Appendix 4E

For the year ended 30 June 2019
(previous corresponding period being the year ended 30 June 2018)

Results for announcement to the market

STAPLING ARRANGEMENT

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

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

		2019 $M
Revenue from ordinary activities	Down 0.2% to	2,768
Net profit after tax attributable to securityholders	Down 69.6% to	311
Funds from operations attributable to securityholders	Up 4.0% to	897

Dividends and distributions

Year ended 30 June 2019	Amount per security	Franked amount per security	Record date	Payment date
Interim dividend/distribution	13.5 ¢	– ¢	31 December 2018	28 February 2019
Final dividend/distribution	14.1 ¢	– ¢	28 June 2019	30 August 2019

On 23 August 2018 we announced the termination of the Dividend/distribution Reinvestment Plan.

Other information

Year ended 30 June	2019	2018
Net tangible assets per security	$4.04	$4.18

This report is based on the Stockland Financial Report 2019 which has been audited by PwC.

The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the Stockland Financial Report 2019 that follows.

Annual Report 2019

Stockland

Focus on sustainable returns

ACKNOWLEDGEMENT OF COUNTRY

Stockland acknowledges the Traditional Owners and Custodians of the land on which we work and live within Australia. We would also like to pay our respects to their Elders past and present, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

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 the Trust for the year ended 30 June 2019 and the Independent Auditor's Report thereon.

The Financial Report of Stockland comprises the consolidated Financial report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities, (collectively referred to as 'Stockland' or 'Group'). The Financial report of Stockland Trust comprises the consolidated Financial report of the Trust and its controlled entities ('Stockland Trust Group' or 'the Trust').

We believe there is a better way to live

We shape places that enable a better way to live every day. More than just a property developer, since 1952 we have been creating places to enhance communities and the way people live.

Affina Town Homes Brightwater, QLD

This year Stockland's FY19 Annual Report has adopted the principles of the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework to communicate our financial and non-financial achievements in one flagship document.

Along with our Financial Report, the FY19 Annual Report outlines how we have created value for all our stakeholders to create places to enhance communities and the way people live. Additional information about our sustainability reporting and the methodology used for sustainability data collection in this report, including our assurance statement by Ernst & Young (EY), is available online: ***www.stockland.com.au/sustainability***.

2019 performance

Funds from operations (FFO)

$897m

Up 4.0% on FY18

FFO per security

37.4c

Up 5.1% on FY18

Distribution per security

27.6c

Up 4.2% on FY18

Distribution payout ratio

74%

Statutory profit per security

13.0c

Down 69.3%

Net tangible assets per security

$4.04

Down from $4.18 at 30 June 2018

Return on equity (ROE)

11.9%

Up 70bp

Total real estate assets

$15.2bn

Community contribution

$7.4m

Employee engagement

81%

4 points above the Australian National Norm

GOOD PROGRESS ON OUR STRATEGIC PRIORITIES

Increased weighting to Workplace and Logistics to 23 per cent of our assets, including $99 million of developments completed and 294 hectares of land secured.

Completed $192 million of our $350 million buy-back of Stockland securities to help support the resilience of securityholder returns into the future.

Sale of three non-core retirement living villages for a combined total of approximately $60 million.

Achieved $505 million of retail town centre divestments, exceeding our $400 million target of non-core retail divestments ahead of the anticipated timeframe. We will continue to assess the remainder of our $500 million non-core divestments over time in a disciplined way.

Confirmed a 50 per cent capital partnership for our $5 billion Aura mixed use community on the Sunshine Coast, at a 30 per cent premium to book value, with Capital Property Group in July.

Continued focus on customer satisfaction: Highest level of retirement living resident satisfaction since 2009 at 8.6 out of 10, residential communities resident satisfaction of 93 per cent, retailer satisfaction of 82.5 per cent, retail customer satisfaction of 80 per cent, and Workplace and Logistics tenant satisfaction of 84 per cent.

Reduced unallocated corporate overheads by $5 million to $61 million, with additional savings forecast.

Letter from the Chairman

Dear Securityholders,

FY19 has been a challenging year, however I am pleased to report our overall results are in line with market expectations. With tougher market conditions, an evolving regulatory environment and the general uncertainty that election campaigns bring, a continued focus on our strategic priorities has guided the business through the year and I'm pleased to present our progress in this report.

We have delivered FFO earnings per security growth of 5.1 per cent over the year, in line with expectations. Statutory profit was down 69.6 per cent to $311 million reflecting non-cash adjustments arising from devaluations in our retail town centre and retirement living portfolios, a retirement living goodwill write down, mark-to-market on financial instruments and a tax expense change.

Over the period we have continued to actively reposition the retail town centre portfolio to respond to ongoing changes in customer spending habits, with a clear focus on convenience and experience. Our strategy is focused on improving future income resilience and the growth of our portfolio by divesting non-core properties, ensuring rents are sustainable and remixing tenancies.

During the year, we restructured our business and leadership team to position us for continued success and sustainable growth. This has enabled us to realise efficiencies, leverage expertise and stay ahead of the curve as customer preferences, innovation, technology and global trends continue to disrupt the property sector.

Valuing our customers

Confidence in corporate Australia has been tested over the past year with increased scrutiny on organisations and their interactions with customers. It is incumbent on all businesses to engage with customers in an ethical and considered manner, and this has been and will always be a priority for Stockland.

Over the past year, the Board and executive team visited many Stockland assets and projects to understand the contribution we are making to communities across Australia and to hear first-hand what customers need and expect from us.

Our customer focus continues to be one of our points of difference and helps us stand out from our competitors. From the Board down, we continue to look at how we engage with our customers and deliver on our promises on a day to day basis. When independently polled our residential customers, workplace and logistics tenants, and retirement living residents all reported satisfaction levels around or above 85 per cent, and retail customers and tenants reported over 80 per cent satisfaction.

A fresh perspective

During 2018, two new board appointees, Melinda Conrad and Christine O'Reilly, joined us, bringing a wealth of experience and industry expertise. Ms Conrad has over 25 years' experience in customer-facing businesses, including successfully founding and operating her own retail business.

Ms O'Reilly has deep experience in both financial and operational entities and has held a number of senior executive roles in diverse industries including CEO and Director of the GasNet Australia Group and Co-Head of Unlisted Infrastructure investments at Colonial First State Global Asset Management.

Earlier this year, we reviewed and updated the Board charter to reflect the evolving discussion around Board governance in Australia as well as other key policies in relation to privacy, whistleblowing, sustainability and modern slavery.

Managing risk

The Board recognises the importance of building and fostering a culture of accountability, and every individual takes responsibility for risks and controls in their area of authority.

We have focused on building risk-awareness capabilities including, compulsory training for all employees so we can work together to recognise risks before they threaten our business, know how to deal with risk when it does arise, and learn and become stronger from any impact.

To support our ongoing commitment to managing risk, we have changed our governance focus to reflect recent regulatory and market changes.

Our governance framework consists of three lines of defence:

1. All employees take responsibility for managing risk
2. A Group Risk function monitors the operational environment and adapts our approach accordingly
3. We conduct regular independent risk assessments.

Throughout the year, regularly meeting with major investors has given us the opportunity to hear their concerns and this feedback has been invaluable in updating our governance framework.

Our changing world

Climate change remains a key concern for Australians, and we continue to design our communities and invest in asset upgrades to improve our resilience.

During the January 2019 Townsville floods, our local employees worked tirelessly to help keep their community safe. They were able to apply our Cyclone Management protocols, that clearly set out a process for proactive management of the crisis, and I'm extremely proud the team won the award for "Most Effective Recovery" at the Business Continuity Institute Australasian Awards, and is now shortlisted in the global award for the same category.

We continue to set the benchmark for sustainable development and once again this year we were recognised as the most sustainable real estate group in the world in the 2018-2019 Dow Jones Sustainability Index. We were also named by GRESB as the Global Sector Leader for listed companies in the category Diversified – Retail/Office. Stockland is the only Australian company to have achieved CDP (the non-profit global environmental disclosure platform) Climate A-List status every year since 2016 and this year we were the only Australian property company on the Climate A-List.

Diversity and inclusion

Last year we achieved a significant milestone, becoming one of the few companies to achieve gender balance as defined by the Workplace Gender Equality Agency (WGEA) across our workforce, at all levels of management.

For the fifth consecutive year, Stockland was named as an Employer of Choice for Gender Equality for 2018-19; we were a 2018 national finalist in the Property Council Australia Diversity Excellence awards; and were recognised as a WGEA Pay Equity Ambassador, having succeeded in narrowing the pay gap to a ratio of 98.5 per cent for like roles.

Culture: valuing our people

Our employee survey once again showed extremely high employee engagement at 81 per cent, confirming the positive morale, customer focus and sense of care that we are well-known for.

A particular focus this year is on strengthening our culture, by leveraging the strengths of our people across our diverse teams, and ensuring we are working effectively and efficiently together to deliver on our purpose of creating a better way to live.

With this in mind, we recently appointed Karen Lonergan as our Group Executive, People and Culture, to extend the work we commenced following the culture review we undertook last year.

Fostering innovation

We are actively encouraging and supporting all employees to innovate, from improving customer experiences to developing new products. In FY19 we made good progress, with the launch of LAB-52 and the Stockland Accelerator, powered by BlueChilli.

I was proud to sponsor the Chairman's Awards for Innovation this year, which had over 28 entries. The awards provide an opportunity for employees to demonstrate how they have successfully developed a solution to a customer problem, created a new product or found better ways of working. I was impressed by the scope and sophistication of the entries this year, each of them showing a real passion for delivering new value to our business.

We are trialling the delivery of pre-fabricated townhome product at a number of our communities. We have also identified opportunities in our existing portfolio for land lease communities, designed to attract over 55s, where the occupant owns the dwelling and enters a lease for the land.

Distribution and outlook

As forecast, our full year distribution was 27.6 cents per security, representing a payout ratio of 74 per cent of funds from operations. We forecast flat growth in FFO per security in FY20, noting that market conditions remain variable and we are cautious about the pace of recovery in the residential market. Distributions per security growth will also be flat, and our distribution payout will be at the bottom end of our 75-85 per cent target ratio.

Conclusion

Thank you to my Board colleagues, the executive team and every one of our employees for their ongoing commitment to excellence. Whenever I visit a Stockland community, asset or town centre, I feel proud of what we are creating and delivering for Australians, and I'm confident we have the right strategy in place to continue to deliver value for our securityholders.

Thank you for your continued support.

Tom Pockett
Chairman

Letter from the Managing Director and CEO

Dear Securityholders,

I am pleased to report that our diversified business has helped us deliver good results in line with expectations despite a more challenging year in FY19.

We continue to deliver on our strategic priorities to improve the quality of our portfolio, upweight workplace and logistics, reposition our leading town centres around convenience and experience, and expand capital partnering. We've also achieved good momentum with our planned retail divestment program with $505 million divested, exceeding our initial target of $400 million.

We have extended our position as the leading creator of sustainable communities in Australia, and despite the challenging residential market, we have realised higher margins and continued to gain market share over the year, as customers focus on the strength of our brand which is built on the quality and liveability of our communities.

In line with our strategy, we have finalised a 50 per cent capital partnership for our Aura community on the Sunshine Coast, at a 30 per cent premium to book value, with Capital Property Group, a highly regarded partner. We continue to recycle capital into our workplace and logistics development pipeline and re-stock our residential landbank to position us for the future.

We have also completed $192 million of our $350 million buy-back of Stockland securities to help support the resilience of securityholder returns into the future.

Delivering returns, positioning for the future

Funds from operations (FFO) for the group was $897 million for the FY19 period, up 4.0 per cent on FY18 and representing growth in FFO per security of 5.1 per cent, in line with expectations. This reflects a strong performance in our residential and workplace and logistics businesses. Net tangible assets (NTA) per security was down 3.3 per cent from 30 June 2018 to $4.04, primarily due to negative retail town centre and retirement living valuations and non-cash mark-to-market on our derivatives.

Our **Communities** business has performed well, with **Residential** delivering strong operating profit, up 8 per cent on FY18. In FY19 we have achieved almost 5,900 residential settlements, with 85 per cent of our buyers being owner occupiers which is the strongest demand segment. There has been some improvement in the market since the federal election in May this year, however access to credit remains challenging for many of our customers.

Our **Retirement Living** FFO was up 5.7 per cent this year to $56 million, achieved through disciplined execution of our strategy which has seen solid sales and profit generation in our new development projects.

Improving the quality of our retirement living portfolio remains a focus. We sold three non-core villages at around book value for approximately $60 million earlier this year, and we continue to leverage our existing landbank to drive growth through development, with our development settlements up 53 per cent from FY18. We have also continued discussions to introduce a capital partner to this business.

Our residents are our priority and I'm pleased that we've maintained strong customer satisfaction levels, with the highest level of resident happiness since 2009 at 8.6 out of 10.

We continue to reshape our **Commercial Property** business for success. The business delivered comparable FFO growth up 2.1 per cent across the portfolio, at the lower end of our forecast, with the high-performing workplace and logistics markets partially offsetting the weaker retail sector.

While our retail portfolio has experienced negative rental reversions associated with remixing around experience and convenience, our comparable MAT growth per square metre came in at 2.3 per cent, and core portfolio FFO growth was positive. Our portfolio improvement strategy is well underway.

We have continued to actively reposition the retail town centre portfolio to respond to ongoing changes in customer spending habits, remixing tenancies to add growth businesses, rebasing existing rents to ensure sustainable occupancy costs, upgrading centre amenity and divesting non-core centres. Retail town centre devaluations totalled $474 million for the year. Thirty-five per cent of the devaluations were driven by capitalisation rate expansion. About half were driven by the softening of growth rates, and changes to rental income and capital cost re-forecasting, following the implementation of our strategy to remix tenancies and renew some leases at more sustainable levels. The remainder was driven by increased land taxes and rates.

We continue to invest in our **Workplace and Logistics** portfolio and it performed very well over the period, delivering comparable FFO growth of 10.4 per cent in Workplace and 3.9 per cent in Logistics. We maintained occupancy around 96 per cent.

Our logistics business has a clear growth strategy, and we secured 294 hectares of industrial land, including Melbourne Business Park in Truganina in Melbourne's west, and Gregory Hills in Camden in Sydney's west, during the year. Our forward development pipeline for this business is valued at over $1 billion.

We are progressing development opportunities for our Sydney workplace assets, including Stockland Piccadilly in the CBD and 110 Walker Street in North Sydney, which are well-located for future workplace and mixed use development.

Financial & capital management

We have maintained a focus on disciplined and active capital management for this part of the cycle, and we've sustained a robust balance sheet. We have held our A-/Stable credit rating from Standard and Poor's for 18 consecutive years and we also hold an A3/Stable credit rating from Moody's, which was obtained in August 2017.

Operational excellence

Anticipating future demands, whether that's from regulatory requirements or customer trends, is critical to the success of our business. By fostering innovation we are positioned to win new customers and continue delivering communities that help create a better way to live.

Our partnership with BlueChilli for the Accelerator program has seen 10 property tech start-ups develop their ideas into commercial products – all of which will have the potential for positive impacts across many areas of our business. We will continue to prioritise and invest in building innovation capabilities and skills within our organisation through continuous improvement and via LAB-52, our innovation engine, as we anticipate and respond to global mega trends and changing customer expectations.

We are proud to be a global sustainability leader. Since 2006 we have halved our carbon intensity, invested over $33 million in solar power generation across 20 retail and logistics centres, and saved over $106 million through energy efficiency innovations.

I am also pleased to confirm our continued support of the United Nations Global Compact with whom we partner to promote responsible business practices and sustainable development.

Central to everything we do is our people. Our employee engagement score of 81 per cent is four points above the Australian National Norm, and I'm extremely proud that we have now achieved gender balance (as defined by WGEA) across our workforce and all levels of management and the Board.

Outlook

Current market conditions remain mixed, with steady employment growth, record low interest rates, recent tax cuts and high investment in infrastructure, but broad uncertainty driven by reduced credit availability, weak consumer sentiment and low wages growth.

We expect Retail FFO to stabilise through FY20, with growth forecast from FY21, as our remixing and placemaking initiatives enable us to adapt to the structural changes in the retail sector. We expect continued growth from our workplace and logistics portfolio from rental growth and new developments.

Despite an improvement in residential enquiry and the market bottoming, we expect the market to take some time to normalise as customers continue to experience challenges achieving loan approvals. In FY20, we expect to deliver over 5,000 residential settlements.

Retirement living FFO is forecast to grow moderately given improving market conditions, our quality service offering and new development projects.

We remain focused on creating Australia's most liveable and sustainable communities, owning and managing leading retail town centres in strong trade areas and growing our workplace and logistics portfolio.

My sincere thanks to all of you, our securityholders, and to our customers, communities and all of our employees.

Mark Steinert
Managing Director
and CEO

Our business

Stockland is one of the largest diversified property groups in Australia with **$15.2 billion** of real estate assets including retail town centres, workplace and logistics assets, residential and retirement living communities.

Residential communities
56

Retirement Living villages
62

Retail Town Centres
35

Workplace & logistics assets
34

How we make a difference

We make a worthwhile contribution to communities across the country by creating leading residential and retirement communities, retail town centres and workplace and logistics assets.

Our structure

We are a listed company on the Australian Securities Exchange. To optimise value to our securityholders we are structured as a stapled security, a combination of a unit in Stockland Trust and a share in Stockland Corporation. This allows us to efficiently undertake property investment, property management and property development activities.

How we operate

- **Australian** based Board
- **1,463 employees**
- **84 families** move into our residential communities every week
- **400,000+ shoppers** visit our Retail Town Centres every day
- **11,000+ residents** live in our retirement communities
- **3,000 Commercial Property** tenants

Our values

The Stockland CARE values were developed by our people and guide our actions.

Community
Accountability
Respect
Excellence

Our point of difference is community creation

Our annual Liveability Index Survey measures what matters to our residents, so we can design our communities based on what they tell us is important.

The Liveability Index Survey invites feedback on all aspects of the community – from quality of built and natural environments, to how its design supports mental and physical wellbeing. Years of listening to feedback from our residents has helped us shape some of Australia's most liveable communities, with 93 per cent resident satisfaction across our communities.

Liveability score

74%

Liveability is being able to connect with the community, feeling safe where I live and enjoying the open spaces with my family and friends.

Cathy Stevenson
Willowdale Community

Our strategy

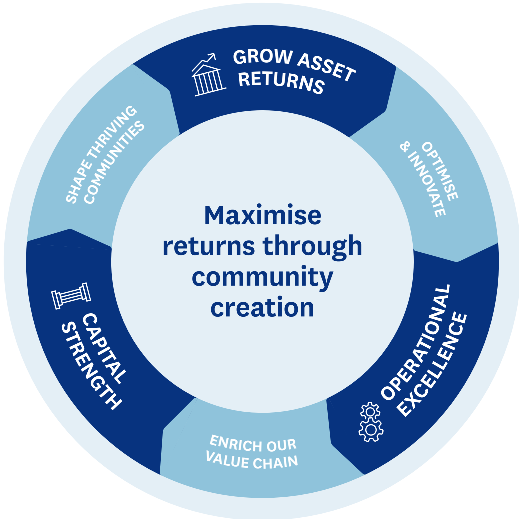
We have a clear strategy to deliver sustainable and growing returns

Our strategy is to maximise returns by developing sustainable communities, owning and managing leading retail town centres, and growing our workplace and logistics asset base in Sydney, Melbourne and Brisbane. We achieve this by focusing on our three enduring pillars; grow asset returns, capital strength and operational excellence.

Grow asset returns
Drive returns in our core businesses by creating liveable, affordable and connected communities, future proofing our retail town centres and retirement villages, and growing our workplace and logistics portfolio.

Capital strength
Actively manage our balance sheet to maintain diverse funding sources and efficient cost of capital.

Operational excellence
Improve the way we operate to drive efficiencies, compliance, sustainability and employee engagement.



Our strategic pillars are strengthened by our focus on sustainability, which ensures we have a long-term view of our business and consider all our stakeholders' needs. You can read more about our sustainability approach on page 52.

Underpinning these pillars are a range of strategic priorities we are focused on to achieve our goal of maximising sustainable and growing returns.

1. **Accelerate improvement in the quality of our Retail Town Centre portfolio**
2. **Increase Workplace and Logistics weighting**
3. **Enhance our capability to drive growth opportunities**
4. **Broaden capital partnering initiatives across all sectors**

FUTURE PROOFING OUR RETAIL TOWN CENTRES

Shopping centres are a destination and the success of our retail portfolio is based on creating vibrant spaces that are at the heart of the community. At Stockland Burleigh Heads we used customer insights to remix the tenant offering, introducing new food offerings in a vibrant outdoor living space, as well as local artist murals and dog parking. Retailers who were tenants before the improvements have experienced a 47 per cent uplift in sales and these simple activities have resulted in specialty sales growth of 4.4 per cent.

Stockland Burleigh Heads, QLD

Grow our asset returns

Communities

RESIDENTIAL

The Residential business delivered a strong operating profit result in FY19, up 8.0 per cent on the prior year despite a challenging housing market.

We achieved 5,878 settlements for the year and our market share increased by three per cent to 15 per cent. We remain well positioned in the deepest part of the lending market, with over 85 per cent of our product sold to owner-occupiers, and we are still seeing strong demand for house and land packages in affordable, liveable communities.

During the period, operating profit margin increased to 19.9 per cent as a result of higher priced Sydney and Melbourne settlements.

Over the course of the year we made good progress building our townhomes business to broaden our customer reach, with 470 settlements recorded and 447 contracts on hand for future year settlements. We expect continued growth from townhomes in FY20, as we further develop this product both within our Communities landbank and on stand-alone sites.

Our strong brand and reputation for quality, liveable communities underpinned our results in FY19 as customers looked to purchase from established companies they can trust.

Our scale enables us to understand what our customers want and deliver this at a lower cost. This has been critical in achieving good sales in a weaker environment.

The size, quality and diversity of our landbank remains one of our key strengths and during the year we restocked our pipeline with acquisitions at Altona North and Kalkallo in Melbourne. We continue to focus on targeted acquisitions in key growth corridors connected to jobs, transport and schools.

We have seen some improvement in the market since the federal election in May, with enquiry up over 50 per cent in Sydney and Melbourne. Whilst access to credit remains challenging for many of our customers, we expect sales volumes to improve over the course of the next 12 months and with 3,869 contracts on hand, we are starting FY20 in a good position.

Strategic priorities

1. **Optimise and grow our landbank**
2. **Broaden our customer reach**
3. **Enhance customer experience and resident liveability**

OUR COMPETITIVE ADVANTAGE

Brand
Built around the creation of highly liveable and sustainable communities.

Scale
Enables us to understand customer needs and deliver at a lower cost.

Landbank
Skewed towards rail serviced corridors in Sydney, Melbourne and South East Queensland.

Willowdale, NSW

RESIDENTIAL SNAPSHOT

Operating profit
$362m
Up 8.0% on FY18

Operating profit margin
19.9%
Up from 18.3% in FY18

Return on assets
18.7%

Lots settled
5,878

Contracts on hand
3,869
At 30 June 2019

Owner occupiers
85%

RETIREMENT LIVING


Cardinal Freeman, NSW

FFO in our Retirement Living business was up 5.7 per cent in FY19, at $56 million, driven by a 53 per cent increase in development settlements and non-core asset sales. Our established village sales stabilised in the second half of FY19 through challenging market conditions.

In FY19 we continued to improve our customer offering through simpler contracts, improved services and investment in our villages.

Providing more certainty for our residents through changes to our contracts is resonating well with customers. Over 80 per cent of customers chose the Peace of Mind contract option in FY19, which provides customers with a known exit value.

Resident satisfaction levels were over 85 per cent in FY19. This strong result is testament to the customer experience our employees provide to residents and our continued investment in improving our villages.

We continued to differentiate the customer experience by providing our residents with access to a range of services and resident care through our Benefits Plus program, which we have now implemented nationally. We also have government approved home care providers offering services such as meals, mobility aids and lifestyle products such as travel.

In FY19, three non-core villages were sold at around book value for approximately $60 million, as we focus on optimisation of the portfolio and improving overall returns. We are continuing our discussions to introduce a capital partner to the business in order to broaden our capital base and provide a platform for future growth.

There are currently 280 units under construction and 20 retirement living sites in our development pipeline, including 10 identified land lease communities.

Strategic priorities

1. **Improve quality of portfolio**
2. **Increase returns through development pipeline and capability**
3. **Enhance customer experience and satisfaction**

Birtinya retirement village, QLD

RETIREMENT SNAPSHOT

FFO profit

$56m

Up 5.7% on FY18

Development units settled

250

Up 53% on FY18

Cash return on assets

4.5%

Occupancy

93.3%

Commercial Property

RETAIL TOWN CENTRES

Stockland Balgowlah, NSW

In FY19 comparable FFO growth for our retail town centres was down 0.2 per cent for the year, however we made good progress on our portfolio improvement strategy and had high occupancy of over 99 per cent.

We delivered comparable MAT growth of 2.3 per cent and comparable specialty sales MAT growth of 1.8 per cent.

MAT comparable specialty sales per square metre on an adjusted moving lettable area basis, rose by 2.5 per cent to $9,251. This was driven primarily by growth in health and wellbeing services, mobile phones and food retail.

Our centres remain focused on providing convenient, everyday shopping for our communities with non-discretionary spend making up around 70 per cent of our total sales.

In FY19 we have refined our retail strategy to accelerate the improvement in the quality of our portfolio, underpinned by our drivers of community, convenience and the curation of retail mix and experiences.

We also conducted a disciplined review of our assets and have redefined the core and non-core retail town centre portfolio. Core centres have limited competition, above average population growth, strong employment fundamentals and the ability to evolve to meet future customer needs. We divested $505[1] million of retail centres putting us ahead of schedule to exceed our $400 million target of non-core retail divestments ahead of the anticipated timeframe.

The retail town centre development pipeline has been reduced by around 50 per cent, with a focus on smaller placemaking projects which will redefine customer experience and convenience.

We have continued to make good progress in remixing our centres, increasing exposure to the growth categories of Food and Services while reducing our offering of Apparel and Jewellery. This reweighting not only improves our centres' resilience to online retail, but also achieves stronger rent per square metre, with our average Food & Services rent 30 per cent above Apparel and Jewellery.

1 Including exchanged and settled assets from 1 July 2018 to 21 August 2019.

Strategic priorities

1

Accelerate improvement in the quality of our Retail Town Centre Portfolio

2

Deliver on customer value proposition: Community, Curated and Convenience

3

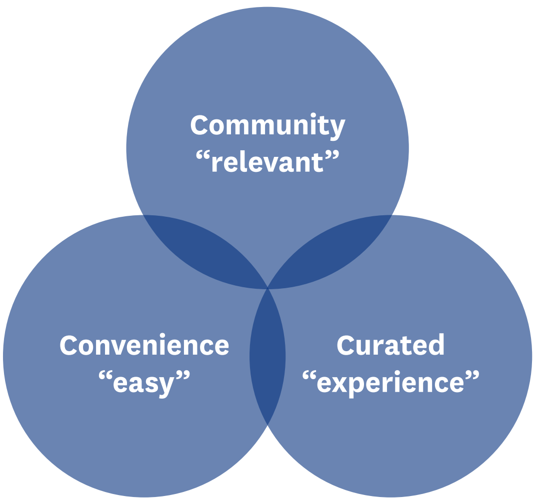
Drive strategic capital partnering initiatives

Our customer value proposition

Community
Deep consumer insights inform our strategy at each centre to meaningfully connect to our existing customers whilst driving new visitation, through a diverse range of initiatives that may include events, classes, markets, communication, social media, pop-up retail and play.

Curated
Looking at our current mix and areas of escape expenditure we capture a variety of retail initiatives, new ways of driving income and leveraging mixed-use to transform our assets into true town centres whilst creating leading destinations.

Convenience
Ensuring the journey of our shopper is 'easy' from parking the car to using the amenities and being able to navigate through our centre to achieve shopping and entertainment needs.



RETAIL TOWN CENTRES SNAPSHOT

FFO

$432m

Up 1.1% on FY18

Comparable FFO growth

(0.2)%

Comparable specialty sales growth

2.5%

Adjusted lettable area

Portfolio comparable MAT growth

2.3%

Occupancy

99.3%

WORKPLACE AND LOGISTICS

Ingleburn Logistics Park, NSW

We continue to invest in our workplace portfolio and it performed very well over the period, delivering comparable FFO growth of 10.4 per cent with occupancy of 94.7 per cent.

The logistics market continues to be supported by ongoing investment in infrastructure supply chain enhancements and the growth in online retail and we are actively investing in our logistics development pipeline, primarily leveraging our existing landbank.

Over the year we completed developments at Willawong, Ingleburn and Yennora, to the value of $99 million. Our logistics portfolio value increased by 13.9 per cent to over $2.5 billion and delivered comparable FFO growth of 3.9 per cent.

We acquired 13 hectares of industrial land at Gregory Hills in Australia's fastest growing Local Government Area, Camden, in Sydney's west. Melbourne Business Park remains a key logistics development project, with a Stage 1 DA for an 87 hectare planned subdivision lodged with Melton City Council in June 2019.

Our forward development pipeline for the Workplace and Logistics business is valued at over $2 billion.

We are progressing development planning for our Sydney office and business park asset opportunities, including Stockland Piccadilly, 110 Walker Street in North Sydney and M_Park Business Campus in North Ryde.

Strategic priorities

1

Grow and develop a market leading portfolio to greater than 25 per cent of total assets, through delivery of development pipeline on land we control

2

Optimise the returns of our workplace portfolio, focusing on Sydney

Triniti Business Park, NSW

WORKPLACE AND LOGISTICS SNAPSHOT

Logistics FFO

$164m

Comparable growth of 3.9% on FY18

Workplace FFO

$48m

Comparable growth of 10.4% on FY18

Occupancy

96.5%

Completed developments

$99m

Development pipeline

>$2bn

Capital strength

S&P credit rating

A-/Stable

Moody's credit rating

A3/Stable

Gearing

26.7%

Within target range of 20% – 30%

Weighted average cost of debt

4.4%

Weighted average debt maturity

5.8 years

Distribution payout ratio

74%

Balance sheet

$m	30 June 2018	30 June 2019	Change
Cash	333	140	-57.9%
Real estate related assets			
• Commercial property	10,562	10,323	-2.3%
• Residential	3,432	3,411	-0.6%
• Retirement living	1,443	1,452	0.6%
• Other	37	36	-2.2%
Retirement Living Gross-Up	2,724	2,585	-5.1%
Other financial assets	294	534	81.4%
Other assets	272	325	20.4%
Borrowing	3,938	4,704	19.5%
Retirement living resident obligations	2,741	2,597	-5.3%
Other financial liabilities	196	220	12.2%
Other liabilities	2,040	1,650	-19.0%
Securities on issue	2,434,469,276	2,384,351,503	
NTA per security	**4.18**	**4.04**	-3.3%

Stockland has a prudent approach to capital management, which provides us with the flexibility to strategically allocate capital across our diversified portfolio, in response to changing market cycles.

Our strong balance sheet and capital management position underpins our investment grade credit ratings of A-/Stable (S&P) and A3/Stable (Moody's), and enables us to continue diversifying our funding sources across global capital markets on competitive terms and tenors.

We continue to actively manage our debt portfolio, which has seen weighted average cost of debt decline from 5.2 per cent in FY18 to 4.4 per cent in FY19. Our weighted average debt maturity is within our target range at 5.8 years.

During the period, we secured new long-term debt totalling A$551 million across both the Australian and US capital markets at attractive prices and long tenors.

As part of our disciplined approach to managing capital, we initiated a securities buy-back program of up to $350 million, completing $192 million, and representing 50.1 million shares at an average discount NTA of 8.3 per cent[1]. Our gearing level is 26.7 per cent and we expect to remain within our target range of 20 to 30 per cent in the medium term as we continue to execute on our strategic priorities.

1 Based on NTA at 30 June 2018 and 31 December 2018 of $4.18 and $4.19 respectively.

TARGETS

Strategic capital partnering across all sectors

70:30 — **Recurring/trading assets**

>10% — **Group return on equity**

Capital allocation

We closely manage our capital to ensure we have the optimal allocation across our diversified portfolio. Over the past 12 months, we have decreased our weighting to Retail Town Centres by 5 per cent and increased our weighting to Workplace and Logistics by 4 per cent. Our current allocation of 23 per cent means we are on track to meet our target exposure of 25 to 35 per cent in this category in line with our strategy.

PORTFOLIO ALLOCATION

	Communities	Workplace & Logistics	Retail Town Centres
Capital allocation at 30 June 2019	32%	23%	45%
Target capital allocation	20-30%	25-35%	40-45%

To drive growth in our business and deliver on our strategic priorities, we are actively progressing capital partnering opportunities across all sectors

Updated debt documentation

Over the period we renegotiated our debt documentation, updating a number of key terms and conditions to be consistent with the market and our peers. As a result, the Total Liability to Total Tangible Assets covenant has been replaced by Financial Indebtedness to Total Tangible Assets, and the limit increased to 50 per cent (from 45 per cent) across all markets making up our total debt portfolio.

Revaluations

We have taken a prudent approach to revaluing our Commercial Property assets, completing independent revaluations on 98 per cent of our portfolio by value over the last twelve months, and 77 per cent at 30 June 2019, resulting in an overall net valuation decrement of $199 million for the full year. This included a $275 million uplift for our workplace and logistics portfolio, and a $474 million decline in retail town centre valuations. Thirty-five per cent of the retail devaluations were driven by capitalisation rate expansion. About half were driven by the softening of growth rates, and changes to rental income and capital cost re-forecasting, following the implementation of our strategy to remix tenancies and renew some leases at more sustainable levels. The remainder was driven by increased land taxes and rates.

We have deliberately focused on changing the tenant mix in our retail town centres away from apparel and towards services, lifestyle, health, dining and entertainment categories, where we see the greatest potential growth in the future.

Capital partnering

Capital partnerships help strengthen our balance sheet and enable us to invest in growth opportunities across our diversified portfolio, including our workplace and logistics development pipeline and additional residential community acquisitions.

Post period end, in July 2019, we announced a strategic capital partnership in our residential portfolio, with Capital Property Group (CPG) investing a 50 per cent interest in our largest masterplanned community, Aura on the Sunshine Coast at a 30 per cent premium to book value. We are executing on a clear strategy to bring in capital partners to invest alongside us to deliver large-scale projects.

Distributions

The dividend and distribution payable for the year ended 30 June 2019, is 27.6 cents per security, up 4.2 per cent on FY18. The payout ratio is around the lower end of our target range and in line with FFO growth. This allows us to both provide capital to the business for further growth and ensures that our distributions remain closely linked to the movements in FFO growth.

Distribution per security

27.6c

Up 4.2% on FY18

AURA PARTNERSHIP

In July 2019, we entered into a strategic capital partnership with Capital Property Group (CPG) investing a **50 per cent interest in Aura**, one of the largest masterplanned communities in Australia, with an end value of **$5 billion**.

CPG will invest alongside us to continue the creation of an outstanding new city on the Sunshine Coast, combining affordable homes, retail town centres and business parks alongside best-in-class schools, child care, sporting facilities, transport, open space and community infrastructure.

This capital partnership gives us additional flexibility to invest in other counter-cyclical residential opportunities, as we focus on re-stocking our national pipeline.

Aura, QLD

Operational excellence

To deliver on our strategy we need to continually improve the way we operate to drive efficiencies and manage risk and opportunities effectively over the long-term.

Efficiencies

Improving systems and technology

We continued to focus on improving our technology and systems in FY19 with the further roll-out of our Core Systems Program and a Digital Technology uplift. The introduction of Digital Customer Case Management in the Core Salesforce system, along with new website features and social media tools, have improved our overall customer engagement and responsiveness.

New SAP financial consolidation and reporting tools were also implemented. The Core Systems Program continues to progressively release software that increases business efficiency and our ability to respond to digital opportunities.

Continued technology improvements are supporting productivity and the flexibility required in a modern workplace.

Managing costs

In FY19 we have reduced unallocated corporate overheads by $5 million, with additional savings forecast and a commitment to further reducing our cost base in FY20.

Innovation

One of the major challenges and opportunities facing all large corporations is the rate of innovation and its ability to disrupt growth. We are responding to this challenge and investing in building the right innovation capabilities and skills within our organisation.

In 2019 we launched LAB-52, Stockland's innovation engine named after our founding year. LAB-52 provides a collection of tools and processes that enable us to identify, assess and ultimately deliver value for our customers and securityholders. In 2019 we reviewed 53 ideas submitted and saw the outcomes of another 40+ initiatives shared via the LAB-52 portal.

In addition to supporting employee innovation, we have also invested in external ideas and partnerships. The Stockland Accelerator, powered by BlueChilli, is a program that identifies, validates, and builds new PropTech start-ups that can transform our industry and create better connected communities. Of over 240 applications received, 10 start-ups were selected for the program, with concepts ranging from AI-powered indoor farms to a chatbot to streamline facilities requests. Many of our participating start-ups now have live pilots, improving the experience of customers across the business.

STOCKLAND ACCELERATOR – POD FARMS

The concept for POD Farms came as renewables expert Christian Collison contemplated how to turn excess solar power into a new product. Inspired by his love of fresh food and nutrition, Christian devised a method for successful small-space indoor farming. His test lab grew micro-greens and leafy greens for a year before POD Farms was accepted into the Stockland Accelerator, powered by BlueChilli.

Now, POD Farms incorporates AI systems to optimise yields, reduce power and water, and provides remote control for modern urban farmers – and transforms under-utilised spaces in commercial and industrial assets into productive, revenue-generating farms. Christian is currently preparing to pilot his first commercial facility with Stockland.

POD Farms founder Christian Collison, sharing his vision at the Stockland Accelerator Investor Showcase evening.

Employee engagement

81%

Target 80%

Women in management

45.8%

Maintain 40/40/20 ratio in FY20

Our people who work flexibly

83.2%

Target 80%

Gender pay equity

98.5%

Target 100%

Lost time injury frequency rate

3.2

Our people

The ability to engage and retain our employees is critical to our overall business performance. Every year we conduct an externally-facilitated employee survey called Our Voice to measure employee engagement along with our key strengths and opportunities for improvement.

We continued to outperform the Australian National Norm for employee engagement in FY19 with a score of 81 per cent and we have been recognised as an employer of choice in the Australian workplace by the Workplace Gender Equality Agency (WGEA) for the fifth consecutive year.

Strengthening Stockland

We are a purpose-driven organisation with a strong culture. It is important we continue to build on this robust foundation and position our organisation to respond to challenges and opportunities in the future. In FY19 we conducted a culture review to understand the elements of our culture we need to improve, and the support we need to provide employees to deliver on our strategy.

Out of this work we have developed an integrated program of work across leadership, structure, capability, processes and systems. The program, called 'Strengthening Stockland', will assist the business to build on our foundation of collegiality, care, and passion to drive greater innovation, accountability, and faster decision-making.

Health, wellbeing and safety

We foster a culture where health, safety and wellbeing are core values and continuous improvement of our safety performance is part of our normal business practice. We know stress and anxiety significantly impact job performance, employee satisfaction and retention.

In FY19 we developed the 'Ways to Wellbeing' course in consultation with the Wellbeing Outfit, to provide employees with a neuro-scientific understanding of stress and wellbeing. More than 500 employees, including Executives and General Managers, have completed the training since it was launched.

Our wellbeing score (as measured in the annual employee Our Voice survey) was 75 per cent in FY19, which is consistent with our FY18 score and three points above Willis Towers Watson's Australian National Norm. Although our lost time injury frequency rate (LTIFR) increased slightly this year from record lows in previous years, we continue to report a low average lost day rate, and we have initiated a number of actions to identify and address the underlying drivers of the increase.

Diversity and inclusion

We know that we can best respond to our customers' needs when our people reflect the diversity of the communities we service and when their different views and perspectives are valued.

Our Employee Advocacy Groups (EAGs) play an important role in creating an inclusive workplace and developing initiatives to drive diversity. Led by a diverse group of employees across Australia, our four EAGs are Gender Equity, Flexibility, LGBTI+ and Wellbeing, and Accessibility & Cultural Inclusion.

In FY19 more than 550 employees completed a LGBTI+ inclusion online training module or face-to-face program. We also continued to focus on supporting flexibility through the One Simple Thing program, improving parental leave return rates and supporting gender diversity through the Senior Women's Sponsorship Program.

Gender equality

Stockland actively encourages gender diversity at all levels within the organisation. Gender diversity targets are set by management and regularly reviewed and endorsed by the Human Resources Committee and the Board. In 2018, we achieved a significant milestone in that every level of leadership from Manager through to our Executive Committee and Board had at least 40 per cent female representation. Stockland is one of the few companies that has achieved a gender-balanced workforce (40/40/20) across all levels of management, inline with industry best practice.

Our Gender Pay equity ratio is 98.5 per cent and we will continue to focus on closing this gap between male and female fixed pay for all like for like roles.

In acknowledgement of our focus on gender equity, we have been recognised by the Workplace Gender Equity Agency as an Employer of Choice for Gender Equality for the past five years and our Managing Director and CEO is a founding member of the Property Male Champions of Change group, which focuses on industry-wide improvements in gender equality.

i

More detail can be found in our Employee Engagement, Development, Diversity and Inclusion Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***.

Customer focus

Listening to our customers and delivering initiatives that respond to their needs is critical to the success of our business and our reputation.

In October 2018, we launched our new Customer Promise, providing clarity on what it means for our employees to be “Customer Crusaders”. The Promise encourages all employees to consider our commitment to customers when making everyday business decisions and a range of actions has been developed to deliver on our Promise.

Proprietary customer research, satisfaction and liveability surveys are used to measure our customer performance and help inform our projects and shape better communities, town centres and workplaces.

Stockland Exchange is our own online customer research community made up of shoppers, residents and prospective residents aged from 18 to over 90 years old. In FY19 Stockland Exchange grew to over 6,000 members and was used to better understand our customer attitudes and needs on 40 occasions.

In FY19 we exceeded our target of 80 per cent satisfaction with prospective residents in our residential communities and we achieved the highest level of retirement living resident happiness since 2009 (8.6 out of 10). This positive increase in retiree satisfaction was driven by satisfaction with residents’ home and social life.

In Commercial Property, we exceeded retailer satisfaction targets with satisfaction at 82.5 per cent and we achieved 84 per cent satisfaction in Workplace and Logistics. These results reflect our increased focus on improving the optimal leasing experience for smaller retailers and the introduction of a new program called ‘Stockland Listens’ to ensure we spend more time understanding our tenants’ needs.

‘Stockland Listens’ is also used in our Communities business to actively seek direct feedback from customers in sessions attended by a range of employees to drive a customer-centric culture and understanding.

i

More detail about our customer targets and initiatives can be found in our Customer Engagement & Experience Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***.


Mernda Retirement Village, VIC

Residential communities resident satisfaction

93%

Retirement living resident happiness

8.6/10

Target 8.25

Retail tenant satisfaction

82.5%

Target 75%

Workplace and logistics tenant satisfaction

84%

Target 80%

Retail customer satisfaction

80%

Target 80%

Stockland Merrylands, NSW

Business risks and our materiality process

Business risks

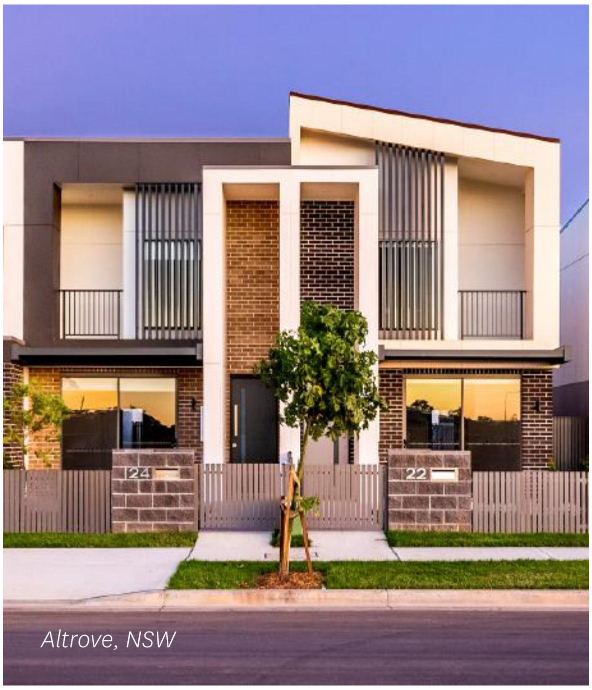
We adopt a rigorous approach to understanding and proactively managing the material risks and opportunities we face.

Risks and opportunities

We recognise that making business decisions which involve calculated risks, and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting the expectations of Stockland's stakeholders.

Stockland's risk appetite is the degree to which we are prepared to accept risk in pursuit of our strategic priorities. The Board has determined that Stockland will maintain a balanced risk profile so that we remain a sustainable business and an attractive investment proposition, in both the short and long terms.

As part of our approach to integrated reporting, Stockland adopts a rigorous approach to understanding and proactively managing the material risks and opportunities we face in our business.



Altrove, NSW

Our materiality process

Stockland has used the materiality definition from the Integrated Reporting Framework to disclose information about matters that may substantively affect the organisation's ability to create value over the short, medium, and long term. We identified our FY19 material matters using the following process:

1. Identify

We identified draft material matters by capturing internal and external perspectives in line with the principles of AA1000 and GRI G4. This included:

- **Materiality test capturing internal and external perspectives in line with the principles of AA1000 and GRI G4, including:**

- Investor research and engagement
- Customer feedback and insights
- Employee surveys
- Political and regulatory developments
- Industry engagement and advocacy
- Social and mainstream media.

- **We also undertook an operational and strategic risk assessment.**

2. Evaluate and prioritise

An integrated reporting materiality workshop was held with members of the Stockland leadership team to review the material matters, identify additional relevant issues, rank issues of greatest significance and prioritise them based on their ability to affect value. The material matters were then mapped in terms of their potential impact on value creation over the short, medium and long term.

3. Outcomes and disclosure

The following table discloses the final list of material matters developed and mapped. These have been reviewed and approved by Stockland's executive team and Board. They have also been assured by Ernst & Young (EY).

SHORT TERM – STRATEGY EXECUTION

Risk and opportunity	How we are responding
Ability to deliver on our strategic priorities in challenging market conditions.	We will continue to deliver sustainable and growing returns by focusing on: • Accelerating improvement in the quality of our Retail Town Centre portfolio • Broadening our capital partnering initiatives across the whole portfolio • Increasing our weighting in Workplace and Logistics • Enhance our capability to drive growth opportunities.
Increased competition and changing market conditions may impact our opportunities for growth.	To respond to changing market conditions and competition we will: • Maintain a diversified business model at scale in each sector • Reinvest in our assets to meet changing customer needs including agile redevelopment of our properties to capture value add opportunities • Focus on retaining a strong balance sheet with appropriate gearing • Use diverse funding sources including capital partnering and asset recycling • Concentrate on efficiency and cost management • Maintain a prudent approach to forecasting • Proactively replenish our land and asset pipelines • Maintain discipline and agility in our investment decision making • Include a focus on governance and compliance to provide a stable environment for growth • Use a rigorous whole-of-business approach informed by detailed research to drive our capital allocation process • Support innovative culture to improve our customer experience and identify further growth opportunities. This is being facilitated through our new digital platform LAB-52, which is designed to assess and accelerate investment in potential growth areas.
Systems enhancements impact business process efficiency.	As part of our continued focus on operational efficiency, we continue to drive progress in improving our systems capabilities. We have introduced a new Customer Relationship Management system, Salesforce and the Human Resources system SAP SuccessFactors, which have been effective in enhancing the customer and employee experience. We continue to maintain two-way engagement with employees to enable a smooth transition, as well as find additional ways to provide ongoing systems enhancements and use technology to supplement our risk management processes.
Housing affordability continues to impact the dynamics of the Australian Housing market.	To help address affordability we will continue to: • Partner with government and industry to drive solutions including innovative construction processes to lower costs • Provide a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments • Balance the demand from home owners and investors so that our residential communities remain attractive to future buyers.
Extreme weather, security risks and energy price shocks impact business continuity and community resilience.	To make our business more resilient we will continue to: • Train our employees and increase their risk awareness including undertaking regular scenario testing • Invest in asset upgrades and adapt community design • Assess and implement wholesale energy strategies and renewable energy installations, to provide alternative sources of energy to mitigate the risk of price shocks • Be vigilant in protecting and managing data threats from cyber attacks • Actively manage our corporate insurance program to provide adequate protection against insurable risks.
Ability to dispose of non-core Commercial Property assets.	Over the past 12 months we have completed independent valuations of 98 per cent (by value) of the Commercial Property portfolio and adopted a disciplined approach to the disposal program for individual non-core assets in consultation with external agents. We have made good progress to date and are on track to achieve our targets.
Change within the retail sector impacts rental growth.	Over the past 10 years, the retail landscape has undergone structural change and seen a convergence of technological advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers. We have been proactive and pre-empted many changes. We will continue to: • Focus on experiential retail, health, services and food catering • Apply our 'placemaking' strategy across our assets to create convenient, curated communities that form the social hub • Leverage deep customer insights and analytics to inform our tenant re-mixing.

SHORT TERM – STRATEGY EXECUTION

Risk and opportunity	How we are responding
Regulatory and policy changes impact our business and customers.	We will continue to: • Implement forward-looking practices to remain well positioned for regulatory change. For example, we are amongst the first Australian corporates to disclose our climate-related risks with our financial reporting, and we now provide contract choice to provide more certainty for our Retirement Living residents • Engage with industry and government on policy areas including taxation and planning reform. As part of our commitment to tax transparency and demonstrating good corporate citizenship, we have adopted the Australian Federal Government's Voluntary Tax Transparency Code, which provides a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information • Focus our development activity in areas where governments support growth.
Increasing expectations on organisations from the community.	Standards for interaction with customers have been under intense scrutiny in Australia. It is important that we engage with our customers in an ethical and considered manner. At Stockland we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and the implementation of a customer feedback framework with reporting through to our Board and Committees.
Retirement living residents have high expectations about value and fairness.	We will continue to: • Have an open and respectful relationship with our Retirement Living residents, and continue our commitment to being transparent and up-front about costs associated with living in our retirement villages • Proactively engage with residents to maintain high satisfaction levels and standards of care • Focus on health and wellbeing and our approach to care • Demonstrate industry leadership and work with our peers to lift industry standards • Review product and contract choice to meet changing customer preference.

LONGER TERM – CHANGING MARKETPLACE

Risk and opportunity	How we are responding
Anticipating changing customer and community expectations to meet future demand.	We will continue to: • Foster a culture of innovation to identify and take advantage of opportunities to leverage movements in stakeholder preferences • Evolve our market-leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community) and other data sources • Create sustainable and liveable communities and assets, resilient to changes in climate • Enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing demographics, including an ageing population and more socially conscious millennials.
Our ability to harness opportunities arising from digital disruption.	We will continue to: • Identify, develop and integrate technological enhancements across our business, including online residential and retirement living engagement opportunities • Support Stockland retail town centres as thriving communities by delivering quality services and spaces that are e-enabled.
Capital market volatility impacts our ability to transact and access suitable capital.	So that we are able to continue to raise sufficient capital to fund growth, we will continue to: • Focus on retaining a strong balance sheet at appropriate levels of gearing • Maintain and increase access to diverse funding sources across global capital markets • Maintain our prudent capital management policies including a target gearing range of 20 to 30 per cent • Retain favourable investment grade ratings across multiple credit agencies to demonstrate our strong credit value proposition • Regularly update existing and potential debt and equity investors to inform them about the business.
Ability to adapt our operating model to meet the changing nature of the workforce.	The ability to attract, engage and retain our employees is critical. Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work and encouraging creative and adaptive teamwork. We have successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working. We are focused on how we actively set employees up for success and will continue to: • Maintain a focus on fostering a positive culture to deliver value to all stakeholders • Encourage flexible work practices supported by our new collaboration platforms • Train our senior leaders to be more agile and resilient through Stockland leadership programs • Provide employees with technology devices that increase their mobility and flexibility and facilitate improved productivity in a balanced way.

PARTNERSHIP TO PRODUCE AGEING AND DIGNITY REPORT

In 2019 Stockland was pleased to partner with the Committee for Sydney and not-for-profit organisation, Baptistcare to produce the 'Dignity and Choice' report which highlighted the challenges in creating an inclusive future for Sydney's ageing population. We contributed in a number of ways, including hosting a working group to determine the challenges to be answered within the report which included meeting the housing needs of an ageing population, transport to keep people socially connected and healthy, planning principles for inclusive public spaces, healthy and active ageing, fostering social connection and tackling the dementia challenge

The report was launched amongst an audience of industry and government representatives and included a keynote address from the Hon. John Sidoti MP, NSW Minister for Sport, Multiculturalism, Seniors and Veterans. Producing reports like the 'Dignity and Choice' report helps Stockland to remain on top of the retirement living market, identify challenges and continue to provide high quality, community living for our residents.

Stockland Elara, NSW

Whiteman Edge, WA

Climate-related risks

KEEPING IT SIMPLE

The aim of this text in 'Keeping it simple' boxes is to explain more complex sections in plain English. It also aims to provide explanations and additional disclosures to assist readers' understanding and interpretation of statements.

Climate-related Financial Disclosures

This is Stockland's second full-year disclosure of climate change issues management in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD recommendations were published in 2017 with the objective of developing voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks. Further information on the recommendations is available at ***www.fsb-tcfd.org***.

Stockland has long recognised the risks and opportunities presented by climate change, and has responded to these issues by creating and implementing our Climate Change Action Plan (commenced in 2006) and detailed Climate Adaptation Strategy (commenced in 2011). We understand that extreme weather and other physical climate risks impact our assets and communities now, and will continue to do so into the future. We also acknowledge the potential for financial impacts resulting from carbon emissions regulation, particularly in the context of Australia's ratification of the 2015 Paris Agreement to limit global temperature increases to below 2°C. We manage these climate risks and opportunities by developing and operating energy-efficient, climate resilient assets and communities; and through our leadership in the transition to lower-carbon energy sources at our assets.

Following Stockland's initial commitment to TCFD in February 2018, we undertook a detailed climate scenario analysis in June 2018. This analysis reviewed the resilience of Stockland's strategy in relation to the disclosure of our climate-related physical and transition risks and opportunities. It also took into account different climate scenarios in accordance with the TCFD recommendations. The outcomes of this scenario analysis form the basis of our strategy and management of climate-related risks and opportunities, with detail on the governance, strategy, risk management, and metrics, targets and results contained in this section.

Stockland Wetherill Park, NSW

Governance

The Board and Board Committees (including the Risk Committee, Audit Committee, Sustainability Committee and Human Resources Committee) provide oversight of our risk management framework. The Risk Committee meets at least four times per year and receives quarterly reports on our enterprise risk register, which includes climate change as a key risk. All directors of the Board are members of the Sustainability Committee, which meets at least twice per year and considers our approach to carbon mitigation (including emissions reduction targets), our methods for building climate and community resilience, and emerging climate regulation. More details on our corporate governance is set out in the section of this report entitled 'Governance and Remuneration'.

Every member of our Executive Committee has specific responsibilities relating to our sustainability performance, including targets and objectives related to climate change risks and opportunities.

Our Chief Financial Officer chairs our internal Sustainability Steering Committee, which is composed of senior management from various organisational departments including Strategy and Stakeholder Relations, Project Management and Procurement, Human Resources, Legal, Risk, Operations, Development and Sustainability.

The committee meets at least three times per year and its key responsibilities include:

- Informing our sustainability strategy and supporting delivery of sustainability targets, including those related to climate change mitigation and adaptation
- Investigating and reporting on environmental, social, and governance risks and opportunities across our current and planned operations
- Guiding compliance with, and monitoring of, our environmental and social policies, guidelines, and agreed initiatives, including those related to carbon emissions reduction.

Strategy

For 13 years, Stockland has been identifying risks and opportunities related to both the physical impacts of climate change (physical risk) and a global transition to lower-carbon energy sources (transition risk). Our response to these risks and opportunities has been guided by our Climate Change Action Plan, our detailed Climate Adaptation Strategy, and our business unit sustainability strategies.

We recognise that climate-related risks will persist for the foreseeable future. The precise nature of these risks, however, is uncertain as it depends on complex factors such as policy change, technology development, market forces, and the links between these factors and climatic conditions. To accommodate this uncertainty, we incorporate scenario analysis into our climate risk assessment process to understand how climate-related risks and opportunities may evolve and impact the business over time.

In line with the TCFD recommendations, these scenarios were analysed in detail to explore and understand the strategic implications of climate-related risks and opportunities on the resilience of our business. This process provided a useful mechanism for informing stakeholders about how we are positioning ourselves in light of these risks and opportunities.

The outcomes of this scenario analysis highlighted specific climate-related issues that could have a material impact on Stockland, relating to both physical and transition risks.

Physical risks

As an asset owner, manager and developer, we acknowledge that physical risks associated with climate change can result in negative financial impacts, such as increased maintenance costs or decreased revenues from disrupted operations.

Our scenario analysis identified key physical risks for Stockland, which include:

- **Extreme heat** – resulting in issues such as increased requirements for cooling and areas of respite, increasing demand on HVAC systems, energy and water supplies, and increased heat stress events amongst the community creating a higher demand for refuge indoors
- **Extreme rainfall** – resulting in issues such as increasing local flood events, roof and gutter leakages and inundation of building and car parks creating property damage and business interruptions
- **Sea level rise** – an increase in salt water intrusion from storm surge resulting in the inundation and degradation of property structures and accessibility
- **Cyclones and storms** – resulting in issues such as decreased roof structure integrity and security of roof mounted equipment creating property damage and business interruptions, and increase in demand for properties to be used as evacuation shelters during cyclone events
- **Bushfires** – resulting in issues such as fire damage to property, accumulation of ash, and smoke penetration into the building envelope resulting in reduced indoor air quality and respiratory system issues amongst customers, tenants and residents.

Stockland's climate scenario analysis informs our climate strategy

The Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment report (AR5) published in 2014, outlines a range of Representative Concentration Pathways (RCPs) designed to be 'representative' of possible future emissions and greenhouse gas (GHG) concentration scenarios to the year 2100. The pathways are based on global research and existing literature and comprise four scenarios: RCP8.5, RCP6.0, RCP4.5 and RCP2.6. Each RCP reflects a different concentration of global GHG emissions reached by 2100, based on assumptions of different combinations of possible future economic, technological, demographic, policy, and institutional trajectories.

RCP 8.5 Scenario	RCP 2.6 Scenario
This scenario is broadly considered the 'business-as-usual' scenario in which emissions remain high and global temperatures rise 3.2 – 5.4°C by the end of the century. RCP 8.5 is characterised by increasing GHG emissions driven by a lack of policy changes to reduce emissions. **Stockland uses RCP 8.5 for physical risks to inform our scenario analysis.**	This scenario is most closely aligned with delivering the Paris Agreement targets. It assumes a drastic reduction of global emissions as result of sweeping policy and technology change that results in a global temperature change of approximately 0.9 – 2.3°C by the end of the century, minimising (but not eliminating) physical risks of climate change. **Stockland uses RCP 2.6 for transition risks to inform our scenario analysis.**

Our strategy response to physical risks

In recognition of these potential impacts, our strategy focuses on a commitment to creating climate resilient assets and communities with a greater ability to endure severe weather impacts and operate with minimal disruption. Implementing this strategy involves our entire value chain, from our development and supply chain through to operations. We use climate and community resilience assessments to understand how to minimise negative impacts and create opportunities from building and maintaining resilient assets for the long term, including community preparedness.

Opportunities associated with prioritising the development of resilient assets include decreased operational costs (e.g. maintenance, insurance premiums) and increased revenues from increasing consumer preferences for climate-resilient products.

Transition risk

We acknowledge that Australia has agreed to the objective of limiting global warming to below 2°C. Pursuing this objective implies a general movement away from fossil fuel energy and increased deployment of low/zero carbon energy sources and energy-efficient technology. Our scenario analysis process informs the business on transition risks for Stockland and how they may evolve over time, including:

- **Policy changes impacting development and building** – including changes in zoning and density requirements, policies promoting sustainable land use and changes to the National Construction Code
- **Liability** – including changes to the insurability of assets and commercial liability regarding disclosure of transition and physical risks
- **Technology** – broad scale changes to the energy and power network including generation, transmission and distribution in the transition to renewable energy sources
- **Investment** – lending institutions only supporting borrowers who manage their climate risk and create low carbon solutions
- **Reputation** – prioritisation of the transition to a low-carbon economy by early adopters.

Our strategy response to transition risk

In recognition of our capacity to contribute to a low-carbon future and to mitigate impacts associated with transition risks, our business has been guided by emission intensity reduction targets and associated strategy since 2006. Executing this strategy prioritises the delivery of energy efficiency enhancements and renewable energy installations across our portfolio, such as our industry leading $32 million commitment to deliver rooftop solar photovoltaic (PV) infrastructure.

It also involves engaging our customers, employees and industry stakeholders to educate and advocate for a transition to a low-carbon future.

Opportunities related with this strategy include:

- potential increased value of existing land holdings resulting from the changing zoning/density requirements
- increased premium discounts and the introduction of incentives by the insurance industry
- the transition of the grid to renewable energy sources and the opportunity to partner with energy producers to support technological innovation
- enhance brand and reputation by educating consumers
- the ability to attract capital from organisations seeking to invest in companies helping the transition to a low-carbon economy.

Specific detail on how we execute on our strategy and how it relates to our targets and results is described throughout the rest of this section.

WORKSHOPPING TRANSITION RISK WITH OUR EMPLOYEES

The primary purpose of TCFD is to support efforts aligned with the global transition to a low-carbon economy, including limiting global temperature rise to below 2°C. In April 2018, Stockland worked with AECOM to hold a Transition Risk Workshop, engaging key stakeholders across the business to consider what achieving a 2°C future may look for Stockland and for the industry more generally. The outcomes of this workshop formed part of Stockland's climate scenario analysis, and also shaped our internal "Vision of the Future."

Retaining a future focus with a long-term vision to 2050 is essential. This workshop allowed Stockland employees to really think about the potential outcomes of acting, or not acting, in the transition to a low-carbon economy. Discussions ranged from the opportunities of being an early adopter in terms of meeting investor and consumer demand, through to how Stockland can attract and retain talent as a climate leader, and the challenges and benefits of the energy grid shift.

"By 2050 Australia's energy sector will have undergone widespread and unprecedented transformation... While the scale and pace of change has been intense, it is not without benefit. We can already see that our air is cleaner. Our places and spaces have become greener."
– Excerpt from our Vision of the Future, developed in partnership with AECOM.

Risk management

Approach

Consistent with the adoption of a three lines of defence risk framework, all areas of the business, including the Executive Committee, are responsible for managing risk through the identification, assessment, and treatment of risks. This includes implementation of risk management initiatives, active management of risks, and compliance with appropriate processes, procedures, checklists and other controls. Teams are also responsible for monitoring these controls to ensure they remain effective, and for reporting on risk management achievements or concerns appropriately. Our Group Risk Officer leads a team of risk management professionals, responsible for working with the organisation to deliver outcomes within our risk management framework.

Leaders from across the business convene annually for risk workshops to consolidate their understanding of emerging risks, including climate risks. Business units analyse and evaluate these risks and consolidate findings into a risk profile for each business unit and for the Group. Teams assess asset class portfolios annually for risks and opportunities, including climate-related issues.

Climate-related risks and opportunities that may impact assets are prioritised for action based on:

- Impact on communities and the environment in which the asset is operating
- Overall potential impact on asset performance
- Financial impact to the business in managing the risk or opportunity.

Across our portfolio, climate-related risks and opportunities are prioritised for action based on:

- Geographical areas of highest risk
- Design attributes of the asset which affect climate resilience
- Climate change scenarios for the medium- and long-term
- Overall impact on business-wide emissions reductions
- Impact on local communities and environment (relative to where we operate)
- Overall risk to portfolio value and revenue.

Our approach to risk management is guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), the Australian Securities Exchange Corporate Governance Principles and Recommendations and other applicable regulatory standards. Our Risk Management Framework includes supporting guidelines, procedures, and tools to help manage risk consistently across the business. These include methods for assessing climate and community resilience across our portfolio.

Managing our physical risks and opportunities

We include climate and community resilience assessments in the asset-level risk management process. These assessments focus on the capacity of assets and associated communities to withstand severe weather impacts and minimise any disruption, while providing support for the local community. Where we identify a high exposure to extreme weather events, such as cyclones in North Queensland, we supplement our resilience assessments with a detailed assessment of the roof structure and building envelope's capacity to withstand cyclonic winds. When considering strategies to improve the resilience of an asset, we use an opportunities matrix which looks beyond the traditional risk matrices based on likelihood and consequence ratings. For example, we use the opportunities matrix to identify the value of discretionary climate resilience initiatives such as shade sails in car parks and cool roof covenants in residential communities.

In 2019 we updated our climate risk assessment approach into one centralised tool, ensuring a systematic, objective, and standardised process for ongoing climate resilience assessment, management and reporting. It allows users to understand the climate exposure of an individual asset, as well as its adaptive capacity and sensitivities to climate-related risks and opportunities. It covers both the built aspects of an asset, including operation and maintenance of buildings and infrastructure, and considers the community resilience of tenants, residents and / or customers dependant upon the asset. Once assessed, asset adaptation responses will be assigned and tracked through Stockland's enterprise risk management system. This enables Stockland staff to monitor and evaluate adaptation actions over time, ensuring proactive design is prioritised from the earliest stages of development and ongoing asset management.

Collectively, this results in a resource that enhances our ability to consistently create highly liveable and sustainable communities.

For assets under development, the management of climate-related risks and opportunities is integrated into our project development lifecycle, known as D-Life. Each stage of the D-Life process requires the delivery of specific sustainability objectives, including climate-related risk assessments at defined approval gates.

Stockland Rockhampton, QLD

CASE STUDY
RESILIENCE IN OUR NORTH QUEENSLAND REGION

In 2011, Stockland commissioned external research on the key climate risks to which we are exposed, to form our Climate Adaptation Strategy. This research highlighted the exposure of our North Queensland assets to extreme weather events, such as an increase in the frequency and severity of storms and intense tropical cyclone activity. Since then, we've actively worked to increase the asset and community resilience in the region, focusing on initiatives such as:

- Fastening roofing systems and roof-mounted equipment to improve resilience to cyclonic wind
- Replacing corroded box guttering and installing additional downpipes and overflows to avoid stormwater leakage into retail tenancies
- Upgrading air conditioning and electrical equipment to provide greater reliability and performance during days of extreme heat
- Replacing ageing roofing materials and specifying new roofing systems in developments to utilise 'cool roof' technologies to reduce urban heat island effect and heat loads on plant and equipment
- Improving the design of stormwater drainage infrastructures to be more resilient to the effects of intense flooding
- Implementing new business continuity plans and emergency procedures for assets in regions vulnerable to cyclones.

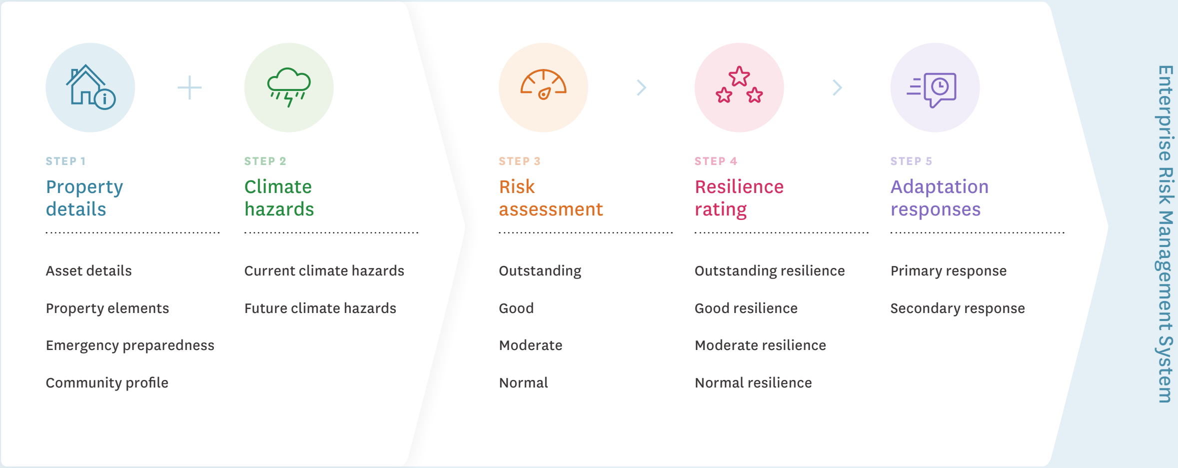
We've also worked with the Cyclone Testing Station at James Cook University to complete two cyclonic wind vulnerability and emergency assessments at our Retail Town Centres at Bundaberg and Hervey Bay. These assessments took a detailed look at the roof structure and envelope to identify vulnerability to facility damage from cyclonic wind events. As a result, we haven't suffered any damage of this type since.

The progress that we've made in increasing regional resilience is having positive outcomes for both Stockland and the community, including:

- Reduced insurance deductibles for our assets following Cyclone Marcia in 2015, due to the completion of cyclone vulnerability and resilience works on our affected assets
- No roof structure and building envelope damage suffered by our Retail Town Centres at Bundaberg and Hervey Bay post-cyclonic wind assessments
- Reduced exposure of assets to climate-related risks, such as Stockland Rockhampton. Previously exposed to flooding issues due to the creek bed location, Stockland Rockhampton remained resilient during Cyclone Marcia in 2015 with the creek bed not washing away as it had previously during similar events.

As of FY19, all Retail Town Centres in Queensland have now undergone a climate resilience assessment.

Climate resilience assessment tool



Managing our transition risks and opportunities

Existing and emerging regulatory requirements related to climate change are incorporated into overall risk management and into our risk register as appropriate. Our Group Risk team is responsible for developing our risk management framework and adapting it to accommodate physical and transitionary changes which may impact our social and environmental performance. Our Government Relations, Risk, Legal and Sustainability teams keep the Executive Committee and Board informed on existing or emerging climate regulation that may impact on the business.

In response to regulatory and market risks relating to energy supply and demand, Stockland is committed to promoting efficient operation of our assets and increasing our renewable energy capacity. Following solar installations in FY19, Stockland's total portfolio solar capacity is 16.4MW, which could generate approximately 21,900,000 kWh in renewable energy annually. This commitment will also help us meet our net zero carbon targets of net zero carbon emissions by 2030 across our logistics centres, retirement living villages and corporate offices, after signing the World Green Building Council's Net Zero Carbon Buildings Commitment.

Managing climate-related transition risks and opportunities also involves participating in industry-wide collaborations such as with the Property Council of Australia and the Green Building Council of Australia, which focus on how the property industry can lead a transition to a low-carbon economy. For example, we have worked with the Green Building Council of Australia as a strategic supporter of their Carbon Positive Roadmap for the built environment. The roadmap establishes the steps required for commercial, institutional and government buildings, and fit-outs to decarbonise and contribute to global climate targets.

Total portfolio solar capacity

16.4MW

Renewable energy generated (kWh)

12,958,224

2030 carbon emissions target

Net zero

Across Logistics, Retirement Living and corporate offices

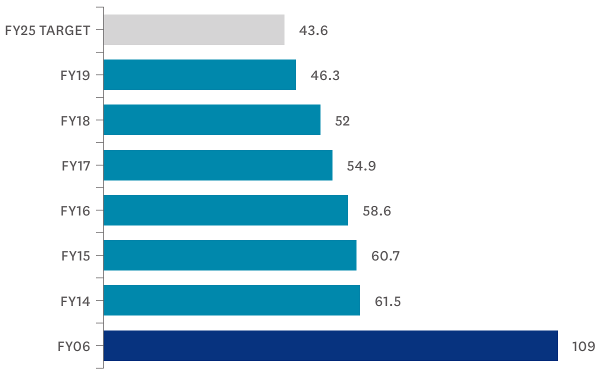
Metrics, targets, and results

Metrics provided are for the year ending 30 June 2019.

In 2006, in recognition of our capacity to contribute to a low-carbon future, we began setting targets to reduce the greenhouse gas (GHG) emissions intensity of our portfolio. Emissions intensity is an established metric for evaluating the energy and emissions efficiency of real estate portfolios, and is calculated by dividing absolute emissions (kilograms of carbon dioxide equivalent) by floor area (square metre). Since 2006, we have achieved a reduction of 57% across our Commercial Property portfolio. As a result of emissions reduction initiatives, we have saved over $106 million in avoided electricity costs over the same timeframe.

Our carbon emissions intensity reductions to date contribute to our target reduction of 60 per cent by 2025 (2006 baseline). The bar chart below shows the reduction in carbon emissions intensity across our Commercial Property (Office, Business Parks, and Retail) portfolio since FY06. All figures are in kgCO2-e per square metre (kgCO2-e/sqm).

Commercial Property GHG emissions intensity (kgCO2-e/sqm)



In recognition of the potential for renewable energy to both mitigate climate risk and provide financial benefit to our business, we have committed to deliver a total solar generating capacity of 17.9MW by FY20.

KEEPING IT SIMPLE

Scope 1 emissions are direct emissions from fuels that are combusted on site, such as gas consumption in our buildings or natural gas, diesel and petrol from fleet, as well as refrigerant leakage.

Scope 2 emissions result from the consumption of electricity only (indirect emissions from fuels combusted off site).

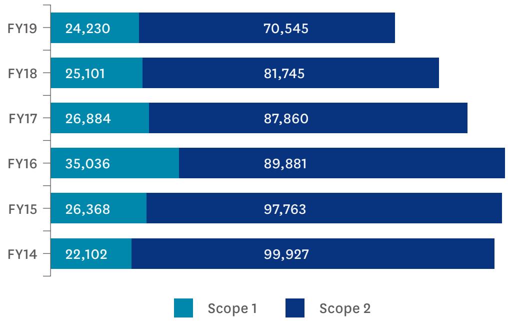
We report our Scope 1 and Scope 2 emissions according to our operational control boundary under the National Greenhouse and Energy Reporting Act 2007. Tenant electricity usage is not included except where we are the tenant. We voluntarily report select Scope 3 emissions in accordance with the GHG Protocol Corporate Standard. Our annual sustainability reporting contains further information on our Scope 1, Scope 2, and Scope 3 emissions.

Renewable energy generated

	Solar power generated (kWh)	Solar PV capacity
FY14	175,374	50
FY15	292,124	1,360
FY16	1,940,689	1,360
FY17	2,387,168	2,260
FY18	3,274,463	4,360
FY19	12,958,224	16,400
Target FY20		17,900 kW

The following chart provides absolute Scope 1 and Scope 2 greenhouse gas emissions totals (in kgCO2-e) since FY14. Our Residential business constitutes the majority of our Scope 1 emissions, the levels of which vary each year in accordance with civil contractor construction activity. Commercial Property constitutes the majority of our Scope 2 emissions, which have been decreasing over time because of our energy efficiency and renewable energy initiatives.

Total Scope 1 and Scope 2 GHG emissions (kgCO2-e)



Our targets and metrics are incorporated into annual asset-level business planning and reporting procedures. All staff are required to develop key performance indicators related to sustainability objectives, which include climate-related risks and opportunities where relevant. Performance against these indicators is included in individual staff remuneration evaluations.

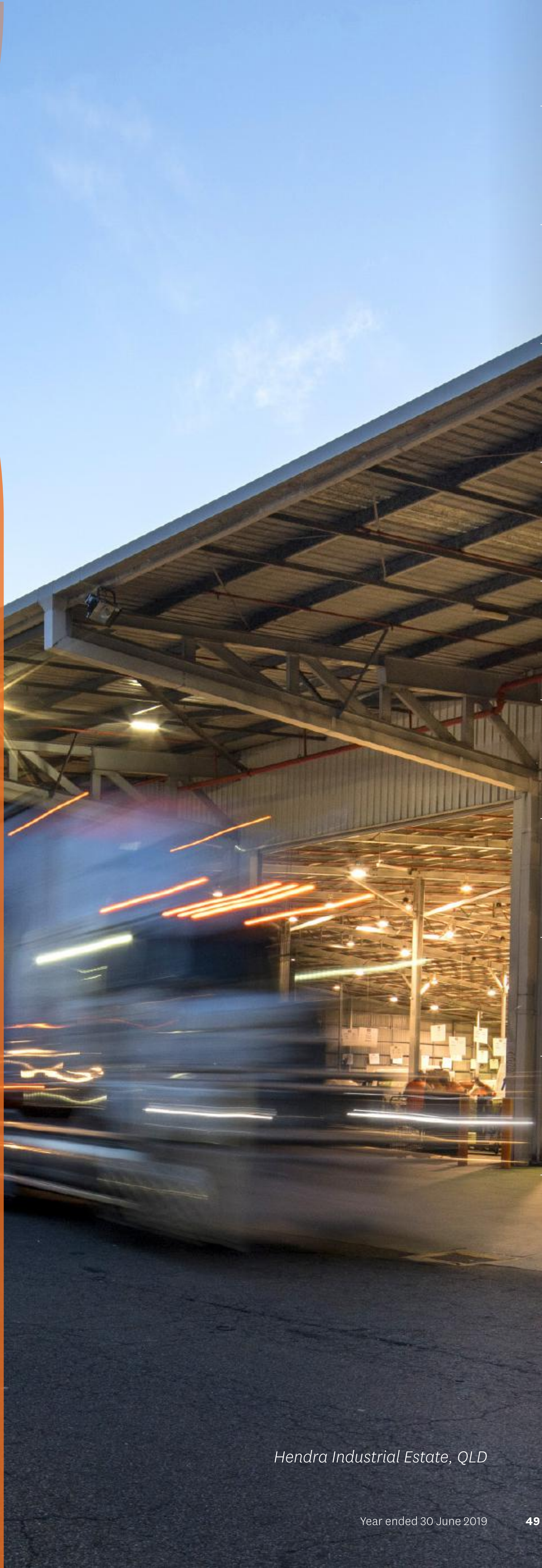
Our sustainability targets and performance metrics incorporate a broad range of climate-related risks and opportunities, and the entirety of these targets and metrics is provided in our sustainability Deep Dives and Data Packs, available online at ***www.stockland.com.au/sustainability/downloads***.

FY19 PRIORITIES	STATUS	FY19 PROGRESS
COMMERCIAL PROPERTY		
Complete climate resilience assessments in operational assets in priority locations across our portfolio, including our retail town centres at Stockland Cleveland (QLD), Burleigh Heads (QLD), and Caloundra (QLD), and Shellharbour (NSW) and our Logistics assets at Yennora (NSW), Hendra (QLD), and Port Adelaide (SA).	Achieved	Assessments completed in our Retail Town Centres and Logistics Distribution Centres with a focus on completing assets with exposure in Queensland.
Continue to undertake climate resilience assessments in future development projects including Whiteman Edge (WA).	Achieved	Climate Resilience assessments have been completed on two Retail Town Centre developments – Stockland Baringa and Stockland Birtinya (QLD) as part of the Green Star commitments. The Whiteman Edge project will be assessed when it moves to the next stage of our D-Life process.
COMMUNITIES		
Undertake a formal review of resilience assessment framework approach against industry best practice.	Achieved	A formal review was undertaken as part of the scope for the development of the Group Climate Resilience Assessment Tool. This ensured that the tool is aligned against industry best practice.
RESIDENTIAL		
Complete climate resilience assessments on new communities in priority locations that commence master-planning during FY19.	Achieved	We undertook five assessments in the following locations: Hope Island (QLD), Paradise Waters (QLD), Promenade (QLD), Glendalough (WA), and Wellard (WA) using our newly-developed Group Climate Resilience Assessment Tool.
RETIREMENT LIVING		
Complete two assessments in medium priority locations as determined through the national mapping review.	Achieved	We undertook three assessments using our newly-developed Group Climate Resilience Assessment Tool in the following operational villages: Lourdes (NSW), Belcarra (QLD) and Affinity (WA).
Implement the resilience best practice guidelines across five low-medium priority villages that have not had a formal climate and community resilience assessment completed.	In progress	Two operational villages have been piloted under the new Tool; Hillsview (SA) and Wamberal Gardens (NSW). Further assets will be assessed in FY20 with the newly developed Group Climate Resilience Assessment Tool.

FUTURE PRIORITIES

Commercial Property and Communities

- Migrate previous resilience assessments into new Group Assessment Tool for all business units and update results in accordance with new scoring methodology
- Undertake new assessments as required including new developments and high priority assets as per national mapping exercise
- Communicating and building capacity internally on the use of the new Group Climate Resilience Assessment Tool including Risk and National Operations Team
- Review our Climate Target approach and establish targets for 2021 and beyond.



Hendra Industrial Estate, QLD

Aura, QLD

A better way to deliver shared value

Our approach to sustainability

As a real estate owner, manager and developer we believe we have both the opportunity and responsibility to create the right balance of social, environmental and commercial conditions for our community, customers and investors now and in the future.

Our sustainability strategy focuses on this opportunity to deliver shared value across a range of stakeholders with a view towards achieving our vision: To be a great Australian property company that makes a valuable contribution to our communities and country.

We are committed leaders in sustainability and believe this approach is fundamental to the way we do business. Our three sustainability pillars are integrated with our business strategy to ensure we maintain our competitive advantage and deliver shared value to all our stakeholders.

Shape thriving communities

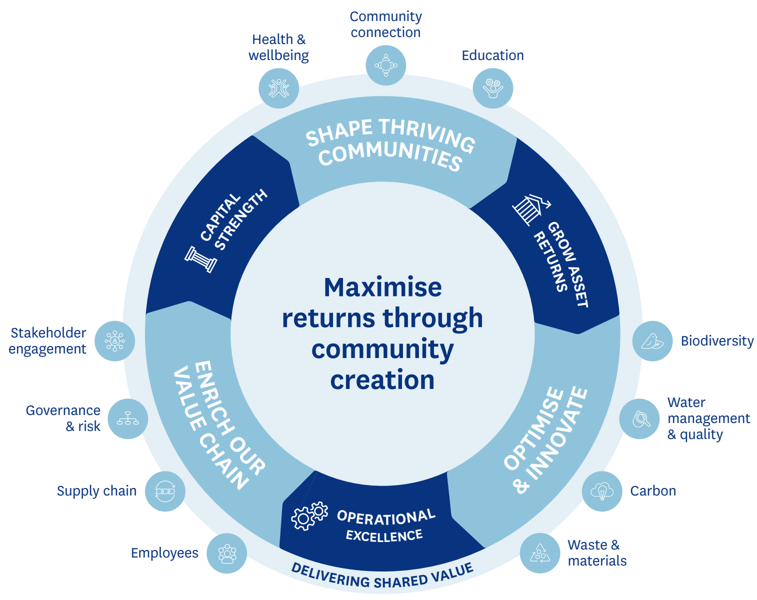
Our focus is on creating robust communities with strong connections and opportunities. This supports our growth as a business, delivering better social, environmental and economic outcomes for all our stakeholders.

Optimise & innovate

Innovation is at the core of everything we do, as we continue to find more efficient ways to do business, investing in technologies that support our priorities, while minimising the impact we have on the environment.

Enrich our value chain

By creating stable and deep-rooted relationships, we can protect our supply chain, manage risk and ensure sustainable and transparent practices.



We measure and report on our performance against a range of global sustainability assessments and standards to ensure we're continuously setting the benchmark in terms of leading sustainability disclosure.

FY19 SUSTAINABILITY LEADERSHIP

GRESB

Global Real Estate Sustainability Benchmark – Global Sector Leader for Listed, Diversified – Office/Retail company, and 25th out of 874 companies globally.

DJSI

Ranked most sustainable real estate company for the 5th time, and listed on the World Dow Jones Sustainability Index for 12 consecutive years.

CDP

Only Australian property company on the Climate A List for carbon disclosure and performance.

FRAMEWORKS

GRI

We report our sustainability progress in accordance with the Global Reporting Initiative (GRI) Comprehensive Sustainability Reporting Standards, independently assured Ernst and Young (EY).

Sustainable Development Goals

We contribute to a number of the 17 United Nations Sustainable Development Goals. Refer to our Reporting Approach for details on how we contribute, available online at ***www.stockland.com.au/sustainability/downloads***.

UN Global Compact

We are a signatory to the United Nations Global Compact (UNGC) and support the 10 principles of the Global Compact on human rights, labour, environment and anti-corruption.

LBG

We report and verify our community investment data inline with London Benchmarking Group (LBG), as managed by Corporate Citizenship.

TCFD

Climate-related disclosures reported inline with The Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

ASSURANCE

The sustainability reporting content within the Annual Report has been externally assured in accordance with the Australian Standard for Assurance Engagements (ASAE3000): Assurance Engagements other than Audits and Reviews of Historical Financial Information and (ASAE 3410): Assurance Engagement on Greenhouse Gas Statements by Ernst & Young (EY).

A copy of EY's assurance statement is available on our website at ***www.stockland.com.au/about-stockland/sustainability***.

Shape thriving communities

Our ability to shape thriving communities is fundamental to our success. Our research clearly shows that in order for a community to prosper, it needs a focus on health and wellbeing, strong community connection, and education. At Stockland we have made these elements a key focus of our strategy.

STRATEGIC PRIORITIES	FY19 PROGRESS
HEALTH AND WELLBEING	
Community activities and spaces that encourage positive physical and mental health and wellbeing. Smart design that optimises accessibility, safety and mobility.	**76.3% score** for Residential community resident Personal Wellbeing Index (national average is 74.2-76.7%).[1] **82.5%** retirement living resident Personal Wellbeing score (above the national average of 73-77%).[1] **7,179kg lost** by our Live Life Get Active participants at our Residential communities.
COMMUNITY CONNECTION	
Activities that foster engagement, pride and a sense of belonging. Design that encourages sense of place and supports recreation and participation.	**$8.3 million invested** in community initiatives across Australia in FY19. **$286,000 in grants** to 286 local organisations in our communities in FY19. **Community Partnership Impact Tool** developed to assess the social and business value generated by our community partnerships and programs.
EDUCATION	
Programs that support economic employment within our communities. Design that facilitates learning and education opportunities for all ages.	**e-learning module** developed on "Welcoming customers with disability" in partnership with the Australian Network on Disability and other industries. **'Retail Ready' program** developed for Stockland Retail Town Centres to support local indigenous employment.

1 As measured using Deakin University's methodology.

Our goal is to create and shape communities that thrive now and into the future

OUR COMMUNITY EFFORTS

To achieve our priorities in shaping thriving communities, our efforts are focused on:

Customer engagement
Maintaining high levels of communication with our local community so we can be responsive to their needs. See page 30 (Operational Excellence) for more information.

Community development
Local community programs, initiatives and infrastructure that enhance the communities in and around Stockland assets. This includes Stockland CARE Foundation Grants.

Community investment
Employee volunteering and giving program and Stockland CARE Foundation – our charitable trust, which delivers infrastructure, programs and initiatives to Australian communities.


Altrove Park, NSW

OUR TARGETS

To help shape thriving communities we have set meaningful targets for the future.

All Stockland Communities (residential and retirement living) score above the **Australian average National Wellbeing Index** to FY20.

Achieve consistent Stockland National Liveability Index **scores of 75%** across residential communities.

Make a **meaningful contribution to community health and wellbeing, community connection and education** in partnership with community groups supported directly by the Stockland CARE Foundation.

The value of our community contribution

In FY19, we invested over $7.4 million through our community development and community investment programs, as verified by Corporate Citizenship. The table below provides an overview of our community contributions. A further breakdown of these contributions by category is provided in our Community Data Pack.

Community contribution category	FY19
Community Development (includes national partnerships, Stockland CARE Grants, asset-based contributions, community infrastructure)	**$4,840,339**
Community Investment (includes workplace giving, in-kind donations, corporate donations, partnerships, volunteering and Stockland CARE Foundation)	**$1,177,423**
Management costs[1]	**$1,393,159**

Total community contribution

$7,410,921

1 Includes average salaries, costs associated with the development, design and delivery of Stockland's sustainability report, costs of running strategic community programs and training for community employees.

Investing in our communities

In conjunction with our partners, we develop and deliver social infrastructure and programs to ensure we enhance the communities in and around our assets. In FY19, we implemented a total of 1,236 community development initiatives, ranging from weekly walking groups with the Heart Foundation, healthy eating and nutrition programs with Jamie's Ministry of Food, and delivering STEAM education programs to primary school students with the National Theatre for Children.

We expanded our Heart Foundation Walking Groups across our portfolio and now have 35 active weekly walking groups. In FY19 1,237 people participated in walking groups in shopping centres and 244 in retirement villages. Together, these walkers completed a total of 55,184 walks in FY19.

We also provide infrastructure to support community connection, such as community centres, hubs and multi-use and informal spaces. We seek to engage with residents, community groups and partners on all projects, so we can have the greatest positive impact on communities where people live.

Baringa Primary School, Aura QLD

Stockland CARE Foundation

The Stockland CARE Foundation is a charitable trust set up for the purpose of delivering infrastructure, programs and initiatives that improve the health, wellbeing and education of communities in and around our assets. Established in 2015, the Foundation supports charitable partners that align with our organisational purpose, strategy and values. In FY19 our charitable partners, Redkite and the Touched By Olivia Foundation received financial and in kind support from the Stockland CARE Foundation. Over $416,000 was raised for our partners, helping to deliver four inclusive playspaces (taking our total to 13) and support 93 Redkite families.


Stockland CARE Grants

More detail can be found in our Community Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***.

CASE STUDY
VALUING OUR COMMUNITY PARTNERSHIPS

Metrics are essential to improving our operational performance, but how do you measure the social value of the initiatives?

This year, Stockland engaged KPMG to develop a **Community Partnership Impact Tool** to assess the social and business value generated by our community partnerships and programs.

This builds on the Social Return on Investment work we undertook in 2017 on our Retirement Living communities. Using this tool, we were able to measure the social and business impact of our current national community programs, including Live Life Get Active, The Heart Foundation Walking Groups, Jamie Oliver's Ministry of Food, Bowls Australia and ABCN.

With the Community Partnership Impact Tool we can now identify the financial value these programs deliver to the community and Stockland, by assigning an indicative dollar value on their impact.

For example, Stockland's partnership with Live Life Get Active, now in its fourth year, creates significant social value by promoting health and wellbeing and strengthening community connection, with over 7,000 participants in FY18. Using our social impact tool, we estimate that this has helped generate $2.4 million dollars in health and wellbeing benefits, and provided $2.7 million in social value to the participants.

Quantifying our social impact helps paint the picture of our social commitment to our customers in a tangible way.

Jamie's Ministry of Food, Stockland Burleigh Heads, QLD

Optimise and innovate

As one of Australia's largest real estate developers, we're committed to reducing our impact on the environment whilst creating resilient assets and communities that cater to our customers' needs, now and in the future. We respond to resource constraints and the need to mitigate climate impacts through smart design, investment in technology and operational efficiencies in our assets and communities, delivering savings for our business and customers, whilst future-proofing our portfolio.

STRATEGIC PRIORITIES	FY19 PROGRESS
CLIMATE RESILIENCE, ZERO CARBON & ENERGY EFFICIENCY	
Reduce emissions. Invest in renewable energy. Improve portfolio climate resilience.	**14.7% reduction in carbon intensity** of Retail Town Centres from FY18. **1%[1] increase in carbon intensity** of Workplace and Business Parks from FY18. **12.1MW of solar capacity installed in FY19**, bringing our total portfolio solar capacity to 16.4 MW. We've committed to additional solar roll-outs in FY20, to bring our total solar investment to over $33 million.
BIODIVERSITY	
Minimise impact on ecological communities and protected or significant species. Design communities to promote nature reserves and parklands.	**152 hectares** of land rehabilitated through rehabilitation activities at our project sites. **100,000 trees planted** at Newport to restore an environmental corridor and protect the adjacent Ramsar wetlands.
WATER MANAGEMENT & QUALITY	
Improve water efficiency and sustainable sourcing. Deliver projects that minimise water use and positively contribute to local water catchments.	**1%[1] increase in water intensity** of Retail Town Centres from FY18. **7% reduction in water intensity** of Workplace and Business Parks from FY18. **8% improvement on water consumption** compliance for our Residential portfolio, exceeding our target of exceeding minimum water compliance standards by five per cent by FY20.
WASTE & MATERIALS MANAGEMENT	
Reduce, reuse and recycle waste to minimise our contribution to landfill. Specify the use of ecologically-preferable materials.	**94% waste diverted** for Commercial Property developments seeking Green Star Design & As Built certifications. **98% waste diverted** from landfill across our Residential developments.

1 The increase in intensity can be attributed to a number of factors including portfolio changes such as divestments, vacancy, billing and metering issues. See our Sustainability Deep Dive Series for more information, available online at ***www.stockland.com.au/sustainability/downloads***.

We provide business solutions that better service our customers while reducing our impact on the environment.

Focus on renewable energy

We continued our focus on renewable energy in response to transition risk, installing the largest solar photovoltaic (PV) system installed on a single rooftop in Australia, at Green Hills Retail Town Centre. This reduced our reliance on grid power by over 45 per cent, and reduced grid demand by 30 per cent. Our investment in PV infrastructure reduces our carbon emissions and will deliver returns of over 10 per cent through reduced power costs in the next 10 years.

Stockland Green Hills solar, NSW

More detail can be found in our Sustainability Deep Dive series, available online at ***www.stockland.com.au/sustainability/downloads***.

OUR TARGETS

We intend to continue to optimise and innovate by challenging ourselves to do better each year. To that end we have set some ambitious new targets for the future.

Climate and energy

60% reduction in carbon emissions by FY25 in Commercial Property.

All new residential and retirement living communities to be designed as 10% more energy efficient than regulatory standards.

Biodiversity

New masterplanned community developments to have an aggregated net positive contribution to biodiversity value by FY20.

Water management and quality

Retail town centres and retirement living villages to reduce water intensity by 5%, and all new residential communities designed to exceed minimum water efficiency standards by 5%.

Waste and materials

Divert at least:

- 85% of Retail Town Centre development waste from landfill.
- 60% of Residential development waste from landfill.
- 45% of Commercial Property operational waste from landfill.

Resilient communities and assets

For over a decade, Stockland has been committed to assessing and managing the physical and transition risks related to climate change for our assets, communities, and customers.

OUR COMPREHENSIVE APPROACH INVOLVES

1. **Mapping our portfolio**
2. **Identifying assets where climate and community resilience is a priority**
3. **Conducting resilience assessments with action plans to improve resilience where necessary**

Following a comprehensive review, in FY19 we updated our climate risk assessment approach to streamline our climate and community resilience work into one centralised tool. This strengthens our approach to resilience across the Group by embedding resilience within our enterprise risk management system, and bolsters our reporting requirements to be consistent with Task Force on Climate-related Financial Disclosures (TCFD).

During 2019, climate resilience assessments were conducted at our Retail Town Centres at Cleveland, Caloundra, Burleigh Heads and Shellharbour and Logistics assets at Hendra, Yennora, and Port Adelaide.

More detail can be found in our Climate Resilience Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***

The role of ratings and certifications

We are committed to the continuous optimisation of our assets and innovation across our portfolio. In doing so, we obtain ratings and certifications that independently confirm our sustainability credentials and verify the sustainability performance of our projects and assets.

Assets that are highly rated are more resource-efficient, delivering long-term cost savings and a higher return on investment. They also promote features that enhance health, wellbeing and positive social impact on an individual and community level.

NABERS & GREEN STAR CERTIFICATIONS ACROSS OUR PORTFOLIO

Rating	Certification
4.3 stars	NABERS Energy Retail Town Centre portfolio average
3.4 stars	NABERS Water Retail Town Centre portfolio average
4.5 stars	NABERS Energy Workplace and Business Parks portfolio average
3.6 stars	NABERS Water Workplace and Business Parks portfolio average
45 centres	Green Star Performance rated Retail Town Centres, Workplaces and Business Parks
27 assets	Green Star Design & As Built, Communities and Retirement Living rated assets

CASE STUDY
LEADING THE WAY IN CARBON AND ENERGY USAGE AND REDUCTION

At Stockland, we are recognised as a global leader in managing climate change risk and reducing our carbon emissions. We are committed to both transparency and action, and execute on both to deliver value to our business, customers, and shareholders.

- Since 2006, we have reduced our emissions intensity by over 57 per cent, and saved over $106 million through energy efficiency initiatives
- We were the first Australian listed property group, and one of the first 15 organisations globally, to sign the World Green Building Council's (WorldGBC) Net Zero Carbon Buildings Commitment and commit to the target of zero net carbon emissions across our logistics centres, retirement living villages and corporate offices by 2030
- We were an early adopter of the TCFD recommendations, demonstrating active management of climate risks and our ability to capitalise on climate opportunities
- In FY19 we installed a further 12.1MW of solar capacity, bringing our total portfolio solar capacity to 16.4 MW. We've committed to additional solar roll-outs in FY20, to bring our total solar investment to over $33 million
- We are partnering with the Victorian Government (Sustainability Victoria) on a two-year program to design, build and market the first zero net carbon homes in Australia
- 82 electric vehicle charging stations have been installed in 24 Retail Town Centres across the country.

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More detail can be found in our Sustainability Deep Dive series, available online at ***www.stockland.com.au/sustainability/downloads***.

Stockland Green Hills, NSW

Enrich our value chain

Enriching our value chain is about how we manage risks and opportunities in collaboration with our employees, supply chain, and other key stakeholders. This extends from our governance and risk management at a corporate level, to every interaction we have with both internal and external stakeholder groups.

STRATEGIC PRIORITIES	FY19 PROGRESS
SUPPLY CHAIN MANAGEMENT	
Identify and address key environmental, social and governance risks in our supply chain. Collaborate with our partners to raise awareness of sustainability issues and encourage sustainable procurement.	**Sustainability Schedule** included in our construction contracts, targeting environmental impact, material use, community and health and wellbeing. **$3.6 million** procured from Indigenous suppliers since 2014. **Supply Chain Sustainability School** contractor learning modules launched, focusing on Modern Slavery, Human Rights and Sustainable Procurement.
HUMAN RIGHTS	
Identify, assess and implement responses to human rights related issues across our business. Train employees on human rights considerations and obligations. Progress human rights initiatives across our entire value chain.	**Industry supply chain tool** developed in partnership with PCA and members to strengthen property industry approach to human rights within the supply chain. **194% increase in Australian Workplace Equality Index Score** due to focus on LGBTQI+ diversity practices. **Four new inclusive playspaces** built in collaboration with Touched by Olivia.
EMPLOYEE ENGAGEMENT, DEVELOPMENT, DIVERSITY & INCLUSION	
Attract and retain high-performing employees. Develop authentic, accessible and performance-focused leaders. Maintain a diverse and inclusive workforce.	**81% employee engagement score**, four points above the Australian National Norm.[1] **500 employees** took part in our 'Ways to Wellbeing' stress and resilience course to strengthen wellbeing. **83.2% of employees** work flexibly. **45.8% of management roles** filled by women.
STAKEHOLDER ENGAGEMENT	
Develop and maintain strong relationships through regular and genuine engagement with stakeholders.	**Stakeholder engagement plans** in place or in development for all active projects. **Engagement framework reviewed** to incorporate greater focus on engagement with Aboriginal and Torres Strait Islander communities.

1 Survey undertaken by Willis Towers Watson.

We aim to enhance the value we create by forming positive relationships that extend our capacity to deliver leading sustainability outcomes.

Stakeholder engagement

Consultation and engagement with stakeholders is a core part of our business and plays a key role in shaping and influencing the design, planning and operation of our projects. It is vital in terms of maintaining our social licence in the communities we operate in – something in which we take a lot of pride.

When developing a masterplan community, engaging with government and community stakeholders is an important and often essential requirement of achieving the planning approval that permits us to develop the land. More importantly, the feedback we get from this engagement ensures that the places we create are designed by the people who will use them. For example, engaging with local government and our residents at Elara, in Western Sydney in FY19 has been vital in finalising the design of the communities riparian corridor – which when complete will provide a 24 hectare parkland and become Elara's central public open space.

The Pavillion Aspire Elara, NSW

More detail can be found in our Stakeholder Engagement Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***.

OUR TARGETS

Our value chain is important to the integrity of our business. As such we are committed to continuous improvement initiatives to achieve even better practices and have set ambitious future targets.

Women in management

Increase women in management to 50% by 2020.

Employee engagement

Maintain employee engagement score above 80%.

Stakeholder engagement

Maintain stakeholder engagement plans for all active development projects, and deliver stakeholder engagement workshops to our employees.

Supply chain

Launch our Sustainability in our Development Supply Chain guideline.

Supply chain and human rights management

Enriching our value chain requires a focus on effective management of our supply chain. Doing so enhances our long-term business performance, enabling us to identify and address key environmental, social and governance risks and opportunities. Every year, we partner with hundreds of suppliers including construction contractors, professional consultants, and service providers.

We believe that by building strong, transparent relationships with our suppliers, we can encourage them to undertake sustainable procurement practices and promote effective human rights management across our entire supply chain. We focus on industry collaboration and supplier education.

Key focus areas in FY19 included:

- Working with the Property Council of Australia's Sustainability Roundtable, helping procure a Modern Slavery Supplier Engagement Tool to increase supply chain transparency. The tool delivers a human rights assurance process to assess suppliers consistently across 15 member property groups
- Completing our first Innovate Reconciliation Action Plan (RAP), which includes 58 actions across 16 focus areas that value and celebrate Australia's First Peoples. This includes partnering with WorkStars, an indigenous recruitment company in South East to Central Queensland, targeting career opportunities at our assets
- Working with Supply Chain Sustainability School to develop education modules for construction contractors, delivering easily-accessible training on Stockland's sustainability principles and requirements, human rights and modern slavery, and sustainable procurement.

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More detail can be found in our Supply Chain Deep Dive and Human Rights Deep Dive, available online at ***www.stockland.com.au/sustainability/downloads***.

CASE STUDY
RECONCILIATION IN ACTION

In FY19, Stockland took the initiative to develop a 'Project RAP' for two Retail Town Centre developments on the Sunshine Coast, Baringa and Birtinya, working with the local Aboriginal community (Kabi Kabi peoples) to develop initiatives that would benefit their community at both a project and community level.

Utilising existing relationships established with local Kabi Kabi stakeholders and Native Title applicants, we engaged an Aboriginal owned consultancy, Balarinji to help facilitate authentic engagement around culture, art, employment, skills, storytelling and identity. We conducted workshops and meetings to consult and develop a range of initiatives that aligned to Kabi Kabi interests and needs.

Key initiatives undertaken as part of the Project RAP included:

- Engagement and ideas generation workshops
- Retail Ready – a five-week Retail Skills Program for indigenous participants
- Retailer Welcome Pack Gift including design by local Kabi Kabi artist
- Cultural Awareness Training held with Stockland project team
- Kabi Kabi Acknowledgement/Welcome Ceremony held at centre opening event
- RAP Plaque installed in centre public mall space.

With the development of our next Innovate RAP for FY20-22 underway, we look to continue our reconciliation focus on initiatives regarding health and wellbeing, education, and community connection to help shape thriving communities that respect, value and celebrate Australia's First Peoples.

Opening of Stockland Birtinya, QLD 7 December 2018

Warwick Farm, NSW

Governance and remuneration

Our Board and governance

The Board is accountable to securityholders and responsible for demonstrating leadership and oversight so that the operations of Stockland are effectively managed in a manner that is properly focused on its economic, social and community objectives. The Board has overall responsibility for the good governance of Stockland.

Our Directors

TOM POCKETT
Chairman

Tom Pockett was appointed to the Board on 1 September 2014 and became Non-Executive Chairman on 26 October 2016. Mr Pockett has extensive experience in both the property and financial sectors having held a number of senior executive positions including Chief Financial Officer and Executive Director of Woolworths Limited, Deputy Chief Financial Officer at the Commonwealth Bank of Australia and several senior finance roles at Lend Lease.

He is the Chairman of Autosports Group Limited and a Director of Insurance Australia Group Limited.

In addition to his role as the Chair of the Stockland Board, Mr Pockett is Chair of the Sustainability Committee and a member of the Human Resources Committee. Mr Pockett is also Chairman of the Stockland CARE Foundation Board.

Qualifications
BComm, FCA

Directorships of other listed entities in last three years
Autosports Group Limited (29 August 2016 to present), Insurance Australia Group Limited (1 January 2015 to present)

MARK STEINERT

Managing Director and Chief Executive Officer

Mark Steinert was appointed Managing Director and Chief Executive Officer of Stockland on 29 January 2013. Mr Steinert was also appointed to the Board on 29 January 2013. Mr Steinert has over 27 years' experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and 10 years in listed real estate with UBS where he held numerous senior roles including Head of Australasian Equities, Global Head of Research (Equities and Fixed Income) and Global Head of Product Development and Management for Global Asset Management.

Mr Steinert is a past President and current Director of the Property Council of Australia and a member of the Property Male Champions of Change.

Mr Steinert is a member of the Sustainability Committee and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds. Mr Steinert is also a Director of the Stockland CARE Foundation Board.

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

Directorships of other listed entities in last three years
None

MELINDA CONRAD

Non-Executive Director

Melinda Conrad was appointed to the Board on 18 May 2018. Ms Conrad has more than 25 years of expertise in consumer-related industries, including as a retail entrepreneur and CEO, and roles at Colgate-Palmolive and Harvard Business School.

Ms Conrad is currently a Director of ASX Limited and Caltex Australia Limited. She is also a Non-Executive Director of The George Institute for Global Health, The Centre for Independent Studies, and is a member of the ASIC Director Advisory Panel and the AICD Corporate Governance Committee.

Ms Conrad is Chair of the Human Resources Committee and a member of the Sustainability Committee.

Qualifications
BA, MBA, FAICD

Directorships of other listed entities in last three years
The Reject Shop Limited (19 August 2011 to 30 June 2017), OFX Group Limited (19 September 2013 to 28 September 2018), ASX Limited (1 March 2017 to present), Caltex Australia Limited (1 March 2017 to present)

BARRY NEIL

Non-Executive Director

Barry Neil was appointed to the Board on 23 October 2007. Mr Neil has over 40 years' experience in all aspects of property development, both in Australia and overseas. Mr Neil's executive career included senior property and investment roles at both Mirvac and Woolworths Limited and has included the acquisition, development and operation of landmark developments in multiple asset classes.

Mr Neil is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited and a Director of Terrace Tower Group Pty Ltd.

Mr Neil is Chair of Stockland Capital Partners Limited Board, the Responsible Entity for Stockland's unlisted funds and a member of the Audit Committee and Sustainability Committee.

Qualifications
BE (Civil)

Directorships of other listed entities in last three years
None

STEPHEN NEWTON

Non-Executive Director

Stephen Newton was appointed to the Board on 20 June 2016. Mr Newton has extensive experience across real estate investment, development and management and infrastructure investment and management. Mr Newton is a Principal of Arcadia Funds Management Limited, a real estate investment management and capital advisory business and prior to this, he was the Chief Executive Officer – Asia/Pacific for the real estate investment management arm of Lend Lease.

Mr Newton is currently a Director of BAI Communications Group, Viva Energy REIT Group and Sydney Catholic Schools Limited, and Chairman of the Finance Council for the Catholic Archdiocese of Sydney.

Mr Newton is Chair of the Audit Committee and a member of the Risk Committee and Sustainability Committee. He is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and Chair of the Stockland Capital Partners Limited Audit and Risk Committee.

Qualifications

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

Directorships of other listed entities in last three years

Gateway Lifestyle Group (28 April 2015 to 10 October 2018), Viva Energy REIT Group (10 July 2016 to present)

CHRISTINE O'REILLY

Non-Executive Director

Christine O'Reilly was appointed to the Board on 23 August 2018. Ms O'Reilly's executive career included 30 years' experience in both financial and operational entities both domestically and offshore. Following an early career in chartered accounting and investment banking, she has held a number of senior executive roles in diverse industries including CEO and Director of the GasNet Australia Group and Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management.

Ms O'Reilly is currently a Director of CSL Limited, Transurban Limited, Medibank Private Limited and Baker Heart and Diabetes Institute.

Ms O'Reilly is the Chair of the Risk Committee and a member of the Audit Committee and Sustainability Committee.

Qualifications

Bbus

Directorships of other listed entities in last three years

CSL Limited (16 February 2011 to present), Transurban Limited (12 April 2012 to present), Medibank Private Limited (31 March 2014 to present)

CAROL SCHWARTZ AO

Non-Executive Director

Carol Schwartz was appointed to the Board on 1 July 2010. Ms Schwartz is a dynamic business leader with a career spanning property, the arts, finance, government and health sectors. A prominent spokesperson on the issues of governance, social enterprise and women's leadership, Ms Schwartz is a Director of the Reserve Bank of Australia and is on the Board of a number of organisations including Qualitas Property Partners. Ms Schwartz is Chair of Women's Leadership Institute Australia and in 2016 was inducted into the Australian Property Hall of Fame.

Ms Schwartz is a member of the Risk Committee, Human Resources Committee and Sustainability Committee.

Qualifications

BA, LLB, MBA, FAICD

Directorships of other listed entities in last three years

Temple and Webster Group (31 July 2015 to 25 October 2016)

ANDREW STEVENS

Non-Executive Director

Andrew Stevens was appointed to the Board on 1 July 2017. Mr Stevens' executive career at Price Waterhouse, PricewaterhouseCoopers and IBM, has provided him with experience in change management and in business and ICT programme design and risk evaluation, governance and delivery, and in business transformation and regional/global expansion.

Mr Stevens is Chairman of the Board of Innovation and Science Australia and the Chairman of the Data Standards Body for the Consumer Data Right implementation in Australia. Mr Stevens also serves as a Director of Thorn Group Limited, Western Sydney Football Club, and the Committee for Economic Development of Australia.

Mr Stevens is a member of the Advisory Executive of the University of NSW School of Business and the Male Champions of Change. Mr Stevens is a member of the Audit Committee and the Sustainability Committee.

Qualifications

BComm, MComm, FCA

Directorships of other listed entities in last three years

Thorn Group Limited (1 June 2015 to present), MYOB Group Limited (30 March 2015 to 8 May 2019)

CAROLYN HEWSON AO

Non-Executive Director (Former Director)

Carolyn Hewson was appointed to the Board on 1 March 2009 and retired from the Board on 24 October 2018. Ms Hewson has over 30 years' experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a Director of BHP Group Limited and Infrastructure SA. She is also an ambassador of Impact 100 South Australia.

During her time with Stockland, Ms Hewson was Chair of the Human Resources Committee, Chair of the Risk Committee and member of the Sustainability Committee.

Qualifications

BEc (Hons), MA (Ec), FAICD

Directorships of other listed entities in last three years

BHP Group Limited (31 March 2010 to present)

Our Executive Committee

Key management personnel for the purposes of the Remuneration Report

MARK STEINERT
Managing Director and Chief Executive Officer

Refer to biography on page 69.

KATHERINE GRACE
General Counsel and Company Secretary

Katherine Grace was appointed General Counsel and Company Secretary on 21 August 2014 and has responsibility for Stockland's legal and risk functions. As the Company Secretary Ms Grace is directly accountable to the Board, through the Chairman for all matters relating to governance and the proper functioning of the Board. Ms Grace has practised as a solicitor for over 15 years with extensive experience in corporate, property, debt and capital markets transactions working with a wide range of stakeholders including listed board directors, equity investors, regulators, media and financiers. Prior to joining Stockland, Ms Grace held roles as General Counsel and Company Secretary for Westfield Retail Trust and Valad Property Group.

Qualifications
BA (Hons), LLB (Hons), MPP, MAICD

LOUISE MASON
Group Executive & CEO Commercial Property

Louise Mason was appointed Group Executive & CEO Commercial Property on 18 May 2018. Ms Mason has 28 years' experience in real estate and is responsible for all aspects of Stockland's extensive Commercial Property portfolio of retail town centres, workplace and logistics assets with a combined value of $10.188 billion as at 30 June 2019.

Prior to joining Stockland, Ms Mason was Chief Operating Officer of AMP Capital Real Estate. She has also held several senior executive operational and development roles at AMP in retail, office, and industrial, as well as retail management positions at Lendlease.

Ms Mason is the immediate past President of the NSW Division of the Property Council of Australia.

Qualifications
BA, LLB (Hons), GAICD

TIERNAN O'ROURKE

Chief Financial Officer

Tiernan O'Rourke was appointed Chief Financial Officer on 8 October 2013. Mr O'Rourke has more than 25 years' experience in senior financial, commercial and planning roles across a range of industry sectors and throughout the Asia Pacific Region, predominantly focused on Australia and New Zealand.

He was previously Chief Executive of Transfield Services Middle East and Asia Region. Before that he was the Chief Financial Officer at Transfield Services Limited, with responsibility for financial strategy and policy, financial and management reporting, treasury and taxation. Prior to his role at Transfield, Mr O'Rourke was Chief Financial Officer of Australand Holdings Limited where he played a key role partnering with the business to transform the strategy and structure of the group. He has also held senior finance positions at AGL, Westfield, CSR and Brambles. At Westfield Holdings Limited he held the position of Group Controller – Trusts, responsible for public reporting of Westfield's trust vehicles including Westfield Americas Trust and Westfield Trust.

Qualifications

BComm (Hons), MBA, FCA, GAICD

ANDREW WHITSON

Group Executive & CEO Communities

Andrew Whitson was appointed Group Executive & CEO Communities on 1 July 2013. Mr Whitson oversees Stockland's 56 Residential Communities with a portfolio of 76,000 lots and an approximate end value of $21.4 billion, and our 62 Retirement Living villages with a development pipeline of over 3,500 units as at 30 June 2019.

Mr Whitson joined Stockland in early 2008 as Regional Manager for Greater Brisbane and Far North Queensland. He was appointed General Manager Residential, Victoria in July 2009 and in November 2012, his role expanded to include New South Wales. He was Group Executive and CEO of the Residential business in 2013 before his role was expanded to lead both our Residential and Retirement Living businesses as the combined Communities function in August 2018.

Andrew is the Chair of the Residential Development Council of Australia and a Director of the Property Council of Australia and the Green Building Council of Australia.

Qualifications

BE (Civil)

Senior Executives

ROBYN ELLIOTT

Chief Innovation, Marketing and Technology Officer

Robyn Elliott was appointed Chief Innovation, Marketing and Technology Officer on 26 March 2018. Ms Elliott is responsible for innovation, marketing and technology across the organisation. She has extensive experience managing IT and innovation at large corporates in Australia, most recently in the role of Chief Information Officer at Fairfax where she led the customer-centred design and agile development of digital products. Prior to that, she spent 12 years as Chief Information Officer at Foxtel.

Ms Elliott has completed the Strategy and Innovation Executive Program at MIT and has an MBA in Technology Management. She has been involved in a number of innovation initiatives including the Australian Financial Review mobile app, Domain, goodfood, Traveller and Fairfax Events.

Qualifications

BComm, MBA, Exec. Ed, GAICD

KAREN LONERGAN

Group Executive, People and Culture

Karen Lonergan joined Stockland as Group Executive, People and Culture on 11 March 2019. Ms Lonergan has over 25 years' experience working in senior roles in HR strategy development, organisational development and transformation and change leadership in the Transportation, FMCG, and Retail sectors across Australia, Asia, the USA and Europe. She was previously the Chief People Officer at David Jones and Country Road Group, after being a People Director at Woolworths Group Limited. Prior to her role at Woolworths, Ms Lonergan was the Executive Manager, Human Resources for Qantas International, responsible for the organisation's global Human Resources function.

Qualifications

Bbus, MM, MAICD, FAHRI

DARREN REHN

Group Executive & Chief Investment Officer

Darren Rehn was appointed Group Executive & Chief Investment Officer on 18 March 2013. Mr Rehn has over 30 years' experience in the property sector. He commenced at JLL undertaking real estate research and valuations, before moving to SGIC working in property funds management and equity investments.

Prior to Stockland, Mr Rehn spent 16 years in investment banking, leading the premier Australasian Real Estate teams at UBS and Merrill Lynch where he was involved in many of the larger Australian real estate initial public offerings, mergers, acquisitions and capital raisings. He has extensive experience advising boards and senior management on business development, acquisitions and divestments, and major transactions.

Qualifications

B.App.Sc. (Val)

Former Executives

The following executives departed Stockland during the period:

STEPHEN BULL

Group Executive & CEO Retirement Living

Stephen Bull was Stockland's Group Executive & CEO Retirement Living from 15 July 2013 to 7 September 2018. Mr Bull departed Stockland in September 2018.

MICHAEL ROSMARIN

Chief Operating Officer

Michael Rosmarin was Stockland's Chief Operating Officer from 1 July 2013 to 7 September 2018. Mr Rosmarin departed Stockland in September 2018.

SIMON SHAKESHEFF

Group Executive, Strategy, Research and Stakeholder Relations

Simon Shakesheff was Stockland's Group Executive, Strategy, Research and Stakeholder Relations from 22 July 2013 to 16 November 2018. Mr Shakesheff departed Stockland in November 2018.

BOARD FOCUS AREAS IN FY19

Stockland's Board has been actively engaged in FY19, with Directors reviewing and approving several significant transactions to further the Group's strategic priorities across each asset class. The Board has actively responded to the evolving governance regime including through the assessment of findings from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industries, the Fourth Edition of the ASX Corporate Governance Principles and Recommendations, and the recent APRA recommendations on remuneration.

During FY19 the Board Charter was reviewed and updated together with key policies relating to privacy and whistleblowing. Committee memberships were also reviewed following Board renewal, with new Chairs appointed to both the Risk Committee and Human Resources Committee. The Human Resources Committee and the Board also actively participated in the evaluation of senior executive performance in FY19.

As part of the Board's ongoing commitment to engage with stakeholders including employees, the Board attended meetings, and toured a range of assets, in New South Wales and Victoria, met with securityholders at the October 2018 AGM and held a stakeholder event in Victoria for Stockland partners and suppliers. The Chairman also attended a series of governance meetings with major investors. Interstate meetings in Perth and Queensland are scheduled for the Board and its Committees in FY20.

Highlands, VIC

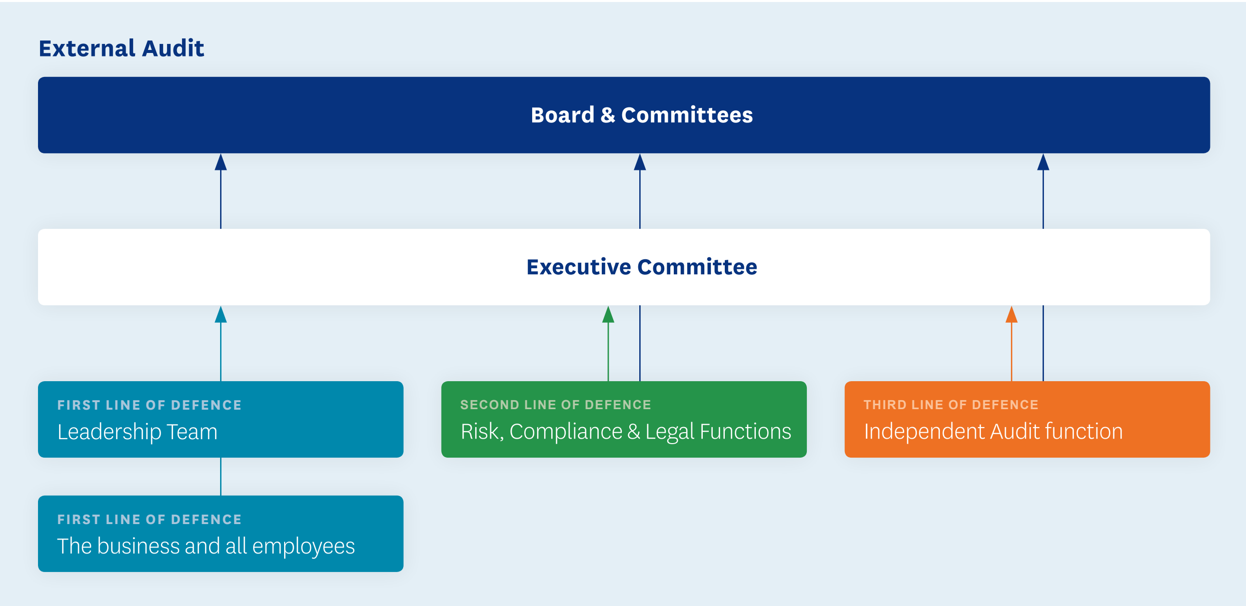
Our approach to corporate governance and risk management

The Board places a high importance on its corporate governance responsibilities and in FY19 was in compliance with all of the recommendations in the ASX Corporate Governance Principles and Recommendations.

The Board also recognises the importance of building and fostering a risk aware culture, so that every individual takes responsibility for risks and controls in their area of authority. Stockland also has a Code of Conduct that applies to all employees and provides clear guidance on how we expect our people to act, engage and respond to each other and our stakeholders.

Three Lines of Defence

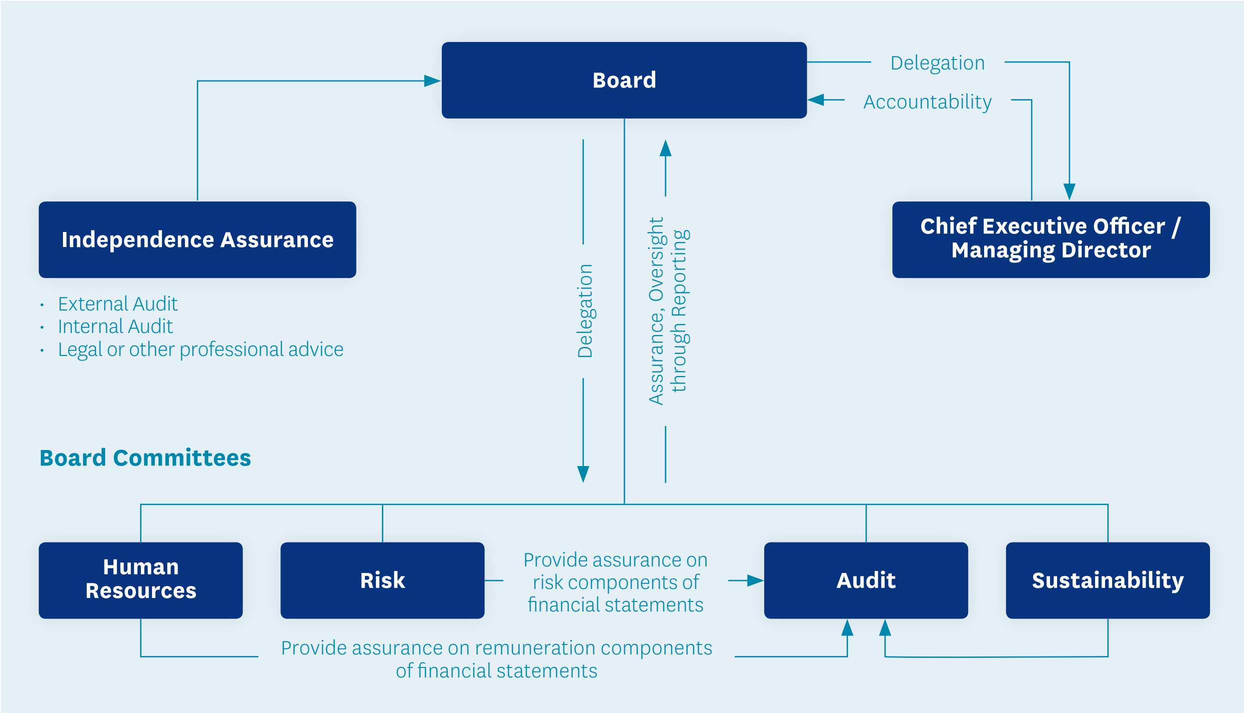
The Board provides overall oversight of Stockland's risk management framework which is underpinned by the **Three Lines of Defence**. Further information on Stockland's risk management framework is available at ***www.stockland.com.au/about-stockland/corporate-governance***.



FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE	EXTERNAL AUDIT
The business and all employees The business owns its risks and must ensure there are controls in place to appropriately manage the risk within our risk appetite	**Risk, Compliance and Legal function** Develops risk management policies, systems, processes to promote consistent approach to risk management and provides independent review and challenge to ensure first line controls are appropriate	**Independent Audit function** This function performed by EY, provides independent assurance on the effectiveness and efficiency of our controls and provides periodic reporting	Provides regular independent assessment on the effectiveness of financial controls and processes in relation to the Group's financial statements, governance disclosures and environmental and social performance reporting.

Corporate Governance Framework

The roles, responsibilities and accountabilities of the Board, Board Committees and Executive Committee are set out in the Board and Board Committee charters, which have been summarised below.



The Board

As set out in the Board Charter, the Board is responsible for:

- Overseeing the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long term value for securityholders
- Overseeing the development and implementation of Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems, financial reporting and fosters high ethical standards throughout Stockland
- Appointing the Directors (subject to Stockland's constitution), appointing the Managing Director, approving the appointment of the Company Secretary and Executive Committee members reporting to the Managing Director and determining the level of authority delegated to the Managing Director
- Setting Executive remuneration policy, monitoring Executive Committee members' performance and approving the performance objectives and remuneration of the Managing Director and his or her direct reports and reviewing Executive and Board succession planning and Board performance
- Approving and monitoring the annual budget, business plans, financial statements, financial policies and financial reporting and major capital expenditure, acquisitions and divestitures
- Determining and adopting dividend and distribution policies
- Overseeing compliance with applicable laws and regulations
- Appointing and monitoring the independence of Stockland's external auditors.

A copy of the Board Charter can be found on our website ***www.stockland.com.au/about-stockland/corporate-governance***.

The Board has delegated certain responsibilities to standing Committees which operate in accordance with the Committee Charters approved by the Board.

Day to day management of the business is delegated to the Executive Committee through the Managing Director and Chief Financial Officer subject to approved authority limits and Board reserved matters.

Board committees

Four permanent Board Committees covering Audit, Risk, Human Resources and Sustainability have been established to assist in the execution of the Board's responsibilities.

The Board's policy is that a majority of the members of each Board Committee are independent Directors. The Audit Committee, Human Resources Committee and Risk Committee comprise only independent Directors and the Sustainability Committee is chaired by an independent Director and has a majority of independent Directors.

The Board reviews the composition of each Board Committee periodically, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, and to ensure Board Committee members have skills appropriate to their roles. Committee Chairs provide reports to the Board on key matters and Committee memberships provide for overlap of membership between the Audit Committee and Risk Committee as well as between the Risk Committee and Human Resources Committee.

Current members of the Board Committees

Audit Committee
Stephen Newton
Barry Neil
Christine O'Reilly
Andrew Stevens

The Audit Committee is responsible for the oversight of the integrity of Stockland's consolidated financial statements and disclosures, and the maintenance of a sound financial control environment. 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 Stockland's Australian Financial Services Licences and Compliance Plans
- Compliance with relevant laws and regulations including any prudential supervision procedures.

Human Resources Committee
Melinda Conrad
Tom Pockett
Carol Schwartz

The Human Resources Committee incorporates the functions of two board committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. The purpose of the Human Resources Committee is to consider and make recommendations to the Board on:

- Tthe size, composition and desired competencies of the Board
- Director independence, performance, remuneration and succession arrangements
- The content of the annual remuneration report and remuneration details contained within other statutory reports, including financial statements
- Stockland's policies for employment, performance planning and assessment, training and development, promotion and people management.

Risk Committee
Christine O'Reilly
Stephen Newton
Carol Schwartz

The purpose of the Risk Committee is to assist the Board to discharge its responsibilities in relation to:

- Assessing the effectiveness of Stockland's overall risk management framework
- Supporting a prudent and risk aware approach to business decisions across Stockland.

The Risk Committee reviews a wide range of matters relating to non-financial risk including work, health and safety, building quality, cyber security, insurance and business continuity. In FY19 the Risk Committee reviewed a number of risk policies including Stockland's risk management framework.

Sustainability Committee
Tom Pockett
All Directors

The purpose of the Sustainability Committee is to:

- Cconsider the sustainability impacts of Stockland's business activities including social, environmental and ethical impacts
- Consider major corporate responsibility and sustainability initiatives and changes in policy
- Approve specific external stakeholder communications
- Approve external sustainability policies
- Approve publicly disclosed targets and policies.

Further information about our Board Committees can be found in the Committee Charters, which are available on our website ***www.stockland.com.au/about-stockland/corporate-governance***.

Stockland also operates a funds management platform with a separate Board and Committee structure for Stockland Capital Partners Limited and its unlisted fund. More detail on Stockland Capital Partners Limited is available on our website ***www.stockland.com.au/investor-centre/unlisted-property-funds***.

Board committee meetings

The number of Board and standing Board Committee meetings held during the financial year that each Director was eligible to attend, and the number of meetings attended by each Director is set out in the table below:

	Scheduled Board		Audit Committee		Human Resources Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B
Director										
Ms M Conrad	14	14	–	–	5	5	1	2	–	–
Mr B Neil	14	14	6	6	–	–	2	2	–	–
Mr S Newton	14	14	6	6	–	–	2	2	4	5
Ms C O'Reilly[1]	10	10	4	4	–	–	1	2	3	3
Mr T Pockett[2]	14	14	–	–	5	5	2	2	2	2
Ms C Schwartz	13	14	–	–	5	5	2	2	5	5
Mr M Steinert	14	14	–	–	–	–	2	2	–	–
Mr A Stevens	14	14	6	6	–	–	2	2	–	–
Former Director										
Ms C Hewson[3]	6	6	–	–	3	3	–	–	–	–

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

1 – Ms O'Reilly joined the Board on 23 August 2018.

2 – Mr Pockett attended two Risk Committee meetings as a member of the Committee while a vacancy was being filled in 2018. Ms O'Reilly joined the Risk Committee in August 2018.

3 – Ms Hewson retired from the Board at the conclusion of the Annual General Meeting on 24 October 2018.

Board effectiveness

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

Board composition

The Board currently comprises one Executive Director and seven Non-Executive Directors. The membership of the Board is reviewed periodically having regard to the ongoing and evolving needs of Stockland. The Board considers a number of factors when filling a vacancy including:

Qualifications, skills and experience

The right mix of skills and experience to enable it to deal with current and emerging risks and opportunities, and to effectively review and challenge the effectiveness of management.

Independence

The Board will comprise a majority of non-executive independent directors and the Chair of the Board must be an independent director.

Tenure

The Board balances longer-serving directors with a deep knowledge of Stockland's business, policies and history, and newer directors with new perspectives and different but complementary experience.

Diversity

The Board recognises the benefits of diversity both across the organisation as well as in relation to Board composition.

Independence criteria

The Board regularly assesses the independence of each director in light of the interests that they have disclosed and such other factors as the Board determines are appropriate and in FY19 each Non-Executive Director satisfied the requirements for independence.
The criteria applied to determine whether a director is independent is set out in the Board Charter available on our website ***www.stockland.com.au/about-stockland/corporate-governance***.

Female Non-Executive Directors

43%

Board skills matrix

The Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively.

These include:

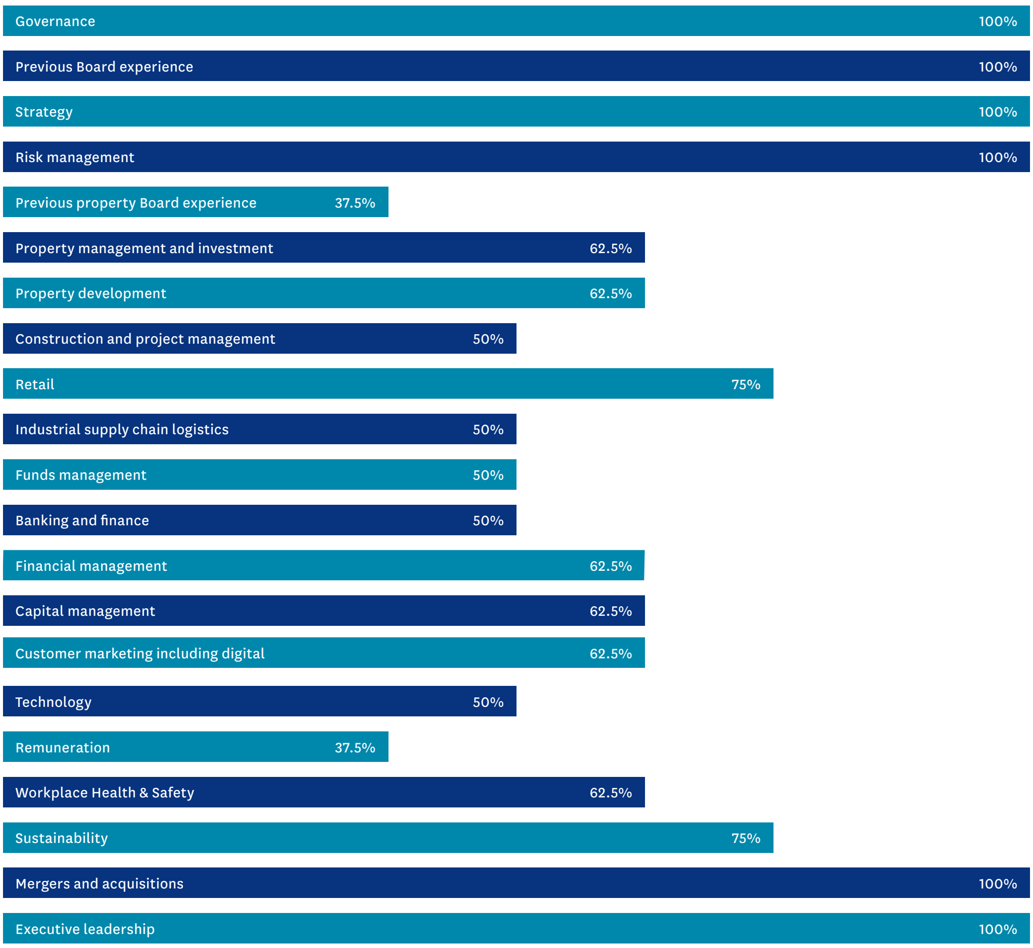
- Experience with property investment and management
- Property and community development
- Construction and project management
- Retailing and consumer marketing
- Technology (including digital)
- Industrial supply chain logistics
- Funds management
- Banking and finance
- Government and regulatory relations
- Environmental, social and governance matters
- Strategy development
- Significant senior executive experience.

It is also advantageous for some Directors to have experience in the audit and risk management field, capital management, mergers and acquisitions, people management and executive remuneration. During FY19 the Board received various presentations and briefings on a range of topics tailored for professional development, key thematics for Stockland and the ongoing responsibilities of the Board.

The Board believes that it has the right experience and skills currently to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation as shown in the diagram below.

The Board has a process for regularly evaluating its performance. With new Directors joining the Board in FY19 the regular external evaluation of the Board's performance has been deferred until late calendar year 2019.

Diversity of Board skills and experience

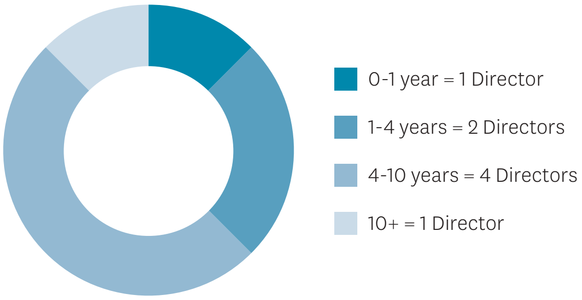


Introduction
Strategy and performance
Business risks and materiality
Climate-related risks
A better way to deliver shared value
Governance and remuneration
Financial report
Independent auditor's report
Securityholder information and key dates
Glossary

Tenure

As at 30 June 2019, the tenure profile of the Board is shown in the below diagram.

TENURE PROFILE



The Board 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. In FY19 Ms Carolyn Hewson stepped down from the Board after nine years of service and both Ms Melinda Conrad and Ms Christine O'Reilly joined 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. Written agreements setting out the terms of their engagement are entered into for all Directors and senior executives. Directors coming up for re-election are also reviewed by the Human Resources Committee and, in the Director's absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board.

Directors' securityholdings

Particulars of Securities held by Directors are set out in the Remuneration Report that forms part of this report. No options have been granted to Directors during the period.

No proceedings

No application has been made under section 237 of the *Corporations Act 2001* in respect of Stockland, and there are no proceedings that a person has brought or intervened in on behalf of Stockland under that section.

Our approach to tax

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

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

Tax control and governance policy framework

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

The TCGF is consistent with the guidelines published by the Australian Taxation Office (ATO) regarding tax risk management and governance processes for large business taxpayers.

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

The key principles of the TCGF are summarised as follows:

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

Voluntary Tax Transparency Code

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

Tax disclosures and information

For information and detailed reconciliations of Stockland's tax expense, effective tax rate and deferred tax balances please refer to notes 20 and 21 in the Financial Report.

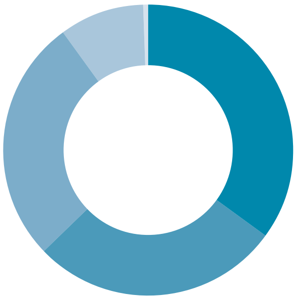
Tax contribution summary

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

In FY19 these taxes totalled more than $252 million, and were either borne by Stockland as a cost of our business or collected and remitted as part of our broader contribution to the Australian tax system.

The chart below illustrates the types of taxes that contributed to the taxes paid and/or collected and remitted for the 2019 tax year.

TOTAL TAX CONTRIBUTION



- 35% Net GST Paid
- 28% PAYG Withholding
- 27% State Taxes (includes Land Tax and Payroll Taxes)
- 9.5% Other Duties and Levies
- 0.5% Fringe Benefit Tax

The Terraces, Bokarina Beach, QLD

Executive confirmations

The Managing Director and the Chief Financial Officer have provided a written statement to the Board that:

1 With regard to the integrity of the financial statements of Stockland Corporation Limited (the "Company") and its controlled entities and Stockland Trust (the "Trust") and its controlled entities for the financial year, being the year ended 30 June 2019, that having made appropriate enquiries, in our opinion:

  a The financial records of the Company and the Trust and of the entities whose financial statements are required to be included in their respective consolidated financial statements (the consolidated entities) for the financial period, have been properly maintained in accordance with section 286 of the *Corporations Act 2001*

  b The financial reports of the Company, the Trust and the respective consolidated entities, for the financial period, being the financial statements and notes thereto, comply with relevant accounting standards in accordance with section 296 of the *Corporations Act 2001* and give a true and fair view of the financial position and performance of the Company, the Trust and the respective consolidated entities, in accordance with section 297 of the *Corporations Act 2001*.

2 With regard to the risk management and internal compliance and control systems of the Company, the Trust and the respective consolidated entities in operation for the year ended 30 June 2019, that having made appropriate enquiries to the best of our knowledge and belief:

  a The statements made in (1b) above regarding the integrity of the 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 which have been adopted by the Board of Directors either directly or through delegation to senior executives

  b The risk management and internal compliance and control systems are operating effectively, in all material respects, based on the risk management model adopted by the Company and Trust

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

  d Nothing has come to our attention since 30 June 2019 that would indicate any material change to the statements made above.

Associates and joint ventures, which the Company and Trust do not control, are not dealt with for the purposes of this statement, however management confirms that procedures are in place to assess the integrity of the financial information from these associates and joint ventures for the purposes of consolidating information into the financial accounts for the Company and the Trust.

Corporate governance statement

Stockland is committed to achieving and demonstrating the highest standards of corporate governance. Stockland has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd and 4th editions) published by the ASX Corporate Governance Council.

The 2019 corporate governance statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the Board on 21 August 2019. A description of Stockland's current corporate governance practices is set out in Stockland's corporate governance statement which can be viewed at ***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 2019 (FY19), 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.

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 with those of companies of similar size, business mix and complexity in the property industry in Australia. There were no changes to the remuneration framework during FY19.

We remain committed to an executive remuneration framework that supports Stockland's objectives to deliver growth in FFO 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.

Stockland Shellharbour, NSW

1. Executive summary

1.1 Strategic priorities

GROW ASSET RETURNS	OPERATIONAL EXCELLENCE	CAPITAL STRENGTH
Strategic priorities • Accelerate improvement in the quality of our Retail Town Centre portfolio • Increase Workplace and Logistics weighting • Divest non-core Retirement Living villages	**Strategic priorities** • Investing in and deepening our people's capabilities	**Strategic priorities** • Strategic capital partnerships across all sectors • Security buy-back
FY19 outcomes • On track to exceed $400m retail non-core divestment target • Increased weighting of Workplace and Logistics to 23% • Divested three non-core Retirement Living Villages	**FY19 outcomes** • Reshaped and aligned Executive leadership • Maintained strong employment engagement above Australian National Norm • Focus on evolving strong culture • Reduced unallocated overheads by $5 million	**FY19 outcomes** • Confirmed strategic capital partnership at Aura, Sunshine Coast • Completed $192m of $350m security buy-back • Maintained A-/Stable credit rating
FY19 key financials • Annual growth in funds from operations of 4% to $897m • FFO per security of 37.4cps, growth of 5.1% on FY18	**FY19 key financials** • ROE of 11.9%[1] • NTA per security of $4.04 • Distribution of 27.6 cps	**FY19 key financials** • TSR over 3 years of 13.2% • CAGR in FFO per security over 3 years of 6.3%

1 Excludes Residential Communities workout projects.

1.2 What did our executives receive?

- In FY19, there was no increase in the Fixed Pay for the Managing Director as the current level of Fixed Pay remains appropriate relative to market benchmarks. The Managing Director's Fixed Pay has remained unchanged since commencing with Stockland in January 2013. There were also no changes to other Key Management Personnel (KMP) Fixed Pay.
- Our considered approach to remuneration will continue in FY20 with no increases planned for the Fixed Pay of the Managing Director or any of our KMP.
- A range of STIs against target was awarded to the Managing Director and KMP this year and awards are set out in section 3.3. The STIs awarded reflected a mixed performance against the Corporate Balanced Scorecard with a lower overall STI pool than FY18. As a result, the Managing Director and all Senior Executives were awarded STI an average of 85.7 per cent of target in FY19. Any individual STI award includes at least one-third (half for Managing Director) in the form of Stockland securities that vest in future years, subject to continued service by those executives and to Stockland's clawback policy.
- In relation to the LTI awards, the three year FFO per security Compound Annual Growth Rate (CAGR) of 6.3 per cent was above the minimum vesting threshold of 4.75 per cent set in FY17. Accordingly 94.2 per cent of the FFO per security component of the FY17 LTI award has vested. TSR over the three year performance period of 13.2 per cent was below the performance benchmark (a weighted index compromising of property companies from the ASX AREIT 200 index excluding Stockland) of 49.8 per cent and accordingly none of the TSR component of the FY17 LTI awards has vested. These combined outcomes resulted in the vesting of 47.1 per cent of FY17 LTI awards.

2. Remuneration Framework

2.1 Framework

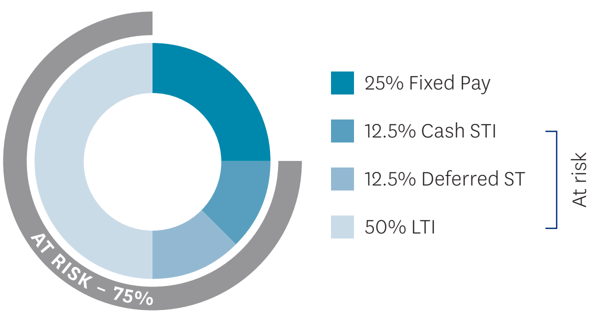
Stockland's remuneration policies are framed around several key principles, including:

- Fixed Pay should be fair, competitive and regularly benchmarked against market practice. Fixed Pay includes salary, superannuation and other employee benefits. Annual reviews of Fixed Pay take into account each individual's skills and experience relevant to their roles, internal and external benchmarks and the importance of a considered approach to pay.
- 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
- STIs must be affordable and funded from annual earnings
- Individual STI awards are dependent on Stockland, business unit and individual performance measures based on the Corporate Balanced Scorecard approach which the Board uses to set financial and non-financial Key Performance Indicators (KPIs) that are aligned to overall business strategy and key priorities
- A portion of performance based pay for Executives should be awarded as Stockland securities with deferred vesting with any above target performance for Senior Executives awarded fully as securities
- Vesting of LTI should be dependent on exceeding long term performance hurdles
- LTI should not only help motivate and retain Senior Executives but also build a sense of ownership of business performance that benefits all stakeholders
- Remuneration policies and decisions must reflect adherence to Stockland's values and Code of Conduct as well as prudent risk and capital management considerations
- Unvested equity awards should be forfeited if employees resign during the applicable vesting period and should be subject to a broadly framed clawback policy that gives the Board discretion to adjust or forfeit these awards in certain circumstances
- The Board retains the right to apply discretion over remuneration decisions taking into account both financial and non-financial outcomes.

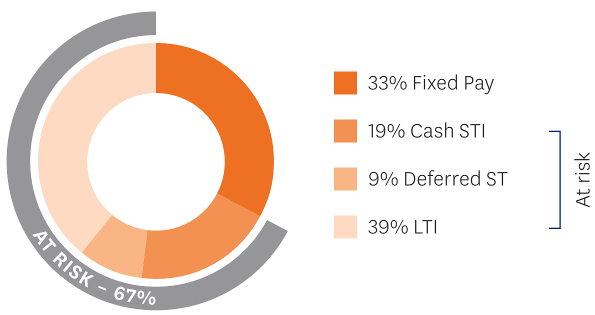
2.2 Remuneration mix

We reviewed our remuneration mix during the year and determined no changes needed to be made in FY19. The number of LTI rights awarded is based on the Volume Weighted Average Price of Stockland securities for the 10 working days post 30 June (face value methodology), which is consistent with the approach for determining the number of Deferred STI awards. 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 property companies.

MANAGING DIRECTOR & CEO



OTHER SENIOR EXECUTIVES



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

Principles and philosophy	Remuneration component	Measure	At Risk Weighting
Fixed Remuneration should be fair, competitive and regularly benchmarked to relevant market levels	**Fixed Pay (FP)** Salary and other benefits (including statutory superannuation)	External benchmarking based on surveys sourced from a number of organisations including AON Hewitt, Avdiev and PwC	
A significant portion of remuneration should be 'at risk' and fairly reward executives if pre-set objectives and hurdles are achieved and/or exceeded and build a sense of business ownership and alignment that benefits all securityholders interests	**Short term Incentive (STI)** 50% awarded as cash for performance up to target for Managing Director and CEO (two-thirds as cash for other Senior Executives) 50% awarded in deferred securities for performance up to target for Managing Director & CEO (one-third for Senior Executives) and 100% awarded as deferred securities for any performance above target Any deferred securities vest equally subject to continued service after 1 and 2 years	Depends on company and individual performance reflecting progress against a Balanced Scorecard of Key Performance Indicators (KPIs) based on: • Business/Financial outcomes • Customer/Stakeholder and Sustainability performance • Leadership and People Management • Operational Excellence and Risk Management	Target 100% of FP (Managing Director and CEO) 80 – 90% of FP (Other Senior Executives) Maximum 150% of Target
	Long Term Incentive (LTI) Delivered as Performance Rights measured against performance hurdles over a three year performance period Any rights then convert to deferred securities if performance hurdles are exceeded which vest equally subject to continued service after three and four years The number of LTI rights granted is based on the face value of Stockland's securities at the time of the grant	**Funds From Operations (FFO)** Three year CAGR in FFO per security with maximum vesting if CAGR is 5% or more above the applicable target (50% weighting) and **Total Shareholder Return (TSR)** Based on a composite index reflecting A-REIT 200 competitors with maximum vesting occurring if Stockland's TSR is 10% or more above this index (50% weighting) Our competitor index excludes Stockland and includes six A-REIT 200 large caps equally weighted at 13.33% each (Dexus, Goodman, GPT, Mirvac, Scentre and Vicinity) and eight A-REIT 200 smaller caps equally weighted at 2.5% (Abacus, BWP Trust, Charter Hall Group, Charter Hall Retail REIT, Cromwell Property, Growthpoint, National Storage REIT and Shopping Centres Australasia Property Group)	Managing Director and CEO 200% of FP Other Senior Executives 120% of FP
Values, Risk and Reputation	The Board may apply **discretion** to adjust STI outcomes upwards or downwards including to zero where appropriate The Board can apply **clawback** on unvested deferred STI and/or LTI to adjust or forfeit these awards		
	Minimum securityholding	The Managing Director and CEO is required to maintain a minimum holding of Stockland securities equivalent to at least two times fixed pay (one times fixed pay for other Senior Executives) for any securities granted after 1 July 2010	

3. Remuneration outcomes

3.1 Financial performance over the past five years

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

	FY15	FY16	FY17	FY18	FY19
Underlying profit[1] ($M)	608	660	696	731	**757**
FFO[2] ($M)	657	740	802	863	**897**
AFFO[3] ($M)	531	624	687	756	**780**
Statutory profit ($M)	903	889	1,195	1,025	**311**
Security price as at 30 June ($)[4]	4.10	4.71	4.38	3.97	**4.17**
Distributions/Dividends per security (cents)	24.0	24.5	25.5	26.5	**27.6**
Payout Ratio	86%	79%	77%	75%	**74%**
Securities bought back and cancelled ($M)[5]	–	–	–	–	**192**
Underlying EPS (cents)	25.9	27.8	29.0	30.2	**31.5**
FFO per security (cents)	28.0	31.1	33.4	35.6	**37.4**
AFFO per security (cents)	22.6	26.3	28.6	31.2	**32.5**
Statutory EPS (cents)	38.5	37.4	49.8	42.3	**13.0**
Stockland TSR – 1 year (%)	12.3	16.4	7.1	(7.0)	**13.9**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	24.2	21.1	(6.7)	11.5	**20.0**
Tailored index TSR[6]	–	–	–	7.2	**27.0**

1 Underlying profit was the non-IFRS performance measure used in determining the non-TSR component of LTI remuneration for periods up to and including 30 June 2016.

2 FFO is a non-IFRS measure that replaced underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit is provided in the Financial Report. Performance against this benchmark is set out in section 3.4.

3 AFFO is stated exclusive of derivative close out costs and inclusive of Commercial Property and Retirement Living maintenance capex.

4 FY14 Closing security price was $3.88.

5 The securities were bought back on market.

6 Tailored AREIT 200 index comprised of six large companies forming 80% and eight smaller companies forming 20% as detailed in section 2.2. Measured from FY17 as a LTI hurdle.

3.2 Fixed pay

We 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 companies, ensuring that our Fixed Pay remains competitive with companies of comparable size and complexity in our industry.

For the 2019 financial year, Fixed Pay did not increase for our Managing Director and CEO or the Senior Executives.

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 three months service are eligible to be considered for a STI award.

STI pool

The STI Pool is determined by the Board's assessment of performance against the Corporate Balanced Scorecard, which is shown below for FY19.

Corporate Balanced Scorecard FY19

Strategic priority	KPI	Commentary	Overall rating
BUSINESS AND FINANCIAL PERFORMANCE (60%)			
Group and business unit performance			
	Group performance • Funds from Operations (FFO) per security guidance of 5.0 – 7.0% • Return on Equity[1] (ROE) of 11.3 – 11.8%	• FFO per security growth was 5.1% to 37.4 cps • ROE was 11.5%[1]	FFO at lower end of target range ROE within target range
	• Business Performance • Operating Business financial performance in line with plan	Business unit financial performance was mixed: • Commercial Property FFO of $623 million was up on FY18 and overall in line with forecast with Retail below and Workplace and Logistics above • Residential Operating Profit of $362 million was up on FY18 and above forecast • Retirement Living profit of $56 million was up on with FY18 but below forecast	Within target range Upper end of target range Below target range
	• 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 above 5 years • Credit Rating and liquidity buffer maintained with gearing and interest cover all within guidelines • Debt documentation and covenants updated and all covenants satisfied	Within target range
	• Deliver against Key Business Priorities	• Mixed progress against our key business and strategic priorities with most priorities met	Lower end of target range

1 Including Residential workout projects. ROE was 11.9% excluding these projects.

Corporate Balanced Scorecard FY19

Strategic priority	KPI	Commentary	Overall rating
CUSTOMER AND ORGANISATIONAL PERFORMANCE (40%)			
Customer and stakeholder			
	• Achieve independent customer satisfaction ratings goals for each business unit	• The customer satisfaction scores were generally at or above target • Commercial Property was above target • Residential outcomes variable against targets • Retirement Living was above	Within target range
People management			
	• Achieve employee engagement target – 80%	• Employee engagement score was 81%	Upper end of target range
	• Increase female participation across all levels of management	• Women in management was 45.8% • Women in senior management was 42.0% • 37.0% of General Managers were females • 50% of Senior Executives were females	Within target range
	• Progress longer term diversity and inclusiveness objectives	• Good progress made including being recognised as an Employer of Choice for Gender Equality over nine consecutive years (five with WGEA) • 83.2% of employees having a flexible work arrangement	Upper end of target range
Operational excellence, sustainability & risk management			
	• Continued Process Improvement and enhanced innovation	• Over 1% of FFO due to new innovation	Within target range
	• Embed sustainable business practices and make good progress against environment improvement goals	• Recognised as the leading Global Real Estate company in DJSI Sustainability Survey • Continued strong progress across our GHG and other sustainability targets	Above target range
	• Ensure strong risk compliance and safety management practices	• Continued embedding of three lines of defence risk framework • Ongoing focus on contractor and employee safety management practices	Within target

The maximum approved STI pool for all employees in FY19 was $28.7 million of which a maximum $6.6 million (or 20 per cent of the pool) is proposed to be awarded in Stockland securities with deferred vesting and is subject to the risk of forfeiture until vesting dates at the end of FY20 and FY21.

$m	FY15	FY16	FY17	FY18	FY19
Underlying profit	608	660	696	731	757
FFO	657	740	802	863	897
Cash STI[1]	24.0	28.1	28.4	26.6	22.1
DSTI	9.0	8.9	9.5	6.6	6.6
STI pool	**33.0**	**37.0**	**37.9**	**33.2**	**28.7**

1 Includes applicable superannuation.

STI outcomes – Managing Director and CEO and other KMP

The table below sets out the STI awards for FY19. STI incentives are awarded in both cash and Stockland securities with deferred vesting. For amounts up to the Target STI awarded, the Managing Director and CEO receives one-half of STI in cash and one-half in deferred securities and Senior Executives receive two-thirds of STI in cash and one-third in deferred securities. Any STI above target is awarded as securities with deferred vesting. Half of the deferred STI securities vest 12 months after award with the remaining half vesting 24 months after award, provided employment continues to the applicable vesting date.

	Target STI (as % of Fixed Pay)	Maximum STI (as % of Fixed Pay)	STI Awarded (as % of Target)	STI Awarded (as % of Maximum STI)	STI paid in cash[1]		STI deferred into equity[2]		DSTIs granted[3]
	%	%	%	%	$	%	$	%	$
Managing Director									
Mark Steinert	100	150	80	53	600,000	50	600,000	50	134,145
Other KMP									
Katherine Grace	80	120	94	63	301,333	67	150,667	33	33,686
Louise Mason	90	135	87	58	392,000	67	196,000	33	43,821
Tiernan O'Rourke	80	120	86	58	403,333	67	201,667	33	45,088
Andrew Whitson	90	135	91	61	408,667	67	204,333	33	45,684
Former Senior Executives									
Stephen Bull[4]	90	135	49	33	62,000	100	–	–	–

1 The portion of STI awarded for the FY19 performance year, which is paid as cash.
2 The portion of STI awarded for FY19 performance that is deferred into Stockland securities that 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 10 business days after 30 June 2019. This price was $4.4728.
4 Ceased employment 7 September 2018. 100% of STI paid in cash.

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 FFO growth targets, with the remaining half linked to a TSR performance hurdle. The tables below show Stockland's performance against the respective FFO and TSR performance hurdles for the three years to 30 June 2019.

Hurdle	Target/ benchmark performance	Actual performance	Out/(Under) performance	% Vested	Weight	Vesting outcome
FFO per security for FY17 – 19						
Compound Average Growth Rate[1]	4.75%	6.3%	1.6%	94.2%	50%	47.1%
TSR for FY17 – 19						
Relative TSR FY17 – FY19[2]	49.8%	13.2%	(36.6%)	–%	50%	–%
Vesting						**47.1%**

1 For LTI awards made in FY17 and future years, the performance benchmark is growth in FFO per security.

2 Benchmark based on ASX AREIT 200 Index excluding Stockland. For LTI awards made in FY17 and future years, the TSR performance benchmark is a tailored index comprised of six large companies forming 80 per cent and eight smaller companies forming 20 per cent.

LTI awarded for FY19

The performance rights that were awarded to the Managing Director and CEO and other Senior Executives under the Performance Rights Plan in FY19 are outlined in the table below. These awards are subject to a three year performance period (FY19 – FY21) with the awards measured against two performance hurdles: Relative TSR and FFO per security growth. As advised at the Annual General Meetings held in October 2018, the maximum vesting hurdle based on the Compound Annual Growth Rate for FFO per security for LTI awards granted during FY19 was 6.0 per cent (42.4 cps) for the three years from 1 July 2018 to 30 June 2021, with the threshold or minimum vesting hurdle being 4.25 per cent (40.3 cps).

$	Grant date	Vesting date[1]	LTIs Granted[2]	Fair value per LTI	Fair Value of LTI[3]
Executive Director					
Mark Steinert	27/10/2018	30/06/2021	370,362	1.31	486,100
	27/10/2018	30/06/2022	370,361	1.31	486,099
			740,723		972,199
Senior Executives Other KMP[4]					
Katherine Grace	27/09/2018	30/06/2021	88,887	1.61	142,886
	27/09/2018	30/06/2022	88,887	1.61	142,886
			177,774		285,772
Louise Mason	27/09/2018	30/06/2021	111,109	1.61	178,608
	27/09/2018	30/06/2022	111,108	1.61	178,606
			222,217		357,214
Tiernan O'Rourke	27/09/2018	30/06/2021	129,627	1.61	208,376
	27/09/2018	30/06/2022	129,626	1.61	208,374
			259,253		416,750
Andrew Whitson	27/09/2018	30/06/2021	111,109	1.61	178,608
	27/09/2018	30/06/2022	111,108	1.61	178,606
			222,217		357,214

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 2020. Any rights that 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. The rights issued have an expiry date that is the later of the date of announcement of the FY21 results and 31 August 2021.

2 The number of rights granted is based on the Volume Weighted Average Price for the 10 business days after 30 June 2018. The price was $4.0501.

3 Fair value is determined using a Monte Carlo simulation (TSR hurdle) and the Black-Scholes option pricing model (FFO hurdle). Details of the assumptions made in determining fair value are discussed in note 19 of the financial statements.

4 Stephen Bull was not eligible for LTI awards during the year.

3.5 Executive remuneration for FY19

Executives received a mix of remuneration during FY19 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 FY19 which includes Fixed Pay and the non-deferred portion of any FY19 STI. The table also includes the value of DSTI awards from FY17 and FY18 that vested during FY19 and LTI awards from FY17 that vested during FY19. This information differs from that provided in the remuneration for KMP set out in section 3.5(b) which was calculated in accordance with statutory rules and applicable Accounting Standards.

A. Actual remuneration received or realised

$		Fixed pay[1]	STI awarded and received as cash[2]	Total Cash payments in relation to financial year	Previous years' DSTI that were realised[3]	Previous years' LTI that were realised[3]	Total Remuneration (received and/ or realised)	Awards which lapsed or were forfeited[4]
Executive Director								
Mark Steinert	**2019**	**1,500,000**	**600,000**	**2,100,000**	**961,640**	**1,156,550**	**4,218,190**	**1,600,521**
Managing Director and CEO	2018	1,500,000	702,000	2,202,000	1,014,208	1,326,726	4,542,934	1,711,320
Other KMP								
Katherine Grace	**2019**	**600,000**	**301,333**	**901,333**	**208,246**	**243,482**	**1,353,061**	**347,436**
General Counsel and Company Secretary	2018	600,000	320,000	920,000	198,286	266,141	1,384,427	342,266
Louise Mason[5]	**2019**	**750,000**	**392,000**	**1,142,000**	**154,444**	**–**	**1,296,444**	**–**
Group Executive and CEO, Commercial Property	2018	75,000	–	75,000	–	–	75,000	–
Tiernan O'Rourke	**2019**	**875,000**	**403,333**	**1,278,333**	**293,714**	**399,315**	**1,971,362**	**557,846**
Chief Financial Officer	2018	875,000	420,000	1,295,000	314,229	451,345	2,060,574	581,847
Andrew Whitson	**2019**	**750,000**	**408,667**	**1,158,667**	**428,622**	**346,965**	**1,934,254**	**480,163**
Group Executive and CEO, Stockland Communities	2018	750,000	450,000	1,200,000	379,846	382,831	1,962,677	513,396

1 Fixed Pay includes salary, superannuation and salary sacrificed items.

2 For Mark Steinert this is 50 per cent (two thirds for Senior Executives) of his STI awards. The remaining 50 per cent of his STI (one third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50 per cent after year 1 and 50 per cent after year 2 subject to continued employment.

3 This represents the value of all prior years' deferred STI and LTI that vested during FY19 using the 30 June 2019 closing security price of $4.17.

4 The value shown represents the value of any previous years' equity awards that lapsed or were forfeited during the financial year. The FY19 values are based on the closing 30 June 2019 security price of $4.17 (FY18: $3.97).

5 Louise Mason was appointed 4 June 2018.

B. Executive remuneration (statutory presentation)

$		Short-term					Post-employment		Other long-term	Shared-based payments			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 %
Key Management Personnel (KMP)														
Mark Steinert	**2019**	**1,553,165**	**–**	**–**	**600,000**	**2,153,165**	**25,000**	**–**	**34,777**	**747,500**	**445,985**	**3,406,427**	**52.7**	**35.0**
Managing Director and CEO	2018	1,494,694	–	943	702,000	2,197,637	19,278	–	19,824	985,000	1,216,893	4,438,632	65.4	49.6
Katherine Grace	**2019**	**611,384**	**–**	**–**	**301,333**	**912,717**	**19,742**	**–**	**7,419**	**173,639**	**118,945**	**1,232,462**	**48.2**	**23.7**
General Counsel & Company Secretary	2018	575,407	–	–	320,000	895,407	19,278	–	6,350	206,917	274,870	1,402,822	57.2	34.3
Louise Mason[5]	**2019**	**715,233**	**13,530**	**–**	**392,000**	**1,120,763**	**22,826**	**–**	**2,218**	**125,000**	**47,830**	**1,318,637**	**42.8**	**13.1**
Group Executive and CEO, Commercial Property	2018	78,994	956	205,479	–	285,429	–	–	–	125,000	–	410,429	30.5	30.5
Tiernan O'Rourke	**2019**	**909,395**	**–**	**943**	**403,333**	**1,313,671**	**24,693**	**–**	**12,715**	**234,917**	**186,892**	**1,772,888**	**46.5**	**23.8**
Chief Financial officer	2018	848,993	–	–	420,000	1,268,993	19,278	–	10,479	301,883	438,740	2,039,643	56.9	36.3
Andrew Whitson	**2019**	**734,513**	**13,849**	**–**	**408,667**	**1,157,029**	**19,742**	**–**	**13,910**	**320,639**	**160,832**	**1,672,152**	**53.2**	**28.8**
Group Executive and CEO, Stockland Communities	2018	712,532	12,422	1,887	450,000	1,176,841	19,278	–	27,345	419,750	377,667	2,020,881	61.7	39.5
Senior Executives (formerly KMP)[7]														
Robyn Elliott	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Chief Technology and Innovation Officer	2018	132,197	–	–	68,400	200,597	5,398	–	–	17,333	–	223,328	38.4	7.8
Darren Rehn	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Chief Investment Officer	2018	736,492	–	943	450,000	1,187,435	19,278	–	9,205	342,667	377,667	1,936,252	60.4	37.2
Former KMP														
Stephen Bull[6]	**2019**	**143,538**	**2,663**	**–**	**62,000**	**208,201**	**5,133**	**817,395**	**(3,099)**	**148,833**	**160,578**	**1,337,041**	**27.8**	**23.1**
Former CEO, Retirement Living	2018	633,299	12,422	–	300,000	945,721	19,278	–	21,985	273,933	352,114	1,613,031	57.4	38.8
Michael Rosmarin[7]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Chief Operating Officer	2018	568,300	12,422	–	280,000	860,722	19,278	–	27,721	219,183	304,764	1,431,668	56.2	36.6
John Schroder[8]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former CEO, Commercial Property	2018	1,034,760	–	–	600,000	1,634,760	19,278	1,050,000	40,921	332,150	533,285	3,610,394	40.6	24.0
Simon Shakesheff[7]	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Former Group Executive, Strategy & Stakeholder Relations	2018	588,571	–	–	293,333	881,904	18,892	–	8,029	226,278	304,764	1,439,867	57.3	36.9
Consolidated remuneration	**2019**	**4,667,228**	**30,042**	**943**	**2,167,333**	**6,865,546**	**117,136**	**817,395**	**67,940**	**1,750,528**	**1,121,062**	**10,739,607**	**46.9**	**26.7**
	2018	7,404,239	38,222	209,252	3,883,733	11,535,446	178,514	1,050,000	172,129	3,450,094	4,180,764	20,566,947	56.0	37.1

1 Includes any change in accruals for annual leave.
2 Comprises salary packaged benefits, including motor vehicle costs, car parking, other salary sacrificed items and FBT payable on these items.
3 Cash STIs are earned in the financial year to which they relate and are paid in August/September of the following financial year.
4 Includes any change in accruals for long service leave.
5 Louise Mason was appointed 4 June 2018. Other payments include payment on commencement to compensate for incentives forfeited on ceasing previous employment to join Stockland.
6 Stephen Bull ceased employment 7 September 2018. Termination payment in accordance with policy as set out in section 5.4 of this report.
7 As noted in Section 5.5 following a review of Key Management Personal at the end of FY18, Robyn Elliott, Darren Rehn, Michael Rosmarin and Simon Shakesheff were no longer considered as KMP from 1 July 2018.
8 John Schroder ceased employment 2 July 2018.

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 the Board establishes a special purpose Board Committee, 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 FY19, there were no changes in the base fees for the Chairman, Non-Executive Directors or any of the Board Committees.

In FY20, in line with our considered approach to remuneration, there will be no changes in the base fees for the Chairman and Non-Executive Directors or for Board committee fees.

		FY20	FY19
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
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 and Risk	Chair	$15,260	$15,260
	Member	$8,720	$8,720

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 FY20.

Total fees of $1,903,476 (76 per cent of the approved limit) were paid to Non-Executive Directors in FY19. This amount was 5.7 per cent higher than the total fees paid in FY18 due to the timing of new Non-Executive Directors being appointed and the retirement of former Non-Executive Directors. There were no changes to the base fees for Non-Executive Directors and Chairman or the respective Board Committees.

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

$		Short-term: Board and Committee Fees	Short-term: Non-monetary benefits	Post-employment: Superannuation contributions	Total[1]
Non-Executive Directors					
Tom Pockett	**2019**	**479,469**	**–**	**20,531**	**500,000**
	2018	479,951	–	20,049	500,000
Melinda Conrad[2]	**2019**	**202,725**	**–**	**19,259**	**221,984**
	2018	19,266	–	1,830	21,096
Barry Neil	**2019**	**207,945**	**–**	**19,755**	**227,700**
	2018	207,945	–	19,755	227,700
Stephen Newton	**2019**	**260,718**	**–**	**20,531**	**281,249**
	2018	243,985	–	20,049	264,034
Christine O'Reilly[3]	**2019**	**170,110**	**–**	**16,160**	**186,270**
	2018	–	–	–	–
Carol Schwartz	**2019**	**205,699**	**–**	**19,379**	**225,078**
	2018	191,781	–	18,219	210,000
Andrew Stevens	**2019**	**178,082**	**–**	**16,918**	**195,000**
	2018	178,082	–	16,918	195,000
Former Non-Executive Directors					
Carolyn Hewson[4]	**2019**	**60,452**	**–**	**5,743**	**66,195**
	2018	191,781	–	18,219	210,000
Nora Scheinkestel[5]	**2019**	**–**	**–**	**–**	**–**
	2018	157,534	–	14,966	172,500
Consolidated remuneration	**2019**	**1,765,200**	**–**	**138,276**	**1,903,476**
	2018	1,670,325	–	130,005	1,800,330

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

2 Melinda Conrad was appointed on 18 May 2018.

3 Christine O'Reilly was appointed on 23 August 2018.

4 Carolyn Hewson retired 24 October 2018.

5 Nora Scheinkestel retired 20 March 2018.

4.2 Directors' securityholdings

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 three years of commencing as a Non-Executive Director. This minimum equates to approximately one year's base Board fees.

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

	Stockland	
	2019	**2018**
Non-Executive Directors		
Tom Pockett	**40,000**	40,000
Melinda Conrad[1]	**60,000**	–
Barry Neil	**76,718**	76,718
Stephen Newton	**40,000**	40,000
Christine O'Reilly[2]	**50,000**	50,000
Carol Schwartz	**40,000**	40,000
Andrew Stevens	**20,000**	20,000
Executive Director		
Mark Steinert[3]	**3,162,815**	2,654,856

1 Melinda Conrad was appointed 18 May 2018.

2 Christine O'Reilly was appointed 23 August 2018.

3 Includes vested DSTI securities and vested LTI rights held by the Executive Director. Excludes unvested DSTI and LTI rights as detailed in section 5.3 of this Report.

5. Other remuneration information

5.1 Remuneration governance

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

The Committee also oversees all employment and remuneration policies to ensure that, at all levels in the organisation, fairness and balance are maintained between reward, cost and value to Stockland whilst also reflecting risk and compliance performance assisted by the Audit and Risk Committees.

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.

The Committee comprises of three independent Non-Executive Directors: Melinda Conrad (Chair), Carol Schwartz and Tom Pockett. The Committee commenced FY19 with four independent Non-Executive Directors with Ms Melinda Conrad replacing Ms Carolyn Hewson as Chair of the Committee following Ms Hewson's retirement as a Non-Executive Director in October 2018.

The roles and responsibilities of the Committee are outlined in the Committee's charter, which is available on Stockland's website at ***www.stockland.com.au/about-stockland/corporate-governance***.

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, Avdiev and PwC. During FY19, no remuneration recommendations in relation to key management personnel, as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001*, were made by these or other consultants.

5.3 Stockland equity held by key management personnel

The table below outlines the number of vested and ordinary holdings (personal) and unvested equity (DSTI and LTI) held by the Managing Director, other KMP and Non-Executive Directors as at the end of FY19. This table highlights the direct exposure that each KMP has to the Stockland security price.

$	Holding[1]	Balance 1 July 2018	Acquired/ (Disposed) or Granted	Equity Incentives that lapsed	Equity Incentives that vested[2]	Balance 30 June 2019	Maximum value yet to vest[3]
Non-Executive Directors							
Mark Steinert	Securities	2,654,856	–	–	507,959	3,162,815	–
	DSTI	317,274	134,145	–	(230,609)	220,810	467,000
	LTI	1,509,244	740,723	(383,818)	(277,350)	1,588,799	1,913,689
Senior Executives							
Katherine Grace	Securities	204,418	–	(51,200)	108,328	261,546	–
	DSTI	70,309	33,686	–	(49,939)	54,056	115,389
	LTI	342,327	177,774	(83,318)	(58,389)	378,394	489,993
Louise Mason	Securities	–	–	–	37,037	37,037	–
	DSTI	74,073	43,821	–	(37,037)	80,857	50,000
	LTI	–	222,217	–	–	222,217	309,384
Tiernan O'Rourke	Securities	482,607	–	(187,600)	166,194	461,201	–
	DSTI	96,360	45,088	–	(70,435)	71,013	152,639
	LTI	526,361	259,253	(133,776)	(95,759)	556,079	719,591
Andrew Whitson	Securities	397,543	–	(192,110)	185,992	391,425	–
	DSTI	148,465	45,684	–	(102,787)	91,362	180,861
	LTI	452,774	222,217	(115,147)	(83,205)	476,639	616,794
Non-Executive Directors							
Tom Pockett	Securities	40,000	–	–	–	40,000	–
Melinda Conrad	Securities	–	60,000	–	–	60,000	–
Barry Neil	Securities	76,718	–	–	–	76,718	–
Stephen Newton	Securities	40,000	–	–	–	40,000	–
Christine O'Reilly	Securities	–	50,000	–	–	50,000	–
Carol Schwartz	Securities	40,000	–	–	–	40,000	–
Andrew Stevens	Securities	20,000	–	–	–	20,000	–

1 The DSTI awards are subject to either one or two years of continued service, and vest once this condition has been met, and are forfeited only if employment ceases. No DSTI awards were forfeited during the year.

2 The LTI that have vested at 30 June 2019 are yet to be exercised and converted to securities.

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

5.4 Senior Executives’ employment and termination arrangements

The Managing Director and CEO and other Senior Executives are on rolling contracts until notice of termination is given by either Stockland or the Senior Executive. The notice period for the Managing Director and CEO and other Senior Executives is six and three months, respectively. In appropriate circumstances, payment may be made in lieu of notice. Where Stockland initiates termination, including mutually agreed resignation, the Senior Executive would receive a termination payment of up to 12 months’ Fixed Pay (including applicable notice) and be considered for an STI award based on performance pro-rated for that proportion of the year they were employed.

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 in the year of termination. For LTI, unvested rights are vested pro rata based on service to the date of termination. Any applicable pro rata 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 are forfeited.

5.5 Key management personnel

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

Non-Executive Directors	
Mr Tom Pockett	
Ms Melinda Conrad	
Ms Carolyn Hewson	(retired 24 October 2018)
Mr Barry Neil	
Mr Stephen Newton	
Ms Christine O'Reilly	(joined 23 August 2018)
Ms Carol Schwartz	
Mr Andrew Stevens	

Executive Director	
Mr Mark Steinert	Managing Director and Chief Executive Officer

Senior Executives	
Ms Katherine Grace	Group Executive and General Counsel and Company Secretary
Ms Louise Mason	Group Executive and CEO Commercial Property
Mr Tiernan O'Rourke	Group Executive and Chief Financial Officer
Mr Andrew Whitson	Group Executive and CEO Stockland Communities

Former Senior Executives	
Mr Stephen Bull	CEO Retirement Living (ceased employment 7 September 2018)

Towards the end of FY18 a review was undertaken of the composition and structure of Stockland's Executive Committee with the subsequent changes taking effect from 1 July 2018. The outcomes of this review led to the combining of the Residential and Retirement Living business units into a new Stockland Communities business unit led by Andrew Whitson (with Stephen Bull departing Stockland in September 2018 following a period of transition). In addition, the review resulted in the streamlining of Senior Executive participation in operational meeting and decision-making. Ms Robyn Elliott and Mr Darren Rehn remain employed by Stockland as members of the Executive Committee, but are no longer considered as KMP for the purposes of this report.

Additional general information

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, Company Secretaries and other Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors, Company Secretaries or other 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 Senior Executives.

Non-audit services

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

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

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

Details of the amounts paid to the auditor of the Group, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in note 33 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 105 and forms part of the Directors' Report for the year ended 30 June 2019.

Rounding off

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

Signed in accordance with a resolution of the Directors:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 21 August 2019

Lead Auditor’s Independence Declaration

Under section 307C of the *Corporations Act 2001*.

Auditor’s Independence Declaration

As lead auditor for the audit of Stockland Corporation Limited and Stockland Trust for the year ended 30 June 2019, 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 year and Stockland Trust and the entities it controlled during the year.

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
21 August 2019

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Bokarina Beach, QLD

Financial report

Consolidated statement of comprehensive income

Year ended 30 June		Stockland		Trust	
$M	**Note**	**2019**	**2018**	**2019**	**2018**
Revenue	1	**2,768**	2,775	**790**	781
Cost of property developments sold:					
• land and development		**(1,252)**	(1,263)	**–**	–
• capitalised interest		**(93)**	(106)	**–**	–
• utilisation of provision for impairment of inventories	6	**24**	30	**–**	–
Investment property expenses		**(270)**	(264)	**(260)**	(252)
Share of profits of equity-accounted investments	22	**75**	69	**56**	69
Management, administration, marketing and selling expenses		**(332)**	(318)	**(42)**	(38)
Net change in fair value of:					
• Commercial Property investment properties	7	**(228)**	96	**(236)**	68
• Retirement Living investment properties	8	**(72)**	59	**–**	–
• Retirement Living resident obligations	8	**19**	(73)	**–**	–
Impairment of Retirement Living goodwill	11	**(38)**	–	**–**	–
Net reversal of impairment of inventories	6	**1**	–	**–**	–
Net gain/(loss) on other financial assets		**–**	26	**–**	(1)
Net gain/(loss) on sale of other non-current assets		**(21)**	16	**(21)**	16
Finance income	13	**4**	3	**284**	268
Finance expense	13	**(87)**	(77)	**(189)**	(192)
Net gain/(loss) on financial instruments	13	**(140)**	(7)	**(140)**	(7)
Profit before tax		**358**	966	**242**	712
Income tax benefit/(expense)	20	**(47)**	59	**–**	–
Profit after tax		**311**	1,025	**242**	712
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets – net change in fair value		**–**	2	**–**	–
Available for sale financial assets – reclassified to profit or loss		**–**	(17)	**–**	–
Cash flow hedges – net change in fair value of effective portion		**(5)**	23	**(5)**	23
Cash flow hedges – reclassified to profit or loss		**(1)**	(1)	**(1)**	(1)
Other comprehensive income		**(6)**	7	**(6)**	22
Total comprehensive income		**305**	1,032	**236**	734
Basic earnings per share (cents)	3	**13.0**	42.3	**10.1**	29.4
Diluted earnings per share (cents)	3	**13.0**	42.2	**10.1**	29.3

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June		Stockland		Trust	
$M	Note	2019	2018	2019	2018
Cash and cash equivalents	14	**140**	333	**63**	215
Receivables	9	**208**	98	**41**	22
Inventories	6	**1,005**	715	**–**	–
Other financial assets	16	**9**	12	**9**	12
Other assets		**95**	103	**81**	80
		1,457	1,261	**194**	329
Non-current assets held for sale	12	**171**	65	**171**	22
Current assets		**1,628**	1,326	**365**	351
Receivables	9	**94**	99	**3,580**	3,363
Inventories	6	**2,500**	2,750	**–**	–
Investment properties – Commercial Property	7	**9,145**	9,563	**9,133**	9,487
Investment properties – Retirement Living	8	**3,990**	4,120	**–**	–
Equity-accounted investments	22	**612**	613	**620**	595
Other financial assets	16	**525**	282	**515**	272
Property, plant and equipment		**57**	53	**–**	–
Intangible assets	11	**193**	194	**–**	–
Deferred tax assets	21	**40**	88	**–**	–
Other assets		**215**	203	**217**	207
Non-current assets		**17,371**	17,965	**14,065**	13,924
Assets		**18,999**	19,291	**14,430**	14,275
Payables	10	**696**	810	**455**	462
Borrowings	15	**343**	240	**343**	240
Retirement Living resident obligations	8	**2,496**	2,577	**–**	–
Development provisions	6	**343**	567	**–**	–
Other financial liabilities	16	**2**	33	**2**	33
Other liabilities		**68**	107	**29**	43
Current liabilities		**3,948**	4,334	**829**	778
Payables	10	**147**	173	**–**	–
Borrowings	15	**4,361**	3,698	**4,361**	3,698
Retirement Living resident obligations	8	**101**	164	**–**	–
Development provisions	6	**370**	356	**–**	–
Other financial liabilities	16	**218**	163	**218**	163
Other liabilities		**26**	27	**–**	–
Non-current liabilities		**5,223**	4,581	**4,579**	3,861
Liabilities		**9,171**	8,915	**5,408**	4,639
Net assets		**9,828**	10,376	**9,022**	9,636
Issued capital	19	**8,657**	8,850	**7,359**	7,538
Reserves		**91**	101	**88**	98
Retained earnings/undistributed income		**1,080**	1,425	**1,575**	2,000
Securityholders' equity		**9,828**	10,376	**9,022**	9,636

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

Consolidated statements of changes in equity

Attributable to securityholders of Stockland

$M	Note	Issued capital	Other reserves: Executive remuneration	Other reserves: Cash flow hedge	Other reserves: Fair value hedge	Retained earnings	Equity
Balance at 1 July 2017		8,790	40	38	15	1,044	9,927
Profit for the year		–	–	–	–	1,025	1,025
Other comprehensive income, net of tax		–	–	22	(15)	–	7
Total comprehensive income		–	–	22	(15)	1,025	1,032
Dividends and distributions	4	–	–	–	–	(645)	(645)
Securities issued under DRP	19	67	–	–	–	–	67
Expense relating to Security Plans, net of tax	31	–	15	–	–	–	15
Acquisition of treasury securities	19	(20)	–	–	–	–	(20)
Securities vested under Security Plans	19	13	(13)	–	–	–	–
Securities lapsed under Security Plans		–	(1)	–	–	1	–
Other movements		60	1	–	–	(644)	(583)
Balance at 30 June 2018		8,850	41	60	–	1,425	10,376
Adoption of new accounting standards	35	**–**	**–**	**–**	**–**	**3**	**3**
Balance at 1 July 2018		8,850	41	60	–	1,428	10,379
Profit for the year		**–**	**–**	**–**	**–**	**311**	**311**
Other comprehensive income, net of tax		**–**	**–**	**(6)**	**–**	**–**	**(6)**
Total comprehensive income		**–**	**–**	**(6)**	**–**	**311**	**305**
Dividends and distributions	4	**–**	**–**	**–**	**–**	**(661)**	**(661)**
Expense relating to Security Plans, net of tax	31	**–**	**12**	**–**	**–**	**–**	**12**
Acquisition of treasury securities	19	**(15)**	**–**	**–**	**–**	**–**	**(15)**
Securities vested under Security Plans	19	**14**	**(14)**	**–**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**(2)**	**–**	**–**	**2**	**–**
Securities buy-back	19	**(192)**	**–**	**–**	**–**	**–**	**(192)**
Other movements		**(193)**	**(4)**	**–**	**–**	**(659)**	**(856)**
Balance at 30 June 2019		**8,657**	**37**	**54**	**–**	**1,080**	**9,828**

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

Attributable to securityholders of Trust

$M	Note	Issued capital	Other reserves: Executive remuneration	Other reserves: Cash flow hedge	Undistributed income	Equity
Balance at 1 July 2017		7,480	37	38	1,932	9,487
Profit for the year		–	–	–	712	712
Other comprehensive income, net of tax		–	–	22	–	22
Total comprehensive income		–	–	22	712	734
Dividends and distributions	4	–	–	–	(645)	(645)
Securities issued under DRP	19	64	–	–	–	64
Expense relating to Security Plans, net of tax	31	–	15	–	–	15
Acquisition of treasury securities	19	(19)	–	–	–	(19)
Securities vested under Security Plans	19	13	(13)	–	–	–
Transfer of lapsed securities under Security Plans		–	(1)	–	1	–
Other movements		58	1	–	(644)	(585)
Balance at 30 June 2018		7,538	38	60	2,000	9,636
Adoption of new accounting standards	35	–	–	–	(8)	(8)
Balance at 1 July 2018		7,538	38	60	1,992	9,628
Profit for the year		**–**	**–**	**–**	**242**	**242**
Other comprehensive income, net of tax		**–**	**–**	**(6)**	**–**	**(6)**
Total comprehensive income		**–**	**–**	**(6)**	**242**	**236**
Dividends and distributions	4	**–**	**–**	**–**	**(661)**	**(661)**
Expense relating to Security Plans, net of tax	31	**–**	**12**	**–**	**–**	**12**
Acquisition of treasury securities	19	**(15)**	**–**	**–**	**–**	**(15)**
Securities vested under Security Plans	19	**14**	**(14)**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**(2)**	**–**	**2**	**–**
Securities buy-back	19	**(178)**	**–**	**–**	**–**	**(178)**
Other movements		**(179)**	**(4)**	**–**	**(659)**	**(842)**
Balance at 30 June 2019		**7,359**	**34**	**54**	**1,575**	**9,022**

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

Consolidated statement of cash flow

Year ended 30 June		Stockland		Trust	
$M	Note	2019	2018	2019	2018
Receipts in the course of operations (including GST)		**2,797**	3,055	**906**	917
Payments in the course of operations (including GST)		**(1,805)**	(1,785)	**(430)**	(415)
Payments for land		**(576)**	(496)	**–**	–
Distributions received from equity-accounted investments		**51**	30	**32**	30
Receipts from Retirement Living residents		**295**	272	**–**	–
Payments to Retirement Living residents, net of DMF		**(172)**	(150)	**–**	–
Interest received		**4**	3	**284**	268
Interest paid		**(200)**	(201)	**(200)**	(201)
Net cash flows from operating activities	27	**394**	728	**592**	599
Proceeds from sale of investment properties		**329**	278	**260**	260
Payments for and development of investment properties:					
• Commercial Property		**(290)**	(463)	**(338)**	(464)
• Retirement Living		**(149)**	(213)	**–**	–
Payments for plant and equipment and software		**(51)**	(58)	**–**	–
Proceeds from sale of/capital returns from investments		**25**	29	**–**	–
Payments for investments (including equity-accounted)		**(2)**	–	**(2)**	–
Distributions received from other entities		**1**	1	**1**	1
Loans to related entities		**–**	–	**(229)**	(92)
Net cash flows from investing activities		**(137)**	(426)	**(308)**	(295)
On-market buy-back	19	**(192)**	–	**(178)**	–
Payment for treasury securities under Security Plans	19	**(15)**	(20)	**(15)**	(19)
Proceeds from borrowings	27	**2,426**	2,510	**2,426**	2,510
Repayment of borrowings	27	**(1,969)**	(2,136)	**(1,969)**	(2,136)
Payments for derivatives and financial instruments		**(47)**	–	**(47)**	–
Dividends and distributions paid (net of DRP)	4	**(653)**	(561)	**(653)**	(561)
Net cash flows from financing activities		**(450)**	(207)	**(436)**	(206)
Net movement in cash and cash equivalents		**(193)**	95	**(152)**	98
Cash and cash equivalents at the beginning of the year		**333**	238	**215**	117
Cash and cash equivalents at the end of the year		**140**	333	**63**	215

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

Notes to the financial statements

Contents

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 containing acronyms and defined terms is included at the back of this Report.

Stockland represents the consolidation of Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities. Stockland Corporation Limited and Stockland Trust were both incorporated or formed and are domiciled in Australia.

Stockland is structured as a stapled entity: a combination of a share in Stockland Corporation and a unit in Stockland Trust that are together traded as one security on the Australian Securities Exchange. The constitutions of Stockland Corporation Limited and Stockland Trust provide 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 Stockland Trust shall be equal and that the shareholders and unitholders be identical. The stapling arrangement will cease upon the earlier of either the winding up of Stockland Corporation Limited or Stockland Trust or either entity terminating the stapling arrangement.

The Financial Report as at and for the year ended 30 June 2019.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Stockland Corporation Limited and Stockland Trust are both for-profit entities for the purpose of preparing the financial statements.

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 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 Trust's subsidiaries.

Historical cost convention

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

Compliance with International Financial Reporting Standards

The financial statements of both Stockland and Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New and amended Accounting Standards

Stockland has adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* on 1 July 2018. AASB 9 addresses the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of assets; and hedge accounting. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time and over time.

There have been no significant changes to the group's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations.

The impact of the adoption of these standards is disclosed in note 35.

Rounding

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.

Net current asset deficiency position

Stockland and the Trust generated positive cash flows from operations of $394 million and $592 million respectively during the year. Undrawn bank facilities of $745 million (refer to note 15) are also available should they need to be drawn. In addition, Stockland and the Trust have the ability to refinance their existing external borrowings and raise new external debt if required. Based on the cash flow forecast for the next twelve months, Stockland and the Trust will be able to pay their debts as and when they become due and payable. Accordingly, the financial statements have been prepared on a going concern basis.

Stockland and the Trust have prima facie net current assets deficiencies of $2,320 million and $464 million respectively at 30 June 2019 (2018: Stockland $3,008 million, Trust $427 million).

STOCKLAND

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

Furthermore, current inventories are held on the balance sheet at the lower of cost and net realisable value, whereas most of these are expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (2019: $2,490 million; 2018: $2,567 million), approximately 6% (2018: 7%) of residents are estimated to depart their dwelling each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units, the resident obligations will be repaid from receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least twelve months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the corresponding Retirement Living assets are classified as non-current under the Accounting Standards as the majority are not expected to be realised within twelve months.

TRUST

The deficiency in the Trust primarily arises due to the intergroup loan receivable from the Company which is classified as a non-current asset.

SIGNIFICANT 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 in this Financial Report.

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 are:

- Inventories – assumptions underlying net realisable value and profit margin recognition and Whole of Life (WOL) accounting – Note 6
- Commercial properties – assumptions underlying fair value – Note 7
- Retirement Living – assumptions underlying fair value – Note 8
- Goodwill – assumptions underlying recoverable value – Note 11
- Software – assumptions underlying recoverable value – Note 11
- Derivatives – assumptions underlying fair value – Note 16
- Valuation of security based payments – assumptions underlying fair value – Note 19
- Tax losses – assumptions underlying recognition and recoverability – Note 21

Group performance

IN THIS SECTION

This section explains the results and performance of the Group. It 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 Group, including analysis of the result for the period by reference to key areas such as revenue and results by operating segment.

1. REVENUE

Year ended 30 June 2019 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland	Trust
Rental income[1]	–	1	1	703	–	704	704
Outgoings recoveries[2]	–	–	–	80	–	80	80
Rent from investment properties	–	1	1	783	–	784	784
Property development sales[3]	1,819	45	1,864	–	–	1,864	–
DMF revenue[1]	–	99	99	–	–	99	–
Other revenue	10	–	10	10	1	21	6
Revenue	1,829	145	1,974	793	1	2,768	790
Amortisation of lease incentives	–	–	–	71	–	71	
Straight-lining of lease revenue	–	–	–	(3)	–	(3)	
Unrealised DMF revenue[1]	–	(26)	(26)	–	–	(26)	
Segment revenue	1,829	119	1,948	861	1	2,810	

Year ended 30 June 2018 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland	Trust
Rental income[1]	–	–	–	700	–	700	696
Outgoings recoveries[2]	–	–	–	80	–	80	80
Rent from investment properties	–	–	–	780	–	780	776
Property development sales[3]	1,830	16	1,846	22	–	1,868	–
DMF revenue[1]	–	107	107	–	–	107	–
Other revenue	8	–	8	11	1	20	5
Revenue	1,838	123	1,961	813	1	2,775	781
Amortisation of lease incentives	–	–	–	62	–	62	
Straight-lining of lease revenue	–	–	–	(5)	–	(5)	
Unrealised DMF revenue[1]	–	(31)	(31)	–	–	(31)	
Segment revenue	1,838	92	1,930	870	1	2,801	

1 Commercial Property rental income and Retirement Living DMF revenue continue to meet the definition of a lease arrangement and fall outside the scope of AASB 15 and is therefore accounted for in accordance with AASB 117 Leases.
2 Revenue related to outgoing recoveries is recognised under AASB 15 over time in the accounting period in which the performance obligations are met.
3 Property development sales revenue is recognised under AASB 15 at a point in time when control of the asset passes to the customer.

Rent from investment properties includes $4 million (2018: $5 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 1% (2018: 1%) of gross lease income.

Refer to note 2 for disclosures related to Stockland reportable segments.

A. Disaggregation of revenue from property development sales

Residential revenue from property development by major product and geographical area is disaggregated as follows:

Year ended 30 June 2019

$M	NSW	QLD	VIC	WA	Residential
Residential community	**476**	**468**	**468**	**147**	**1,559**
Apartments	**–**	**40**	**–**	**–**	**40**
Medium density development	**159**	**30**	**24**	**7**	**220**
Property development sales	**635**	**538**	**492**	**154**	**1,819**

Year ended 30 June 2018

$M	NSW	QLD	VIC	WA	Residential
Residential community	498	553	407	189	1,647
Apartments	–	–	–	–	–
Medium density development	112	34	30	7	183
Property development sales	610	587	437	196	1,830

PROPERTY DEVELOPMENT SALES

Revenue from land and property sales is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title, and therefore control of the asset, has passed to the customer. Therefore, revenue is recognised at a point in time when legal title, and therefore control of the asset, has passed to the customer.

RENT FROM INVESTMENT PROPERTIES

Rent from investment properties includes lease revenue and outgoings recoveries associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements.

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

Outgoing recoveries are typically invoiced monthly based on an annual estimate. The consideration for the current month is typically due on the first day of the month. Revenue related to outgoings recoveries is recognised over time as the estimated costs are consumed by the tenant. Should any adjustment be required based on actual costs incurred, this is recognised in the balance sheet within the same reporting period and billed annually.

DEFERRED MANAGEMENT FEE (DMF) REVENUE

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

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

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

DIVIDENDS AND DISTRIBUTIONS

Revenue from dividends and distributions are recognised in profit or loss on the date they are declared by the relevant entity but are only recognised in the statement of cash flows upon receipt.

2. OPERATING SEGMENTS

STOCKLAND

Stockland has four reportable segments, as listed below:

- Commercial Property – invests in, develops and manages retail town centres, logistics and workplace properties;
- Residential – delivers a range of masterplanned and mixed use residential communities in growth areas and townhouses and apartments in general metropolitan areas;
- Retirement Living – designs, develops and manages communities for over 55s and retirees; and
- Other – dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

Together, Residential and Retirement Living represent Stockland's Communities business.

Measurement of segment results

FFO is a non-IFRS measure that is designed to present, in the opinion of the Chief Operating Decision Maker (CODM), the results from ongoing operating activities in a way that appropriately reflects the Group's underlying performance. FFO is the primary basis on which dividends and distributions are determined and together with expected capital returns and AFFO impacts, reflects the way the business is managed and how the CODM assesses the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. FFO also excludes income tax items that do not represent cash payments.

A reconciliation from FFO to profit after tax is presented in note 2.B.

AFFO is an alternative, secondary, non-IFRS measure used by the CODM to assist in the assessment of the underlying performance of the Group. AFFO is calculated by deducting maintenance capital expenditure and incentive and leasing costs from FFO.

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

TRUST

The Trust has one reportable segment in which it operates, being Commercial Property. Therefore no separate segment note has been prepared. The CODM monitors the performance of the Trust in a manner consistent with that of the financial statements. Refer to the consolidated statement of comprehensive income for the segment financial performance and the consolidated balance sheet for the total assets and liabilities.

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

A. FFO and AFFO

The contribution of each reportable segment to FFO and AFFO may be summarised as follows:

Year ended 30 June 2019 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland
Segment revenue[1,2]	**1,829**	**119**	**1,948**	**861**	**1**	**2,810**
Segment EBIT[1,2]	**455**	**62**	**517**	**607**	**–**	**1,124**
Amortisation of lease fees	**–**	**–**	**–**	**16**	**–**	**16**
Interest expense in cost of sales	**(93)**	**(6)**	**(99)**	**–**	**–**	**(99)**
Segment FFO[3]	**362**	**56**	**418**	**623**	**–**	**1,041**
Finance income						**4**
Finance expense						**(87)**
Unallocated corporate and other expenses						**(61)**
FFO						**897**
Maintenance capital expenditure[4]						**(47)**
Incentives and leasing costs[5]						**(70)**
AFFO						**780**

Year ended 30 June 2018 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Others	Stockland
Segment revenue[1,2]	1,838	92	1,930	870	1	2,801
Segment EBIT[1,2]	435	56	491	607	–	1,098
Amortisation of lease fees	–	–	–	14	–	14
Interest expense in cost of sales	(99)	(3)	(102)	(7)	–	(109)
Segment FFO[3]	336	53	389	614	–	1,003
Finance income						3
Finance expense						(77)
Unallocated corporate and other expenses						(66)
FFO						863
Maintenance capital expenditure[4]						(51)
Incentives and leasing costs[5]						(56)
AFFO						756

1 Commercial Property segment revenue and EBIT adds back $71 million (2018: $62 million) of amortisation of leases incentives and excludes $3 million (2018: $5 million) of straight-line rent adjustments.

2 Retirement Living segment revenue and EBIT exclude $26 million (2018: $31 million) of unrealised DMF revenue.

3 Commercial property segment FFO includes share of profits from equity-accounted investments of $30 million (2018: $29 million).

4 Maintenance capital expenditure includes $9 million (2018: $7 million) of Retirement Living maintenance capital expenditure.

5 Excludes centres under development.

B. Reconciliation of FFO to profit after tax

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

Year ended 30 June ($M)	Footnote	2019	2018
FFO		**897**	863
Adjust for:			
Amortisation of lease incentives and lease fees		**(87)**	(76)
Straight-line rent		**3**	5
Net unrealised change in fair value of Commercial investment properties	A	**(202)**	133
Net unrealised change in fair value of Retirement Living investment properties & obligation		**(76)**	(25)
Unrealised DMF Revenue		**26**	31
Net gain/(loss) on financial instruments		**(140)**	(7)
Net gain/(loss) other financial assets		**–**	26
Net gain/(loss) on sale of other non-current assets		**(21)**	16
Net reversal of impairment of inventories	B	**1**	–
Impairment of Retirement Living goodwill	C	**(38)**	–
Restructuring cost	D	**(5)**	–
Income tax – non-cash		**(47)**	59
Profit after tax		**311**	1,025

A Includes Stockland's share of revaluation relating to properties held through joint ventures (2019: $24 million gain; 2018: $40 million gain).

B Reversal of write down of carrying value of Residential projects.

C Write-down of goodwill associated with historic Retirement Living acquisitions.

D One-off restructuring cost associated with the significant Executive reorganisation this year to improve operational efficiencies and position the business for sustainable growth in the future.

C. Balance sheet by operating segment

Year ended 30 June 2019 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Unallocated	Stockland
Real estate related assets[1,2]	**3,411**	**4,037**	**7,448**	**10,323**	**36**	**17,807**
Other assets	**164**	**85**	**249**	**57**	**886**	**1,192**
Assets	**3,575**	**4,122**	**7,697**	**10,380**	**922**	**18,999**
Retirement Living resident obligations	**–**	**2,597**	**2,597**	**–**	**–**	**2,597**
Borrowings	**–**	**–**	**–**	**–**	**4,704**	**4,704**
Other liabilities	**951**	**20**	**971**	**157**	**742**	**1,870**
Liabilities	**951**	**2,617**	**3,568**	**157**	**5,446**	**9,171**
Net assets/(liabilities)	**2,624**	**1,505**	**4,129**	**10,223**	**(4,524)**	**9,828**

Year ended 30 June 2018 $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Unallocated	Stockland
Real estate related assets[1,2]	3,432	4,167	7,599	10,562	37	18,198
Other assets	102	93	195	46	852	1,093
Assets	3,534	4,260	7,794	10,608	889	19,291
Retirement Living resident obligations	–	2,741	2,741	–	–	2,741
Borrowings	–	–	–	–	3,938	3,938
Other liabilities	1,385	11	1,396	148	692	2,236
Liabilities	1,385	2,752	4,137	148	4,630	8,915
Net assets/(liabilities)	2,149	1,508	3,657	10,460	(3,741)	10,376

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

2 Includes equity-accounted investments of $612 million (2018: $588 million) in Commercial Property and $nil (2018: $25 million) in Residential.

3. EPS

KEEPING IT SIMPLE

EPS is the amount of post-tax profit attributable to each security.

Basic EPS is calculated as statutory profit for the year divided by the weighted average number of securities outstanding. This is highly variable as it includes unrealised fair value movements in investment properties and financial instruments.

Diluted EPS adjusts the basic EPS for the dilutive effect of any instruments, such as Security Plan rights, that could be converted into securities.

Basic FFO per security is disclosed in note 4 and more directly reflects underlying income performance of the portfolio.

A. Basic and diluted EPS

Year ended 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Basic EPS	**13.0**	42.3	**10.1**	29.4
Diluted EPS	**13.0**	42.2	**10.1**	29.3

B. Earnings used in calculating earnings per share

Year ended 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Profit attributable to securityholders	**311**	1,025	**242**	712

C. Weighted average number of securities used as the denominator

Year ended 30 June	Stockland and Trust	
Shares	2019	2018
Weighted average number of securities used in calculating basic EPS	**2,400,974,898**	2,424,182,812
Effect of rights and securities granted under Security Plans	**3,154,024**	5,371,202
Weighted average number of securities used in calculating diluted EPS	**2,404,128,922**	2,429,554,014

Rights and securities granted under Security Plans are only included in diluted earnings per security where Stockland is meeting performance hurdles for contingently issuable security based payment rights.

4. DIVIDENDS AND DISTRIBUTIONS

STOCKLAND CORPORATION LIMITED

There was no dividend from Stockland Corporation Limited during the current or the previous financial year.
The dividend franking account balance as at 30 June 2019 is $14 million based on a 30% tax rate (2018: $14 million).

TRUST

For the current year, the interim and final distributions are paid solely out of the Trust and therefore the franking percentage is not relevant, as the Trust is not subject to tax.

	Trust							
	Date of payment		Cents per security		Amount ($M)		Non attributable (%)	
	2019	2018	2019	2018	2019	2018	2019	2018
Interim distribution	**28 February 2019**	28 February 2018	**13.5**	13.0	**325**	316	**21.9**	21.9
Final distribution	**30 August 2019**	31 August 2018	**14.1**	13.5	**336**	329	**28.4**	21.9
Total distribution			**27.6**	26.5	**661**	645		

The non-attributable component represents the amount distributed in excess of the Stockland Trust's taxable income (disregarding any Capital Gains Tax discount applied to any capital gains derived by Stockland Trust in the year).

BASIS FOR DISTRIBUTION

Stockland's distribution policy is to pay the higher of 100 per cent of Trust taxable income or 75 – 85 per cent of FFO over time.
The payout ratio for the current and comparative periods may be summarised as follows:

Year ended 30 June $M	Note	2019	2018
FFO[1]	2	**897**	863
Weighted average number of securities used in calculating basic EPS	3	**2,400,974,898**	2,424,182,812
FFO per security		**37.4**	35.6
Distribution per security for the year	4	**27.6**	26.5
Payout ratio		**74%**	75%

1 FFO is a non-IFRS measure. A reconciliation from FFO to statutory profit is presented in note 2 and the statutory EPS disclosure is provided in note 3.

For FY19, payout ratio is marginally below target range mainly due to changes in weighted average number of securities.

5. EVENTS SUBSEQUENT TO THE END OF THE YEAR

STOCKLAND AND TRUST

On 4 July 2019, Stockland announced a capital partnership agreement for its Aura project with Capital Property Group (CPG). CPG has invested a 50 per cent interest in the project at approximately 30 per cent premium to book value.

The Aura project, which is located in the Sunshine Coast, comprises a total of 12,697 remaining lots of which 226 have been sold (not settled). The project also includes medium/high density residential super lots for up to 4,000 units, approximately 136.5 ha of business parks, retail centre sites and educational sites. Following completion, the project will be accounted for as a joint operation. Accordingly Stockland will recognise in its financial statements its share of the assets, liabilities, revenue and expense of this joint arrangement.

Subsequent to the end of the year, contracts were also exchanged for the following transactions:

- sale of Stockland Cammeray, Cammeray NSW for a gross consideration[1] of $39 million;
- sale of Stockland Jesmond, Newcastle NSW for a gross consideration[1] of $118 million;
- sale of the Group's 50% interest in the The King Trust for a gross consideration[1] of $340 million; and
- acquisition of the remaining 50% Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW for a gross consideration[1] of $347 million.

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.

1 Consideration before completion adjustments such as committed capital expenditures, incentives, rental guarantees and/or net working capital.

Operating assets and liabilities

IN THIS SECTION

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

6. INVENTORIES

KEEPING IT SIMPLE

Whole of Life (WOL)

A Whole of Life (WOL) methodology is applied to calculate the margin percentage over the life of each project. All costs, including those costs spent to date and those forecast in the future, are allocated proportionally in line with net revenue for each lot to achieve a WOL margin percentage. The WOL margin percentage and therefore allocation of costs can change as revenue and costs forecast are updated to reflect market conditions not previously forecasted, and as projects proceed towards completion.

The determination of the WOL margin percentage requires significant judgement in estimating future revenues and costs. The WOL margin percentages are regularly reviewed and updated in our project forecasts across the reporting period to ensure these estimates reflect market conditions through the cycle.

	Stockland					
30 June	2019			2018		
$M	Current	Non-current	Total	Current	Non-current	Total
Cost of acquisition	**95**	**–**	**95**	38	–	38
Development and other costs	**291**	**–**	**291**	115	–	115
Interest capitalised	**37**	**–**	**37**	21	–	21
Impairment provision	**(12)**	**–**	**(12)**	(2)	–	(2)
Finished development stock held for sale[1]	**411**	**–**	**411**	172	–	172
Cost of acquisition	**354**	**1,665**	**2,019**	326	1,957	2,283
Development and other costs	**137**	**486**	**623**	156	475	631
Interest capitalised	**93**	**290**	**383**	49	350	399
Impairment provision	**(21)**	**(107)**	**(128)**	(16)	(147)	(163)
Residential communities	**563**	**2,334**	**2,897**	515	2,635	3,150
Cost of acquisition	**10**	**101**	**111**	–	65	65
Development and other costs	**6**	**4**	**10**	–	10	10
Interest capitalised	**1**	**1**	**2**	–	1	1
Impairment provision	**–**	**–**	**–**	–	–	–
Apartments	**17**	**106**	**123**	–	76	76
Cost of acquisition	**5**	**54**	**59**	10	19	29
Development and other costs	**1**	**6**	**7**	–	4	4
Interest capitalised	**1**	**1**	**2**	1	1	2
Impairment provision	**–**	**(9)**	**(9)**	–	(9)	(9)
Logistics	**7**	**52**	**59**	11	15	26
Cost of acquisition	**2**	**3**	**5**	4	7	11
Development and other costs	**5**	**5**	**10**	12	16	28
Interest capitalised	**–**	**–**	**–**	1	1	2
Impairment provision	**–**	**–**	**–**	–	–	–
Aspire villages	**7**	**8**	**15**	17	24	41
Development work in progress	**594**	**2,500**	**3,094**	543	2,750	3,293
Inventories	**1,005**	**2,500**	**3,505**	715	2,750	3,465

1 Mainly comprises residential communities. Current finished development stock held for sale includes Logistics projects of $3 million (2018: $2 million) and Aspire villages of $30 million (2018: $5 million). No apartments are included in finished development stock held for sale (2018: $nil).

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

$M	Residential Communities	Apartments	Logistics	Aspire villages	Total
Balance at 1 July 2018	165	–	9	–	174
Amounts utilised	**(24)**	**–**	**–**	**–**	**(24)**
Reversal of provisions previously recognised	**(5)**	**–**	**–**	**–**	**(5)**
Additional provisions created	**4**	**–**	**–**	**–**	**4**
Balance at 30 June 2019	**140**	**–**	**9**	**–**	**149**

DEVELOPMENT COST PROVISIONS

These provisions are recorded as a separate liability on the balance sheet with a corresponding asset in inventories:

30 June	2019			2018		
$M	Current	Non-current	Total	Current	Non-current	Total
Development costs provision	**343**	**370**	**713**	567	356	923

	$M
Balance at 1 July 2018	923
Additional provisions	**422**
Amounts utilised	**(632)**
Balance at 30 June 2019	**713**

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. Inventory is classified as current if it is expected to be settled within 12 months or otherwise classified as non-current.

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.

The payments for land of $576 million (2018: $496 million) reported in the cash flow statements are in respect of land that will be developed in the short term as well as long term.

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 the arrangement includes both put and call options and the put option requires Stockland to purchase the land at the discretion of the seller, it creates 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 inventories 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 inventories.

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 inventories. Finance costs were capitalised at interest rates ranging from 4.0 to 5.0% during the financial year (2018: 5.0 to 5.6%).

ALLOCATION OF INVENTORIES TO COST OF SALES

A Whole of Life (WOL) methodology is applied to calculate the margin percentage for each project. All costs, including those costs spent to date and those forecast in the future, are allocated proportionally in line with net revenue for each lot to achieve a WOL margin percentage. The WOL margin percentage and therefore allocation of costs can change as revenue and cost forecasts are updated to reflect changing market conditions not previously forecasted, and as projects proceed towards completion.

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 be realised (using estimates such as revenue escalations) and the estimate of total costs (including costs to complete). These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. This is an area of accounting estimation and judgement for the Group.

Each reporting period, key estimates are reviewed including the costs of completion, dates of completion and revenue escalations. For the year ended 30 June 2019, a net impairment reversal of $1 million was recognised (2018: $nil) as a result of this review.

DEVELOPMENT COST PROVISIONS

The development cost provisions relate to obligated future costs. They 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.

7. COMMERCIAL PROPERTIES

As at 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Retail Town Centres	**6,726**	7,282	**6,724**	7,233
Logistics	**2,537**	2,229	**2,537**	2,229
Workplace	**891**	867	**925**	871
Retirement Living[1]	**20**	10	**–**	–
Capital works in progress and sundry properties	**190**	208	**133**	111
Book value of commercial properties	**10,364**	10,596	**10,319**	10,444
Less amounts classified as:				
• costs to complete provision	**(42)**	–	**(42)**	–
• property, plant and equipment	**(43)**	(43)	**–**	–
• non-current assets held for sale	**(171)**	(65)	**(171)**	(22)
• other assets (including lease incentives and fees)	**(273)**	(263)	**(280)**	(270)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**(5)**	(6)	**(5)**	(6)
• other receivables (straight-lining of rental income)	**(74)**	(72)	**(77)**	(75)
• other receivables (straight-lining rental income) attributable to equity-accounted investments	**(10)**	(11)	**(10)**	(11)
Investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**9,746**	10,136	**9,734**	10,060
Less: Stockland's share of investment properties held by equity-accounted investments	**(601)**	(573)	**(601)**	(573)
Investment properties	**9,145**	9,563	**9,133**	9,487

1 The investment property balance at 30 June 2019 includes $20 million of healthcare and childcare centre commercial properties held by the Retirement Living business (2018: $10 million) to be leased to tenants under commercial leases.

NET CARRYING VALUE MOVEMENTS

	Stockland		Trust	
$M	2019	2018	2019	2018
Balance at 1 July	9,563	9,285	9,487	9,186
Acquisitions	**17**	7	**10**	7
Expenditure capitalised	**260**	421	**309**	415
Transfers to non-current assets held for sale	**(171)**	(64)	**(171)**	(22)
Transfers to inventories	**(29)**	(10)	**–**	–
Disposals	**(267)**	(172)	**(266)**	(167)
Net change in fair value	**(228)**	96	**(236)**	68
Balance at 30 June	**9,145**	9,563	**9,133**	9,487

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2019	2018	2019	2018
Directly owned						
Stockland Green Hills, East Maitland NSW	Jun-19	820	**5.50**	5.75	**821**	807
Stockland Shellharbour, Shellharbour NSW[1]	Jun-19	727	**5.50**	5.50	**727**	776
Stockland Wetherill Park, Western Sydney NSW	Jun-19	722	**5.25**	5.25	**722**	768
Stockland Merrylands, Merrylands NSW	Jun-19	573	**5.50**	5.50	**573**	578
Stockland Rockhampton, Rockhampton QLD	Jun-19	359	**6.00**	6.00	**359**	383
Stockland Glendale, Newcastle NSW	Jun-19	330	**6.00**	5.75	**330**	339
Stockland Point Cook, Point Cook VIC	Jun-19	238	**6.50**	6.25	**238**	254
Stockland Burleigh Heads, Burleigh Heads QLD[2]	Jun-19	191	**6.50 – 7.00**	6.50 – 7.00	**191**	215
Stockland Baldivis, Baldivis WA	Jun-19	190	**6.25**	5.88	**190**	204
Stockland Cairns, Cairns QLD	Jun-19	183	**6.50**	6.50	**183**	194
Stockland Hervey Bay, Hervey Bay QLD	Jun-19	185	**6.50**	6.50	**185**	189
Stockland Townsville, Townsville QLD (50%)[2, 3]	Jun-19	183	**5.75 – 6.50**	5.75 – 6.50	**183**	191
Stockland The Pines, Doncaster East VIC	Dec-18	180	**6.25**	6.00	**185**	184
Stockland Wendouree, Wendouree VIC	Dec-18	180	**6.50**	6.50	**181**	182
Stockland Forster, Forster NSW	Jun-19	177	**6.25**	6.25	**177**	173
Stockland Balgowlah, Balgowlah NSW	Jun-19	154	**6.00**	5.50	**154**	170
Stockland Baulkham Hills, Baulkham Hills NSW	Jun-19	151	**6.50**	6.00	**151**	160
Stockland Bundaberg, Bundaberg QLD	Jun-19	146	**6.50**	6.50	**146**	151
Stockland Gladstone, Gladstone QLD	Jun-19	130	**6.75**	6.75	**130**	137
Stockland Caloundra, Caloundra QLD[4]	Dec-18	132	**6.25**	5.75	**110**	146
Stockland Jesmond, Newcastle NSW	Jun-19	118	**7.50**	7.00	**118**	140
Stockland Nowra, Nowra NSW	Jun-19	121	**6.50**	6.00	**121**	130
Stockland Traralgon, Traralgon VIC	Dec-18	95	**7.00**	6.50	**96**	102
Stockland Bull Creek, Bull Creek WA	Jun-19	88	**6.75**	6.50	**88**	99
Stockland Birtinya, QLD[2]	Jun-19	69	**6.00 – 6.25**	–	**67**	–
Stockland Tooronga, Tooronga VIC[5]	Jun-18	62	**6.00**	6.00	**62**	62
Stockland Harrisdale Complex, Harrisdale WA	Dec-18	58	**6.50**	6.25	**57**	57
Shellharbour Retail Park, Shellharbour NSW	Jun-19	65	**7.00**	7.00	**65**	56
Stockland Cammeray, Cammeray NSW	Jun-19	38	**6.75**	6.00	**38**	49
North Shore Townsville, Townsville QLD	Jun-19	17	**7.00**	6.50	**17**	20
Stockland Townsville Kingsvale Sunvale, Aitkenvale QLD (50%)[3, 9]	Dec-18	5	**5.75**	–	**2**	2
Stockland Cleveland, Cleveland QLD[6]	–	–	**–**	6.00	**–**	120
Stockland Kensington, Kensington QLD[6]	–	–	**–**	6.25	**–**	31
Stockland Bathurst, Bathurst NSW[6]	–	–	**–**	6.75	**–**	98
Stockland Highlands, Craigieburn VIC[6, 7]	–	–	**–**	6.00	**–**	43
Woolworths Toowong, Toowong QLD[8]	–	–	**–**	n/a	**–**	6
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec-18	62	**6.50**	6.25	**62**	66
Retail Town Centres[10]					**6,726**	7,282

1 Independent valuation excludes the adjacent property owned by Stockland.
2 A range of cap rates is disclosed for a complex comprising of a number of properties.
3 Stockland's share of this property is held through a direct interest in the asset.
4 Stockland South, Caloundra QLD was sold during the period.
5 Asset held for sale at year end.
6 Property was disposed of during the period.
7 Property is not held by the Trust.
8 Asset has been reclassified to inventories.
9 Independent valuation based on 100% ownership.
10 Totals may not add due to rounding.

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2019	2018	2019	2018
Directly owned						
Yennora Distribution Centre, Yennora NSW	Jun-19	475	**6.00**	6.50	**475**	402
Triniti Business Park, North Ryde NSW	Dec-18	212	**6.00**	6.50	**212**	198
Ingleburn Logistics Park, Ingleburn NSW	Dec-18	184	**6.00**	6.50	**184**	104
60-66 Waterloo Road, Macquarie Park NSW[1]	Dec-18	117	**6.00 – 6.37**	6.25 – 6.75	**116**	107
Brooklyn Distribution Centre, Brooklyn VIC	Jun-19	122	**6.00**	6.75	**122**	106
Hendra Distribution Centre, Brisbane QLD	Jun-19	114	**7.00**	7.50	**114**	98
Coopers Paddock, Warwick Farm NSW	Dec-18	102	**6.00**	5.75	**99**	97
Mulgrave Corporate Park, Mulgrave VIC	Dec-18	93	**7.00**	7.00	**95**	94
Port Adelaide Distribution Centre, Port Adelaide SA[2]	Dec-18	80	**10.00**	9.25	**78**	85
Forrester Distribution Centre, St Marys NSW	Dec-18	76	**7.00**	6.75	**76**	81
Granville Industrial Estate, Granville NSW[1]	Dec-18	73	**6.25 – 6.75**	6.50 – 7.00	**74**	67
Oakleigh Industrial Estate, Oakleigh South VIC	Dec-18	68	**6.00**	6.25	**67**	62
Somerton Distribution Centre, Somerton VIC[1]	Jun-19	63	**7.00**	6.75 – 7.25	**63**	62
Macquarie Technology Business Park, Macquarie Park NSW[1]	Jun-18	59	**6.63 – 7.50**	6.63 – 7.50	**59**	59
Balcatta Distribution Centre, Balcatta WA	Dec-18	56	**7.00**	6.75	**56**	55
Altona Distribution Centre, Altona VIC[1,3]	Dec-18 Jun-19	59	**6.00**	6.25 – 7.25	**59**	55
16 Giffnock Avenue, Macquarie Park NSW	Jun-19	64	**7.00**	6.75	**64**	55
Altona Industrial Estate, Altona VIC	Jun-19	50	**6.00**	7.50	**50**	37
23 Wonderland Drive, Eastern Creek NSW	Jun-19	47	**6.00**	6.25	**47**	42
Willawong Industrial Estate, QLD	Dec-18	38	**7.00**	–	**38**	–
72-76 Cherry Lane, Laverton North VIC	Jun-19	33	**6.00**	6.50	**33**	32
Wetherill Park Distribution Centre, Wetherill Park NSW	Dec-18	33	**6.00**	6.50	**33**	29
Smeg Distribution Centre, Botany NSW	Dec-18	32	**5.00**	5.50	**32**	28
Erskine Park, Erskine Park NSW	Jun-19	28	**5.00**	5.75	**28**	24
40 Scanlon Drive, Epping VIC[2]	Jun-19	12	**6.00**	7.00	**13**	10
Export Distribution Centre, Brisbane Airport QLD[4]	Jun-18	6	**11.00**	11.20	**7**	7
M1 Yatala Enterprise Park, Yatala QLD	Jun-18	6	**n/a**	n/a	**6**	6
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Jun-19	240	**6.00**	6.50	**240**	230
Logistics[5]					**2,537**	2,229

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Asset held for sale at year end.
3 Includes 11-25 Toll Drive transferred to asset held for sale at year end.
4 Property is a leasehold property.
5 Totals may not add due to rounding.

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2019	2018	2019	2018
Directly owned						
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[1, 2, 3, 4, 5]	Jun-19	342	**5.25 – 6.00**	5.50 – 6.00	**309**	280
601 Pacific Highway, St Leonards NSW	Dec-18	119	**6.00**	6.50	**117**	103
Durack Centre, 263 Adelaide Terrace, Perth WA[1,2]	Jun-19	108	**7.75 – 8.25**	8.00	**108**	108
110 Walker Street, North Sydney NSW	Dec-18	45	**5.75**	6.25	**45**	37
40 Cameron Avenue, Belconnen ACT[2, 6]	–	–	**–**	11.75	**–**	22
80-88 Jephson Street, Toowong QLD[6, 7]	–	–	**–**	6.50 – 8.00	**–**	17
23-29 High Street, Toowong QLD[6, 7]	–	–	**–**	6.50 – 8.00	**–**	7
Owned through equity-accounted investments						
135 King Street, Sydney NSW (50%)[1, 4]	Dec-18	313	**4.00 – 5.00**	4.00 – 5.00	**313**	295
Workplace[8]					**891**	867

1 A range of cap rates is disclosed for a complex comprising of a number of properties.
2 Property is a leasehold property.
3 Stockland's share of this property is held through a direct interest in the asset.
4 Book value includes the retail component of the property.
5 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.
6 Property was disposed of during the period.
7 Property is not held by the Trust.
8 Totals may not add due to rounding.

INVESTMENT 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 adjusted for capital expenditure and capitalisation and amortisation of lease incentives since the date of the independent valuation report. Any gain or loss arising from a change in fair value is recognised in the profit or loss in the period. The valuation of Commercial properties is a key area of accounting estimation and judgement for the Group.

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

As at 30 June 2019, the 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 a financing 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.

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.

FAIR VALUE MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

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

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

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

Class of property	Fair value hierarchy	Valuation technique	Inputs used to measure	2019	2018
Retail Town Centres	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	**$193 – 736**	$197 – 794
			10 year average specialty market rental growth	**2.3 – 3.8%**	3.1 – 3.9%
			Adopted capitalisation rate	**4.0 – 7.5%**	4.0 – 7.0%
			Adopted terminal yield	**4.3 – 7.8%**	4.3 – 7.8%
			Adopted discount rate	**6.3 – 8.0%**	6.8 – 8.3%
Logistics	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	**$54 – 465**	$54 – 456
			10 year average market rental growth	**2.4 – 4.0%**	2.4 – 3.9%
			Adopted capitalisation rate	**5.0 – 10.3%**	5.5 – 11.2%
			Adopted terminal yield	**5.25 – 13.1%**	5.5 – 13.7%
			Adopted discount rate	**6.75 – 9.5%**	7.0 – 9.5%
Workplace	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	**$389 – 947**	$364 – 889
			10 year average market rental growth	**3.0 – 3.9%**	2.7 – 4.0%
			Adopted capitalisation rate	**5.0 – 8.1%**	5.0 – 8.0%
			Adopted terminal yield	**5.4 – 8.3%**	5.4 – 8.5%
			Adopted discount rate	**6.6 – 8.4%**	6.6 – 7.5%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	**$78 – 429**	$96 – 731
			Adopted capitalisation rate	**6.25 – 6.5%**	5.5 – 7%

Key inputs used to measure fair value for commercial properties are:

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

VALUATION PROCESS

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

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

INTERNAL TOLERANCE CHECK

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

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

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

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

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

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

EXTERNAL VALUATIONS

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

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

- A variation between book value and internal tolerance check. Refer to the internal tolerance check section on the previous page.
- 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:

As at 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Within one year	**650**	638	**652**	639
Later than one year but not later than five years	**1,665**	1,693	**1,677**	1,706
Later than five years	**912**	1,034	**912**	1,026
Non-cancellable operating lease receivable	**3,227**	3,365	**3,241**	3,371

8. RETIREMENT LIVING

KEEPING IT SIMPLE

Stockland offers a range of independent living Retirement Living products to best meet the needs of the Group's customers. Customers have a choice of dwelling type and contractual arrangement, depending on their individual preferences, personal circumstances, and the services and support that they require.

Historically, all Retirement Living contracts were under the deferred management fee (DMF) model which allows residents to access the full lifestyle offering of a village today and pay for this when they leave the village. Each state has extensive laws and regulations which are designed to protect resident interests which Stockland complies with. Generally, DMF contracts are affordable as they sell at a lower price than the non-retirement freehold properties in the area. In 2017, Stockland broadened its offering by launching a non-DMF village product called Aspire villages offering freehold title rather than a DMF.

DMF contracts

Retirement Living residents lend Stockland an amount equivalent to the value of the dwelling in exchange for a lease to reside in the village and to access community facilities, which are Stockland owned and maintained for as long as the resident wants. Stockland records this loan as a resident obligation liability.

During the resident's tenure, Stockland earns DMF revenue which is calculated based on the individual resident contract and depends on the dwelling type, location and specific terms within the agreement. The contract will specify the DMF rate charged each year, and the maximum DMF that will be charged across the life of the contract. The DMF provides customers with the ability to free up equity (usually from the sale of their previous home), giving them extra capital that they can access to fund their retirement lifestyle.

The DMF for an individual resident contract covers the right to reside in the dwelling and 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 allows the resident to pay for these at the end of their tenancy, instead of the start. DMF revenue is included in the Retirement Living FFO when Stockland receives the accumulated DMF in cash after a resident leaves and either a new resident enters the dwelling, or when it is withheld under an approved investment proposal for development.

The contracts determine how Stockland and the resident will share any net capital gain or loss when the dwelling is re-leased to the next resident. This can range from 0 - 100%; for the majority of existing contracts the capital gain or loss and refurbishment costs are shared equally.

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

Unrealised fair value gains or losses from revaluations of investment property and resident obligations are excluded from FFO.

Contract choices

Stockland continues to improve the Groups' customer offer with Benefits Plus home care partnerships and our current up-front contract choices, 'Capital Share' and 'Peace of Mind', which caps the DMF and secures the exit value for incoming residents.

The Capital Share contract offers the opportunity to offset the resident's DMF by paying the resident 50% of any capital gain earned after deducting 50% of any capital expenditures, when the home is resold or after a maximum of eighteen months after the resident leaves the village. DMF is calculated at 5% per annum, capped at 35%.

The Peace of Mind contract offers certainty by ensuring the residents know what exit repayment will be when they leave the village. It also guarantees that they will be repaid after a maximum of six months from their departure even if their unit hasn't yet been sold. DMF is calculated at 5% per annum, capped at 25%.

Non-DMF product (Aspire villages)

Under these agreements, residents purchase their dwelling outright. There is no DMF associated with these sales as the dwelling is no longer owned or maintained by Stockland. Stockland recognises profit based on property development sales revenue net of associated cost of property development sold.

NET CARRYING VALUE

As at 30 June	Stockland	
$M	2019	2018
Operating villages	**3,623**	3,756
Villages under development	**367**	364
Retirement Living investment properties	**3,990**	4,120
Existing resident obligations	**(2,585)**	(2,724)
Net carrying value of Retirement Living villages	**1,405**	1,396
Net carrying value movement during the year		
Balance at 1 July	1,396	1,208
Expenditure capitalised	**143**	249
Cash received on first sales	**(114)**	(73)
Realised investment properties fair value movement	**23**	15
Unrealised investment properties fair value movement	**(95)**	44
Retirement Living resident obligations fair value movement	**19**	(73)
Other movements	**33**	26
Balance at 30 June	**1,405**	1,396

A. 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.

DISPOSALS

During the year, Stockland disposed of three villages in Victoria for proceeds of $60 million, payable over two instalment in FY19 and FY20. During the prior year, Stockland disposed of one village in Victoria for proceeds of $5 million.

FAIR VALUE MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

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

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

Both the investment properties and resident obligations are considered to be level 3 in the fair value Hierarchy.

The following table shows the valuation techniques used in measuring the fair value of Retirement Living investment properties excluding assets held for sale, as well as significant unobservable inputs used.

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

Inputs used to measure fair value	2019	2018
Discount rate[1]	**12.5 – 14.75% (Average: 13.0%)**	12.5 – 14.75% (Average: 13.0%)
Average 20 year growth rate	**3.3%**	3.1%
Average length of stay of existing and future residents	**11 years**	10.9 years
Current market value of unit	**$0.1 – 2.2 million**	$0.1 – 2.2 million
Renovation/Reinstatement cost	**$3 – 75k**	$5 – 90k
Renovation recoupment	**0 – 100%**	0 – 100%

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

The DCF methodology uses unobservable inputs and 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 represents the rate that the unit is expected to increase in value by over 20 years. It is determined on the basis of the historical performance of the property, available sector and industry benchmarks, available CPI forecasts and the external valuations performed.
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 in light of external valuation performed and market and approved by the National Sales Manager and CEO Communities.
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 DMF valuation process across Stockland's Retirement Living portfolio. The aim of the DMF valuation process is to confirm that assets are held at fair value on Stockland's balance sheet.

ESTABLISHED VILLAGES

Internal valuations are completed every six months using valuation models with reference to external market data. An independent professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the investment properties valued provides assurance on the key assumptions used. The most recent independent assessment was obtained at 30 April 2019. Independent investment property valuations are also obtained from time to time. The Directors have considered the changes in market and village specific conditions since the independent assessment and valuations were obtained in their estimate of fair value at reporting date.

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. The DMF asset is recognised on a percentage of completion basis.

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

SENSITIVITY INFORMATION

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

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

B. Resident obligations

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and movements are recognised at fair value through profit or loss as the Retirement Living portfolio is measured and assessed by Stockland on a net basis.

CURRENT RESIDENT OBLIGATIONS

Based on actuarial turnover calculations, approximately 6% (2018: 7%) of residents are estimated to depart their dwelling 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, unless Stockland has an unconditional contractual right to defer settlement for at least 12 months, because residents have the right to terminate their occupancy contract with immediate effect.

NON-CURRENT RESIDENT OBLIGATIONS

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

	Stockland					
As at 30 June	2019			2018		
$M	Current	Non-current	Total	Current	Non-current	Total
Existing resident obligation	**2,490**	**95**	**2,585**	2,567	157	2,724
Former resident obligation	**6**	**6**	**12**	10	7	17
Resident obligation	**2,496**	**101**	**2,597**	2,577	164	2,741

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 net capital gains or losses in accordance with their contracts less DMF earned to date. Changes in fair value of resident obligations are recognised in profit or loss.

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

VALUATION PROCESS

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

SENSITIVITY INFORMATION

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

		Increase/(decrease) in resident obligations			
		Increase in input		Decrease in input	
Significant input	Change in assumption	2019	2018	2019	2018
Current market value	10%	**163**	177	**(163)**	(177)

For the majority of existing contracts, the resident shares net capital gains or losses with Stockland upon exit; therefore, current market value is the only input that significantly impacts the fair value of the resident obligation.

9. RECEIVABLES

As at 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Trade receivables	**104**	44	**9**	2
Allowance for expected credit loss	**(2)**	(1)	**(2)**	(1)
Net trade receivables	**102**	43	**7**	1
Straight-lining of rental income	**7**	1	**7**	1
Other receivables	**99**	54	**27**	20
Current receivables	**208**	98	**41**	22
Straight-lining of rental income	**67**	71	**70**	75
Other receivables	**27**	28	**–**	–
Receivables due from related companies	**–**	–	**3,518**	3,288
Allowance for expected credit loss[1]	**–**	–	**(8)**	–
Non-current receivables	**94**	99	**3,580**	3,363

1 The Trust has applied the expected credit losses impairment model to its unsecured intergroup loan receivable from Stockland Corporation Limited which is repayable in 2023 following the application of AASB9. While there has been no history of defaults, and the loan is considered to be low credit risk, an impairment provision determined as twelve months expected credit losses has been recorded at balance date. This loan eliminates on consolidation so there is no impact on Stockland.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance under the expected credit loss model.

10. PAYABLES

As at 30 June		Stockland		Trust	
$M	Note	2019	2018	2019	2018
Trade payables and accruals		**281**	273	**120**	134
Land purchases		**69**	157	**–**	–
Distributions payable	4	**336**	329	**336**	329
GST payable/(receivable)		**10**	51	**(1)**	(1)
Current payables		**696**	810	**455**	462
Land purchases		**147**	173	**–**	–
Non-current payables		**147**	173	**–**	–

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

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

11. INTANGIBLE ASSETS

As at 30 June	Stockland							
	2019				2018			
$M	Goodwill	Software	Under development	Total	Goodwill	Software	Under development	Total
Gross carrying amount								
Opening balance	117	113	90	320	117	97	60	274
Additions	**–**	**–**	**54**	**54**	–	–	46	46
Retirements/disposals[1]	**–**	**(79)**	**–**	**(79)**	–	–	–	–
Transfer	**–**	**19**	**(23)**	**(4)**	–	16	(16)	–
Closing balance	**117**	**53**	**121**	**291**	117	113	90	320
Accumulated amortisation and impairment								
Opening balance	(41)	(85)	–	(126)	(41)	(77)	–	(118)
Retirements/disposals[1]	**–**	**79**	**–**	**79**	–	–	–	–
Amortisation	**–**	**(13)**	**–**	**(13)**	–	(8)	–	(8)
Impairment	**(38)**	**–**	**–**	**(38)**	–	–	–	–
Closing balance	**(79)**	**(19)**	**–**	**(98)**	(41)	(85)	–	(126)
Intangible assets	**38**	**34**	**121**	**193**	76	28	90	194

1 The net impact of these retirements and disposals on the intangible assets carrying value is $nil as these assets were fully depreciated.

GOODWILL

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash-generating units (CGU). The allocation is made to each CGU or groups of CGUs 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 and the acquisition of Aevum Limited on 31 October 2010.

IMPAIRMENT TEST

An impairment of goodwill of $38 million was recognised in the current year (2018: $nil) primarily driven by a reduction in future development pipeline.

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.

At year-end, the recoverable amount of the CGU was $406 million which is equivalent to the book value of the Retirement Living development business. Following the impairment recognised in the Retirement Living development business CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

DEFERRED REPAYMENT (DR) CONTRACTS

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

The cash flows are discounted over their forecast maturity at 13.0% (2018: 13.0%) and cash flows beyond the five year period have been determined by applying a growth rate of 3.1% p.a. (2018: 3.1% 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% (2018: 15.0%). Cash flows beyond the five year period have been determined by applying a growth rate of 3.4% p.a. (2018: 3.5% 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.

SOFTWARE

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

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

All software is currently amortised based on the straight-line method and using rates between 10 – 100% (2018: 10 – 33%) from the point at which the asset is ready for use. Amortisation is recognised in profit or loss. The range of amortisation rates has been updated to reflect new enterprise resource planning software, a part of which commenced amortisation during the year.

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

12. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Investment properties transferred from Commercial Property	**171**	65	**171**	22
Non-current assets held for sale	**171**	65	**171**	22

Investment properties held for sale at 30 June 2019 include Stockland Tooronga, Tooronga VIC, 40 Scanlon Drive, Epping VIC, Toll Drive, Altona VIC and Port Adelaide Distribution Centre, Port Adelaide SA. Contracts for the sale of the properties have been exchanged after reporting date.

During the current year, Stockland completed the sale of Stockland Highlands, Craigieburn VIC and 40 Cameron Avenue, Belconnen ACT, which were classified as non-current assets held for sale at 30 June 2018.

Investment properties 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 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.

Investment properties held for sale remain measured at fair value in accordance with the policy presented in note 7.

Capital structure and financing costs

IN THIS SECTION

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

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

The Board considers the Group's capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan. During the year Stockland's credit rating remained unchanged at A-/stable and A3/stable by S&P and Moody's respectively. The Board continued to monitor the Group's capital structure through its gearing ratio and maintains a capital structure to minimise the cost of capital. The Group has a stated target gearing ratio range of 20% to 30%.

In addition, 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 appropriately hedge these underlying exposures.

13. NET FINANCING COSTS

KEEPING IT SIMPLE

This note 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.

Fair value movements reflect the change in fair value of the Group's derivative instruments between the later of inception or 1 July 2018 and 30 June 2019. The fair value at year end is not necessarily the same as the settlement value at maturity.

Net financing costs can be analysed as follows:

Year ended 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Interest income from related parties	–	–	282	266
Interest income from other parties	4	3	2	2
Finance income	**4**	3	**284**	268
Interest expense relating to borrowings	(192)	(202)	(192)	(202)
Interest paid or payable on other financial liabilities at amortised cost	(40)	(34)	–	–
Less: interest capitalised to inventories	136	142	–	–
Less: interest capitalised to investment properties	9	17	3	10
Finance expense	**(87)**	(77)	**(189)**	(192)
Gain/(loss) on net change in fair value of derivatives	233	(24)	233	(24)
Gain/(loss) on net change in fair value of borrowings	(240)	12	(239)	12
Net gain/(loss) on fair value hedges	**(7)**	(12)	**(6)**	(12)
Gain/(loss) on foreign exchange movements	(12)	(19)	(13)	(19)
Gain/(loss) on fair value movements	(121)	24	(121)	24
Net gain/(loss) on debt and derivatives	**(133)**	5	**(134)**	5
Net gain/(loss) on financial instruments	**(140)**	(7)	**(140)**	(7)

The interest expense relating to borrowings includes $62 million (2018: $67 million) related to interest on financial liabilities carried at amortised cost, and not designated in a fair value hedge relationship.

Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance expense include interest payable on short-term and long-term borrowings calculated using the effective interest method and payments on derivatives.

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

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

The rate at which interest has been capitalised to qualifying assets is disclosed in note 6.

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 accounting policy and fair value of derivatives are discussed in note 16 and 17.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of Stockland's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. As at 30 June 2019, Stockland does not have any bank overdrafts.

Included in the cash and cash equivalents balance of $140 million is $55 million (2018: $92 million) in cash that is relating to joint ventures and/or held to satisfy real estate and financial services licensing requirements, and is not immediately available for use by the Group.

15. BORROWINGS

KEEPING IT SIMPLE

The Trust borrows money from financial institutions and debt investors in the form of bonds, bank debt 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 note 13.

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

The table below shows the fair value of each of these instruments measured at level 2 in the fair value hierarchy. Fair value reflects the principal amount and remaining duration of these notes based on current market interest rates and conditions at balance date.

		Stockland and Trust			
As at 30 June		Carrying value			
$M	**Note**	**Current**	**Non-current**	**Total**	**Fair value**
2019					
Offshore medium term notes	A	**78**	**3,694**	**3,772**	**4,215**
Domestic medium term notes	B	**150**	**607**	**757**	**801**
Bank debt facilities	C	**115**	**60**	**175**	**175**
Borrowings		**343**	**4,361**	**4,704**	**5,191**
2018					
Offshore medium term notes	A	240	3,141	3,381	3,728
Domestic medium term notes	B	–	557	557	595
Bank debt facilities	C	–	–	–	–
Borrowings		240	3,698	3,938	4,323

The difference of $487 million (2018: $385 million) between the carrying amount and fair value of the foreign and domestic medium term notes is due to notes being carried at amortised cost under AASB 9 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.

A. Offshore medium term notes

US PRIVATE PLACEMENT

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

During the current year, the Trust repaid USD 176 million ($269 million) of notes in October 2018 and issued USD 250 million ($351 million) in April 2019.

The fair value of the US private placements as at 30 June 2019 is $2,816 million (2018: $2,412 million). Details of the offshore medium term notes on issue in the US private placement market are set out below:

$M			Face value[1]		Stockland and Trust Carrying amount	
Maturity date	Fixed rate coupon	Floating CCIRS[2]	2019	2018	2019	2018
October 2018	6.01%	**0.73% - 0.65%**	**–**	269	**–**	240
July 2019	5.19%	**0.85% - 0.83%**	**71**	71	**78**	75
July 2020	5.24%	**0.87% - 0.86%**	**90**	90	**100**	96
September 2021	4.32%	**2.44% - 2.48%**	**176**	176	**267**	246
June 2022	6.15%	**1.00%**	**28**	28	**41**	39
August 2022	3.99 / 6.80%	**2.93% - 3.08%**	**105**	105	**101**	98
August 2024	4.14%	**2.99%**	**50**	50	**50**	46
August 2025	3.75%	**1.62%**	**157**	157	**181**	162
December 2025	5.09%	**–**	**100**	100	**100**	100
August 2026	3.09%	**–**	**200**	200	**217**	188
June 2027	6.28%	**0.87%**	**20**	20	**32**	31
August 2027	3.85%	**1.63%**	**131**	131	**154**	135
January 2028	3.63%	**1.65%**	**47**	47	**55**	48
August 2028	3.19 / 4.35%	**2.23% / -**	**139**	139	**143**	131
February 2029	4.67%	**1.40%**	**141**	141	**204**	180
April 2029	3.81%	**1.75% - 1.78%**	**162**	0	**170**	0
January 2030	3.73 / 4.42%	**1.75% - 1.78%**	**106**	106	**117**	108
August 2030	4.00%	**1.69%**	**72**	72	**87**	75
April 2031	3.91%	**1.84% - 1.86%**	**162**	0	**172**	0
August 2031	3.34%	**2.27%**	**59**	59	**61**	52
January 2033	3.88 / 4.66%	**1.90% - 1.91%**	**133**	133	**139**	134
May 2034	4.01%	**1.91%**	**28**	0	**31**	0
Total			**2,177**	2,094	**2,500**	2,184
Less attributable transaction costs					**(11)**	(6)
US private placement					**2,489**	2,178

1 Face value of the notes in AUD after the effect of the CCIRS. Thus also representing 100% of the notional amount 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 2019 was 1.2046% (2018: 2.1105%). The majority of the CCIRS is in a designated hedge relationship.

ASIAN AND EUROPEAN PRIVATE PLACEMENT

The Trust has issued medium term notes in the Asian and European capital markets with face values of Hong Kong dollars (HKD) 470 million ($62 million), HKD 400 million ($55 million), HKD 540 million ($100 million), HKD 300 million ($51 million), Euros (EUR) 300 million ($433 million) and EUR 300 million ($478 million).

All notes are issued at a fixed coupon payable in either HKD or EUR and converted back to AUD floating coupons through CCIRS.

The fair value of all the notes on issue as at 30 June 2019 is $1,399 million (2018: $1,316 million). Details of the offshore medium term notes on issue in the Asian and European private placement market are set out below:

						Stockland and Trust	
$M		CCIRS		Face value[1]		Carrying amount	
Maturity date	Fixed rate coupon	Type	Rate[2]	2019	2018	2019	2018
November 2021	1.50%	**Floating**	**1.48%**	**433**	433	**446**	446
May 2025	3.37%	**Floating**	**1.89%**	**62**	62	**86**	77
October 2025	4.00%	**Floating**	**1.62%**	**55**	55	**80**	71
January 2026	3.38%	**Fixed**	**4.90%**	**100**	100	**99**	84
April 2026	1.63%	**Floating**	**1.70%**	**478**	478	**519**	480
May 2028	3.70%	**Floating**	**1.53%**	**51**	51	**60**	52
Total				**1,179**	1,179	**1,290**	1,210
Less attributable transaction costs						**(7)**	(7)
Asian and European private placement						**1,283**	1,203

1 Face value of the notes in Australian dollars after the effect of the CCIRS. Thus also representing 100% of the notional amount 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 2019 was 1.2046% (2018: 2.1105%). All of the CCIRS are in a designated hedge relationship.

B. Domestic medium term notes

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

During the current year, the Trust issued medium term notes with a face value of $200 million. The fair value of all the notes on issue as at 30 June 2019 is $801 million (2018: $595 million). Details of unsecured domestic medium term notes on issue are set out below:

$M		Stockland and Trust	
Maturity date	Fixed rate coupon	2019	2018
September 2019	5.50%	**150**	150
November 2020	8.25%	**160**	160
November 2022	4.50%	**250**	250
March 2024	3.30%	**200**	0
Total		**760**	560
Less attributable transaction costs		**(3)**	(3)
Domestic medium term notes		**757**	557

C. Bank debt facilities

The bank debt facilities are unsecured and held at amortised cost. Details of maturity dates, excluding bank guarantee facilities are set out below:

	Stockland and Trust			
$M	2019		2018	
Maturity date	Utilised	Limit	Utilised	Limit
December 2018	**–**	**–**	–	100
July 2019	**–**	**–**	–	100
August 2019	**15**	**120**	–	120
December 2019	**100**	**200**	–	100
July 2021	**60**	**100**	–	–
January 2021	**–**	**–**	–	250
January 2022	**–**	**250**	–	–
February 2022	**–**	**150**	–	150
November 2022	**–**	**100**	–	100
Bank facilities	**175**	**920**	–	920

16. OTHER FINANCIAL ASSETS AND LIABILITIES

KEEPING IT SIMPLE

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.

	Stockland				Trust			
As at 30 June	Other financial assets		Other financial liabilities		Other financial assets		Other financial liabilities	
$M	2019	2018	2019	2018	2019	2018	2019	2018
Fair value hedges	**–**	–	**–**	(29)	**–**	–	**–**	(29)
CCIRS – through profit or loss	**8**	12	**–**	–	**8**	12	**–**	–
Interest rate derivatives – through profit or loss	**1**	–	**(2)**	(4)	**1**	–	**(2)**	(4)
Current	**9**	12	**(2)**	(33)	**9**	12	**(2)**	(33)
Fair value hedges	**355**	156	**–**	(25)	**355**	156	**–**	(25)
Cash flow hedges	**81**	66	**(14)**	(38)	**81**	66	**(14)**	(38)
CCIRS – through profit or loss	**43**	25	**–**	–	**43**	25	**–**	–
Interest rate derivatives – through profit or loss	**28**	17	**(204)**	(100)	**28**	17	**(204)**	(100)
Other	**18**	18	**–**	–	**8**	8	**–**	–
Non-current	**525**	282	**(218)**	(163)	**515**	272	**(218)**	(163)

DERIVATIVE FINANCIAL INSTRUMENTS

KEEPING IT SIMPLE

A derivative is a type of financial instrument typically used to manage the underlying 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 the underlying exposures. The Group uses derivatives to manage exposure to foreign exchange and interest rate risk.

Stockland manages its exposure to financial market risks as part of its operations through the use of derivatives.

Stockland's treasury policy requires:

- all contractual or committed foreign exchanges payments or receipts to be fully hedged back to Australian dollar unless the exposure is immaterial in nature.; and
- interest rate risk exposures to be managed to operate within a fixed hedge ratio of:
  - 45 to 55% on debt due to mature within 5 years; and
  - 30 to 40% on debt maturing in more than five years.

Deviation from these benchmarks at any point in time requires approval from the CFO and/or Audit Committee.

Stockland assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and Stockland's own credit risk on the fair value of the swaps, which is not reflected in the fair value of the hedged item; and
- changes in interest rates will impact the fair value of the Australian dollar margin and implied foreign currency margin respectively.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument;
- the effect of credit risk does not dominate the value changes resulting from the economic relationship; and
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

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 re-measured at each balance date. The valuation of derivatives is an area of accounting estimation and judgement for the Group.

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

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.

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 have the effect of netting, allowing a reduction to derivative assets and derivative liabilities of the same amount of $195 million (2018: $136 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 documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value 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, or until such time where the hedging relationship ceases to meet the qualifying criteria. 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.

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.

Additionally, there are a number of derivatives that are not designated as fair value and/or cash flow hedges. These are used to hedge economic exposures and the gains or losses on re-measurement to fair value of these instruments are recognised immediately in profit or loss.

	Stockland and Trust											
	Borrowings					Derivatives						
	Carrying Amount					Market to market						
$M	2019	2018	Move-ments	(Repaid) Drawn	Gain or loss on FV of Debt	2019	2018	Move-ments	Termi-nated Paid	Cash flow hedge reserve impact	Gain or Loss on FV of derivatives	Net gain or loss recognised in profit or loss
US Dollar	**2,500**	2,184	**316**	**82**	**(234)**	**337**	113	**224**	**–**	**(10)**	**234**	**–**
Effective	***2,249***	*1,943*	***306***	***82***	***(224)***	***286***	*76*	***210***	*–*	***(10)***	***220***	***(4)***
Ineffective	***251***	*241*	***10***	***–***	***(10)***	***51***	*37*	***14***	*–*	***–***	***14***	***4***
Euro	**965**	926	**39**	**–**	**(39)**	**92**	39	**53**	**–**	**15**	**38**	**(1)**
HK Dollar	**325**	284	**41**	**–**	**(41)**	**44**	15	**29**	**–**	**(10)**	**39**	**(2)**
Foreign exposure	**3,790**	3,394	**396**	**82**	**(314)**	**473**	167	**306**	**–**	**(5)**	**311**	**(3)**
AUD Bank Debt	**175**	–	**175**	**175**	**–**	**–**	–	**–**	**–**	**–**	**–**	**–**
AUD MTNs	**760**	560	**200**	**200**	**–**	**–**	–	**–**	**–**	**–**	**–**	**–**
AUD IRS	**–**	–	**–**	**–**	**–**	**(177)**	(87)	**(90)**	**(47)**	**–**	**(137)**	**(137)**
Borrowings costs	**(21)**	(16)	**(5)**									
Total	**4,704**	3,938	**766**	**457**	**(314)**	**296**	80	**216**	**(47)**	**(5)**	**174**	**(140)**

17. 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 offshore 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 the current credit worthiness of Stockland or the derivative counterparty.

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

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

Quantitative sensitivities required under AASB 13 *Fair Value Measurement* in relation to the Retirement Living resident obligations have been disclosed in note 8.

	Stockland							
As at 30 June	**2019**				**2018**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	**–**	**516**	**–**	**516**	–	276	–	276
Securities in unlisted entities	**–**	**–**	**8**	**8**	–	–	8	8
Other investments	**10**	**–**	**–**	**10**	10	–	–	10
Financial assets carried at fair value	**10**	**516**	**8**	**534**	10	276	8	294
Derivative liabilities	**–**	**(220)**	**–**	**(220)**	–	(196)	–	(196)
Retirement Living resident obligations	**–**	**–**	**(2,597)**	**(2,597)**	–	–	(2,741)	(2,741)
Financial liabilities carried at fair value	**–**	**(220)**	**(2,597)**	**(2,817)**	–	(196)	(2,741)	(2,937)
Net position	**10**	**296**	**(2,589)**	**(2,283)**	10	80	(2,733)	(2,643)

	Trust							
As at 30 June	**2019**				**2018**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	**–**	**516**	**–**	**516**	–	276	–	276
Securities in unlisted entities	**–**	**–**	**8**	**8**	–	–	8	8
Financial assets carried at fair value	**–**	**516**	**8**	**524**	–	276	8	284
Derivative liabilities	**–**	**(220)**	**–**	**(220)**	–	(196)	–	(196)
Financial liabilities carried at fair value	**–**	**(220)**	**–**	**(220)**	–	(196)	–	(196)
Net position	**–**	**296**	**8**	**304**	–	80	8	88

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. There were no transfers between levels during the year.

	Stockland							
	2019				**2018**			
$M	**Securities in unlisted entities**	**Derivatives**	**Retirement Living resident obligations**	**Total**	**Securities in unlisted entities**	**Derivatives**	**Retirement Living resident obligations**	**Total**
Balance at 1 July	8	–	(2,741)	(2,733)	32	–	(2,629)	(2,597)
Gain/losses recognised in								
• Profit or loss[1]	**–**	**–**	**267**	**267**	(1)	–	10	9
• Other comprehensive income	**–**	**–**	**–**	**–**	2	–	–	2
Cash receipts from incoming residents on turnover	**–**	**–**	**(295)**	**(295)**	–	–	(272)	(272)
Cash payments to outgoing residents on turnover, net of DMF	**–**	**–**	**172**	**172**	–	–	150	150
Return of capital	**–**	**–**	**–**	**–**	(25)	–	–	(25)
Balance at 30 June	**8**	**–**	**(2,597)**	**(2,589)**	8	–	(2,741)	(2,733)

1 Include impact of derecognition of obligations related to village disposals of $187m (FY18 $21m).

	Trust							
	2019				**2018**			
$M	**Securities in unlisted entities**	**Derivatives**	**Retirement Living resident obligations**	**Total**	**Securities in unlisted entities**	**Derivatives**	**Retirement Living resident obligations**	**Total**
Balance at 1 July	8	–	–	8	9	–	–	9
Loss recognised in Profit or loss	**–**	**–**	**–**	**–**	(1)	–	–	(1)
Balance at 30 June	**8**	**–**	**–**	**8**	8	–	–	8

18. 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 derivatives 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 and investing excess liquidity. The Audit Committee assists the Board in monitoring the implementation of these treasury policies.

The sensitivity analysis included in this note 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.

A. Market risk

Market risk is the risk that changes in market prices, such as 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.

CURRENCY RISK

Currency risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars (AUD). Stockland has currency exposures to the Euro (EUR), Hong Kong dollar (HKD) and US dollar (USD).

The Group manages its currency risk by using CCIRS and forward exchange contracts.

The Group's offshore medium term notes create both an interest rate and a currency exchange 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, European and Asian private placement principals outstanding and are timed to expire when each note matures. These CCIRS also swap the obligation to pay fixed interest to floating interest. When these swaps held are no longer effective in hedging the interest rate and currency risk exposure, management will reassess the value in continuing to hold the swap.

These CCIRS have been designated as fair value and cash flow hedges and are accounted for in line with the accounting principles highlighted in note 16.

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

	Stockland and Trust					
As at 30 June	**2019**			**2018**		
Currency $M	**EUR[1]**	**HKD[1]**	**USD[1]**	**EUR[1]**	**HKD[1]**	**USD[1]**
Borrowings	**(600)**	**(1,710)**	**(1,468)**	(600)	(1,710)	(1,394)
CCIRS	**600**	**1,710**	**1,468**	600	1,710	1,394
Exposure	**–**	**–**	**–**	–	–	–

1 All amounts are denominated in their natural currency.

SENSITIVITY ANALYSIS – CURRENCY RISK

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

	Stockland and Trust							
	2019				2018			
As at 30 June	Profit or loss		Equity		Profit or loss		Equity	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
EUR	**–**	**–**	**(55)**	**55**	–	–	(54)	54
HKD	**–**	**–**	**(11)**	**14**	–	–	(9)	11
USD	**(1)**	**2**	**(24)**	**30**	(1)	2	(23)	28
Impact	**(1)**	**2**	**(90)**	**99**	(1)	2	(86)	93

B. 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 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 9. 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)	
$M	2019	2018
Fixed rate interest-bearing loans and borrowings[1]	**3,837**	3,655
Floating rate interest-bearing loans and borrowings[1]	**453**	177
Interest-bearing loans and borrowings	**4,290**	3,832

1 Notional principal amounts.

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 (2018: 100 basis points) with all other variables held constant.

	Stockland				Trust			
	2019		2018		2019		2018	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on interest income/(expense)	**1**	**(1)**	3	(3)	**36**	**(36)**	35	(35)
Impact on net gain/(loss) on derivatives – through profit or loss	**107**	**(113)**	102	(106)	**107**	**(113)**	102	(106)
Impact on profit or loss	**108**	**(114)**	105	(109)	**143**	**(149)**	137	(141)
Impact on equity	**15**	**(16)**	30	(31)	**15**	**(16)**	30	(31)

C. 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 security 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 profit or loss or other comprehensive income.

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

SENSITIVITY ANALYSIS – EQUITY PRICE RISK

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

	Stockland				Trust			
As at 30 June	**2019**		**2018**		**2019**		**2018**	
$M	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss	**2**	**(2)**	2	(2)	**–**	**–**	–	–
Impact on equity	**–**	**–**	–	–	**–**	**–**	–	–

D. 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 with deferred payment terms and development services are made to customers with an appropriate credit history.

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

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

As at 30 June 2019, these financial institutions had an Investment Grade rating (greater than BBB-) provided by S&P.

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

As at 30 June 2019 and 30 June 2018, there were no significant financial assets that were past due. Financial assets are subject to the expected credit loss model as per AASB 9.

E. 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 liquidity and funding sources by keeping sufficient cash and cash equivalents and/or undrawn 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 profile of its debt portfolio. The current weighted average debt maturity is 5.8 years (2018: 6.2 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 these tables, refer to note 17 for the fair value of the derivative assets to provide a meaningful analysis of Stockland and Trust total derivatives.

	Stockland					
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
2019						
Non-derivative						
Payables (excl. GST)	**(497)**	**(522)**	**(350)**	**(34)**	**(53)**	**(85)**
Dividends and distributions payable	**(336)**	**(336)**	**(336)**	**–**	**–**	**–**
Borrowings	**(4,704)**	**(5,711)**	**(514)**	**(409)**	**(1,763)**	**(3,025)**
Retirement Living resident obligations	**(2,597)**	**(2,597)**	**(2,496)**	**–**	**(1)**	**(100)**
Derivative						
Interest rate derivatives	**(205)**	**(199)**	**(41)**	**(46)**	**(86)**	**(26)**
CCIRS	**(15)**					
• Inflows		**389**	**10**	**10**	**30**	**339**
• Outflows		**(396)**	**(14)**	**(13)**	**(41)**	**(328)**
Financial liabilities	**(8,354)**	**(9,372)**	**(3,741)**	**(492)**	**(1,914)**	**(3,225)**

	Stockland					
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
2018						
Non-derivative						
Payables (excl. GST)	(603)	(647)	(435)	(50)	(110)	(52)
Dividends and distributions payable	(329)	(329)	(329)	–	–	–
Borrowings	(3,938)	(5,020)	(396)	(366)	(1,703)	(2,555)
Retirement Living resident obligations	(2,741)	(2,742)	(2,577)	(4)	(1)	(160)
Derivative						
Interest rate derivatives	(104)	(116)	(40)	(30)	(34)	(12)
CCIRS	(92)					
• Inflows		1,815	279	34	103	1,399
• Outflows		(2,011)	(322)	(50)	(159)	(1,480)
Financial liabilities	(7,807)	(9,050)	(3,820)	(466)	(1,904)	(2,860)

Retirement Living resident obligations are classified as current under Accounting Standards, however, it is not expected to result in actual net cash outflows within the next 12 months. In the vast majority of cases, settlement of Retirement Living resident obligations are able to be repaid from receipts from incoming residents. As at 30 June 2019, $2,585 million (2018: $2,724 million) existing resident obligations do not represent an anticipated net cash outflow as they are expected to be covered by receipts from incoming residents.

$M	Trust					
	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
2019						
Non-derivative						
Payables (excl. GST)	**(120)**	**(120)**	**(120)**	**–**	**–**	**–**
Dividends and distributions payable	**(336)**	**(336)**	**(336)**	**–**	**–**	**–**
Borrowings	**(4,704)**	**(5,711)**	**(514)**	**(409)**	**(1,763)**	**(3,025)**
Derivative						
Interest rate derivatives	**(205)**	**(199)**	**(41)**	**(46)**	**(86)**	**(26)**
CCIRS	**(15)**	**–**				
• Inflows		**389**	**10**	**10**	**30**	**339**
• Outflows		**(396)**	**(14)**	**(13)**	**(41)**	**(328)**
Financial liabilities	**(5,380)**	**(6,373)**	**(1,015)**	**(458)**	**(1,860)**	**(3,040)**

$M	Trust					
	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
2018						
Non-derivative						
Payables (excl. GST)	(134)	(134)	(134)	–	–	–
Dividends and distributions payable	(329)	(329)	(329)	–	–	–
Borrowings	(3,938)	(5,020)	(396)	(366)	(1,703)	(2,555)
Derivative						
Interest rate derivatives	(104)	(116)	(40)	(30)	(34)	(12)
CCIRS	(92)					
Inflows		1,815	279	34	103	1,399
Outflows		(2,011)	(322)	(50)	(159)	(1,480)
Financial liabilities	(4,597)	(5,795)	(942)	(412)	(1,793)	(2,648)

19. ISSUED CAPITAL

KEEPING IT SIMPLE

This note 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 consolidated statement of changes in equity.

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

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

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

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

	Stockland and Trust		Stockland		Trust	
	Number of securities		$M		$M	
As at 30 June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Ordinary securities on issue						
Issued and fully paid	**2,384,351,503**	2,434,469,276	**8,692**	8,884	**7,393**	7,571
Other equity securities						
Treasury securities	**(6,691,865)**	(7,786,666)	**(35)**	(34)	**(34)**	(33)
Issued Capital	**2,377,659,638**	2,426,682,610	**8,657**	8,850	**7,359**	7,538

A. Ordinary securities

The following table provides details of movements in securities issued:

	Stockland and Trust		Stockland		Trust	
	Number of securities		$M		$M	
As at 30 June	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Opening balance	2,434,469,276	2,418,400,142	8,884	8,817	7,571	7,507
Securities buy back	**(50,117,773)**	–	**(192)**	–	**(178)**	–
Securities issued under the DRP	**–**	16,069,134	**–**	67	**–**	64
Issued Capital	**2,384,351,503**	2,434,469,276	**8,692**	8,884	**7,393**	7,571

SECURITIES BUY-BACK

On 6 September 2018, Stockland announced the intention to initiate an on-market buy-back for up to $350 million of Stockland securities on issue as part of its active approach to capital management, over up to 24 months. A total of 50,117,773 stapled securities have been bought back on market and cancelled since the commencement of the buy-back on 24 September 2018.

B. Other equity securities

TREASURY SECURITIES

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

MOVEMENT OF OTHER EQUITY SECURITIES

	Stockland and Trust		Stockland		Trust	
	Number of securities		$M		$M	
	2019	2018	2019	2018	2019	2018
Opening balance	7,786,666	6,002,501	(34)	(27)	(33)	(27)
Securities acquired[1]	**3,605,889**	4,674,128	**(15)**	(20)	**(15)**	(19)
Securities transferred to employees on vesting	**(4,700,690)**	(2,889,963)	**14**	13	**14**	13
Issued Capital	**6,691,865**	7,786,666	**(35)**	(34)	**(34)**	(33)

1 Average price: $4.20 per security (2018: $4.37).

C. Security based payments

KEEPING IT SIMPLE

Stockland operates three Security Plans at its discretion for eligible employees which are described below:

Long term incentives (LTI)

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

Deferred short term incentives (DSTI)

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

$1,000 Plan

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

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

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

	Weighted average price per right/security		Number of rights/securities	
Details	2019	2018	2019	2018
Opening balance	$2.97	$3.04	11,022,675	11,551,943
Granted during the year	**$2.93**	$2.93	**4,923,260**	5,951,652
Forfeited and lapsed during the year	**$2.72**	$2.30	**(3,218,341)**	(2,524,555)
Rights converted to vested Stockland stapled securities	**$3.56**	$3.51	**(3,532,477)**	(3,956,365)
Outstanding at the end of the year	**$2.79**	$2.97	**9,195,117**	11,022,675

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 2019 was 3,564,400 (2018: 3,916,652). The number of LTI rights awarded is based on the Volume Weighted Average Price of Stockland securities for the ten working days post 30 June (face value methodology), this is consistent with the approach for determining number of Deferred STI awards.

Assumptions made in determining the fair value of rights granted under the security plans are:

Details	2019	2018
Grant date	**1 October 2018**	27 September 2017
Fair value of rights granted under plan	**$2.48**	$2.55
Securities spot price at grant date	**$4.11**	$4.27
Exercise price	**–**	–
Distribution yield	**6.34%**	6.0%
Risk-free rate at grant date	**2.05%**	2.0%
Expected remaining life at grant date	**2.8 years**	2.8 years
Volatility of Stockland	**17%**	19.0%
Volatility of Index price	**14%**	17.0%

The LTI rights of 7,073,951 (2018: 7,865,999) are outstanding as at 30 June 2019, which have a fair value ranging from $1.50 to $2.07 (2018: $1.50 to $2.04) per right and a weighted average restricted period remaining of 1.5 years (2018: 1.5 years).

During the year, 1,627,781 rights (2018: 1,997,042) vested and will convert to securities with a weighted average fair value of $2.82 (2018: $2.52).

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 2019 of $4.44 (2018: $4.05).

The DSTI outstanding as at 30 June 2019, included in the table above, are 2,121,166 (2018: 3,156,676). The DSTI outstanding have fair value ranging from $4.05 to $4.33 (2018: $4.00 to $4.84) per security.

$1,000 PLAN

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

Taxation

IN THIS SECTION

This section sets out Stockland's tax accounting policies and provides an analysis of the income tax expense/benefit and deferred tax balances, including a reconciliation of tax expense to accounting profit. Accounting income is not always the same as taxable income, creating temporary differences. These differences usually reverse over time. Until they reverse a deferred asset or liability must be recognised on the balance sheet, to the extent that it is probable that a reversal will take place. This is known as the balance sheet liability method.

20. INCOME TAX

A. Income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	2019	2018
Current tax	–	–
Adjustments for prior years	–	–
Current tax	**–**	–
Tax losses recognised during the year[1]	–	139
Tax losses utilised during the year[2]	**(19)**	(14)
Capital losses utilised during the year[2]	**(4)**	(11)
Origination and reversal of temporary differences	**(24)**	(55)
Deferred tax	**(47)**	59
Income tax in profit or loss	**(47)**	59

1 Tax losses and capital losses are fully recoverable based on the profitability of Stockland Corporation Group during the year and the latest available profit forecasts.
2 There is no current tax expense because tax and capital losses totalling $23 million (2018: $25 million) have been utilised to offset the Stockland Corporation Group's taxable income.

B. Reconciliation of profit before tax to income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	2019	2018
Profit before tax	**358**	966
Less: Trust profit before tax	**(242)**	(712)
Adjust for: Intergroup eliminations	**13**	9
Profit before tax of Stockland Corporation Group	**129**	263
Prima facie income tax calculated at 30%	**(39)**	(79)
Impact on income tax recognised in profit or loss due to:		
Non-deductible expenses for the year	**(12)**	–
Other deductible expense for the current period	**4**	–
Tax losses recognised during the year	–	139
Underprovided in prior years	–	(1)
Income tax in profit or loss	**(47)**	59
Effective tax rate (benefit)/expense	**36%**	(22%)
Effective tax rate (excluding tax losses recognised)	**36%**	30%

Tax benefit relating to items of other comprehensive income

Year ended 30 June	Stockland	
$M	2019	2018
Fair value reserve	–	7
Tax benefit relating to items of other comprehensive income	**–**	7

STOCKLAND

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

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

Tax consolidation

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

Members of the tax consolidated group have entered into a tax sharing agreement and 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 intergroup 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 attributed the taxable income of the Trust. Securityholders are liable to pay tax at their effective tax rate on the amounts attributed.

21. DEFERRED TAX

	Stockland					
As at 30 June	Assets		Liabilities		Net	
$M	2019	2018	2019	2018	2019	2018
Inventories	**52**	65	**(151)**	(144)	**(99)**	(79)
Investment properties	**7**	11	**(433)**	(438)	**(426)**	(427)
Property, plant and equipment	**3**	4	**–**	–	**3**	4
Payables	**13**	13	**–**	–	**13**	13
Retirement Living resident obligations	**14**	19	**–**	–	**14**	19
Provisions	**7**	5	**–**	–	**7**	5
Reserves	**7**	9	**–**	–	**7**	9
Tax losses carried forward	**521**	544	**–**	–	**521**	544
Tax assets/(liabilities)	**624**	670	**(584)**	(582)	**40**	88

Movement in temporary differences

		Recognised in			Recognised in		
$M	2017	Profit or loss	OCI	2018	Retained earnings[1]	Profit or loss	2019
Inventories	(84)	5	–	(79)	**–**	**(20)**	**(99)**
Investment properties	(372)	(55)	–	(427)	**–**	**1**	**(426)**
Property, plant and equipment	(7)	–	7	–	**–**	**–**	**–**
Other financial assets	6	(2)	–	4	**–**	**(1)**	**3**
Payables	13	–	–	13	**(1)**	**1**	**13**
Retirement Living resident obligations	22	(3)	–	19	**–**	**(5)**	**14**
Provisions	5	–	–	5	**–**	**2**	**7**
Reserves	9	–	–	9	**–**	**(2)**	**7**
Tax losses carried forward	430	114	–	544	**–**	**(23)**	**521**
Tax assets/(liabilities)	22	59	7	88	**(1)**	**(47)**	**40**

1 Impact of adoption of new accounting standards recorded in retained earning on 1 July 2018. Refer to note 35 for further details.

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 for recoverability at each balance date and the recognised amount is adjusted as required. This is a key area of accounting estimation and judgement for the Group.

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

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

- initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (for example acquisition of customer lists); and
- differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future.

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 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 year determined that there is convincing evidence, based upon the profitability of Stockland Corporation Group during the year and latest available profit forecasts, that all income tax losses of the tax consolidated group have been recognised as deferred tax assets. This is consistent with the prior year.

At each reporting period end, the net deferred tax asset will be assessed for recoverability.

TRUST

There are no deferred tax assets or liabilities in the Trust. As the Trust limits its activities to deriving income from renting commercial property, and attributes all of its taxable income each year to its investors, the Trust is not subject to tax. However, all of the annual taxable income is subject to tax in the hands of Stockland's investors. The Trustee of Stockland Trust should be liable to pay tax to the extent that Stockland Trust does not distribute all of its 'net income', as determined under Stockland Trust's trust deed. It is not anticipated that Stockland Trust will distribute less than its net income for the current year.

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.

22. 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 2019 or 30 June 2018.

A joint arrangement is either a venture or operation over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures 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. Joint operations are discussed in note 23.

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 ventures.

$M	Stockland 2019	Stockland 2018	Trust 2019	Trust 2018
Aggregate carrying amount of individually immaterial joint ventures	**612**	613	**620**	595
Aggregate share of:				
• profit from continuing operations	**75**	69	**56**	69
• other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**75**	69	**56**	69

The ownership interest in each of these immaterial entities is:

%	Stockland 2019	Stockland 2018	Trust 2019	Trust 2018
Brisbane Casino Towers	**50**	50	**–**	–
Compam Property Management Pty Limited[1]	**50**	50	**50**	50
Eagle Street Pier Pty Limited	**50**	50	**–**	–
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
The King Trust[2]	**50**	50	**50**	50
Willeri Drive Trust[3]	**50**	50	**50**	50

1 Manager for The King Trust.
2 Owns 50% of the 135 King Street, Sydney NSW.
3 Owns 50% of the Stockland Riverton, Riverton WA.

CHANGES TO JOINT VENTURES

There have been no changes to the above listed investments in joint ventures during the financial year.

23. OTHER ARRANGEMENTS

A. 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 an interest in a closed-end, unlisted property fund that invests in real estate assets in Australia for the purpose of generating investment income and for capital appreciation. The fund finances its operations through unitholder contributions and also through external banking facilities. The fund has been determined to meet the definition of a structured entity.

SDRT No.1

As at 30 June 2019, Stockland held a 19.9% interest in SDRT No.1 (2018: 19.9%), valued at $8 million (2018: $8 million). The Group's interest in this fund is included in the 'Other Financial Assets' line item on the balance sheet.

The maximum exposure to risk for SDRT No.1 is the carrying value of its investment in the Fund. Note that at a Unitholder meeting in March 2019, the unitholders passed a resolution to wind-up the SDRT No 1 Trust and sell all of the properties.

B. 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.

24. CONTROLLED ENTITIES

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

CONTROLLED ENTITIES OF STOCKLAND CORPORATION LIMITED

Albert & Co Pty Ltd[1]	Stockland Greenleaves Management Services Pty Limited
ARC Joint Ventures Pty. Ltd.[1]	Stockland Greenleaves Village Pty Limited
Bayview Road Property Trust	Stockland Hibernian Investment Company Pty Limited[1]
Bellevue Gardens Trust	Stockland Highett Pty Limited[2]
Endeavour (No. 2) Unit Trust	Stockland Highlands Pty Limited[1]
IOR Friendly Society Pty Limited[1]	Stockland Highlands Retirement Village Pty Limited
Jimboomba Trust	Stockland Holding Trust No. 3
JT Bid Co No. 1 Pty Limited	Stockland Holding Trust No. 4
JT Bid Co No. 2 Pty Limited	Stockland Holding Trust No. 5
Knowles Property Management Unit Trust	Stockland Holding Trust No. 6
Knox Unit Trust	Stockland IOR Group Pty Limited[1]
Mayflower Investments Pty Ltd	Stockland Kawana Waters Pty Limited[1]
Merrylands Court Pty Limited	Stockland Knox Village Pty Limited[1]
Northpoint No. 1 Trust	Stockland Lake Doonella Pty Limited[1]
Northpoint No. 2 Trust	Stockland Lensworth Glenmore Park Limited[1]
Northpoint No. 3 Trust	Stockland Lincoln Gardens Pty Limited
Northpoint No. 4 Trust	Stockland Long Island Village Pty Limited[1]
Northpoint No. 5 Trust	Stockland Management Limited
Northpoint No. 6 Trust	Stockland Maybrook Manor Pty Limited
Nowra Property Unit Trust	Stockland Mernda Retirement Village Pty Limited
Patterson Lakes Unit Trust	Stockland Miami (Fund) Unit Trust
Retirement Living Acquisition Trust	Stockland Miami (Non-Fund) Unit Trust
Retirement Living Holding Trust No. 1	Stockland Miami (QLD) Pty Limited[1]
Retirement Living Holding Trust No. 2	Stockland Midlands Terrace Adult Community Pty Limited[1]
Retirement Living Holding Trust No. 3	Stockland Newport Retirement Village Pty Limited[2]
Retirement Living Holding Trust No. 4	Stockland North Lakes Development Pty Limited[1]
Retirement Living Holding Trust No. 5	Stockland North Lakes Pty Limited[1]
Retirement Living Holding Trust No. 6	Stockland Oak Grange Pty Limited[1]
Retirement Living Unit Trust No. 1	Stockland Ormeau Trust
Retirement Living Unit Trust No. 2	Stockland Patterson Village Pty Limited[1]
Rogan's Hill Retirement Village Trust	Stockland Pine Lake Management Services Pty Limited
SDRT 2 Property 1 Trust	Stockland Pine Lake Village Pty Limited
SDRT 2 Property 2 Trust	Stockland PR1 Trust
SDRT 2 Property 3 Trust	Stockland PR2 Trust
SDRT 2 Property 4 Trust	Stockland PR3 Trust
Stockland (Boardwalk Sub 2) Pty Limited	Stockland PR4 Trust
Stockland (Queensland) Pty. Limited[1]	Stockland Property Management Pty Ltd[1]
Stockland (Russell Street) Pty Limited[1]	Stockland Property Services Pty Limited[1]
Stockland A.C.N 116 788 713 Pty Limited[1]	Stockland Queenslake Village Pty Limited

Stockland Aevum Limited[1]	Stockland Retail Services Pty Limited[1]
Stockland Aevum SPV Finance No. 1 Pty Limited	Stockland Retirement Pty Limited[1]
Stockland Affinity Retirement Village Pty Limited	Stockland Richmond Retirement Village Pty Limited
Stockland Bellevue Gardens Pty Limited	Stockland Ridgecrest Village Management Services Pty Limited
Stockland Bells Creek Pty Limited[1]	Stockland Ridgecrest Village Pty Limited
Stockland Birtinya Retirement Village Pty Limited[1]	Stockland RRV Pty Limited[1]
Stockland Buddina Pty Limited[1]	Stockland RVG (Queensland) Pty Limited
Stockland Caboolture Waters Pty Limited[1]	Stockland Salford Living Pty Limited[1]
Stockland Caloundra Downs Pty Limited[1]	Stockland Scrip Holdings Pty Limited
Stockland Capital Partners Limited	Stockland Selandra Rise Retirement Village Pty Limited
Stockland Care Foundation Pty Limited	Stockland Services Pty Limited[1]
Stockland Care Foundation Trust	Stockland Singapore Pte Ltd
Stockland Castlehaven Pty Limited	Stockland South Beach Pty Limited[1]
Stockland Castleridge Pty Limited	Stockland Syndicate No. 1 Trust
Stockland Catering Pty Limited	Stockland Templestowe Retirement Village Pty Limited[1]
Stockland Development (Holdings) Pty Limited[1]	Stockland The Grove Retirement Village Pty Limited[4]
Stockland Development (NAPA NSW) Pty Limited[1]	Stockland The Hastings Valley Parklands Village Pty Limited
Stockland Development (NAPA QLD) Pty Limited[1]	Stockland The Pines Retirement Village Pty Limited[1]
Stockland Development (NAPA VIC) Pty Limited[1]	Stockland Trust Management Limited
Stockland Development (PHH) Pty Limited[1]	Stockland Vermont Retirement Village Pty Limited[1]
Stockland Development (PR1) Pty Limited	Stockland WA (Estates) Pty Limited[1]
Stockland Development (PR2) Pty Limited	Stockland WA Development (Realty) Pty Limited[1]
Stockland Development (PR3) Pty Limited	Stockland WA Development (Vertu Sub 1) Pty Limited
Stockland Development (PR4) Pty Limited	Stockland WA Development Pty Limited[1]
Stockland Development (Sub3) Pty Limited	Stockland Wallarah Peninsula Management Pty Limited[1]
Stockland Development (Sub4) Pty Limited	Stockland Wallarah Peninsula Pty Limited[1]
Stockland Development (Sub5) Pty Limited	Stockland Wantirna Village Pty Limited[1]
Stockland Development (Sub7) Pty Limited[1]	Stockland Willowdale Retirement Village Pty Limited
Stockland Development Pty Limited[1]	Stockland Willows Retirement Village Services Pty Limited
Stockland Direct Retail Trust No. 2	Templestowe Unit Trust
Stockland Epping Retirement Village Pty Limited	The Mount Gravatt Retirement Village Unit Trust
Stockland Eurofinance Pty Limited[1]	The Pine Lake Management Services Unit Trust
Stockland Farrington Grove Retirement Village Pty Limited	Toowong Place Pty Limited
Stockland Financial Services Pty Limited[1]	Vermont Unit Trust
Stockland Golden Ponds Forster Pty Limited	

1 These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2019.

2 These entities were incorporated in the current financial year.

3 These entities were sold or liquidated in the current financial year.

4 This entity changed its name during the financial year from Stockland Newport Retirement Village Pty Limited. The change was effective from 12 July 2018.

CONTROLLED ENTITIES OF STOCKLAND TRUST

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

1 These entities are parties to the Deed of Cross Guarantee (Finance) as at 30 June 2019.

2 These entities were formed/incorporated or acquired in the current financial year.

All Stockland entities were formed/incorporated in Australia with the exception of Stockland Singapore Pte. Ltd. which is incorporated in Singapore.

Stockland owns all the issued shares/units of the respective controlled entities (unless otherwise stated) and such shares/units carry the voting, dividend/distribution and equitable rights.

25. DEED OF CROSS GUARANTEE

Stockland Corporation Limited and certain wholly-owned companies (the Closed Group) are parties to a Deed of Cross Guarantee (the Deed). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the *Corporations Act 2001*.

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 provides relief to parties to the Deed from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Reports and Directors' reports, subject to certain conditions as set out therein.

Pursuant to the requirements of this instrument, a summarised consolidated statement of comprehensive income for the year ended 30 June 2019 and consolidated balance sheet as at 30 June 2019, comprising the members of the Closed Group after eliminating all transactions between members, are set out on the following pages.

Consolidated balance sheet	Closed Group	
$M	2019	2018
Cash and cash equivalents	**50**	90
Receivables	**101**	58
Inventories	**1,007**	707
Other assets	**15**	22
	1,173	877
Non-current assets held for sale	**–**	43
Current assets	**1,173**	920
Receivables	**16**	15
Inventories	**2,500**	2,749
Investment properties	**2,349**	2,234
Equity-accounted investments	**–**	25
Other financial assets	**38**	38
Property, plant and equipment	**31**	27
Intangible assets	**156**	119
Deferred tax assets	**40**	88
Other assets	**3**	–
Non-current assets	**5,133**	5,295
Assets	**6,306**	6,215
Payables	**571**	638
Retirement Living resident obligations	**1,322**	1,207
Provisions	**357**	575
Other liabilities	**20**	33
Current liabilities	**2,270**	2,453
Payables	**147**	173
Borrowings	**2,972**	2,770
Retirement Living resident obligations	**38**	38
Provisions	**396**	383
Non-current liabilities	**3,553**	3,364
Liabilities	**5,823**	5,817
Net assets	**483**	398
Issued capital	**1,298**	1,313
Reserves	**2**	2
Accumulated losses	**(817)**	(917)
Securityholders' equity	**483**	398

Refer to the basis of preparation for comments on the net current asset deficiency position of the group.

Summarised consolidated statement of comprehensive income	Closed Group	
$M	2019	2018
Profit before tax	**129**	157
Income tax	**(29)**	59
Profit after tax	**100**	216
Other comprehensive income	**–**	(1)
Total comprehensive income	**100**	215

Summarised movement in consolidated accumulated losses	Closed Group	
$M	2019	2018
Accumulated losses at 1 July	**(917)**	(1,133)
Adjustment for entities added/removed	**–**	–
Profit after tax	**100**	216
Accumulated losses at 30 June	**(817)**	(917)

26. PARENT ENTITY DISCLOSURES

	Stockland Corporation Limited		Stockland Trust	
$M	2019	2018	2019	2018
Results for the year ended 30 June				
Profit for the year	**85**	310	**242**	686
Other comprehensive income	**–**	(1)	**(6)**	22
Total comprehensive income for the year	**85**	309	**236**	708
Financial position as at 30 June				
Current assets	**4,555**	4,436	**466**	549
Assets[1]	**4,688**	4,617	**22,678**	21,684
Current liabilities	**–**	–	**9,597**	8,762
Liabilities	**3,831**	3,831	**13,739**	12,130
Net assets	**857**	786	**8,939**	9,554
Issued capital	**1,299**	1,313	**7,358**	7,538
Reserves	**2**	2	**86**	96
(Accumulated losses)/retained earnings	**(444)**	(529)	**1,495**	1,920
Equity	**857**	786	**8,939**	9,554

1 There were no intangible assets as at 30 June 2019 (2018: $nil).

PARENT ENTITY CONTINGENCIES

There are no contingencies within either parent entity as at 30 June 2019 (2018: $nil).

PARENT ENTITY CAPITAL COMMITMENTS

Neither parent entity has entered into any capital commitments as at 30 June 2019 (2018: $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 note 25.

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 2001.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

A. Reconciliation of profit after tax to net cash flows from operating activities

	Stockland		Trust	
$M	**2019**	**2018**	**2019**	**2018**
Profit after tax	**311**	1,025	**242**	712
Adjustments for:		–		
Net impact on fair value hedges	**7**	12	**6**	12
Net impact on derivatives	**133**	(5)	**134**	(5)
Interest capitalised to investment properties	**(9)**	(17)	**(3)**	(10)
Net impact on sale of non-current assets	**21**	(16)	**21**	–
Net impact on other financial assets	**–**	(26)	**–**	(16)
DMF base fee earned, unrealised	**(26)**	(31)	**–**	–
Net write-back of inventories impairment provision	**1**	–	**–**	–
Depreciation	**16**	16	**–**	–
Straight-line rent adjustments	**(3)**	(6)	**(3)**	(6)
Impairment of Retirement Living goodwill	**38**	–	**–**	–
Net unrealised change in fair value of investment properties (including equity-accounted investments)	**297**	(180)	**210**	(109)
Share of profits of equity-accounted investments, net of distributions received	**–**	1	**–**	1
Equity-settled security based payments	**12**	15	**–**	–
Other items	**(3)**	(9)	**7**	1
Adjustments for movements:				
• Receivables	**(69)**	18	**(11)**	(5)
• Other assets	**(4)**	14	**(10)**	10
• Inventories	**(40)**	(974)	**–**	–
• Deferred tax assets	**48**	(61)	**–**	–
• Payables and other liabilities	**(169)**	337	**(1)**	14
• Resident obligations (net of impact of village disposals)	**43**	112	**–**	–
• Other provisions	**(210)**	503	**–**	–
Net cash flows from operating activities	**394**	728	**592**	599

B. Reconciliation of movement in financial liabilities arising from financing activities

	Stockland and Trust				
			Non cash movements		
$M	Opening balance	Net cash flow	Foreign exchange movements	Fair value changes	Closing balance
Offshore medium term notes	3,381	**82**	**10**	**299**	**3,772**
Domestic medium term notes	557	**200**	**–**	**–**	**757**
Bank facilities and commercial paper	–	**175**	**–**	**–**	**175**
2019	3,938	**457**	**10**	**299**	**4,704**
Offshore medium term notes	2,842	504	40	(5)	3,381
Domestic medium term notes	557	–	–	–	557
Bank facilities and commercial paper	130	(130)	–	–	–
2018	3,529	374	40	(5)	3,938

28. CONTINGENT LIABILITIES

KEEPING IT SIMPLE

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Contingent liabilities at 30 June 2019 comprise bank guarantees, letters of credit and insurance bonds.

	Stockland and Trust	
$M	2019	2018
Bank guarantees, letters of credit and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $750 million (2018: $610 million)	**443**	421

29. COMMITMENTS

A. Capital expenditure commitments

Commitments for acquisition of land and future development costs not recognised in the financial statements at balance date are as follows:

	Stockland		Trust	
$M	2019	2018	2019	2018
Inventory	**395**	363	**–**	–
Investment property	**106**	218	**30**	36
Capital expenditure commitments	**501**	581	**30**	36

B. Operating lease commitments

	Stockland		Trust	
$M	2019	2018	2019	2018
Within one year	**8**	9	**–**	–
Later than one year but not later than five years	**29**	31	**–**	–
Later than five years	**2**	8	**–**	–
Operating lease commitments	**39**	48	**–**	–

During the current financial year, $9 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (2018: $9 million). No operating lease expense was recognised in the Trust's profit or loss.

30. RELATED PARTY DISCLOSURES

Year ended 30 June	Stockland		Trust	
$'000s	2019	2018	2019	2018
Responsible Entity fees	**564**	576	**–**	–
Management and service fee	**77**	77	**–**	–
Property management, tenancy design and leasing fees	**2,423**	2,098	**–**	–
Rental income	**–**	–	**4,774**	5,125
Finance income	**–**	–	**282,166**	266,448
Revenue from related parties	**3,064**	2,751	**286,940**	271,573
Responsible Entity fees	**–**	–	**37,700**	37,583
Property management, tenancy design and leasing fees	**–**	–	**28,304**	28,567
Recoupment of expenses	**–**	–	**63,156**	66,382
Development management fee capitalised to investment property	**–**	–	**6,183**	23,657
Expenses to related parties	**–**	–	**135,343**	156,189

RESPONSIBLE ENTITY AND OTHER MANAGEMENT FEES

Stockland received Responsible Entity and other Management Fees from the unlisted property funds managed by Stockland during the financial year.

The Trust pays Responsible Entity fees to Stockland Trust Management Limited, calculated at 0.3% to 0.35% of gross assets of the Trust less intergroup loans (2018: 0.3 – 0.35%).

Property management expenses and tenancy design fees were paid by the Trust to Stockland Trust Management Limited (the Responsible Entity) or its related parties provided in the normal course of business and on normal terms and conditions.

RENTAL INCOME

Rent was paid by Stockland Corporation Limited, a related party of the Responsible Entity to Stockland Trust in the normal course of business and on normal terms and conditions.

FINANCE INCOME

The Trust has an unsecured loan to Stockland Corporation Limited of $3,533,931 thousand (2018: $3,303,404 thousand) repayable in 2023. Interest on the loan is payable monthly in arrears at interest rates within the range of 7.5% to 8.2% during the year ended 30 June 2019 (2018: 7.7% to 8.1%).

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 for developments which commenced after 1 July 2016 is calculated based on a fixed 4.0% of total development costs in line with recent changes to benchmark methodologies (for developments which commenced prior to 1 July 2016, the fee 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.

Stockland has trade receivables of $381 thousand (2018: $379 thousand) due from the unlisted property funds.

As at 30 June 2019, the carrying amount of Stockland's investment in the unlisted property funds was $8,323 thousand (2018: $8,203 thousand).

31. PERSONNEL EXPENSES

Year ended 30 June	Stockland		Trust	
$M	2019	2018	2019	2018
Wages and salaries (including on-costs)	**210**	214	**–**	–
Equity-settled security based payment transactions	**12**	15	**–**	–
Contributions to defined contribution plans	**14**	12	**–**	–
Increase in annual and long service leave provisions	**3**	5	**–**	–
Redundancy provision	**6**	6	**–**	–
Personnel expenses	**245**	252	**–**	–

PERSONNEL EXPENSES

The total personnel expenses for the year was $245 million (2018: $252 million), which includes $12,407 thousand of equity-settled security based payment transactions (2018: $15,472 thousand).

ANNUAL LEAVE

Accrued annual leave of $13 million (2018: $12 million) is presented in current liabilities, 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. The annual expense was $14,268 thousand (2018: $12,403 thousand).

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

Year ended 30 June	Stockland		Trust	
$000's	2019	2018	2019	2018
Short term employee benefits	**8,631**	13,205	**–**	–
Post-employment benefits	**255**	309	**–**	–
Other long term benefits	**68**	172	**–**	–
Termination benefits	**817**	1,050	**–**	–
Security based payments	**2,872**	7,631	**–**	–
Key management personnel compensation	**12,643**	22,367	**–**	–

Information regarding individual Directors' and Executives' remuneration is provided in the Remuneration Report on pages 86 to 103 of the Directors' Report.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There are transactions between the Group and entities with which key management personnel have an association. These transactions do not meet the definition of related parties since the key management personnel as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time key management personnel acquire Residential land lots from the Group. These purchases are at market rates and on an arm's length basis. For FY19 this amounted to $518 thousand (2018: $nil) net of deposits received in FY18 of $58 thousand (2019: $nil).

33. AUDITOR'S REMUNERATION

Year ended 30 June	Stockland		Trust	
$000's	**2019**	**2018**	**2019**	**2018**
PricewaterhouseCoopers Australia				
Audit and review of Financial Report	**1,942**	1,669	**561**	565
Audit of Unlisted Property Fund Financial Reports	**112**	108	**–**	–
Regulatory audit and assurance services	**647**	847	**393**	587
Other audit and assurance services	**–**	–	**–**	–
Remuneration for audit services	**2,701**	2,624	**954**	1,152
Other non-audit services	**199**	98	**–**	–
Remuneration for non-audit services	**199**	98	**–**	–
Auditor remuneration	**2,900**	2,722	**954**	1,152

Auditor's fees are paid by Stockland Development Pty Limited on behalf of the Group.

34. ACCOUNTING POLICIES

KEEPING IT SIMPLE

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.

A. 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 is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Intergroup 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

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 (which are recycled into profit or loss upon disposal); and
- 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 (which are monetary items considered to form part of the net investment in a foreign operation).

B. Reserves

EXECUTIVE REMUNERATION RESERVE

The executive remuneration reserve arises due to the rights and deferred securities awarded under the LTI and DSTI being accounted for as security based payments. The fair value of the rights and deferred securities is recognised as an employee expense in profit or loss with a corresponding increase in the reserve over the vesting period. On vesting, the LTI and DSTI awards are settled by allocating treasury securities to the rights holder, the cost to acquire the treasury securities is recognised in the executive remuneration reserve by a transfer from treasury securities. Where rights are forfeited due to failure to satisfy a service or performance condition, the cumulative expense is reversed through profit or loss in the current year. The cumulative expenditure for rights which lapse due to failure to satisfy a market condition are transferred to retained earnings on expiry.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, refer to note 16.

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.

C. 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 2019. Stockland's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* replaces existing guidance, including AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The revised lease standard sets out a comprehensive model for identifying lease arrangements and subsequent measurement. Under the new standard, the lessee is required to recognise all right-of-use assets and corresponding lease liabilities on the balance sheet, with the exception of short term and low value leases. The right-of-use asset reflects the lease liability, direct costs and any adjustments for lease incentives or restoration.

The lease liability is the net present value of future lease payments for the lease term, which incorporates any options reasonably expected to be exercised. The contracted cash flows are separated into principal repayments and interest components, using the effective interest rate method. Depreciation expense on the right-of-use asset and interest expense on the lease liability will now be recognised instead of a rental expense.

An assessment has been performed based on each operating lease arrangement that exists in the current reporting period. The assessment confirmed that the new standard will not have a material impact on Stockland or the Trust. Based on the assessment performed, if AASB 16 had been adopted for the year ended 30 June 2019, a right-of-use asset and a lease liability would have been recognised on the balance sheet, while straight line rent liabilities would have been derecognised. Total assets and total liabilities would have increased by less than 1%, Net Assets would decrease by less than 1%. Statutory profit would decrease by less than 1%. The operating lease commitments would also have been adjusted accordingly.

Lessor accounting remains largely unchanged, and hence there is no material impact on accounting for income from Stockland's Retirement Living and Commercial Property businesses.

35. CHANGES IN ACCOUNTING POLICIES

A. AASB 9 Financial Instruments

The Group has adopted AASB 9 as issued in December 2014. The accounting policies were updated to comply with AASB 9. AASB 9 replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 7 *Financial Instruments: Disclosures* was also amended to incorporate more extensive qualitative and quantitative disclosure requirement relating to AASB 9.

Adoption of AASB 9 has resulted in a change in accounting policies and adjustments to certain amounts recognised in the financial statements. The new accounting policies apply to the period commenced 1 July 2018 and the policies in the 30 June 2018 annual financial statements apply to the comparative periods.

IMPACT OF FIRST TIME ADOPTION OF AASB 9

The Group has fully adopted AASB 9 using the modified retrospective approach, with the effect of initially applying the standard recognised as a transition adjustment to the opening balance sheet and retained earnings at the date of initial application of 1 July 2018. Comparatives for the 2018 financial year have therefore not been restated.

The adoption of AASB 9 resulted in the following classification changes on initial application at 1 July 2018:

Financial assets	Former classification under AASB 139	New classification under AASB 9
Trade receivables	Loans and receivables	Financial assets subsequently measured at amortised costs
Other receivables	Loans and receivables	Financial assets subsequently measured at amortised costs
Other assets	Loans and receivables	Financial assets subsequently measured at amortised costs
Available for sale financial assets	Available for sale financial assets	Financial assets subsequently measured at fair value through profit or loss or other comprehensive income

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

The above changes in classification has not had any impact on measurement except as explained below.

AASB 9 also introduces an expected credit loss (ECL) impairment model which differs significantly from the incurred loss approach under AASB 139. The ECL model is forward looking and does not require evidence of an actual loss event for an impairment provision to be recognised.

For trade receivables, Stockland and the Trust apply the simplified approach to measuring expected credit losses as prescribed by AASB 9, which provides for the use of the lifetime expected loss provision for all trade receivables. There was an immaterial impact to Stockland's financial asset provisions on adoption of AASB 9.

The Trust has applied the new expected credit losses impairment model to the $3,288 million unsecured intergroup loan receivable from Stockland Corporation Limited which is repayable in 2023. While there has been no history of defaults, and the loan is considered to be low credit risk, an impairment provision determined as twelve months expected credit losses of $8 million has been recorded in retained earnings on adoption as follows. This loan eliminates on consolidation so there is no impact on Stockland.

Consolidated balance sheet	Trust		
$M	Amount under AASB 139 30 June 2018	Amount under AASB 9 1 July 2018	Decrease
Non-current receivables due from related companies	3,288	3,280	(8)
Retained earnings	2,000	1,992	(8)

B. AASB 15 *Revenue from Contracts with Customers*

AASB 15 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*.

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or service passes to the customer. It requires the identification of discrete performance obligations within a transaction and allocating an associated transaction price to these obligations. The Group adopted AASB 15 with effect from 1 July 2018.

Adoption of AASB 15 has resulted in a change in accounting policies and adjustments to certain amounts recognised in the financial statements as noted below. The new accounting policies apply to the period commenced 1 July 2018 and the policies in the 30 June 2018 annual financial statements apply to the comparative periods.

IMPACT OF FIRST TIME ADOPTION OF AASB 15

The Group has adopted AASB 15 using the modified retrospective approach, with the effect of initially applying the standard recognised as a transition adjustment to the opening balance sheet and retained earnings at the date of initial application of 1 July 2018. Comparatives for the 2018 financial year have therefore not been restated.

There has been no change in the timing of recognition of revenue on adoption of this standard for property development sales and outgoings recoveries. Commercial Property rental income and Retirement Living DMF revenue continue to meet the definition of a lease arrangement and fall outside of the scope of AASB 15.

AASB 15 requires incremental costs which are directly attributable to obtaining a contract (e.g. a sales commission) to be deferred and recognised as a capitalised cost to acquire a contract on balance sheet. This treatment is optional under AASB 15 where the related benefit (revenue) is expected to flow within one year or less of incurring the commission cost, which is the case for the majority of Residential land and Retirement Living sales.

On adoption of AASB 15, a $4 million asset relating to capitalised cost to acquire a contract has been recorded at 1 July 2018, with a corresponding increase in retained earnings, in relation to Medium Density sales commissions incurred where settlements are not forecast to occur within one year. There will be an immaterial impact on the timing of the recognition of the commission expense in future periods.

	Stockland		
$M	Amount under AASB 118 30 June 2018	Amount under AASB 15 1 July 2018	Increase/ (decrease)
Consolidated statement of comprehensive income			
Management, administration, marketing and selling expenses:			
• residential sales commissions	5	–	(5)
• amortisation expense (contract asset)	–	6	6
Expense	5	6	1
Consolidated balance sheet			
Non-current capitalised cost to acquire a contract	–	4	4
Non-current deferred tax liabilities	–	1	1
Retained earnings	–	3	3

In addition to revenue generated directly from leases, which are accounted for in accordance with AASB 117, rent from investment properties includes non-lease revenue earned from tenants, predominantly in relation to recovery of asset operating costs (known as 'outgoings'). This outgoings revenue is within the scope of AASB 15 and therefore recognised and measured under that standard. The outgoings recoveries element of external segment revenue is disclosed in note 1.

Directors' declaration

(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 108 to 172, 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 2019 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that both Stockland and the Trust will be able to pay their debts as and when they become due and payable.

(2) There are reasonable grounds to believe that Stockland Corporation Limited and the Stockland entities identified in note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those Group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

(3) Stockland Trust has operated during the year ended 30 June 2019 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 2019, 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 2019.

(6) The Directors draw attention to the basis of preparation section to the financial statements, which includes a Statement of Compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 21 August 2019

Independent auditor's report

Independent auditor's report

To the stapled securityholders of Stockland and the unitholders of Stockland Trust Group

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Stockland, being the consolidated stapled entity, which comprises Stockland Corporation Limited and its controlled entities, and Stockland Trust and its controlled entities (together the "Stockland Trust Group" or the "Trust") are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial positions of Stockland and the Stockland Trust Group as at 30 June 2019 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of Stockland and the Stockland Trust Group (the financial report) comprise:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flow for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Stockland and the Stockland Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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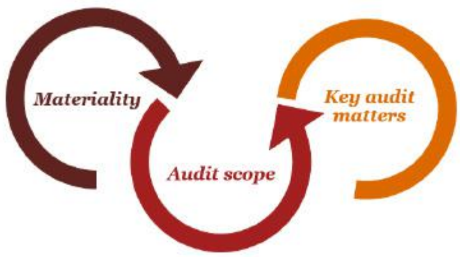
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Stockland and the Stockland Trust Group, their accounting processes and controls and the industry in which they operate.



Materiality

- For the purpose of our audit of Stockland and the Stockland Trust Group, we used overall materiality of $44.8 million and $34.9 million, respectively, which represents approximately 5% of Funds from Operations. The metric is defined in note 2 of the financial report.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Funds from Operations because, in our view, it is the primary metric against which the performance of Stockland is most commonly measured in the industry.
- We chose 5% based on our professional judgement, noting that it is within the common range relative to profit-based benchmarks.

Audit scope

- Our audit focused on where Stockland and the Stockland Trust Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The audit of Stockland and the Stockland Trust Group was performed by a team primarily based in Sydney. We ensured that the audit team possessed the appropriate skills and competencies needed for the audits, and this included industry expertise in real estate, as well as IT specialists, valuation, tax and treasury professionals.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
  - Valuation of Investment properties – Commercial Property
  - Valuation of Investment properties - Retirement Living
  - Carrying value of inventory and cost of property developments sold
  - Recoverability of deferred tax assets
- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period and were determined separately for Stockland and the Stockland Trust Group. Relevant amounts listed for each part of the stapled group represent balances as they were presented in the financial report and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of Investment properties – Commercial Property *(Refer to note 7)* *Stockland - $9,145 million* *Stockland Trust Group - $9,133 million*	
Stockland and the Trust's Commercial Property portfolio ("Commercial Property") is primarily comprised of retail town centres, logistics, and workplace investment properties, as well as properties under development. Commercial Properties are valued at fair value as at reporting date using a combination of the income capitalisation method and the discounted cash flow method. The value of Commercial Properties is dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions are key in establishing fair value: • net market rent • average market rental growth • capitalisation rate • discount rate • terminal yield. At the end of each reporting period the directors determine the fair value of the Commercial Properties in accordance with their valuation policy as described in note 7. This was a key audit matter because of the:	We obtained a sample of publicly available property market reports to obtain an understanding of the prevailing conditions and trends in the markets in which Stockland and the Trust invest, and we compared these factors against the current year valuations. We met with management and discussed the specifics of selected individual properties including, amongst other things, any significant new leases entered into during the year, lease expiries, expectations for future leases, capital expenditure and vacancy rates. For a sample of leases we agreed the underlying lease terms to the tenancy schedule and, for a sample of properties, we compared the rental income used in the valuation and internal tolerance check models to the tenancy schedule. We found that the data used in the samples tested was consistent with tenant leases. We discussed with management the rationale supporting the key assumptions adopted in the valuations, and compared them to comparable market data for reasonableness. For investment properties that were externally valued, we compared the valuations to the fair value listed in the accounting records of Stockland and the Trust, and assessed the reasonableness of the valuation methodology and the assumptions

Key audit matter	*How our audit addressed the key audit matter*
• relative size of the Commercial Property portfolio to net assets and related valuation movements and • inherent subjectivity of the key assumptions that underpin the valuations.	adopted for capitalisation and discount rates relative to comparable market data. In addition, for a sample of investment properties that were externally valued, we: • evaluated the competence and capabilities of the relevant valuer, • read the valuers' terms of engagement - we did not identify any terms that might have affected their objectivity or imposed limitations on their work relevant to their valuation, • made inquiries of a sample of the external valuers as to their key considerations in assessing fair value, and • inspected the final valuation reports. We also used quantitative and qualitative measures to determine those properties at greater risk of being carried at an amount above fair value and varied the nature and extent of audit testing to respond to the risk criteria identified. The procedures conducted, amongst others, included: • compared the valuations to the fair value listed in the accounting records, • assessed the reasonableness of the valuation methodology, • assessed the key assumptions adopted relative to industry benchmarks and market data, including comparable transactions where possible, and • tested the mathematical accuracy of a sample of the valuation calculations.

Valuation of Investment properties - Retirement Living
(Refer to note 8)
Stockland - $3,990 million
Stockland Trust Group – this KAM is not applicable as the Trust does not invest in Retirement Living assets.

Stockland's Retirement Living portfolio ("Retirement Living") comprises retirement village investment properties, as well as properties under development. Retirement Living investment properties are valued at fair value at the reporting date using a discounted cash flow analysis. The value of investment properties in this segment is dependent on the terms of the residents' contracts and the inputs to the valuation model. Factors such as prevailing market conditions, the individual	Together with the PwC valuation expert, we had discussions with management, and read market research and reports to obtain an understanding of the prevailing conditions and trends in the markets in which Stockland invests, and we compared those factors against the current year valuations. We met with management and discussed the specifics of selected individual properties including, amongst other things, vacancy rates, growth rates, discount rates, unit values, and capital expenditure.

Key audit matter	*How our audit addressed the key audit matter*
nature, condition and location of each property and the expected future income for each property directly impact fair values. Amongst others, the following assumptions are key in establishing fair value: • discount rates • growth rates • average length of stay of existing and future residents • current market value of units • renovation / reinstatement costs • renovation recoupment. The Stockland valuation policy requires that all key valuation assumptions be externally appraised by an external valuation expert each reporting period. In addition, at each reporting period a selection of properties are individually valued by an external valuation expert. This was a key audit matter because of the: • relative size of the Retirement Living portfolio to net assets and related valuation movements, and • inherent subjectivity of the key assumptions that underpin the valuations.	For a sample of resident contracts across the portfolio, we compared the terms used in the valuations to underlying contracts. We found that the data used in the samples tested was materially consistent with the sampled resident contracts. We discussed with management the rationale supporting the key assumptions adopted in the valuations, and compared them to the valuation expert's report and market data. For the external review of key valuation assumptions obtained by management, we also: • assessed the competency and capabilities of the relevant external expert, • read the expert's terms of engagement - we did not identify any terms that might affect their objectivity or impose limitations on their work relevant to their valuation assessment, • assessed the reasonableness of the assumptions adopted relative to comparable market data, and • inspected the final valuation assessment and compared the assumptions to those used in Stockland's valuation model. For a sample of Retirement Living property valuations, we: • compared the resident information used in the valuation model to a sample of resident contracts, • assessed the design and operating effectiveness of the relevant key controls over the valuation model and the associated key assumptions used by Stockland to satisfy ourselves that the model was operating as designed, • tested the mathematical accuracy of a sample of the valuation calculations, and • examined the property valuations undertaken by management's expert and compared them with the outputs from the valuation model.

Carrying value of inventory and cost of property developments sold

(Refer to note 6)

Stockland - $3,505 million

Stockland Trust Group – this KAM is not applicable as the Trust does not hold inventory assets.

Key audit matter	How our audit addressed the key audit matter
Carrying value of inventory Stockland has a portfolio of residential development projects that it develops for future sale, which are classified as inventory. Stockland's inventory is accounted for at the lower of the cost and net realisable value for each inventory project, as assessed at each reporting date. The cost of the inventory is calculated using actual land acquisition costs, construction costs, development related costs and interest capitalised for eligible projects. Net realisable value is calculated based on the estimated selling price of the inventory, less the estimated costs of completion, including forecast capitalised interest, and associated selling costs. Each of these factors is impacted by expected future market and economic conditions which include sales prices, sales rates and development costs. Where an inventory project's net realisable value is lower than its cost, the inventory project is written down to its net realisable value under Australian Accounting Standards. ***Cost of property developments sold*** When inventory is sold by Stockland the carrying amount of the relevant inventory is recognised as an expense in the same period that the sale is recognised. The expense recognised is based directly upon the forecast profit margin for the relevant project as a whole, and results in the recognition of a profit margin in the period the inventory is sold. To the extent that expected future costs exceed expected future revenues the inventory is written down to its net realisable value. These were key audit matters because of the: • relative size of the inventory balance to net assets, and • inherent subjectivity of the key assumptions that underpin net realisable value, and the profit margin recognised.	We obtained a sample of the publicly available property market reports to obtain an understanding of the prevailing conditions and trends in the markets in which Stockland invests, and we compared those factors against the assumptions adopted in the current year's assessment of net realisable value of inventory. For each project we discussed with management matters such as the overall project strategy and forecast profitability. Using the information gained from these discussions and our existing knowledge of the business, we used a risk based approach to select a sample of projects on which to perform further procedures over the net realisable value and margin recognition. For the sample of projects selected we: • Further discussed with management the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, development progress and costs and any new and previous write downs. • Obtained Stockland's model of the project's forecast future returns, known as feasibility models, and tested the mathematical accuracy of the model to satisfy ourselves that it was operating effectively. • Compared the estimated selling prices to market sales data in similar locations or, where available, to recent sales in the project. • Compared the forecast costs to complete the project to the relevant construction contracts (if applicable) or the construction contract proposals. • Tested the mathematical accuracy of a sample of the feasibility models. • Compared the carrying value to the project's net realisable value (NRV). In addition we: • Traced a sample of additions to the cost of the project (e.g. development costs) to invoices and verified that they were valid costs that could be capitalised.

Key audit matter	*How our audit addressed the key audit matter*
	• Checked that interest was capitalised for qualifying assets and recalculated the interest capitalised during the period. • Traced a sample of sales recorded to the underlying sale documents and the receipt of cash. • Recalculated the cost of property developments sold recognised for the sample of sales recorded based on the relevant project's forecast profit margin.

Recoverability of deferred tax assets

(Refer to note 21)

Stockland - $40 million

Stockland Trust Group – this KAM is not applicable as while the Trust generates taxable profits each year, this Trust income is distributable each year in full and is taxed in the hands of the unitholders as a Trust Distribution.

Stockland recognised a net deferred tax asset ("DTA") of $40 million at 30 June 2019, comprising a deferred tax asset of $624 million and a deferred tax liability of $584 million. The availability of tax losses is dependent on the satisfaction of either the continuity of ownership test ("COT") or, where this fails, the same business test ("SBT") under the Income Tax Assessment Act 1997. Where either of these tests is satisfied, a DTA is recognised to the extent there is an offsetting deferred tax liability ("DTL"), and tax losses in addition to the offsetting DTL are recognised to the extent that there is evidence that the generation of future taxable profit against which the unused tax losses can be utilised is considered probable. Stockland estimates the likely forecast taxable profits each year based on current and approved Board strategies to assess the utilisation period of recognised tax losses. This was a key audit matter because of the size of the gross DTA and DTL.	The recoverability of the DTA and carried forward tax losses, and the period over which they will be used, depends upon the forecast profitability of the Stockland Corporation Limited tax consolidated group ("SCL"). Our audit work focussed on the review of the Board approved forecast which supports the strategic and operational plans of Stockland, including SCL. We then examined SCL's taxable profit forecasts to assess whether key assumptions were consistent with Stockland's board approved forecast. In addition, we used PwC tax experts to assist in our consideration of Stockland's assessment that tax losses would be available for the relevant periods.

responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report , our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Stockland and the Stockland Trust Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Stockland and the Stockland Trust Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 86 to 103 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Stockland and the Stockland Trust Group for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Hadfield Partner	NR McConnell Partner	Sydney 21 August 2019

Securityholder information and key dates

Securityholder information and key dates

Securityholders

As at 31 July 2019, there were 2,384,351,503 Securities on issue and the top 20 securityholders as at 31 July 2019 is as set out in the table below. In September 2018, Stockland announced an intention to buy-back up to $350 million of Securities over 24 months. As at 31 July 2019, a total of 50,117,773 Securities have been bought-back on-market and cancelled since the commencement of the on-market buy-back programme

Securityholders	Number of securities held	Percentage (%) of total securities
HSBC Custody Nominees (Australia) Limited	892,151,668	37.42
J P Morgan Nominees Australia Pty Limited	486,342,843	20.40
Citicorp Nominees Pty Limited	284,317,933	11.92
National Nominees Limited	141,107,050	5.92
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	75,359,000	3.16
BNP Paribas Noms Pty Ltd <DRP>	29,999,046	1.26
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	26,228,612	1.10
HSBC Custody Nominees (Australia) Limited-GSCO ECA	13,016,067	0.55
HSBC Custody Nominees (Australia) Limited <NT-COMNWLTH SUPER CORP A/C>	10,961,273	0.46
AMP Life Limited	10,727,653	0.45
Australian Executor Trustees Limited <IPS Super A/C>	8,588,593	0.36
HSBC Custody Nominees (Australia) Limited	7,036,594	0.30
E G Holdings Pty Limited	6,411,632	0.27
Netwealth Investments Limited <Wrap Services A/C>	5,436,638	0.23
National Nominees Limited <N A/C>	5,160,271	0.22
Navigator Australia Ltd <SMA Antares Inv DV Build A/C>	4,634,367	0.19
CPU Share Plans Pty Ltd <SGP STI CONTROL ACCOUNT>	4,592,913	0.19
Buttonwood Nominees Pty Ltd	4,330,850	0.18
Argo Investments Limited	4,017,934	0.17
Milton Corporation Limited	3,844,940	0.16

Distribution of securityholders as at 31 July 2019	Number of securityholder	Number of securities	Percentage (%) of total securityholders
1 – 1,000	12,275	5,510,355	0.23
1,001 – 5,000	23,161	63,368,001	2.66
5,001 – 10,000	9,740	70,580,121	2.96
10,001 – 100,000	7,151	148,960,104	6.25
100,001 – over	187	2,095,932,922	87.90

There were 1,737 securityholders holding less than a marketable parcel (110) at close of trading on 31 July 2019.

Substantial securityholders as at 31 July 2019	Number of Securities held
Vanguard Investments Australia Limited/Vanguard Group Inc.	244,010,845
BlackRock Group (BlackRock Inc. and subsidiaries)	209,276,672
State Street Corporate and subsidiaries	136,943,104

ATTRIBUTION MANAGED INVESTMENT TRUST MEMBER ANNUAL STATEMENT

After the announcement of the Group's full year results each year, you will receive a comprehensive attribution managed investment trust member annual statement. This statement summarises the distributions and dividends paid to you during the year, and includes information required to complete your tax return.

ANNUAL REPORT

Securityholders have a choice of whether they receive:

- An electronic version of the Annual Report
- A printed copy of the Annual 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
- General queries about your securityholding.

DIVIDEND/DISTRIBUTION PERIODS

1 July – 31 December

1 January – 30 June

KEY DATES

21 OCTOBER 2019

Annual General Meeting
The Westin Sydney, 1 Martin Place, Sydney, NSW 2000 at 2.30pm

31 DECEMBER 2019

Record date

19 FEBRUARY 2020

Half-year results announcement

30 JUNE 2020

Record date

25 AUGUST 2020

Full-year results announcement

HEAD OFFICE

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Sydney NSW 2000

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STOCKLAND ENTITIES

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

CUSTODIAN

The Trust Company Limited
ACN 004 027 749

Level 13, 123 Pitt Street
Sydney NSW 2000

DIRECTORS

NON-EXECUTIVE

Tom Pockett – Chairman
Melinda Conrad
Carolyn Hewson
Barry Neil
Stephen Newton
Christine O'Reilly
Carol Schwartz
Andrew Stevens

EXECUTIVE

Mark Steinert – Managing Director

COMPANY SECRETARY

Katherine Grace

SHARE/UNIT REGISTRY

Computershare Investor Services Pty Limited
Level 3, 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 Carolyn Hewson retired on 24 October 2018.

2 Christine O'Reilly was appointed on 23 August 2018.

Glossary

AA1000	AA1000 AccountAbility Principles
AASBs or Accounting Standards	Australian Accounting Standards as issued by the Australian Accounting Standards Board
AFFO	Adjusted funds from operations
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
Aspire villages	Non-DMF product and a purpose- built neighbourhood exclusively for people aged over 55 years
ASX	Australian Securities Exchange
CCIRS	Cross currency interest rate swaps
CDP	Carbon Disclosure Project
DJSI	Dow Jones Sustainability Index
D-Life	Project development lifecycle
DCF	Discounted cash flow
DMF	Deferred management fees earned from residents within the Retirement Living business
DRP	Dividend/distribution reinvestment plan
DSTI	Deferred short term incentives
EBIT	Earnings before interest and tax
EPS	Earnings per security
Executive Committee	Comprise the Executive Director and the Executive team of Stockland
Executive Director	Mark Steinert, the Managing Director and Chief Executive Officer of Stockland
FFO	Funds from operations
GRESB	Global Real Estate Sustainability Benchmark
GRI	Global Reporting Initiative
GST	Goods and services tax
IFRS	International Financial Reporting Standards as issued by the International Financial Reporting Standards Board
IPCC	Intergovernmental Panel on Climate Change
IRR	Internal rate of return
KMP	Key management personnel
KPI	Key performance indicators
LBG	London Benchmarking Group
LTI	Long term incentives
MAT	Moving annual turnover
NGERs	National Greenhouse and Energy Reporting
NRV	Net realisable value
RAP	Reconciliation Action Plan
Report	This Stockland Annual Report 2019
ROA	Return on assets
ROE	Return on equity
SCPL	Stockland Capital Partners Limited
SDGs	Sustainable Development Goals
SDRT No. 1	Stockland Direct Retail Trust No. 1
Security	An ordinary stapled security in Stockland, comprising of one share in Stockland Corporation and one unit in Stockland Trust

Security plans	Employee security plans which comprise the LTI, DSTI and $1,000 employee plans
Statutory profit	Profit as defined by Accounting Standards
STI	Short term incentives
STML	Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust
Stockland or Group	The consolidation of Stockland Corporation Group and Stockland Trust Group
Stockland Corporation or Company	Stockland Corporation Limited (ACN 000 181 733)
Stockland Corporation Group	Stockland Corporation and its controlled entities
Stockland Trust	Stockland Trust (ARSN 092 897 348)
Stockland Trust Group or Trust	Stockland Trust and its controlled entities
TCFD	Task Force on Climate-related Financial Disclosure
TSR	Total securityholder return
WALE	Weighted average lease expiry

Stockland Corporation Ltd
ACN 000 181 733

Stockland Trust
Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity
for Stockland Trust
ARSN 092 897 348

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