finance Director, Mr Hugh Thorburn, gave the Board a lengthy notice of his intention to retire after the FY10 results announcement in August 2010. The search for his replacement was completed earlier than expected and a new appointment was made in February 2010, at which time Mr Thorburn retired. In recognition of Mr Thorburn’s contribution to Stockland over his six year tenure, his commitment to an orderly handover to the new CFO and notice foregone, the Board decided to make an ex-gratia payment of three months’ Fixed Pay.

The Board also exercised its discretion to allow Mr Thorburn’s unvested 2007 and 2008 LTI performance rights allocations to remain in place, subject to their original performance hurdles being met over the relevant vesting periods. Mr Thorburn received no LTI grant in 2009. Mr Thorburn earned an STI of \$700,000 for FY10.

Our new CFO, Tim Foster joined Stockland in February 2010. To align Mr Foster’s commitment to securityholders’ interests from the commencement of his employment, he was granted 226,000 performance rights, with the same performance hurdles and vesting periods as allocated to other Senior Executives in FY10. The number of rights represents 70% of Fixed Pay, in line with our framework, pro-rated for the portion of the year he was employed.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

1. Remuneration in brief (continued)

1.7 Frequently asked questions

There has been much public debate about executive remuneration in the past year. It remains a topic of legitimate interest to investors and the wider community. To help investors better understand Stockland's approach, this section addresses some commonly asked questions:

(a) What is Stockland's approach to retaining key Executive talent as the economy recovers?

Stockland uses a range of incentives (both financial and non-financial) to retain its Key Management Personnel. Performance rights as explained on page 33 are the key financial retention mechanism. The Board believes that performance rights work better than options as even in depressed markets they retain at least some value unlike options which can fall "out of the money" or lose all value and are therefore valued less by the Executives. Executives who resign forfeit all unvested rights.

While remuneration is important for employee retention, it is not all important. Our research shows that our people value the career opportunities we offer, our respected brand and reputation and our engaging workplace culture. An important retention focus is, therefore, continuing to offer our employees meaningful development opportunities and maintaining high levels of employee engagement. Our engagement scores are measured by an independent survey provider (Towers Watson). In FY10, our scores were high relative to local and international benchmarks for the fourth consecutive year.

(b) Should LTI awards vest when the security price declines?

Fifty per cent of Stockland's LTI is based on earnings per security ("EPS") and fifty per cent is based on total securityholder return ("TSR"). The TSR hurdle measures performance **relative** to other Australian Real Estate Investment Trusts ("A-REITs") and is designed so that windfall gains or losses do not arise simply from market movement. Executives do not simply benefit from a rising market but are rewarded only if Stockland's securities perform better than the average of Stockland's peers. Conversely, in a falling market, it is appropriate to reward Executives when Stockland's security price has not fallen as far as the security prices of its peers.

It is also important to note that the TSR targets for Stockland LTI hurdles remained unchanged. In FY10, there has been no re-setting to make them easier to achieve in the post global financial crisis environment and we allow no re-testing if vesting does not occur in the three year vesting period.

(c) Should annual performance-based pay be deferred?

Stockland's STI payments are part of an annual cycle, but STIs are only awarded when performance has been achieved across a combination of objectives which include both financial and non-financial measures such as stakeholder engagement, people and leadership, corporate responsibility and sustainability and health, safety and environment. These objectives measure annual progress against long-term strategy. When considered in conjunction with the equity-based long-term incentives, coupled with our new policy requiring Executives to retain vested securities up to specified minimum securityholdings levels, the Board believes that the appropriate balance has been achieved between annual reward and longer-term deferral of reward into equity to align Executives' incentives with the long-term interests of our securityholders. Accordingly we continue to pay annual incentives in cash, not securities, and with no deferral.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

2. Remuneration philosophy

Stockland's remuneration approach is designed to attract, motivate and retain the best people. Employee remuneration is linked to performance and aligns incentive payments to securityholder interests via business outcomes such as total securityholder returns, and profit growth.

2.1 Remuneration governance

The HR Committee assists the Board to exercise sound governance in relation to the appointment, performance and remuneration of Directors, the Managing Director and Senior Executives.

The HR Committee also oversees all employment and remuneration policies to ensure fairness and balance are maintained at all levels 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.

The HR Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. Its charter is available on Stockland's website.

2.2 Remuneration policy

The HR Committee has approved a remuneration policy for employees based on the following key principles:

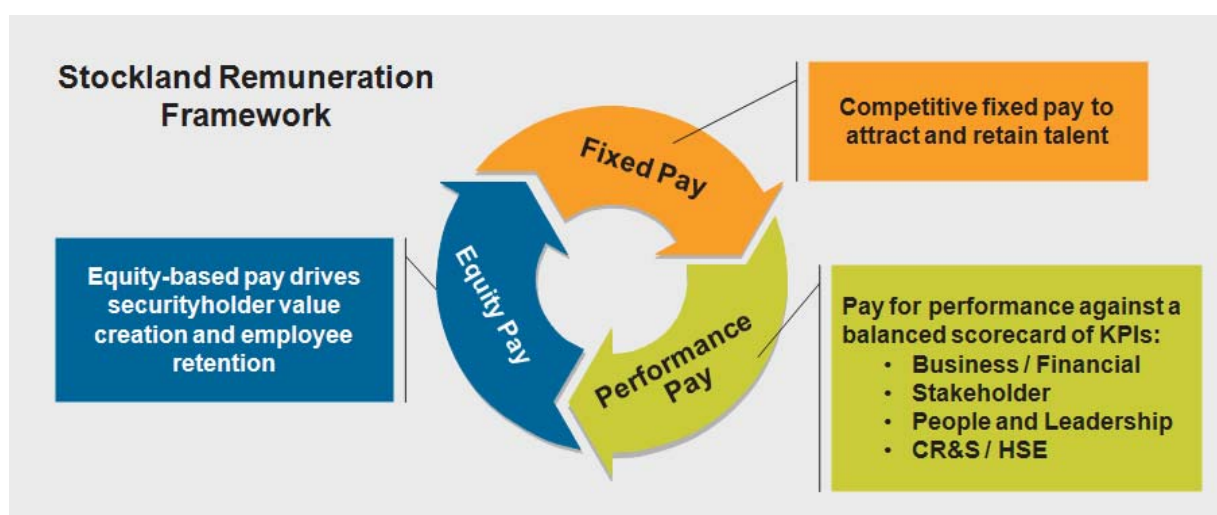
- Fixed Pay should be fair, competitive, and regularly benchmarked against relevant market practice;
- A feature of all employees' remuneration is that a significant part is "at risk". At risk pay should be aligned to securityholder interests and individuals should have clear performance criteria;
- Performance based pay must be affordable and paid in cash from annual underlying profit. These payments (if any) depend on performance against measures reflecting progress against a Balanced Scorecard of goals; and
- Equity based pay awarded against achievement of long-term goals will not only help motivate and retain key executives but will also build a sense of ownership of business performance that benefits all securityholders.

The Board has reaffirmed these key remuneration principles for FY11.

2.3 Remuneration framework

Stockland's remuneration structure has three components:

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



Stockland Trust and its controlled entities

Directors' Report

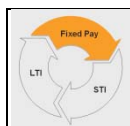
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Fixed Pay

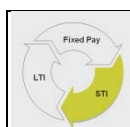


Fixed Pay includes salary, superannuation and other employee benefits. Fixed Pay is set individually based on external benchmarking by independent firms.

Fixed Pay is typically set by reference to the competitive market for executive talent. Stockland develops remuneration policies by benchmarking its roles to similar roles in comparable companies. Stockland subscribes to a number of independent salary surveys. Remuneration consultants also provide independent advice in relation to pay for the Executive Committee and General Managers. In addition, the HR Committee commissions independent advice directly from remuneration consultants in relation to Managing Director's pay and Non-Executive Director's fees.

Fixed Pay is calculated on a "total cost to Stockland" basis, including the cost of employee benefits such as superannuation, motor vehicles and car parking, together with fringe benefits tax ("FBT") applicable to those benefits. Stockland's employment contracts explicitly state that Fixed Pay will be reviewed each year but increases are not guaranteed.

Short-term incentives



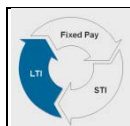
Performance based pay, or short-term incentive ("STI") rewards annual progress towards long-term objectives.

Four principles define Stockland's approach:

- Incentive payments are paid in cash and charged to each year's underlying profit;
- Incentive payments depend on an individual's performance using a range of measures all of which are related to long-term objectives;
- All permanent employees with over three months' service participate in the STI program; and
- Incentive payments represent a significant part of senior employees' remuneration and are capped at appropriate levels.

When setting and reviewing individual performance, Stockland adopts a Balanced Scorecard approach to ensure organisational objectives are achieved in a sustainable way. The Balanced Scorecard requires objectives in each of four categories: Business/Financial; Stakeholder; People and Leadership; Corporate Responsibility and Sustainability and Health, Safety and Environment.

Long-term incentives



Equity pay, or long-term incentive ("LTI") aligns Executive remuneration with securityholder returns and helps retain key talent.

The principles which underpin long-term incentives are:

- LTI is awarded in the form of equity so that employees will have ownership;
- LTI grants represent a potentially significant proportion of senior employee remuneration;
- Challenging hurdles, aligned with securityholders' interests, encourage sustained performance from employees, with vesting occurring over three years and a holding lock for a further seven year period. The holding lock prevents vested securities from being traded except at the discretion of the Board, which may be withheld in certain circumstances; and
- In addition, for awards after 1 July 2010, Stockland requires minimum securityholdings for the Managing Director (equal to two times Fixed Pay) and Executive Committee members (equal to one times Fixed Pay). This further restricts the Executive from disposing of securities vesting under Stockland's LTI schemes, if their holding is below the minimum requirement

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives (continued)

Performance Rights Plan

Stockland's LTI is delivered under a Performance Rights Plan ("PRP"). Approximately 200 people participate in this plan. Rights lapse if participants resign before vesting (three years after allocation) and this may result in significant forfeiture of value. For example, for Executive Committee members who resign after more than two years' tenure, the value of forfeited rights may exceed annual Fixed Pay.

Key features of Stockland's PRP include

- Rights are granted over ordinary securities;
- Rights are issued at no cost to the employee;
- Vesting occurs after three years only if performance hurdles are achieved;
- Performance is not re-tested: if targets are not achieved, rights lapse;
- Tax incurred on vesting it is payable by the employee;
- Vested securities may be either issued or purchased on market, at the Board's discretion;
- Securities are subject to a holding lock following date of grant so that they may only be traded subject to approval of the Board or its delegated authority; and
- Dividends and distributions are payable on securities only after vesting.

Overview of hurdles

Long-term incentive performance hurdles measured over three years link reward to securityholders' interests.

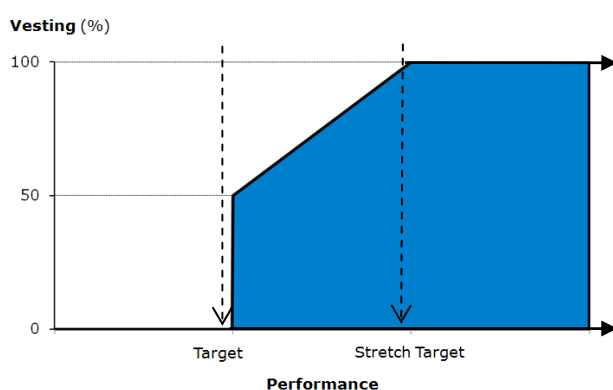
Each performance rights grant is divided into two equal tranches, with the following hurdles:

- 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 earnings per security ("EPS") measured against a Target set by the Board.

The following vesting schedule applies:

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

The link between vesting and expected level of performance is illustrated below:



Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010
Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Long-term incentives (continued)

Overview of hurdles (continued)

Total securityholder return hurdle

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.

Relative TSR was chosen as the performance hurdle because it reflects Stockland's success in generating returns for securityholders relative to comparable businesses in both rising and falling markets. The A-REIT 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.

TSRs are measured using a Volume Weighted Average Price ("VWAP") for the 30 days before the start and the end of the three year measurement period.

Earnings per security 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.

The EPS Target used for the LTI is the sum of three annual EPS growth targets each set by the Board to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook.

The Board believes that this approach is better aligned to securityholders' interests than setting in advance a three year EPS Target which may become unrealistically high or unreasonably low as market conditions change over the three year period due to volatility in property markets unrelated to management performance. Being commercially sensitive, the annual EPS targets and the extent to which the EPS Target has been achieved are disclosed retrospectively.

Measurement

The Stockland and A-REIT Index TSRs are calculated by an independent third-party. The Board measures performance against the annual EPS target and has final accountability for the determination of performance, independently from management.

PRP on termination of employment

If an employee leaves Stockland, any unvested rights lapse and are forfeited, except at the discretion of the Board in circumstances such as death, disability, retirement or redundancy. In cases of retirement or redundancy, the Board generally exercises such discretion if the departure date is within a year of the performance measurement date in which case the rights may be allowed to remain for the rest of the measurement period, with vesting determined in accordance with the original hurdles.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Remuneration framework (continued)

Other equity-based benefit programs

Stockland also offers the Tax Exempt Employee Security Plan (“\$1,000 Plan”) for the majority of its employees. Approximately 1,200 people participate in this plan. Under this plan:

- Eligible employees receive up to \$1,000 worth of Stockland securities;
- 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;
- Securities may be either issued or purchased on market, at the Board’s discretion; and
- Executives do not participate in this plan.

2.4 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).

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.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

3. Link between remuneration and performance

The Board believes that Stockland's remuneration policy has proven to be sound both in times of growth and in challenging market conditions. Stockland has structured its remuneration framework to align employee goals with those of securityholders and ensure the goals are achieved in a sustainable way.

Containing costs remained a priority throughout the financial year and Stockland's Fixed Pay levels in FY10 were largely unchanged from FY09. Pleasingly, despite this, our employee engagement scores remained at global best practice levels.

STI is awarded only when the agreed level of performance has been achieved across a combination of objectives. Using a Balanced Scorecard approach, these objectives include both financial and non-financial KPIs, aligned to the overall business strategy. The following table illustrates the key high level measures used to evaluate achievements during the financial year:

Category	Objective	Measure
Business/Financial	Deliver sustainable business and financial outcomes in line with or exceeding securityholders' expectations	Measures include: ▪ Earnings per security/underlying profit ▪ Capital/risk management ▪ Execution of strategic plan.
Stakeholder	Enhance Stockland's brand and reputation with key stakeholders (customers, suppliers, government, investor community, etc.)	Measures include: ▪ Stakeholder engagement ▪ Customer feedback and surveys ▪ Independent surveys of investor perceptions
People and Leadership	Develop Stockland's workforce capability and culture as a key source of competitive advantage	Measures include: ▪ People Leader Index scores ▪ Employee engagement scores ▪ Retention of key personnel ▪ Employee turnover
CR&S/HSE	Ensure sustainable business practices and strong Corporate Responsibility & Sustainability ("CR&S") and Health Safety & Environment ("HSE") platforms are embedded in the Stockland culture	Measures include: ▪ Delivery on CR&S strategy ▪ External recognition ▪ Adoption of best practice HSE behaviours ▪ Well-being Index scores

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

3. Link between remuneration and performance (continued)

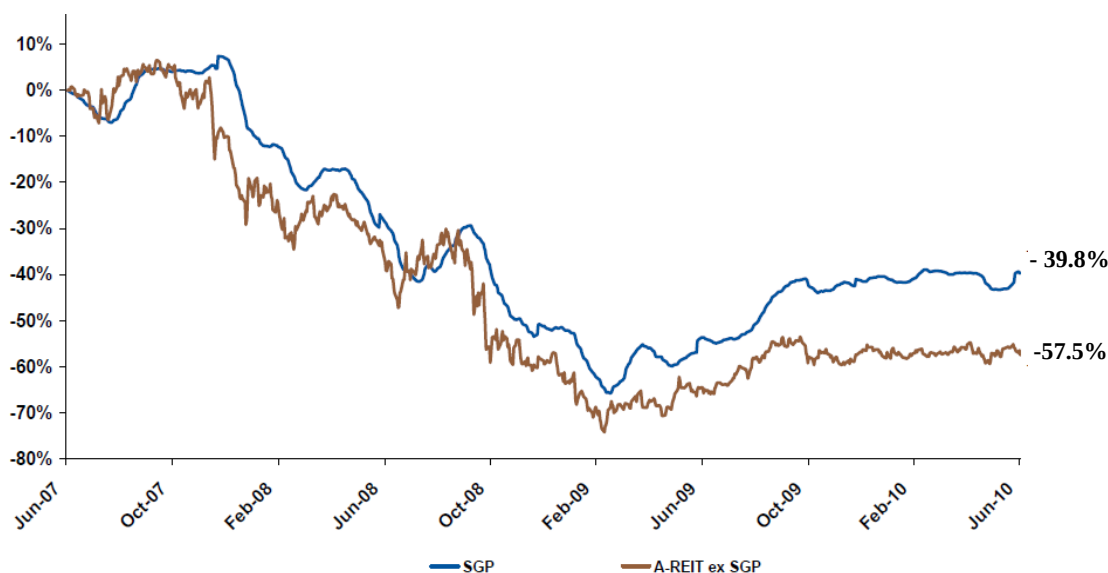
Our LTI awards are linked to EPS and TSR performance.

Half of the LTI allocated to employees is related to Stockland's performance against EPS targets. The group met the EPS targets in FY08 and FY10, but fell short in FY09. Accordingly there is no vesting in FY10 of the EPS portion of the FY08 allocations. This is the second year in which no vesting of the EPS portion of LTI allocations has occurred.

The other half of our LTI award is linked to the TSR performance hurdle. Stockland's TSR has consistently outperformed its peer group (as measured by the A-REIT Index excluding Stockland) over recent years and did so by a considerable margin over the period from 1 July 2007 to 30 June 2010. Both Stockland and the peer group TSR declined over this period but Stockland's TSR outperformed the hurdle by 17.7%, as shown in the chart below.

TOTAL SECURITYHOLDER RETURNS (30 DAY TRAILING AVERAGE)

1 July 2007 – 30 June 2010



Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration

This section identifies Key Management Personnel and provides detail of their remuneration.

4.1 Key Management Personnel

Key Management Personnel (“KMP”) are people who have the authority and responsibility for planning, directing and controlling the consolidated entity’s activities directly or indirectly. In this report, KMP represents the Directors of the Responsible Entity. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited.

The following were KMP of the consolidated entity at any time during the reporting period and unless otherwise indicated, were KMP for the entire period.

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Nicholas Greiner	Deputy Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Peter Scott	
Mr Terry Williamson	

Former Non-Executive Directors

Mr Bruce Corlett	(retired 21 October 2008)
Ms Lyn Gearing	(resigned 31 December 2008)

Executive Director

Mr Matthew Quinn	Managing Director
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Former Executive Director

Mr Hugh Thorburn	Finance Director (retired 26 February 2010)
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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.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

Variable pay and remuneration mix

STI and LTI are variable elements of the Executive remuneration package.

Market benchmarks advised by Hewitt Associates show that, relative to the market, Stockland's Executive remuneration mix continues to have a greater proportion of the remuneration package "at risk" than is typical of comparable companies. Stockland has less weighting on Fixed Pay and more weighting on STI and LTI, reflecting our philosophy of pay-for-performance.

Remuneration mix – FY11

	STI (% of Fixed Pay)	LTI	Remuneration Mix At Target		
Managing Director	100	90	34.5	34.5	31.0
Weighting in comparable companies			40.0	35.0	25.0

Fixed Pay STI LTI



Short-term incentives

Short-term incentives are directly linked to group, business unit and individual performance measures based on a Balanced Scorecard approach. Objectives for the Executive Committee are approved by the Managing Director, after review by the HR Committee. The actual performance against the objectives is assessed by the Managing Director, reviewed by the HR Committee and approved by the Board.

STI achieved for FY10

	STI earned \$	Target STI % of Fixed Pay	STI earned % of Target	STI earned % of maximum	STI not achieved % of maximum
Executive Director					
M Quinn	1,750,000	100%	92%	46%	54%

The STI amounts awarded were based on achievement of specified performance measures. They are paid in cash in August 2010 following announcement of Stockland's FY10 full year results. No amounts vest in future financial years. The STI is capped at 200% of the Target STI. The percentage of STI not achieved reflects the gap between the STI awarded based on performance and the maximum STI payable under the Executive's contract.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)



Long-term incentives

The quantum of LTI vesting in FY10 was based on performance measured over the period 1 July 2007 to 30 June 2010, and is set out below:

Hurdle	Target/ benchmark performance	Actual performance	Over/(under) performance	% vested	Weight	Vesting outcome
EPS						
FY08 EPS growth	5.0%	5.0%				
FY09 EPS growth	2.5%	(21.0%)				
FY10 EPS growth	(21.1%)	(20.3%)				
Aggregate EPS growth	(13.6%)	(36.3%)	(22.7%)	0%	50%	0%
TSR						
Relative TSR	(57.5%) ¹	(39.8%)	17.7%	100%	50%	50%
					Total	50%

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

The following table shows the actual value derived from the LTI award versus the Target value disclosed in the FY08 Remuneration Report when the rights were allocated.

	Target value of LTI in 2008 \$	Actual value of vesting in 2010 \$	Value lapsed \$
Executive Director			
M Quinn	1,425,000	734,700	734,700

Mr Quinn's FY08 LTI allocation had a target value of 75% of Fixed Pay and 395,000 performance rights were granted. The actual value derived from securities vested after determination of the Company's three year performance to 30 June 2010 was:

- 50% of the total allocation vested converting 395,000 rights to 197,500 securities; and
- value of vested securities at the 30 June 2010 security price of \$3.72 was \$734,700.

The remaining 50% of the FY08 grant has lapsed.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.2 Legacy incentive plans, Executives' loans and other arrangements

Legacy Share Schemes

Prior to 2007, Stockland operated loan-based security plans since options and rights plans were not previously tax effective for stapled securities. Final grants under these old plans were made in August 2006 and no more allocations will be made.

The Incentive Share Plan ("ISP") involved non-recourse interest-free loans over five years including the three year vesting period.

The Executive Share Scheme ("ESS") involved limited recourse interest-bearing loans over five years, including the two year vesting period.

The final expense for ISP is incorporated in the FY09 Remuneration Report. There is no expense for ESS for KMP in FY09 or FY10 though some KMPs previously participated in that plan.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement ("ESS retention incentive") for employees who retained fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans originally provided by Stockland and subsequently refinanced by individual employees with personal bank loan facilities. As at 30 June 2010, this arrangement applied to nine employees.

The ESS retention incentive operates by Stockland placing cash on interest-bearing deposit with the relevant bank to provide support necessary for the individual employee loans to supplement the loan security already provided by those employees. The cash deposit by Stockland is sufficient to preclude loan repayments which may otherwise have been necessary should the Stockland security price decline below \$3.50 (the "minimum price"). The cash on deposit remains a Stockland asset. On average, \$2.2 million has been on deposit for this arrangement during FY10.

The ESS retention incentive provides a benefit to the employee by underwriting any losses on sale of securities below the minimum price so long as the employee remains with Stockland for up to three years from the date it was implemented. If a participant resigns within three years, some or all of any benefit paid out under the arrangement will be repayable to Stockland: 100% if they resign in the first year, 67% if they resign in the second year and 33% if they resign in the third year.

The assessed fair value of the arrangement at grant date was \$1.08 per security for relevant employees.

Subsequent to this arrangement being put in place, effective from 30 June 2009, all KMP eligible for the arrangement formally waived any benefit associated with selling their securities below the minimum price. The fair value of their ESS retention incentive subsequent to this waiver is nil. The security from Stockland will be withdrawn 90 days after they leave Stockland, regardless of the share price. Mr Thorburn closed out his position when he retired and received no benefit from this arrangement.

Relocation assistance loans

Interest-free housing loans have been provided to Executives when Stockland required them to relocate as part of their employment. The value of these loans as remuneration represented the fair value of interest that would otherwise have been payable (together with any related FBT).

Mr M Quinn's FY09 remuneration includes an element relating to a \$159,000 loan which was settled in October 2008.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.3 Employment and termination arrangements

There are no fixed terms in the contracts of Stockland's KMP. The notice periods are shown below. 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, Stockland may terminate employment immediately without notice or payment in lieu of notice.

In the event that Stockland initiates the termination for reasons which are outside the control of the individual, severance is payable. Maximum severance payments (including payment in lieu of notice), are shown as a percentage of annual Fixed Pay. A portion of STI for the financial year in which this occurs may also be earned. Other Statutory entitlements such as accrued leave and superannuation would also normally be paid.

	Notice period	Maximum severance pay (% of Fixed Pay)
Managing Director	6 months	150%

The above arrangements relate to the contracts agreed prior to recent changes to the Corporations Act governing termination payments. The Managing Director's contractual arrangements were entered into in 2001, and reflect market practice at that time. Where contracts were established before November 2009, and have not been materially changed, they are "grandfathered" under the new laws.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY10

		Short-term				Post-employment	Other long-term	Share-based payment	Termination benefits ⁵	Total	Performance related	
		Salary ¹	Non-monetary benefits ²	Other payments	STI ³	Total short-term	Super-annuation benefits	Long service leave			(STI+LTI) Percent of Total	LTI Percent of Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Executive Director												
M Quinn, Managing Director	2010	1,825,573	4,179	-	1,750,000	3,579,752	14,461	25,506	1,115,747	-	4,735,466	60.5
	2009	1,792,328	15,745	-	1,235,000	3,043,073	13,745	52,592	272,269	-	3,381,679 ⁶	23.6
											44.6	8.1
Former Executive Director												
H Thorburn, Former Finance Director (left February 2010)	2010	659,069	10,827	-	700,000	1,369,896	9,734	-	330,813	250,000	1,960,443	52.6
	2009	1,013,986	8,649	-	550,000	1,572,635	13,795	9,800	105,805	-	1,702,035	16.9
											38.5	6.2
Total remuneration	2010	2,484,642	15,006	-	2,450,000	4,949,648	24,195	25,506	1,446,560	250,000	6,695,909	58.2
	2009	2,806,314	24,394	-	1,785,000	4,615,708	27,540	62,392	378,074	-	5,083,714	21.6
											42.5	7.4

¹ Includes any change in accruals for annual leave.

² Comprises salary packaged benefits, including motor vehicle costs, car parking, measured “cost to Stockland” for interest-free housing loans and FBT payable on these items.

³ Short-term incentives are earned in the financial year to which they relate and are paid in August of the following financial year.

⁴ Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP allocations and excludes FBT. The cumulative expense relating to certain equity-settled schemes has been reversed during the prior and current financial year due to anticipated non-performance in relation to certain hurdles.

⁵ Termination benefits paid during the prior and current financial years represent amounts payable under the Executive’s contracts, prior to the proposed changes in legislation. For Mr H Thorburn, this represents his ex-gratia payment discussed on page 29.

⁶ During the prior year, the Board applied Mr M Quinn’s \$117,568 excess from his 2005 ISP award against the balance of his \$159,000 interest-free housing loan. The remaining \$41,432 was repaid by Mr M Quinn. FBT has been paid on this waiver in the amount of \$102,205. This is not considered to be remuneration as the excess funds arose from his 2005 ISP award. Mr M Quinn had repaid his 2004 ISP loan balance with his own funds. The excess on the 2005 award would normally have been applied to the 2004 balance, which is consistent with all participants in the ISP.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2010

Remuneration Report – Audited (continued)

4. Executive Remuneration (continued)

4.4 Remuneration in FY10 (continued)

Vesting profile of long-term incentives

	Rights granted during the year	Rights held at 30 June 2010	Grant date	Fair value per right at grant date ¹	Vested during the year ²	No. vested during the year	Vesting date ³	Maximum value recognised in future years
Executive Director								
M Quinn	-	395,000	23/10/2007	\$3.90	50%	197,500	30/06/2010	-
	-	723,000	21/10/2008	\$2.04	-	-	30/06/2011	\$491,640
	1,260,000	1,260,000	20/10/2009	\$1.92	-	-	30/06/2012	\$1,612,800

Former Executive Director

H Thorburn ⁴	-	166,000	23/10/2007	\$3.90	50%	83,000	30/06/2010	-
	-	296,000	21/10/2008	\$2.04	-	-	30/06/2011	-

¹ Fair value is determined using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model (EPS hurdle).

² Proportion vesting reflects the meeting of performance and service conditions (see page 40).

³ Vesting date refers to the date at which the performance and service conditions are met. The securities may remain in the PRP until the 10th anniversary of the grant date except at Board discretion.

⁴ Mr H Thorburn left Stockland in February 2010. These allocations remain subject to original timelines and performance hurdles.

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

Movements in value of long-term incentive rights/securities – FY10

	Granted in the year \$	Exercised in the year ¹ \$	Forfeited in the year ² \$	Lapsed in the year ³ \$
Executive Director				
M Quinn	2,419,200	-	-	734,700
Former Executive Director				
H Thorburn	-	-	-	308,760

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

² The value of the rights that have been forfeited during the financial year represents the benefit forgone and is calculated at the date the rights were forfeited using the same option pricing model used to calculate the fair value at grant date.

³ The value of the rights that have lapsed during the financial year is calculated using the security price on the date the rights lapsed. For FY10, 50% of the FY08 PRP lapsed on 30 June 2010.

Under AASB 2 “Share-based payments” (“AASB 2”), securities acquired via the ISP are treated as options for accounting purposes. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. The exercise period spans from the vesting date to the end of the five year loan period. On repayment of the loan, the associated securities are now issued capital and no longer treated as options for accounting purposes under AASB 2.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration

This section outlines Stockland's remuneration policy for Non-Executive Directors and provides detail on their fees and securityholdings.

5.1 Remuneration policy

Remuneration of Non-Executive Directors is structured to attract and retain directors of the highest calibre.

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.

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

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board Committees. Non-Executive Directors do not receive performance-related remuneration.

5.2 Non-Executive Director fees

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. Total fees paid to Non-Executive Directors in FY10 were \$1,641,268 (FY09: \$1,652,095) or 66% (FY09: 66%) of the approved limit.

In FY10, the HR Committee commissioned independent advice (from Hewitt Associates) on fees payable to boards and committees of comparable companies. After consideration of that advice, the Board decided to make no increase in the base fee for Directors for FY11 (following no increases in FY09 and FY10) but to make some adjustments to committee fees and the Chairman's fee for FY11:

- The Chairman's fee will increase to the market median of comparable peer companies; and
- Committee fees will be adjusted (some up and some down) to reflect both market relativities and committee workloads.

As the Deputy Chairman is retiring in October 2010 and that role will not be replaced, the total Board and Committee fees to be paid following these adjustments will increase by approximately \$30,000 or about 2% over FY10. FY11 will be the third year in which director base fees have not been increased and it is expected that, subject to market relativities, some increase will be required in FY12.

The annual fees paid for the Board and Board Committees are shown in the table below. In addition to these fees, an amount of 9% is paid as superannuation contributions.

Board fees

Stockland Board	FY11		FY10 and FY09	
Chairman	\$436,000		\$365,250	
Deputy Chairman	\$219,000		\$219,000	
Non-Executive Director	\$146,000		\$146,000	
Board Committees	Chair	Member	Chair	Member
Audit and Risk	\$35,000	\$18,000	\$33,700	\$16,900
Financial Services Compliance	\$10,000	\$6,000	\$14,000	\$8,400
Human Resources	\$25,000	\$13,000	\$13,500	\$9,000
Corporate Responsibility and Sustainability	\$15,000	\$10,000	\$13,500	\$9,000
Treasury	\$15,000	\$10,000	\$8,000	\$5,000
SCPL Board	FY11		FY10 and FY09	
Chairman	\$30,000		\$30,000	
Non-Executive Director	\$30,000		\$30,000	
Independent Non-Executive Director ¹	\$50,000		\$50,000	
SCPL Board Committees	Chair	Member	Chair	Member
Audit and Risk	\$14,000	\$8,000	\$8,000	\$5,000
Financial Services Compliance	\$10,000	\$6,000	\$14,000	\$8,400

¹ Independent Non-Executive Directors of Stockland Capital Partners Limited ("SCPL") are those who are not on the Stockland Board.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration (continued)

5.3 Remuneration in FY10

The nature and amount of each element of remuneration for each Non-Executive Director of the Responsible Entity are detailed below:

		Short-term		Post-employment	
		Board and Committee Fees	Non- monetary benefits	Superannuation contributions	Total
		\$	\$	\$	\$
Non-Executive Directors					
G Bradley	2010	365,250	-	32,873	398,123
Chairman	2009	365,250	-	32,873	398,123
N Greiner	2010	232,500	-	20,925	253,425
Deputy Chairman	2009	232,500	-	20,925	253,425
D Boyle	2010	167,900	-	15,111	183,011
	2009	166,351	-	14,972	181,323
C Hewson	2010	171,900	-	15,471	187,371
(Appointed March 2009)	2009	57,300	-	5,157	62,457
B Neil	2010	155,000	-	13,950	168,950
	2009	150,500	-	13,545	164,045
P Scott	2010	189,500	-	17,055	206,555
	2009	188,119	-	16,931	205,050
T Williamson	2010	223,700	-	20,133	243,833
	2009	209,700	-	18,873	228,573
Former Non-Executive Directors					
B Corlett	2010	-	-	-	-
(Retired October 2008)	2009	50,512	5,000 ¹	4,546	60,058
L Gearing	2010	-	-	-	-
(Resigned December 2008)	2009	95,450	-	8,591	104,041
Total remuneration	2010	1,505,750	-	135,518	1,641,268
(Consolidated and Company)	2009	1,515,682	5,000	136,413	1,657,095

¹ Represents the cost of a gift purchased for Mr B Corlett upon his retirement, to acknowledge his service to Stockland.

5.4 Independent remuneration advisors

Stockland seeks advice from a variety of consultants on a number of remuneration issues. Ernst & Young provides advice on LTI design and Mallesons advises on contractual matters. Stockland also subscribes to a number of independent salary surveys, including property sector specific surveys run by Mercer and Hewitt Associates and Hewitt Associates provides consulting advice to management. In addition, Hewitt Associates provides independent consulting advice directly to the HR Committee on remuneration benchmarking for Directors (including the Managing Director). In FY10, Stockland paid \$29,500 to Hewitt Associates for independent advice commissioned by the HR Committee. Total fees paid to Hewitt Associates by Stockland in FY10 was \$89,350 (including the Board commissioned advice).

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Remuneration Report – Audited (continued)

5. Non-Executive Director Remuneration (continued)

5.5 Directors' securityholdings

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

		Securities in Stockland Stapled Group	Units in SDOT ¹ No. 1	Units in SDOT ¹ No. 2	Units in SDOT ¹ No. 3	Units in SDRT ² No. 1
Non-Executive Directors						
G Bradley	2010	180,723	225,000	750,000	-	-
	2009	180,723	225,000	750,000	-	-
N Greiner	2010	114,843	10,000	25,000	-	-
	2009	114,843	10,000	25,000	-	-
D Boyle	2010	61,169	-	-	-	-
	2009	61,169	-	-	-	-
C Hewson	2010	17,809	-	-	-	-
(Appointed March 2009)	2009	17,809	-	-	-	-
B Neil	2010	51,607	-	-	-	-
	2009	51,607	-	-	-	-
C Schwartz	2010	-	-	-	-	-
(Appointed July 2010)	2009	-	-	-	-	-
P Scott	2010	28,049	-	25,000	20,000	20,000
	2009	28,049	-	25,000	20,000	20,000
T Williamson	2010	94,430	37,500	100,000	-	-
	2009	94,430	37,500	100,000	-	-
Executive Director						
M Quinn	2010	1,967,800	15,000	25,000	10,000	10,000
	2009	1,732,800	15,000	25,000	10,000	10,000
Former Executive Director						
H Thorburn ³	2010	-	-	-	-	-
	2009	574,562	-	-	-	-
Total	2010	2,516,430	287,500	925,000	30,000	30,000
	2009	2,855,992	287,500	925,000	30,000	30,000

¹ Stockland Direct Office Trust.

² Stockland Direct Retail Trust.

³ Mr H Thorburn retired during the financial year. Details of his Stockland securityholdings as at 30 June 2010 is not available.

The above holdings of Executive Directors include vested securities acquired under LTI plans but do not include unvested Performance Rights detailed on page 44 of this report.

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

Alignment with securityholder interests is supported however, by the policy requiring Directors to acquire at least a minimum securityholding. Non-Executive Directors are required to build over a reasonable time, a holding of at least 10,000 Stockland securities. All Non-Executive Directors have met this requirement as at 30 June 2010. The policies requiring Executive Directors to retain securities acquired under the Group's incentive schemes are set out on page 26.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2010

Indemnities and insurance of officers and auditors

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

Since the end of the prior year, the Responsible Entity 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 the Responsible Entity.

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

Non-audit services

During the financial year the consolidated entity's auditor, KPMG, provided certain other services to the consolidated entity 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 consolidated entity's audit, and none of this work created any conflicts with the auditors' statutory responsibilities;
- the Audit and Risk Committee resolved that the provision of non-audit services during the financial year by KPMG as auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001;
- the Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board policy set out in this report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- the declaration of independence provided by KPMG, as auditor of the consolidated entity.

Details of the amounts paid to the auditor of the consolidated entity, KPMG, and its related practices and to other auditors for audit and non-audit services provided during the financial year are set out in Note 6 of the accompanying Financial Statements.

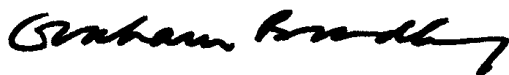
Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the year ended 30 June 2010.

Rounding off

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

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director

Dated at Sydney, 11 August 2010



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

To: the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a blue square containing four white vertical bars to the left of the text.

KPMG

A handwritten signature in black ink, appearing to read 'Andrew Dickinson', written over a horizontal line.

Andrew Dickinson
Partner

Sydney

11 August 2010

Stockland Trust and its controlled entities
Income Statement
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$M	\$M
Revenue			
Rent from investment properties		653.5	643.8
Dividend and distribution income		16.1	11.6
Other revenue		2.7	0.5
Total revenue		672.3	655.9
Finance income	5	317.1	393.7
Net loss from fair value adjustment of investment properties ^{1, 2}	14	(314.4)	(929.2)
Share of profits/(losses) of investments accounted for using the equity method	31, 32	32.9	(109.3)
Investment property expenses		(189.3)	(171.7)
Goodwill impairment		-	(161.1)
Net gain/(loss) from fair value adjustment of other financial assets		28.1	(265.3)
Net gain/(loss) on other financial instruments that do not qualify as effective under hedge accounting rules		63.7	(30.0)
Net loss on sale of other non-current assets		(13.9)	(32.8)
Trust management fees		(9.5)	(9.5)
Other expenses		(4.6)	(4.4)
Finance expense	5	(193.5)	(420.1)
Profit/(loss) for the year attributable to unitholders of the consolidated entity	26(b)	388.9	(1,083.8)
Basic earnings per unit (cents)³	7(a)	16.3	(62.6)
Diluted earnings per unit (cents)³	7(a)	16.2	(62.6)

¹ The net loss from fair value adjustment of investment properties includes a loss of \$5.1 million (2009: \$10.9 million) on non-current assets held for sale.

² The net loss from fair value adjustment of investment properties includes site remediation costs of \$9.4 million (2009: \$Nil).

³ The prior year weighted average number of securities have been adjusted as required by AASB 133.

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

Stockland Trust and its controlled entities
Statement of Comprehensive Income
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$M	\$M
Profit/(loss) for the year		388.9	(1,083.8)
Other comprehensive (expense)/income			
Currency translation differences	26	(0.2)	0.2
Effective portion of changes in fair value of cash flow hedges	26	(5.5)	12.9
Change in fair value of cash flow hedges transferred to the Income Statement	26	(1.0)	(0.5)
Change in fair value of other financial assets	26	-	(4.9)
Change in fair value of other financial assets transferred to the Income Statement	26	-	2.9
Other comprehensive (expense)/income for the year, net of income tax		(6.7)	10.6
Total comprehensive income/(expense) for the year		382.2	(1,073.2)

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

Stockland Trust and its controlled entities
Balance Sheet
As at 30 June 2010

		Consolidated	
	Notes	2010	2009
		\$M	\$M
Current assets			
Cash and cash equivalents	8	827.7	730.4
Trade and other receivables	9	3,244.2	3,578.5
Other financial assets	10	219.2	191.1
Other assets	11	52.5	31.0
		4,343.6	4,531.0
Non-current assets held for sale	12	36.8	155.8
Total current assets		4,380.4	4,686.8
Non-current assets			
Trade and other receivables	13	29.0	25.3
Investment properties	14	6,485.2	6,661.6
Other financial assets	15	31.9	23.6
Investments accounted for using the equity method	16	1,003.3	1,022.6
Other assets	18	345.1	232.1
Total non-current assets		7,894.5	7,965.2
Total assets		12,274.9	12,652.0
Current liabilities			
Trade and other payables	19	126.0	120.0
Interest-bearing loans and borrowings	20	253.7	-
Provisions	21	0.6	1.9
Other liabilities	22	528.6	799.9
Total current liabilities		908.9	921.8
Non-current liabilities			
Interest-bearing loans and borrowings	23	2,569.8	2,799.2
Other liabilities	24	400.3	413.7
Total non-current liabilities		2,970.1	3,212.9
Total liabilities		3,879.0	4,134.7
Net assets		8,395.9	8,517.3
Unitholders' funds			
Issued capital	25	7,696.4	7,693.6
Reserves	26(a)	(367.0)	(578.8)
Undistributed income	26(b)	1,066.5	1,402.5
Total unitholders' funds		8,395.9	8,517.3

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

Stockland Trust and its controlled entities
Statement of Changes in Equity
For the year ended 30 June 2010

Consolidated

	Notes	Attributable to unitholders of the consolidated entity			
		Issued capital	Reserves	Undistributed income	Total
		\$M	\$M	\$M	\$M
Balance as at 1 July 2009		7,693.6	(578.8)	1,402.5	8,517.3
Profit for the year		-	-	388.9	388.9
Other comprehensive expense		-	(6.7)	-	(6.7)
Total comprehensive (expense)/income		-	(6.7)	388.9	382.2
Net transfer from undistributed income to reserves	26	-	210.9	(210.9)	-
Vested units purchased on-market	26	-	2.2	-	2.2
Units issued during the year, net of transaction costs	25	2.8	-	-	2.8
Distributions to unitholders ¹	27	-	-	(514.0)	(514.0)
Expenses relating to rights and securities granted under share plans	26	-	5.4	-	5.4
Balance as at 30 June 2010		7,696.4	(367.0)	1,066.5	8,395.9
Balance as at 1 July 2008		5,400.6	(197.6)	2,766.1	7,969.1
Loss for the year		-	-	(1,083.8)	(1,083.8)
Other comprehensive income		-	10.6	-	10.6
Total comprehensive income/(expense)		-	10.6	(1,083.8)	(1,073.2)
Net transfers to undistributed income from reserves	26	-	(338.4)	338.4	-
Units issued during the year, net of transaction costs	25	2,293.0	-	-	2,293.0
Distributions to unitholders ¹	27	-	(50.6)	(618.2)	(668.8)
Expenses relating to rights and securities granted under share plans	26	-	(2.8)	-	(2.8)
Balance as at 30 June 2009		7,693.6	(578.8)	1,402.5	8,517.3

¹ Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Share Scheme. AASB 2 requires such guarantees to be recognised as a financial liability. The effect of this is to treat distributions paid on these securities as interest payments. Refer to Note 27 for further information.

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

Stockland Trust and its controlled entities
Cash Flow Statement
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$M	\$M
Cash flows from operating activities			
Cash receipts in the course of operations		745.6	703.5
Cash payments in the course of operations		(257.8)	(248.3)
Distributions received from associates and joint venture entities		68.1	68.0
Distributions received from other entities		0.8	1.3
Interest received		261.1	333.2
Interest paid		(153.6)	(273.8)
Net cash inflow from operating activities	33	664.2	583.9
Cash flows from investing activities			
Proceeds from sale of investment properties		183.9	576.0
Payments for and development of investment properties		(441.5)	(686.9)
Proceeds from sale of investments and other assets		-	383.5
Payments for investments		(21.3)	(250.8)
Distributions received from other entities		15.1	10.4
Funds returned/(placed) on deposit in connection with derivative contracts		125.4	(203.9)
Net cash utilised in investing activities		(138.4)	(171.7)
Cash flows from financing activities			
Proceeds from issue of units		3.3	2,081.2
Payment for units		(3.1)	-
Proceeds from borrowings		440.0	21,621.6
Repayment of borrowings		(328.9)	(22,475.1)
Payment on termination of derivatives		(140.8)	(41.7)
Distributions paid		(658.2)	(611.6)
Net cash (utilised in)/inflow from financing activities		(687.7)	574.4
Net (decrease)/increase in cash and cash equivalents held		(161.9)	986.6
Cash and cash equivalents at the beginning of the year		3,829.9	2,843.3
Cash and cash equivalents at the end of the year	8	3,668.0	3,829.9

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies

Stockland Trust (“the Trust”) and its controlled entities (together “the consolidated entity”) form part of the stapled group, Stockland. Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited and its controlled entities (“the Corporation”) and Stockland Trust and its controlled entities on the Australian Securities Exchange (“ASX”). Both the Corporation and the Trust were incorporated/formed and are domiciled in Australia. The Constitutions of Stockland Corporation Limited and Stockland Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Corporation and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Corporation 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 Corporation or the Trust or either entity terminating the stapling arrangements.

The Financial Report as at and for the year ended 30 June 2010 was authorised for issue by the Directors on 11 August 2010.

(a) Statement of compliance

The Financial Report is a general purpose financial report which has 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 Report of the consolidated entity complies with the International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standard Board (“IASB”).

(b) New Accounting Standards

Certain new or amended Accounting Standards have been published that are not mandatory for this reporting period. The impact of these new or amended standards (to the extent relevant to the consolidated entity) and interpretations are set out below.

AASB 2009-5 “Further amendments to Australian Accounting Standards arising from the Annual Improvements Process” affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments will become mandatory for the consolidated entity’s 30 June 2011 Financial Report.

AASB 2009-8 “Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions” resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments, AI 8 “Scope of AASB 2” and AI 11 “AASB 2 – Group and Treasury Share Transactions” will be withdrawn from the application date. The amendments will become mandatory for the consolidated entity’s 30 June 2011 Financial Report.

These recently issued or amended Accounting Standards are not expected to have a significant impact on the amounts recognised or disclosures made in these Financial Statements when restated for the application of these new or amended Accounting Standards.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(c) Changes in Accounting Standards and Regulatory requirements

There are a number of new and amended accounting standards and changes in regulatory requirements which have been adopted by the consolidated entity as of 1 July 2009. The significant impact of these new or amended standards and regulatory requirements (to the extent relevant to the consolidated entity) are set out below:

The revised Corporations Act 2001, as amended by the Corporations Amendment Regulations 2010 (No. 6) no longer requires an entity to prepare parent entity financial statements, provided the entity prepares consolidated financial statements, however, key parent entity disclosures are required by way of a separate note. As a result of this change, the consolidated entity has not prepared separate parent entity financial statements and the required parent entity disclosure is included in note 29.

Revised AASB 140 "Investment Property" ("AASB 140") requires investment property under construction for future use as investment property to be measured at fair value with changes in fair value being recognised in the Income Statement when fair value can be determined reliably. However, where fair value cannot be determined reliably, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably determinable. There is no impact on the amounts recognised or disclosures made by the consolidated entity on adoption of the revised standard.

Revised AASB 101 "Presentation of Financial Statements" ("AASB 101") introduced as a financial statement (formerly "primary" statement) the "Statement of Comprehensive Income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs.

AASB 8 "Operating Segments" ("AASB 8") introduces the "management approach" to segment reporting. AASB 8 requires the disclosure of segment information based on the internal reports regularly reviewed by the Responsible Entity's Board of Directors in order to assess each segment's performance and to allocate resources to them. As the consolidated entity operates in one segment, there is no impact. Refer to Note 1(i) and Note 3.

Revised AASB 123 "Borrowing Costs" ("AASB 123") removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The consolidated entity's accounting policy is to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. As such there is no impact on the amounts recognised or disclosures made by the consolidated entity on adopting the revised standard.

Revised AASB 3 "Business Combinations" ("AASB 3") changes the application of acquisition accounting for business combinations and the accounting for non-controlling (formerly "minority") interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the Income Statement; measurement of non-controlling interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual entities. As the revised standard applies prospectively, there is no impact on previous acquisitions made by the consolidated entity on adoption of the revised standard.

AASB 127 "Consolidated and Separate Financial Statements" ("AASB 127") changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in the Income Statement; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. As the revised standard applies prospectively, there is no impact on the amounts recognised or disclosures made by the consolidated entity on adoption of the revised standard.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(c) Changes in Accounting Standards and Regulatory requirements (continued)

AASB 2008-1 “Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations” (“AASB 2008-1”) changes the measurement of share-based payments that contain non-vesting conditions. There is no impact on the amounts recognised or disclosures made by the consolidated entity on adoption of the revised standard.

“Amendments to AASB 7 Financial Instruments: Disclosures” requires disclosures of financial instruments measured at fair value to be based on a three-level fair value hierarchy that reflects the subjectivity of the inputs in such fair value measurements. The impact of the change resulted in disclosure of the consolidated entity’s financial instruments measured at fair value to be disclosed in each of the three levels as well as a reconciliation of the movement in the Level 3 financial instruments during the financial year. Refer to Note 34(c).

AASB 9 “Financial Instruments” (“AASB 9”) introduces new requirements for the classification and measurement of financial assets. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 “Financial Instruments: Recognition and Measurement” and removes the impairment requirement for financial assets held at fair value. The consolidated entity has elected to early adopt the first phase of AASB 9, released on 7 December 2009, for the year ended 30 June 2010. The impact of the early adoption has been to record the fair value movement of other financial assets in the Income Statement as opposed to Other Comprehensive Income. The change has resulted in a gain of \$28.1 million being recorded in net gain/(loss) from fair value adjustment of other financial assets for the year ended 30 June 2010. The change results in an increase of 1.2 cents to the basic and diluted earnings per security. In accordance with the transition requirements of AASB 9, comparatives need not be restated. Refer to Note 1(f).

(d) Basis of preparation

The Financial Report is presented in Australian dollars, which is the Trust’s functional currency and the functional currency of the majority of the consolidated entity.

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

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

The consolidated entity 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 have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(e) Basis of consolidation

This Financial Report has been prepared based upon a business combination of Stockland Trust (“the Trust”) and its controlled entities (together “the consolidated entity”), in accordance with AASB 3 “Business Combinations”.

Controlled entities are entities controlled by the Trust. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Financial Statements of controlled entities are included in the Financial Report from the date that control commences until the date that control ceases.

Any balances, unrealised gains or income and expenses resulting from transactions with or between entities are eliminated in full within the consolidated entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Investments

Controlled entities

Investments in controlled entities are carried at their lower of cost of acquisition and recoverable amount by the Trust. Non-controlling interests are shown as a separate item in the Financial Statements.

Associates

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

Joint venture entities

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

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

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

Joint venture operations

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(f) Investments (continued)

Other investments

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

An investment is derecognised when the consolidated entity 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.

Transactions eliminated on consolidation

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

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

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

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

(g) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

Rent from investment properties

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

Dividends and distributions

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

Interest income

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(h) Operating leases

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

(i) Operating segments

As of 1 July 2009, the consolidated entity determines and presents operating segments based on the information that is internally provided to the Board of Directors, whom are the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 "Operating Segments". Previously operating segments were determined and presented in accordance with AASB 114 "Segment Reporting".

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation, there is no impact on earnings per security.

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

(j) Goods and services tax

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

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

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

(k) Income tax

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust. Where the 50% concessional amount is distributed in relation to capital gains, it is referred to as a tax-free component. To the extent the distribution to unitholders exceeds the Trust's taxable income, and the excess is represented by capital allowances for building and plant and equipment, the excess is referred to as a tax deferred component of the distribution. Included in the consolidated Trust group are two corporate entities which are subject to taxation to the extent they derive taxable income. The associated tax balances are immaterial and no tax has been paid. The corporate entities were established in order to issue certain publicly offered debt interests.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(l) Foreign currency

Transactions

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

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

Translation of financial reports of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rate ruling at the date of transactions. Equity items are translated at historical rates.

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

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

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

(m) Derivative financial instruments

The consolidated entity holds derivative financial instruments to hedge foreign currency and interest rate risk exposures arising from operational, financing and investment activities. From time to time, the consolidated entity uses other derivative financial instruments to diversify and/or enhance the yield on its equity investments. In accordance with the consolidated entity's treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. Refer to Note 34(c) for the determination of fair value for derivative financial instruments. The gain or loss on re-measurement to fair value is recognised in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, refer Note 1(n).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(n) Hedging

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

Amounts in the cash flow hedge reserve are recognised in the Income Statement in the periods when the hedged item is recognised in the Income Statement.

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

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

Hedge of a net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the FCTR. The ineffective portion is recognised immediately in the Income Statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recognised directly in equity is transferred to the Income Statement.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(o) Finance income and expenses

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

Finance costs include interest payable on bank overdrafts and short-term and long-term borrowings calculated using the effective interest method, payments on derivatives, losses on hedging instruments that are recognised in the Income Statement 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. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are ready for their intended use or sale. Total interest capitalised within the consolidated entity must not exceed the net interest expense of the consolidated entity in any period, and project carrying values, including all capitalised interest attributable to projects, must continue to be recoverable based on the latest project feasibilities. In the event that development is suspended for an extended period of time, the capitalisation of borrowing costs is also suspended.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is the actual borrowing cost incurred on that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

(p) Cash and cash equivalents

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

(q) 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.

(r) Non-current assets held for sale

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

Revaluations on initial classification as held for sale are included in the Income Statement. The same applies to gains and losses on subsequent re-measurement.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(s) Impairment of assets

The carrying amounts of the consolidated entity's assets, other than investment properties (refer Note 1(t)) are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(t) Investment properties

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

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

Where property is to be redeveloped into investment property it is treated as investment property and carried at fair value. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development as set out in Note 1(o).

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

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

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

Fair value

When assessing fair value, the Directors will consider the discounted cash flows of the investment property based on reliable estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income.

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

Subsequent costs

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(t) Investment properties (continued)

Disposal of revalued assets

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

(u) Goodwill

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

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

(v) Trade and other payables

Trade and other payables are carried at amortised cost.

Distributions

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

(w) Interest-bearing loans and borrowings

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

(x) Provisions

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

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

(y) Employee benefits

Share-based payments

The Trust is part of Stockland, which is a stapling arrangement listed on the Australian Stock Exchange, comprising the consolidated entity and Stockland Corporation Limited and its controlled entities ("the Corporation"). The Constitution of the Trust and the Articles of Association of Stockland Corporation Limited ensure that, for so long as the two entities remain stapled, the number of units in the Trust and the number of securities in the Corporation shall be equal and that the securityholders and unitholders be identical.

Securities are issued to all employees of the Corporation under the Executive Securities Plan and the Incentive Share Plan. Rights granted to Executive Directors and Senior Executives of the Corporation under the Performance Rights Plan are also required to be accounted for as options. The securities and rights granted are required to be accounted for as options in the Corporation. The fair value of the options granted are recognised as an employee expense by the Corporation, however the Trust is required to record an amount in its reserves, being the Trust's share of their fair value of the options granted to all employees of the Corporation.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(z) Issued capital

Issued capital represents the amount of consideration paid for units issued by the Trust. Transaction costs of an equity transaction are accounted for as a deduction from equity.

(aa) Comparatives

No comparatives have been amended from those reported in the prior year except for those reclassified to conform with the financial year's presentation.

2 Accounting estimates and assumptions

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

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

(a) Key sources of estimation uncertainty

Estimates of fair value of investment properties

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

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and
- (iv) capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short-term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income figure.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

2 Accounting estimates and assumptions (continued)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value

i) *Investment property*

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

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

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

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

- Retail assets – 7.4% (2009: 7.3%);
- Office assets – 7.9% (2009: 7.9%); and
- Industrial assets – 8.6% (2009: 8.6%).

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

- Retail assets – 0.5% (2009: 0.9%);
- Office assets – 8.1% (2009: 2.6%); and
- Industrial assets – 4.9% (2009: 4.4%).

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

- Retail assets (speciality shops) – 3.3 years (2009: 2.5 years);
- Retail assets (majors) – 8.1 years (2009: 7.4 years);
- Office assets – 4.6 years (2009: 4.3 years); and
- Industrial assets – 3.4 years (2009: 3.5 years).

ii) *Investment property assets under construction*

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

2 Accounting estimates and assumptions (continued)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value (continued)

iii) Fair value of derivatives

The fair value of derivatives is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, the consolidated entity has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties. The determination of fair value of derivatives is described further in Note 34(c).

Current market conditions

The global market for many types of real estate has been severely affected by the recent volatility in global financial markets. The lower levels of liquidity and volatility in the banking sector have translated into a challenging operating environment and the number of real estate transactions has significantly reduced.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. Best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

The fair value of investment properties is supported by independent external valuations and detailed internal valuations, and has been adjusted to reflect market conditions at the end of the reporting period. Certain key assumptions in the internal valuations are supported by external opinions as at 30 June 2010, however there has been little transactional activity to corroborate these values.

The ongoing uncertainty in global credit and equity markets may negatively impact asset values in the future, however, these financial statements set out the fair value at balance date. The period of time needed to negotiate a sale in this environment may be significantly prolonged and the emergence of new transactional evidence may impact the fair values in the future.

(b) Critical judgements in applying the consolidated entity's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

3 Operating segments

The consolidated entity has one reportable segment in which it operates in. This operating segment is Commercial Property.

Geographical segments

In presenting information on the basis of geographical segments, external segment revenue is based on the geographical location of customers and non-current assets is based on the geographical location of the assets.

	External segment revenues		Non-current assets¹	
	2010	2009	2010	2009
	\$M	\$M	\$M	\$M
New South Wales	370.5	357.1	4,871.3	4,996.7
Queensland	151.7	147.8	1,397.0	1,422.8
Victoria	75.8	78.1	713.9	737.2
Western Australia	52.5	45.6	494.5	494.0
ACT	14.1	12.8	92.1	85.3
South Australia	7.7	14.0	77.0	76.1
	672.3	655.4	7,645.8	7,812.1

¹ Non-current assets excludes financial instruments.

	Consolidated	
	2010	2009
	\$M	\$M

4 Rent from investment properties

Included within rent from investment properties:

Contingent rent billed to tenants and recognised in gross lease income	8.4	8.1
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Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$M	\$M
5 Finance income and expense		
Interest income from related parties	233.2	329.9
Interest income from other parties	33.4	3.3
Net gain on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	47.4	-
Net gain on fair value movement of hedged items and financial instruments treated as fair value hedges ¹	3.1	-
Net unrealised foreign exchange gain	-	60.5
Finance income	317.1	393.7
Interest expense relating to interest-bearing financial liabilities ²	161.9	257.5
Interest paid or payable on other financial liabilities at amortised cost	1.2	-
Less interest capitalised to investment properties	(0.6)	(8.6)
Net borrowing costs	162.5	248.9
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges ¹	-	7.6
Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	-	163.6
Net unrealised foreign exchange loss	31.0	-
Finance expense	193.5	420.1

¹ The net gain on fair value movement of hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the derivatives of \$51.6 million (2009: gain of \$482.7 million) and a gain arising on the fair value movement on the interest-bearing liabilities of \$54.7 million (2009: loss of \$490.3 million).

² Of this amount, \$84.5 million (2009: \$133.6 million) relates to interest-bearing financial liabilities at amortised cost.

	Consolidated	
	2010	2009
	\$'000	\$'000
6 Auditors' remuneration		
Audit services		
<i>Auditors of the consolidated entity</i>		
Audit and review of the Financial Reports (KPMG Australia)	677	1,008
Regulatory audit and assurance services (KPMG Australia)	423	415
	1,100	1,423
Other services		
<i>Other audit related services</i>		
Transaction services (KPMG Australia)	-	31
Accounting interpretation services (KPMG Australia)	14	-
	14	31
<i>Other non-audit related services</i>		
Taxation compliance services (KPMG Australia)	238	359
	1,352	1,813

Auditors' fees are paid by the Trust.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

7 Earnings per unit

	Notes	2010 Cents	2009¹ Cents
Basic earnings per unit	(a)	16.3	(62.6)
Diluted earnings per unit	(a)	16.2	(62.6)
Basic underlying earnings per unit	(b)	27.0	36.0
Diluted underlying earnings per unit	(b)	26.8	35.8

¹ The prior year weighted average number of securities have been adjusted as required by AASB 133.

(a) Earnings per unit

Basic earnings per unit is calculated by dividing profit/(loss) attributable to unitholders of the consolidated entity by the weighted average number of ordinary units outstanding during the financial year. Diluted earnings per unit is calculated by dividing the profit/(loss) attributable to unitholders by the weighted average number of ordinary units outstanding during the financial year after adjusting for the effect of dilutive units granted under share plans accounted for as options and rights granted under the employee share plans.

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

	2010 \$M	2009 \$M
Basic and diluted earnings		
Profit/(loss) attributable to unitholders of the consolidated entity	388.9	(1,083.8)

	2010 No.	2009 No.
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Weighted average number of units (basic)

Weighted average number of units as at 30 June	2,380,166,932	1,730,982,143
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Weighted average number of units (diluted)

Weighted average number of units (basic) as at 30 June	2,380,166,932	1,730,982,143
Effect of rights and units granted under share plans accounted for as options	19,407,470	-
Weighted average number of units (diluted) as at 30 June	2,399,574,402	1,730,982,143

As at 30 June 2010, all Performance Rights Plan ("PRP") rights and Incentive Security Plan ("ISP") securities were dilutive. In addition, 2,540,333 Executive Share Scheme ("ESS") securities were antidilutive and therefore excluded from the calculation.

As at 30 June 2009, 11,459,036 PRP rights, ESS and ISP securities were antidilutive and therefore excluded from the calculation.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

7 Earnings per unit (continued)

(b) Earnings per unit calculated on underlying profit

The following table provides information to unitholders that reconciles underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of the consolidated entity, in accordance with the AICD / Finsia principles for reporting underlying profit.

The following reflects the income and unit data used in calculating the basic and diluted underlying earnings per unit:

		Consolidated	
		2010	2009
	Notes	\$M	\$M
Underlying profit		642.7	623.2
Certain significant items:			
<i>Fair value adjustment of investment properties</i>			
Net loss from fair value adjustment of investment properties ¹		(314.4)	(929.2)
Share of net loss from fair value adjustment of investment properties in associates and joint ventures		(36.8)	(177.9)
<i>Fair value adjustment of other financial assets, impairment and net loss on sale of non-current assets</i>			
Net gain/(loss) from fair value adjustment of other financial assets		28.1	(265.3)
Impairment of goodwill		-	(161.1)
Net loss on sale of other non-current assets		(13.9)	(32.8)
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net gain/(loss) on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	5	47.4	(163.6)
Net gain/(loss) from hedged items and financial instruments treated as fair value hedges	5	3.1	(7.6)
Net gain/(loss) on other financial instruments that do not qualify as effective under hedge accounting rules		63.7	(30.0)
Net unrealised foreign exchange (loss)/gain	5	(31.0)	60.5
Profit/(loss) for the year attributable to unitholders of the consolidated entity		388.9	(1,083.8)

¹ The net loss from fair value adjustment of investment properties includes site remediation costs of \$9.4 million (2009: \$Nil).

	2010	2009
	\$M	\$M
Basic and diluted underlying earnings		
Underlying profit	642.7	623.2

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

7 Earnings per unit (continued)

(b) Earnings per unit calculated on underlying profit (continued)

	2010	2009
	No.	No.
Weighted average number of units (basic)		
Weighted average number of units as at 30 June	2,380,166,932	1,730,982,143
Weighted average number of units (diluted)		
Weighted average number of units (basic) as at 30 June	2,380,166,932	1,730,982,143
Effect of rights and units granted under share plans accounted for as options	19,407,470	11,459,036
Weighted average number of units (diluted) as at 30 June	2,399,574,402	1,742,441,179

	Consolidated	
	2010	2009
	\$M	\$M
8 Current assets – Cash and cash equivalents		
Cash and cash equivalents	827.7	730.4
Reconciliation to Cash Flow Statements:		
Cash balances as above	827.7	730.4
Loan to related company	2,840.3	3,099.5
Balance as per Cash Flow Statements	3,668.0	3,829.9

9 Current assets – Trade and other receivables

Trade receivables	3.3	4.6
Less: impairment loss	(0.1)	(0.4)
	3.2	4.2
Receivables due from related companies	2,840.3	3,087.0
Other receivables from related companies	365.6	434.3
Goods and services tax (“GST”) receivable	-	18.0
Other receivables	35.1	35.0
	3,244.2	3,578.5

10 Current assets – Other financial assets

Securities in listed entity ¹	219.2	191.1
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¹ This relates to an investment in the GPT Group (“GPT”) which, although legally sold, did not qualify for derecognition under Australian Accounting Standards as a result of an ongoing exposure to movements in the GPT share price provided by certain equity derivative contracts. Refer to Note 22 for details in relation to the associated liability.

11 Current assets – Other assets

Prepayments	7.7	10.7
Lease incentives and lease fees (net of amortisation)	26.5	19.8
Derivatives that do not qualify as effective under hedge accounting rules ¹	18.3	-
Other	-	0.5
	52.5	31.0

¹ Refer to Note 34 for details.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

		Consolidated	
		2010	2009
		\$M	\$M
12	Non-current assets held for sale		
	333 Kent Street, Sydney NSW ¹	36.8	-
	Edmund Barton Building, Canberra ACT ²	-	155.8
		36.8	155.8
¹ This commercial property is presented as held for sale in view of the intention of management to sell this property during the twelve months ending 30 June 2011. This balance excludes other capitalised costs of \$2.1 million included in other assets.			
² This commercial property was presented as held for sale as at 30 June 2009 as settlement occurred in June 2009 but recognition of the sale was deferred to August 2009 in accordance with Australian Accounting Standards.			
13	Non-current assets – Trade and other receivables		
	Trade receivables – straight-lining of rental income	27.1	25.3
	Other	1.9	-
		29.0	25.3

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

14 Non-current assets – Investment properties

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2010 ¹ \$M	Book value 30 June 2009 ¹ \$M
Retail							
Stockland Wetherill Park, Western Sydney NSW	Aug 1983	12.0	110.8	Dec 2009	325.0	325.3	318.8
Stockland Rockhampton, Rockhampton QLD ⁵	Jun 2003	132.6	240.0	Dec 2007	193.0	303.7	207.0
Stockland Shellharbour, Shellharbour NSW	Jun 2003	140.2	152.3	Dec 2009	265.0	265.5	270.0
Stockland Merrylands, Western Sydney NSW ⁵	Sep 1982	18.0	214.3	Dec 2006	151.0	254.0	213.6
Stockland Green Hills, East Maitland NSW	Dec 2000	51.7	115.7	Dec 2009	247.6	248.3	252.7
Stockland Glendale, Newcastle NSW	Mar 1996	50.6	85.7	Dec 2009	227.6	228.1	222.0
Stockland Townsville, Townsville QLD	Jun 1987	27.7	102.1	Jun 2010	200.0	200.0	240.0
Stockland Cairns, Cairns QLD	Jun 1992	47.8	165.1	Dec 2009	195.0	197.1	200.0
Stockland Bay Village, Bateau Bay NSW	Oct 2000	63.9	111.2	Dec 2009	167.9	168.9	173.5
Stockland Burleigh Heads, Burleigh Heads QLD	Aug 2003	82.4	115.5	Jun 2010	137.0	137.0	138.0
Stockland The Pines, Doncaster East VIC	Nov 2004	122.5	126.5	Jun 2010	136.5	136.5	140.0
Stockland Forster, Forster NSW ⁹	Jul 2003/ May 2010	53.9	113.0	Dec 2009	113.0	128.9	114.0
Stockland Jesmond, Newcastle NSW	Feb 1984	9.2	42.7	Dec 2009	116.0	117.1	116.0
Stockland Balgowlah, Balgowlah NSW ⁹	Jun 2009/ Nov 2009	135.4	135.1	Jun 2010	113.0	113.0	96.3
Stockland Baulkham Hills, Baulkham Hills NSW	Sep 1982	15.5	84.8	Dec 2009	97.0	99.0	100.0
Stockland Wendouree, Wendouree VIC	Jun 2003	42.0	64.4	Dec 2009	98.0	98.1	99.0
Stockland Gladstone, Gladstone QLD	Oct 2000	52.2	60.5	Dec 2009	93.0	95.9	95.0
Stockland Nowra, Nowra NSW	Jun 2003	49.7	61.6	Dec 2009	76.3	76.8	79.5
Stockland Bull Creek, Bull Creek WA	Jun 2003	53.0	54.6	Dec 2009	76.0	76.4	75.5
Stockland Caloundra, Caloundra QLD	Jun 2003	46.5	50.4	Dec 2009	76.0	76.2	77.0
Stockland Cleveland, Cleveland QLD	Oct 2002	63.3	69.3	Dec 2009	75.5	75.9	75.5
Stockland Bathurst, Bathurst NSW	Jun 2003	40.4	55.5	Dec 2009	73.8	74.6	78.0
Stockland Traralgon, Traralgon VIC	Jun 2003	44.0	47.0	Dec 2009	73.5	73.5	73.5
Stockland Corrimal, Corrimal NSW	Jun 2003	36.5	39.0	Dec 2009	59.2	59.4	58.0
Stockland Wallsend, Wallsend NSW	Sep 2007	56.2	62.1	Dec 2009	48.7	49.0	50.0
Stockland Riverton, Riverton WA (50%) ³	Aug 2006	35.0	52.6	Jun 2010	47.0	47.0	38.5
Shellharbour Retail Park, Shellharbour NSW	Jun 2003	33.5	34.6	Dec 2009	43.5	43.5	44.0
Stockland Baldivis, Baldivis WA	Aug 2006	5.6	30.9	Dec 2009	39.9	40.0	38.9
Stockland Cammeray, Cammeray NSW	Dec 2008	46.2	53.9	Dec 2009	28.0	29.3	29.0
Stockland Lilydale, Lilydale VIC	Sep 2007	29.4	31.9	Dec 2009	26.0	26.2	26.5

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

14 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2010 ¹ \$M	Book value 30 June 2009 ¹ \$M
Retail (continued)							
Stockland South, Caloundra QLD ²	Dec 2009	17.9	19.1	-	-	19.1	-
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jan 2007	24.8	25.2	Dec 2009	17.5	17.6	17.0
Stockland Burleigh Central, Burleigh Heads QLD	Aug 2003	14.8	15.1	Jun 2010	15.0	15.0	14.3
Adelaide Street Plaza, Fremantle WA ²	Dec 2009	16.8	17.8	Jun 2010	13.3	13.3	-
Woolworths Toowong, Toowong QLD	Oct 2000	4.8	4.9	Jun 2009	13.1	13.2	13.1
Stockland Vincentia Shopping Centre, Vincentia NSW	Jan 2007	13.7	15.1	Dec 2009	11.0	11.0	13.4
Stockland Merrylands Court, Merrylands NSW	Dec 2002	15.8	17.6	Dec 2009	9.0	9.0	9.5
Townsville Kingsvale & Sunvale, Townsville QLD	Aug 2007	13.1	18.0	Dec 2009	5.0	5.3	5.0
Auckland Creek, Gladstone QLD ⁸	Oct 2000	6.7	-	Dec 2009	-	-	4.0
Retail total						3,967.7	3,816.1
Office							
Piccadilly Complex, 133-145 Castlereagh Street, Sydney NSW ^{4, 7}	Oct 2000	210.1	253.5	Dec 2009	331.3	330.8	338.3
Waterfront Place, Eagle Street, Brisbane QLD (50%) ³	Feb 2004	151.6	157.9	Jun 2010	219.0	219.0	235.7
Colonial Centre, 52 Martin Place, Sydney NSW (50%) ^{3, 7}	Jun 2003	173.8	176.5	Dec 2009	167.5	167.6	175.0
9 Castlereagh Street, Sydney NSW	Mar 2008	202.6	207.3	Dec 2009	157.0	159.9	170.0
Riverside Plaza, 452 Flinders Street, Melbourne VIC	Oct 2000	124.5	131.6	Dec 2009	160.0	159.7	155.2
Trinity Business Campus, North Ryde NSW	Jun 2001	16.0	151.7	Dec 2009	156.2	156.3	140.7
Exchange Plaza, 2 The Esplanade, Perth WA (50%) ^{3, 7}	Jun 2003	67.8	70.8	Jun 2010	136.3	136.3	139.0
Durack Centre, 263 Adelaide Terrace, Perth WA ⁷	Oct 2006	49.1	101.6	Dec 2009	129.0	133.4	139.0
135 King Street, Sydney NSW (50%) ^{3, 4}	Jun 2003	96.5	106.0	Jun 2010	133.0	133.0	133.0
BankWest Tower, 108 St. Georges Terrace, Perth WA (50%)	Apr 2007	139.0	147.6	Dec 2009	127.5	128.3	132.5
Optus Centre, Macquarie Park, NSW (31%) ³	Jul 2000	68.7	105.6	Jun 2010	114.7	114.7	108.5
601 Pacific Highway, St Leonards NSW	Jun 2003	61.1	64.5	Dec 2009	71.0	71.2	70.7
60-66 Waterloo Road, Macquarie Park NSW	Oct 2000	20.8	52.0	Jun 2010	69.8	69.8	67.8
78 Waterloo Road, Macquarie Park NSW	Aug 2007	12.0	75.7	Dec 2009	63.3	63.2	64.7
72 Christie Street, St Leonards NSW	Jun 2003	46.0	64.0	Jun 2009	60.0	60.0	60.0
175-181 Castlereagh Street, Sydney NSW	Sep 1982	18.0	35.6	Dec 2009	53.0	53.9	53.0
77 Pacific Highway, North Sydney NSW	Jan 2000	25.9	54.6	Dec 2009	53.0	53.0	58.0
45 St Georges Terrace, Perth WA	Mar 2007	57.2	60.8	Jun 2010	51.0	51.0	52.0

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
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14 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2010 ¹ \$M	Book value 30 June 2009 ¹ \$M
Office (continued)							
7 Macquarie Place, Sydney NSW (50%) ³	Jun 2003	48.1	49.5	Dec 2009	48.2	48.2	50.0
Myuna Complex, Canberra ACT ^{7, 11}	Oct 2000/ Aug 2003	43.1	51.1	Jun 2010	47.1	47.1	59.0
40 Cameron Avenue, Belconnen ACT ^{7, 10}	Feb 2007/ Nov 2009	56.8	61.4	Jun 2010	45.0	45.0	26.4
Garden Square, Mt Gravatt QLD	Feb 2007	57.0	61.1	Dec 2009	37.0	37.3	37.0
Macquarie Technology Centre, Macquarie Park NSW	Oct 2000	36.5	39.8	Dec 2009	35.2	36.8	38.5
16 Giffnock Avenue, Macquarie Park NSW	Jul 2000	25.7	29.1	Dec 2009	32.0	32.3	37.0
1 Havelock Street, West Perth WA	Apr 2007	28.8	30.9	Dec 2009	30.5	31.2	31.8
150 Charlotte Street, Brisbane QLD	Jan 2006	45.0	47.2	Dec 2009	30.0	29.9	42.0
110 Walker Street, North Sydney NSW	Oct 2000	22.7	24.3	Dec 2009	23.0	23.1	26.5
255-267 St Georges Terrace, Perth WA ¹²	Jul 2007	26.1	27.8	Dec 2009	22.8	22.8	25.8
118-120 Pacific Highway, St Leonards NSW	Oct 2000	19.1	21.4	Dec 2009	22.1	22.5	22.8
80-88 Jephson Street, Toowong QLD	Jun 2006	23.9	24.3	Jun 2010	17.5	17.5	19.7
23 High St, Toowong QLD	Jan 2008	7.8	8.4	Dec 2009	4.2	4.2	4.2
27-29 High Street, Toowong QLD	Jul 2006	4.5	4.8	Dec 2009	3.5	3.6	3.8
333 Kent Street, Sydney NSW ⁶	Jan 2000	32.8	-	Dec 2009	-	-	42.0
234 Sussex Street, Sydney NSW ⁸	Oct 2000	42.0	-	Jun 2009	-	-	46.5
Office total						2,662.6	2,806.1
Industrial							
Yennora Distribution Centre, Yennora NSW	Jul 2000	141.9	230.7	Jun 2010	330.1	330.1	335.7
Defence National Storage and Distribution Centre, Moorebank NSW (55%) ³	Dec 2007	165.6	166.2	Jun 2010	130.6	130.6	138.0
Hendra Distribution Centre, Brisbane QLD	Jul 2000	41.7	47.7	Jun 2009	80.0	80.5	80.0
Port Adelaide Distribution Centre, Port Adelaide SA	Jul 2000	42.9	46.8	Jun 2009	76.5	77.1	76.5
Brooklyn Estate, Brooklyn VIC	Jun 2003	52.4	61.1	Dec 2009	72.0	73.9	72.1
9-11a Ferndell Street, Granville NSW ¹³	Apr 2003/ Jun 2003	47.3	52.8	Dec 2009	48.0	48.0	50.4
1090-1124 Centre Road, Oakleigh VIC	Feb 2007	42.6	51.1	Jun 2010	32.5	32.5	35.0
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Sep 2006	43.1	46.9	Dec 2009	30.5	31.1	28.6
3676 Ipswich Road Wacol QLD	Aug 2006	23.1	53.5	Dec 2009	29.8	29.9	30.1
Altona Distribution Centre, Altona VIC	Jul 2000	19.0	21.5	Dec 2009	19.9	20.0	19.6
11-25 Toll Drive, Altona North VIC	Sep 2006	21.4	22.7	Dec 2009	17.3	17.4	16.8
Preston Industrial Estate, Prestons NSW	May 2005	21.6	21.7	Dec 2009	16.4	16.4	16.9
2 Davis Road, Wetherill Park NSW	Apr 2003	15.6	15.9	Dec 2009	16.2	16.3	17.5

Stockland Trust and its controlled entities
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14 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2010 ¹ \$M	Book value 30 June 2009 ¹ \$M
Industrial (continued)							
56-60 Toll Drive, Altona North VIC	Sep 2006	18.8	19.9	Dec 2009	14.2	14.5	14.6
32-54 Toll Drive, Altona VIC	Sep 2006	18.1	19.6	Dec 2009	14.1	14.1	15.7
76-82 Fillo Drive, Somerton VIC	Jul 2006	15.8	16.9	Dec 2009	13.7	13.7	12.9
Export Park, 9-13 Viola Place, Brisbane Airport QLD	Nov 2007	15.0	16.0	Dec 2009	11.3	11.3	13.2
M1 Yatala Enterprise Park, Yatala QLD	Nov 2006	20.0	26.5	Dec 2009	10.3	10.5	11.6
40 Scanlon Drive, Epping VIC	Sep 2007	1.8	8.8	Dec 2009	6.7	6.8	6.8
17 Scanlon Drive, Epping VIC ⁸	Jun 2007	2.1	-	Dec 2009	-	-	8.4
11 Amour Street, Revesby NSW ⁸	Jun 2003	11.0	-	Jun 2009	-	-	13.6
509 Boundary Road, Richlands QLD ⁸	Jun 2003	8.1	-	Jun 2009	-	-	18.0
159-163 Newton Road, Wetherill Park NSW ⁸	Oct 2003	11.1	-	Jun 2009	-	-	12.3
735 Boundary Road, Richlands QLD ⁸	Oct 2005	11.8	-	Jun 2009	-	-	11.9
Lidcombe Industrial Park, 42 Birnie Avenue, Lidcombe NSW ⁸	Jun 2005	15.0	-	Jun 2009	-	-	11.9
17 McNaughton Road, Clayton VIC ⁸	Jul 2006	11.4	-	Jun 2009	-	-	9.5
1 Amour Street, Revesby NSW ⁸	Sep 2007	8.2	-	Jun 2009	-	-	6.9
9-11 Somerton Park Drive, Somerton VIC ⁸	Jul 2006	7.1	-	Jun 2009	-	-	6.3
Industrial total						974.7	1,090.8
Commercial Property total						7,605.0	7,713.0

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

14 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 30 June 2010 ¹ \$M	Book value 30 June 2009 ¹ \$M
Other							
Capital work in progress and sundry properties						24.1	55.5
Mantra Hotel (formerly Saville Southbank), 161 Grey Street, Brisbane QLD ⁸	Apr 2007	38.6	-	Jun 2009	-	-	35.0
Other total						24.1	90.5
Less amounts classified as:							
- Other assets (including lease incentives)						(120.7)	(98.8)
- Other assets (including lease incentives) attributable to investments accounted for using the equity method						(15.7)	(18.4)
- Other receivables (straight-lining of operating lease rental income)						(27.1)	(25.3)
- Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method						(10.3)	(9.4)
Total investment properties (including share of investment property held by associates and joint ventures)						7,455.3	7,651.6

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

² This property was acquired during the financial year.

³ Property held by associates and joint venture entities.

⁴ Includes Retail.

⁵ Capital works are in progress. Fair value as at 30 June 2010 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2010. An independent valuation of the property will be undertaken upon completion of the works.

⁶ Included in Non-current assets held for sale.

⁷ This property is a leasehold property.

⁸ This property was disposed of during the financial year.

⁹ An additional part of this property was acquired during the financial year.

¹⁰ This property was previously 50% owned. The remaining 50% was acquired during the financial year.

¹¹ This property was previously disclosed as three separate properties: 68 Northbourne Avenue, Cox & Drakeford Buildings Northbourne Avenue & Mort Street, and Trace/Todd Buildings Cooyong & Mort Streets.

¹² This property was previously disclosed as two separate properties: 255 St Georges Terrace and 267 St Georges Terrace.

¹³ This property was previously disclosed as two separate properties: 9-11 Ferndell Street and 11a Ferndell Street.

Directors' valuations have been undertaken as at 30 June 2010 for all properties when determining fair value. In arriving at fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property and movement in market values. These valuations are also considered by the Directors when determining fair value.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

			Consolidated	
			2010	2009
	Notes		\$M	\$M
14 Non-current assets – Investment properties (continued)				
Reconciliation of ownership				
Consolidated investment properties			6,485.2	6,661.6
The consolidated entity's share of investment properties held by associates and joint venture entities			970.1	990.0
Total interest in investment properties			7,455.3	7,651.6
Reconciliation – investment properties				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year			6,661.6	7,347.2
Acquisitions			100.3	169.6
Expenditure capitalised			292.4	503.8
Transfers from/(to) assets classified as held for sale, net			(264.1)	(429.8)
Net loss from fair value adjustment of investment properties			(305.0)	(929.2)
Carrying amount at the end of the financial year			6,485.2	6,661.6
15 Non-current assets – Other financial assets				
Investments in other entities				
Units in unlisted entities ¹			31.9	23.6
			31.9	23.6
¹ Refer to accounting policy Note 1(f) Other investments for accounting treatment.				
16 Non-current assets – Investments accounted for using the equity method				
Associates	31		245.5	246.6
Joint venture entities	32		757.8	776.0
			1,003.3	1,022.6

Stockland Trust and its controlled entities
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For the year ended 30 June 2010

17 Non-current assets – Intangible assets

	Consolidated		
	Goodwill	Other	Total
	\$M	\$M	\$M
Cost			
Balance as at 1 July 2008	169.2	1.2	170.4
Write-off on disposal of investment properties ¹	(9.3)	-	(9.3)
Balance as at 30 June 2009	159.9	1.2	161.1
Balance as at 1 July 2009	159.9	1.2	161.1
Write-off on disposal of investment properties ¹	-	-	-
Balance as at 30 June 2010	159.9	1.2	161.1
Amortisation and impairment losses			
Balance as at 1 July 2008	-	-	-
Impairment loss	159.9	1.2	161.1
Balance as at 30 June 2009	159.9	1.2	161.1
Balance as at 1 July 2009	159.9	1.2	161.1
Impairment loss	-	-	-
Balance as at 30 June 2010	159.9	1.2	161.1
Carrying Amounts			
As at 1 July 2008	169.2	1.2	170.4
As at 30 June 2009	-	-	-
As at 1 July 2009	-	-	-
As at 30 June 2010	-	-	-

¹ Prior to the full impairment of ADP goodwill in the prior year, a portion of ADP goodwill was required to be written off when investment properties measured at fair value are sold.

Goodwill is tested for impairment annually, or more frequently if there are indicators of impairment. No impairment loss has been recognised in the financial year. In the prior year, an impairment review of the ADP goodwill resulted in the remaining balance of \$159.9 million being written off and recognised in the Income Statement as an expense.

	Consolidated	
	2010	2009
	\$M	\$M

18 Non-current assets – Other assets

Lease incentives (net of amortisation)	83.1	68.3
Lease fees (net of amortisation)	13.3	10.7
Derivatives that do not qualify as effective under hedge accounting rules ¹	174.5	88.5
Derivatives that do qualify as effective under hedge accounting rules ¹	74.2	64.6
	345.1	232.1

¹ Refer to Note 34 for details

19 Current liabilities – Trade and other payables

Trade payables and accruals	126.0	120.0
	126.0	120.0

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

		Consolidated	
		2010	2009
		\$M	\$M
20	Current liabilities – Interest-bearing loans and borrowings		
	Unsecured		
	Domestic medium term notes	253.7	-
	Details of the weighted average effective interest rate on the domestic medium term notes and bank facilities are set out in Note 23.		
21	Current liabilities – Provisions		
	Other	0.6	1.9
	Movement in provisions		
	Movements in each class of provision during the financial year are set out below.		
		Other	
		\$M	
	Consolidated		
	Carrying amount at the beginning of the financial year	1.9	
	Additional provisions recognised	0.3	
	Payments	(1.6)	
	Carrying amount at the end of the financial year	0.6	
		Consolidated	
		2010	2009
	Note	\$M	\$M
22	Current liabilities – Other liabilities		
	Distributions payable ¹	27 257.1	401.3
	Tenant security deposits	-	2.6
	Rents in advance	18.0	16.2
	Liability in respect of transfer of investment and equity derivative contracts ²	252.0	191.6
	Derivatives that do not qualify as effective under hedge accounting rules ³	1.5	-
	Other	-	188.2
		528.6	799.9

¹ Distributions disclosed in Note 27 include \$0.2 million (2009: \$0.4 million) in relation to distributions payable on ESS and ISP units not vested or refinanced.

² \$368.4 million (2009: \$368.4 million) relates to cash received on transfer of an investment which did not qualify for derecognition under Australian Accounting Standards. The balance has been offset by \$81.3 million (2009: \$206.8 million) of cash on deposit with the counterparty of the associated equity derivative contracts. The remaining asset balance of \$35.1 million (2009: \$30.0 million liability) relates to the fair value of a number of equity derivative contracts held over the underlying investment.

³ Refer to Note 34(b) for details.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

Consolidated
2010 **2009**
\$M **\$M**

23 Non-current liabilities – Interest-bearing loans and borrowings

Unsecured

Domestic medium term notes	448.8	591.8
Foreign medium term notes ¹	2,121.0	2,207.4
	2,569.8	2,799.2

¹ The above movement in foreign medium term notes is due to the change in fair value in accordance with AASB 139. No foreign term notes were repurchased/issued during the financial year.

Financing arrangements (Current and Non-current interest-bearing loans and borrowings)

(a) Bank facilities

The bank facilities are multi-use facilities which may be used partially for bank guarantees and commercial paper support. Bank facilities are carried at amortised cost.

Details of maturity dates and security for facilities are set out below:

Facility limit		Security	Maturity date	Utilised	
2010	2009			2010	2009
\$M	\$M			\$M	\$M
-	150.0	Unsecured	July 2010	-	-
-	150.0	Unsecured	August 2010	-	-
200.0	200.0	Unsecured	November 2010	-	-
200.0	200.0	Unsecured	February 2011	-	-
600.0	600.0	Unsecured	July 2011	-	-
200.0	200.0	Unsecured	August 2011	-	-
1,200.0	1,500.0			-	-

(b) Medium term notes

Domestic

During the financial year, the consolidated entity repurchased medium term notes from the domestic private placement market. The face value of these notes was \$188.8 million due to mature in June 2011. The consolidated entity also issued \$300.0 million in the domestic private placement market which will mature in February 2015.

During the prior year, the consolidated entity repurchased medium term notes from the domestic private placement market. The face value of these notes was \$5.6 million due to mature in June 2011.

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

The weighted average effective interest rate of the domestic medium term notes as at 30 June 2010 is 7.1% (2009: 5.5%).

The fair value of the notes recorded as at 30 June 2010 is \$711.5 million (2009: \$545.6 million).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

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

Financing arrangements (Current and Non-current interest-bearing loans and borrowings) (continued)

(b) Medium term notes (continued)

Domestic (continued)

Details of unsecured medium term notes on issue are set out below:

	Consolidated	
	2010	2009
Maturity date	\$M	\$M
June 2011	255.6	444.4
May 2013	150.0	150.0
February 2015	300.0	-
Total	705.6	594.4
Less: attributable transaction costs	(3.1)	(2.6)
Total Balance Sheet carrying amount at amortised cost	702.5	591.8

Foreign

UK private placement

During the 2007 financial year, the consolidated entity issued medium term notes with a face value of \$619.3 million (GBP 250.0 million) into the UK private placement market. All notes were issued at a fixed coupon payable in GBP and converted back to AUD floating coupons through cross currency principal and interest rate swaps. The fair value of the notes recorded as at 30 June 2010 is \$482.4 million (2009: \$539.9 million) and the weighted average effective interest rate after the effect of the cross currency principal and interest rate swaps is 5.2% (2009: 3.7%). The notes mature in October 2013.

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

	Consolidated	
	2010	2009
Maturity date	\$M	\$M
October 2013	482.4	539.9
Less: attributable transaction costs	(0.4)	(0.7)
Total Balance Sheet carrying amount	482.0	539.2

US private placement

During prior years, the consolidated entity issued USD 1,125.0 million of notes in the US private placement market.

All notes were issued at a fixed coupon in USD and converted back to AUD 1,406.8 million (2009: AUD 1,406.8 million) and GBP 53.7 million (2009: GBP 53.7 million) floating coupons through cross currency interest rate swaps. During the financial year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules which has resulted in these notes no longer being carried at fair value but at amortised cost (refer to Note 1(n)).

These notes had a face value of AUD 1,501.5 million as at 30 June 2010 (2009: AUD 1,517.0 million).

The fair value of the notes recorded as at 30 June 2010 is \$1,508.4 million (2009: \$1,508.0 million) and the weighted average effective interest rate after the effect of the cross currency interest rate swaps is 5.02% (2009: 3.6%).

Stockland Trust and its controlled entities
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23 Non-current liabilities – Interest-bearing loans and borrowings (continued)

Financing arrangements (Current and Non-current interest-bearing loans and borrowings) (continued)

(b) Medium term notes (continued)

Foreign (continued)

US private placement (continued)

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

	Consolidated	
	2010	2009
Maturity date	\$M	\$M
October 2011	25.7	27.3
July 2012	49.4	51.7
October 2012	37.9	39.6
July 2013	50.5	51.7
July 2014	28.0	28.4
June 2015	84.1	84.9
July 2015	62.0	64.5
October 2015	86.7	87.2
July 2016	59.2	62.5
October 2016	24.3	24.4
June 2017	239.9	239.5
October 2017	54.7	54.4
June 2018	202.5	213.5
October 2018	243.0	241.2
July 2019	67.9	71.6
July 2020	87.5	92.2
June 2022	40.3	42.6
June 2027	31.9	33.5
Total	1,475.5	1,510.7
Less: attributable transaction costs	(4.1)	(4.8)
Total Balance Sheet carrying amount	1,471.4	1,505.9

Asian private placement

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

All notes were issued at a fixed coupon payable in USD and converted back to AUD floating coupons through cross currency principal and interest rate swaps. During the financial year, the cross currency interest rate swap no longer qualified as effective under hedge accounting rules which has resulted in the notes no longer being carried at fair value but at amortised cost (refer to Note 1(n)).

The fair value of the notes recorded as at 30 June 2010 is \$158.2 million (2009: \$176.8 million) and the weighted average effective interest rate after the effect of the cross currency principal and interest rate swaps is 5.5% (2009: 3.9%). The notes mature in August 2035.

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

	Consolidated	
	2010	2009
Maturity date	\$M	\$M
August 2035	168.0	162.7
Less: attributable transaction costs	(0.4)	(0.4)
Total Balance Sheet carrying amount	167.6	162.3

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

Financing arrangements (current and Non-current interest-bearing loans and borrowings) (continued)

(b) Medium term notes (continued)

Derivatives

The consolidated entity has entered into cross currency principal and interest rate swaps over its foreign currency loans and borrowings. Refer to Note 34 for details.

	Consolidated	
	2010	2009
	\$M	\$M
24 Non-current liabilities – Other liabilities		
Derivatives that do qualify as effective under hedge accounting rules ¹	172.2	112.4
Derivatives that do not qualify as effective under hedge accounting rules ¹	226.9	300.5
Other liabilities	1.2	0.8
	400.3	413.7

¹ Refer to Note 34(b) for details.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
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	Consolidated	Consolidated	Consolidated	Consolidated
	Number of units	Number of units	2010	2009
	2010	2009	\$M	\$M
25 Issued capital				
Ordinary Units – Issued and fully paid	2,380,428,384	2,379,317,384	7,696.4	7,693.6

The following table provides details of movements in the Trust's issued units.

Date	Details	Number of units	Issue price	\$M
Movement of units issued				
1 July 2008	Opening balance	1,472,602,981		5,400.6
30 September 2008	Employee share plan	174,834	\$4.69	0.8
8 October 2008	Placement	56,603,774	\$5.04	285.3
	Less: transaction costs			(5.9)
11 November 2008	Placement	51,000,000	\$4.15	211.8
31 December 2008	Issued units which have either matured, been sold or forfeited and sold under share plans	2,536,000		6.1
27 February 2009	Dividend and Distribution Reinvestment Plan	60,274,679	\$3.48	209.9
28 May 2009	Placement – Institutional investors	591,813,694	\$2.21	1,310.3
	Less: transaction costs			(33.4)
19 June 2009	Placement – Retail investors	142,616,922	\$2.21	315.8
	Less: transaction costs			(12.0)
30 June 2009	Issued units which have either matured, been sold or forfeited and sold under share plans	1,694,500		4.3
1 July 2009	Balance	2,379,317,384		7,693.6
1 July 2009	Less: transaction costs from June 2009 placement			(0.4)
31 December 2009	Issued units which have either matured, been sold or forfeited and sold under share plans	980,000		2.8
30 June 2010	Issued units which have either matured, been sold or forfeited and sold under share plans	131,000		0.4
30 June 2010	Closing balance	2,380,428,384		7,696.4

Terms and conditions of securities

For so long as the consolidated entity remains jointly quoted, as detailed in Note 1, the number of shares in the Corporation and the number of units in the Trust shall be equal and the share holders 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 unitholder 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.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$M	\$M
26 Reserves and undistributed income		
(a) Reserves		
Realised capital profits reserve	-	(84.2)
Executive remuneration reserve	20.4	12.8
Cash flow hedge reserve	16.6	23.1
Unrealised financial instruments reserve	(404.0)	(530.7)
Foreign currency translation reserve	-	0.2
	(367.0)	(578.8)
Movements in reserves		
<i>Realised capital profits reserve</i>		
Balance at the beginning of the financial year	(84.2)	(0.8)
Transfer to undistributed income	84.2	-
Loss on sale of investment properties transferred from undistributed income	-	(32.8)
Distributions paid from capital	-	(50.6)
Balance at the end of the financial year	-	(84.2)
<i>Executive remuneration reserve</i>		
Balance at the beginning of the financial year	12.8	15.6
Expense relating to rights and units granted under share plans	5.4	(2.8)
Vested securities purchased on-market	2.2	-
Balance at the end of the financial year	20.4	12.8
<i>Cash flow hedge reserve</i>		
Balance at the beginning of the financial year	23.1	10.7
Effective portion of changes in the fair value of cash flow hedges during the financial year	(5.5)	12.9
Change in fair value of cash flow hedges transferred to the Income Statement	(1.0)	(0.5)
Balance at the end of the financial year	16.6	23.1
<i>Unrealised financial instruments reserve</i>		
Balance at the beginning of the financial year	(530.7)	(225.1)
Net change in fair value of financial instruments transferred to/(from) undistributed income	126.7	(305.6)
Balance at the end of the financial year	(404.0)	(530.7)
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the financial year	0.2	-
Net exchange differences on translation of foreign controlled entities	(0.2)	0.2
Transfer to Income Statement on disposal of foreign controlled entity	-	-
Balance at the end of the financial year	-	0.2
<i>Financial assets revaluation reserve</i>		
Balance at the beginning of the financial year	-	2.0
Change in fair value of other financial assets	-	(4.9)
Change in fair value of other financial assets transferred to the Income Statement	-	2.9
Balance at the end of the financial year	-	-

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Notes	\$M	\$M
26 Reserves and undistributed income (continued)			
(b) Undistributed income			
Undistributed income at the beginning of the financial year		1,402.5	2,766.1
Profit/(loss) for the financial year attributable to unitholders		388.9	(1,083.8)
Aggregate of amounts transferred (to)/from reserves		(210.9)	338.4
Distributions provided for or paid		(514.0)	(618.2)
Undistributed income at the end of the financial year		1,066.5	1,402.5
Reconciliation of distributions paid and payable to unitholders as per Statement of Changes in Equity			
Distributions paid from capital	26(a)	-	(50.6)
Distributions provided for or paid		(514.0)	(618.2)
Total distributions recognised through unitholders' funds	27	(514.0)	(668.8)
(c) Nature and purpose of reserves			
(i) Realised capital profits reserve			
The realised capital profits reserve was used to transfer realised gains on the sale of investment properties which have been recorded in the Income Statement to reserves, as management policy is generally to reinvest these profits into future acquisitions of investment properties, or pay out distributions. The reserve is no longer utilised effective 1 July 2009.			
(ii) Executive remuneration reserve			
Securities are issued to all employees of the Corporation under the Executive Securities Plan and the Incentive Share Plan. Rights granted to Executive Directors and Senior Executives of the Corporation under the Performance Rights Plan are also required to be accounted for as options. The securities and rights granted are required to be accounted for as options in the Corporation. The fair value of the options granted is recognised as an employee expense in the income statement by the Corporation, however the Trust is required to record an amount in its reserves, being the Trust's share of their fair value of the options granted to all employees of the Corporation. Refer accounting policy at Note 1(y).			
(iii) Cash flow hedge reserve			
The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer accounting policy at Note 1(n).			
(iv) Unrealised financial instruments reserve			
The unrealised financial instruments reserve is used to transfer unrealised gains and losses on financial instruments which have been recorded in the Income Statement to reserves until such time as they are realised.			
(v) 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.			
(vi) Financial assets revaluation reserve			
The financial assets revaluation reserve comprises the cumulative net change in the fair value of other financial assets unless the investment becomes impaired or is derecognised.			

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

27 Distributions

Distributions recognised in the current financial year by the consolidated entity are detailed below.

	Cents per unit	Total amount \$M	Date of payment	Tax preferred %
2010				
Interim distribution	10.8	257.4	26 February 2010	30.6 ¹
Final distribution ²	11.0	262.1	31 August 2010	30.6 ¹
Total distribution ²	21.8	519.5		

¹ Includes tax-free component of 10.7%

² Amount includes estimated final distribution of 10.8 cents per unit (\$257.3 million) announced on 17 June 2010 and a further 0.2 cents per unit (\$4.8 million) following the introduction of a revised distribution policy as announced on 11 August 2010.

2009

Interim distribution	16.9	268.4	27 February 2009	31.9 ³
Final distribution	16.9	401.7	31 August 2009	31.9 ³
Total distribution	33.8	670.1		

³ Includes tax-free component of 10.8% (2009: 8.3%).

	Consolidated 2010 \$M	2009 \$M
The following table reconciles the total distributions paid and payable to the Statement of Changes in Equity.		
Total distributions paid and payable	519.5	670.1
Less:		
Adjustment to final distribution	(4.8)¹	-
Interest expense related to share-based payments	(0.2)	(0.4)
Distributions relating to share-based payment loans	(0.5)	(0.9)
Distributions paid and payable to unitholders as per Statement of Changes in Equity	514.0	668.8

¹ Change to the final distribution announced on 11 August 2010, not accrued as at 30 June 2010.

28 Commitments

Capital expenditure commitments

Commitments for the acquisition of properties and capital expenditure not recognised at balance date:

Within one year	20.2	27.7
Later than one year but not later than five years	-	2.9
Commitments not recognised in the Financial Statements	20.2	30.6

Lease commitments

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease commitments receivable:

Within one year	583.8	543.9
Later than one year but not later than five years	1,534.1	1,341.2
Later than five years	782.7	802.0
	2,900.6	2,687.1

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

28 Commitments (continued)

Lease commitments (continued)

Exchange Plaza, Perth WA

There is a contractual commitment for ground rent on Exchange Plaza of 10% p.a. (the Trust's share 5% p.a.) of the net income of the leased premises for each lease year, or \$0.8 million (the Trust's share: \$0.4 million), whichever is greater. This commitment expires in 2122.

29 Parent entity disclosures

As at and for the year ended 30 June 2010 the parent entity of the Group was Stockland Trust.

	Trust	
	2010	2009
	\$M	\$M
Results of the parent entity		
Profit/(loss) for the year	448.7	(208.7)
Other comprehensive income	-	(2.0)
Total comprehensive income/(expense) for the year	448.7	(210.7)
Financial position of the parent entity at year end		
Current assets	6,564.6	7,070.7
Total assets ¹	13,210.0	13,668.7
Current liabilities	4,525.5	4,855.0
Total liabilities	5,209.1	5,729.8
Net assets	8,000.9	7,938.9
Total equity of the parent entity comprising of:		
Issued capital	7,696.4	7,693.6
Reserves	(253.2)	(365.4)
Retained earnings	557.7	610.7
Total equity	8,000.9	7,938.9

¹ No intangible assets are included in total assets (2009: \$Nil)

Parent entity contingencies

There are no contingencies with the parent entity as at 30 June 2010 (2009: \$Nil).

Parent entity capital commitments

The parent entity has not entered into any capital commitments as at 30 June 2010 (2009: \$Nil).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

30 Controlled entities

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

ADP Trust
Advance Property Fund
Australian Commercial Property Trust
Flinders Industrial Property Trust
Stockland Finance Pty Limited¹
Advance Property Fund No. 3 (Growth)
Advance Property Fund No. 5 (Capital Growth)
Property Trust of Australasia
Stockland Brisbane Office Trust
ADP NZ Finance Company Limited¹
ADP (NZ) Trust
Capricornia Property Trust
Industrial Property Trust
Schroders Building Fund
Shellharbour Property Trust
Stockland Industrial No. 1 Property 1 Trust
Stockland Industrial No. 1 Property 4 Trust
Stockland Industrial No. 1 Property 5 Trust
Stockland Industrial No. 1 Property 6 Trust
Stockland Industrial No. 1 Property 7 Trust
Stockland Industrial No. 1 Property 8 Trust
Stockland Industrial No. 1 Property 9 Trust
Stockland Industrial No. 1 Property 11 Trust
Jimboomba Village Shopping Centre and Tavern Trust
Saville Brisbane Trust
Stockland Direct Diversified Fund
Stockland Direct Office Trust No. 4
SDOT 4 Property # 1 Trust
SDOT 4 Property # 2 Trust
SDOT 4 Property # 3 Trust
Stockland Direct Retail Trust No. 3
SDRT 3 Property # 1 Trust
SDRT 3 Property # 2 Trust
SDRT 3 Property # 3 Trust
Stockland Retail Holding Trust No. 1
Stockland Retail Holding Sub-Trust No. 1
Stockland Retail Holding Sub-Trust No. 2
Endeavour (No. 1) Unit Trust
Stockland Wholesale Office Trust No. 1
9 Castlereagh Street Unit Trust
Stockland Castlereagh St Trust
SWOT2 Sub Trust No. 1
SWOT2 Sub Trust No. 2
SWOT2 Sub Trust No. 3
Stockland Finance Holdings Pty Limited¹
Stockland Wholesale Office Trust No.2
Stockland PR1 Trust
Stockland PR2 Trust
Stockland PR3 Trust
Stockland PR4 Trust

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

30 Controlled entities (continued)

The following entities are no longer controlled entities of Stockland Trust and were terminated during the financial year:

Stocks & Holdings Property Trust
Underwood Street (No. 1) Unit Trust
Underwood Street (No. 2) Unit Trust
Stockland Commercial Office Trust
ADP Property Trust No. 1
ADP Property Trust No. 2
Stockland Industrial No. 1 Property 2 Trust
Stockland Industrial No. 1 Property 3 Trust
Stockland Industrial No. 1 Property 10 Trust

All entities were formed/incorporated in Australia with the exception of ADP (NZ) Trust and ADP NZ Finance Company Limited which are incorporated in New Zealand.

The consolidated entity owns all the issued units/shares of the respective controlled entities and such units/shares carry the voting, dividend and distribution and equitable rights.

¹ Except for these companies, all other companies listed above, (excluding Trusts) were parties to the Deed and members of the Closed Group, as at 30 June 2010.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

31 Investments in associates

Investments in associates are accounted for in the Financial Statements using the equity method of accounting. Information relating to the associates is set out below:

Associate	Location	Principal activity	Ownership interest		Carrying amount	
			2010	2009	2010	2009
			%	%	\$M	\$M
Moorebank Industrial Property Trust ¹	Australia	Property Investment	55	55	131.2	138.6
Macquarie Park Trust	Australia	Property Investment	31	31	114.3	108.0
					245.5	246.6

¹ Moorebank Industrial Property Trust ("MIPT") interest was acquired in December 2007. The consolidated entity has significant influence over MIPT, but not control due to the consolidated entity having less than half the voting rights.

	Consolidated	
	2010	2009
	\$M	\$M

Movements in carrying amount of investments in associates

Carrying amount at the beginning of the financial year	246.6	285.3
Contributions to associates	0.8	-
Share of net profit (excluding fair value adjustment of investment properties)	17.1	17.8
Share of fair value adjustment of investment properties	(3.0)	(26.6)
Disposal of interest in associate	-	(13.5)
Distributions received/receivable	(16.0)	(16.4)
Carrying amount at the end of the financial year	245.5	246.6

	Revenues (100%) \$M	Profit (100%) \$M	Share of associates net profit recognised \$M	Total assets (100%) \$M	Total liabilities (100%) \$M	Net assets as reported by associates (100%) \$M	Share of associate's net assets equity accounted \$M
2010							
Moorebank Industrial Property Trust	21.1	0.5	0.3	240.0	(1.5)	238.5	131.2
Macquarie Park Trust	32.6	44.5	13.8	371.9	(3.2)	368.7	114.3
	53.7	45.0	14.1	611.9	(4.7)	607.2	245.5
2009							
Moorebank Industrial Property Trust	21.1	(2.7)	(0.7)	252.4	(0.4)	252.0	138.6
Macquarie Park Trust	31.5	(26.2)	(8.1)	349.9	(1.6)	348.3	108.0
	52.6	(28.9)	(8.8)	602.3	(2.0)	600.3	246.6

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

32 Investments in joint ventures

Joint Venture	Location	Principal activity	Holdings		Carrying amount	
			2010	2009	2010	2009
			%	%	\$M	\$M
SDOT Sub Trust No. 1	QLD	Property investment	50	50	220.3	235.1
Martin Place Property Trust	NSW	Property investment	50	50	169.8	178.1
Esplanade Property Trust	WA	Property investment	50	50	137.8	139.6
The King Trust	NSW	Property investment	50	50	133.5	133.8
M Property Trust	NSW	Property investment	50	50	49.2	51.0
Willeri Drive Trust	WA	Property investment	50	50	47.2	38.4
					757.8	776.0

Consolidated
2010 **2009**
\$M **\$M**

Movements in carrying amount of investments in joint venture entities

Carrying amount at the beginning of the financial year	776.0	923.3
Contributions to the joint venture entities	15.0	4.5
Share of net profit (excluding fair value adjustment of investment properties)	52.6	50.8
Share of fair value adjustment of investment properties	(33.8)	(151.3)
Distribution received/receivable	(52.0)	(51.3)
Carrying amount at the end of the financial year	757.8	776.0

Share of joint venture entities' assets and liabilities

Current assets	15.8	14.2
Non-current assets	748.5	768.5
Total assets	764.3	782.7
Current liabilities	5.7	5.9
Non-current liabilities	0.8	0.8
Total liabilities	6.5	6.7
Net assets	757.8	776.0

Share of joint venture entities' revenues, expenses and results

Revenues	73.5	69.7
Expenses	(54.7)	(170.2)
Net profit/(loss) accounted for using the equity method	18.8	(100.5)

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

32 Investments in joint ventures (continued)

Consolidated	Current assets (100%) \$M	Non-current assets (100%) \$M	Current liabilities (100%) \$M	Non-current liabilities (100%) \$M	Net assets (100%) \$M	Revenues (100%) \$M	Expenses (100%) \$M
2010							
SDOT Sub Trust No. 1	8.0	438.6	(4.4)	(1.6)	440.6	45.7	(49.9)
Martin Place Property Trust	(a) 33						
	6.7	3.6	(0.7)	-	339.6	33.6	(21.2)
Esplanade Property Trust	(b) 27						
	4.4	2.1	(0.9)	-	275.6	27.7	(15.9)
The King Trust	(c) 26						
	8.2	0.3	(1.5)	-	267.0	24.2	(4.4)
M Property Trust	(d) 97						
	0.9	.7	(e) (0.2)	-	98.4	8.1	(5.7)
Willeri Drive Trust	(f) 94						
	3.3	.7	(3.6)	-	94.4	7.7	(12.3)
	31.5	1,497.0	(11.3)	(1.6)	1,515.6	147.0	(109.4)
2009							
SDOT Sub Trust No. 1	6.5	470.0	(4.7)	(1.6)	470.2	41.5	(112.6)
Martin Place Property Trust	7.9	349.1	(0.8)	-	356.2	32.9	(76.0)
Esplanade Property Trust	4.0	276.4	(1.2)	-	279.2	24.2	(60.7)
The King Trust	6.8	262.7	(1.9)	-	267.6	25.6	(53.5)
M Property Trust	1.0	101.2	(0.2)	-	102.0	8.3	(25.5)
Willeri Drive Trust	2.1	77.6	(2.9)	-	76.8	6.8	(12.1)
	28.3	1,537.0	(11.7)	(1.6)	1,552.0	139.3	(340.4)

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$M	\$M
33 Notes to the Cash Flow Statements		
Reconciliation of profit/(loss) to net cash inflow from operating activities:		
Profit/(loss)	388.9	(1,083.8)
Add/(less) items classified as investing/financing activities:		
Fair value adjustment for investment properties (including associates and joint ventures)	351.2	1,107.1
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	27.4	7.6
Net (gain)/loss on fair value movement of other financial instruments	(63.7)	30.0
Net (gain)/loss on fair value movement on financial instruments	(47.4)	163.6
Net loss on sale of other non-current assets	13.9	32.8
Net (gain)/loss on fair value movement on other financial assets	(28.1)	265.3
Interest capitalised to investment properties	(0.6)	(8.6)
Medium term note interest capitalised	0.4	4.1
Distributions received from other entities	(15.1)	(10.4)
Add/(less) non-cash items:		
Net unrealised loss /(gain) on foreign exchange	0.3	(60.5)
Goodwill impairment	-	161.1
Straight-line rent adjustment	(1.8)	(1.8)
Equity-settled share-based payments	10.6	(3.0)
Amortisation of lease incentives	14.1	-
Other items	(0.3)	(1.8)
Net cash inflow from operating activities before change in assets and liabilities	649.8	601.7
Decrease/(increase) in receivables	1.1	(39.9)
Increase in other assets	(16.2)	(7.0)
Decrease/(increase) in prepayments	3.0	(3.4)
Increase in payables and other liabilities	27.8	32.6
Decrease in provisions	(1.3)	(0.1)
Net cash inflow from operating activities	664.2	583.9

Non-cash financing and investing activities

In November 2008, the consolidated entity acquired a strategic stake in GPT via cash and the issue of Stockland securities. Stockland issued 51 million stapled securities in exchange for 195 million GPT securities with a fair value of \$222.9 million.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments

(a) Financial risk and capital management

The consolidated entity's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk, interest rate risk and equity price risk. The consolidated entity's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the consolidated entity's financial performance. The consolidated entity use derivative financial instruments to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Financial risk and capital management is carried out by a central treasury department of the Responsible Entity 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 Treasury Committee assists the Board in monitoring the implementation of these treasury policies.

Capital management

The consolidated entity's objective when managing capital is to safeguard the ability to continue as a going concern, whilst providing returns for unitholders and benefits for other stakeholders and to maintain a capital structure to minimise the cost of capital.

Management can alter the capital structure of the consolidated entity by issuing new units, adjusting the amount of distributions paid to unitholders, returning capital to unitholders, selling assets to reduce debt, adjusting the timing of capital expenditure and through the operation of a Dividend and Distribution Reinvestment Plan. The consolidated entity also manages capital through its distribution policy in which distributions made to unitholders is based on the greater of 75% of underlying profit or Trust Taxable Income.

In this context, the consolidated entity considers capital to include interest-bearing loans and borrowings and unitholders' funds.

The capital structure of the consolidated entity is monitored at the Stockland stapled entity ("Stockland") level through the gearing ratio. The ratio is calculated as face value of debt, net of cash, divided by total tangible assets excluding cash and other adjustments in accordance with the financial covenants detailed below. The current target range for Stockland's gearing ratio is between 25% and 35% which is consistent with the prior year. The gearing ratio as at 30 June 2010 is 17.8% (2009: 16.0%). This is outside the target range due to the equity raising in the prior year.

Management monitors the credit rating set down by Standard and Poors ("S&P") for Stockland as this influences Stockland's access to finance at a reasonable cost for Stockland and its controlled entities. The S&P credit rating as at 30 June 2010 is A-/Stable (2009: A-/Stable).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Financial covenants

Stockland is required to comply with certain financial covenants in respect of its interest-bearing loans and borrowings. The major financial covenants are summarised below:

(i) Gearing ratio (Total liabilities/Total tangible assets): less than 45%.

The gearing covenant is limited to Stockland's Balance Sheet liabilities with no look through gearing and excluding the mark to market of derivatives and GPT exposure.

(ii) Interest cover ratio (Adjusted EBITA / Financing expenses): greater than 2.0 times.

The interest cover ratio excludes certain items such as impairments, write-downs, fair value gains or losses relating to assets and hedging arrangements etc.

As at 30 June 2010 and 30 June 2009, Stockland was in compliance with both the above financial covenants.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will default on their contractual obligations resulting in a financial loss to the consolidated entity.

The consolidated entity has no significant concentrations of credit risk with counterparties external to the Stockland group. Refer to Note 9 for receivables from counterparties within the Stockland group. The consolidated entity also has policies to review the aggregate exposure of tenancies across its portfolio and to ensure that the consolidated entity also has policies to ensure that sales of properties and provision of services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Treasury Committee. As at 30 June 2010, these financial institutions had an S&P credit rating of A or above (2009: A or above). There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions.

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

As at 30 June 2010 and 30 June 2009, there were no significant financial assets that were past due. Additionally, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the consolidated Balance Sheet represents the consolidated entity's maximum exposure to credit risk in relation to these assets. Refer to Note 34(c) for a breakdown of these financial assets.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the consolidated entity aims at maintaining flexibility in funding by keeping sufficient cash and/or committed credit lines available. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

The consolidated entity manages liquidity risk through monitoring the maturity of its debt portfolio. The current weighted average debt maturity of the consolidated entity is 6.2 years (2009: 7.0 years).

The table below reflects all contractual maturities of financial liabilities including principal and estimated interest cash flows calculated based on conditions existing at balance date. The amounts presented represent the future undiscounted cash flows.

	Consolidated	
	2010	2009
	\$M	\$M
Contractual maturity of financial liabilities including estimated interest and derivatives		
Due within one year	903.3	699.5
Due between one and two years	226.2	633.1
Due between two and five years	1,823.8	1,424.1
Due after five years	1,852.3	2,062.3
	<u>4,805.6</u>	<u>4,819.0</u>

Refer to Note 23 for details of the consolidated entity's unused bank facilities.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the consolidated entity's functional currency, being Australian dollars.

The consolidated entity is exposed to foreign exchange risk arising from currency exposures to the US dollar, Pound Sterling, Yen and Euro.

The consolidated entity manages its foreign exchange exposure by using cross currency interest rate swap ("CCIRS") contracts, forward exchange contracts ("FEC") and other interest rate swaps ("IRS"). Refer to Note 34(b) for further details about the CCIRS, FEC and IRS.

The table below provides a summary of the face value of the consolidated entity's foreign exchange risk exposures together with the foreign exchange risk management transactions which have been entered into to manage these exposures.

	2010				2009			
	GBP £M	USD \$M	Yen ¥M	Euro €M	GBP £M	USD \$M	Yen ¥M	Euro €M
Borrowings	(303.7)	(1,241.3)	(13,000.0)	-	(303.7)	(1,241.3)	(13,000.0)	-
CCIRS / IRS	250.1	1,241.3	13,000.0	-	226.5	1,241.3	13,000.0	-
FEC	(76.9)	-	-	-	-	-	-	-
Other net assets	205.9	-	-	-	205.9	-	-	-
	75.4	-	-	-	128.7	-	-	-

Sensitivity analysis

The following sensitivity analysis shows the effect on the Income Statement and equity if there was an increase/decrease in exchange rates at balance date with all other variables held constant.

	2010		2009	
	Increase in exchange rates \$M	Decrease in exchange rates \$M	Increase in exchange rates \$M	Decrease in exchange rates \$M
AUD/USD exchange rate movement of 9 cents (2009: 8 cents)				
Income Statement	(17.1)	21.0	(14.0)	15.8
Equity	(3.5)	4.2	(4.6)	5.6
AUD/GBP exchange rate movement of 6 pence (2009: 5 pence)				
Income Statement	(11.8)	19.2	(23.7)	29.3
Equity	(1.1)	1.1	(1.7)	1.7
AUD/Yen exchange rate movement of 8 Yen (2009: 8 Yen)				
Income Statement	3.6	(4.8)	5.4	(7.4)
Equity	-	-	-	-
Total impact				
Income Statement ¹	(25.3)	35.4	(32.3)	37.7

¹ The increase/decrease in exchange rates would have \$Nil (2009: \$Nil) impact on the consolidated entity's underlying profit.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates. The income and the associated operating cash flows of the consolidated entity's financial assets are substantially independent of changes in market interest rates.

The consolidated entity's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

The consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The consolidated entity manages its fair value interest rate risk through cross currency interest rate swaps. The debt fixed/hedged percentage as at 30 June 2010 was 53% (2009: 71%). Refer to Note 34(b) for further details about the interest rate swap contracts.

The table below provides a summary of the consolidated entity's interest rate risk exposure on interest-bearing loans and borrowings together with the interest rate risk management transactions which have been entered into to manage these exposures.

	Gross exposure (before the effect of derivatives)		Net exposure (after the effect of derivatives)	
	2010	2009	2010	2009
	\$M	\$M	\$M	\$M
Fixed rate interest-bearing loans and borrowings ¹	2,881.2	2,722.5	1,588.8	2,053.2
Floating rate interest-bearing loans and borrowings ¹	96.5	159.4	1,388.9	828.7
	2,977.7	2,881.9	2,977.7	2,881.9
Debt fixed/hedged %			53%	71%
Debt fixed/hedged % (net of cash on deposit)			74%	95%

¹ Notional principal amounts.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Income Statement and equity if market interest rates at balance date had been 100 basis points higher/lower (2009: 25 basis points) with all other variables held constant.

	2010		2009	
	Interest rates higher	Interest rates lower	Interest rates higher	Interest rates lower
	\$M	\$M	\$M	\$M
Market interest rate movement of 100 basis points (2009: 25 basis points)				
Income Statement	(26.6)¹	(18.3)²	(6.8)¹	3.1 ²
Equity	(1.3)	1.3	(0.2)	0.2

¹ The impact on the Income Statement would be reflected as \$65.9 million (2009: \$17.0 million) in Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and \$39.3 million gain (2009: \$10.2 million gain) in interest income relating to interest-earning financial assets. The impact to the consolidated entity's underlying profit would be limited to the interest income gain of \$39.3 million (2009: \$10.2 million gain).

² The impact on the Income Statement would be reflected as \$21.0 million (2009: \$13.3 million) in Net gain on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules and \$39.3 million loss (2009: \$10.2 million loss) in interest income relating to interest-earning financial assets. The impact to the consolidated entity's underlying profit would be limited to the interest income loss of \$39.3 million (2009: \$10.2 million loss).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Equity price risk

Equity price risk is the risk that the fair value of investments in listed/unlisted entities and equity derivative contracts fluctuate due to changes in the underlying share/unit price. The consolidated entity's equity price risk arises from investments in listed securities, units in unlisted funds and equity derivative contracts.

Variability in the fair value of the consolidated entity's equity investments and equity derivative contracts is linked to the market price of the equity securities/units which is affected by a number of factors.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Income Statement and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower (2009: 10%) with all other variables held constant.

	2010		2009	
	Market price higher \$M	Market price lower \$M	Market price higher \$M	Market price lower \$M
Market price movement of 10% (2009: 10%)				
Income Statement	70.1 ¹	(70.1) ²	39.0 ¹	(60.9) ²
Equity	-	-	21.5	-

¹ The impact on the Income Statement would be reflected as \$45.0 million (2009: \$39.0 million) in Net gain on fair value movement of other financial instruments that do not qualify as effective under hedge accounting rules and \$25.1 million (2009: \$Nil) Net gain from fair value adjustment of other financial assets. The increase in market price would have \$Nil (2009: \$Nil) impact on the consolidated entity's underlying profit.

² The impact on the Income Statement would be reflected as \$45.0 million (2009: \$39.3 million) in Net loss on fair value movement other financial instruments that do not qualify as effective under hedge accounting rules and \$25.1 million (2009: \$21.6 million) in Net loss from fair value adjustment of other financial assets. The decrease in market price would have \$Nil (2009: \$Nil) impact on the consolidated entity's underlying profit.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity

The consolidated entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the consolidated entity's financial risk management policies as mentioned above. From time to time the consolidated entity uses other derivative financial instruments to diversify and/or enhance the yield on its equity investments.

Unallocated interest rate swap contracts – Derivatives that do not qualify as effective under hedge accounting rules

The consolidated entity enter into unallocated interest rate swaps to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures.

As at 30 June 2010, the notional principal amounts and periods of expiry of the unallocated interest rate swap contracts are as follows:

	2010	2009
	\$M	\$M
Less than 1 year	2,088.9	20.0
1-2 years	189.3	2,076.0
2-5 years	2,928.5	1,535.6
Over 5 years	5,867.9	2,734.2

Unallocated interest rate swap contracts have been recorded on the Balance Sheet at their fair value in accordance with AASB 139. These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in the Income Statement. Refer accounting policy at Note 1(n).

At balance date, these contracts had a fair value of \$5.9 million (2009: \$Nil) included in Current other assets, \$123.5 million (2009: \$63.7 million) included in Non-current other assets, \$1.5 million (2009: \$Nil) included in Current other liabilities and \$214.9 million (2009: \$284.5 million) included in Non-current other liabilities.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity (continued)

Cross currency interest rate swap contracts

The consolidated entity's foreign medium term notes create both an interest rate and a foreign currency risk exposure. The consolidated entity's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the consolidated entity has entered into a series of cross currency principal and interest rate swaps.

Swaps currently in place cover 100% of the US and Asian private placement principals outstanding and the majority of the UK 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. This creates a floating rate exposure which is then managed through the effect of the unallocated interest rate swap contracts.

These cross currency interest rate swaps have been designated as fair value and cash flow hedges with the movements in fair value recognised in accordance with the accounting policy at Note 1(n). In the financial year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules. Whilst this is the case, management believe the hedges in place as at 30 June 2010 are effective economically.

The fair values of the cross currency principal and interest rate swaps are as follows:

	Derivatives that do qualify as effective under hedge accounting rules		Derivatives that do not qualify as effective under hedge accounting rules		
	Non-current other assets \$M	Non-current other liabilities \$M	Current other assets \$M	Non-current other assets \$M	Non-current other liabilities \$M
2010					
Fair value hedges	66.0	(175.1)	-	-	-
Cash flow hedges	8.2	2.9	-	-	-
Cross currency interest rate swaps	-	-	12.4	51.0	(12.0)
Other swaps	-	-	-	-	(1.0)
	74.2	(172.2)	12.4	51.0	(13.0)
2009					
Fair value hedges	53.0	(117.8)	-	-	-
Cash flow hedges	11.6	(5.4)	-	-	-
Cross currency interest rate swaps	-	-	-	24.8	(14.8)
Other swaps	-	-	-	-	(1.2)
	64.6	(123.2)	-	24.8	(16.0)

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity (continued)

Cross currency interest rate swap contracts (continued)

The interest rates and exchange rates relating to the swaps are set out below:

	2010	2009
Foreign currency loan interest rates		
Fixed interest rate range		
USD placement – October 2003	5.10%-6.01%	5.10%-6.01%
USD placement – July 2005	4.68%-5.24%	4.68%-5.24%
Asian bond – August 2005	3.99%	3.99%
Sterling bond – April 2007	5.63%	5.63%
USD placement – June 2007	5.81%-6.28%	5.81%-6.28%
Variable interest rates (margin above 90 day bank bill rate)		
USD placement – October 2003	0.46%-0.79%	0.46%-0.79%
USD placement – July 2005	0.55%-0.87%	0.55%-0.87%
Asian bond – August 2005	0.80%	0.80%
Sterling bond – April 2007	0.63%-0.64%	0.63%-0.64%
USD placement – June 2007		
- above 90 Day bank bill rate	0.39%-1.00%	0.39%-1.00%
- above 90 Day Libor rate	0.41%	0.41%
90 day bank bill rate	4.90%	3.15%
90 day Libor rate	0.73%	1.23%
Foreign currency exchange rates		
US private placement market		
AUD / USD placement – October 2003	0.66	0.66
AUD / USD placement – July 2005	0.78	0.78
Asian private placement market		
AUD / USD placement – August 2005	0.77	0.77
UK private placement market		
AUD / GBP placement – April 2007	0.40	0.40
US private placement market		
AUD / USD placement – June 2007	0.75	0.75
GBP / USD	1.99	1.99

The notional principal amounts (stated in AUD) and periods of expiry of the interest rate swap contracts that hedge the foreign medium term notes and foreign operations are as follows:

	2010 A\$M	2009 A\$M
1-2 years – Other foreign exposure	32.1	-
1-2 years – USD placements	32.1	-
2-5 years – Other foreign exposure	-	32.1
2-5 years – USD placements	251.6	180.7
Over 5 years – Other foreign exposure	31.0	31.0
Over 5 years – USD placements	1,217.9	1,336.3
Over 5 years – GBP placement	619.3	619.3
Over 5 years – Asian placement	151.3	151.3

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity (continued)

Forward exchange contracts

Euro

The consolidated entity has entered into a forward exchange contract on behalf of Stockland UK, a related entity of the consolidated entity.

As at 30 June 2010, the notional principal and period of expiry is as follows:

	(Sell) Euro		Forward Exchange Rate	
	2010	2009	2010	2009
	\$M	\$M	Euro/GBP	Euro/GBP
2-5 years	(3.0)	(9.3)	0.81	0.81

Pounds

During the financial year, the consolidated entity entered into two forward exchange contracts to manage its exposure to the AUD/GBP exchange rate.

As at 30 June 2010, the notional principal and period of expiry is as follows:

	Buy/(Sell) Pounds		Forward Exchange Rate	
	2010	2009	2010	2009
	\$M	\$M	AUD/GBP	AUD/GBP
1-2 years	(79.0)	-	0.55	-
2-5 years	2.1	-	0.41	-

The amount disclosed above represents the currency (sold)/bought measured at the contracted rate.

At balance date, the fair value of these forward exchange contracts was \$6.5 million (2009: \$1.1 million) included in Non-current other liabilities – Derivatives that do not qualify as effective under hedge accounting rules.

Other derivative financial instruments – Derivatives that do not qualify as effective under hedge accounting rules

From time to time the consolidated entity uses other derivative financial instruments to diversify and/or enhance the yield on its equity investments. During the prior year, the consolidated entity entered into a series of equity derivative contracts, under two forms of instrument, which provide an exposure to the movement in the GPT security price. One form of derivative contract is net cash settled and the other form of instrument can be net cash settled or physically settled with the delivery of GPT securities at the option of the consolidated entity. All equity derivative contracts were due to expire in May 2010. On 9 February 2010, with the agreement of the consolidated entity and its counterparty, the maturity date of all the equity derivative contracts was extended to expire in May 2011. As part of the arrangement, the consolidated entity is required to provide a certain level of credit support (permitted to be cash and/or bank guarantee) to the counterparty. Where cash is provided as credit support, the amount on deposit is netted against the obligation to the counterparty recognised on the Balance Sheet (refer to Note 22).

These derivatives have been recorded on the Balance Sheet at fair value in accordance with AASB 139 with movements in the fair value of these instruments recognised in the Income Statement. Refer accounting policy at Note 1(n). These instruments have not been designated as hedges for accounting purposes.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity (continued)

Other derivative financial instruments – Derivatives that do not qualify as effective under hedge accounting rules (continued)

As at 30 June 2010, the consolidated entity had an aggregate exposure to 243 million securities (2009: 1,215 million securities) in GPT following the 5 into 1 securities consolidation in May 2010 through these equity derivative contracts and other financial assets (included in Current assets – Other financial assets), which is equivalent to 13.1% (2009: 13.1%) of the issued securities of GPT.

As at 30 June 2010, these derivatives had a net fair value of \$35.1 million asset (2009: \$30.0 million liability) included in Current liabilities – Other liabilities. The net movement during the financial year of \$65.1 million gain (2009: \$30.0 million loss) offset against a \$1.4 million loss (2009: \$Nil) relating to settlements made under the dividend equity swap arrangement, results in a net gain of \$63.7 million (2009: \$30.0 million loss). This has been recorded in the Income Statement as a Net gain on other financial instruments that do not qualify as effective under hedge accounting rules.

(c) Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the consolidated entity's financial assets and liabilities recognised in the financial statements.

	Carrying amount 2010 \$M	Fair value 2010 \$M	Carrying amount 2009 \$M	Fair value 2009 \$M
Cash and cash equivalents	827.7	827.7	730.4	730.4
Trade and other receivables	3,273.2	3,273.2	3,603.8	3,603.8
Other financial assets	251.1	251.1	214.7	214.7
Derivative assets	267.0	267.0	153.1	153.1
Trade and other payables	(126.0)	(126.0)	(120.0)	(120.0)
Distributions payable	(257.1)	(257.1)	(401.3)	(401.3)
Domestic medium term notes	(702.5)	(711.5)	(591.8)	(545.6)
Foreign medium term notes	(2,121.0)	(2,149.0)	(2,207.4)	(2,224.7)
Liability in respect of transfer of investment and equity contract	(252.0)	(252.0)	(191.6)	(191.6)
Derivative liabilities	(400.6)	(400.6)	(412.9)	(412.9)

The difference of \$37.0 million (2009: \$28.9 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

The following table provides an analysis of the consolidated entity's financial instruments carried at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different Levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3: inputs for the financial asset or liability that are not based on observable market data.

	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
2010				
Securities in listed entity	219.2	-	-	219.2
Units in unlisted entities	-	-	31.9	31.9
Derivative assets	-	42.7	224.3	267.0
Equity derivative contracts	-	35.1	-	35.1
	219.2	77.8	256.2	553.2
Derivative liabilities	-	(134.9)	(265.7)	(400.6)
Financial liabilities designated at fair value through profit or loss	-	(1,362.4)	-	(1,362.4)
	-	(1,497.3)	(265.7)	(1,763.0)
	219.2	(1,419.5)	(9.5)	(1,209.8)

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year.

The following table shows a reconciliation of movements in the consolidated entity's financial instruments classified as Level 3 for the year ended 30 June 2010.

	Units in unlisted entities \$M	Derivative assets \$M	Derivative liabilities \$M	Total \$M
Opening balance	23.6	90.8	(349.4)	(235.0)
Total gains or losses:				
- in Income Statement	-	135.4	85.0	220.4 ¹
- in other comprehensive income	-	(1.9)	(1.3)	(3.2) ²
Purchases	8.3	-	-	8.3
Closing balance	31.9	224.3	(265.7)	(9.5)

¹ Of this amount, \$135.7 million represents the total gains or losses for the period included in profit/loss for assets and liabilities held at the end of the reporting period.

² All of this balance represents the total gains or losses for the period included in other comprehensive income for assets and liabilities held at the end of the reporting period.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

34 Financial instruments (continued)

(c) Fair values of financial assets and liabilities (continued)

Determination of fair value

The fair value of Other financial assets – Securities in listed entities is determined by reference to the quoted bid price of the entity at balance date. The fair value of Other financial assets – Units in unlisted entities has been determined by reference to the net assets of the underlying investments.

The fair value of medium term notes (domestic and foreign) and derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates and exchange rates.

The fair value of interest rate swaps and cross currency interest rate swaps is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, the consolidated entity has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties.

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

The fair value of equity derivative contracts is determined using a generally accepted pricing model based on quoted market inputs (e.g. bid price of the underlying listed entity) and the strike price adjusted for specific features of the instruments.

35 Key Management Personnel disclosures

The consolidated entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the consolidated entity, which is considered to be the Key Management Personnel (“KMP”).

The following were Directors of the Responsible Entity at any time during the reporting period and unless otherwise indicated were KMP of the Responsible Entity for the entire period.

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Nicholas Greiner	Deputy Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	(appointed 1 March 2009)
Mr Barry Neil	
Mr Peter Scott	
Mr Terry Williamson	

Former Non-Executive Directors

Mr Bruce Corlett	(retired 21 October 2008)
Ms Lyn Gearing	(resigned 31 December 2008)

Executive Director

Mr Matthew Quinn	Managing Director
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Former Executive Director

Mr Hugh Thorburn	Finance Director (retired 26 February 2010)
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No remuneration is paid directly by the consolidated entity to the KMP of the Responsible Entity. The consolidated entity has no investment in the Responsible Entity or its associates. As at 30 June 2010, the Responsible Entity did not hold units in the consolidated entity (2009: nil).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

	Consolidated 2010	2009
	\$M	\$M

36 Other related party disclosures

Responsible Entity fees and other transactions

Revenue

Revenue was brought to account by the Responsible Entity or its related parties on the following services provided to the consolidated entity on normal terms and conditions.

Provision of services by Stockland Corporation Limited, a related party of the Responsible Entity, to the consolidated entity:

Responsible Entity management fees	9.5	9.6
Property management and leasing	30.9	21.2
Recoupment of expenses	45.3	34.9
Property development	18.2	550.3
	<u>103.9</u>	<u>616.0</u>

The Responsible Entity management fees are calculated at 0.1% of gross assets of the consolidated entity.

Interest

Interest received from Stockland Corporation Limited, a related party of the Responsible Entity, by the consolidated entity.

Interest income	<u>233.2</u>	<u>329.9</u>
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The consolidated entity has an unsecured loan to Stockland Corporation Limited repayable at call to the consolidated entity of \$2,840.3 million (2009: \$3,087.0 million). The consolidated entity also has an unsecured loan to Stockland Development Pty Limited repayable at call to the consolidated entity of \$365.6 million (2009: \$434.3 million). Interest on both loans was payable monthly in arrears at interest rates within the range of 7.0% to 7.8% during the year ended 30 June 2010 (2009: 7.5% to 10.4%).

Rent

Rent paid to the consolidated entity by Stockland Corporation Limited, a related party of the Responsible Entity.

Rent paid	<u>9.9</u>	<u>8.9</u>
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Rent paid is in the normal course of business and on normal terms and conditions.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

36 Other related party disclosures (continued)

Other related parties

As at 30 June 2010, the carrying amount of the consolidated entity's investment in the unlisted property funds was \$31.9 million (2009: \$23.6 million).

During the financial year, the consolidated entity acquired the remaining 50% share of 40 Cameron Avenue, Belconnen, ACT, from Stockland Direct Office Trust No. 3 ("SDOT No. 3"), an unlisted property fund managed by Stockland, for \$28.3 million, being the agreed fair value of the property. Refer to Note 14 for the fair value of the property as at 30 June 2010.

During the financial year, the consolidated entity acquired Adelaide Street Plaza, Fremantle, WA, from Stockland Direct Retail Trust No. 1 ("SDRT No. 1"), an unlisted property fund managed by Stockland, for \$16.8 million, being the agreed fair value of the property. Refer to Note 14 for the fair value of the property as at 30 June 2010.

During a prior year, the consolidated entity entered into an interest rate swap contract with Stockland Residential Estates Equity Fund No. 1 ("SREEF No. 1"), an unlisted property fund managed by Stockland Capital Partners Limited ("SCPL"). The swap contract is for a nominal amount of \$20.0 million and matured in December 2009. The fixed interest rate was 7.55% p.a. and the variable rate is the six month BBSY set semi-annually.

During the financial year, the consolidated entity and SDRT No.1 agreed for the original interest rate swap agreement to be restructured to reduce the face value of the interest rate swap to \$39.3 million (2009: \$56.1 million) with a floating rate under the interest rate swap to match the floating rate under the refinanced loan. All other terms of the restructured interest rate swap remained unchanged from the terms of the original interest rate swap agreement.

During the financial year, the consolidated entity and SDOT No. 3 agreed for the original interest rate swap agreement to be terminated and a new interest rate swap to be entered into with a reduced face value of \$55.2 million (2009: \$86.4 million). The new interest rate swap matures on the earlier of 4 years and when the underlying debt becomes due and payable. The fixed interest rate is 6.35% p.a. and the variable rate is the three month BBSY plus a margin set quarterly.

37 Events subsequent to the end of the year

Stockland's offer to acquire Aevum Limited

On 2 August 2010, Stockland announced an all-cash off-market offer to purchase the entire share capital of Aevum Limited ("Aevum") for \$1.50 per share, which values Aevum's total equity at \$266 million.

Prior to launching its takeover offer Stockland increased its ownership interest in Aevum by 5.8% following off-market purchases at a price of \$1.50 per share for a total of \$15.2 million with settlement on 5 August 2010, resulting in a total ownership interest of 15.9%. The acquisition of the remaining 84.1% of Aevum's issued share capital at \$1.50 per share would require a cash payment of \$223.8 million.

The offer is subject to certain conditions, regulatory and other approvals, including 50.1% minimum acceptance condition; no prescribed occurrences; no material adverse change; and no specified index decline.

The acquisition would be fully funded from existing cash reserves and undrawn and available debt facilities and is not expected to result in a material change to Stockland's strategic weightings or gearing. The acquisition would be earnings accretive from the financial year commencing 1 July 2011 and would significantly increase Stockland's market share in Retirement Living.

The offer is expected to open on 20 August 2010 and close late September 2010.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2010

37 Events subsequent to the end of the year (continued)

Revised distribution policy

On 11 August 2010, Stockland announced a change in its distribution policy. Under the revised distribution policy, dividends/distributions made to securityholders are based on the greater of 75% of underlying profit or the Trust's Taxable Income. As a result of the distribution policy change, the final dividend/distribution to securityholders is 11.0 cents per ordinary stapled security, resulting in a full year dividend/distribution of 21.8 cents per ordinary stapled security. This represents an increase of 0.2 cents per ordinary stapled security from the estimated final dividend/distribution of 10.8 cents per ordinary stapled security announced to the market on 17 June 2010.

The increase in the final dividend/distribution of 0.2 cents per ordinary stapled security (\$4.8 million) has not been recognised as a liability in the Financial Report as at 30 June 2010.

Stockland Trust and its controlled entities

Directors' Declaration

For the year ended 30 June 2010

1. In the opinion of the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust ("the Trust"):
 - (a) the Financial Statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 25 to 47 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
 - (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable;
 - (d) the Trust has operated during the year ended 30 June 2010 in accordance with the provisions of the Trust Constitution as amended dated 24 October 2006; and
 - (e) the Register of Unitholders has, during the year ended 30 June 2010, been properly drawn up and maintained so as to give a true account of the unitholders of the consolidated entity.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the year ended 30 June 2010.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director

Dated at Sydney, 11 August 2010

Independent auditor's report to the unitholders of Stockland Trust

Report on the financial report

We have audited the accompanying consolidated financial report of Stockland Trust and the entities it controlled at the year's end or from time to time during the financial year ("Stockland Trust" or "the consolidated entity"), which comprises the balance sheet as at 30 June 2010, and income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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 entity'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 purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Stockland Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Stockland Trust for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.


KPMG
Andrew Dickinson
Partner

Sydney

11 August 2010