Results built on strong fundamentals

Stockland

FINANCIAL REPORT
30 June 2016

Contents

KEEPING IT SIMPLE....

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

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

GLOSSARY

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

Letter from the Chairman

All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence.

GRAHAM BRADLEY AM
CHAIRMAN

Dear Securityholders,

I am very pleased to report that Stockland has continued to deliver good value for securityholders with another strong profit performance in FY16.

Strong Performance

Funds from operations grew by 12.5% to $740 million and underlying profit rose 8.5% on FY15, to $660 million. Funds from operations per security grew 11.1% on the prior year, exceeding the target growth range of 9–10%. Underlying earnings per security rose by 7.3%, at the top end of the target range of 6.5–7.5%. Statutory profit was $889 million.

These excellent results show the progress we have made over the last three years in our disciplined pursuit of sustainable growth.

All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence. Progress includes more than $681 million commercial property developments underway, seven medium density residential projects launched across four states, the launch of our unique Retire Your Way selling proposition, and several new greenfield developments that demonstrate our ability to create outstanding masterplanned communities.

We also achieved international recognition for our sustainability leadership, being named the 2015-2016 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, and we retained our Employer of Choice for Gender Equality citation from Australia's Workplace Gender Equality Agency.

Distribution

As forecast, our full year distribution was 24.5 cents per security, representing a payout ratio of 88% of underlying profit.

Looking ahead, from FY17 funds from operations will replace underlying profit as our primary reporting measure, recognising the importance of this measure in enabling comparison across the Australian property industry[1].

Accordingly, our distribution policy from FY17 will be the higher of 100% of Trust taxable income or 75–85% of funds from operations. This is equivalent to our current distribution policy to pay the higher of 100% of Trust taxable income or 80–90% of underlying profit.

In recognition of our consistent profit growth over the last three years, we are targeting to increase distributions to 25.5 cents per security in FY17, assuming there is no material change in market conditions.

Governance

Following more than 10 years of service, director Peter Scott retired from the Stockland Board in August 2016. With his engineering and construction background and his broad business management experience, Peter has brought many insights to us and contributed enormously throughout his time on the Board. I thank Peter sincerely for his long and dedicated service.

1 Funds from operations (FFO) has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight-line rent from underlying profit.

As part of the Board renewal process, we were delighted to welcome Stephen Newton to the Board in June 2016. Stephen is a highly experienced director with an extensive career history in the property and investment sectors. His deep experience across real estate development, property management and infrastructure investment makes him an excellent addition to our team and we look forward to his contribution.

As required by the Stockland Constitution, Stephen will offer himself for election by securityholders at the 2016 Annual General Meeting on 26 October 2016.

I am confident that the strong fundamentals we have established over the last three years will allow Stockland to sustain solid growth in the year ahead.

GRAHAM BRADLEY AM
CHAIRMAN

Stockland CARE Foundation

I am delighted to report that the Stockland CARE Foundation has made a real impact in its first full year of operation, contributing much needed funds in the areas of health, wellbeing and education and also boosting volunteering and giving among our employees, business partners and the broader community.

In addition to the $200,000 donated by the CARE Foundation Trust in FY16, Stockland and its employees, customers and residents donated over $100,000 and more than 2,200 hours of support to chosen charity partners, Redkite and Touched By Olivia Foundation (TBO). Through these efforts 72 families who have children or young people with cancer gained access to Redkite's suite of programs in FY16, and four inclusive play spaces and four social enterprise cafés based in our communities were added to TBO's expanding national network. As Chair of the Foundation, I congratulate all involved.

Conclusion

In closing, I would like to thank my Board colleagues and Stockland's talented employees for their continued dedication in supporting our many achievements over the past year. I am confident that the strong fundamentals we have established over the last three years will allow Stockland to sustain solid growth in the year ahead.

GRAHAM BRADLEY AM
CHAIRMAN

Letter from the Managing Director and CEO

We have achieved strong results across all of our key metrics in FY16 and we are confident that our strategy set in 2013 is working.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Dear Securityholders,

This has been a year of strong and sustained performance for Stockland as we continue our disciplined approach to growing asset returns and our customer base, improving our capital strength, and delivering operational excellence.

We have achieved strong results across all of our key metrics in FY16 and I am very pleased that our Commercial Property, Residential and Retirement Living businesses have each made significant contributions to the performance of the Group. This demonstrates that our strategy set in 2013 is working and we are succeeding in positioning our business to capitalise on good market conditions.

Our focus remains squarely on implementing our strategy to deliver sustainable growth and creating inspiring places where people want to live, work, shop, and invest. Our aim is to continue to improve our customer experience and take advantage of new opportunities so that our business is more stable and resilient for the long term.

Grow Asset Returns and Customer Base

Commercial Property accounts for around 70% of our assets and remains a key profit driver, delivering comparable growth in funds from operations of 4.5% across the portfolio, with 3.7% in Retail, 3.7% in Logistics and Business Parks, and 9.9% in Office.

Our **Retail** portfolio performed well, with high occupancy and positive leasing spreads, and continued sales growth, with total Moving Annual Turnover up 4.6%, driven by 6% growth in specialty retail.

We have also made good progress on major redevelopments, completing Harrisdale in Perth and the remodelling of our Pitt Street Mall asset in the Sydney CBD. Wetherill Park in Sydney has achieved practical completion over the majority of stages and is trading well. We have also commenced our $372 million Green Hills redevelopment in New South Wales and progressed a number of small but important projects, including casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales. All of these projects have been very well received by customers. Stockland has a future retail development pipeline of $1.0 billion and is targeting stabilised funds from operations yields of 7–8% from this activity.

The good performance in our Logistics and Business Parks portfolio reflected our active asset management, disciplined acquisition strategy and good progress on our $467 million development pipeline. We executed leases on more than 25% of our portfolio in FY16 and also acquired three new sites in Sydney and Melbourne.

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. The bulk of our assets are located in the improving Sydney market where our assets are fully occupied.

Our **Residential** business settled a record 6,135 lots in FY16 and achieved significant operating profit growth of 38.8% as well as a lift in return on assets to 19.6% on the core portfolio.

This strong result reflected our repositioning of this business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions. We have activated a high proportion of our Residential portfolio in key growth corridors and more than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13. We also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities, and we are now exploring mixed use apartment opportunities at Merrylands in Sydney.

Our Retirement Living business operating profit was up 19.7% on FY15 reflecting strong sales and active management. Cash return on assets also increased by 50 basis points to 5.8%, reflecting our continuing focus on operational efficiencies and growing our development pipeline.

In FY16 we sold more than 1,000 retirement living homes and apartments, which is a record number of settlements, including the first apartments at Cardinal Freeman in Sydney. We also launched a new village within our Willowdale community in Sydney and we continued to reshape our portfolio, embedding eight South Australian villages acquired in FY15 and selling five relatively small, low return on asset villages in Western Australia in July 2016.

Capital Strength

We have maintained our strong balance sheet and A-/stable credit rating, supporting investment in the future growth of our business.

Our disciplined capital management has seen us improve our weighted average cost of debt and increase our average debt maturity. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, the strong and increasing velocity of operating cash flows and growth in the value of our investment portfolio.

Operational Excellence

Our people remain highly engaged, delivering great outcomes and contributing to a range of initiatives that improve the way we work. Our new Stockland Support Centre, established in June 2015 to outsource some finance and IT functions, is progressing well and providing more flexible and scalable support for our in-house teams. We have also made significant progress improving our Group system capabilities, including the commitment to implement SAP and Salesforce as core systems, with deployment to take place during the next two years.

Stockland has also maintained its leadership in sustainable operations. We have continued our commitment to engage effectively and improve the liveability, convenience and efficiency of our communities and commercial operations, and to continue to reduce our impact on the environment, particularly energy and water efficiency. Recognising these efforts, we were proud to be named the 2015–16 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, the third time we have received this outstanding acknowledgement.

Stockland has been a signatory to the United Nations Global Compact since 2015, and we remain committed to its principles and to promoting the Global Compact where we operate. I am pleased to confirm our continued support of this important initiative.

Outlook

The low interest rate, moderate population growth environment in Australia is supportive of economic growth and we have set our business on a course that provides us with a positive outlook for FY17, despite considerable uncertainty in macroeconomic conditions.

Assuming no material change in market conditions, our commercial properties are expected to maintain moderate growth in returns and our retail centres remain highly productive. Expected residential lot settlements and retirement living net reservations also remain buoyant for the year ahead.

I am confident in the strategy we are executing and that Stockland is well placed to generate profitable business growth in FY17 and beyond. We have forecast growth in funds from operations per security of 5–7% and distribution growth of 4.1% in FY17, assuming no material change in market conditions.

MARK STEINERT
MANAGING DIRECTOR AND CEO

The Directors of Stockland Corporation Limited (ACN 000 181 733) and the Directors of Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust (ARSN 092 897 348), present their report together with the Financial Report of Stockland and the Financial Report of Trust for the year ended 30 June 2016 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited ('the Company') and its controlled entities, including Stockland Trust and its controlled entities, (collectively referred to as 'Stockland' or "Group"). The Financial Report of Trust comprises the consolidated Financial Report of the Trust and its controlled entities ('Stockland Trust Group' or 'Trust').

Operating and Financial Review

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $15.8 billion of real estate assets. We own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

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

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

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

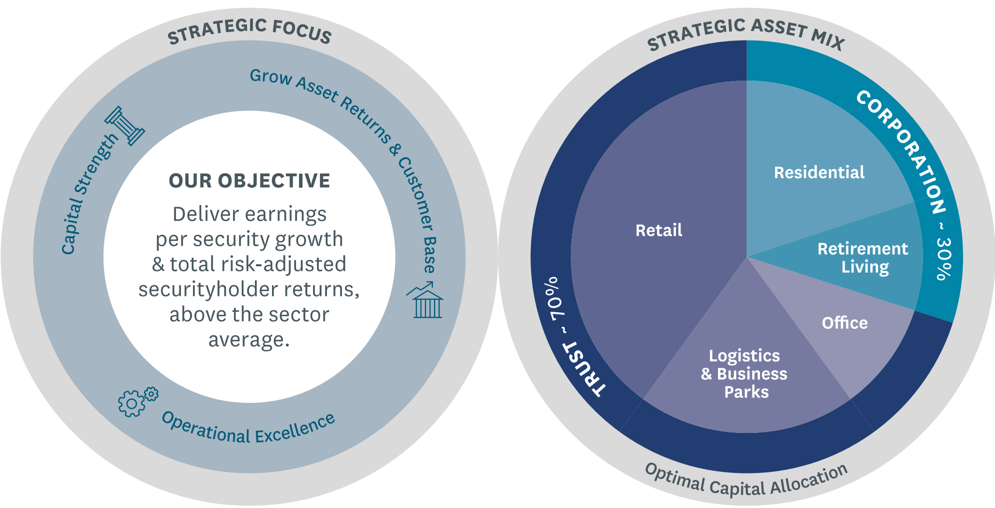
To optimise value to securityholders we are structured as a stapled security: a combination of a unit in Stockland Trust and a share in Stockland Corporation that are together traded as one security on the Australian Securities Exchange. This stapled structure allows Stockland to efficiently undertake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

Our strategy

OUR PURPOSE
We believe there is a better way to live

OUR VALUES
Community
Accountability
Respect
Excellence

OUR VISION
To be a great Australian real estate company that makes a valuable contribution to our communities and our country



Five year indicative asset mix

We focus on three strategic priorities:

- Grow asset returns and our customer base - driving returns in our core businesses
- Operational excellence - improving the way we operate across the Group to drive efficiencies and effectiveness
- Capital strength - actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

Our progress in FY16 against these priorities is set out below:

Strategic priorities	FY16 progress
Grow asset returns and our customer base	• 4.5% growth in comparable FFO in our Commercial Property portfolio • $681 million Retail development under construction and a pipeline of $1.0 billion • $400 million Logistics and Business Parks future development pipeline • A record 6,135 settlements and 4,567 contracts on hand in our Residential business • Improvement in return on assets on our core Residential portfolio to 19.6%, excluding impaired projects • Over 90% of Residential capital employed in projects actively selling • Broadening our customer reach in Residential, with seven medium density projects launched across four states • A record 1,013 Retirement Living settlements • 19.7% increase in Retirement Living operating profit • Launched our unique selling proposition 'Retire Your Way'
Operational excellence	• Recognised as Global Real Estate Sector Leader on the Dow Jones Sustainability Index (DJSI) for 2015-16 • Strong employee engagement of 83%, equal to the Global High Performing Norm and eight points above the Australian National Norm • Retained our Employer of Choice for Gender Equality WGEA citation • Embedded Flexibility@Stockland, a program to improve flexible working practices • Established the Stockland Support Centre offshore team, adding capacity and capability across a range of finance and IT activities • Improved ROE from 9.9% to 11.0%[1] • Significant progress improving Group system capabilities including commitment to implement SAP and Salesforce as our core systems
Capital strength	• Maintained A-/stable credit rating for over ten years and gearing remains within our target range • Extended pro forma weighted average debt maturity from 5.3 to 5.9 years • Reduced average FY16 cost of debt by 40bp to 5.8% • Maintained diversification of our funding sources • Significant improvement in operating cash flows, from $401 million to $787 million

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

Risks and opportunities

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

There are various risks that could impact our business. The nature and potential impact of these risks change over time. These include, but are not limited to:

	Risk	Response and opportunities
Short term – strategy execution	Increased competition and changing market conditions impact our opportunities for growth	Continue to: • maintain a diversified business model at scale in each sector • focus on retaining a strong balance sheet with appropriate gearing • use diverse funding sources • concentrate on efficiency and cost management • maintain a prudent approach to provisioning • replenish our land and asset pipeline • maintain discipline and agility in our investment decision making • use a rigorous whole of business approach informed by detailed research to drive our capital allocation process
	Delays or changes to the delivery of infrastructure and amenities affect customer satisfaction	Continue to: • use our proprietary Liveability Index research to understand priorities of residents in our communities and drive property management and development decisions • focus on stakeholder engagement plans for all projects that minimise obstacles to infrastructure and amenity delivery and provide appropriate communication with all stakeholders about these matters • improve our project delivery through enhanced supply chain management
	Housing affordability is increasingly challenging in Australia	Stockland's Residential business is influenced by the dynamics of the Australian residential market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We will continue to: • seek opportunities to provide market leading sustainable communities and a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments • balance the demand from home owners and investors so that our residential communities remain attractive to future buyers • engage with government to seek effective solutions on land supply issues
	Systems enhancements affect business process efficiency	As part of our continued investment in the efficiency of our operations, we have made significant progress on improving the Group's systems capabilities including the commitment to implement SAP and Salesforce as core systems. With deployment to take place during the next two years, we will continue to maintain two-way engagement with employees across the business to enable a smooth transition
	Regulatory changes impact our business and customers	Continue to: • engage with industry and government on policy areas including taxation and planning reform • develop in areas where governments support growth • focus on good practice to remain well positioned in the market
Longer term – changing marketplace	Community resilience to evolving security and safety risks	Continue to: • train our employees and increase their risk awareness • undertake regular scenario testing • engage with peers and across industry • invest in asset upgrades
	Capital market volatility impacts our ability to access suitable capital	Stockland's long term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. So that we are able to continue to raise sufficient capital to fund growth, we will continue to: • focus on retaining a strong balance sheet at appropriate levels of gearing • maintain diverse funding sources • maintain our prudent capital management policies

Risk	Response and opportunities
Ability to develop products that meet anticipated future customer and societal demands	Continue to: • foster a culture of innovation where we remain flexible, and identify and take advantage of opportunities to leverage movements in stakeholder preferences • evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research and platforms such as Stockland Exchange (our online research community) and Quantium (which provides customer transactional data to inform how we view markets and opportunities) • focus on creating sustainable and liveable communities and assets • enhance our design excellence, providing greater functionality and value for money
Digital disruption affects customer behaviour and transforms the market	Continue to: • identify, develop and integrate technical enhancements across our business, including online residential and retirement living engagement opportunities • support Stockland retail centres as thriving community hubs by delivering quality services and community spaces that are e-enabled • promote employee innovation and collaboration through Ideas@Stockland to further enable us to take advantage of new opportunities

Stockland results and outlook

Key metrics:

- Full year distribution was 24.5 cents per security
- Statutory profit was $889 million, down 1.6% on FY15
- Statutory EPS was 37.4 cents, down 2.9% on FY15
- FFO was $740 million, up 12.5% on FY15
- FFO per security was 31.1 cents, up 11.1% on FY15
- Underlying profit was $660 million, up 8.5% on FY15
- Underlying EPS was 27.8 cents, up 7.3% on FY15

Stockland has performed strongly for the full year ended 30 June 2016. We achieved this by delivering on our purpose across our portfolio of communities and properties to grow asset returns sustainably, broaden our customer base and take advantage of supportive market conditions.

Profit growth from business activities was strong, with FFO of $740 million, up 12.5% on FY15.

Statutory profit was $889 million. This was marginally down on the prior year, primarily due to a number of unrealised fair value items including the mark to market movement in Stockland's debt and derivatives as well as the prior year realised gain of $73 million from the sale of Stockland's investment in Australand.

We delivered solid underlying EPS growth of 7.3% and FFO per security growth of 11.1%. We also delivered our target distribution per security of 24.5 cents in FY16, which represents a payout ratio of 88% of underlying EPS and 79% of FFO. Statutory EPS was 37.4 cents.

ROE increased 1.1% to 11.0%, excluding workout assets.

Our Commercial Property, Residential and Retirement Living businesses have each made significant contributions to the performance of the Group. Our Commercial Property business delivered comparable FFO growth of 4.5% and we achieved a record number of settlements in both our Residential and Retirement Living businesses.

We have been disciplined in the implementation of our three strategic priorities to grow our asset returns and customer base, deliver operational excellence, and maintain and improve on our capital strength. Over the last three years we have positioned each business to take advantage of good market conditions and deliver sustainable profit growth.

We continue to build resilience into our businesses so that we are well placed to deliver above sector average FFO growth through the cycle.

Stockland has maintained its strong balance sheet and A-/stable credit rating, supporting investment in the future growth of the business. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, the strong operating cash flows and growth in the value of our investment portfolio.

Our active debt management program has seen us improve our weighted average cost of debt and, partly as a result of our post year-end US Private Placement, increase our average weighted debt maturity to 5.9 years on a pro forma basis.

Recognising the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry, FFO will replace underlying profit as Stockland's primary reporting measure from FY17. We will also continue to report underlying profit.

Outlook

Stockland is well placed to generate profitable business growth in FY17 and beyond.

We have been refining our business strategy to improve our customer experience and take advantage of new, synergistic opportunities, to create a business that is more stable and resilient to any potential changes in market conditions. Our approach to maintaining project contingencies within the Residential business is a key part of this.

The low interest rate environment is supportive of economic growth and we have set our business on a course that provides us with a positive outlook for FY17, despite considerable uncertainty in macroeconomic conditions.

Assuming no material change in market conditions, Commercial Property should maintain moderate growth in returns, with comparable FFO growth of 2–3%, including comparable Retail FFO growth of 3–4%. We expect to achieve more than 6,000 residential lot settlements, with a strong profit skew towards the second half of FY17 as a result of medium density settlements and project timing. We also expect to achieve further improvement in Retirement Living returns as we continue to focus on operational efficiencies and our development pipeline.

From FY17, our distribution policy will be based on FFO and will reflect a payout ratio of 75–85%. We are targeting growth in FFO per security of 5–7% with a skew to the second half in FY17, and a distribution per security targeted at 25.5 cents, assuming no material change in market conditions.

Group results summary

Underlying profit and statutory profit reconciliation

	2016			2015		
Year ended 30 June	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	**2,312**	**16**	**2,328**	2,087	27	2,114
Cost of property developments sold:						
• Land and development	**(1,049)**	**–**	**(1,049)**	(983)	–	(983)
• Capitalised interest	**(124)**	**–**	**(124)**	(126)	–	(126)
• Utilisation of provision for write-down of inventories	**67**	**–**	**67**	113	–	113
Investment property expenses	**(239)**	**–**	**(239)**	(226)	–	(226)
Share of profits of equity-accounted investments	**31**	**59**	**90**	44	44	88
Management, administration, marketing and selling expenses	**(270)**	**(1)**	**(271)**	(258)	–	(258)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**373**	**373**	–	253	253
• Retirement Living	**26**	**45**	**71**	18	50	68
Net change in fair value of Retirement Living resident obligations	**–**	**(85)**	**(85)**	–	(70)	(70)
Impairment of intangibles	**–**	–	–	–	(43)	(43)
Net gain on other financial assets	**–**	**4**	**4**	–	73	73
Net loss on sale of other non-current assets	**–**	**(2)**	**(2)**	–	(2)	(2)
Finance income	**8**	**–**	**8**	8	1	9
Finance expense	**(81)**	**(171)**	**(252)**	(73)	(40)	(113)
Profit before income tax benefit/(expense)	**681**	**238**	**919**	604	293	897
Income tax benefit/(expense)	**(21)**	**(9)**	**(30)**	4	2	6
Profit attributable to securityholders	**660**	**229**	**889**	608	295	903
EPS (cents)	**27.8**	**–**	**37.4**	25.9	–	38.5

Underlying profit excludes items such as unrealised fair value gains/losses, unrealised provision gains/losses and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties). These items are required to be included in statutory profit in accordance with Australian Accounting Standards.

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

Despite the strong underlying performance of the business in FY16, statutory profit fell slightly to $889 million. While revaluation gains from Commercial Property investment properties are higher than the previous year, net losses on marked to market derivatives and financial instruments were significantly higher than in FY15. Net credit derivative losses of $171 million (FY15: $40 million) reflect market volatility, particularly in relation to forward interest rate expectations. Our FY15 result also benefited from a realised gain of $73 million from the sale of our investment in Australand.

Commercial Property, including equity-accounted investments, contributed $432 million (FY15: $297 million) to statutory profit from valuation movements, primarily due to continued capitalisation rate compression, income growth across the portfolio and valuation uplift from completed Retail developments (namely Baldivis and Wetherill Park).

No impairments of intangible assets were recorded in FY16. The prior year included impairment charges of $43 million on the carrying value of goodwill and software assets.

Funds from operations reconciliation

$ million	FY16	FY15	Change
Group FFO	**740**	**657**	**↑12.5%**
Adjust for:			
Amortisation of fit out incentives	(49)	(45)	
Amortisation of rent-free incentives	(18)	(16)	
Straight-line rent	8	8	
Tax (expense)/benefit on underlying profit	(21)	4	
Underlying profit	**660**	**608**	**↑8.5%**
Commercial Property revaluations (including equity investments)	432	297	
Change in fair value of Retirement Living investment properties	(24)	7	
Impairment of IT intangibles and Retirement Living goodwill	–	(43)	
Mark to market loss on financial instruments	(171)	(39)	
Net gain on other financial assets	4	73	
Net loss on sale of other non-current assets	(2)	(2)	
Other items	(1)	–	
Tax (expense)/benefit on statutory profit adjustments	(9)	2	
Statutory profit	**889**	**903**	**↓1.6%**

FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight-line rent from underlying profit. Apart from Stockland's Commercial Property business, underlying profit and FFO reported for the other business units remain the same. FFO will become our primary reporting measure from FY17. Underlying profit will continue to be reported in the medium term.

Business unit performance and priorities

Commercial Property

Our Commercial Property business comprises retail centres, logistics and business parks, and office assets.

We are one of the largest retail property owners, developers and managers in Australia. Our 42 retail centres accommodate more than 3,500 retailers. The Logistics and Business Parks portfolio comprises 27 properties, with 1.3 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The Office portfolio comprises nine assets, mostly in Sydney.

Portfolio at 30 June 2016	Approximate value*
42 retail centres	$6.8 billion
27 logistics and business parks	$2.0 billion
9 office buildings	$0.8 billion
78 Commercial Property assets	**$9.5[2] billion**

*Stockland's ownership interest

Performance

	Funds from operations				Underlying profit			
Commercial Property ($m, unless otherwise stated)	**FY16**	**FY15**	**Change**	**Comparable growth**	**FY16**	**FY15**	**Change**	**Comparable growth**
• Retail	**402**	379	↑6.1%	↑3.7%	**371**	351	↑5.8%	↑3.2%
• Logistics and Business Parks	**132**	131	↑0.5%	↑3.7%	**119**	120	↓1.3%	↑1.0%
• Office	**68**	78	↓13.0%	↑9.9%	**53**	64	↓17.0%	↑5.9%
Net overheads	**(18)**	(18)			**(18)**	(18)		
Total Commercial Property	**584**	570	↑2.4%	↑4.5%	**525**	517	↑1.4%	↑3.0%
ROA					**8.3%**	8.4%		

Commercial Property accounts for around 70% of our assets and remains a key component of our stable earnings growth, delivering comparable FFO growth of 4.5% across the portfolio in FY16 (FY15: 4.8%), with 3.7% in Retail (FY15: 4.8%), 3.7% in Logistics and Business Parks (FY15: 5.1%), and 9.9% in Office (FY15: 4.2%).

Retail

Stockland's Retail portfolio performed well in FY16 and maintained high occupancy and positive leasing spreads.

The Retail portfolio recorded 3.7% growth in comparable FFO and continued sales growth, with total Moving Annual Turnover (MAT) up 4.6%, driven by 6% growth in specialty retail. The best performing categories continued to be communication and technology, retail services, food catering and fast casual dining.

Some areas of specialty retail, such as apparel, slowed in the June quarter due to unseasonably warm weather. Comparable growth in supermarket sales has been impacted by strong competition in pricing.

While the number of retailer closures in the last six months has been slightly elevated and retail trade at some centres has moderated, we have continued to produce sales growth and our centres are highly productive. Comparable specialty sales per square metre is 9.8% above the Urbis average.

We have made good progress on major redevelopment projects. We opened Stage 3 of the $228 million Wetherill Park redevelopment in Sydney, which is trading well. We completed construction of the $51 million Harrisdale neighbourhood centre, which is a key part of our Newhaven community development in Perth, and opened the remodelled Pitt Street Mall asset in the Sydney CBD, incorporating flagship H&M and Zara Home stores. We also commenced the $372 million redevelopment of Green Hills in New South Wales, which will be anchored by David Jones, JB Hi-Fi Home and a new Harris Scarfe department store, and is targeting an accretive FFO yield of 7.0% and IRR of 12.6%.

During FY16, we also commenced and completed a number of relatively small but important projects, creating new casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales, and undertaking anchor retailer redevelopment and remixing activities at Point Cook in Melbourne and Cairns in Queensland.

[2] Total does not add due to rounding.

Retail strategic priorities

The Retail business maintains its focus on creating market leading centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. We have $681 million of retail development under construction and a future pipeline of $1.0 billion, targeting incremental IRRs of 11–14%[3] and stabilised FFO yields of 7–8% from this activity.

Stockland's retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering and fast casual dining and speciality food and retail services. The business will continue to focus on tailoring its offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and invest in industry research and technology to adapt to an evolving retail landscape.

Logistics and Business Parks

Our Logistics and Business Parks portfolio delivered good profit growth, with comparable FFO up 3.7%, reflecting positive leasing momentum.

We have been very active in our asset management, executing leases on more than 300,000 square metres in FY16, representing more than 25% of our Logistics and Business Parks portfolio.

We have been disciplined in our acquisition strategy, buying three new assets including Wonderland Drive in Sydney on an 8.0% initial FFO yield, Mulgrave in Melbourne on a 7.1% initial FFO yield and a development site at Erskine Park in Sydney. We are also making good progress on our development pipeline, with more than $67 million worth of accretive projects underway and a further development pipeline of $400 million, also targeting IRRs of 11–14%[3] and stabilised FFO yields of 7–8%. Our Logistics and Business Parks business is well positioned to achieve solid growth and deliver consistent returns.

Logistics and Business Parks strategic priorities

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

Office

Comparable Office FFO increased 9.9%, reflecting the strength of the Sydney market where the bulk of our assets are located. We also completed the sale of Waterfront Place and Eagle Street Pier in Brisbane in October 2015.

Our exposure to the office sector remains tactical, reflecting our view on the state of the market. The majority of our portfolio is located in the improving Sydney market, with our assets in this market currently fully occupied. The Perth and Australian Capital Territory markets remain very challenging.

Office strategic priorities

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. We intend to retain the majority of our residual office portfolio whilst we maximise returns and highest and best use opportunities over time. Joint ventures (or part sales) will also be considered as appropriate.

Residential

Stockland is the largest residential land developer in Australia. The business has 56 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country. We hold 76,800 lots in our portfolio, with a total end value of approximately $18.8 billion[4].

Performance

Residential Communities ($m, unless otherwise stated)	**FY16**	**FY15**	**Change**
Lots settled (lots)	**6,135**	5,876	↑4.4%
Revenue – Retail	**1,373**	1,194	↑15.0%
– Superlots[5]	**109**	51	↑111.1%
EBIT (before interest in COGS)	**354**	290	↑21.9%
EBIT margin	**23.9%**	23.3%	↑
Operating profit (funds from operations)	**230**	166	↑38.8%
Operating profit margin	**15.5%**	13.3%	↑
ROA – core portfolio[6]	**19.6%**	17.0%	↑
ROA – total portfolio	**13.8%**	12.7%	↑

[3] Unlevered 10 year IRR on incremental development from completion.
[4] Excluding value on projects identified for disposal and assuming no material change in market conditions.
[5] 33 superlot settlements in FY16; 30 superlot settlements in FY15. FY16 includes the part disposal of impaired projects Bahrs Scrub (Queensland) and the disposal of The Islands Apartments at Southbeach (Western Australia).
[6] Core excludes impaired projects.

Our Residential business settled a record 6,135 lots in FY16, achieved significant operating profit growth of 38.8% and lifted ROA to 19.6% on the core portfolio.

This strong performance is a direct result of our strategy to activate the highest possible proportion of our Residential portfolio. More than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13.

The results also reflect our repositioning of the business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions in key growth corridors as well as the positive impact of new projects, efficiency improvements and our broader product range.

We launched five major projects in FY16 including Aura, Pallara and Newport in Queensland, Altrove (formerly Schofields) in Sydney, and Cloverton in Melbourne.

We have also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities. We settled 110 completed homes and 74 medium density homes in FY16. We are now exploring mixed use apartment opportunities within our portfolio, including at our Sydney asset in Merrylands, adjacent to our regional shopping centre.

We continue to focus on affordability and community creation within our Residential business; over 75% of our buyers are owner-occupiers. We commenced FY17 with 4,567 residential contracts on hand, a record for the Group.

Residential strategic priorities

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

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

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

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

Retirement Living

Stockland is a top three retirement living operator within Australia, with over 9,600 established units in 70 established villages across five states and the Australian Capital Territory. The portfolio includes a development pipeline of over 3,100 units.

Performance

Retirement Living ($m, unless otherwise stated)	**FY16**	**FY15**	**Change**
EBIT	**64**	54	↑20.5%
Operating profit (funds from operations)	**57**	48	↑19.7%
Transaction value[7]	**393**	333	↑18.0%
Occupancy	**94.9%**	94.4%	↑
ROA	**5.8%**	5.3%	↑
Established			
Established settlements (units)	**716**	663	↑8.0%
Average re-sale price	**$329k**	$329k	-
Turnover cash per unit	**$81k**	$84k	↓3.1%
Turnover cash margin	**24.7%**	25.4%	↓
Reservations on hand (units)	**155**	132	↑17.4%
Development			
Average price per unit	**$509k**	$413k	↑23.3%
Average margin – excludes DMF	**16.8%**	15.9%	↑%
Development settlements (units)	**297**	282	↑5.3%
Reservations on hand (units)	**67**	119	↓43.7%

[7] Reflects gross sales value of established villages and new developments settlements.

Operating profit in the Retirement Living business was up 19.7% on FY15 reflecting strong sales, active management and improved efficiency.

Retirement Living sold more than 1,000 homes and apartments in FY16, which is a record number of settlements. We also lifted our cash ROA by 50 basis points in the last 12 months to 5.8%, reflecting our continued focus on operational efficiencies and growing our development pipeline. Our development margin was 16.8% in FY16, which is at the top end of our target range.

We completed and sold the first 57 apartments in two buildings at Cardinal Freeman The Residences in Sydney, with the next building of 40 apartments due for completion in the second half of FY17. We also launched a new village within our Willowdale community in Sydney in the second half of FY16.

We have continued to reshape our business, embedding the eight new South Australian villages acquired in FY15 into our portfolio, and selling five relatively small, low ROA villages in Western Australia in July 2016. We will continue to recycle capital, drive our development pipeline, which currently comprises 400 homes under development, and grow profits and returns.

Retirement Living strategic priorities

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

(1) Actively managing the portfolio;

(2) Growing development volumes; and

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

Capital management

Financial position

We maintained our focus on prudent balance sheet management, continuing to utilise diverse funding sources throughout the year. Our gearing level increased marginally to 23.8% at 30 June 2016 (2015: 23.4%), as continued reinvestment into our businesses was largely offset by the impact of revaluation gains across the commercial property portfolio. This remains within our target range of 20–30% and the Group continues to retain its A-/stable credit rating.

The fixed/hedged ratio has increased to 96% at 30 June 2016 (2015: 72%) as we continue to take advantage of low fixed interest rates. The weighted average cost of debt for FY16 has decreased to 5.8% (2015: 6.2%) following the termination of three swaps during the first half of FY16, funded from gains on asset sales.

Interest cover has increased to 4.5:1 (2015: 4.0:1) due to stronger earnings across the business.

Balance Sheet

$ million	**FY16**	**FY15**	**Change**
Cash	**208**	170	↑22.4%
Real estate assets[8]:			
• Commercial Property	**9,706**	8,942	↑8.5%
• Residential	**2,517**	2,552	↓1.4%
• Retirement Living	**3,589**	3,335	↑7.6%
• Other	**–**	7	nm
Other assets	**922**	723	↑26.6%
Total assets	**16,942**	15,729	
Interest bearing loans and borrowings	**3,800**	3,283	↑15.7%
Resident loan obligations	**2,427**	2,211	↑9.8%
Other liabilities	**1,461**	1,448	↑0.9%
Total liabilities	**7,688**	6,942	
Net assets/total equity	**9,254**	8,787	

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

The Commercial Property investment portfolio has increased by $764 million to $9,706 million primarily due to valuation uplift across all three asset classes (up $432 million including equity-accounted joint venture investments). The overall increase also reflects continued capital and development expenditure predominantly on the Retail development pipeline, and acquisitions across Retail, and Logistics and Business Parks. The valuation gains were largely in Retail assets in New South Wales, namely Green Hills ($35 million), Merrylands ($32 million), Balgowlah ($21 million), Glendale ($21 million) and Wetherill Park ($87 million), all benefitting from income growth and capitalisation rate compression. The Group's Office portfolio recorded a net valuation gain of $21 million, while Logistics and Business Parks similarly delivered strong valuation gains of $77 million during the period. Valuation gains across the portfolio saw the Group's weighted average capitalisation rate reduce from 6.9% to 6.4%.

Residential assets (mainly land under development) decreased slightly to $2,517 million at 30 June 2016. Strong settlement volumes in FY16 led to a reduction in inventory, while a disciplined approach to development expenditure throughout the year ensured that production did not exceed sales. Land acquisitions reflect our focus on acquiring land on capital efficient terms. Finished goods levels remain appropriate.

The value of the Retirement Living assets, net of resident loan obligations, was $1,162 million, an increase of $38 million from June 2015. This primarily reflects capital expenditure on the development pipeline, partly offset by an increase in resident loan obligations created on first sales of development units.

Total debt increased by $517 million to $3,800 million at 30 June 2016 as a result of increased operating activity satisfied by the issuance of Domestic Medium term notes and US Private Placement notes, partly offset by the repayment of bank facilities and Asian Private Placement notes. Unfavourable foreign exchange and fair value movements on debt were largely offset by net favourable movements in derivative financial instruments. Movements in other assets and liabilities mainly reflect the changes in value of the Group's financial instruments and intangibles.

Cash flows

$ million	FY16	FY15	Change %
Operating cash flows	**787**	401	↑96.3%
Investing cash flows	**(508)**	184	nm
Financing cash flows	**(241)**	(646)	↓62.7%
Net change in cash and cash equivalents	**38**	(61)	↑37.7%
Cash at the end of the period	**208**	170	↑22.4%

Operating cash flows are up significantly on the prior year, primarily as a result of improved trading revenues across the business combined with a disciplined approach to Residential development spend and lower land acquisitions in Residential during the year.

Net cash outflows from investing activities reflect lower proceeds from the sale of investment properties and investments in the current year. FY16 includes investment proceeds from the disposal of Waterfront Place while the prior year includes disposal proceeds from the 50% disposal of Townsville ($223 million), the remaining assets in the UK ($44 million), aged care ($20 million) and our investment in Australand ($506 million). Overall net cash payments in relation to Commercial Property and Retirement Living capital expenditure are in line with the prior year.

Net financing cash outflows reflect the net proceeds from borrowings to fund acquisitions and development expenditure, as well as payments for the termination of derivatives. The prior year included the net repayment of borrowings from the proceeds on the sale of our investment in Australand.

Equity

Distribution/Dividend Reinvestment Plan

On 20 June 2016, Stockland announced that the DRP would operate for the final distribution to 30 June 2016 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.85 being the average for 15 daily volume weighted average prices of Stockland securities for the 15 trading days from 5 July 2016 to 25 July 2016 inclusive, with a discount of 1.0% on the securities acquired under the DRP.

Distributions

The dividend and distribution payable for the full year ended 30 June 2016 is 24.5 cents per security. Our distribution policy in FY16 has been to pay the higher of 100% of Trust taxable income or 80–90% of underlying profit. For FY17, we are targeting distribution per security at 25.5 cents which reflects the higher of 100% of Trust taxable income or 75–85% of FFO, within our distribution policy.

The distribution for the full year comprises:

Stockland	FY16 Cents	FY15 Cents
Trust distribution	**24.5**	24.0
Corporation dividend, fully franked	**–**	–
Total dividend and distribution	**24.5**	24.0

Registers closed at 5.00pm on 30 June 2016 to determine entitlement to the full year-end dividend and distribution, which will be paid on 31 August 2016.

Directors

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

Graham Bradley

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

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

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

Duncan Boyle

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

Mr Boyle was appointed to the Board on 7 August 2007 and retired from the Board on 27 October 2015. He has over forty years' experience within the insurance industry in Australia, New Zealand, the United Kingdom and Europe. Mr Boyle is Chairman of TAL Dai Ichi Life Australia Pty Ltd and TAL Life Limited (appointed May 2014) and formerly a Director of QBE Insurance Group Limited (September 2006 to December 2014). He was a Director of O'Connell Street Associates Pty Limited (until 30 June 2013) and Clayton Utz (until June 2014). Prior to his retirement Mr Boyle was a member of the Human Resources and Sustainability Committees and was a member of the Stockland Audit Committee until 1 October 2014.

Former Directorships of listed entities in last three years
Mr Boyle was a Director of QBE Insurance Group Limited from September 2006 to 31 December 2014.

Carolyn Hewson

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

Ms Hewson was appointed to the Board on 1 March 2009. She has over thirty years' experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a Non-Executive Director of BHP Billiton (appointed March 2010), and previously served as a Director on the Boards of the Australian Gas Light Company, AGL Energy Limited, AMP, CSR Limited, BT Investment Management, South Australia Water, the Economic Development Board of South Australia and Westpac Banking Corporation. Ms Hewson is Chair of the Human Resources Committee and a member of the Sustainability Committee and was Chair of the Risk Committee until 1 October 2014.

Former Directorships of listed entities in last three years
Ms Hewson was a Director of BT Investment Management Limited from December 2007 to December 2013.

Barry Neil

BE (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over forty years' experience in property, both in Australia and overseas. He is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited, a Director of Terrace Tower Group Pty Ltd and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Audit and Sustainability Committees.

Former Directorships of listed entities in last three years
None.

Stephen Newton

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

Mr Newton was appointed to the Board on 20 June 2016*.

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

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

Mr Newton is a Member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and the Stockland Sustainability Committee.

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

**As required by the Stockland Constitution, Mr Newton will offer himself for election by securityholders at the 2016 Annual General Meeting to be held in October.*

Tom Pockett

BComm, FCA
(Non-Executive)

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

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

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

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

Dr Scheinkestel's executive background is as a senior banking executive in international and project financing, responsible for the development and financing of major projects in Australasia and South East Asia. She is a published author of Rethinking Project Finance – Allocating and Mitigating Risk in Australasian Projects.

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

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

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

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations. Ms Schwartz is on the Board of a number of organisations including Bank of Melbourne, Qualitas Property Partners and the Australian Chamber Orchestra. Her other appointments include Chair of the ASX-listed entity Temple and Webster, Chair of Our Community and Creative Partnerships, Australia, and Chair of Women's Leadership Institute Australia. Ms Schwartz serves on the Risk, Human Resources and Sustainability Committees.

Former Directorships of listed entities in last three years
None.

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

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of Perpetual Limited, where he was appointed a Director on 31 July 2005 and Perpetual Equity Investment Company Limited (appointed 18 December 2014). Mr Scott is a Director of Igniting Change, a not-for-profit making organisation and O'Connell Street Associates Pty Limited. Mr Scott is also a Director of Transurban Group (appointed 1 March 2016). He was Chairman of Sinclair Knight Mertz Holdings until December 2013, and a member of the Advisory Board of Laing O'Rourke Australia from August 2008 to August 2011. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, 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 Chair of the Risk Committee and a member of the Sustainability Committee. He also served as Chair of the Human Resources Committee until October 2014. Mr Scott will retire from the Board in August 2016.

Former Directorships of listed entities in last three years
None

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

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

Former Directorships of listed entities in last three years
None.

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

Mr Williamson was appointed to the Board in April 2003 and retired from the Board on 27 October 2015. He is a Director of Avant Insurance Limited and The Doctors Health Fund. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Pricewaterhouse for seventeen years. Prior to his resignation Mr Williamson was Chair of the Stockland Audit Committee, the Stockland Capital Partners Audit Committee, the Stockland Financial Services Compliance Committee, the Stockland Capital Partners Financial Services Compliance Committee and a member of the Sustainability Committee.

Former Directorships of listed entities in last three years
None.

External Independent Committee Members and Independent Directors of Stockland

Anthony Sherlock
BEc, FCA, MAICD

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of Equatorial Mining Limited and Kerrygold Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former Non-Executive Director of Austral Coal Limited, Sydney Attractions Group Limited, IBA Health Limited and Export Finance Insurance Corporation Limited and has acted on a number of committees for both Federal and State Governments. He is a member of the Stockland Capital Partners Audit Committee. Mr Sherlock was also a member of the Stockland and the Stockland Capital Partners Financial Services Compliance Committees prior to the incorporation of these committees into the Audit Committee and Stockland Capital Partners Audit Committee respectively.

Company Secretaries

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

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

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

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

(resigned 20 November 2015)

Mr Williams joined Stockland in December 2004 and has over twenty years' experience as a Company Secretary. Prior to joining Stockland he was General Manager, Corporate Governance & Group Secretary at CUSCAL Limited and prior to that Deputy Group Secretary at St. George Bank Limited. He has held a number of senior management, accountancy, risk management and internal audit positions across the property, finance, heavy and light industry and public sectors.

Directors' meetings

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

Stockland (Stockland Corporation Limited and Stockland Trust Management Limited)

	Scheduled Board		Audit Committee		Financial Services Compliance Committee[1]		Human Resources Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	11	11	–	–	–	–	5	5	3	3	–	–
Mr D Boyle[2]	3	3	–	–	–	–	2	2	–	–	–	–
Ms C Hewson	11	11	–	–	–	–	5	5	3	3	–	–
Mr B Neil	11	11	4	4	–	–	–	–	3	3	–	–
Mr S Newton[4]	2	2	–	–	–	–	–	–	1	1	–	–
Mr T Pockett	11	11	4	4	–	–	–	–	3	3	4	4
Ms N Scheinkestel[3]	8	10	1	2	–	–	–	–	3	3	1	2
Ms C Schwartz	11	11	–	–	–	–	4	4	3	3	4	4
Mr P Scott	11	11	–	–	–	–	–	–	3	3	4	4
Mr M Steinert	11	11	–	–	–	–	–	–	3	3	–	–
Mr T Williamson[2]	3	3	2	2	1	1	–	–	–	–	–	–
Other members												
Ms K Grace	–	–	–	–	1	1	–	–	–	–	–	–
Mr A Sherlock	–	–	–	–	1	1	–	–	–	–	–	–

A – Meetings attended / **B** – Meetings eligible to attend
1 The Financial Services Compliance Committee was incorporated into the Audit Committee in February 2016
2 Retired from the Board on 27 October 2015
3 Appointed to the Board on 19 August 2015
4 Appointed to the Board on 20 June 2016

Stockland Capital Partners

	Scheduled Board		Audit Committee		Financial Services Compliance Committee[1]	
	A	B	A	B	A	B
Director						
Mr B Neil	4	4	–	–	–	–
Mr T Pockett[2]	–	–	2	3	1	1
Mr A Sherlock	3	4	3	3	2	2
Mr M Steinert	4	4	–	–	–	–
Mr T Williamson[3]	–	–	1	1	1	1
Other members						
Ms K Grace	–	–	–	–	2	2

A – Meetings attended / **B** – Meetings eligible to attend
1 The Financial Services Compliance Committee was incorporated into the Audit Committee in February 2016.
2 Appointed to the Committee on 27 October 2015
3 Retired from the Committee on 27 October 2015

Corporate Governance

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

Role of the Board

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

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

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

The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect Stockland's operations and financial standing and the market price of its securities. Further information in relation to communication with Stockland's securityholders is located on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

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

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

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

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

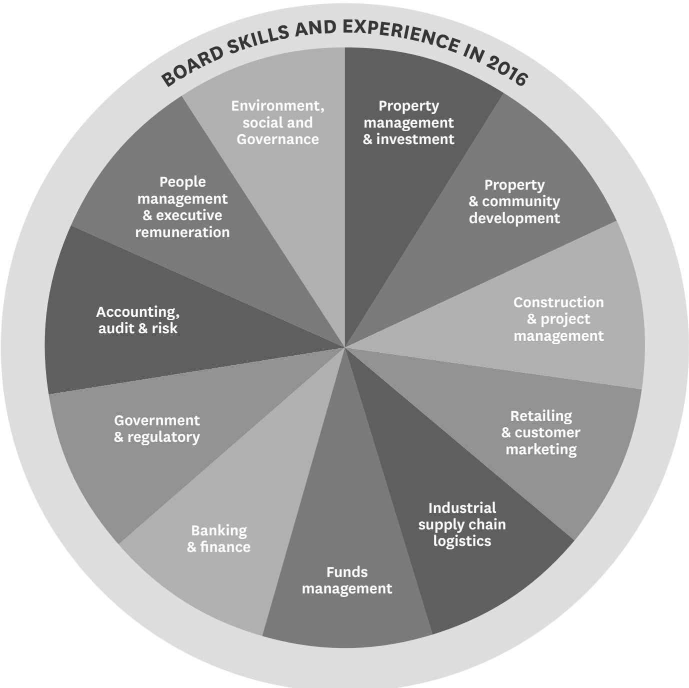
Composition and diversity of the Board

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

As 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 17 to 20, including details of their other listed company Directorships and experience.

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

Board skills and experience in 2016



The Board also believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among Directors. As at 30 June 2016, of the nine Directors, including the Managing Director, five had tenure of less than six years, two had tenure of between six and nine years and two had served for more than nine years. The Board also values the importance of diversity, currently three of the eight Non-Executive Directors are women and three of the last six director appointments have been women.

Mr Stephen Newton joined the Board on 20 June 2016. Mr Newton has deep experience across real estate development, property management and infrastructure investment gained during almost 23 years with Lend Lease Corporation and more than 13 years as a Principal of investment management and capital advisory business, Arcadia Funds Management. It was also announced in June 2016 that Mr Peter Scott would retire from the Board in August 2016. These changes reflect the ongoing succession planning and renewal programme for the Board.

Where a Board vacancy occurs or whenever it is considered that the Board would benefit from the services of an additional director the Board identifies the skills and experience it seeks to complement the competencies of continuing Directors. In defining the Board's requirements for a new director, consideration is given to the skills, professional experience and educational backgrounds of continuing members of the Board, including any identified skills gaps. Criteria used also include consideration of the value of gender diversity on the Board.

The Human Resources Committee oversees the Director nomination process, and will from time-to-time engage external search firms to ensure that a wide range of candidates are considered. Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking. Directors coming up for re-election are also reviewed by the Human Resources Committee and, in 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 and continue to serve only so long as they have the confidence of their fellow Board members.

Stockland has for many years had a focus on actively encouraging gender diversity at all levels within the organisation and a culture that supports workplace diversity and inclusion. As part of this focus, gender diversity targets are set by management and regularly reviewed and endorsed by the Human Resources Committee. In 2014, we reached our original 2017 target for women in our management levels (approximately 34% of all employees) and we have now revised this target to 50% by 2020. We also set annual progress targets for both Women in Management (45.2% for FY17) and Senior Women in Management (36% for FY17). The latter group is approximately 11% of all employees.

In addition, we have a formal Diversity and Inclusion Policy which is available on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance. Further details of this policy and our achievements, including measurable objectives for achieving gender diversity, are set out in the 2016 Remuneration Report on pages 39 to 40 within the Directors' Report as well as on the Stockland website at https://www.stockland.com.au/about-stockland/sustainability.

Board Independence

Stockland recognises that having a majority of independent Non-Executive Directors provides assurance that the Board is structured properly to fulfil its role in holding management accountable for Stockland's performance. The Board 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.

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

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

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

Having considered carefully the above criteria, the Board has determined that all of Stockland's Non-Executive Directors are independent Directors for the 2016 financial year.

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

Board meetings

The Board currently holds 10 scheduled meetings each financial year. Additional meetings are convened as required. During the 2016 financial year, the Board held 11 formal meetings and a considerable number of additional unscheduled informal briefings and discussions.

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

Board and Director performance

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

As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behaviour. The questionnaires are confidential. The Chairman leads a discussion of the questionnaire results with the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes or procedures. Following these sessions, the Chairman provides feedback to individual Directors as necessary. The Chairman of the Human Resources Committee follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness. In 2015 the Board engaged an external consultant to facilitate a review of Board performance.

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

Director remuneration and securities ownership

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

To underpin the alignment of Directors and securityholder interests, the Board believes that Directors should hold a meaningful number of Stockland securities. In August 2015 the Board revised its existing policy to increase the minimum number of securities each Non-Executive Director is required to acquire from 10,000 to 40,000 securities within a reasonable time of becoming a Director. The increased minimum roughly equates to one year's base Board fees. All new directors will have a period of three years to comply with this policy and any existing directors that hold less than 40,000 securities will have until 30 June 2018 to comply. Stockland also has a policy regarding the minimum securityholdings for Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Senior Executives with those of securityholders.

Board Committees

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

(1) Human Resources Committee;

(2) Audit Committee;

(3) Risk Committee; and

(4) Sustainability Committee.

The Financial Services Compliance Committee previously operated as a permanent Board Committee but was incorporated into the Audit Committee from February 2016.

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

The Board reviews the composition of each Committee periodically, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, and to ensure Committee members have skills appropriate to their roles. Each Committee has its own written charter which it reviews annually and recommends any appropriate changes to the Board.

All Non-Executive Directors may attend any Board Committee meeting. Committees may meet with external advisors in the absence of management. Each Board Committee works in conjunction with other Board Committees to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures. The membership and the procedures for the Committee meetings are set out in the Board Committee Charter located, together with the charters for each Board Committee (except the Financial Services Compliance Committee) on the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance.

Human Resources Committee

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

A copy of the charter for the Human Resources Committee is located at the Stockland website at https://www.stockland.com.au/about-stockland/corporate-governance. The Human Resources Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Human Resources Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 35 to 49 for further information.

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

(1) Ms C Hewson (Chair) – Non-Executive Director
(2) Mr G Bradley – Non-Executive Director
(3) Mr D Boyle – Non-Executive Director (retired in October 2015)
(4) Ms C Schwartz – Non-Executive Director (appointed in October 2015)

The Human Resources Committee meets as frequently as required and held 5 meetings during the 2016 financial year.

Audit Committee

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

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

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

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

In February 2016, the Financial Services Compliance Committee was incorporated into the Audit Committee and the matters formerly delegated to the Financial Services Compliance Committee now sit within the charter for the Audit Committee.

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

In order to appropriately discharge its responsibilities, the Audit Committee is specifically authorised to amend Stockland's accounting policies which the Audit Committee determines do not require Board approval; and review and approve any NGER's or emissions reporting by the Group; review credit limits applicable to specific counterparties, consistent with treasury policy; and review and approve borrowing, investment and hedging transactions within the limits and other parameters set out in the Treasury Policy.

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

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

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

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

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

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

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

(1) Mr T Williamson (Chair) – Non-Executive Director (retired 27 October 2015)

(2) Mr B Neil – Non-Executive Director

(3) Mr T Pockett – Non-Executive Director (Chair from October 2015)

(4) Dr N Scheinkestel – Non-Executive Director (appointed August 2015)

The Audit Committee met 4 times during the 2016 financial year.

Tax Control and Governance Policy Framework

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

Stockland's Tax Control and Governance Framework is consistent with the guidelines published by the Australian Taxation Office regarding tax risk management and governance processes for large business taxpayers.

Stockland undertakes periodic review of the Tax Control and Governance Framework to test the robustness of the design of the framework against ATO benchmarks and to demonstrate the operating effectiveness of internal controls to stakeholders.

The key principles of the Stockland Tax Control and Governance Framework are summarised as follows:

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

Risk Committee

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

The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Risk Committee provides a board level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework. The Risk Committee reviews Stockland's risk management framework on an annual basis including in the 2016 financial year to satisfy itself that it continues to be sound and any material changes are reviewed and resolved at Board level. Further information risk management at Stockland is available at https://www.stockland.com.au/about-stockland/corporate-governance.

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

(1) Mr P Scott (Chair) – Non-Executive Director

(2) Mr T Pockett – Non-Executive Director

(3) Ms C Schwartz – Non-Executive Director

(4) Dr N Scheinkestel – Non-Executive Director (appointed February 2016)

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

The Risk Committee met 4 times during the 2016 financial year.

Sustainability Committee

Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates.

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

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

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

With regard to environmental regulation, Stockland is committed to achieving high standards of environmental performance. The Sustainability Committee regularly considers issues associated with the environmental impact of Stockland's operations and, together with management, monitors Stockland's compliance with relevant statutory requirements as well as published policies and guidelines.

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

The Committee comprises the whole Board, and met 3 times during the 2016 financial year.

Financial Services Compliance Committee (incorporated into the Audit Committee from February 2016)

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

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

The Compliance Plan for Stockland Trust and its controlled entities 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:

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

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

(3) Ms K Grace – Executive Member

From February 2016 the Stockland Trust and the Stockland Capital Partners Financial Services Compliance Committees were incorporated into the Audit Committee and Stockland Capital Partners Audit Committee, respectively.

The Financial Services Compliance Committee for Stockland Trust met once during the 2016 financial year and the Financial Services Compliance Committee for Stockland Capital Partners Limited met twice during the 2016 financial year.

Stockland Capital Partners

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

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

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

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

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

(1) Mr B Neil (Chair) – Non-Executive Director

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

(3) Mr M Steinert – Managing Director

The SCPL Board met 4 times during the 2016 financial year.

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

Executive confirmations

In accordance with Stockland's legal obligations, the Managing Director and the Chief Financial Officer have declared in writing to the Board that, for the year ended 30 June 2016, in their opinion:

With regard to Stockland's Financial Reports:

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

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

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

(1) the statements made with respect to the integrity of Stockland's Financial Reports are founded on a sound system of risk management and internal compliance and control systems which in all material respects implement the policies adopted by the Board either directly or through delegation to Senior Executives; and

(2) the risk management and internal compliance and control systems, based on the risk management model adopted by the Board, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2016, nothing has come to the attention of the Managing Director and the Chief Financial Officer that would indicate any material change to any of the statements made above.

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

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

Corporate Governance Principles and Recommendations

ASX Principles and Recommendations		Recommendation Followed	Reference
Principle 1: Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	Financial Report p.22, and at https://www.stockland.com.au/about-stockland/corporate-governance
1.2	A listed entity should:		
	a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes	Financial Report, p. 23-24, and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	See notice of annual general meeting and announcements to securityholders as required from time to time
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	Financial Report p. 22.
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	Yes	Financial Report, p. 24 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose that policy or a summary of it; and	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:	Yes	Financial Report, p. 24 and 39, and at https://www.stockland.com.au/about-stockland/corporate-governance
	(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or	N/A	See 1.5(c)(2) below.
	(2) if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.	Yes	See WGEA Report at https://www.stockland.com.au/about-stockland/sustainability
1.6	A listed entity should:		
	a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	Financial Report p. 25
	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Financial Report p. 25
1.7	A listed entity should:		
	a) have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes	Remuneration report.
	b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes	Remuneration report.

	ASX Principles and Recommendations	Recommendation Followed	Reference
Principle 2: Structure the Board to add value			
2.1	The board of a listed entity should: a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report p. 26 and at https://www.stockland.com.au/about-stockland/corporate-governance Note that the Human Resources Committee carries out the role of the Nomination Committee, see details for this Committee in Section 8.1.
	b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes	Financial Report p. 23-24
2.3	A listed entity should disclose: a) the names of the directors considered by the board to be independent directors;	Yes	Financial Report p. 17-20 and 24
	b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	N/A	N/A
	c) the length of service of each director.	Yes	Financial Report p. 17-20
2.4	A majority of the board of a listed entity should be independent directors.	Yes	Financial Report p. 24
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Financial Report p. 24
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
Principle 3: Act ethically and responsibly			
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and	Yes	Financial Report p. 22 and at https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose that code or a summary of it.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance

ASX Principles and Recommendations		Recommendation Followed	Reference
Principle 4: Safeguard integrity in corporate reporting			
4.1	The board of a listed entity should: a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	Yes	Financial Report p. 26-27
	(2) is chaired by an independent director, who is not the chair of the board,	Yes	Financial Report p. 26-27
	and disclose: (3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	(4) the relevant qualifications and experience of the members of the committee; and	Yes	Financial Report p. 17-20 and 26-27
	(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report p. 21 and 27
	b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A	N/A
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Financial Report p. 29
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
Principle 5: Make timely and balanced disclosure			
5.1	A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
	b) disclose that policy or a summary of it.		https://www.stockland.com.au/about-stockland/corporate-governance
Principle 6: Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	https://www.stockland.com.au/about-stockland/corporate-governance

ASX Principles and Recommendations	Recommendation Followed	Reference
Principle 7: Recognise and manage risk		
7.1 The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and	Yes	Financial Report, p. 27
(2) is chaired by an independent director,	Yes	Financial Report. p. 27
and disclose: (3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
(4) the members of the committee; and	Yes	Financial Report. p.27
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report. p. 21 and 27
b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A	N/A
7.2 The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes	Financial Report. p. 27 and at https://www.stockland.com.au/about-stockland/corporate-governance
b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	Financial Report. p. 27
7.3 A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or	Yes	Financial Report. p. 27 and at https://www.stockland.com.au/about-stockland/corporate-governance
b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	N/A	N/A
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Operating and Financial Review and at https://www.stockland.com.au/about-stockland/sustainability
Principle 8: Remunerate fairly and responsibly		
8.1 The board of a listed entity should: a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and	Yes	Financial Report. p. 26
(2) is chaired by an independent director,	Yes	Financial Report. p. 26
and disclose: (3) the charter of the committee;	Yes	https://www.stockland.com.au/about-stockland/corporate-governance
(4) the members of the committee; and	Yes	Financial Report. p. 26
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes	Financial Report. p. 21 and 26
b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	N/A	N/A

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

Remuneration Report – Audited

The Board is pleased to present this Remuneration Report for Stockland for the year ended 30 June 2016 ('FY16'), which forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the Corporations Act 2001. The Remuneration Report covers Stockland and the Trust.

1. Overview

In FY16 there was no change to the remuneration arrangements for the Managing Director nor the remuneration framework for the other senior executives who are Stockland's Key Management Personnel ('Senior Executives'). During the year, three of our nine senior executives were awarded modest increases in their fixed pay to reflect increased scope of responsibilities and market relativities.

Following the strong financial and operational performance delivered by the executive team in FY16, as reflected in the Corporate Balanced Scorecard set out in section 3.3 of this Report, the aggregate short-term incentives paid to our Senior Executives was marginally higher than in the previous year. Under our remuneration policies, the greater part of the increased STI awards was made in the form of Stockland securities with deferred vesting. For the first time in five years, a portion of the LTI awards available to our senior executives vested as relevant hurdles were achieved in the three years to 30 June 2016.

At Stockland, the Human Resources Committee is responsible for recommending senior executive remuneration policies to the Board for its approval and is charged with reviewing Stockland's remuneration policies each year to ensure that they remain fair and competitive when compared to those of companies of similar size, business mix and complexity in the property industry in Australia. This review has led the Board to make a number of enhancements to our remuneration policies for FY17 which are set out in this report in section 2.3.

1.1 Key Messages

(a) Financial Highlights for FY16

Stockland again delivered strong financial and organisational performance with reported underlying profit of $660 million for the full year to 30 June 2016 with underlying EPS of 27.8 cps, an increase of 7.3% on the prior financial year. TSR for the year to 30 June 2016 was 16.4% and for the three years to 30 June 2016 was 57.4%.

(b) Fixed Pay

In FY16, there was no increase in the Fixed Pay for the Managing Director as the current level of Fixed Pay remains appropriate. The Managing Director's Fixed Pay has remained unchanged for the prior three years. The Fixed Pay for three Senior Executives was increased to reflect their market relativities. The average increase in Fixed Pay for the Senior Executives was two per cent. Our prudent approach to remuneration will continue in FY17 with no changes planned for the Fixed Pay of the Managing Director and the majority of our Senior Executives.

(c) Annual STI

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

(d) LTI Vesting for the year

Over the three years to 30 June 2016, Stockland delivered a Compound Average Growth in underlying EPS of 7.5%. This was above the maximum vesting target of 6.25% set in FY14. Accordingly all of the EPS component of the FY14 LTI has vested. Stockland delivered a TSR over the three year performance period of 57.4% which, while a strong return, was nevertheless below the performance benchmark (the ASX AREIT 200 index excluding Stockland) of 67.4% and accordingly none of the TSR component of the FY14 LTI has vested. These combined outcomes resulted in the vesting of 50.0% of FY14 LTI awards.

2. Remuneration Framework

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

2.1 Framework

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

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

2.2 Remuneration mix

Stockland has not changed its remuneration mix in FY16. Variable pay (STI and LTI) is a key component of remuneration for our Senior Executives. Generally, Stockland's Senior Executives have a greater proportion of remuneration at risk than their counterparts in comparable companies.

Managing Director & CEO

%	
33	Fixed Pay
17	Cash STI
17	Deferred STI
33	LTI

Other Senior Executives

%	
41	Fixed Pay
23	Cash STI
12	Deferred STI
24	LTI

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

PRINCIPLES	REMUNERATION COMPONENT	MEASURE	AT RISK WEIGHTING
Fixed Pay should be fair, competitive and regularly benchmarked to relevant market levels	**Fixed Pay** Salary and other benefits (including statutory superannuation)	External benchmarking based on surveys sourced from a number of organisations including EY and AON Hewitt	
A significant portion of remuneration should be 'at risk' and reward executives if pre-set objectives are achieved or exceeded and Build a sense of business ownership and alignment which benefits all securityholders interests with Senior Executives having "skin in the game"	**STI** 50% awarded as cash for performance up to Target for MD (two-thirds as cash for other Senior Executives) 50% awarded in deferred securities for performance up to Target for MD (one-third for Senior Executives) and 100% awarded as deferred securities for any performance above target Any deferred securities vest equally after 1 and 2 years subject to continued service	Based on company and individual performance reflecting progress against a Balanced Scorecard of Key Performance Indicators that measure: • Business/Financial outcomes • Customer/Stakeholder and Sustainability performance • Leadership and People Management • Operational Excellence and Risk Management	**Target** 100% of Fixed Pay (Managing Director) 80-90% of Fixed Pay (Other Senior Executives) **Maximum** 125% of Target *In FY17 the maximum will be 150% of Target*
	LTI Delivered as Performance Rights measured against hurdles over a three year performance period based on a 'fair value' methodology Applicable rights convert to deferred securities if performance hurdles are exceeded and vest equally after 3 and 4 years subject to continued service	• **Underlying EPS** Compound average growth rate in Underlying Profit (50% weighting) and • **TSR** above AREIT 200 index excluding Stockland (50% weighting) *In FY17 EPS will be based on Funds From Operations (FFO) and TSR will be measured against a composite index reflecting AREIT 200 competitors, as described below*	100% of Fixed Pay (Managing Director) 60% of Fixed Pay (Other Senior Executives) *In FY17, LTI grants will be based on face value methodology*
	Minimum securityholding requirement	The Managing Director is required to retain a minimum holding of Stockland securities equivalent to at least two-times Fixed Pay (one times for other Senior Executives)	

2.3 Future enhancement

Following a review of the competitiveness of Stockland's Remuneration Framework relative to our property industry peers, the Board has made three changes which will apply from 1 July 2016 (that is, in FY17). These changes are as follows:

- To make our long-term incentive program simpler and more transparent, we will award LTI grants based on the face value of Stockland's securities at the time of grant, rather than the fair value methodology which we have used for the past 10 years. This change is responsive to feedback from investors and governance advisors, and is in line with the approach taken by an increasing number of Australian listed companies. This change will also bring our methodology into line with the way we award deferred short-term incentives. The new methodology will not increase the monetary value of long-term incentives that can be earned by our Senior Executives if relevant hurdles are achieved compared to the previous fair value approach.
- To make our long-term incentive plan more reflective of Stockland's performance relative to the major competitors in our industry against whom our performance is normally compared by investors, we will in future measure our relative TSR performance against a tailored index rather than the ASX AREIT 200 Index excluding Stockland. We will equally weight the performance of the six largest AREIT competitors, excluding Westfield Development Corporation and Stockland, and together these six companies will represent 80 percent of a composite index, with the balance of the AREIT Index comprising 20 percent weighted according to their market capitalisation. This "bespoke" index will more closely align our comparator index with Stockland's diversified asset and business mix.
- To provide a modest potential increase in short-term incentives for our executives, and to further weight their remuneration towards "at risk" compensation, we will increase the potential maximum STI opportunity which our Senior Executives may earn, subject to their performance against the Corporate Balanced Scorecard and their individual annual objectives, from 125 percent of Target to 150 percent of Target. Increasing this short-term incentive brings our remuneration policy into line with most of our industry peers, and is in line with our philosophy of restraining the growth of fixed pay in favour of increased "at risk" incentive opportunity for our executives. There is no change to the existing potential STI at Target for any of our executives.

3. Remuneration Outcomes

3.1 Financial performance over the past 5 years

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

	FY12	FY13	FY14	FY15	FY16
Underlying profit[1] ($M)	676	495	555	608	**660**
FFO[2] ($M)	N/A	472	573	657	**740**
Statutory profit ($M)	487	105	527	903	**889**
Security price as at 30 June ($)	3.08	3.48	3.88	4.10	**4.71**
Distributions/Dividends per security (cents)	24.0	24.0	24.0	24.0	**24.5**
Underlying EPS (cents)	29.3	22.4	24.0	25.9	**27.8**
FFO per security (cents)	N/A	21.3	24.8	28.0	**31.1**
Statutory EPS (cents)	21.1	4.7	22.8	38.5	**37.4**
Stockland TSR – 1 year (%)	0.5	17.5	20.5	12.3	**16.4**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	9.9	24.8	11.3	24.2	**21.1**

1 Underlying profit is the performance measure used in determining remuneration. The reconciliation of underlying profit to statutory profit is provided in section (B2b) to the financial statements of the Financial Report and on page 9 of the Operating and Financial Review.
2 FFO will replace underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit is provided on page 9 of the Operating and Financial Review.

3.2 Fixed Pay

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

For the 2016 financial year, Fixed Pay did not increase for our Managing Director or for the majority of our Senior Executives. The average increase across all KMP in FY16 was two percent.

3.3 STI

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

(a) STI pool

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

The Board's assessment of performance against the Corporate Balanced Scorecard in FY16 is provided in the following table.

Corporate Balanced Scorecard

Performance Measure	Commentary	Overall Rating
Business and Financial Performance (75%)		
Underlying profit performance		
• EPS growth target of 5% to 6% (27.4-27.6cps) • ROE of 9.5%-9.8%	• Actual underlying EPS growth was 7.3% to 27.8 cps • ROE was 11.0%[1]	Above Target Above Target
Business Performance		
• Operating business performance in line with plan	Profitability of all business units was at or above plan: • Commercial Property profit of $524m was up on FY15 and in line with plan • Residential profit of $230m was well up on FY15 and significantly above plan • Retirement Living profit of $57m was up on FY15 and above plan	Above Target
• Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile: • Credit Rating Maintain A- rating • Debt Maturity profile >5 Years • Liquidity Buffer 10% above committed and undrawn facilities • Gearing within range 20-30%	• Average Debt Maturity was over 5 years and A- Credit Rating was maintained, liquidity buffer increased, and gearing and interest cover were all within guidelines	On or Above Target
• Deliver against Key Business Priorities	• Good progress	On or Above Target
Customer, Stakeholder and Sustainability Performance		
• Achieve independent customer satisfaction goals for each business unit	• The customer satisfaction scores were above or at target for Commercial and Retirement Living but below target for Residential	On Target
• Embed sustainable business practices across Stockland and make good progress towards environment improvement goals	• The Leading Global Real Estate firm in DJSI Sustainability Survey. Continued progress across our GHG measures and other sustainability targets	On or Above Target
Organisational Performance (25%)		
People Management		
• Maintain employee-initiated turnover (employees rated good and above) to 12.0% or less	• Turnover was 11.8%	On Target
• Achieve Employee Engagement target of 80%	• Employee engagement score was 83%	Above Target
• Maintain women as percentage of total management at 45% or better • Increase women as percentage of total senior management to 34.5% or better	• Women in management was 45% • Women in senior management was 35%	On Target
• Progress longer term diversity and inclusiveness objectives	• Good progress made including again being recognised as a WGEA Employer of Choice for Gender Equality	On Target

Performance Measure	Commentary	Overall Rating
Operational Excellence & Risk Management		
• Continued process improvement and enhanced innovation	• Good progress with introduction of Stockland Support Centre and commencement of Core Systems upgrade program	On Target
• Embed strong risk compliance and safety management practices	• Excellent safety record with no major preventable injuries, and with continued embedding of the risk and compliance framework	On Target

1 Excluding Residential workout projects. ROE was 9.8% including these projects.

The approved STI pool for all employees in FY16 was $37.0 million of which $8.6 million (or 23% of the pool) was awarded in Stockland securities with deferred vesting and is subject to the risk of forfeiture until vesting dates at the end of FY17 and FY18.

Details of the FY16 and previous years' STI pools for all employees are provided below. The approved total STI pool includes Cash STI awards as well as Deferred STI awards that are subject to vesting in future years and to service conditions being met.

$ millions	FY12	FY13	FY14	FY15	FY16
Underlying profit	676	495	555	608	**660**
Cash STI[1]	21.6	17.9	21.4	24.0	**28.4**
DSTI[2]	4.2	3.6	6.0	9.0	**8.6**
Total STI pool[2]	25.8	21.5	27.4	33.0	**37.0**

1 Includes applicable superannuation.
2 The STI pool for FY12 has been restated using the STI/LTI mix including DSTI that applied for employees in FY13 to ensure comparison on a like with like basis.

(c) STI outcomes – Managing Director and other Senior Executives

The table below sets out the STI awards for FY16. One-half of any STI for the Managing Director and one-third for Senior Executives up to Target and any STI awarded above target is awarded as securities with deferred vesting. The maximum STI that could have been awarded to the Managing Director and Senior Executives in FY16 is 125% of Target.

	Target STI (as % of Fixed Pay)	STI awarded (as % of Maximum STI)	STI paid in cash[1]		STI deferred into equity[2]		DSTIs granted[3]
	%	%	$	%	$	%	
Managing Director							
Mark Steinert	100	98	750,000	41	1,080,000	59	223,049
Senior Executives							
Stephen Bull	90	98	420,000	55	348,600	45	71,996
Katherine Grace	80	93	266,667	57	197,333	43	40,755
Tiernan O'Rourke	80	93	453,333	57	335,467	43	69,283
Darren Rehn	90	98	450,000	55	373,500	45	77,138
Michael Rosmarin	80	90	320,000	60	217,600	40	44,941
John Schroder	90	90	630,000	60	428,400	40	88,476
Simon Shakesheff	80	96	320,000	56	256,000	44	52,871
Andrew Whitson	90	98	450,000	55	373,500	45	77,138

1 The portion of STI awarded for the FY16 performance year which is paid as cash.
2 The portion of STI awarded for FY16 performance that is deferred into Stockland securities which will vest over the next two years
3 The number of securities granted for deferred STI is based on the Volume Weighted Average Price for the ten business days after 30 June 2016. This price was $4.842.

3.4 LTI

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

The tables below show Stockland's performance against the respective underlying EPS and TSR performance hurdles for the three years to 30 June 2016.

Hurdle	Target/ benchmark performance	Actual performance	(Under)/Out performance	% Vested	Weight	Vesting outcome
Underlying EPS for FY14-16						
Compound Average Growth Rate EPS[1]	5.0%	7.5%	2.5%	100%	50%	50%
TSR for FY14-16						
Relative TSR FY14-FY16[2]	67.5%	57.4%	(9.9%)	0%	50%	0%
Total Vesting						**50%**

1 Based on underlying profit
2 Benchmark based on ASX AREIT 200 Index excluding Stockland

(a) LTI awarded for FY16

The performance rights that were awarded to the Managing Director and other Senior Executives under the Performance Rights Plan in FY16 are outlined in the table below. These awards are subject to a three year performance period (FY16-FY18) with the awards measured against two performance hurdles: Relative TSR and Underlying EPS Growth.

As advised at the October 2015 AGM, the maximum vesting hurdle based on the Compound Annual Growth Rate for Underlying EPS for LTI awards granted during FY16 was 6.25% (31.1cps) for the three years from 1 July 2015 to 30 June 2018, with the threshold or minimum vesting hurdle being 4.5% (29.6 cps).

	Vesting date[1]	LTIs Granted	Fair Value of LTI[2]
Executive Director			
Mark Steinert	30/06/2018	375,000	561,000
	30/06/2019	375,000	561,000
		750,000	**1,122,000**
Senior Executives			
Stephen Bull	30/06/2018	105,000	190,050
	30/06/2019	105,000	190,050
		210,000	**380,100**
Katherine Grace	30/06/2018	75,000	135,750
	30/06/2019	75,000	135,750
		150,000	**271,500**
Tiernan O'Rourke	30/06/2018	127,500	230,775
	30/06/2019	127,500	230,775
		255,000	**461,550**
Darren Rehn	30/06/2018	112,500	203,625
	30/06/2019	112,500	203,625
		225,000	**407,250**
Michael Rosmarin	30/06/2018	90,000	162,900
	30/06/2019	90,000	162,900
		180,000	**325,800**
John Schroder	30/06/2018	157,500	285,075
	30/06/2019	157,500	285,075
		315,000	**570,150**
Simon Shakesheff	30/06/2018	90,000	162,900
	30/06/2019	90,000	162,900
		180,000	**325,800**
Andrew Whitson	30/06/2018	112,500	203,625
	30/06/2019	112,500	203,625
		225,000	**407,250**

1 Vesting date refers to the date at which the performance and service conditions are met. The rights convert to securities subject to the three year performance period to 30 June 2018. Any rights which convert to securities then vest at the dates shown. The securities remain in holding lock until the 10th anniversary of the grant date except at Board discretion.
2 Fair value is determined using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model (EPS hurdle). Details of the assumptions made in determining fair value are discussed in Note D7 of the financial statements.
3 The minimum future value of unvested securities is $Nil as future performance and service criteria may not be met.

3.5 Executive Remuneration for FY16

Executives received a mix of remuneration during FY16 including Fixed Pay, STI awarded as cash and deferred securities and LTI awarded as performance rights.

The table below outlines the cash remuneration that was received in relation to FY16 which includes Fixed Pay and the non-deferred portion of any FY16 STI. The table also includes the value of DSTI awards from FY14 and FY15 which vested during FY16 and LTI awards from FY14 which vested during FY16. This information differs from that provided in the remuneration for executives set out in section 3.5(b) which was calculated in accordance with statutory rules and applicable Accounting Standards.

(a) Executive remuneration (non-statutory presentation)

		Fixed pay[1] $	STI awarded and received as cash $	Total Cash payments in relation to financial year $	Previous years' DSTI which were realised[3] $	Previous years' LTI which were realised $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert	**2016**	**1,500,000**	**750,000**[2]	**2,250,000**	**1,177,557**	**1,077,413**	**2,154,825**
Managing Director and CEO	2015	1,500,000	750,000[2]	2,250,000	590,486	–	2,164,800
Senior Executives							
Stephen Bull	**2016**	**700,000**	**420,000**	**1,120,000**	**273,481**	**280,245**	**560,490**
Group Executive and CEO, Retirement Living	2015	650,000	390,000	1,040,000	132,267	–	358,570
Katherine Grace[6]	**2016**	**500,000**	**266,667**	**766,667**	**93,743**	–	–
General Counsel and Company Secretary	2015	430,138	229,407	659,545	–	–	–
Tiernan O'Rourke	**2016**	**850,000**	**453,333**	**1,303,333**	**295,845**	**367,380**	**734,760**
Chief Financial Officer	2015	850,000	453,333	1,303,333	96,552	–	–
Darren Rehn[5]	**2016**	**750,000**	**450,000**	**1,200,000**	**560,777**	**268,470**	**536,940**
Group Executive and Chief Investment Officer	2015	700,000	420,000	1,120,000	306,802	–	–
Michael Rosmarin	**2016**	**600,000**	**320,000**	**920,000**	**226,673**	**259,050**	**518,100**
Chief Operating Officer	2015	600,000	320,000	920,000	139,913	–	953,250
John Schroder	**2016**	**1,050,000**	**630,000**	**1,680,000**	**440,988**	**453,338**	**906,675**
Group Executive and CEO, Commercial Property	2015	1,050,000	630,000	1,680,000	278,574	–	1,783,500
Simon Shakesheff	**2016**	**600,000**	**320,000**	**920,000**	**303,795**	**237,855**	**475,710**
Group Executive, Strategy and Stakeholder Relations	2015	600,000	320,000	920,000	301,294	–	–
Andrew Whitson	**2016**	**750,000**	**450,000**	**1,200,000**	**400,571**	**302,618**	**605,235**
Group Executive and CEO, Residential	2015	700,000	420,000	1,120,000	190,446	–	351,329

1 Fixed Pay includes salary, superannuation and salary sacrificed items.
2 For Mark Steinert this is 50% (two-thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one-third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.
3 This represents the value of all prior years' deferred STI which vested during FY16 using the 30 June 2016 closing security price of $4.71. No LTI vested during FY15 or in FY14.
4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY15 values are based on the closing 30 June 2016 security price of $4.71 (FY15: $4.10).
5 Darren Rehn was appointed to the Executive Committee on 13 August 2014 with his remuneration arrangements effective from 1 July 2014.
6 Katherine Grace commenced employment on 21 August 2014.

(b) Executive remuneration (statutory presentation)

		Short-term					Post-employment		Other long-term	Shared-based payments		Total	Performance related	
		Salary[1] $	Non-monetary benefits[2] $	Other payments $	Cash STI[3] $	Total short-term $	Super-annuation benefits $	Termination benefits $	Long service leave[4] $	DSTI $	LTI $	Total $	(STI + LTI) Percent of Total %	(DSTI + LTI) Percent of Total %
Executive Director														
Mark Steinert	**2016**	**1,520,706**	–	–	**750,000**	**2,270,706**	**19,308**	–	**8,990**	**1,068,750**	**1,317,587**	**4,685,341**	**66.9**	**50.9**
Managing Director and CEO	2015	1,424,182	–	–	750,000	2,174,182	18,783	–	5,911	885,250	1,200,321	4,284,447	66.2	48.7
Senior Executives														
Stephen Bull	**2016**	**653,474**	**12,326**	–	**420,000**	**1,085,800**	**19,308**	–	**31,811**	**295,111**	**314,291**	**1,746,321**	**58.9**	**34.9**
Group Executive and CEO, Retirement Living	2015	634,390	12,126	–	390,000	1,036,516	18,783	–	24,920	196,528	203,325	1,480,072	53.4	27.0
Katherine Grace[5]	**2016**	**484,406**	**–**	**–**	**266,667**	**751,073**	**19,308**	**–**	**1,025**	**151,219**	**158,582**	**1,081,207**	**53.3**	**28.7**
General Counsel & Company Secretary	2015	418,032	–	–	229,407	647,439	18,783	–	–	68,997	79,395	814,614	46.4	18.2
Tiernan O'Rourke	**2016**	**801,940**	**–**	**–**	**453,333**	**1,255,273**	**19,308**	**–**	**3,440**	**306,660**	**401,004**	**1,985,685**	**58.5**	**35.6**
Chief Financial officer	2015	847,145	–	–	453,333	1,300,478	18,783	–	1,708	213,039	266,249	1,800,257	51.8	26.6
Darren Rehn[6]	**2016**	**733,579**	**–**	**–**	**450,000**	**1,183,579**	**19,308**	**–**	**4,793**	**308,958**	**229,836**	**1,746,474**	**56.6**	**30.9**
Group Executive and Chief Investment Officer	2015	714,801	–	–	420,000	1,134,801	18,783	–	3,091	153,333	111,055	1,421,063	48.2	18.6
Michael Rosmarin	**2016**	**563,958**	**12,326**	–	**320,000**	**896,284**	**19,308**	–	**5,752**	**210,667**	**283,048**	**1,415,059**	**57.5**	**34.9**
Chief Operating Officer	2015	575,520	12,127	–	320,000	907,647	18,783	–	4,550	177,222	246,546	1,354,748	54.9	31.3
John Schroder	**2016**	**1,045,834**	**12,326**	–	**630,000**	**1,688,160**	**19,308**	–	**38,862**	**417,667**	**495,212**	**2,659,209**	**58.0**	**34.3**
Group Executive and CEO, Commercial Property	2015	1,022,946	12,127	–	630,000	1,665,073	18,783	–	40,257	350,278	438,424	2,512,815	56.5	31.4
Simon Shakesheff	**2016**	**581,814**	–	–	**320,000**	**901,814**	**19,308**	–	**2,429**	**253,228**	**275,435**	**1,452,214**	**58.4**	**36.4**
Group Executive, Strategy & Stakeholder Relations	2015	577,461	–	–	320,000	897,461	18,783	–	1,206	283,227	180,322	1,380,999	56.7	33.6
Andrew Whitson	**2016**	**710,610**	**12,326**	–	**450,000**	**1,172,936**	**19,308**	–	**33,509**	**362,292**	**338,526**	**1,926,571**	**59.7**	**36.4**
Group Executive and CEO, Residential	2015	676,635	12,127	–	420,000	1,108,762	18,783	–	22,889	286,667	219,632	1,656,733	55.9	30.6
Total consolidated remuneration	**2016**	**7,096,321**	**49,304**	–	**4,060,000**	**11,205,625**	**173,772**	**–**	**130,611**	**3,374,552**	**3,813,521**	**18,698,081**	**60.2**	**38.4**
	2015	6,891,112	48,507	**–**	3,932,740	10,872,359	169,047	–	104,532	2,614,541	2,945,269	16,705,748	56.8	33.3

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary sacrificed items and FBT payable on these items.
3 Cash STIs are earned in the financial year to which they relate and are paid in August of the following financial year.
4 Includes any change in accruals for long service leave.
5 Katherine Grace commenced employment on 21 August 2014.
6 Darren Rehn was appointed to the Executive Committee on 13 August 2014.

4. Non-Executive Director Remuneration

4.1 Directors Fees

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

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

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

In FY16, the Board decided to increase the annual base fees for Non-Executive Directors by $5,000 to $175,000 (an increase of 2.9%). This is the first increase in base fees since July 2011. Board committee fees remained unchanged in FY16 except for a reduction in the fees paid to the independent Director on the Stockland Capital Partners Limited ('SCPL') Board (reduced to $30,000 from $45,000) reflecting the reduced number of managed funds and workload. The annual fees paid for the Board and Board committees are shown in the table below. The amounts shown are inclusive of applicable statutory superannuation contributions.

In FY17, in line with our prudent approach to remuneration, there are no changes in the base fees for the Chairman and Non-Executive Directors or for Board committee fees.

		FY17	FY16
Stockland Board			
Chairman		$500,000	$500,000
Non-Executive Director		$175,000	$175,000
Stockland Board Committees			
Audit	Chair	$40,000	$40,000
	Member	$20,000	$20,000
Risk	Chair	$35,000	$35,000
	Member	$17,500	$17,500
Financial Services Compliance	Chair	$10,900	$10,900
	Member	$6,540	$6,540
Human Resources	Chair	$35,000	$35,000
	Member	$17,500	$17,500
SCPL Board			
Chairman		$32,700	$32,700
Non-Executive Director		$32,700	$32,700
Independent Non-Executive Director[1]		$30,000	$30,000
SCPL Board Committees			
Audit	Chair	$15,260	$15,260
	Member	$8,720	$8,720
Financial Services Compliance	Chair	$10,900	$10,900
	Member	$6,540	$6,540

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

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently $2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. No increase in the total fee pool is proposed for FY17.

Total fees of $1,913,356 (77% of the approved limit) were paid to Non-Executive Directors in FY16. This amount was 1.1% lower than the total fees paid in FY15.

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

		Short-term		Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total[1] $
Non-Executive Directors					
Graham Bradley	**2016**	**495,173**	**–**	**4,827**	**500,000**
	2015	495,304	–	4,696	500,000
Duncan Boyle	**2016**	**57,886**	**–**	**4,827**	**62,713**
	2015	183,429	–	4,696	188,125
Carolyn Hewson	**2016**	**205,173**	**–**	**4,827**	**210,000**
	2015	204,679	–	4,696	209,375
Barry Neil	**2016**	**222,873**	**–**	**4,827**	**227,700**
	2015	218,004	–	4,696	222,700
Tom Pockett	**2016**	**246,075**	**–**	**4,827**	**250,902**
	2015	165,096	–	4,696	169,792
Nora Scheinkestel	**2016**	**160,693**	**–**	**4,827**	**165,520**
	2015	–	–	–	–
Carol Schwartz	**2016**	**199,515**	**–**	**4,827**	**204,342**
	2015	182,804	–	4,696	187,500
Peter Scott	**2016**	**205,173**	**–**	**4,827**	**210,000**
	2015	204,679	–	4,696	209,375
Terry Williamson	**2016**	**77,352**	**–**	**4,827**	**82,179**
	2015	242,364	–	4,696	247,060
Total consolidated remuneration	**2016**	**1,869,913**	**–**	**43,443**	**1,913,356**
	2015	1,896,359	–	37,568	1,933,927

1 The fees for each Director are paid on a total cost basis which includes any applicable compulsory superannuation (The amount of superannuation included in the total fees will vary depending on the timing of payments and in line with applicable legislation).

4.2 Directors' security holdings

To align our directors with securityholder interests, the Board believes that directors should hold a meaningful number of Stockland securities. Each Non-Executive Director is required to acquire 40,000 securities within a reasonable time after becoming a director. This minimum roughly equates to one year's base Board fees. All new directors have a period of three years to comply with this policy and directors holding less than 40,000 securities have until 30 June 2018 to comply. Stockland also has a policy regarding the minimum securityholding for Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Senior Executives with those of securityholders.

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

	Stockland		SDRT No.1	
	2016	**2015**	**2016**	**2015**
Non-Executive Directors				
Graham Bradley	216,540	194,571	–	–
Duncan Boyle	61,169	61,169	–	–
Carolyn Hewson	35,648	19,482	–	–
Barry Neil	58,510	55,200	–	–
Stephen Newton	10,000	–	–	–
Tom Pockett	30,000	10,000	–	–
Nora Scheinkestel	41,207	–	–	–
Carol Schwartz	40,000	10,000	–	–
Peter Scott	31,946	30,415	20,000	20,000
Terry Williamson	107,245	101,178	–	–
Executive Director				
Mark Steinert[1]	1,001,364	571,017	–	–
Total	**1,633,629**	**1,053,032**	**20,000**	**20,000**

1 The above holdings of the Executive Director include vested securities acquired under LTI plans but do not include unvested performance rights or FY16 DSTI securities detailed in section 3.3 of this Report.

5. Other remuneration information

5.1 Remuneration governance

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

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

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

Following the retirement of Duncan Boyle as a director in October 2015, Carol Schwartz joined the Committee which now comprises three independent Non-Executive Directors: Carolyn Hewson (Chair), Graham Bradley and Carol Schwartz.

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

5.2 Use of remuneration consultants during the year

Stockland seeks relevant benchmarking and commentary on a number of remuneration issues from a variety of consultants including EY. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt and Mercer. During FY16, no remuneration recommendations in relation to Key Management Personnel, as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2001, were made by these or other consultants.

5.3 Stockland Equity held by Senior Executives

The table below outlines the number of vested and ordinary holdings (personal) and unvested equity (DSTI and LTI) held by Executives as at the end of FY16. This table highlights the direct exposure that each executive has to the Stockland security price.

Employee	Holding	Balance 1 July 2015	Acquired/ (Disposed) or Granted	Equity Incentives which lapsed	Equity Incentives which vested	Balance 30 June 2016
Executive Director						
Mark Steinert	Securities	456,220	159,915	–	478,762	1,094,897
	DSTI	385,229	223,049	–	(250,012)	358,266
	LTI	1,726,000	750,000	(457,500)	(228,750)	1,789,750
Senior Executives						
Stephen Bull	Securities	40,711	–	–	117,564	158,275
	DSTI	92,320	71,996	–	(58,064)	106,252
	LTI	449,000	210,000	(119,000)	(59,500)	480,500
Katherine Grace	Securities	–	–	–	19,903	19,903
	DSTI	39,806	40,755	–	(19,903)	60,658
	LTI	163,000	150,000	–	-	313,000
Tiernan O'Rourke	Securities	23,549	–	–	140,812	164,361
	DSTI	102,075	69,283	–	(62,812)	108,546
	LTI	588,000	255,000	(156,000)	(78,000)	609,000
Darren Rehn	Securities	74,830	–	–	176,061	250,891
	DSTI	159,292	77,138	–	(119,061)	117,369
	LTI	456,000	225,000	(114,000)	(57,000)	510,000
Michael Rosmarin	Securities	81,174	4,899	–	103,126	189,199
	DSTI	74,570	44,941	–	(48,126)	71,385
	LTI	415,000	180,000	(110,000)	(55,000)	430,000
John Schroder	Securities	388,888	28,965	–	189,878	607,731
	DSTI	147,714	88,476	–	(93,628)	142,562
	LTI	726,000	315,000	(192,500)	(96,250)	752,250
Simon Shakesheff	Securities	218,590	(36,009)	–	115,000	297,581
	DSTI	93,947	52,871	–	(64,500)	82,318
	LTI	397,000	180,000	(101,000)	(50,500)	425,500
Andrew Whitson	Securities	52,084	–	–	149,297	201,381
	DSTI	129,278	77,138	–	(85,047)	121,369
	LTI	485,000	225,000	(128,500)	(64,250)	517,250

5.4 Senior Executives' employment and termination arrangements

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

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

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

Death or Total and Permanent Disablement	Full vesting of any unvested equity awards.
For termination other than for cause or resignation	For unvested DSTI, full vesting on 30 June in the year of termination. For LTI, unvested rights are vested prorated based on service to the date of termination. Any applicable prorated hurdled rights remain subject to the applicable performance hurdles over the full performance period. Any applicable restricted rights vest on 30 June in the year of termination. Other unvested LTI awards forfeited.

5.5 Key Management Personnel

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

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Duncan Boyle	(resigned 27 October 2015)
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Stephen Newton	(appointed 20 June 2016)
Mr Tom Pockett	
Dr Nora Scheinkestel	(appointed 19 August 2015)
Ms Carol Schwartz	
Mr Peter Scott	(resigned 16 August 2016)
Mr Terry Williamson	(resigned 27 October 2015)

Executive Director

Mr Mark Steinert	Managing Director and Chief Executive Officer ('CEO')

Senior Executives

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

Indemnities and insurance of officers and auditor

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

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

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

Non-audit services

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

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

- the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit Committee resolved that the provision of non-audit services during the financial year by PwC as auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001;
- the Board's own review conducted in conjunction with the Audit Committee, having regard to the Board policy set out in this Report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- the declaration of independence provided by PwC, as auditor of Stockland.

Details of the amounts paid to the auditor of the Group, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in section (F9) of the accompanying financial statements.

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

The external auditor's independence declaration is set out on page 51 and forms part of the Directors' Report for the year ended 30 June 2016.

Rounding off

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

Signed in accordance with a resolution of the Directors:

Graham Bradley Chairman	Mark Steinert Managing Director

Dated at Sydney, 17 August 2016

Lead Auditor’s Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
YEAR ENDED 30 JUNE 2016

pwc

Auditor’s Independence Declaration

As lead auditor for the audit of Stockland Corporation Limited and Stockland Trust for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

S J Hadfield
Partner
PricewaterhouseCoopers

Sydney
17 August 2016

Consolidated Statements of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2016

		Stockland		Trust	
Year ended 30 June	**Section**	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Revenue	(B1)	**2,328**	2,114	**737**	707
Cost of property developments sold:					
• Land and development		**(1,049)**	(983)	**–**	–
• Capitalised interest		**(124)**	(126)	**–**	–
• Utilisation of provision for write-down of inventories		**67**	113	**–**	–
Investment property expenses		**(239)**	(226)	**(230)**	(218)
Share of profits of equity-accounted investments	(E1)	**90**	88	**90**	86
Management, administration, marketing and selling expenses		**(271)**	(258)	**(27)**	(25)
Net change in fair value of investment properties:					
• Commercial Property	(C1b)	**373**	253	**329**	247
• Retirement Living	(B2d)	**71**	68	**–**	–
Net change in fair value of Retirement Living resident obligations	(B2d)	**(85)**	(70)	**–**	–
Impairment of intangibles	(C3a)	**–**	(43)	**–**	–
Net gain on other financial assets	(D4)	**4**	73	**6**	–
Net loss on sale of other non-current assets		**(2)**	(2)	**(2)**	(1)
Finance income	(D1)	**8**	9	**294**	301
Finance expense	(D1)	**(252)**	(113)	**(365)**	(230)
Profit before income tax		**919**	897	**832**	867
Income tax benefit/(expense)	(B3a)	**(30)**	6	**–**	–
Profit for the year		**889**	903	**832**	867
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets – net change in fair value	(D4)	**7**	13	**–**	–
Available for sale financial assets – reclassified to profit or loss	(D4)	**–**	(51)	**–**	–
Cash flow hedges – net change in fair value of effective portion		**23**	36	**23**	36
Cash flow hedges – reclassified to profit or loss		**4**	(2)	**4**	(2)
Foreign operations – foreign currency translation differences		**–**	5	**–**	–
Foreign operations – reclassified to profit or loss		**–**	–	**–**	–
Other comprehensive income, net of tax		**34**	1	**27**	34
Total comprehensive income for the year		**923**	904	**859**	901
Basic earnings per security (cents)	(F2)	**37.4**	38.5	**35.0**	36.9
Diluted earnings per security (cents)	(F2)	**37.3**	38.5	**35.0**	36.9

The above consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

AS AT 30 JUNE 2016

		Stockland		Trust	
As at 30 June	**Section**	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Current assets					
Cash and cash equivalents	(D2)	**208**	170	**97**	89
Trade and other receivables	(C2a)	**134**	103	**18**	33
Inventories	(C1a)	**802**	549	**–**	–
Other financial assets	(D4)	**79**	2	**79**	2
Other assets		**91**	84	**70**	64
		1,314	908	**264**	188
Non-current assets held for sale	(C3b)	**97**	246	**61**	224
Total current assets		**1,411**	1,154	**325**	412
Non-current assets					
Trade and other receivables	(C2a)	**100**	92	**3,510**	3,435
Inventories	(C1a)	**1,713**	1,991	**–**	–
Investment properties – Commercial Property	(C1b)	**8,800**	7,917	**8,702**	7,840
Investment properties – Retirement Living	(C1c)	**3,576**	3,335	**–**	–
Equity-accounted investments	(E1)	**524**	518	**505**	506
Other financial assets	(D4)	**468**	366	**432**	347
Property, plant and equipment		**53**	58	**–**	–
Intangible assets	(C3a)	**122**	98	**–**	–
Deferred tax assets	(B3b)	**27**	59	**–**	–
Other assets		**148**	141	**152**	144
Total non-current assets		**15,531**	14,575	**13,301**	12,272
Total assets		**16,942**	15,729	**13,626**	12,684
Current liabilities					
Trade and other payables	(C2b)	**643**	595	**422**	379
Interest-bearing loans and borrowings	(D3)	**481**	286	**481**	286
Retirement Living resident obligations	(C1c)	**2,205**	1,992	**–**	–
Development provisions	(C1a)	**284**	300	**–**	–
Other financial liabilities	(D4)	**19**	33	**19**	33
Other liabilities		**82**	87	**36**	54
Total current liabilities		**3,714**	3,293	**958**	752
Non-current liabilities					
Trade and other payables	(C2b)	**–**	33	**–**	–
Interest-bearing loans and borrowings	(D3)	**3,319**	2,997	**3,319**	2,997
Retirement Living resident obligations	(C1c)	**222**	219	**–**	–
Development provisions	(C1a)	**113**	98	**–**	–
Other financial liabilities	(D4)	**297**	284	**297**	284
Other liabilities		**23**	18	**–**	–
Total non-current liabilities		**3,974**	3,649	**3,616**	3,281
Total liabilities		**7,688**	6,942	**4,574**	4,033
Net assets		**9,254**	8,787	**9,052**	8,651
Securityholders' funds					
Issued capital	(D7)	**8,681**	8,560	**7,374**	7,255
Reserves		**126**	84	**103**	68
Retained earnings/undistributed income		**447**	143	**1,575**	1,328
Total securityholders' funds		**9,254**	8,787	**9,052**	8,651

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

Consolidated Statements of Changes in Equity

YEAR ENDED 30 JUNE 2016

Attributable to securityholders of Stockland

	Section	Issued capital $M	Reserves: Executive remuneration $M	Reserves: Cash flow hedge $M	Reserves: Fair value $M	Reserves: Foreign currency translation $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2014		8,420	25	2	51	(5)	(195)	8,298
Profit for the year		–	–	–	–	–	903	903
Other comprehensive income, net of tax		–	–	34	(38)	5	–	1
Total comprehensive income		**–**	**–**	**34**	**(38)**	**5**	**903**	**904**
Dividends and distributions	(D8)	–	–	–	–	–	(565)	(565)
Securities issued under DRP	(D7a)	141	–	–	–	–	–	141
Expense relating to Share Plans, net of tax	(F7)	–	13	–	–	–	–	13
Acquisition of treasury securities	(D7b)	(4)	–	–	–	–	–	(4)
Securities vested under Share Plans	(D7b)	3	(3)	–	–	–	–	–
Total of other movements		**140**	**10**	**–**	**–**	**–**	**(565)**	**(415)**
Balance as at 30 June 2015		8,560	35	36	13	–	143	8,787
Profit for the year		**–**	**–**	**–**	**–**	**–**	**889**	**889**
Other comprehensive income, net of tax		**–**	**–**	**27**	**7**	**–**	**–**	**34**
Total comprehensive income		**–**	**–**	**27**	**7**	**–**	**889**	**923**
Dividends and distributions	(D8)	**–**	**–**	**–**	**–**	**–**	**(585)**	**(585)**
Securities issued under DRP	(D7a)	**125**	**–**	**–**	**–**	**–**	**–**	**125**
Expense relating to Share Plans, net of tax	(F7)	**–**	**13**	**–**	**–**	**–**	**–**	**13**
Acquisition of treasury securities	(D7b)	**(9)**	**–**	**–**	**–**	**–**	**–**	**(9)**
Securities vested under Share Plans	(D7b)	**5**	**(5)**	**–**	**–**	**–**	**–**	**–**
Total of other movements		**121**	**8**	**–**	**–**	**–**	**(585)**	**(456)**
Balance as at 30 June 2016		8,681	43	63	20	–	447	9,254

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

Attributable to securityholders of Trust

	Section	Issued capital $M	Reserves: Executive remuneration $M	Reserves: Cash flow hedge $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2014		**7,116**	**24**	**2**	**1,026**	**8,168**
Profit for the year		–	–	–	867	867
Other comprehensive income		–	–	34	–	34
Total comprehensive income		**–**	**–**	**34**	**867**	**901**
Distributions	(D8)	–	–	–	(565)	(565)
Securities issued under DRP	(D7a)	140	–	–	–	140
Expense relating to Share Plans, net of tax	(F7)	–	11	–	–	11
Acquisition of treasury securities	(D7b)	(4)	–	–	–	(4)
Securities vested under Share Plans	(D7b)	3	(3)	–	–	–
Total of other movements		**139**	**8**	**–**	**(565)**	**(418)**
Balance as at 30 June 2015		**7,255**	**32**	**36**	**1,328**	**8,651**
Profit for the year		**–**	**–**	**–**	**832**	**832**
Other comprehensive income		**–**	**–**	**27**	**–**	**27**
Total comprehensive income		**–**	**–**	**27**	**832**	**859**
Distributions	(D8)	**–**	**–**	**–**	**(585)**	**(585)**
Securities issued under DRP	(D7a)	**123**	**–**	**–**	**–**	**123**
Expense relating to Share Plans, net of tax	(F7)	**–**	**13**	**–**	**–**	**13**
Acquisition of treasury securities	(D7b)	**(9)**	**–**	**–**	**–**	**(9)**
Securities vested under Share Plans	(D7b)	**5**	**(5)**	**–**	**–**	**–**
Total of other movements		**119**	**8**	**–**	**(585)**	**(458)**
Balance as at 30 June 2016		**7,374**	**40**	**63**	**1,575**	**9,052**

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

Consolidated Cash Flow Statements

YEAR ENDED 30 JUNE 2016

		Stockland		Trust	
Year ended 30 June	**Section**	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**2,496**	2,243	**854**	797
Cash payments in the course of operations (including GST)		**(1,575)**	(1,457)	**(398)**	(395)
Payments for land		**(186)**	(380)	**–**	–
Distributions received from equity-accounted investments		**35**	38	**32**	34
Distributions received from managed funds		**1**	1	**–**	1
Receipts from Retirement Living residents		**371**	299	**–**	–
Payments to Retirement Living residents, net of DMF		**(164)**	(152)	**–**	–
Interest received		**8**	7	**294**	301
Interest paid		**(199)**	(198)	**(199)**	(198)
Net cash flow from operating activities	(F3)	**787**	401	**583**	540
Cash flows from investing activities					
Proceeds from sale of investment properties		**11**	322	**42**	233
Payments for and development of investment properties:					
• Commercial Property		**(431)**	(386)	**(475)**	(399)
• Retirement Living		**(167)**	(199)	**–**	–
Payments for plant and equipment and software		**(35)**	(15)	**–**	–
Proceeds from sale/capital returns from investments		**221**	508	**219**	1
Payments for investments, including equity-accounted investments		**(107)**	(63)	**(66)**	(65)
Distributions received from other entities		**–**	17	**–**	–
Net cash flow from/(used in) investing activities		**(508)**	184	**(280)**	(230)
Cash flows from financing activities					
Payment for securities under Share Plans	(D7b)	**(9)**	(4)	**(9)**	(4)
Proceeds from borrowings		**2,589**	2,536	**2,589**	2,536
Repayment of borrowings		**(2,254)**	(2,718)	**(2,254)**	(2,718)
Loans to related entities		**–**	–	**(54)**	292
Payments for termination and restructuring of derivatives	(D1)	**(119)**	(41)	**(119)**	(39)
Dividends and distributions paid (net of DRP)		**(448)**	(419)	**(448)**	(419)
Net cash flow used in financing activities		**(241)**	(646)	**(295)**	(352)
Net increase/(decrease) in cash and cash equivalents		**38**	(61)	**8**	(42)
Cash and cash equivalents at the beginning of the year		**170**	231	**89**	131
Cash and cash equivalents at the end of the year		**208**	170	**97**	89

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

Consolidated Notes

YEAR ENDED 30 JUNE 2016

(A) Basis of preparation

IN THIS SECTION

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

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

Stockland represents the combination or stapling of Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities. Stockland Corporation Limited and Stockland Trust are both for profit entities that were incorporated, formed and domiciled in Australia.

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

The financial statements as at and for the year ended 30 June 2016 were authorised for issue by the Directors on 17 August 2016.

(i) Statement of compliance

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

(ii) Basis of preparation

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

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

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

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

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

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

Change in presentation of borrowings in cash flow statement

In the current year, the Group has changed the presentation of the rollover of bank debt.

Previously, the rollover of bank debt was presented as the repayment of the original bank debt and a drawdown of a new bank debt. As there is no cash transferred between Stockland and the financial institution when a bank debt is rolled, the presentation has been changed to treat a rollover as a non-cash transaction.

This change has resulted in a reduction in proceeds from borrowings and an offsetting reduction in repayment of borrowings presented in the cash flow statement. There is no impact on net cash flow used in financing activities presented in the consolidated cash flow statement. Comparative disclosures have been restated to ensure consistency between the periods.

(A) Basis of preparation (continued)

Stockland and Trust net current asset deficiency position

Stockland and the Trust have a net current asset deficiency at 30 June 2016.

Based on the profits and net operating cash inflows in the period and forecast for the next 12 months Stockland and the Trust will be able to pay their debts as and when they become due and payable. Undrawn bank facilities of $800 million (refer to section (D3c)) are also available should they need to be drawn down.

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

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

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

In relation to Retirement Living resident obligations for existing residents (2016: $2,202 million; 2015: $1,989 million), approximately 8% of residents are estimated to leave each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units the resident obligations will be repaid from receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the corresponding Retirement Living assets are classified as non-current under AASBs as the majority are not expected to be realised within 12 months.

(iii) Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

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

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

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

(B) Results for the year

IN THIS SECTION

This section explains the results and performance of the Group.

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

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

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

(B1) Revenue

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

Property development sales

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

Rent from investment properties

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

Rent from investment properties includes $5 million (2015: $5 million) contingent rent billed to tenants. Contingent rent represents 1% (2015: 1%) of gross lease income.

DMF revenue

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

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

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

Accounting for DMF is further explained in section (B2d).

Dividends and distributions

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

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

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Property development sales	**1,484**	1,288	**–**	–
Rent from investment properties	**728**	698	**726**	698
DMF revenue	**88**	94	**–**	–
Dividends and distributions	**4**	5	**3**	2
Other revenue	**24**	29	**8**	7
Total revenue	**2,328**	2,114	**737**	707

(B2) Operating segments

KEEPING IT SIMPLE…

This section shows a reconciliation from underlying profit to the statutory profit. Underlying profit remains the Group's key profit indicator. This reflects the way the business is managed and how the Directors and Executive Committee assess performance.

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

FFO will replace underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry.

Underlying profit is a non-IFRS measure that is designed to present, in the opinion of the CODM, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying profit is the basis on which distributions and dividends are determined and reflects the way the business is managed and how the CODM assess the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities.

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

Stockland has four reportable segments, as listed below:

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

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

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

(B2a) Underlying profit

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

Stockland

Year ended 30 June 2016	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	**750**	**1,487**	**75[2]**	**–**	**2,312**
Total external segment revenue	**750**	**1,487**	**75**	**–**	**2,312**
Segment EBIT	**525**	**354**	**64**	**–**	**943**
Interest expense in cost of sales	**–**	**(124)**	**(7)**	**–**	**(131)**
Share of interest expense in joint ventures	**(1)**	**–**	**–**	**–**	**(1)**
Segment operating profit[1]	**524**	**230**	**57**	**–**	**811**
Interest income					**8**
Interest expense					**(81)**
Unallocated corporate and other expenses					**(57)**
Underlying profit before income tax					**681**
Income tax expense on underlying profit					**(21)**
Underlying profit for the year					**660**
1 Included within segment operating profits are the following:					
Straight-line rent adjustments	**8**	**–**	**–**	**–**	**8**
Amortisation of lease incentives	**(67)**	**–**	**–**	**–**	**(67)**
Share of profits of equity-accounted investments:					
• Excluding fair value gains	**31**	**–**	**–**	**–**	**31**
• Including fair value gains	**90**	**–**	**–**	**–**	**90**

Year ended 30 June 2015	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	715	1,239	73[2]	60	2,087
Total external segment revenue	715	1,239	73	60	2,087
Segment EBIT	517	290	54	4	865
Interest expense in cost of sales	–	(124)	(6)	(2)	(132)
Share of interest expense in joint ventures	(4)	–	–	–	(4)
Segment operating profit[1]	513	166	48	2	729
Interest income					8
Interest expense					(73)
Unallocated corporate and other expenses					(60)
Underlying profit before income tax					604
Income tax benefit on underlying profit					4
Underlying profit for the year					608
1 Included within segment operating profits are the following:					
Straight-line rent adjustments	8	–	–	–	8
Amortisation of lease incentives	(61)	–	–	–	(61)
Share of profits of equity-accounted investments:					
• Excluding fair value gains	42	2	–	–	44
• Including fair value gains	86	2	–	–	88

2 $16 million of unrealised DMF revenue (2015: $27 million) is excluded from segment revenues. Refer to reconciliation of underlying profit to statutory profit below

(B2b) Reconciliation of underlying profit to statutory profit

Underlying profit excludes items such as unrealised fair value gains/losses (such as revaluing derivatives, financial instruments and investment properties) and unrealised provision gains/losses. These items are required to be included in statutory profit in accordance with Accounting Standards.

Stockland

		2016			2015		
Year ended 30 June	**Note**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	A	**2,312**	**16**	**2,328**	2,087	27	2,114
Cost of property developments sold:							
• Land and development		**(1,049)**	**–**	**(1,049)**	(983)	–	(983)
• Capitalised interest		**(124)**	**–**	**(124)**	(126)	–	(126)
• Utilisation of provision for write-down of inventories		**67**	**–**	**67**	113	–	113
Investment property expenses		**(239)**	**–**	**(239)**	(226)	–	(226)
Share of profits of equity-accounted investments	B	**31**	**59**	**90**	44	44	88
Management, administration, marketing and selling expenses	C	**(270)**	**(1)**	**(271)**	(258)	–	(258)
Net change in fair value of investment properties:							
• Commercial Property	B	**–**	**373**	**373**	–	253	253
• Retirement Living	B	**26**	**45**	**71**	18	50	68
Net change in fair value of Retirement Living resident obligations	B	**–**	**(85)**	**(85)**	–	(70)	(70)
Impairment of intangibles	D	**–**	**–**	**–**	–	(43)	(43)
Net gain on other financial assets	E	**–**	**4**	**4**	–	73	73
Net loss on sale of other non-current assets	F	**–**	**(2)**	**(2)**	–	(2)	(2)
Finance income		**8**	**–**	**8**	8	1	9
Finance expense	G	**(81)**	**(171)**	**(252)**	(73)	(40)	(113)
Profit before income tax		**681**	**238**	**919**	604	293	897
Income tax benefit/(expense)		**(21)**	**(9)**	**(30)**	4	2	6
Profit for the year		**660**	**229**	**889**	608	295	903

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

Trust

Year ended 30 June	Note	2016 Underlying profit $M	2016 Statutory adjustments $M	2016 Statutory profit $M	2015 Underlying profit $M	2015 Statutory adjustments $M	2015 Statutory profit $M
Revenue		**737**	**–**	**737**	707	–	707
Investment property expenses		**(230)**	**–**	**(230)**	(218)	–	(218)
Share of profits of equity-accounted investments	B	**31**	**59**	**90**	41	45	86
Management, administration, marketing and selling expenses		**(27)**	**–**	**(27)**	(25)	–	(25)
Net change in fair value of Commercial Property	B	**–**	**329**	**329**	–	247	247
Net gain on other financial assets		**–**	**6**	**6**	–	–	–
Net loss on sale of other non-current assets	F	**–**	**(2)**	**(2)**	–	(1)	(1)
Finance income		**294**	**–**	**294**	301	–	301
Finance expense	G	**(194)**	**(171)**	**(365)**	(190)	(40)	(230)
Profit before income tax		**611**	**221**	**832**	616	251	867
Income tax benefit/(expense)		**–**	**–**	**–**	–	–	–
Profit for the year		**611**	**221**	**832**	616	251	867

Explanation of statutory adjustments
A DMF revenue is excluded from underlying profit until it is realised in cash. Refer to section (B2d).
B Underlying profit excludes the net change in fair value of investment properties for properties held by Stockland both directly and indirectly through equity-accounted investments. Similarly, the net change in fair value of Retirement Living Resident Obligations are excluded from underlying profit. Refer to section C for further information on fair value adjustments for the Commercial Properties (C1b) and Retirement Living (C1c) businesses.
C In the current year, underlying profit excludes $1 million of integration costs related to the eight South Australian Retirement Living villages acquired. Refer to section (C1c).
D Underlying profit excludes impairment of intangibles. In the prior year this included write-downs to goodwill ($18 million) and software ($25 million). Refer to section (C3a).
E In the prior year, the net gain on sale of other financial assets primarily comprised the realised profit on the sale of securities in Australand, net of transaction costs.
F Net loss on sale of other non-current assets predominantly relate to the loss on the sale of investment properties.
G Net change in fair value of financial instruments and foreign exchange movements, classified as finance expense, are excluded from underlying profit. Refer to section (D1).

(B2c) Balance sheet by operating segment

Stockland

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

(B2c) Balance sheet by operating segments (continued)

30 June 2015	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	170	170
Real estate related assets[1]	8,902	2,552	3,335	7	40	14,836
Intangibles	–	–	76	–	22	98
Other financial assets	–	–	–	–	368	368
Other assets	67	120	18	–	52	257
Total assets	8,969	2,672	3,429	7	652	15,729
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,283	3,283
Retirement Living resident obligations	–	–	2,211	–	–	2,211
Other financial liabilities	–	–	–	–	317	317
Other liabilities	121	569	18	15	408	1,131
Total liabilities	121	569	2,229	15	4,008	6,942
Net assets/(liabilities)	8,848	2,103	1,200	(8)	(3,356)	8,787
Other items						
Acquisition of investment properties	72	–	81	–	–	153

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

(B2d) Retirement Living segment result

KEEPING IT SIMPLE …

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

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

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

The Retirement Living segment result also includes the settled development margin. This settled development margin represents the unit price realised on first lease less the cost of development and is recognised in underlying profit on settlement of a newly developed unit.

Refer to section (C1c) for further information on the fair value measurement and valuation technique used for Retirement Living investment properties and resident obligations.

(B2d) Retirement Living segment result (continued)

Reconciliation of Retirement Living statutory profit to segment results

		2016			2015		
Year ended 30 June	**Note**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**
Total realised revenue		**72**	**–**	**72**	67	–	67
Net DMF base fees earned, unrealised	A	**–**	**16**	**16**	–	27	27
DMF Revenue		**72**	**16**	**88**	67	27	94
Net change in fair value of investment properties:							
• settled development margin		**26**	**–**	**26**	18	–	18
• operating villages and villages under development	B	**–**	**45**	**45**	–	50	50
Total net change in fair value of investment properties		**26**	**45**	**71**	18	50	68
Net change in fair value of Retirement Living resident obligations	B	**–**	**(85)**	**(85)**	–	(70)	(70)
Impairment of intangibles	C	**–**	**–**	**–**	–	(18)	(18)
Management, administration, marketing and selling expenses	D	**(37)**	**(1)**	**(38)**	(33)	–	(33)
Other income/(expenses)		**(4)**	**–**	**(4)**	(4)	–	(4)
Retirement Living profit/(loss)		**57**	**(25)**	**32**	48	(11)	37

Explanation of statutory adjustments

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

B Underlying profit excludes the net change in fair value for operating villages, villages under development and Retirement Living Resident Obligations. Refer to section (C1c).

C Underlying profit excludes the write-down of goodwill related to the Retirement Living business (2016: $Nil; 2015: $18 million). Refer to section (C3a).

D In the current year, underlying profit excludes $1 million of integration costs related to the eight South Australian villages acquired. Refer to section (C1c).

(B3) Taxation

KEEPING IT SIMPLE…

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

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

Stockland

Accounting for income tax

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

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

(B3) Taxation (continued)

Tax consolidation

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

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

Trust

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

(B3a) Income tax benefit/(expense)

	Stockland	
Year ended 30 June	**2016 $M**	**2015 $M**
Current tax benefit/(expense)		
Current year	**49**	35
Adjustments for prior years	**(2)**	(1)
	47	34
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	**(77)**	(28)
Total income tax benefit/(expense)	**(30)**	6

Reconciliation of profit before income tax to income tax benefit

	Stockland			
	2016		2015	
Year ended 30 June	**Statutory profit $M**	**Underlying profit $M**	**Statutory profit $M**	**Underlying profit $M**
Profit before income tax	**919**	**681**	897	604
Less: Trust profit before income tax	**(832)**	**(611)**	(867)	(616)
Less: Intergroup eliminations	**8**	**–**	7	–
Profit/(Loss) before income tax	**95**	**70**	37	(12)
Prima facie income tax benefit/(expense) calculated at 30%	**(28)**	**(21)**	(11)	4
Increase/(decrease) in income tax benefit/expense due to:				
Other assessable income	**(1)**	**(1)**	(7)	–
Other non-assessable income	**1**	**1**	2	2
Other non-deductible expenses	**–**	**–**	(5)	–
Tax effect of FX loss transferred from foreign currency translation reserve	**–**	**–**	(3)	(1)
Underprovided in prior years	**(2)**	**–**	(1)	(1)
Temporary differences recognised on future RL gain on turnover deductions[1]	**–**	**–**	31	–
Income tax benefit/(expense)	**(30)**	**(21)**	6	4
Effective tax rate		**30%**		30%

1 Tax benefit relates to the temporary difference on future deductions of Retirement Living gain on turnover liabilities assumed on prior period RL village acquisitions which, following an amended ATO tax ruling, are now treated as tax deductible.

(B3a) Income tax expense (continued)

Tax expense relating to items of other comprehensive income

	Stockland	
Year ended 30 June	**2016 $M**	**2015 $M**
Fair value reserve	**(2)**	16
Tax expense relating to items of other comprehensive income	**(2)**	16

(B3b) Deferred tax

Stockland

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

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

Deferred tax arises due to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

(i) initial recognition of goodwill;

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

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

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
As at 30 June	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Inventories	**116**	118	**(170)**	(152)	**(54)**	(34)
Investment properties	**11**	12	**(339)**	(249)	**(328)**	(237)
Other financial assets	**1**	–	**(9)**	(6)	**(8)**	(6)
Property, plant and equipment	**7**	9	**–**	–	**7**	9
Trade and other payables	**15**	17	**–**	–	**15**	17
Retirement Living resident obligations	**27**	33	**–**	–	**27**	33
Provisions	**5**	5	**–**	–	**5**	5
Reserves	**9**	7	**–**	–	**9**	7
Tax losses carried forward	**493**	404	**–**	–	**493**	404
Tax assets/(liabilities)	**684**	605	**(518)**	(407)	**166**	198
Less: Tax losses not recognised	**(139)**	(139)	**–**	–	**(139)**	(139)
Recognised tax assets/(liabilities)	**545**	466	**(518)**	(407)	**27**	59
Set-off of deferred tax liabilities	**(518)**	(407)	**518**	407	**–**	–
Net tax asset	**27**	59	**–**	–	**27**	59

(B3b) Deferred Tax (continued)

Movement in temporary differences during the financial year

	Balance 1 July 2014 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2015 $M	Recognised in profit or loss $M	Recognised in OCI $M	Balance 30 June 2016 $M
Inventories	(19)	(15)	–	(34)	**(20)**	**–**	**(54)**
Investment properties	(185)	(52)	–	(237)	**(91)**	**–**	**(328)**
Other financial assets	(22)	–	16	(6)	**–**	**(2)**	**(8)**
Property, plant and equipment	3	6	–	9	**(2)**	**–**	**7**
Trade and other payables	14	3	–	17	**(2)**	**–**	**15**
Retirement Living resident obligations	9	24	–	33	**(6)**	**–**	**27**
Provisions	4	1	–	5	**–**	**–**	**5**
Reserves	5	2	–	7	**2**	**–**	**9**
Recognised tax losses carried forward	224	41	–	265	**89**	**–**	**354**
	33	10	16	59	**(30)**	**(2)**	**27**

Recoverability of deferred tax assets

An assessment of the recoverability of the net deferred tax asset has been made to determine if the carrying value should be reduced or more tax losses should be recognised with reference to the latest available profit forecasts, to determine the availability of suitable taxable profits or taxable temporary differences. The assessment for the current period determined that the deferred tax asset was considered to be recoverable with sufficient certainty and accordingly no additional deferred tax asset write off required and no additional tax losses recognised.

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

Stockland has $139 million (2015: $139 million) of unrecognised deferred tax assets. This balance consists of $133 million (2015: $133 million) Australian income tax losses and $6 million (2015: $6 million) Australian capital losses.

Trust

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

(C) Operating assets and liabilities

IN THIS SECTION

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

- Section B – Deferred tax assets and liabilities
- Section D – Financing activities
- Section E – Equity-accounted investments

(C1) Real estate assets and liabilities

(C1a) Inventories

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

Cost of acquisition

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

Land under options

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

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

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

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

Development and other costs

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

Interest capitalised

Financing costs on qualifying assets are also included in the cost of inventory. Finance costs were capitalised at interest rates ranging from 5.2% to 6.4% during the financial year (2015: 6.1% to 6.7%). Capitalised finance costs are further explained in section (D1).

Impairment provision

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Net realisable value is based on the most reliable evidence available at the time of the amount the inventories are expected to realise (using estimates such as revenue escalations) and the estimate of total costs (including costs to complete). These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Each reporting period, key estimates are reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, no net impairment provisions have been recognised in the profit or loss for the year ended 30 June 2016 (2015: Nil).

(C1a) Inventories (continued)

Development provisions

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

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

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

The composition of inventory is presented in the table below:

	2016			2015		
As at 30 June	**Current $M**	**Non-current $M**	**Total $M**	**Current $M**	**Non-current $M**	**Total $M**
Finished development stock held for sale[1]						
• cost of acquisition	**103**	**–**	**103**	59	–	59
• development and other costs	**196**	**–**	**196**	149	–	149
• interest capitalised	**40**	**–**	**40**	29	–	29
• impairment provision	**(31)**	**–**	**(31)**	(1)	–	(1)
Total finished stock held for sale	**308**	**–**	**308**	236	–	236
Development work in progress						
Residential communities under development						
• cost of acquisition	**350**	**1,099**	**1,449**	182	1,389	1,571
• development and other costs	**125**	**419**	**544**	116	449	565
• interest capitalised	**75**	**334**	**409**	50	376	426
• impairment provision	**(85)**	**(164)**	**(249)**	(44)	(266)	(310)
Total residential communities under development	**465**	**1,688**	**2,153**	304	1,948	2,252
Apartments						
• cost of acquisition	**–**	**–**	**–**	15	–	15
• development and other costs	**2**	**2**	**4**	18	–	18
• interest capitalised	**–**	**–**	**–**	5	–	5
• impairment provision	**–**	**–**	**–**	(31)	–	(31)
Total apartments	**2**	**2**	**4**	7	–	7
Logistics & business parks projects						
• cost of acquisition	**25**	**26**	**51**	9	30	39
• development and other costs	**16**	**6**	**22**	12	17	29
• interest capitalised	**7**	**–**	**7**	7	5	12
• impairment provision	**(21)**	**(9)**	**(30)**	(26)	(9)	(35)
Total logistics & business parks projects	**27**	**23**	**50**	2	43	45
Total inventory	**802**	**1,713**	**2,515**	549	1,991	2,540

1 Included within current finished development stock held for sale are logistics and business parks of $7 million (2015: $11 million). There are no apartments included in finished development stock held for sale (2015: $nil).

(C1a) Inventories (continued)

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

	Residential communities $M	Apartments $M	Logistics & business parks $M	Total $M
Balance as at 1 July 2015	311	31	35	377
Amounts utilised	**(31)**	**(31)**	**(5)**	**(67)**
Balance as at 30 June 2016	**280**	**–**	**30**	**310**

Development cost provisions

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

As at 30 June	2016 $M	2015 $M
Current	**284**	300
Non-current	**113**	98
Total development cost provision	**397**	398

Movement in development cost provisions

	$M
Balance as at 1 July 2015	**398**
Additional provisions recognised	**293**
Amounts used during the financial year	**(294)**
Balance as at 30 June 2016	**397**

(C1b) Commercial Properties

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

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

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

As at 30 June 2016, fair value for commercial properties in development has been assessed by the Directors after considering the latest valuations and subsequent capital works-in-progress. An independent valuation of the property will be undertaken upon completion of the works.

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

Subsequent costs

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

(C1b) Commercial Properties (continued)

Lease incentives

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

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

Disposal of revalued assets

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

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

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Retail	**6,660**	6,022	**6,609**	5,992
Logistics & Business Parks	**1,962**	1,699	**1,962**	1,699
Office	**845**	1,102	**829**	1,108
Capital works in progress and sundry properties	**202**	195	**130**	87
Book value of commercial properties	**9,669**	9,018[1]	**9,530**	8,886
Less amounts classified as:				
• Property, plant and equipment	**(44)**	(44)	**–**	–
• Non-current assets held for sale	**(67)**	–	**(61)**	–
• Other assets (including lease incentives and lease fees)	**(200)**	(185)	**(205)**	(191)
• Other assets (including lease incentives and lease fees) attributable to equity-accounted investments	**(10)**	(26)	**(10)**	(25)
• Other receivables (straight-lining of operating lease rental income)	**(61)**	(54)	**(65)**	(58)
• Other receivables (straight-lining of operating lease rental income) attributable to equity-accounted investments	**(13)**	(18)	**(13)**	(18)
Total investment properties (including share of investment property held by equity-accounted investments)	**9,274**	8,691	**9,176**	8,594
Less: Stockland's share of investment properties held by equity-accounted investments	**(474)**	(774)[1]	**(474)**	(754)
Total investment properties	**8,800**	7,917	**8,702**	7,840
Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial year	**7,917**	7,489	**7,840**	7,412
Acquisitions	**222**	72	**222**	72
Transfers from equity-accounted investments[2]	**70**	–	**70**	–
Expenditure capitalised	**287**	336	**345**	342
Transfers to non-current assets held for sale	**(67)**	–	**(61)**	–
Disposals	**(2)**	(233)	**(43)**	(233)
Net change in fair value of investment properties	**373**	253	**329**	247
Balance at the end of the financial year	**8,800**	7,917	**8,702**	7,840

1 Includes joint ventures holding the Waterfront Place and Eagle Street Pier assets which have been reclassified as an Asset Held for Sale at 30 June 2015. Refer to (C3b) and (E1a).

2 Transfer of 50% of Stockland Bundaberg. In the current year, Stockland acquired the remaining 50% of the trust that holds Stockland Bundaberg. Refer (E1a).

(C1b) Commercial Properties (continued)

	Independent valuation		Independent Cap rate[1] %		Book value ($M)	
Description	**Date**	**$M**	**2016**	**2015**	**2016**	**2015**
Retail						
Directly owned						
Stockland Shellharbour, Shellharbour NSW	Dec 2015	700	**5.75**	6.00	**700**	688
Stockland Wetherill Park, Western Sydney NSW	Dec 2011[7]	358	**6.75**	6.75	**685**	522
Stockland Merrylands, Merrylands NSW	Dec 2015	540	**5.75**	6.00	**537**	506
Stockland Rockhampton, Rockhampton QLD	Jun 2015	404	**6.00**	6.00	**406**	404
Stockland Green Hills, East Maitland NSW	Dec 2015	354	**5.75**	6.50	**354**	308
Stockland Glendale, Newcastle NSW	Dec 2015	299	**6.25**	6.50	**301**	274
Stockland Cairns, Cairns QLD	Dec 2015	230	**6.00**	6.25	**235**	230
Stockland Point Cook, Point Cook VIC	Dec 2015	230	**6.25**	7.25	**230**	185
Stockland Townsville, Townsville QLD (50%)[2]	Dec 2015	229	**6.00-6.75**	6.00-7.00	**227**	227
Stockland Baldivis, Baldivis WA	Dec 2015	200	**6.00**	7.50	**200**	172
Stockland Hervey Bay, Hervey Bay QLD	Jun 2015	195	**6.25**	6.25	**195**	195
Stockland Burleigh Heads, Burleigh Heads QLD	Dec 2015	190	**6.75-7.50**	7.00-8.25	**191**	181
Stockland The Pines, Doncaster East VIC	Dec 2015	170	**6.25**	7.00	**170**	157
Stockland Forster, Forster NSW	Dec 2015	167	**6.50**	6.75	**167**	158
Stockland Jesmond, Newcastle NSW	Dec 2015	160	**6.50**	7.00	**161**	144
Stockland Wendouree, Wendouree VIC	Dec 2015	148	**6.50**	7.00	**149**	138
Stockland Balgowlah, Balgowlah NSW	Dec 2015	148	**6.00**	6.75	**148**	126
Stockland Baulkham Hills, Baulkham Hills NSW	Dec 2015	145	**6.25**	6.75	**145**	130
Stockland Gladstone, Gladstone QLD	Dec 2015	140	**7.00**	7.00	**142**	149
Stockland Bundaberg, Bundaberg QLD (2016: 100%[2]; 2015: 50%[8])	Jun 2016	139	**6.50**	6.75	**139**	67
Stockland Caloundra, Caloundra QLD	Dec 2015	127	**6.50**	7.00	**127**	117
Stockland Nowra, Nowra NSW[6]	Dec 2015	116	**6.50**	6.75	**117**	110
Stockland Traralgon, Traralgon VIC	Dec 2015	107	**6.75**	7.00	**108**	99
Stockland Bull Creek, Bull Creek WA	Dec 2015	102	**6.50**	6.75	**103**	101
Stockland Cleveland, Cleveland QLD	Dec 2015	102	**6.75**	7.00	**103**	94
Stockland Bathurst, Bathurst NSW	Dec 2015	94	**6.75**	7.25	**95**	92
Stockland Corrimal, Corrimal NSW	Dec 2015	75	**6.75**	7.25	**75**	70
Stockland Wallsend, Wallsend NSW	Dec 2015	70	**7.00**	7.25	**71**	67
Stockland Tooronga, Tooronga VIC	Dec 2015	63	**6.00**	6.75	**63**	53
Shellharbour Retail Park, Shellharbour NSW	Dec 2015	53	**7.75**	7.75	**53**	52
Stockland Harrisdale Complex, Harrisdale WA	–	–	**–**	–	**48**	–
Stockland Cammeray, Cammeray NSW	Dec 2015	46	**6.25**	6.75	**45**	37
Stockland Highlands, Craigieburn VIC[3]	Jun 2016	34	**6.50**	7.00	**34**	31
North Shore Townsville, Townsville QLD	Dec 2015	23	**6.75**	7.00	**23**	22
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)[2]	Jun 2015	14	**8.00**	8.00	**14**	14
Stockland Vincentia Shopping Centre, Vincentia NSW	Dec 2015	11	**8.25**	8.00	**11**	13
Stockland Merrylands Court, Merrylands NSW[3]	Dec 2014	10	**7.50**	7.50	**10**	10
Woolworths Toowong, Toowong QLD[4]	Dec 2015	6	**n/a**	n/a	**7**	14
Stockland Townsville Kingsvale Sunvale, QLD (50%)[2,5]	Dec 2014	5	**n/a**	n/a	**2**	2
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec 2015	64	**6.50**	6.75	**64**	64
Total Retail[9]					**6,660**	6,022

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Property is not held by the Trust. In the case of Merrylands Court, this property was held by the Trust at 30 June 2015.
4 Property is valued as land.
5 Independent valuation based on 100% ownership.
6 Independent valuation excludes the adjacent property owned by Stockland.
7 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
8 In the prior year, Stockland Bundaberg was owned through an equity-accounted investment. Refer to (E1a) for further details.
9 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

Description	Independent valuation Date	$M	Independent Cap rate[1] % 2016	2015	Book value ($M) 2016	2015
Logistics & Business Parks						
Directly owned						
Yennora Distribution Centre, Yennora NSW	Dec 2015	381	**7.00**	7.75	**384**	369
Triniti Business Campus, North Ryde NSW	Dec 2015	178	**7.00**	7.75	**176**	170
Port Adelaide Distribution Centre, Port Adelaide SA	Dec 2015	100	**9.00**	9.25	**101**	95
60-66 Waterloo Road, Macquarie Park NSW	Dec 2015	95	**6.50-7.00**	7.25-7.50	**97**	80
Stockland Mulgrave, Mulgrave VIC[6]	–	–	**–**	–	**93**	–
Hendra Distribution Centre, Brisbane QLD	Jun 2016	88	**8.25**	8.75	**88**	85
Brooklyn Estate, Brooklyn VIC	Dec 2015	83	**8.00**	9.25	**82**	83
Forrester Distribution Centre, St Marys NSW	Dec 2015	81	**7.25**	7.75	**81**	78
Ingleburn Distribution Centre, Ingleburn NSW[6]	–	–	**–**	–	**78**	77
Balcatta Distribution Centre, Balcatta WA	Dec 2015	58	**7.00**	7.25	**59**	57
9-11a Ferndell Street, Granville NSW	Dec 2015	56	**7.25-9.00**	8.50-9.75	**54**	47
Macquarie Technology Centre, Macquarie Park NSW	Dec 2015	49	**7.00-8.25**	7.25-8.50	**54**	43
Toll Business Park, Altona VIC	Dec 2015 - Jun 2016	50	**6.75-7.50**	8.25	**50**	48
20-50 & 76-82 Fillo Drive and 10 Stubb Street, Somerton VIC	Dec 2015	44	**8.25**	8.75-9.00	**45**	47
16 Giffnock Avenue, Macquarie Park NSW	Dec 2015	42	**7.75**	8.75	**43**	38
1090-1124 Centre Road, Oakleigh VIC	Dec 2012[9]	32	**9.25**	9.25	**40**	32
23 Wonderland Drive, Eastern Creek NSW[6]	–	–	**–**	–	**36**	–
72-76 Cherry Lane, Laverton North VIC[7]	Dec 2015	32	**7.00**	–	**32**	31
Altona Distribution Centre, Altona VIC	Dec 2015	30	**8.25**	8.75	**31**	29
2 Davis Road, Wetherill Park NSW	Jun 2016	26	**7.25**	8.00	**26**	19
2-8 Baker Street, Botany NSW[7]	Dec 2015	23	**6.25**	–	**24**	22
Coopers Paddock, Warwick Farm NSW[6]	–	–	**–**	–	**19**	19
Erskine Park, Erskine Park NSW[6]	–	–	**–**	–	**19**	–
Export Park, 9-13 Viola Place, Brisbane Airport QLD[4]	Dec 2015	9	**9.29**	9.75	**9**	12
40 Scanlon Drive, Epping VIC	Dec 2015	9	**7.5**	8.00	**9**	8
M1 Yatala Enterprise Park, Yatala QLD	Jun 2016	7	**n/a**	n/a	**7**	10
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Mar 2016	227	**6.75**	7.25	**227**	204
Total Logistics & Business Parks[10]					**1,962**	**1,699**
Office						
Directly owned						
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[2, 3, 4, 8]	Dec 2015	242	**6.00-7.00**	6.63–7.75	**232**	206
Durack Centre, 263 Adelaide Terrace, Perth WA[4]	Jun 2016	116	**8.00**	8.25-8.75	**116**	158
601 Pacific Highway, St Leonards NSW	Dec 2015	98	**7.00**	7.75	**97**	87
77 Pacific Highway, North Sydney NSW	Dec 2015	68	**7.00**	7.75	**69**	59
Garden Square, Mt Gravatt QLD	Jun 2014	37	**9.25**	9.25	**35**	38
40 Cameron Avenue, Belconnen ACT[4]	Dec 2015	33	**11.00**	10.50	**33**	42
110 Walker Street, North Sydney NSW	Dec 2015	30	**7.25**	7.75	**30**	28
80-88 Jephson Street, Toowong QLD	Dec 2015	20	**8.75**	9.00	**22**	19
23-29 High Street, Toowong QLD	Dec 2015	6	**7.5**	8.25-8.50	**6**	8
Owned through equity-accounted investments						
Waterfront Place, Eagle Street, Brisbane QLD (50%)[5]	Jun 2015	296	**–**	6.75	**–**	296
135 King Street, Sydney NSW (50%)[3]	Dec 2015	207	**4.75-6.00**	5.75-6.50	**206**	161
Total Office[10]					**845**	**1,102**

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Book value includes the retail component of the property.
4 Property is a leasehold property.
5 At 30 June 2015, the joint venture holding Waterfront Place was reclassified as an Asset Held for Sale. Refer to (C3b) and (E1). The property was disposed during the current period.
6 The values adopted above are a result of a Directors' valuations.
7 The values adopted in the comparative period are a result of a Directors' valuation.
8 The book value excludes the revaluation relating to the area occupied by Stockland. This owner-occupied area is classified as property, plant and equipment and is recognised at historical cost.
9 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
10 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

Fair value measurement, valuation techniques and inputs

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

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

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

Class of property	Fair value hierarchy	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2016	30 June 2015
Retail	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$188 – $794	$119 – $794
			10 year average specialty market rental growth	3.0% – 4.0%	3.0% – 4.3%
			Adopted capitalisation rate	4.8% – 7.8%	6.0% – 9.5%
			Adopted terminal yield	5.0% – 8.0%	6.25% – 9.75%
			Adopted discount rate	6.8% – 9.0%	8.25% – 9.5%
Logistics & Business Parks	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$56 – $430	$56 – $434
			10 year average market rental growth	2.4% – 3.7%	2.6% – 3.6%
			Adopted capitalisation rate	6.3% – 9.3%	7.0% – 9.75%
			Adopted terminal yield	6.5% – 11.0%	7.25% – 11.0%
			Adopted discount rate	7.5% – 9.3%	8.5% – 10.0%
Office	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$317 – $707	$326 – $695
			10 year average market rental growth	2.9% – 3.9%	2.9% – 3.9%
			Adopted capitalisation rate	6.0% – 11.0%	6.5% – 10.5%
			Adopted terminal yield	6.5% – 11.0%	6.75% – 10.5%
			Adopted discount rate	7.5% – 11.0%	8.0% – 10.5%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	$56 – $794	$309 – $1,190
			Adopted capitalisation rate	5.75% – 8.0%	5.5% – 7.0%

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

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

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

(C1b) Commercial Properties (continued)

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

Valuation process

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

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

Internal tolerance check

An internal tolerance check is performed every six months with the exception of those properties being independently valued during the current reporting period. Stockland's internal valuers perform tolerance checks by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management teams. For the Retail, Office and Logistics & Business Parks classes, appropriate capitalisation rates, terminal yields and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and DCF valuation. The internal tolerance check is generally weighted more to the capitalisation value (75% weighting) than the DCF valuation (25% weighting).

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

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

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

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

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

(C1b) Commercial Properties (continued)

External Valuations

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

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

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

Sensitivity information

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

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

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

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

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

Non-cancellable operating lease receivable from investment property tenants

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

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

	Stockland		Trust	
As at 30 June	2016 $M	2015 $M	2016 $M	2015 M
Within one year	**607**	566	**609**	564
Later than one year but not later than five years	**1,575**	1,483	**1,588**	1,476
Later than five years	**1,075**	948	**1,077**	935
Total non-cancellable operating lease receivable	**3,257**	2,997	**3,274**	2,975

(C1c) Retirement Living

For information on results of the Retirement Living business refer to section (B2d).

Investment properties

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

Stockland

As at 30 June	2016 $M	2015 $M
Net investment in Retirement Living		
Operating villages	**3,368**	3,111
Villages under development	**208**	224
Total Retirement Living investment properties	**3,576**	3,335
Existing resident obligations	**(2,414)**	(2,198)
Net carrying value of Retirement Living villages	**1,162**	1,137
Retirement Living net carrying value movement during the year		
Balance at the beginning of the financial year	**1,137**	1,003
Acquisition	**–**	81
Disposal	**–**	(20)
Expenditure capitalised	**168**	130
Transferred to assets held for sale	**(12)**	–
Realised fair value movements	**26**	21
Cash received on first sales	**(152)**	(115)
Change in fair value of investment properties	**(20)**	6
Other movements	**15**	31
Balance at the end of the financial year	**1,162**	1,137

Acquisitions

In the prior year, Stockland purchased eight established Retirement Living villages in South Australia for a total cost of $81 million. The transaction included the recognition of operating villages ($245 million), development land ($11 million) and the assumption of resident obligations ($175 million).

Disposals

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

In the prior year, Stockland disposed of two established Retirement Living villages in Victoria for total proceeds of $20 million. The villages contained units on strata title and did not have an associated resident obligation.

Fair value measurement, valuation techniques and inputs

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

The fair value is determined by the Directors using a DCF methodology.

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

(C1c) Retirement Living (continued)

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

	Range of unobservable inputs	
Inputs	**30 June 2016**	**30 June 2015**
Discount rate	12.5% – 14.0% (Average: 12.9%)	12.5% – 14.0% (Average: 13.0%)
Average 20 year growth rate	3.7%	3.8%
Average length of stay of existing and future residents	10.6 years	10.4 years
Current market value of unit	$0.1 million – $1.3 million	$0.1 million – $1.0 million
Renovation/Reinstatement cost	$5k – $80k	$5k – $80k
Renovation recoupment	0% – 100%	0% – 100%

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

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

Valuation process

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

Operating villages

Internal valuations are completed every six months using valuation models with reference to external market data. An independent professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the investment properties valued provides assurance on the key assumptions used. The most recent independent assessment was obtained at 30 June 2016.

Villages under construction

Villages under construction are carried at fair value. There are two elements to the value of villages under construction – the value of land and other development expenditure and the value of discounted future DMF revenue. The land and other development expenditure is made up of costs incurred to date plus a development margin. Development margin is recognised on a percentage of completion basis and is based on an internally certified level of completion of the stage. Development margin recognition is also described in section (B2d). The DMF asset is recognised on a percentage of completion basis.

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

(C1c) Retirement Living (continued)

Sensitivity information

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

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

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

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

Resident obligations

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and recognised at fair value.

Current resident obligations

Based on actuarial turnover calculations, approximately 8% of residents are estimated to leave each year and therefore it is not expected that the full obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid from receipts from incoming residents.

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

Non-current resident obligations

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

As at 30 June	Current $M	Non-Current $M	Total $M
2016			
Existing resident obligations	**2,202**	**212**	**2,414**
Former resident obligations	**3**	**10**	**13**
Total resident obligations	**2,205**	**222**	**2,427**
2015			
Existing resident obligations	1,989	209	2,198
Former resident obligations	3	10	13
Total resident obligations	1,992	219	2,211

Fair value measurement, valuation techniques and inputs

The fair value of the resident obligations is the amount payable on demand to residents and comprises the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less DMF earned to date. Changes in fair value of resident obligations are recognised in profit or loss.

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

(C1c) Retirement Living (continued)

Valuation process

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

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

Sensitivity information

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

		Increase/(Decrease) in resident obligations			
		Increase in input		Decrease in input	
Significant input	Change in assumption	2016 $M	2015 $M	2016 $M	2015 $M
Current market value	10%	**150**	124	**(150)**	(124)

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

(C2) Financial assets and liabilities

KEEPING IT SIMPLE …

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

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

(C2a) Trade and other receivables

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

	Stockland		Trust	
As at 30 June	2016 $M	2015 $M	2016 $M	2015 $M
Current				
Trade receivables	**54**	40	**2**	10
Provision for impairment	**(2)**	(1)	**(1)**	–
Net trade receivables	**52**	39	**1**	10
Other receivables	**82**	64	**17**	23
Total current trade and other receivables	**134**	103	**18**	33
Non-current				
Straight-lining of rental income	**62**	54	**65**	57
Other receivables	**38**	38	**–**	–
Receivables due from related companies	**–**	–	**3,445**	3,378
Total non-current trade and other receivables	**100**	92	**3,510**	3,435

(C2b) Trade and other payables

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

		Stockland		Trust	
As at 30 June	Section	2016 $M	2015 $M	2016 $M	2015 $M
Current					
Trade payables and accruals		**273**	243	**129**	98
Land purchases		**48**	37	**–**	–
Distributions payable	(D8)	**295**	283	**295**	283
GST payable/(receivable)		**27**	32	**(2)**	(2)
Total current trade and other payables		**643**	595	**422**	379
Non-current					
Land purchases		**–**	33	**–**	–
Total non-current trade and other payables		**–**	33	**–**	–

(C3) Other non-financial assets and liabilities

(C3a) Intangible assets

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

Stockland

	Goodwill $M	Software $M	Total $M
Cost			
Balance as at 1 July 2014	117	58	175
Additions	–	22	22
Balance as at 30 June 2015	117	80	197
Additions	**–**	**33**	**33**
Balance as at 30 June 2016	**117**	**113**	**230**
Amortisation and impairment losses			
Balance as at 1 July 2014	(23)	(27)	(50)
Amortisation	–	(6)	(6)
Impairment of intangibles	(18)	(25)	(43)
Balance as at 30 June 2015	(41)	(58)	(99)
Amortisation	**–**	**(9)**	**(9)**
Balance as at 30 June 2016	**(41)**	**(67)**	**(108)**
Carrying amounts			
As at 30 June 2015	76	22	98
As at 30 June 2016	**76**	**46**	**122**

(C3a) Intangible assets (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Stockland's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Goodwill arose on the acquisition of the Retirement Living division of Australian Retirement Communities on 28 February 2007, the acquisition of the Rylands Retirement Living business on 17 July 2008 and the acquisition of Aevum Limited on 31 October 2010.

Impairment Test

An impairment test was performed with no impairment recognised in the current year (2015: $18 million).

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

In FY15, an impairment arose as a result of cash flows related to the development pipeline and deferred repayment contracts. Changes to the mix and timing of development projects in the pipeline as well as changes in assumptions in the calculation of the net present value of the future cash flows for the development pipeline and deferred repayment contracts were the primary reasons for the impairment.

Deferred Repayment ('DR') Contracts

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

The cash flows are discounted over their forecast maturity at 12.9% (2015: 13.0%) and cash flows beyond the five year period have been determined by applying a growth rate of 3.7% p.a. (2015: 3.8% p.a.). The growth rate applied does not exceed the long-term average rate for the Australian retirement living property market.

Development Pipeline

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

Future cash flows are discounted at 15.0% (2015: 15.0%). Cash flows beyond the five year period have been determined by applying a growth rate of 3.7% p.a. (2015: 3.8% p.a.). The growth rate applied does not exceed the long-term average rate for the Australian Retirement Living property market.

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

(C3a) Intangible assets (continued)

Software

Software is stated at cost less accumulated amortisation and impairment losses. Amounts incurred in design and testing of software are capitalised including employee costs and an appropriate part of relevant overheads where the software will generate probable future economic benefits.

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

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

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

Impairment Test

No impairment has been recognised in the current year.

In the prior year, a strategic review of the IT systems identified software that will be abandoned or phased out over the next three years. This review resulted in an impairment of $25 million which was fully allocated against software and classified as ‘impairment of intangibles’ within the profit or loss. The impairment test was based upon the value in use method using the future benefit derived from the internal use of software.

(C3b) Non-current assets held for sale

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

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

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Investment properties transferred from Commercial Property	**67**	–	**61**	–
Investment properties transferred from Retirement Living	**12**	–	**–**	–
SDOT Sub Trust No. 1	**–**	224	**–**	224
Eagle Street Pier Pty Limited	**18**	22	**–**	–
Total non-current assets held for sale	**97**	246	**61**	224

During the year, Stockland completed the sale of properties at Waterfront Place and Eagle Street Pier which were held by SDOT Sub Trust No. 1 and Eagle Street Pier Pty Limited, respectively. In the prior year, these properties were revalued to their sale value.

The final proceeds from the sale of the Eagle Street Pier property were distributed by the joint venture to Stockland and its joint venture partner in July 2016.

Refer to (E1) for further details.

(D) Capital structure and financing costs

IN THIS SECTION

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

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

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

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

(D1) Net financing costs

KEEPING IT SIMPLE …

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

Mark to market movements reflect the change in value of the Group’s derivative instruments between the later of inception or 1 July 2015 and 30 June 2016. The value at year end is not necessarily the same as the value at which they will be settled at maturity.

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

Interest income is recognised in profit or loss as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

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

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

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

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

Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

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

(D1) Net financing costs (continued)

Net financing costs can be analysed as follows:

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Interest income from related parties	**–**	–	**293**	297
Interest income from other parties	**8**	8	**1**	4
Net gain transferred from the foreign currency translation reserve	**–**	1	**–**	–
Finance income	**8**	9	**294**	301
Interest expense relating to interest-bearing financial liabilities	**197**	198	**197**	198
Interest paid or payable on other financial liabilities at amortised cost	**12**	12	**–**	–
Less interest capitalised to inventories	**(116)**	(122)	**–**	–
Less interest capitalised to investment properties	**(12)**	(15)	**(3)**	(8)
Interest expense	**81**	73	**194**	190
Net loss on fair value hedges	**15**	18	**15**	18
Net loss on derivatives	**156**	22	**156**	22
Total loss on debt and derivatives	**171**	40	**171**	40
Total finance expense	**252**	113	**365**	230

The interest expense relating to interest-bearing financial liabilities includes $96 million (2015: $105 million) related to interest on financial liabilities carried at amortised cost.

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

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Net loss on fair value hedges				
Loss/(Gain) on net change in fair value of derivatives	**(151)**	(178)	**(151)**	(178)
Loss/(Gain) on net change in fair value of interest-bearing liabilities	**166**	196	**166**	196
Net loss on fair value hedges	**15**	18	**15**	18
Net loss on derivatives				
Loss/(Gain) on foreign exchange movement	**25**	165	**25**	164
Loss/(Gain) on fair value movement	**131**	(143)	**131**	(142)
Net loss on derivatives	**156**	22	**156**	22

During the year financial instruments were closed out by the Group. The following table shows the cash and profit or loss impact of closing out these instruments:

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Cash costs of closing out financial instruments	**(119)**	(41)	**(119)**	(39)
Cumulative fair value loss previously recognised	**112**	38	**112**	36
Loss realised during the year	**(7)**	(3)	**(7)**	(3)

(D2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand form an integral part of Stockland's cash management and are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement. As at 30 June 2016 Stockland does not have any bank overdrafts.

Included in the cash and cash equivalents balance is $75 million (2015: $58 million) in cash that is held to satisfy real estate and financial services licensing requirements and is not immediately available for use by the Group.

(D3) Interest-bearing loans and borrowings

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

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

Stockland and Trust

Interest-bearing loans and borrowings are carried at amortised cost. The table below shows fair value of each of these instruments, which is the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

		Carrying value			
	Section	Current $M	Non-Current $M	Total $M	Fair value $M
2016					
Foreign medium term notes	(D3a)	**331**	**2,644**	**2,975**	**3,257**
Domestic medium term notes	(D3b)	**150**	**555**	**705**	**764**
Bank facilities	(D3c)	**–**	**120**	**120**	**120**
Total		**481**	**3,319**	**3,800**	**4,141**
2015					
Foreign medium term notes	(D3a)	286	2,259	2,545	2,740
Domestic medium term notes	(D3b)	–	458	458	510
Bank facilities	(D3c)	–	280	280	280
Total		286	2,997	3,283	3,530

The difference of $341 million (2015: $247 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to notes being carried at amortised cost under AASB 139 *Financial Instruments: Recognition and Measurement*, while the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

(D3a) Foreign medium term notes

Stockland and Trust

US private placement

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

In the prior year, Stockland secured USD 275 million (AUD 359 million) in funding which was delivered in the current period.

In December 2015, the Trust secured new 10 year notes with a face value of AUD 100 million in the US private placement market. The placement was issued as a single tranche denominated in AUD with fixed coupons.

During the year, the Trust repaid USD 115 million (AUD 164 million) of its notes that were issued in the US private placement market and matured in July 2015 and October 2015.

Subsequent to year-end, Trust secured new US private placement debt equivalent to $398 million which comprises of four tranches denominated in either US or Australian dollars. The debt will be settled in August 2016 with terms of between 10 and 15 years.

(D3a) Foreign medium term notes (continued)

The fair value of the US private placements as at 30 June 2016 is $2,482 million (2015: $1,977 million). Details of the foreign medium term notes on issue in the US private placement market are set out below.

			Face value[1]		Carrying amount	
Maturity date	Fixed rate coupon	Floating CCIRS[2]	2016 $M	2015 $M	2016 $M	2015 $M
July 2015	4.99%	0.78% - 0.77%	**–**	64	**–**	65
October 2015	5.72%	0.70% - 0.60%	**–**	99	**–**	86
July 2016	5.04%	0.79% - 0.78%	**62**	62	**65**	63
October 2016	5.87%	0.76%	**27**	27	**25**	25
June 2017	5.93%	0.48% - 0.76%	**188**	188	**242**	239
October 2017	5.96%	0.76%	**61**	61	**57**	57
June 2018	5.98%	0.25%	**250**	250	**223**	217
October 2018	6.01%	0.73% - 0.65%	**269**	269	**260**	257
July 2019	5.19%	0.85% - 0.83%	**71**	71	**75**	73
July 2020	5.24%	0.87% - 0.86%	**90**	90	**96**	94
September 2021	4.32%	2.44% - 2.48%	**176**	176	**266**	246
June 2022	6.15%	1.00%	**28**	28	**41**	40
August 2022	3.99% / 6.80%	2.93% - 3.08%	**105**	105	**109**	104
August 2024	4.14%	2.99%	**50**	50	**53**	47
August 2025	3.75%	1.62%	**156**	–[3]	**181**	2
December 2025	5.09%	–	**100**	–	**100**	–
June 2027	6.28%	0.87%	**20**	20	**32**	32
August 2027	3.85%	1.63%	**131**	–[3]	**153**	2
February 2029	4.67%	1.52%	**141**	141	**209**	180
August 2030	4.00%	1.69%	**72**	–[3]	**87**	2
Total			**1,997**	1,701	**2,274**	1,831
Less: attributable transaction costs					**(2)**	(2)
Total balance sheet carrying amount					**2,272**	1,829

1 Face value of the notes in Australian dollars after the effect of the CCIRS.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2016 was 1.96% (2015: 2.15%)
3 New US private placement notes were transacted in June 2015 and settled in August 2015. The carrying amount at 30 June 2015 represents the fair value movement in the notes from trade date to balance date.

Asian and European private placement

The Trust has issued medium term notes into the Asian and European private placement markets with face values of JPY 13,000 million ($151 million), HKD 470 million ($62 million), HKD 400 million ($55 million) and EUR 300 million ($433 million).

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

On 24 August 2015, notes outstanding in the Asian private placement market with a face value of JPY 13,000 million ($151 million) were redeemed ahead of the 2035 maturity date, as part of the Group's ongoing capital management program.

On 21 January 2016, the Trust issued medium term notes with a face value of HKD 540 million ($100 million). All the notes were converted back to AUD principal and AUD fixed coupons through CCIRS.

The fair value of the notes as at 30 June 2016 is $775 million (2015: $763 million). Details of the foreign medium term notes on issue in the Asian and European private placement market are set out below:

(D3a) Foreign medium term notes (continued)

		CCIRS		Face value[1]		Carrying amount	
Maturity date	Fixed rate coupon	Type	Rate[2]	2016 $M	2015 $M	2016 $M	2015 $M
August 2015[3]	3.99%	Floating	0.80%	**–**	151	**–**	135
November 2021	1.50%	Floating	1.48%	**433**	433	**453**	435
May 2025	3.37%	Floating	1.63%	**62**	62	**85**	77
October 2025	4.00%	Floating	1.63%	**55**	55	**80**	73
January 2026	3.38%	Fixed	4.90%	**100**	–	**88**	–
Total				**650**	701	**706**	720
Less: attributable transaction costs						**(3)**	(4)
Total balance sheet carrying amount						**703**	716

1 Face value of the notes in Australian dollars after the effect of the CCIRS.
2 Variable interest rate margin above the 90 day bank bill rate. The 90 day bank bill rate as at 30 June 2016 was 1.96% (2015: 2.15%).
3 Prior to Stockland's election to early redeem these notes on August 2015, the maturity was August 2035.

(D3b) Domestic medium term notes

Stockland and Trust

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

On 13 November 2015, the Trust issued fixed coupon notes at face value of $250 million.

The fair value of the notes as at 30 June 2016 is $764 million (2015: $510 million). Details of unsecured domestic medium term notes on issue are set out below:

Maturity date	Fixed rate coupon	2016 $M	2015 $M
July 2016	7.50%	**150**	150
September 2019	5.50%	**150**	150
November 2020	8.25%	**160**	160
November 2022	4.50%	**250**	–
Total		**710**	460
Less: attributable transaction costs		**(5)**	(2)
Total balance sheet carrying amount at amortised cost		**705**	458

(D3c) Bank facilities

Stockland and Trust

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

	2016		2015	
Maturity date	Utilised $M	Facility Limit $M	Utilised $M	Facility Limit $M
July 2017	**–**	**100**	–	100
August 2018	**–**	**120**	–	120
December 2017	**–**	**200**	–	200
January 2019	**–**	**250**	30	250
February 2020	**20**	**150**	150	150
November 2020	**100**	**100**	100	100
	120	**920**	280	920

(D4) Other financial assets and liabilities

KEEPING IT SIMPLE …

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

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

Investments in other entities

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

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

These investments are included in 'Non-current assets – Other financial assets' unless the Group intends to dispose of the investment within 12 months of balance date in which case the investment is classified as 'Current assets – Other financial assets'.

An investment is derecognised when the Group has transferred the contractual rights to receive cash flows from the investment and substantially all the risks and rewards of ownership of the investment to a third party. If an investment does not qualify for derecognition, the investment will continue to be recognised and a liability recognised for the consideration received. If the investment will qualify for derecognition within 12 months of balance date, the liability is recorded as 'Current liabilities – Other liabilities'.

Investment in BGP Holdings, Plc ('BGP')

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

BGP is not a listed company and as such there is limited financial information provided to investors.

In the prior year, Stockland recognised a fair value of $19 million ($13 million after tax) through other comprehensive income based on the information available at the time.

The 31 December 2015 financial statements of BGP indicate the company had net assets of €588 million (A$878 million). Applying Stockland's percentage ownership of 12.4%, this equates to a prima facie value of A$109 million.

Following an assessment of available information as at 30 June 2016, including financial information and announcements published by BGP, a fair value of $28 million has been applied to the investment with the movement since 30 June 2015 of $9 million ($7 million after tax) recognised in the fair value reserve.

Valuation process

The fair value of the investment has been determined by the Directors using a DCF methodology. Internal valuations are completed every six months using DCF methods with reference to publicly available information on BGP as well as external market data. The aim of the valuation process is to ensure the investment is held at fair value on Stockland's balance sheet.

Inputs

The investment in BGP is considered to be a level 3 in the Fair Value Hierarchy (the Fair Value Hierarchy is explained in (D5)). The inputs used by Stockland in estimating the fair value of BGP are based on assumptions. These assumptions, particularly cash flow projections, are based on public information, largely limited to public financial statements. These financial statements do not specifically provide projections of forward cash flows and as a result these have been estimated by Stockland using point in time values set out in those statements. These inputs should be read in that context.

(D4) Other financial assets and liabilities (continued)

The following inputs are used to measure the fair value of Stockland's investment in BGP:

	Unobservable inputs	
Inputs	**30 June 2016**	**30 June 2015**
Discount rate	30%	30%
DCF period	5 years	5 years

These unobservable inputs are further explained below:

Item	Description
DCF method	Under the DCF method, an asset or liability's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life. The DCF method involves the assumption of a series of cash flows based on the valuations of BGP's assets contained within BGP's financial statements. To this projected cash flow series, an appropriate, market-derived discount rate is assumed to estimate the present value of the income stream associated with the asset.
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. In the case of BGP, this includes having regard to public statements by BGP on the progress of its asset disposal process as well as an assessment of the current European economic climate and the impact that might have on asset values. BGP is a highly illiquid asset and the assumed cash flows are highly uncertain, therefore a discount rate of 30% has been used as the unobservable input.
DCF period	This represents an assumption of the number of years it will take in order for the shareholders to receive a distribution following the sale of assets or Initial Public Offering (IPO). Notwithstanding BGP's stated intention to divest its investment asset portfolio there is a risk any such disposal process will be prolonged given the current environment in Europe. Sensitivities around unobservable inputs are set out below.

Sensitivity information

When assessing the valuation of the BGP investment, a change in the assumed discount rate or DCF period, would impact the valuation. In theory, a decrease in the discount rate and/or DCF period would increase the fair value of the investment, and an increase in the discount rate and/or DCF period would decrease the fair value. Sensitivity of the investment fair value (pre-tax) to changes in the weighted assumptions is shown in the table below.

		Increase / (Decrease) in Fair Value			
		Increase in input		Decrease in input	
Significant input	**Change in assumption**	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Discount rate	10%	**(9)**	(6)	**14**	9
DCF period	2 years	**(9)**	(8)	**18**	19

Investments made by Stockland CARE Foundation ('CARE Foundation')

The CARE Foundation is a charitable trust set up by Stockland. Under accounting standards, the CARE Foundation is considered a subsidiary that forms part of Stockland's consolidated group. Included in other financial assets is $8 million (2015: nil) of donations which the CARE Foundation has invested to fund its ongoing charitable projects.

Investment in Australand Property Group ('Australand')

In the prior year, Stockland disposed of its interest in Australand, which comprised a 15.7% direct holding in securities of Australand and 4.2% indirect interest via a cash settled equity swap agreement. On disposal, Stockland realised a net gain on sale after transaction costs and before tax of $73 million. As this investment was carried at fair value at 30 June 2014, $51 million (net of tax) of realised fair value gains were transferred from other comprehensive income to the profit or loss upon disposal of the investment.

Derivative financial instruments

Stockland holds a number of derivative instruments including interest rate swaps, foreign exchange contracts and CCIRS.

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date.

(D4) Other financial assets and liabilities (continued)

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

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

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

The gain or loss on re-measurement to fair value is recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, refer below.

Stockland enters into ISDA Master Agreements with its derivative counterparties. Under the terms of these arrangements, where certain credit events occur, the net position owing/receivable to a single counterparty in relation to all outstanding derivatives with that counterparty, will be taken as owing/receivable and all the relevant arrangements terminated. As Stockland does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet. In the event a credit event occurred, the ISDA Master Agreement would allow reduction to derivative assets and derivative liabilities of the same amount of $205 million (2015: $123 million).

Derivatives that qualify for hedge accounting

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

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

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

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

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

(D4) Other financial assets and liabilities (continued)

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

Stockland

	Other financial assets		Other financial liabilities	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Current				
Fair value hedges	**–**	–	**(3)**	(14)
CCIRS – through profit or loss	**72**	2	**(9)**	(13)
Interest rate derivatives – through profit or loss	**7**	–	**(7)**	(6)
Total current other financial instruments	**79**	2	**(19)**	(33)
Non-current				
Investments in other entities				
Securities in unlisted entities	**36**	24	**–**	–
Other investments	**8**	–	**–**	–
Total non-current investments in other entities	**44**	24	**–**	–
Fair value hedges	**271**	133	**(18)**	(15)
Cash flow hedges	**53**	35	**(5)**	(4)
CCIRS – through profit or loss	**64**	116	**(7)**	(7)
Interest rate derivatives – through profit or loss	**36**	58	**(267)**	(258)
Total non-current other financial instruments	**468**	366	**(297)**	(284)

Trust

	Other financial assets		Other financial liabilities	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Current				
Fair value hedges	**–**	–	**(3)**	(14)
CCIRS – through profit or loss	**72**	2	**(9)**	(13)
Interest rate derivatives – through profit or loss	**7**	–	**(7)**	(6)
Total current other financial instruments	**79**	2	**(19)**	(33)
Non-current				
Investments in other entities				
Securities in unlisted entities	**8**	5	**–**	–
Total non-current investments in other entities	**8**	5	**–**	–
Fair value hedges	**271**	133	**(18)**	(15)
Cash flow hedges	**53**	35	**(5)**	(4)
CCIRS – through profit or loss	**64**	116	**(7)**	(7)
Interest rate derivatives – through profit or loss	**36**	58	**(267)**	(258)
Total non-current other financial instruments	**432**	347	**(297)**	(284)

(D5) Fair value hierarchy

KEEPING IT SIMPLE …

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

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

Determination of fair value

The fair value of derivative financial instruments, including domestic and foreign medium term notes, interest rate derivatives and CCIRS, is determined in accordance with generally accepted pricing models by discounting the expected future cash flows using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and debit or credit value adjustments based on Stockland or the derivative counterparties current credit worthiness.

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

The table below sets out the financial instruments included on the balance sheet at ‘fair value’.

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

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2016				
Financial assets carried at fair value				
Derivative assets	**–**	**503**	**–**	**503**
Securities in unlisted entities	**–**	**–**	**36**	**36**
Other investments	**8**	**–**	**–**	**8**
Total financial assets carried at fair value	**8**	**503**	**36**	**547**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(316)**	**–**	**(316)**
Retirement Living resident obligations	**–**	**–**	**(2,427)**	**(2,427)**
Total financial liabilities carried at fair value	**–**	**(316)**	**(2,427)**	**(2,743)**
Net position	**8**	**187**	**(2,391)**	**(2,196)**
2015				
Financial assets carried at fair value				
Securities in unlisted entities	–	–	24	24
Derivative assets	–	344	–	344
Total financial assets carried at fair value	–	344	24	368
Financial liabilities carried at fair value				
Derivative liabilities	–	(304)	(13)	(317)
Retirement Living resident obligations	–	–	(2,211)	(2,211)
Total financial liabilities carried at fair value	–	(304)	(2,224)	(2,528)
Net position	–	40	(2,200)	(2,160)

(D5) Fair value hierarchy (continued)

Trust

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2016				
Financial assets carried at fair value				
Derivative assets	**–**	**503**	**–**	**503**
Securities in unlisted entities	**–**	**–**	**8**	**8**
Total financial assets carried at fair value	**–**	**503**	**8**	**511**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(316)**	**–**	**(316)**
Total financial liabilities carried at fair value	**–**	**(316)**	**–**	**(316)**
Net position	**–**	**187**	**8**	**195**
2015				
Financial assets carried at fair value				
Derivative assets	–	344	–	344
Securities in unlisted entities	–	–	5	5
Total financial assets carried at fair value	–	344	5	349
Financial liabilities carried at fair value				
Derivative liabilities	–	(304)	(13)	(317)
Total financial liabilities carried at fair value	–	(304)	(13)	(317)
Net position	–	40	(8)	32

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

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

Stockland

	Units in unlisted entities $M	Derivatives $M	Aged care bonds $M	Retirement Living resident obligations $M	Total $M
Balance at 1 July 2014	6	(11)	(53)	(1,865)	(1,923)
Total gains and losses recognised in:					
• profit or loss	–	(2)	–	(25)	(27)
• other comprehensive income	19	–	–	–	19
Net cash settled on resident turnover	–	–	–	(146)	(146)
Purchased	–	–	–	(175)	(175)
Disposal of aged care bonds	–	–	53	–	53
Capital distributions	(1)	–	–	–	(1)
Balance at 30 June 2015	24	(13)	–	(2,211)	(2,200)
Total gains and losses recognised in:					
• profit or loss	**3**	**–**	**–**	**(3)**	**–**
• other comprehensive income	**9**	**–**	**–**	**–**	**9**
Net cash settled on resident turnover	**–**	**–**	**–**	**(213)**	**(213)**
Capital distributions	**–**	**–**	**–**	**–**	**–**
Disposed / Settled	**–**	**13**	**–**	**–**	**13**
Balance at 30 June 2016	**36**	**–**	**–**	**(2,427)**	**(2,391)**

(D5) Fair value hierarchy (continued)

Trust

	Units in unlisted entities $M	Derivatives $M	Total $M
Balance at 1 July 2014	6	(11)	(5)
Total gains and losses recognised in:			
• profit or loss	–	(2)	(2)
Capital distributions	(1)	–	(1)
Balance at 30 June 2015	5	(13)	(8)
Total gains and losses recognised in:			
• profit or loss	**3**	**–**	**3**
Capital distributions	**–**	**–**	**–**
Disposed / Settled	**–**	**13**	**13**
Balance at 30 June 2016	**8**	**–**	**8**

(D6) Financial risk factors

KEEPING IT SIMPLE …

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

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

Financial risk and capital management is carried out by a central treasury department. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rates, liquidity, foreign exchange and credit risks, use of derivative financial instruments and investing excess liquidity. The Audit Committee assists the Board in monitoring the implementation of these treasury policies.

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

(D6a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Stockland's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Foreign exchange risk

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

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

The Group's foreign medium term notes create both an interest rate and a foreign currency risk exposure. The Group's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, the Group has entered into a series of CCIRS which cover 100% of the US, UK, European and Asian private placement principals outstanding and are timed to expire when each private placement loan matures. These swaps also swap the obligation to pay fixed interest to floating interest. When swaps held are no longer effective in hedging the interest rate and foreign currency risk exposure, management will reassess the value in continuing to hold the swap.

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

(D6a) Market risk (continued)

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

	Stockland				Trust			
	Euro €M	HKD $M	USD $M	Yen ¥M	Euro €M	HKD $M	USD $M	Yen ¥M
2016								
Borrowings	**(300)**	**(1,410)**	**(1,469)**	**–**	**(300)**	**(1,410)**	**(1,469)**	**–**
Other net assets	**23**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
CCIRS	**300**	**1,410**	**1,469**	**–**	**300**	**1,410**	**1,469**	**–**
Foreign exchange contracts	**(3)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total exposure	**20**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2015								
Borrowings	(300)	(870)	(1,426)	(13,000)	(300)	(870)	(1,426)	(13,000)
Other net assets	17	–	–	–	–	–	–	–
CCIRS	300	870	1,426	13,000	300	870	1,426	13,000
Foreign exchange contracts	(3)	–	–	–	–	–	–	–
Total exposure	14	–	–	–	–	–	–	–

Sensitivity analysis – foreign exchange risk

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

Stockland

	Profit or loss		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
2016				
EUR	**(3)**	**4**	**(47)**	**47**
HKD	**–**	**–**	**(10)**	**13**
USD	**(7)**	**8**	**(21)**	**26**
YEN	**–**	**–**	**–**	**–**
Total impact	**(10)**	**12**	**(78)**	**86**
2015				
EUR	(2)	2	(46)	45
HKD	–	–	(1)	2
USD	(8)	10	(21)	26
YEN	–	–	–	–
Total impact	(10)	12	(68)	73

(D6a) Market risk (continued)

Trust

	Profit or loss		Equity	
	Increase $M	Decrease $M	Increase $M	Decrease $M
2016				
EUR	**–**	**–**	**(47)**	**47**
HKD	**–**	**–**	**(10)**	**13**
USD	**(7)**	**8**	**(21)**	**26**
YEN	**–**	**–**	**–**	**–**
Total impact	**(7)**	**8**	**(78)**	**86**
2015				
EUR	–	–	(46)	45
HKD	–	–	(1)	2
USD	(8)	10	(21)	26
YEN	–	–	–	–
Total impact	(8)	10	(68)	73

Interest rate risk

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

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

These derivatives have been recorded on the balance sheet at their fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. These derivatives have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. As a result movements in the fair value of these instruments are recognised in profit or loss.

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

Stockland and Trust

	Net exposure (after the effect of derivatives)	
As at 30 June	**2016 $M**	**2015 $M**
Fixed rate interest-bearing loans and borrowings[1]	**3,331**	2,255
Floating rate interest-bearing loans and borrowings[1]	**146**	887
Total interest-bearing loans and borrowings	**3,477**	3,142

1 Notional principal amounts

(D6a) Market risk (continued)

Sensitivity analysis – interest rate risk

The following sensitivity analysis shows the impact on profit or loss and equity if market interest rates at balance date had been 100 basis points higher/lower (2015: 100 basis points) with all other variables held constant.

Stockland

	2016		2015	
As at 30 June	**100bp higher $M**	**100bp lower $M**	**100bp higher $M**	**100bp lower $M**
Impact on profit or loss				
Impact on interest income/expense	**2**	**(2)**	2	(2)
Impact on net gain/loss on derivatives – through profit or loss	**153**	**(160)**	130	(142)
Total impact on profit or loss	**155**	**(162)**	132	(144)
Impact on equity				
Total impact on equity	**39**	**(42)**	42	(49)

Trust

	2016		2015	
As at 30 June	**100bp higher $M**	**100bp lower $M**	**100bp higher $M**	**100bp lower $M**
Impact on profit or loss				
Impact on interest income/expense	**35**	**(35)**	**35**	**(35)**
Impact on net gain/loss on derivatives – through profit or loss	**153**	**(160)**	**130**	**(142)**
Total impact on profit or loss	**188**	**(195)**	**165**	**(177)**
Impact on equity				
Total impact on equity	**39**	**(42)**	**42**	**(49)**

Equity price risk

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

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

Sensitivity analysis - equity price risk

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

	2016		2015	
As at 30 June	**10% higher $M**	**10% lower $M**	**10% higher $M**	**10% lower $M**
Stockland				
Total impact on profit or loss	**2**	**(2)**	–	–
Total impact on equity	**–**	**–**	–	–
Trust				
Total impact on profit or loss	**–**	**–**	–	–
Total impact on equity	**–**	**–**	–	–

(D6b) Credit risk

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

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

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

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

As at 30 June 2016, these financial institutions had an S&P credit rating of BBB stable or above (2015: A- or above).

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

As at 30 June 2016 and 30 June 2015, there were no significant financial assets that were past due.

(D6c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and/or committed credit lines available whilst maintaining a low cost of holding these facilities. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

The Group manages liquidity risk through monitoring the maturity of its debt portfolio. The Group also manages liquidity risk by maintaining a liquidity buffer of cash and undrawn credit facilities. The current weighted average debt maturity is 5.3 years (2015: 4.6 years).

KEEPING IT SIMPLE …

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

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

(D6c) Liquidity risk (continued)

Stockland

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
2016						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	**(321)**	**(323)**	**(323)**	**–**	**–**	**–**
Dividends and distributions payable	**(295)**	**(295)**	**(295)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,800)**	**(4,443)**	**(644)**	**(416)**	**(1,135)**	**(2,248)**
Retirement Living resident obligations	**(2,427)**	**(2,428)**	**(2,205)**	**(3)**	**(8)**	**(212)**
Derivative financial liabilities						
Interest rate derivatives	**(274)**	**(302)**	**(71)**	**(67)**	**(118)**	**(46)**
CCIRS	**(42)**					
• Inflow		**730**	**59**	**307**	**254**	**110**
• Outflow		**(797)**	**(58)**	**(328)**	**(287)**	**(124)**
Total financial liabilities	**(7,159)**	**(7,858)**	**(3,537)**	**(507)**	**(1,294)**	**(2,520)**
2015						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	(313)	(316)	(280)	(36)	–	–
Dividends and distributions payable	(283)	(283)	(283)	–	–	–
Interest-bearing loans and borrowings	(3,283)	(4,497)	(449)	(622)	(1,306)	(2,120)
Retirement Living resident obligations	(2,211)	(2,212)	(1,992)	(1)	(11)	(208)
Derivative financial liabilities						
Interest rate derivatives	(264)	(293)	(80)	(71)	(110)	(32)
CCIRS	(53)					
• Inflow		1,363	266	68	571	458
• Outflow		(1,489)	(278)	(58)	(651)	(502)
Total financial liabilities	(6,407)	(7,727)	(3,096)	(720)	(1,507)	(2,404)

In most cases settlement of Retirement Living resident obligations occurs simultaneously with receipt of the incoming resident's contribution. Of the total Retirement Living resident obligations, $2,414 million (2015: $2,198 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents. Refer to section (C1c) for further details on Retirement Living resident obligations.

(D6c) Liquidity risk (continued)

Trust

	Carrying amount $M	Contractual cash flows $M	1 year or less $M	1 – 2 years $M	2 – 5 years $M	Over 5 years $M
2016						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	**(129)**	**(129)**	**(129)**	**–**	**–**	**–**
Distributions payable	**(295)**	**(295)**	**(295)**	**–**	**–**	**–**
Interest-bearing loans and borrowings	**(3,800)**	**(4,443)**	**(644)**	**(416)**	**(1,135)**	**(2,248)**
Derivative financial liabilities						
Interest rate derivatives	**(274)**	**(302)**	**(71)**	**(67)**	**(118)**	**(46)**
CCIRS	**(42)**					
• Inflow		**730**	**59**	**307**	**254**	**110**
• Outflow		**(797)**	**(58)**	**(328)**	**(287)**	**(124)**
Total financial liabilities	**(4,540)**	**(5,236)**	**(1,138)**	**(504)**	**(1,286)**	**(2,308)**
2015						
Non-derivative financial liabilities						
Trade and other payables (excl. GST)	(98)	(98)	(98)	–	–	–
Distributions payable	(283)	(283)	(283)	–	–	–
Interest-bearing loans and borrowings	(3,283)	(4,497)	(449)	(622)	(1,306)	(2,120)
Derivative financial liabilities						
Interest rate derivatives	(264)	(293)	(80)	(71)	(110)	(32)
CCIRS	(53)					
• Inflow		1,363	266	68	571	458
• Outflow		(1,489)	(278)	(58)	(651)	(502)
Total financial liabilities	(3,981)	(5,297)	(922)	(683)	(1,496)	(2,196)

(D7) Issued capital

KEEPING IT SIMPLE …

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

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

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

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to the amount, if any, remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination of the stapling arrangement (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

(D7) Issued capital (continued)

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

Details	Stockland and Trust Number of securities 2016	Stockland and Trust Number of securities 2015	Stockland 2016 $M	Stockland 2015 $M	Trust 2016 $M	Trust 2015 $M
Ordinary securities on issue						
Issued and fully paid	**2,392,042,302**	2,361,717,862	**8,696**	8,571	**7,389**	7,266
Other equity securities						
Treasury Shares	**(3,878,867)**	(2,621,149)	**(15)**	(11)	**(15)**	(11)
Total Issued Capital	**2,388,163,435**	2,359,096,713	**8,681**	8,560	**7,374**	7,255

(D7a) Ordinary securities

The following table provides details of movements in securities issued:

Details	Stockland and Trust Number of securities	Stockland $M	Trust $M
Movement of securities issued			
Balance as at 1 July 2014	2,326,978,560	8,430	7,126
Securities issued under the DRP	34,739,302	141	140
Balance as at 30 June 2015	**2,361,717,862**	**8,571**	**7,266**
Securities issued under the DRP	**30,324,440**	**125**	**123**
Balance as at 30 June 2016	**2,392,042,302**	**8,696**	**7,389**

DRP

In the current year, Stockland issued 30,324,440 securities (2015: 34,739,302) under the DRP. The DRP security price for each period was determined by the average of the daily volume weighted averages over a 15-day trading period and applying a 1.0% discount.

On 20 June 2016, Stockland announced that the DRP would operate for the final distribution to 30 June 2016 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.85 being the average for 15 daily volume weighted average prices of Stockland securities for the 15 trading days from 5 July 2016 to 25 July 2016 inclusive, with a discount of 1.0% on the securities acquired under the DRP.

(D7b) Other equity securities

Treasury Shares

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

Movement of other equity securities

Details	Stockland and Trust Number of securities	Stockland $M	Trust $M
Opening balance as at 1 July 2015	**2,621,149**	**(11)**	**(11)**
Securities acquired	**2,030,936**	**(9)**	**(9)**
Securities transferred to employees on vesting	**(773,218)**	**5**	**5**
Balance as at 30 June 2016	**3,878,867**	**(15)**	**(15)**

Securities acquired

During the year, 2,030,936 securities (2015: 870,187) were acquired on market for the purpose of issuing securities under the Share Plans.

Securities transferred to employees on vesting

During the year, 773,218 securities (2015: 953,912) vested and were transferred to employees under the Share Plans.

At 30 June 2016, the Stockland Employee Securities Plan Trust is holding 3,878,867 securities, including 998,589 securities which have already vested and which employees are entitled to transfer out of the plan.

(D7c) Share based payments

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

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

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

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

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

	Weighted average price per right/security		Number of rights/securities	
Details	**2016**	**2015**	**2016**	**2015**
Rights/Securities outstanding at the beginning of the year	**$2.29**	$2.19	**10,990,123**	9,981,793
Rights/Securities granted during the year	**$2.76**	$2.50	**5,996,393**	6,446,993
Rights/Securities forfeited and lapsed during the year	**$1.75**	$1.82	**(2,240,203)**	(4,097,446)
Rights converted to vested Stockland stapled securities	**$3.19**	$3.84	**(2,962,814)**	(1,341,217)
Rights/Securities outstanding at the end of the year	**$2.40**	$2.29	**11,783,499**	10,990,123

LTI

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

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

Where amendments are made to the terms and conditions subsequent to the grant, the value of the grant immediately prior to and following the modification is determined. This occurs upon resignation or termination where the amendment relates to rights becoming vested in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service conditions. In this situation, the value that would have been recognised in future periods in respect of the rights not forfeited is recognised in the period that the rights vest.

The number of rights granted to employees under the plan for the year ended 30 June 2016 was 3,986,221 (2015: 4,335,343).

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

Details	2016	2015
Grant date	**31 August 2015**	29 August 2014
Fair value of rights granted under plan	**$2.66**	$2.47
Spot price of the Stapled Securities at grant date	**$3.91**	$4.25
Exercise price	–	–
Distribution yield	**6.3%**	6.5%
Risk-free rate at grant date	**2.0%**	2.7%
Expected remaining life at grant date	**2.8 years**	2.8 years
Volatility of Stockland	**20.0%**	20.0%
Volatility of Index price	**15.0%**	15.0%

The LTI rights of 8,924,633 (2015: 8,158,801) are outstanding as at 30 June 2016, which have fair values ranging from $1.45 to $2.08 (2015: $1.45 to $2.08) per right and a weighted average restricted period remaining of 1.5 years (2015: 1.5 years).

During the year, 1,060,733 rights vested and will convert to securities (2015: Nil) with a weighted average fair value of $1.59 (2015: $Nil).

DSTI

The fair value of securities granted under the DSTI has been calculated based on the 10 day volume weighted average price post 30 June 2016 of $4.84 (2015: $4.16).

The DSTI outstanding as at 30 June 2016, included in the table above, are 2,858,866 (2015: 2,831,322).
The DSTI outstanding have fair values ranging from $3.94 to $4.84 (2015: $3.55 to $4.16) per security.

$1,000 Plan

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

(D8) Dividends and distributions

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

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

Stockland Corporation Limited

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

The dividend franking account balance as at 30 June 2016 is $13 million based on a 30% tax rate (2015: $13 million).

Stockland Trust

	Cents per security	Total amount $M	Date of payment	Tax preferred %
2016				
Interim distribution	**12.2**	**290**	**29 February 2016**	**24.3**
Final distribution	**12.3**	**295**	**31 August 2016**	**24.3**
Total distribution	**24.5**	**585**		
2015				
Interim distribution	12.0	282	27 February 2015	13.3
Final distribution	12.0	283	31 August 2015	13.3
Total distribution	24.0	565		

(E) Group structure

IN THIS SECTION

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

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

In this section of the notes there is information about:

(1) Interests in joint operations;

(2) Transactions with non-controlling interests; and

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

(E1) Equity-accounted investments

Stockland and the Trust have interests in a number of individually immaterial joint ventures that are accounted for using the equity method. The Group did not have investments in associates at 30 June 2016 or 30 June 2015.

(E1a) Investments in joint ventures

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

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

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

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

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

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Aggregate carrying amount of individually immaterial joint venture entities	**524**	518	**505**	506
Aggregate share of:				
Profit from continuing operations	**90**	88	**90**	86
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**90**	88	**90**	86

(E1a) Investments in joint ventures (continued)

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

Year ended 30 June	Stockland 2016 %	Stockland 2015 %	Trust 2016 %	Trust 2015 %
Investment in joint ventures:				
Brisbane Casino Towers	**50**	–	**–**	–
Compam Property Management Pty Limited	**50**	50	**50**	50
Eagle Street Pier Pty Limited	**50**	50	**–**	–
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
SDOT Sub Trust No. 1	**–**	50	**–**	50
Stockland Ormeau Trust	**100**	50	**–**	–
Sugarland Shopping Centre Trust	**100**	50	**100**	50
The King Trust	**50**	50	**50**	50
Willeri Drive Trust	**50**	50	**50**	50

Changes to Joint Ventures

Brisbane Casino Towers

On 26 October 2015, Stockland entered into a joint arrangement with an unrelated party to develop apartments in the Brisbane area. As part of the arrangement, Stockland has equal voting rights and decision making powers.

Stockland's investment ranks behind any external debt but ahead of the joint venture partner's investment. Any undistributed profits from the project will be distributed equally after each party has been repaid its initial investment.

Eagle Street Pier Pty Limited and SDOT Sub Trust No. 1

Through joint venture entities, Stockland held an indirect interest in properties located at Waterfront Place and Eagle Street Pier in Brisbane. On 19 June 2015, these joint venture entities entered into an agreement to sell the properties to an unrelated party and the sale was settled during the current period.

At 30 June 2015, the joint venture entities were reclassified as assets held for sale at which point the investments were no longer equity-accounted. During the current period, $3 million of net profits was distributed by SDOT Sub Trust No. 1 to Stockland. As equity accounting is no longer applied, these amounts have been recognised within profit or loss as dividend and distribution income.

As at 30 June 2016, SDOT Sub Trust No. 1 has been wound up.

Refer to (C3b) for further details.

Stockland Ormeau Trust

On 22 December 2015, Stockland acquired all units in Stockland Ormeau Trust held by its joint venture partner, SREEF No.1 which is also a related party. Refer to (E2a) and (F6).

The units were acquired for $16 million and increased Stockland's equity interest in Stockland Ormeau Trust from 50% to 100%. Upon acquisition of the additional units, Stockland Ormeau Trust ceased being a joint venture and became a wholly-owned subsidiary of Stockland. Accordingly, the information presented in the above table includes the results of Stockland Ormeau Trust for the period from 1 July 2015 to 22 December 2015.

Sugarland Shopping Centre Trust

On 10 October 2014, Stockland Trust acquired a 50% interest in Sugarland Shopping Centre Trust ('SSCT') from an unrelated party for $59 million. The SSCT owns Sugarland Shoppingtown in Bundaberg, Queensland, which was subsequently re-named Stockland Bundaberg.

At the time of acquiring the 50% interest in SSCT, Stockland Trust entered into a Put and Call option to acquire the remaining 50% interest. Based on an independent valuation at 31 December 2015, the value of the remaining 50% of the Stockland Bundaberg was estimated to be $69 million, resulting in a realised gain on the option of $7 million, before costs associated with the acquisition.

(E1a) Investments in joint ventures (continued)

On 4 April 2016, the counterparty exercised their put option resulting in Stockland acquiring the remaining 50% interest for $62 million.

Upon acquisition of the additional units, SSCT ceased being a joint venture and became a wholly-owned subsidiary of Stockland. Accordingly, the information presented in the above table includes the results of SSCT for the period from 1 July 2015 to 4 April 2016.

(E1b) Investments in associates

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

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

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

(E2) Other arrangements

(E2a) Investments in unconsolidated structured entities

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

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

SDRT No.1

As at 30 June 2016, Stockland held a 19.9% interest in SDRT No.1 (2015; 19.9%), valued at $8 million. The Group's interest in this fund is included in the 'Other Financial Assets' line item on the balance sheet. Stockland also provided a loan facility offer to SDRT No.1 of $40 million for which it was charged a line fee of 30 basis points. This facility offer was extinguished on 19 December 2014.

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

SREEF No.1

SREEF No.1 was wound up during the current year. The loan facility offer previously provided to SREEF No.1 has also been extinguished.

(E2b) Joint operations

Interests in unincorporated joint operations are consolidated by recognising the Group's proportionate share of the joint operations' assets, liabilities, revenues and expenses and the joint operation's revenue from the sale of their share of goods or services on a line-by-line basis, from the date joint control commences to the date joint control ceases and are not included in the above table.

Changes to Joint Operations

Stockland Townsville

In the prior period, Stockland Trust sold a direct 50% stake in Stockland Townsville. The owners have joint control over the asset with strategic decisions requiring unanimous approval from the Management Committee comprising equal representation of the owners. Therefore, the Group's share of the results from Stockland Townsville Shopping Centre are recognised on a proportionately consolidated basis for the period 16 October 2014 to 30 June 2015. Stockland Townsville Shopping Centre's results were fully consolidated until 16 October 2014.

At the time of disposal, a Put and Call Option Deed was established in relation to selected sundry assets located in Townsville.

(E3) Controlled entities

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

Controlled entities of Stockland Trust

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

1 These entities are parties to the Deed of Cross Guarantee (Finance) as at 30 June 2016.
2 These entities were formed/incorporated or acquired in the current year.

Controlled entities of Stockland Corporation Limited

Albert & Co Pty Ltd[1]	Knox Unit Trust
A.C.N 116 788 713 Pty Ltd[1]	Knox Village Pty. Ltd.[1]
Aevum Limited[1]	Lensworth Glenmore Park Limited[1]
Aevum SPV Finance No. 1 Pty Limited	Lincoln Gardens Pty Limited
Affinity Retirement Village Pty Limited	Long Island Village Pty. Ltd[1]
ARC Joint Ventures Pty. Ltd[1]	Maybrook Manor Pty Limited
Bayview Road Property Trust	Mayflower Investments Pty Ltd
Bellevue Gardens Pty. Limited	Mernda Retirement Village Pty Ltd
Bellevue Gardens Trust	Merrylands Court Pty. Limited[2]
Castlehaven Pty Ltd	Midlands Terrace Adult Community Pty Limited[1]
Castleridge Pty Ltd	Nowra Property Unit Trust
Endeavour (No. 2) Unit Trust	Oak Grange Pty Ltd.[1]
Farrington Grove Retirement Village Pty Limited	Patterson Lakes Unit Trust
Golden Ponds Forster Pty Limited	Patterson Village Pty. Ltd.[1]
Greenleaves Management Services Pty. Ltd.	Pine Lake Management Services Pty Limited
Greenleaves Village Pty. Ltd.	Queenslake Village Pty Limited
Hibernian Investment Company Pty Ltd[1]	Retirement Living Acquisition Trust
Highlands Retirement Village Pty Limited	Retirement Living Holding Trust No. 1
IOR Friendly Society Pty Limited[1]	Retirement Living Holding Trust No. 2
IOR Group Pty Limited[1]	Retirement Living Holding Trust No. 3
Jimboomba Trust	Retirement Living Holding Trust No. 4
Knowles Property Management Unit Trust	Retirement Living Holding Trust No. 5

Retirement Living Holding Trust No. 6	Stockland Development Pty Limited[1]
Retirement Living Unit Trust No. 1	Stockland Direct Retail Trust No. 2
Retirement Living Unit Trust No. 2	Stockland Eurofinance Pty Ltd[1]
Ridgecrest Village Management Services Pty Limited	Stockland Financial Services Pty Limited[1]
Ridgecrest Village Pty Limited	Stockland Highlands Pty Limited[1]
Rogan's Hill Retirement Village Trust	Stockland Holding Trust No. 3
Rosebud Village Pty Limited[1]	Stockland Holding Trust No. 4
RVG (Queensland) Pty Ltd	Stockland Holding Trust No. 5
Salford Living Pty Limited[1]	Stockland Holding Trust No. 6
SDRT 2 Property 1 Trust	Stockland Holdings Limited[5]
SDRT 2 Property 2 Trust	Stockland Kawana Waters Pty Limited[1]
SDRT 2 Property 3 Trust	Stockland Lake Doonella Pty Limited[1]
SDRT 2 Property 4 Trust	Stockland Management Limited[1]
Selandra Rise Retirement Village Pty Limited	Stockland North Lakes Development Pty Limited[1]
Stockland (Billingham) Limited[5]	Stockland North Lakes Pty Limited[1]
Stockland (Boardwalk Sub2) Pty Ltd	Stockland Ormeau Trust
Stockland (IH) No. 1 Pty Limited	Stockland PR1 Trust
Stockland (NSW) No. 1 Pty Limited	Stockland PR2 Trust
Stockland (NSW) No. 2 Pty Limited	Stockland PR3 Trust
Stockland (Queen Street) Limited[5]	Stockland PR4 Trust
Stockland (Queensland) Pty Limited[1]	Stockland Property Holdings Limited[5]
Stockland (Russell Street) Pty Limited[1]	Stockland Property Management Pty Limited[1]
Stockland (St Andrew) Limited[4]	Stockland Property Services Pty Limited[1]
Stockland (Stafford) Limited[5]	Stockland Retail Services Pty Limited[1]
Stockland (UK) Limited[5]	Stockland Retirement Pty Limited[1]
Stockland (Warminster) Limited[5]	Stockland Scrip Holdings Pty Limited
Stockland (William Hunter) Limited[4]	Stockland Services Pty Limited[1]
Stockland Bells Creek Pty Ltd.[1]	Stockland Singapore Pte Limited
Stockland Buddina Pty Ltd.[1]	Stockland South Beach Pty Limited[1]
Stockland Caboolture Waters Pty Ltd[1]	Stockland Trust Management Limited[1]
Stockland Caloundra Downs Pty Ltd[1]	Stockland Tweed Heads Retirement Village Pty Limited[1,2]
Stockland Capital Partners Limited[1]	Stockland WA (Estates) Pty Limited[1]
Stockland Care Foundation Pty Limited	Stockland WA Development (Realty) Pty Limited[1]
Stockland Care Foundation Trust	Stockland WA Development (Sub 6) Pty Ltd
Stockland Catering Pty Limited	Stockland WA Development (Vertu Sub 1) Pty Limited
Stockland Development (Holdings No. 1) Pty Limited[1]	Stockland WA Development Pty Limited[1]
Stockland Development (Holdings) Pty Limited[1]	Stockland Wallarah Peninsula Management Pty Ltd[1]
Stockland Development (NAPA NSW) Pty Limited[1]	Stockland Wallarah Peninsula Pty Ltd[1]
Stockland Development (NAPA QLD) Pty Limited[1]	Templestowe Retirement Village Pty. Ltd[1]
Stockland Development (NAPA VIC) Pty Limited[1]	Templestowe Unit Trust
Stockland Development (PHH) Pty Limited[1]	The Hastings Valley Parklands Village Pty Limited
Stockland Development (PR1) Pty Limited	The Mount Gravatt Retirement Village Unit Trust
Stockland Development (PR2) Pty Limited	The Pine Lake Management Services Unit Trust
Stockland Development (PR3) Pty Limited	The Pine Lake Village Pty Limited
Stockland Development (PR4) Pty Limited	Toowong Place Pty Limited[2]
Stockland Development (Sub3) Pty Limited	Vermont Retirement Village Pty Limited[1]
Stockland Development (Sub4) Pty Limited	Vermont Unit Trust
Stockland Development (Sub5) Pty Limited	Wantirna Village Pty. Ltd.[1]
Stockland Development (Sub6) Pty Limited	Willowdale Retirement Village Pty Limited
Stockland Development (Sub7) Pty Limited[1]	Willows Retirement Village Services Pty Limited

1 These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2016.
2 These entities were formed/incorporated or acquired in the current year.
3 These entities were sold or liquidated in the current financial year.
4 These UK entities were liquidated at 30 June 2016.
5 These UK entities are in liquidation at 30 June 2016.

All Stockland entities were formed/incorporated in Australia with the exception of Stockland Singapore Pte Limited which is incorporated in Singapore and all UK subsidiaries identified as being incorporated in the UK.

Stockland owns all the issued units/shares of the respective controlled entities (unless otherwise stated) and such units/shares carry the voting, distribution/dividend and equitable rights.

(E4) Deed of Cross Guarantee

Stockland Corporation Limited and certain wholly-owned companies (the 'Closed Group'), identified in section (E3), are parties to a Deed of Cross Guarantee (the 'Deed'). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the Corporations Act 2001.

ASIC Class Order 98/1418 (as amended) dated 13 August 1998, provides relief to parties to the Deed from the Corporations Act 2001 requirements for preparation, audit and lodgement of Financial Reports and Directors' reports, subject to certain conditions as set out therein. This Class Order does not apply to trusts.

Pursuant to the requirements of this Class Order, a summarised consolidated Statement of Comprehensive Income for the year ended 30 June 2016 and consolidated balance sheet as at 30 June 2016, comprising the members of the Closed Group after eliminating all transactions between members, are set out on the following pages.

	Closed Group	
	2016 $M	**2015 $M**
Balance sheet		
Current assets		
Cash and cash equivalents	**60**	64
Trade and other receivables	**69**	69
Inventories	**794**	548
Other assets	**23**	8
	946	689
Non-current assets held for sale	**36**	–
Total current assets	**982**	689
Non-current assets		
Trade and other receivables	**23**	22
Inventories	**1,713**	1,991
Investment properties	**1,892**	1,906
Equity-accounted investments	**25**	25
Other financial assets	**1**	1
Property, plant and equipment	**32**	40
Intangibles	**38**	10
Deferred tax assets	**29**	64
Total non-current assets	**3,753**	4,059
Total assets	**4,735**	4,748
Current liabilities		
Trade and other payables	**337**	291
Interest-bearing loans and borrowings	**2,784**	2,701
Retirement Living resident obligations	**1,006**	1,084
Provisions	**295**	319
Other liabilities	**24**	6
Total current liabilities	**4,446**	4,401
Non-current liabilities		
Trade and other payables	**–**	33
Retirement Living resident obligations	**38**	38
Provisions	**136**	115
Total non-current liabilities	**174**	186
Total liabilities	**4,620**	4,587
Net assets	**115**	161
Equity		
Issued capital	**1,307**	1,305
Reserves	**3**	2
Accumulated losses	**(1,195)**	(1,146)
Total equity	**115**	161

(E4) Deed of Cross Guarantee (continued)

	Closed Group	
	2016 $M	2015 $M
Summarised Statement of Comprehensive Income		
Profit/(loss) before income tax benefit	**(19)**	23
Income tax benefit / (expense)	**(30)**	6
Profit/(Loss) for the year/Total comprehensive income/(expense)	**(49)**	29

Summary of movements in accumulated losses		
Accumulated losses at 1 July	**(1,146)**	(1,175)
Profit/(Loss) for the year	**(49)**	29
Accumulated losses at 30 June	**(1,195)**	(1,146)

(E5) Parent entity disclosures

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

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

	Stockland Corporation Limited		Stockland Trust	
	2016 $M	2015 $M	2016 $M	2015 $M
Results for the year ended 30 June				
Profit/(Loss) for the year	**62**	60	**836**	876
Other comprehensive income	**–**	(51)	**13**	–
Total comprehensive income for the year	**62**	9	**849**	876
Financial position as at 30 June				
Current assets	**3,910**	3,802	**376**	251
Total assets[1]	**4,049**	3,984	**16,909**	16,674
Current liabilities	**3,831**	3,831	**5,402**	6,150
Total liabilities	**3,831**	3,831	**7,940**	8,106
Net assets	**218**	153	**8,969**	8,568
Issued capital	**1,307**	1,305	**7,374**	7,255
Reserves	**3**	2	**94**	63
Retained earnings	**(1,092)**	(1,154)	**1,501**	1,250
Total equity	**218**	153	**8,969**	8,568

1 There were no intangible assets as at 30 June 2016 (2015: $Nil).

Parent entity contingencies

There are no contingencies within either parent entity as at 30 June 2016 (2015: $Nil).

Parent entity capital commitments

Neither parent entity has entered into any capital commitments as at 30 June 2016 (2015: $Nil).

ASIC Deed of Cross Guarantee

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

(F) Other items

IN THIS SECTION

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

(F1) Accounting policies

KEEPING IT SIMPLE …

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

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

Principles of consolidation

Controlled entities

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

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

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

Foreign currency

Transactions

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

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

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

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

Translation of financial reports of foreign operations

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

Foreign currency amount	Applicable exchange rate
Revenues and expenses of foreign operations	Date of transaction
Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation	Balance date
Equity items	Historical rates

(F1) Accounting policies (continued)

The following foreign exchange differences are recognised directly in the foreign currency translation reserve, a separate component of equity:

- Foreign currency differences arising on translation of foreign operations;
- Exchange differences arising from the translation of the net investment in foreign entities and of related hedges. They are recycled into profit or loss upon disposal.
- Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future. These monetary items are considered to form part of the net investment in a foreign operation.

Reserves

Executive remuneration reserve

The executive remuneration reserve arises due to the rights and deferred shares awarded under the LTI and DSTI being accounted for as share based payments. The fair value of the rights is recognised as an employee expense in the profit or loss with a corresponding increase in reserves and decrease upon vesting.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer to section (D4).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Foreign currency translation reserve

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

New and amended Accounting Standards

Mandatory in future years

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2016. Stockland's assessment of the impact of these new standards and interpretations is set out below:

AASB 9* Financial Instruments *(effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular Stockland's accounting for its available-for-sale financial assets, but no impact is expected on Stockland's financial liabilities. Stockland has not yet decided when to adopt AASB 9.

AASB 15* Revenue from Contracts with Customers *(effective for annual reporting periods beginning on or after 1 January 2018)

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Stockland is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15. Stockland has not yet decided when to adopt AASB 15.

AASB 16* Leases *(effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* requires recognition of a right-of-use asset along with the associated lease liability in the balance sheet when acting as a lessee. Interest expense, using the effective interest rate method, and depreciation expense on the right-to-use asset will now be recognised on operating leases by lessees instead of a rental expense. Lessor accounting remains largely unchanged. AASB 16 replaces existing guidance, including AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. Stockland has not yet decided when to adopt AASB 16.

(F2) Earnings per security

KEEPING IT SIMPLE …

EPS is the amount of post-tax profit attributable to each security.

Basic EPS is calculated on the Group's statutory profit for the year divided by the weighted average number of securities outstanding.

Diluted EPS adjusts the Basic EPS for the dilutive effect of any instruments, such as options, that could be converted into ordinary securities.

Basic underlying EPS is disclosed in the Directors' Report on page 9.

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

	Stockland		Trust	
Year ended 30 June	2016 cents	2015 cents	2016 cents	2015 cents
Basic and diluted EPS				
Basic EPS	**37.4**	38.5	**35.0**	36.9
Diluted EPS	**37.3**	38.5	**35.0**	36.9

Reconciliations of earnings used in calculating EPS

	Stockland		Trust	
Year ended 30 June	2016 $M	2015 $M	2016 $M	2015 $M
Basic and diluted earnings				
Profit attributable to securityholders	**889**	903	**832**	867

Weighted average number of securities used as the denominator

	Stockland and Trust	
As at 30 June	2016 No.	2015 No.
Weighted average number of securities (basic)		
Weighted average number of securities	**2,375,730,846**	2,346,566,571
Weighted average number of securities (diluted)		
Weighted average number of securities (basic)	**2,375,730,846**	2,346,566,571
Effect of rights and securities granted under Share Plans	**5,639,783**	2,715,233
Weighted average number of securities/units (diluted)	**2,381,370,629**	2,349,281,804

Rights and securities granted under Share Plans are only included in diluted earnings per security where Stockland is meeting performance hurdles for contingently issuable share based payment rights.

(F3) Notes to cash flow statements

	Stockland		Trust	
	2016 $M	2015 $M	**2016 $M**	2015 $M
Reconciliation of profit to net cash flow from operating activities:				
Profit for the year	**889**	903	**832**	867
Add/(less) items classified as investing/financing activities:				
Net loss on fair value hedges	**15**	18	**15**	18
Net loss on derivatives – through profit or loss	**156**	22	**156**	22
Interest capitalised to investment properties	**(12)**	(15)	**(3)**	(8)
Net loss on sale of non-current assets	**2**	2	**2**	1
Net gain on sale of other financial assets	**(4)**	(73)	**(6)**	–
Dividends and distributions income	**(4)**	(5)	**(3)**	(2)
Add/(less) non-cash items:				
DMF base fee earned, unrealised	**(16)**	(27)	**–**	–
Depreciation	**13**	15	**–**	–
Impairment of intangibles	**–**	43	**–**	–
Straight-line rent adjustment	**(8)**	(8)	**(8)**	(8)
Net change in fair value of investment properties (including equity-accounted investments)	**(476)**	(344)	**(387)**	(292)
Share of profits of equity-accounted investments, net of distributions received	**4**	(6)	**2**	(7)
Equity-settled share based payments	**13**	13	**–**	–
Other items	**(8)**	(8)	**(6)**	(1)
Net cash flow from operating activities before change in assets and liabilities	**564**	530	**594**	590
(Increase)/Decrease in receivables	**(39)**	1	**6**	8
(Increase)/Decrease in other assets	**(1)**	(31)	**(1)**	(34)
(Increase)/Decrease in inventories	**52**	(268)	**–**	–
Increase/(Decrease) in deferred tax assets	**30**	(9)	**–**	–
Increase/(Decrease) in payables and other liabilities	**(34)**	20	**(16)**	(19)
Increase in resident obligations	**216**	170	**–**	–
Increase in employee benefits	**–**	2	**–**	–
Increase/(Decrease) in other provisions	**(1)**	(14)	**–**	(5)
Net cash flow from operating activities	**787**	401	**583**	540

(F4) Contingent liabilities

KEEPING IT SIMPLE …

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

The only known contingent liabilities at 30 June 2016 are the bank guarantees and insurance bonds.

	Stockland and Trust	
	2016 $M	**2015 $M**
Guarantees		
Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $570 million (2015: $450 million)	**334**	300

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

(F5) Commitments

Capital expenditure commitments

Commitments for the acquisition of land and future development costs not recognised in the financial statements at balance date:

	Stockland		Trust	
	2016 $M	**2015 $M**	**2016 $M**	**2015 $M**
Inventory commitments	**283**	183	**–**	–
Investment property commitments	**298**	152	**240**	54
Total capital expenditure commitments	**581**	335	**240**	54

Operating lease commitments

Commitments for the operating lease expenditure not recognised in the financial statements at balance date:

	Stockland 2016 $M	Stockland 2015 $M	Trust 2016 $M	Trust 2015 $M
Within one year	**9**	8	**–**	–
Later than one year but not later than five years	**24**	25	**–**	–
Later than five years	**14**	12	**–**	–
Total operating lease commitments	**47**	45[1]	**–**	–

1 Revised to include Stockland's operating lease commitments to its joint operation partner at Stockland Piccadilly.

During the current financial year, $8 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (2015: $8 million).

(F6) Related party disclosures

Details of arrangements with Stockland and the Trust related party entities are set out below:

	Stockland		Trust	
	2016 $'000s	**2015 $'000s**	**2016 $'000s**	**2015 $'000s**
Revenue				
Responsible Entity fees	**738**	1,003	**–**	–
Management and service fee	**834**	2,900	**–**	–
Property management and leasing fees	**3,103**	2,787	**–**	–
Rental income	**–**	–	**4,600**	4,557
Finance income	**9**	195	**292,206**	296,991
Total revenue from related parties	**4,684**	6,885	**296,806**	301,548
Expenses				
Responsible Entity fees	**–**	–	**20,027**	18,043
Property management and leasing fees	**–**	–	**25,468**	24,336
Recoupment of expenses	**–**	–	**66,782**	70,193
Development management fee capitalised to investment property	**–**	–	**51,926**	13,260
Total expenses to related parties	**–**	–	**164,203**	125,832

Responsible Entity and other management fees

Stockland received Responsible Entity and other Management Fees from the unlisted property funds managed by Stockland during the financial year.

The Trust paid Responsible Entity fees to Stockland Trust Management Limited, calculated at 0.2% of gross assets of the Trust less intercompany loans (2015: 0.2%). From 1 July 2016, the Responsible Entity fee will increase to 0.3% - 0.35% to align to the latest market benchmarks.

Property management expenses were paid by the Trust to Stockland Trust Management Limited (the Responsible Entity) or its related parties provided in the normal course of business and on normal terms and conditions.

Rental income

Rent was paid by Stockland Corporation Limited, a related party of the Responsible Entity to Stockland Trust in the normal course of business and on normal terms and conditions.

Finance income

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of Stockland provided loan facility offers to two unlisted property funds managed by Stockland, SDRT No.1 and SREEF No. 1. These offers were on market terms and conditions available at the date of acceptance of the loan facility offer. Both loan facility offers have been extinguished.

The Trust has an unsecured loan to Corporation of $3,437 million (2015: $3,378 million) repayable at call. Interest on the loan is payable monthly in arrears at interest rates within the range of 7.7% to 8.9% during the year ended 30 June 2016 (2015: 8.6% to 9.2%). The Trust has not called on this loan at 30 June 2016.

Interest was paid by Stockland Corporation Limited to Stockland Trust, a related party of the Responsible Entity provided in the normal course of business and on normal terms and conditions.

Development Management Fee

A development management deed was executed between Stockland Trust and Stockland Development Pty Limited (a controlled entity of the Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for the Corporation's property development expertise and is calculated as 50.0% of the total valuation gain or loss on the completion of a development. Fees are paid by Stockland Trust to Stockland Development Pty Limited.

From 1 July 2016, the Development Management Fee will be calculated based on a fixed 4.0% of total development costs in line with recent changes to benchmark methodologies.

(F6) Related party disclosures (continued)

Stockland has trade receivables of $1,344 thousand (2015: $2,921 thousand) due from the unlisted property funds.

As at 30 June 2016, the carrying amount of Stockland's investment in the unlisted property funds was $8,575 thousand (2015: $5,237 thousand).

(F7) Personnel expenses

Personnel expenses comprised of the following:

	Stockland		Trust	
Year ended 30 June	**2016 $M**	**2015 $M**	**2016 $M**	**2015 $M**
Wages and salaries (including on-costs)	**187**	173	**–**	–
Equity-settled share based payment transactions	**13**	14	**–**	–
Contributions to defined contribution plans	**13**	12	**–**	–
Increase in annual and long service leave provisions	**1**	2	**–**	–
Total personnel expenses	**214**	201	**–**	**–**

This disclosure note includes the accounting policies for all items related to personnel expenses. This includes the treatment of balance sheet items that relate to personnel expenses such as provision for employee benefits, which are included in Other Liabilities on the balance sheet.

Annual leave

Accrued annual leave of $8 million (2015: $7 million) is presented as current, since Stockland does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, Stockland expects all employees to take the full amount of accrued leave within the next 12 months.

Long service leave

The current portion of long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

The liability for long service leave expected to be settled more than 12 months from the balance date is recognised in the provision for employee benefits and measured as the present value of expected payments to be made in respect of services provided by employees up to the balance date.

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

Bonus entitlements

A liability is recognised in current trade and other payables for employee benefits in the form of employee bonus entitlements where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Superannuation plan

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

(F8) Key Management Personnel disclosures

Key management personnel compensation comprised of the following:

Year ended 30 June	2016 $'000s	2015 $'000s
Short term employee benefits	**13,075**	12,769
Post-employment benefits	**217**	207
Other long term benefits	**131**	104
Termination benefits	**–**	–
Share based payments	**7,188**	5,560
Total key management personnel compensation	**20,611**	18,640

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 35 to 49 of the Directors' Report.

Other transactions with KMP

There are transactions between the Group and entities with which Directors have an association. These transactions do not meet the definition of related parties since the Directors as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-Director related entities on an arm's length basis.

(F9) Auditor's remuneration

	Stockland		Trust	
	2016 $'000s	2015 $'000s	2016 $'000s	2015 $'000s
Auditor of Stockland – PricewaterhouseCoopers Australia				
Audit services				
Audit and review of the Financial Report	**1,574**	1,524	**514**	476
Audit of Unlisted Property Fund Financial Reports	**145**	189	**–**	–
Regulatory audit and assurance services	**675**	561	**387**	417
Other audit and assurance services	**55**	308	**20**	–
Total remuneration in relation to audit services	**2,449**	2,582	**921**	893
Other non-audit related services				
Taxation compliance services	**282**	224	**157**	152
Other non-audit services	**400**	706	**–**	–
Total remuneration in relation to non-audit services	**682**	930	**157**	152
Total auditor remuneration	**3,131**	3,512	**1,078**	1,045

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

(F10) Events subsequent to the end of the year

Stockland and Trust

Other than disclosed elsewhere in this report, there has not arisen in the interval between the end of the current financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations, the results of operations, or the state of the affairs in future years of Stockland and the Trust.

Directors' Declaration

YEAR ENDED 30 JUNE 2016

(1) In the opinion of the Directors of Stockland Corporation Limited, and the Directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as 'the Directors'):

(a) the Financial Statements and Notes of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ('Stockland') and Stockland Trust and its controlled entities ('Trust'), set out on pages 52 to 121, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of Stockland's and the Trust's financial position as at 30 June 2016 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that both Stockland and Trust will be able to pay their debts as and when they become due and payable.

(2) There are reasonable grounds to believe that Stockland Corporation Limited and the Stockland entities identified in section E3 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those Group entities pursuant to ASIC Class Order 98/1418.

(3) Stockland Trust has operated during the year ended 30 June 2016 in accordance with the provisions of the Trust Constitution of 24 October 2006, as amended.

(4) The Register of Unitholders has, during the year ended 30 June 2016, been properly drawn up and maintained so as to give a true account of the unitholders of the Stockland Trust.

(5) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the year ended 30 June 2016.

(6) The Directors draw attention to section A to the financial statements, which includes a Statement of Compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Graham Bradley
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 17 August 2016

Independent auditor’s report to the stapled securityholders of Stockland and the unitholders of Trust

Report on the financial report

We have audited the accompanying financial report which comprises:

- the Consolidated Balance Sheet as at 30 June 2016, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration for Stockland, being the consolidated stapled entity (‘Stockland’). The consolidated stapled entity, as disclosed in section A of the financial report, comprises Stockland Corporation Limited and the entities it controlled at year’s end or from time to time during the financial year, including Stockland Trust and the entities it controlled at year’s end or from time to time during the financial year, and
- the Consolidated Balance Sheet as at 30 June 2016, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration for the Trust, being the consolidated entity (‘Trust’). The consolidated entity comprises Stockland Trust and the entities it controlled at year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, (collectively referred to as ‘the directors’) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note A, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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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 Stockland and the Trust'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 Stockland and the Trust'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

a) the financial report of Stockland and the Trust is in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of Stockland and the Trust's financial positions as at 30 June 2016 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b) the financial report also complies with International Financial Reporting Standards as disclosed in section A.

Report on the Remuneration Report

We have audited the remuneration report included in pages 35 to 49 of the directors' report for the year ended 30 June 2016. The directors of Stockland are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Stockland for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S J Hadfield Partner	N R McConnell Partner	Sydney 17 August 2016

Security Information and Key Dates

Securityholders

As at 31 July 2016, there were 2,392,042,302 Securities on issue and the top 20 securityholders as at 31 July 2016 is as set out in the table below. There is no on-market buy-back currently.

Top 20 securityholders as at 31 July 2016	Number of Securities held	Percentage (%) of total Securities
HSBC Custody Nominees (Australia) Limited	729,009,213	30.48
JP Morgan Nominees Australia Limited	439,976,923	18.39
National Nominees Limited	354,572,527	14.82
Citicorp Nominees Pty Limited	227,042,116	9.49
BNP Paribas Nominees Pty Ltd <DRP>	100,195,941	4.19
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	39,270,823	1.64
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	30,707,257	1.28
AMP Life Limited	23,723,183	0.99
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	16,160,193	0.68
IOOF Investment Management Limited <IPS SUPER A/C>	13,202,695	0.55
RBC Investor Services Australia Nominees Pty Limited <PISELECT>	6,886,848	0.29
E G Holdings Pty Limited	6,411,632	0.27
BNP Paribas Noms (NZ) Ltd <DRP>	5,864,284	0.25
Bond Street Custodians Limited <ENH Property Securities A/C>	5,713,372	0.24
HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,460,710	0.23
RBC Investor Services Australia Nominees Pty Limited <BKMINI A/C>	4,656,084	0.19
Custodial Services Limited <BENEFICIARIES HOLDING A/C>	4,341,382	0.18
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	4,261,783	0.18
RBC Investor Services Australia Nominees Pty Limited <HARVESTER ETF>	4,067,520	0.17
Navigator Australia Ltd <SMA ANTARES INV DV BUILD A/C>	4,063,450	0.17

Distribution of securityholders as at 31 July 2016	Number of securityholders	Number of Securities	Percentage (%) of total securityholders
1 – 1,000	11,216	5,175,689	0.22
1,001 – 5,000	24,033	64,955,507	2.72
5,001 – 10,000	9,477	67,821,632	2.84
10,001 - 100,000	6,265	127,134,653	5.31
100,001 - over	207	2,126,954,821	88.92

There were 1,671 securityholders holding less than a marketable parcel (100) at close of trading on 31 July 2016.

Substantial securityholders as at 31 July 2016	Number of Securities held
Vanguard Investments Australia Limited/Vanguard Group Inc.	192,118,795
BlackRock Group (BlackRock Inc. and subsidiaries)	157,018,611
State Street Corporate and subsidiaries	136,943,104

Security Information and Key Dates

Annual Tax Statement

After 30 June each year you will receive a comprehensive tax statement. This statement summarises the distributions and dividends paid to you during the year, and includes information required to complete your tax return.

Shareholder Review and Financial Report

Members have a choice of whether they receive:

- a printed copy of the Shareholder Review only;
- a printed copy of this Report only;
- printed copies of the Shareholder Review and this Report; or
- electronic versions of the Shareholder Review and this Report.

Registry

Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland.
Contact Computershare on 1800 804 985 for:

- change of address details;
- request to receive communications online;
- request to have payments made directly to a bank account;
- provision of tax file numbers; or
- general queries about your securityholding.

Distribution/Dividend Periods

1 July – 31 December

1 January – 30 June

Key Dates

26 October 2016

Annual General Meeting
The Westin Sydney, 1 Martin Place, Sydney, NSW 2000 at 2.30pm

On or about 15 December 2016

Announcement of estimated distribution/dividend

31 December 2016

Record date

22 February 2017

Half-year result announcement

On or about 20 June 2017

Announcement of estimated distribution/dividend

30 June 2017

Record date

16 August 2017

Full-year result announcement

Head Office

Level 25, 133 Castlereagh Street
Sydney NSW 2000
Toll free: 1800 251 813
Telephone: (61 2) 9035 2000

Stockland Entities

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

Custodian

The Trust Company Limited
ACN 004 027 749
Level 13, 123 Pitt Street
Sydney NSW 2000

Directors

Non-Executive

Graham Bradley – Chairman
Duncan Boyle[1]
Carolyn Hewson
Barry Neil
Stephen Newton[2]
Tom Pockett
Nora Scheinkestel[3]
Carol Schwartz
Peter Scott[4]
Terry Williamson[1]

Executive

Mark Steinert – Managing Director

Company Secretary

Katherine Grace

Unit/Share registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Freecall: 1800 804 985
Telephone: (61 3) 9415 4000
Email: stockland@computershare.com.au

Auditor

PricewaterhouseCoopers

Your securityholding

If you would like to update your personal details or change the way you receive communications from Stockland, please contact Computershare on the detail provided. Computershare will also be able to provide you with information on your holding.

Further information

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

1 Duncan Boyle and Terry Williamson retired as non-executive directors at the 2015 Annual General Meeting on 27 October 2015.
2 Stephen Newtown was appointed as a non-executive director on 20 June 2016.
3 Nora Scheinkestel was appointed as a non-executive director on 19 August 2015.
4 Peter Scott resigned as a non-executive director on 16 August 2016.

Glossary

ASIC	The Australian Securities Investment Commission
AASB	Australian accounting standards as issued by the Australian Accounting Standards Board
A-REIT	Australian Real Estate Investment Trust
ASX	Australian Securities Exchange
CCIRS	Cross-currency interest rate swap
CODM	Chief Operating Decision Makers as defined by AASB8 *Operating Segments*
DCF	Discounted cash flow
DMF	Deferred Management Fees earned from Residents' within the Retirement Living business
DRP	Distribution/Dividend Reinvestment Plan
DSTI	Deferred Short Term Incentives
EBIT	Earnings before interest and income tax
EPS	Earnings per share
FFO	Funds from operations
GST	Goods and services tax
IRR	Internal Rate of Return
KPI	Key Performance Indicators
LTI	Long Term Incentives
NED	Non-Executive Director
NRV	Net Realisable Value
Report	This Stockland Financial Report 2016
ROA	Return on Assets
ROE	Return on Equity
SCPL	Stockland Capital Partners Limited
SDRT No. 1	Stockland Direct Retail Trust No. 1
Security	A stapled security in Stockland comprising one share in Stockland Corporation and one unit in Stockland Trust
Share Plans	Employee share plans which comprises the LTI, DSTI and $1,000 employee plans
SREEF No. 1	Stockland Residential Estates Equity Fund No. 1
STI	Short Term Incentives
STML	Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust
Stockland Corporation or the Company	Stockland Corporation Limited (ACN 000 181 733)
Stockland Corporation Group	Stockland Corporation Limited and its controlled entities
Stockland or Group	The stapled entity, comprising of the combination of Stockland Corporation Group and Stockland Trust Group
Stockland Trust	Stockland Trust (ARSN 092 897 348)
Stockland Trust Group or Trust	Stockland Trust and its controlled entities
TSR	Total Securityholder Return

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Designed and produced by Designworks

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ACN 000 181 733

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