



# 2003

ANNUAL REPORT  
30 JUNE 2003



Stockland

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**VALUE ADDING** – STOCKLAND'S NEW IDENTITY HIGH OVER WETHERILL PARK SETS THE BENCHMARK FOR STOCKLAND SHOPPING CENTRE BRANDING.



# RESULTS IN BRIEF

“THE REAL STRENGTH OF STOCKLAND LIES IN OUR ABILITY TO DRAW ON THE SYNERGIES OF OUR DIVERSE PROPERTY BUSINESSES TO GENERATE MARKET-LEADING RETURNS FOR OUR SHAREHOLDERS.”

MATTHEW QUINN - MANAGING DIRECTOR

<b>TOTAL ASSETS</b>  ↑ <b>+79.1%</b>  <b>2003</b> \$5,958.4M <b>2002</b> \$3,327.1M	<b>GROSS REVENUE</b>  ↑ <b>+3.6%</b>  <b>2003</b> \$867.3M <b>2002</b> \$837.3M	<b>NET PROFIT AFTER TAX</b>  ↑ <b>+14.0%</b>  <b>*2003</b> \$284.8M <b>2002</b> \$249.8M	TO VIEW STOCKLAND'S FULL YEAR RESULTS PRESENTATION VISIT <a href="http://www.stockland.com.au">www.stockland.com.au</a>
<b>DISTRIBUTION/DIVIDEND</b>  ↑ <b>+13.1%</b>  <b>2003</b> \$272.8M <b>2002</b> \$241.3M	<b>DISTRIBUTION/DIVIDEND PER ORDINARY SECURITY</b>  ↑ <b>+8.1%</b>  <b>2003</b> 32.1¢ <b>2002</b> 29.7¢	<b>EARNINGS PER SECURITY</b>  ↑ <b>+8.8%</b>  <b>*2003</b> 33.5¢ <b>2002</b> 30.8¢	

\*Before write-off of premium on acquisition of AMP Diversified Property Trust (see page 95 for explanation).

# OPERATING ACTIVITIES



## SHOPPING CENTRES

OWNS, MANAGES AND DEVELOPS SUB-REGIONAL SHOPPING CENTRES THROUGHOUT AUSTRALIA AND NEW ZEALAND.

→ FULL REPORT PAGE 18

### KEY FACTS

- Divisional operating profit of \$98.4 million, 12% above FY2002
- Comparable net income growth of 4.6% across the portfolio
- 38 centres in Australia and New Zealand valued at approximately \$2.5 billion
- A further three development sites in the planning phase
- More than 2,800 retailers generating in excess of \$3.8 billion in retail sales per year
- Over 127 million shopper visits per year
- Sub-regional market share approaching 12%
- Weighted average lease expiry of 7 years

## COMMERCIAL

OWNS AND MANAGES COMMERCIAL OFFICE BUILDINGS IN SYDNEY, MELBOURNE, CANBERRA, PERTH AND ADELAIDE. PROVIDES A HIGH LEVEL OF INTEGRATED PROPERTY SERVICES ENABLING TENANTS TO DEAL DIRECTLY WITH STOCKLAND AS THE OWNER.

→ FULL REPORT PAGE 22

### KEY FACTS

- \$1.85 billion investment portfolio
- 36 properties in NSW, Western Australia, ACT, South Australia and Victoria
- More than 535,000m<sup>2</sup> net lettable area
- Proactive leasing strategy with 34% of portfolio leased/renewed in FY2003
- Portfolio vacancy of 3.6%, well below market average

## INDUSTRIAL & OFFICE PARKS

OWNS, DEVELOPS AND MANAGES OFFICE PARKS, INDUSTRIAL WAREHOUSES AND DISTRIBUTION CENTRES.

→ FULL REPORT PAGE 22

### KEY FACTS

- \$700 million investment portfolio
- 17 industrial warehouse and distribution centres
- 7 office park properties
- More than 1.13 million m<sup>2</sup> lettable area
- Proactive leasing strategy with 28% leased/renewed in FY2003
- Significant long-term development potential within portfolio
- Focus on superior on-site tenant services to minimise vacancy levels
- Industrial vacancy remains low at 3.0%

## RESIDENTIAL ESTATES

FOCUSES ON ACQUIRING, DESIGNING, MARKETING AND PROJECT MANAGING RESIDENTIAL ESTATES AND INTEGRATED HOUSING WITHIN AUSTRALIA'S KEY URBAN GROWTH MARKETS.

→ FULL REPORT PAGE 26

### KEY FACTS

- Portfolio of 65 current projects with an end market value in excess of \$4.2 billion
- Gross inventory book value of \$567 million
- More than 30,000 lots under the Group's ownership or control
- State operations in NSW, Victoria, Queensland and Western Australia
- 3,076 lots sold in FY2003 generating \$92.1 million operating profit
- Pre-sales of 1,248 lots on hand as at 30 June 2003 valued at \$192.5 million

## APARTMENTS

ACQUIRES, DESIGNS, PROJECT MANAGES AND MARKETS APARTMENT AND MIXED-USE PROJECTS TARGETING THE OWNER-OCCUPIER MARKETS IN PREMIUM URBAN LOCATIONS.

→ FULL REPORT PAGE 26

### KEY FACTS

- Portfolio of 7 projects with an end market value of \$570 million
- Gross inventory book value of \$115 million
- Projects concentrated in Sydney, Brisbane and Perth
- 203 pre-sales on hand as at 30 June 2003 valued at \$89.5 million

## RETAIL PROJECTS

SPECIALISES IN ACQUIRING, DEVELOPING AND ON-SELLING NEIGHBOURHOOD SHOPPING CENTRES AND HOMEMAKER CENTRES TO INVESTORS.

→ FULL REPORT PAGE 26

### KEY FACTS

- Portfolio of 9 current projects with an end market value of \$205 million
- Gross inventory book value of \$71 million
- More than 87,000m<sup>2</sup> of retail space to be delivered
- Projects located in Queensland and NSW
- 2 pre-sales on hand as at 30 June 2003 valued at \$35 million

## HOTELS

MANAGES APARTMENT-STYLE HOTELS AROUND AUSTRALIA UNDER OUR OWN 'SAVILLE' BRAND, WHICH IS RECOGNISED AS ONE OF THE LEADING APARTMENT-STYLE HOTEL GROUPS.

→ FULL REPORT PAGE 30

### KEY FACTS

- 1,600 apartments managed in 11 hotels across Australia
- Operating in 4 to 4 1/2 star market
- 430,000 visitor nights in FY2003
- Domestic corporate market accounts for 60% of turnover
- Net profit increased 38.4% from 2002
- Strong occupancy and room rate achieved in FY2003

TO VIEW STOCKLAND'S COMPLETE PROPERTY PORTFOLIO VISIT [www.stockland.com.au](http://www.stockland.com.au) OR TURN TO PAGE 73 FOR A DETAILED SUMMARY

# THE STOCKLAND VISION

STOCKLAND'S VISION IS 'TO BE RECOGNISED AND RESPECTED AS AUSTRALIA'S LEADING DIVERSIFIED PROPERTY GROUP'.

## THE CHALLENGES WE HAVE SET OURSELVES

- Provide outstanding returns for our shareholders
- Capitalise on the synergies of our diverse property businesses
- Leverage our asset base through careful, controlled growth
- Strive to always exceed our customers' expectations
- Continue to attract, develop and retain the best people
- Deliver exceptional outcomes to our partners and joint venturers
- Contribute responsibly and ethically to the communities in which we participate.



**TEAM BUILDING** THE DYNAMIC WORKING ENVIRONMENT AT STOCKLAND BRINGS TOGETHER A DIVERSE GROUP OF INDIVIDUALS WITH A REAL EMPHASIS ON TEAMWORK.



**POOLING IDEAS**  
OUR TEAM IS MADE UP OF EXPERIENCED PROFESSIONALS FROM MANY DISCIPLINES WHO COMBINE TO FIND SMARTER SOLUTIONS.

OPENNESS  
COMMITMENT  
INNOVATION  
TEAMWORK  
EMPOWERMENT  
ENJOYMENT

**HOW WE INTEND TO MEET THOSE CHALLENGES**

- Undertake continuous review of our strategies and business plans to adapt to changing market conditions
- Employ simple, flat management structures to foster accountability, empowerment and communication
- Constantly look for innovative ways to improve and add value through the diversity of our people and the synergies of our businesses
- Implement rigorous risk management and quality control standards
- Inspire our people to exceed stakeholder expectations
- Link employee rewards with results and celebrate our successes together
- Encourage a working environment that is always open, honest and respectful of different points of view.

# CHAIRMAN'S REPORT



PETER DALY  
CHAIRMAN

“IN THE PAST YEAR WE DELIVERED YET ANOTHER RECORD RESULT. WE ENTER THE 2004 FINANCIAL YEAR WITH A STRONG ASSET BASE, AN EXPERIENCED BOARD AND MANAGEMENT TEAM AND A CLEAR STRATEGY TO GUIDE STOCKLAND THROUGH THE NEXT STAGE OF GROWTH.”

PETER DALY - CHAIRMAN

INVESTOR CONFIDENCE IN THE LISTED PROPERTY SECTOR DURING THE LAST FINANCIAL YEAR REMAINED STRONG. OVER THE LAST SIX MONTHS, EQUITIES HAVE BEGUN TO REBOUND AS THE PROSPECT OF A GENERAL RECOVERY IN MAJOR GLOBAL ECONOMIES EMERGES.

The Australian economy continues to be a stand-out performer. This comes largely as a result of good economic management, low unemployment, low interest rates and a significant contribution from the housing sector.

The value of our stapled structure and our diversified range of property interests has also been clearly displayed over this last year as investors support the continued growth in the value of our securities.

We remain one hundred percent focused on delivering sustainable, long-term, secure returns to our shareholders, as well as maintaining the highest standards of ethics and corporate accountability.

Our business strategy continues to deliver a diversity of property income streams, strong financial and capital management, a conservative approach to gearing and an integrated and proactive management approach throughout the Group.

In the year to June 2003, we achieved a 14% increase in net profit, our 21<sup>st</sup> successive year of profit growth. Following our successful takeover of AMP Diversified Property Trust, which is explained in the Managing Director's report, Stockland's market capitalisation at the time of this report stood at \$5.5 billion, making us one of the largest property groups listed on the Australian Stock Exchange.

A distribution/dividend payout of 16.5 cents per security has been declared for the second half of the year to June 2003, paid on 29 August 2003. This brings the total payout for the year to 32.1 cents per security, up 8.1% from the previous year. This is an excellent outcome for our shareholders.

Ethics and corporate governance continue to be a major focus for listed companies and their shareholders. At Stockland, we believe it is our responsibility as a Board and management team to live and breathe the highest principles of governance in every aspect of our activities.



COLONIAL CENTRE  
SYDNEY, NSW.



We are committed to the principle of transparency on all corporate governance and remuneration matters. An “arms length” relationship with our auditors is embedded in Stockland’s governance policies, which are safeguarded by the Audit Committee. A summary of our governance policies and practices is set out on page 16 of this report, together with a more detailed report on page 40. We welcome shareholder feedback on any matters raised in this report.

There is considerable ongoing debate over conformance versus performance. At Stockland we are delivering on both. Our Board includes a number of members who have considerable years of service, including myself.

We are implementing a Board enhancement program, the first new appointment – that of Terry Williamson – having taken place a few months ago. It is our intention to continue this process with the appointment of further directors, allowing for a new generation of directors to emerge bringing further valuable experience and paving the way for future succession within the Board before existing members retire.

On behalf of the Board, I would like to pay tribute to each of our employees for their contribution to our ongoing excellent performance. The past year has been particularly intense, placing a great many demands on our people who have repeatedly risen to the challenge and delivered beyond expectations. I would also like to welcome our new shareholders who have joined us as a result of the AMP Diversified Property Trust acquisition.

Thank you for your support.

**Peter Daly**  
Chairman

# MANAGING DIRECTOR'S REPORT



**MATTHEW QUINN**  
MANAGING DIRECTOR

“OVER THE PAST YEAR, OUR BOARD AND MANAGEMENT TEAM HAS BEEN FOCUSED ON DEVELOPING AND IMPLEMENTING STRATEGIES FOR SUSTAINED PERFORMANCE AND GROWTH.”

MATTHEW QUINN - MANAGING DIRECTOR

I AM PROUD TO REPORT THAT STOCKLAND DELIVERED A LANDMARK RESULT IN THE 2003 FINANCIAL YEAR.

Total assets increased by 79.1% to \$5.96 billion, gross revenue increased by 3.6% to \$867.3 million and net profit after tax rose by 14% to \$284.8 million (before the write-off of the premium on acquisition of the AMP Diversified Property Trust (ADP) – which is explained on page 95).

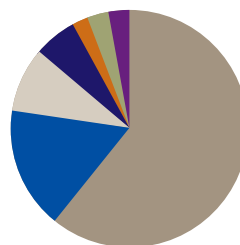
The ADP acquisition commenced in June 2003 and was completed in August 2003. Its performance, therefore, is not reflected in the Group's profit results for the year to 30 June, however ADP assets and liabilities are included in the consolidated balance sheet as we had achieved majority control by 30 June 2003.

Each of our operating divisions delivered an outstanding performance in the 2003 financial year and with the ADP takeover, we are now even better placed to continue to outperform.

Our Shopping Centre Division delivered another record result, achieving operating profit of \$98.4 million, 12% above the previous year. In addition to the new properties acquired through the ADP takeover, we purchased several new shopping centres located in strategic growth markets.

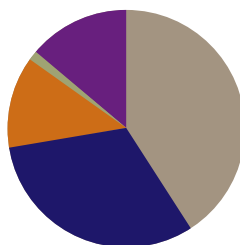
The Commercial and Industrial Division also performed well in difficult market conditions. Operating profit for the Division was \$133.5 million. The Commercial portfolio's vacancy rate of just 3.6% was significantly below market average.

## GEOGRAPHIC DIVERSITY (TOTAL ASSETS)



	30 JUN 2003	31 DEC 2002
NSW	61%	62%
QLD	16%	18%
VIC	9%	11%
WA	6%	3%
SA	3%	3%
NZ	3%	0%
ACT	2%	3%

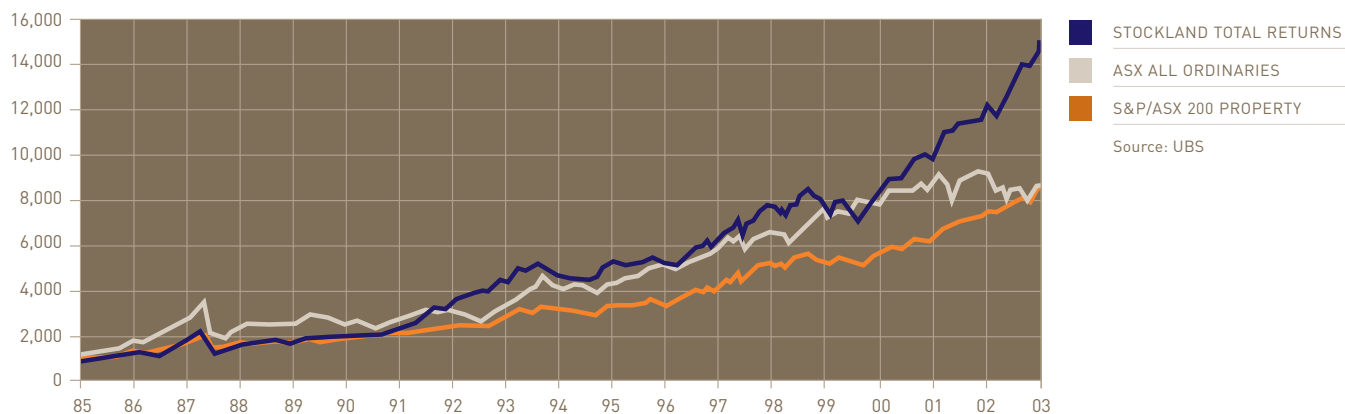
## ASSET DIVERSITY OF GROUP



	30 JUN 2003	31 DEC 2002
SHOPPING CENTRES	40%	35%
COMMERCIAL	33%	31%
DEVELOPMENT DIVISION	14%	20%
INDUSTRIAL & OFFICE PARKS	12%	13%
HOTELS	1%	1%



#### MARKET PERFORMANCE – TOTAL SHAREHOLDER RETURN INDEX



Our Development Division produced and sold more than 3,000 residential lots and dwellings. It delivered a record operating profit of \$94.7 million, up 52% on the previous year. We also acquired a number of excellent new sites for development of future residential communities and mixed-use projects.

Our Saville Hotel Group also performed exceedingly well in a challenging market, with a combination of marketing, service and cost management initiatives increasing net profit by 38.4%.

The diversity of our property asset base and income streams is a key strategy of our Group and delivers many benefits for our shareholders. These include reducing volatility in returns and capitalising on the synergies across the businesses to enhance profit growth.

Our diversification strategy was accelerated this year with the acquisition of ADP, which significantly enhanced the breadth and quality of our assets.

By 30 June we had achieved 69% ownership of ADP. From this position we have subsequently moved to 100% control.

We have worked hard during this process to ensure a seamless integration of the ADP properties into the Stockland operation. I am pleased to report that the integration process is virtually complete. Almost 50 people have transferred to Stockland from AMP Henderson, the previous Responsible Entity, and I would like to welcome them to our team.

With ADP's assets integrated, our Shopping Centre business now represents 40% of total assets, up from 35%. We now have a market leading position in the key sub-regional shopping centre market, which gives us greater economies of scale and cross-branding opportunities.

Our Commercial portfolio now represents 33% of total assets, up from 31%, coupled with a significant improvement in the quality of our assets. Our A-grade office space now represents over 60% of our portfolio, up from 30%.

ADP was not involved in the residential sector and therefore our Development Division has decreased from 20% to 14% of total assets. This provides us with significant opportunities to grow this Division in an orderly manner towards our preferred weighting of 20%-25% and in doing so provide enhanced returns to shareholders.



“AS WE ADVANCE TO THE NEXT  
STAGE OF OUR STRATEGIC  
GROWTH, OUR PEOPLE WILL  
DRIVE OUR PERFORMANCE  
THROUGH INNOVATION,  
COMMITMENT AND TEAMWORK.”

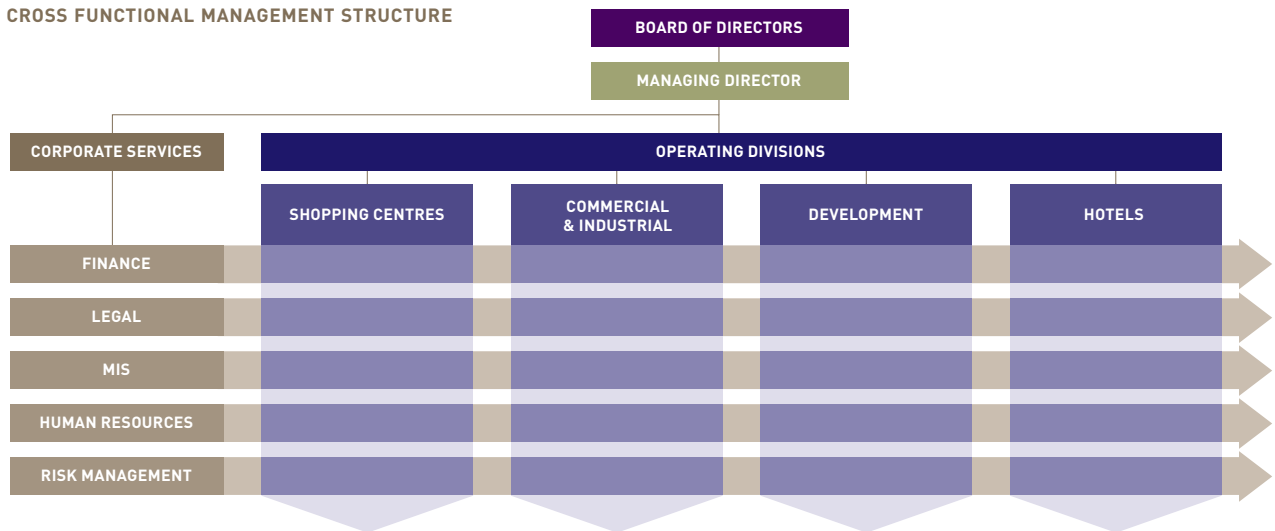
MATTHEW QUINN - MANAGING DIRECTOR

We operate through a flat management structure, which ensures individual accountability by each division and promotes active collaboration across the Group.

Our operating divisions are supported by our Corporate Services teams, which interact with each business to ensure the highest standards of reporting, human resource management, technology and governance are applied.

The strength and stability of our team will continue to be one of Stockland's key points of difference.

CROSS FUNCTIONAL MANAGEMENT STRUCTURE





CENTRECOURT ESTATE  
NORTH RYDE, NSW.

In late 2002, we launched Stockland's new brand identity and reconfirmed our cultural values for our people. This important milestone has given us an opportunity to reinvigorate the Stockland brand and review the manner in which our products and services reflect our positioning. This will enable us to increase our brand awareness and equity to leverage higher premiums in the market.

ALL OF THESE INITIATIVES ENSURE THAT WE ARE WELL POSITIONED TO DELIVER CONTINUED GROWTH IN RETURNS TO OUR SHAREHOLDERS.

I WOULD LIKE TO CONGRATULATE ALL OF OUR PEOPLE FOR THEIR OUTSTANDING CONTRIBUTION IN THE LAST YEAR AND EQUALLY, THANK OUR SHAREHOLDERS FOR THEIR CONTINUED SUPPORT.

**Matthew Quinn**  
Managing Director

# BOARD OF DIRECTORS

THE BOARD COMPRISES A MAJORITY OF NON-EXECUTIVE DIRECTORS WHO DRAW UPON THEIR EXTENSIVE BUSINESS EXPERIENCE TO GUIDE THE STRATEGIC DIRECTION OF THE GROUP.



**MATTHEW QUINN**  
MANAGING DIRECTOR  
B.SC. (HONS), A.C.A., A.R.C.S.  
AGE 41

Mr Quinn has an extensive background in commercial, retail, industrial and residential property investment and development. He began his career in the United Kingdom as a chartered accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. He is a member of the Treasury Risk Management Committee. Mr Quinn was appointed National President of the Property Council of Australia in March 2003.

**JOHN PETTIGREW**  
FINANCE DIRECTOR  
F.C.P.A., F.C.I.S.  
AGE 57

Mr Pettigrew has had extensive commercial and financial experience with a number of major corporations during 29 years of involvement in the property industry, of which 26 years have been with Stockland. He served as Stockland's Company Secretary and Chief Financial Officer from 1977 and has held the position of Finance Director since his appointment in 1982. Mr Pettigrew is a member of the Compliance Committee and the Treasury Risk Management Committee.

**PETER DALY**  
CHAIRMAN  
(NON-EXECUTIVE)  
B.E., M.I.E. AUSTRALIA  
AGE 62

Mr Daly was appointed Chairman of the Board in October 2000. He was Managing Director of Stockland from March 1990 to October 2000, prior to which he was Group General Manager. Mr Daly has been involved in the real estate industry for the past thirty two years, serving in a number of executive positions within Stockland over that time. He is Chairman of the Treasury Risk Management Committee and a member of the Nominations and Remuneration Committee.

**NICHOLAS GREINER**  
DEPUTY CHAIRMAN  
(NON-EXECUTIVE)  
B.E.C. (HONS), M.B.A.  
AGE 56

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He was a member of the New South Wales Parliament from 1980 to 1992 and Premier for the last five years of that period. Prior to entering parliament, and after a distinguished academic career, he held executive positions in the United States of America and Australia. Mr Greiner is Chairman of Boulderstone Hornibrook Limited and a director of McGuigan Simeon Wines and QBE Insurance Group. Mr Greiner is Chairman of the Nominations and Remuneration Committee.



**DAVID FAIRFULL**

NON-EXECUTIVE DIRECTOR

B. COMM., C.P.A.,  
A.C.I.S., A.S.I.A.

AGE 61

Mr Fairfull was appointed to the Board in March 1990.

He is a non-executive director of Australian Pharmaceutical Industries Limited, Gazal Corporation Limited, Keith Harris & Company Limited, SP Telecommunications Limited and Washington H Soul Pattinson & Company Limited. Mr Fairfull is a member of the Treasury Risk Management and Audit Committees and Chairman of the Compliance Committee.

**BRUCE CORLETT**

NON-EXECUTIVE DIRECTOR

B.A., L.L.B.

AGE 58

Mr Corlett was appointed to the Board in November 1996.

He is director of a number of companies and is also Chairman of Adsteam Marine Limited, Servcorp Limited and Trust Company of Australia Limited. He is also a Senate Fellow at the University of Sydney.

Mr Corlett is a member of the Audit Committee and the Nominations and Remuneration Committee.

**BARRY THORNTON**

NON-EXECUTIVE DIRECTOR

K.S.J., F.C.A.

AGE 63

Mr Thornton was appointed to the Board in October 1995.

He is Chairman of GWA International Limited and Brisbane Airport Corporation Limited. Mr Thornton is currently Chairman of the Salvation Army, Brisbane Advisory Board and Deputy Chancellor of Bond University Limited.

Mr Thornton is a member of the Audit Committee.

**TERRY WILLIAMSON**

NON-EXECUTIVE DIRECTOR

B.EC., M.B.A., F.C.A.

AGE 55

Mr Williamson was appointed to the Board in April 2003. He is a director of St Vincent's and Mater Health Group Sydney, and a member of the Sydney University Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Ltd/BT Financial Group Pty Ltd from 1997 to 2002 and prior to that, he was a partner of Price Waterhouse for 17 years. Mr Williamson is Chairman of the Audit Committee.

# OUR PEOPLE



LILIAN CLARKE  
GROUP GENERAL MANAGER  
HUMAN RESOURCES

“WE HAVE THE RIGHT PEOPLE WITH THE RIGHT ATTITUDE AND A DYNAMIC, INCLUSIVE STRUCTURE THAT BRINGS OUR VISION, MISSION AND VALUES TO LIFE.”

LILIAN CLARKE – GENERAL MANAGER HUMAN RESOURCES

OUR VISION IS TO BE RECOGNISED AND RESPECTED AS AUSTRALIA'S LEADING DIVERSIFIED PROPERTY GROUP. BEING PART OF A WINNING TEAM IS IMPORTANT TO OUR PEOPLE – IT HAS PROVEN TO BE THE KEY MOTIVATION FOR THE HIGH CALIBRE PEOPLE WE CONTINUALLY ATTRACT.

Stockland has grown rapidly in the past few years and with that growth has come a real commitment to developing, recognising and rewarding the skills of all the individuals that make up the Stockland team.

Our Human Resources team has developed partnerships with a variety of leading training providers to enable every one of our employees to achieve their full potential as part of a successful and forward-looking organisation.

As a national, diversified company we have both the geographic spread and range of businesses and services to offer a dynamic career path for our employees.

Our goal is to recruit good people and see them stay. Promoting from within, appropriately rewarding performance and openly celebrating our successes together are important elements that combine to deliver on this goal.

The commitment to our mission and values will continue to advance our organisation. We are acutely aware of both the power of a balanced, dynamic culture and the countless failings of companies that do not live and breathe what they profess.

At Stockland, we have the right people with the right attitude and a dynamic, inclusive structure that brings our vision, mission and values to life in everything we do.

## TRIUMPH

STOCKLAND PROUDLY SPONSORS 2003 WORLD CHAMPION JANA PITTMAN, WHO EMBODIES OUR VALUES OF DEDICATION, PASSION AND COMMITMENT.



MATTHEW QUINN, MANAGING DIRECTOR  
'SHAVES FOR A CURE'

STOCKLAND'S 'SHAVE FOR A CURE' EFFORT IN SUPPORT OF THE LEUKAEMIA FOUNDATION WAS AN OUTSTANDING SUCCESS. THE SUPPORT OF OUR BUSINESS PARTNERS WAS OVERWHELMING – WE RAISED NEARLY \$85,000. THE FOLLOWING MAJOR SPONSORS EACH DONATED \$5,000 OR MORE:

- COLLIERS INTERNATIONAL
- JB WERE FOUNDATION
- JD EDWARDS
- MACQUARIE BANK
- MARTINS DESIGN
- TABLE EIGHT CORPORATE TREASURE AND ASSOCIATES

## EMPLOYEE NUMBERS

	2003	2002
Total	984	964



**PERSONAL GROWTH**  
BY PROVIDING OUR EMPLOYEES  
WITH EXCITING, REWARDING  
OPPORTUNITIES FOR CAREER  
PROGRESSION, WE ARE ABLE TO  
ATTRACT AND RETAIN THE BEST  
PEOPLE TO GROW OUR BUSINESS.



FOR FURTHER INFORMATION  
ON THIS TOPIC VISIT  
[www.stockland.com.au](http://www.stockland.com.au)

# CORPORATE GOVERNANCE OVERVIEW



**PHILLIP HEPBURN**  
GENERAL COUNSEL &  
GROUP SECRETARY

## **BOARD AND MANAGEMENT RESPONSIBILITIES**

THE BOARD IS RESPONSIBLE FOR THE OVERALL DIRECTION AND PERFORMANCE OF STOCKLAND CORPORATION LIMITED AND STOCKLAND TRUST MANAGEMENT LIMITED. THE BOARD DELEGATES RESPONSIBILITY FOR THE DAY TO DAY MANAGEMENT OF STOCKLAND TO THE MANAGING DIRECTOR AND HIS EXECUTIVE TEAM.

For detailed statement see page 40

## **BOARD COMPOSITION**

Careful consideration is given to the composition and spread of experience and expertise among directors. The Board is required to have a majority of non-executive or independent directors. Currently, there are eight directors, six being non-executive and five of those independent. Stockland has set criteria for determining the independence of its non-executive Board members. A majority of each Board Committee must also be independent and the roles of the Chairman and the Managing Director cannot be combined.

For detailed statement see page 40

All directors are appointed for a period of three years. One third of Stockland's directors must retire from office at the annual general meeting each year. Retiring directors are eligible for re-election.

For detailed statement see page 42

## **SHARE OWNERSHIP**

Directors are encouraged to hold shares in Stockland to more closely align directors' interests with those of shareholders.

For detailed statement see page 47

## **BOARD COMMITTEES**

Board Committees assist with execution of the Board's responsibilities to shareholders.

These Committees include:

- **Nominations and Remuneration:** Reviews the composition of the Board and ensures a mix of qualifications, skills and experience are represented. Also ensures that Stockland's directors' fees and executive remuneration are appropriate.
- **Audit:** Responsible for the accuracy and completeness of financial statements, appoints external auditors and is empowered to commission independent expert reports. Sets rules to ensure the independence of Stockland's external auditors.
- **Compliance:** Monitors and reviews the effectiveness of compliance functions in respect of Stockland Trust Management Limited's role as Responsible Entity for Stockland Trust and its controlled entities.
- **Environment:** Convenes annually as a full Board to consider the impact of environmental issues on Stockland operations and to ensure all relevant statutory requirements are met.
- **Treasury Risk Management:** Oversees management of interest rate, currency and other treasury risk, sets policies and reviews treasury strategy.

For detailed statement see page 42

## **PERFORMANCE OF BOARD AND DIRECTORS**

The Board assesses its performance annually, including a review of the performance of each Committee and of individual directors who are coming up for re-election.

For detailed statement see page 46





77 PACIFIC HIGHWAY NORTH SYDNEY, NSW.



#### **BUSINESS CONDUCT AND ETHICAL STANDARDS**

Directors and employees are expected to maintain high ethical standards of conduct in everything they do. Stockland has a code of ethics covering both its dealings with external parties and how people deal with their colleagues internally.

For detailed statement see page 47

#### **COMMITMENT TO SHAREHOLDERS AND AN INFORMED MARKET**

Stockland's continuous disclosure policy includes a formal procedure for dealing with potentially price sensitive information and sets out how Stockland discharges its continuous disclosure obligations under Australian Stock Exchange Listing Rule 3.1. All relevant statements are placed on the Stockland website: [www.stockland.com.au](http://www.stockland.com.au)

For detailed statement see page 47

#### **EMPLOYEE AND DIRECTOR TRADING IN STOCKLAND SECURITIES**

Directors may only trade in Stockland securities within nominated trading periods, typically the four weeks immediately following full and half year statutory reports to the market and the annual general meeting. Specific consent is required if Stockland executives wish to buy or sell Stockland securities.

For detailed statement see page 47

FOR FURTHER INFORMATION  
ON CORPORATE GOVERNANCE  
PLEASE TURN TO PAGE 40



# SHOPPING CENTRE DIVISION OVERVIEW



**DARREN STEINBERG**  
CEO, SHOPPING CENTRE DIVISION

“WE HAVE STREAMLINED OUR MANAGEMENT, MARKETING AND LEASING STRATEGIES AND THE REACTION FROM OUR CUSTOMERS AND RETAILERS HAS BEEN VERY POSITIVE – AS EVIDENCED IN OUR RESULTS.”

DARREN STEINBERG – CEO, SHOPPING CENTRE DIVISION

## PERFORMANCE

STOCKLAND'S SHOPPING CENTRE INVESTMENT STRATEGY IS FOCUSED ON THE ROBUST SUB-REGIONAL SECTOR OF THE MARKET. THIS CATEGORY IS BUILT AROUND NON-DISCRETIONARY SPENDING THROUGH A FOCUS ON DISCOUNT DEPARTMENT STORES, SUPERMARKETS AND ASSOCIATED SPECIALTY SHOPS.

Our strong performance reflects the value of this strategy, with comparable net income growth of 4.6% during the 2003 financial year.

Retailers continue to be attracted to our sub-regional centres because of their lower occupancy costs and higher sales growth. This is reflected in the ongoing commitment to our centres by national chains.

Occupancy levels remain high with vacancy rates at year-end running at below 0.5% across the entire portfolio. Rental arrears represent only 0.1% of annual billings.

Eleven properties were revalued this year with a net increase of \$127.4 million.

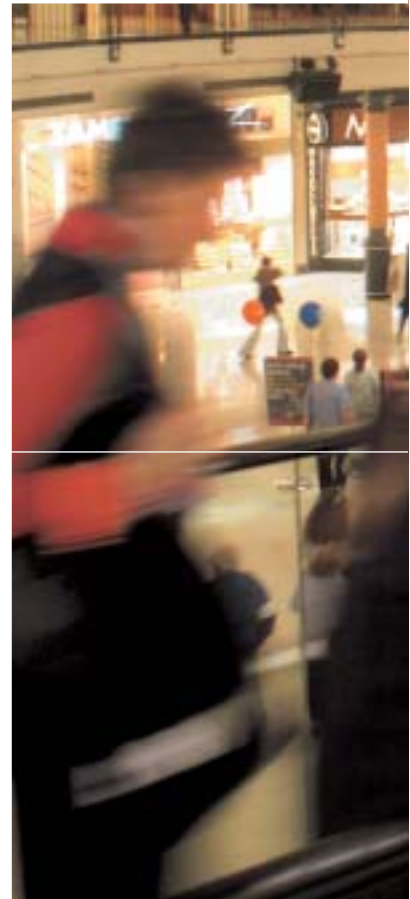
## FOCUS

OVER THE PAST YEAR OUR FOCUS REMAINED ON IMPROVING RETURNS WITHIN OUR EXISTING CENTRES AND DRIVING PORTFOLIO GROWTH THROUGH STRATEGIC ACQUISITIONS.

Acquisitions throughout the year included the ADP Portfolio (15 centres valued at \$900 million) and shopping centres in Cleveland (Qld), Forster (NSW), Glenrose (NSW) and a development site at Vincentia (NSW South Coast).

In addition, the high quality \$26 million redevelopment and re-branding of Wetherill Park was completed in April 2003, reaching this milestone one month ahead of schedule. Target was secured as the major tenant, along with a higher than usual level of national tenants for a sub-regional centre.

Our leasing and management teams performed strongly, achieving 240 specialty shop renewals and new leases across the portfolio for the year.



**STRONG PERFORMANCE**  
THE RECENT ADP ACQUISITION HAS ADDED SIZE AND DIVERSITY TO THE SHOPPING CENTRE PORTFOLIO AND PROVIDES SIGNIFICANT REMIX/REDEVELOPMENT OPPORTUNITIES FOR FUTURE GROWTH.



#### GROWTH

	Current	June 2002
Number of Centres	38	16
Asset value	\$2.5b	\$1.2b
GLA	877,535m <sup>2</sup>	419,767m <sup>2</sup>
Number of Tenancies	2,800	1,100
MAT	\$3.8b	\$1.8b
Customer Traffic	127m	62m

MOST IMPORTANTLY, THE MARKET NOW RECOGNISES THE VALUE OF STOCKLAND'S APPROACH TO CENTRE MANAGEMENT. WITH THE ADDITION OF THE ADP PROPERTIES, FIVE STOCKLAND SHOPPING CENTRES ARE RANKED IN THE TOP 10 CENTRES (19,000-40,000M<sup>2</sup>) NATIONALLY FOR SPECIALTY SHOP TURNOVER PER SQUARE METRE (SHOPPING CENTRE NEWS 'LITTLE GUNS' SURVEY 2002).

Overall, our specialty shops achieved weighted average sales across the portfolio in excess of \$8,000/m<sup>2</sup>, which is well above the industry average.

#### CHALLENGES

THE MARKET FOR NEW ACQUISITIONS IS TIGHTENING, WITH A HEIGHTENED AWARENESS AMONG INVESTORS OF THE STRONG GROWTH POTENTIAL OF SUB-REGIONAL SHOPPING CENTRES.

We are in the enviable position of having a development book amounting to over \$600 million of future redevelopment work on our existing centres. This mitigates the need for us to acquire additional properties unless new opportunities can deliver yields that will enable our growth to continue at a return satisfactory to all stakeholders.

We have structured our business for sustainable growth. The challenge ahead will be to continue to attract high calibre people and to continue to develop our current team to service this growth and reinforce our strong position.

“OUR SHOPPING CENTRES ARE LOOKED UPON AS A MAJOR COMMUNITY PLAYER. OUR FOCUS IS ON BUILDING LOCAL RELATIONSHIPS AND INTEGRATING OURSELVES INTO THE COMMUNITY.”

DARREN STEINBERG – CEO, SHOPPING CENTRE DIVISION

“IT’S ALL ABOUT TEAMWORK!”  
STOCKLAND’S SPONSORSHIP PROGRAM IS DESIGNED TO BENEFIT THE COMMUNITY AT A LOCAL LEVEL.



**OUTLOOK**

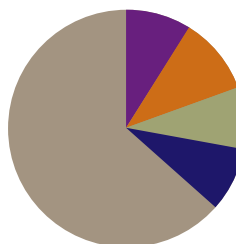
OVER THE NEXT SIX MONTHS WE WILL RE-BRAND ALL OUR CENTRES WITH THE NEW STOCKLAND IDENTITY, EFFECTIVELY INCREASING OUR NATIONAL PRESENCE AND VISIBILITY.

Along with this comes a growing recognition of the role we play in the community.

This year, we intend expanding our pilot local sports sponsorship program, ‘Stockland Good Sports’, to contribute towards the development of the families that frequent our shopping centres around Australia.

On the environmental side, we have formed a relationship with Clean Up Australia and will launch a program where we will work together with schools to raise funds to address important community environmental issues such as plastic bag disposal.

**LEASE EXPIRY PROFILE (INCLUDING ADP)**



FY04	9%
FY05	11%
FY06	9%
FY07	8%
FY08+	63%



**COMMUNITY FOCUS** BULL CREEK SHOPPING CENTRE, WA, IS A PRIME EXAMPLE OF HOW STOCKLAND SHOPPING CENTRES BECOME THE HUB OF LOCAL COMMUNITIES.

**STRATEGY**

IN THE 2004 FINANCIAL YEAR, WE WILL CONTINUE TO FOCUS OUR ENERGIES ON IMPROVING PERFORMANCE IN OUR EXISTING CENTRES THROUGH SOUND MANAGEMENT, ONGOING REDEVELOPMENT AND REFURBISHMENT AND ACQUIRING NEW CENTRES THAT COMPLEMENT OUR POSITIONING STRATEGY.

We now have a market-leading position in the sub-regional sector. We are able to offer retailers the benefits of multiple locations, particularly along Australia's eastern seaboard.

As developers and owner/managers we are able to bypass owner/agent conflicts and work very quickly and efficiently to drive results.

Maintaining and growing the top-level management and marketing systems in our centres is another important ongoing strategy. This allows us to continue to attract national and regional retailers looking to locate in better performing centres to underpin their next phase of growth.

FOR FURTHER INFORMATION ON THIS TOPIC VISIT [www.stockland.com.au](http://www.stockland.com.au)

# COMMERCIAL AND INDUSTRIAL DIVISION OVERVIEW



**STEVE MANN**  
CEO, COMMERCIAL AND INDUSTRIAL DIVISION

“A HIGHLY PROFESSIONAL SERVICE ORIENTED APPROACH TO TENANT RELATIONSHIPS IS VITAL.”

STEVE MANN - CEO, COMMERCIAL AND INDUSTRIAL DIVISION

## PERFORMANCE

THE COMMERCIAL AND INDUSTRIAL DIVISION RECORDED AN OPERATING PROFIT OF \$133.5 MILLION FOR THE YEAR TO 30 JUNE 2003, 2% BELOW THE CORRESPONDING FIGURE IN 2002 DUE TO \$56 MILLION OF NON-CORE ASSET SALES. NET INCOME ROSE BY 1%, ADJUSTED FOR ASSET SALES AND ACQUISITIONS.

The leasing market for prime commercial office space remained challenging during the year, marked by growing vacancy rates, high lease incentives and large amounts of new space in the supply pipeline and under construction.

As a result of our focus in these areas and with a 77% weighting of properties to the Sydney market, the Commercial portfolio ended the year in a strong position.

We leased or renewed the leases on over 110,000m<sup>2</sup> of office space.

Our proactive leasing strategy allowed us to halve the vacancy rate across the Commercial portfolio, from 7.2% in December 2002 to 3.6% in June 2003. Measured against a soft commercial office market with an underlying vacancy rate of 8-10%, this is a very satisfactory result.

Tenant retention in our Commercial portfolio equalled 70% – again, a solid result in the current climate.

Ten Commercial properties were re-valued this year with a net increase in value of \$17.5 million.

A focused, proactive approach to leasing also paid dividends in our Industrial and Office Parks portfolio, where weak demand for industrial properties in some markets was coupled with limited rental growth.

We significantly de-risked the lease expiry profile by leasing or renewing the leases on 191,000m<sup>2</sup> of our industrial and office park space. Vacancy rates for our Industrial portfolio finished the year below industry averages.

## KEY STATISTICS – COMMERCIAL PORTFOLIO

	% of Stockland Portfolio	Market Vacancy Jun 03*	Stockland Vacancy
Sydney CBD	47%	8.6%	4.5%
North Sydney	16%	12.0%	6.0%
Melbourne	10%	7.8%	0.0%
Canberra	6%	4.7%	1.2%
Perth CBD	4%	11.1%	8.7%
Adelaide CBD	3%	11.0%	0.0%
Suburban Sydney	14%	12.2%	6.4%

\*Source: Property Council of Australia



135 KING STREET  
SYDNEY, NSW.



The ADP acquisition increased the size of the Commercial and Industrial portfolio by 70% and strengthened our presence along the eastern seaboard. This addition of eleven new commercial properties and eight new industrial properties valued at \$946 million will provide solid growth opportunities and significant returns moving into 2004.

The quality of our Commercial portfolio in particular has improved, with A-grade office space now representing 60% of the portfolio.

For the Industrial portfolio, the ADP acquisition increases our diversity of product including large distribution centres and modern office/warehouse buildings. It is also in line with our stated strategy to focus on Sydney's west as a growth market where, in addition to the ADP acquisition, we acquired four other industrial buildings during the year at a total cost of \$62 million and an average yield of 8.6%.

We will continue to capitalise on our key point of difference and expertise as an owner-manager by bringing in-house the property management of ADP assets.

“OUR EXCELLENT LEASING PERFORMANCE STANDS AS A TESTIMONY TO THE QUALITY OF OUR PEOPLE AND THE MERITS OF OUR INTERNAL MANAGEMENT STRUCTURE.”

STEVE MANN – CEO, COMMERCIAL AND INDUSTRIAL DIVISION

#### CHALLENGES

THE PRIMARY CHALLENGE FOR OUR COMMERCIAL, INDUSTRIAL AND OFFICE PARKS PORTFOLIOS IS TO CONTINUE TO REDUCE VACANCY RATES AND TO LEVERAGE RENTAL GROWTH WITHIN A MARKET THAT REMAINS GENERALLY SOFT.

The broadening of our portfolio mix in recent times, along with a sharper focus on the quality of our tenant relationships, provides key opportunities for us to meet these challenges.

In the industrial market, two trends are evident.

Firstly, demand is shifting geographically, reflecting new and improved transport infrastructure.

Secondly, there is a move by major tenants to consolidate their activities into single facilities to drive greater efficiencies.

We are well placed to take advantage of these market trends, with our portfolio possessing critical mass and assets being located within reasonable proximity to key infrastructure.

#### FOCUS

Throughout the year we have continued to increase both the calibre of our people and the systems that support them. This approach continues to deliver maximum long-term performance from our diverse portfolio.



As both the owner and internal manager of our properties, we have regular, direct contact with our tenants to ensure that we understand and can facilitate their growth plans and requirements. Our excellent leasing performance stands as a testimony to the quality of our people, the strength of our relationships and the merit of our internal management structure.

An additional focus for us is the strategic redevelopment of our existing assets. The \$40 million redevelopment of Building 7 at Yennora Distribution Centre in Sydney's west provides an excellent example of our asset development capability. The project was completed in August 2003 and is forecast to provide a return in excess of 9%, with over 50% of the available 65,000m<sup>2</sup> pre-leased prior to completion.



### STRATEGY

LEVERAGING MAXIMUM LONG-TERM GROWTH IN ASSET PERFORMANCE IS OUR PRIMARY OBJECTIVE AND WE WILL FOCUS ON THE FOLLOWING STRATEGIES TO ACHIEVE THIS:

- Leverage maximum performance through our proven internal management structure;
- Maintain a balance in geographic and asset class diversity to take advantage of planned infrastructure and future industry growth; and
- We have recently completed a comprehensive review of our tenant relationship processes. As a result, we are currently implementing a proven, market-leading tenant management system to ensure we maximise tenant satisfaction leading to increased tenant retention and rental growth.

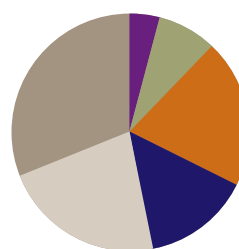
### OUTLOOK

WE EXPECT THAT THE CONTINUED STABLE ECONOMIC ENVIRONMENT WILL STIMULATE IMPROVED BUSINESS INVESTMENT OVER THE NEXT TWO YEARS.

This provides an excellent platform for us to improve the performance of our assets through further de-risking of our lease expiry profiles. We will continue to identify and deliver upon opportunities to further develop our existing properties as well as acquiring select assets in key growth markets.

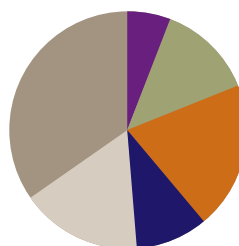
**AUSTRALIAN FIRST**  
THE REDEVELOPMENT OF YENNORA DISTRIBUTION CENTRE BUILDING 7 INVOLVED RAISING 65,000M<sup>2</sup> OF ROOF BY 4 METRES TO 9 METRES CLEARANCE, IMPROVING THE MARKETABILITY AND YIELD OF THE FACILITY. IT WAS THE LARGEST ROOF-RAISING ACHIEVEMENT OF ITS KIND IN AUSTRALIA.

### LEASE EXPIRY PROFILE COMMERCIAL



VACANT	4%
FY04	8%
FY05	20%
FY06	15%
FY07	22%
FY08+	31%

### LEASE EXPIRY PROFILE INDUSTRIAL AND OFFICE PARKS



VACANT	6%
FY04	13%
FY05	20%
FY06	10%
FY07	17%
FY08+	35%

FOR FURTHER INFORMATION ON THIS TOPIC VISIT [www.stockland.com.au](http://www.stockland.com.au)

# DEVELOPMENT DIVISION OVERVIEW



**DENIS HICKEY**  
CEO, DEVELOPMENT DIVISION

“WE ARE CONSTANTLY CHALLENGING THE QUALITY, VALUE, INNOVATION AND DESIGN ELEMENTS INHERENT IN EVERY PROJECT WE UNDERTAKE TO ENSURE WE ACHIEVE BEST PRACTICE.”

DENIS HICKEY - CEO, DEVELOPMENT DIVISION

## PERFORMANCE AND MARKET CONDITIONS

Stockland's Development Division performed strongly again this year, generating a record net profit of \$94.7 million, up 52% on last year.

Market fundamentals remained quite strong with low inflation, low interest rates, steady employment, strong consumer confidence and a positive immigration policy, all of which created a foundation for sustainable underlying demand for quality housing and apartments.

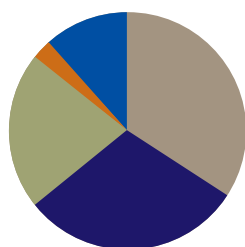
Our broad geographic market base and strong footing in the discerning owner-occupier market means we have continued to enjoy buoyant demand for our projects leading to strong price and margin growth.

Key achievements for our Residential Estates business this year included the launch of eight new projects to market in Victoria, NSW, Western Australia and Queensland as well as the acquisition of 20 future development sites (totalling 8,500 dwellings), 14 of which were secured off market.

The Apartments operation secured four new projects in Brisbane and Sydney equating to an additional 640 future apartments, bringing total inventories to 868 future apartments.

The Retail Projects operation also acquired two new projects this year in strong growth areas.

## GEOGRAPHIC DIVERSITY - BOOK VALUE OF INVENTORIES



	30 JUN 2003
NSW	\$260M
QLD	\$223M
VIC	\$160M
NT	\$21M
WA	\$89M

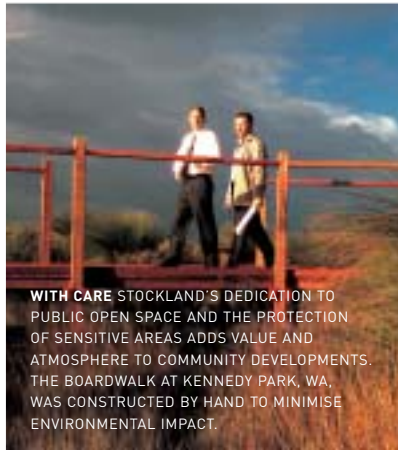




**AWARD WINNING DESIGN** THE DISPLAY SUITE AT 'THE OUTLOOK' - WINNER OF THE 2002 NSW UDIA MARKETING AWARD.



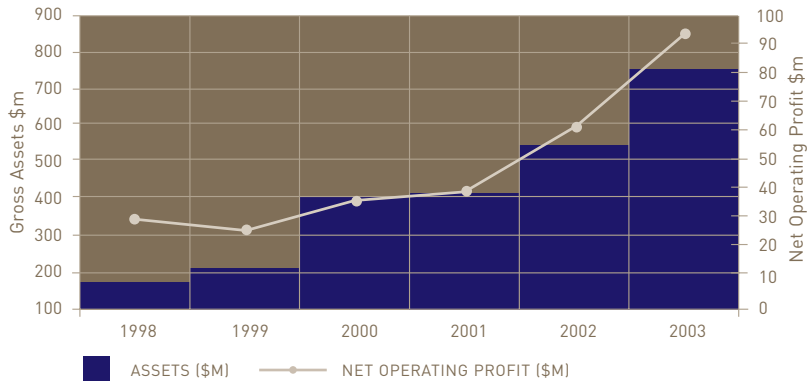
**ENVIRONMENTAL SUSTAINABILITY**  
THE OBSERVATORY, QLD, SETS NEW BENCHMARKS FOR INNOVATIVE URBAN DESIGN AND DEMONSTRATES STOCKLAND'S COMMITMENT TO ENVIRONMENTALLY SUSTAINABLE DEVELOPMENT.



**WITH CARE** STOCKLAND'S DEDICATION TO PUBLIC OPEN SPACE AND THE PROTECTION OF SENSITIVE AREAS ADDS VALUE AND ATMOSPHERE TO COMMUNITY DEVELOPMENTS. THE BOARDWALK AT KENNEDY PARK, WA, WAS CONSTRUCTED BY HAND TO MINIMISE ENVIRONMENTAL IMPACT.



**ASSET & PROFIT GROWTH**



**FOCUS**

OUR DIVISION REMAINS FOCUSED ON ACQUIRING, DESIGNING AND DELIVERING MARKET LEADING DEVELOPMENT PROJECTS THAT TARGET DISCERNING BUYERS WHO VALUE LOCATION, LIFESTYLE AND AMENITY.

75% of our Division's assets are now invested in our Residential Estates business, which forms the cornerstone of our Development Division. Apartments and Retail Projects make up the remaining 25% of the Division's assets.

In line with our strategy of creating market leading developments, we will continue to expand our knowledge base and develop the quality of our internal resources to match the asset growth we have achieved in recent years.

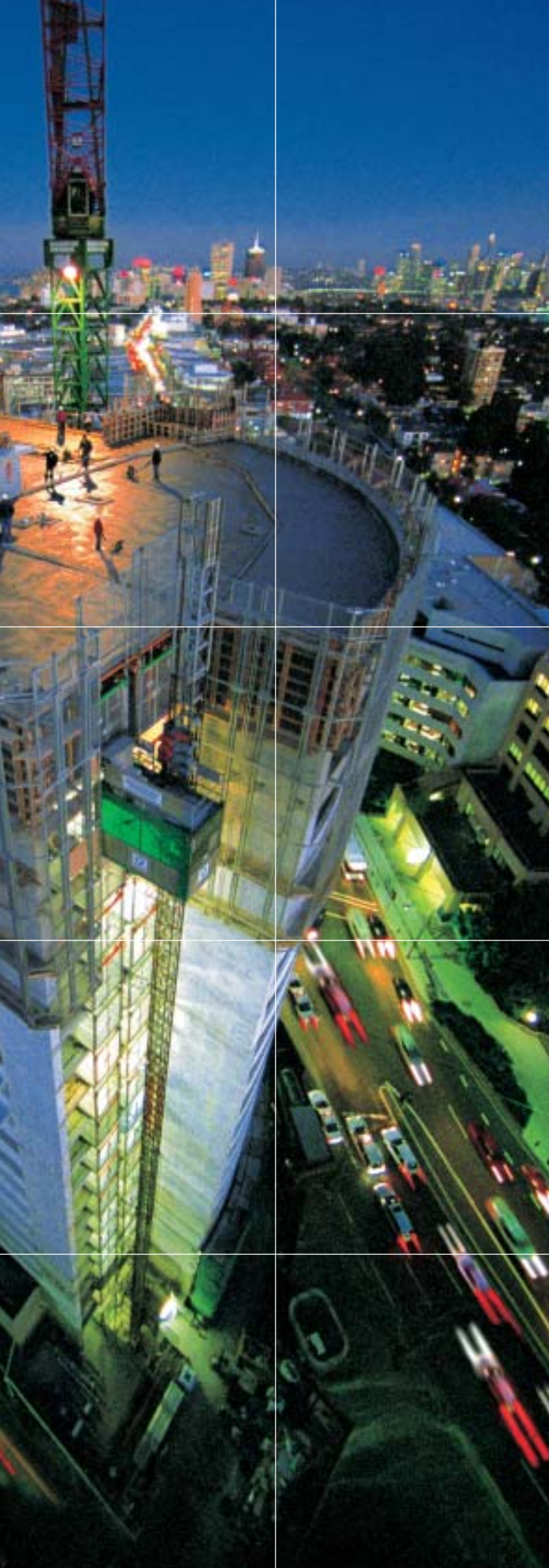
Operating as a national business, our teams of acquisition, design, marketing and finance specialists provide expert support to our focused state resources. This national uniform approach ensures we are constantly developing and raising the capabilities of all of our operations and transferring 'best practice' throughout the Division.

**CHALLENGES**

AS STATE GOVERNMENTS CONTINUE THEIR PUSH FOR URBAN CONSOLIDATION, RATHER THAN URBAN SPRAWL, PREMIUM DEVELOPMENT SITES ARE BECOMING MORE DIFFICULT TO SECURE AND DELIVER TO MARKET. THIS TREND IS ESPECIALLY APPARENT IN SYDNEY, WHERE THE SUPPLY OF LAND HAS BEEN HEAVILY RESTRICTED.



**MILLION DOLLAR VIEWS** SYDNEY'S STUNNING SKYLINE FORMS THE BACKDROP FOR STOCKLAND'S APARTMENT DEVELOPMENT, ABODE. CONSTRUCTION PARTNER BAULDERSTONE HORNIBROOK IS DUE TO COMPLETE THE BUILDING IN EARLY 2004.



Lifestyle changes are also driving the demand for higher density living as people are becoming more sophisticated and desire greater choice. This is most obvious in the integrated housing and apartment sectors where the market is increasingly demanding amenities such as on-site lifestyle facilities, ready access to retail and community services as well as a sense of security and privacy.

Our experience and capability in designing, marketing and developing mixed-use communities presents us with a strategic advantage within this competitive environment.

#### **STRATEGY**

We remain committed to our strategic focus of being a marketing and design led business, providing high quality, innovative developments that deliver outstanding value for all stakeholders.

We also draw on the strength and reach of our whole Group to work together to deliver innovative mixed-use developments.

#### **OUTLOOK**

Looking ahead, low interest rates and stable employment, combined with strong population growth and constraints on supply, will see the residential market maintain strong momentum in the short to medium-term. Lifestyle changes and restricted supply will carry the shift towards medium to high density living however, traditional detached dwellings will still dominate the market for the foreseeable future.

We carry solid pre-sales into the 2004 financial year and we forecast our development margins to remain at the strong levels achieved in 2003. The launch of 19 exciting new projects in the coming year and an additional 20 projects in 2005 and onwards provides us with an excellent foundation for sustained growth over the next five years.

FOR FURTHER INFORMATION  
ON THIS TOPIC VISIT  
[www.stockland.com.au](http://www.stockland.com.au)

# SAVILLE HOTEL GROUP OVERVIEW



GREG SEAR  
CEO, SAVILLE HOTEL GROUP

“WE ARE ALWAYS LOOKING AT WAYS WE CAN BREAK THROUGH THE TRADITIONAL MOULD OF THE HOTEL INDUSTRY IN ORDER TO STAND AHEAD OF OUR COMPETITORS.”

GREG SEAR – CEO, SAVILLE HOTEL GROUP

## PERFORMANCE AND MARKET CONDITIONS

FOR THE AUSTRALIAN HOTEL INDUSTRY, THE 2003 FINANCIAL YEAR WAS EXCEPTIONALLY CHALLENGING.

NEVERTHELESS, WE WORKED HARD TO ENSURE WE MET OUR PERFORMANCE TARGETS, HOLDING OCCUPANCY ABOVE 2002 LEVELS (73%) AND MARGINALLY HIGHER AVERAGE ROOM RATES.

This was an excellent result in an industry where both rates and occupancy levels were under pressure and competition was intense.

We achieved a net profit of \$3 million, 38.4% above the previous year.

Saville has remained resilient due to our brand's broad market mix (85% booked through the domestic market) and the fact that our core clientele continue to come from the corporate sector, much of it repeat business.

We are always looking for ways to break through the traditional mould of the hotel industry in order to stand ahead of our competitors.

We continue to focus on delivering exceptional service to every customer, a factor which we believe sets us apart as the needs of the hotel guest become more sophisticated.

## CHALLENGES

Key wholesale international markets continue to be affected by a series of world events such as SARS and the war in Iraq.

The combined effect of these events has produced a tough market environment in which to operate over the last two years.

The ongoing challenge for hotels is making a return on investment. The cost of labour is high, while average room rates in Australia are relatively low compared to overseas rates.

Despite this, the demand for quality accommodation continues to grow and our reputation is growing strongly along with it.

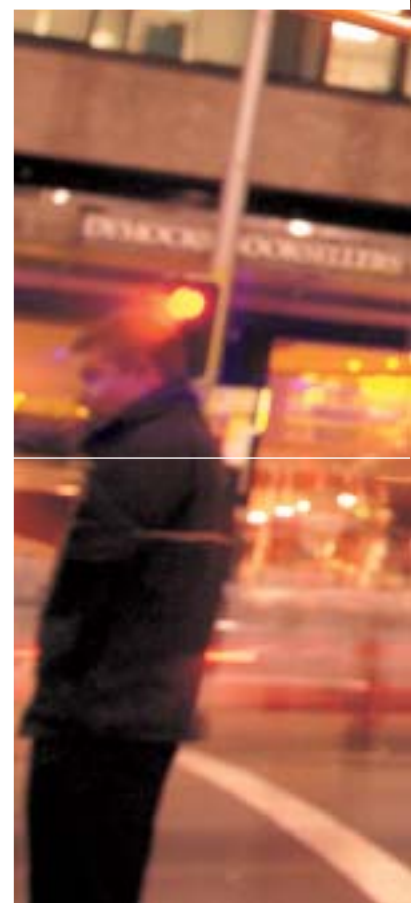
## FOCUS

IN FUTURE, WE WILL CONTINUE TO GROW OUR COMPETITIVE EDGE, EXCEPTIONAL SERVICE AND VALUE BY OFFERING GUESTS MORE THAN SIMPLY A HOTEL ROOM.

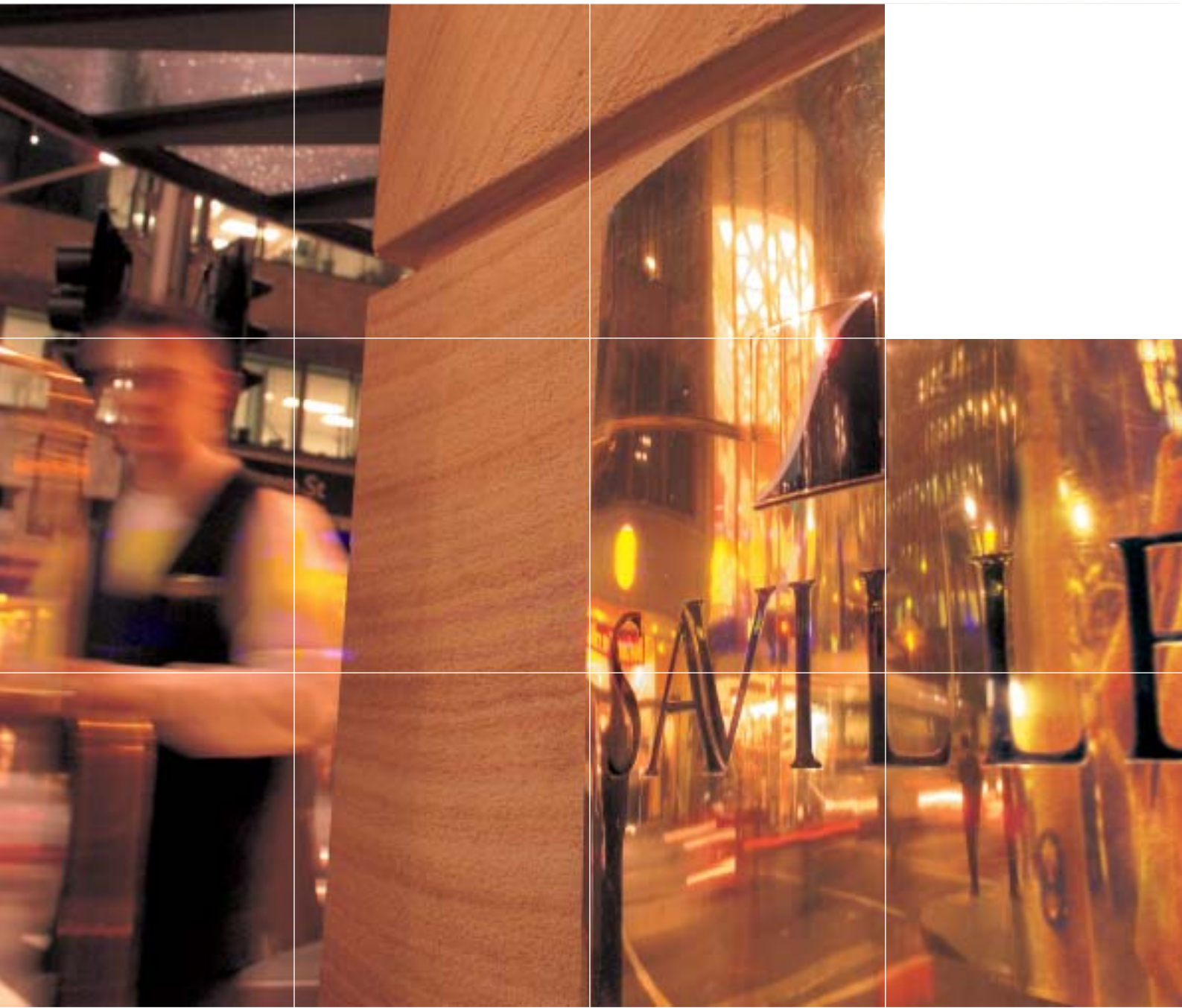
By continuing to focus on the flexibility of apartment accommodation, we are able to offer more value to our clients giving us the opportunity to trade ahead of the market in both occupancy and average room rates.



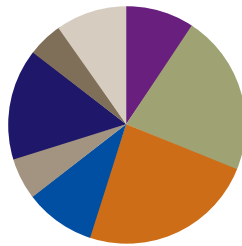
# SAVILLE



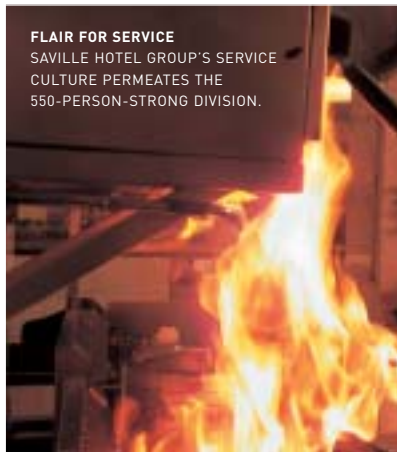
POLISHED  
SAVILLE 2 BOND STREET,  
SYDNEY, NSW.



PERCENTAGE OF TOTAL BUSINESS YEAR TO JUNE 2003



RACK PRIVATE	10%
CORPORATE DIRECT	21%
CORPORATE RETAIL	24%
GOVERNMENT	10%
LEISURE DOMESTIC	7%
LEISURE INTERNATIONAL	13%
LEISURE PACKAGE	5%
OTHER	10%



**FLAIR FOR SERVICE**  
SAVILLE HOTEL GROUP'S SERVICE CULTURE PERMEATES THE 550-PERSON-STRONG DIVISION.



**STRATEGY**

With our established sub-brands, Saville Deluxe and Saville Park Suites, we have premium and diverse locations, consistent product size and quality and an embedded service culture. From this base we are able to concentrate on driving revenue growth while managing costs.

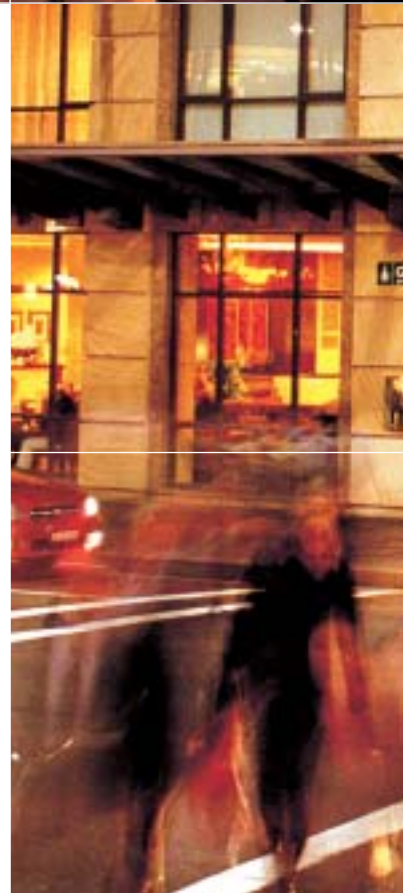
Our sales network continues to maintain strong relationships with international partners and key domestic wholesalers. It is important for us to continue to strengthen our corporate relationships and develop new customer relationships.

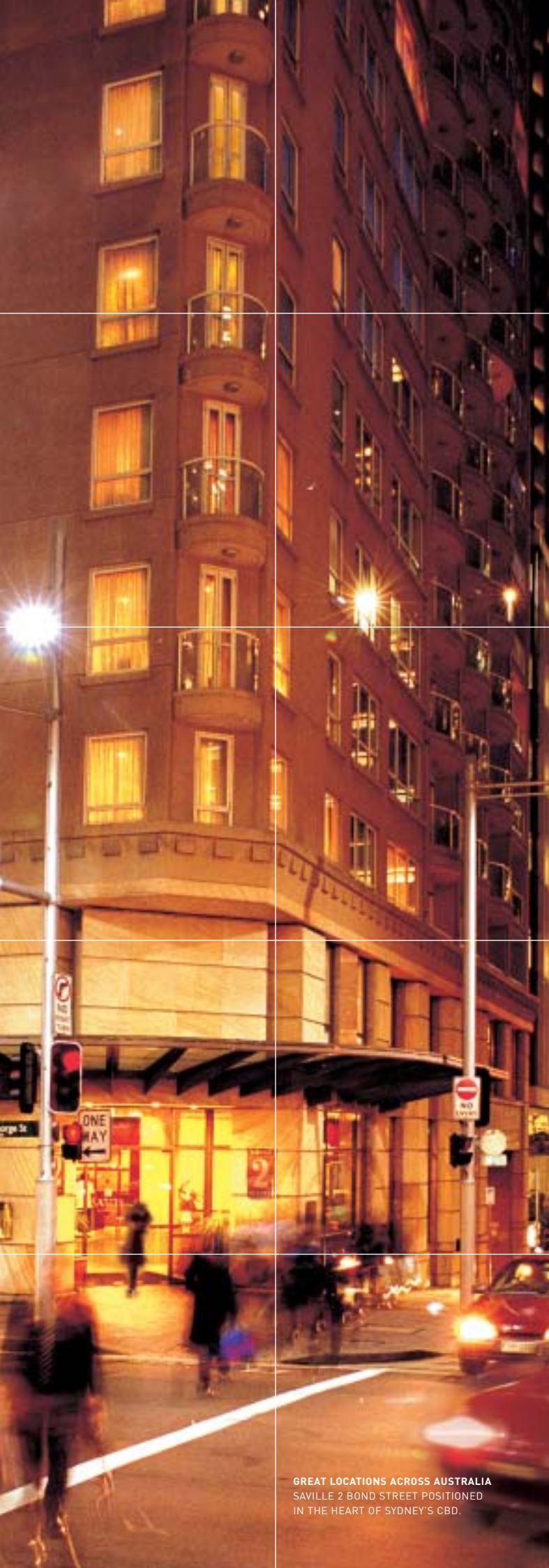
OUR BUSINESS EFFICIENCY PLAN WILL CONTINUE TO FOCUS ON THE GROUP AS A WHOLE RATHER THAN INDIVIDUAL HOTELS.

This is key to driving revenue and delivering service. With eleven properties operating in our portfolio, we are committed to sharing and integrating strategies across the group. Every dollar made or saved multiplies by eleven when implemented in our business.

Expanding our hotel base even further will be a priority over the next few years. By drawing on the strengths of Stockland, we are able to look at new Saville Hotel opportunities as well as developing innovative new product formats.

Our latest project, Saville on Russell, Melbourne, which combines residential, commercial and hotel uses, is one example of how well we team together across divisions to add value to shareholders and customers.





#### **OUTLOOK**

We are confident that the hospitality industry will continue to strengthen and we will achieve another strong result during the coming year. We have maintained occupancy and margins this year in a very tough climate; now it is a matter of continuing to drive growth as the market firms.

We will also be identifying opportunities to expand the Saville brand across Australia through acquisitions or takeovers of existing product.

**GREAT LOCATIONS ACROSS AUSTRALIA**  
SAVILLE 2 BOND STREET POSITIONED  
IN THE HEART OF SYDNEY'S CBD.

FOR FURTHER INFORMATION  
ON THIS TOPIC VISIT  
[www.savillesuites.com](http://www.savillesuites.com)

# CORPORATE SERVICES



JOHN PETTIGREW  
FINANCE DIRECTOR

THIS WAS INDEED A BUSY YEAR FOR ALL STOCKLAND STAFF, WITH SIGNIFICANT ORGANIC GROWTH CULMINATING IN THE TAKEOVER OF AMP DIVERSIFIED PROPERTY TRUST (ADP) LATE IN THE YEAR. THE GROWTH IN TOTAL ASSETS FROM \$3.3 BILLION TO \$5.9 BILLION REFLECTS THIS ACTIVITY.

The Corporate Services team incorporating Finance, Procurement, Legal, Management Information Systems, Internal Audit and Compliance and Risk Management, performed key roles in supporting the operating divisions and providing critical analysis, forecasting and documentation for this landmark takeover. The success of the acquisition came very much as a result of a team effort.

In particular, the Board wishes to recognise the invaluable contributions by:

- The Legal team for its work on the transaction documents and the integration of the ADP trusts;
- The Finance group for financial modelling and the consolidation of ADP into Stockland financial statements occurring at the busy end of the financial year;
- The MIS team for the integration of ADP data and the roll out of the Stockland network and software to ensure a smooth transition of shopping centre operations; and
- The Risk Management team for project managing the absorption of ADP business and staff into Stockland.

Without doubt, all Corporate Services staff have made many personal sacrifices to meet demanding workloads through this period and yet have always been ready to help other team members to meet their deadlines.

## EQUITY

During the 2003 financial year, Stockland undertook multiple equity issues with a range of purposes:

- Two issues to provide securities for purchase by management under the Executive Share Scheme: \$13.4 million at an average issue price of \$4.27;
- Placement to institutions to fund business growth: \$285 million at an average issue price of \$4.75; and
- Issue to ADP unitholders accepting Stockland's takeover offer: \$719 million at an average issue price of \$5.01.

Funds received from equity issues amounted to \$1.01 billion.

## DEBT

STOCKLAND COMMENCED THE YEAR WITH GEARING (DEBT TO TOTAL TANGIBLE ASSETS) AT ONLY 13% AND MAINTAINED THIS BELOW 20% THROUGHOUT MOST OF THE YEAR IN ANTICIPATION OF A MAJOR ACQUISITION.

When structuring the terms of the bid for ADP, we had regard for the level of debt that would be acquired as a consequence of a successful takeover. We then included a cash component in our offer to deliver a merged gearing level of approximately 27%. At 30 June 2003, gearing was only 24%, as part of the consideration for the takeover had not yet been paid.

The weighted cost of debt for the year was 5.6%.

Commencing the year, Stockland held an A- credit rating from Standard & Poor's. This rating was moved to Positive Watch when the ADP bid was announced and confirmed at A-/Positive Outlook after discussions between Standard & Poor's and Stockland management upon successful conclusion of the transaction. This is effectively a strong A- rating.



**SUPPORTING GROWTH**  
STOCKLAND'S NEW  
MANAGEMENT INFORMATION  
SYSTEMS STRATEGY IS AT THE  
CORE OF OUR KNOWLEDGE  
MANAGEMENT, COMMUNICATION  
AND PROTECTION OF  
INTELLECTUAL PROPERTY.

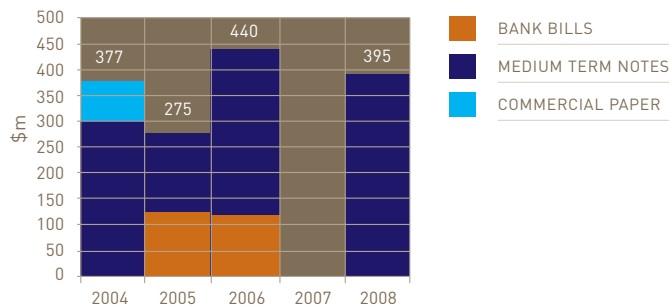


Since the close of the year and with the cooperation of AMP Henderson, we closed two Note programs operated by ADP and consolidated debt to Stockland. We did this by purchasing all outstanding ADP Medium Term Notes ('MTNs') and replaced them with Stockland MTNs.

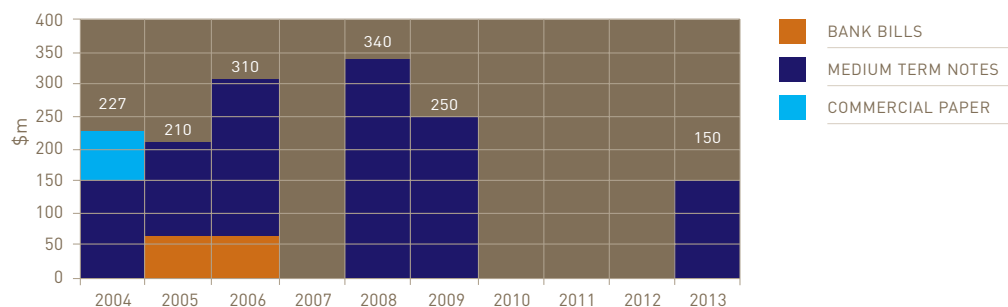
A total of four maturities were issued, including \$150 million maturing 15 May 2013, the first public 10-year issue by a Listed Property Trust and clearly a vote of confidence in Stockland by corporate lenders.

Following completion of this consolidation in early July and with cancellation of the ADP Notes purchased by Stockland, the debt maturity profile of Stockland is the broadest of any Australian issuer. By spreading maturity over a wide range of dates, Stockland avoids the risk of credit margins and funding availability in a specific future period having a major impact on the cost of debt.

**DEBT MATURITY PROFILE 30 JUNE 2003**



**DEBT MATURITY PROFILE AFTER ADP DEBT RECONSTRUCTION**



# TAXATION



During the year, Stockland Trust has derived taxation benefits from allowable depreciation on the Trust's buildings, plant and equipment. These taxation benefits are available to unitholders and have been distributed as follows:

- 25.1% of the distribution paid in February 2003 is tax deferred; and
- 22.4% of the distribution paid in August 2003 is tax deferred including a 13.5% Capital Gains Tax (CGT) concession component. This represents capital gains derived by Stockland Trust, calculated using the discount capital gain method.

Whilst the abovementioned proportions of the income distributed to unitholders are tax free in the year they are earned, there are CGT implications which should be understood.

The tax deferred component will reduce the indexed cost base of units, when determining any capital gain which may arise, if units purchased after 19 September 1985 are sold.

The taxation treatment of the CGT concession component will vary slightly depending on whether the unitholder is an individual, trust, superannuation fund or company. Broadly, however, the component will need to be included in assessable income. Revenue and/or capital losses can be used to reduce the capital gain. For individuals, trusts and superannuation funds, the remaining capital gain can then be reduced by 50% provided the securities have been held for more than 12 months. For companies, the indexation method applies.

The dividend paid by Stockland Corporation Limited is fully franked and the imputed credit is set out for members on the payment advices.

Set out opposite is the history of the dividend/distribution payment since the introduction of CGT.

Members are required to include trust distributions in the taxation year in which the income is earned, whereas the dividends should be included in the taxation year in which they are received.

Half year ended	Stockland Corporation Limited				Stockland Trust		
	Dividend paid per ordinary share ¢	Franking rate %	Distribution paid per ordinary unit ¢	Building Deprec. %	Percentage Distribution Paid Other %	Extra CGT Concession %	Total %
30 June 1986			8.00	1.44	4.36		5.80
31 December 1986			8.35	1.45	4.10		5.55
30 June 1987			8.75	1.37	5.10		6.47
31 December 1987			9.10	1.36	4.52		5.88
30 June 1988	0.80	49	9.30	1.32	2.36		3.68
31 December 1988	1.10	49	9.40	1.77	7.41		9.18
30 June 1989	1.40	49	9.50	3.83	8.93		12.76
31 December 1989	1.60	39	9.70	2.92	9.71		12.63
30 June 1990	1.70	39	9.85	4.71	13.35		18.06
31 December 1990	1.80	39	9.95	5.12	11.80		16.92
30 June 1991	1.85	39	10.00	5.10	11.40		16.50
31 December 1991	1.90	39	10.05	5.09	11.39		16.48
30 June 1992	1.95	39	10.00	5.00	21.31		26.31
31 December 1992	1.95	39	10.00	5.18	10.16		15.34
30 June 1993	1.95	39	10.00	5.39	11.76		17.15
31 December 1993	2.00	39	10.00	5.00	9.96		14.96
30 June 1994	2.00	39	10.00	5.74	11.85		17.59
31 December 1994	2.15	39	10.00	5.65	9.85		15.50
30 June 1995	2.15	39 (42.6%) 33 (57.4%)	10.05	5.53	11.34		16.87
31 December 1995	2.15	33	10.10	5.44	12.65		18.09
30 June 1996	2.15	36	10.10	5.65	17.48		23.13
31 December 1996	2.15	36	10.10	7.04	14.26		21.30
30 June 1997	2.15	36	10.10	8.49	14.07		22.56
31 December 1997	2.15	36	10.15	8.38	10.27		18.65
30 June 1998	2.15	36	10.25	8.21	10.41		18.62
31 December 1998	2.20	36	10.30	8.05	9.40		17.45
30 June 1999	2.20	36	10.40	8.37	14.06		22.43
31 December 1999	2.30	36	10.60	8.57	11.08		19.65
30 June 2000	2.40	34	10.80	8.62	9.48		18.10
31 December 2000	1.80	34	12.10	9.10	14.60		23.70
30 June 2001	1.80	30	12.60	10.27	21.73		32.00
31 December 2001	1.90	30	12.60		24.00 <sup>1</sup>		24.00
30 June 2002	2.20	30	13.00		27.80 <sup>1</sup>		27.80
31 December 2002	2.50	30	13.10		25.10		25.10
30 June 2003	3.20	30	13.30		8.90	13.50	22.40

<sup>1</sup> Due to amendments to the income tax legislation, building allowances claimed by Stockland Trust ceased to give rise to 'tax free' distributions from 1 July 2001. The entire amount of the 2002 distribution not considered to be taxable is categorised as 'tax deferred'. Accordingly the entire Distribution percentage, not considered to be taxable, has been classified as 'Other' in the above table.

# ISSUE HISTORY AND REINVESTMENT PLAN



Stockland offers members a simple means of investing all or part of their income distributions and dividends in new units in the Trust and shares in the Corporation.

This opportunity is offered through the Group's Distribution Reinvestment Plan (DRP). Members may obtain a booklet explaining the operations of the DRP from the Share Registry, Computershare Registry Services, on (02) 8234 5000 or toll free on 1800 804 985. Application forms are included in these booklets.

The primary benefit of the DRP is that the units/shares are issued at a discount of 2.5% (to the average market price during the five trading days immediately following announcement to ASX of the Group's financial results). The units/shares are issued free of any costs, such as brokerage and stamp duty.

The operation of the DRP is reasonably simple.

Members who wish to reinvest all of their income should lodge an application to participate. This participation will remain effective for all future payments, unless a variation request is lodged.

Members who wish to receive part income and reinvest the balance should lodge an application nominating the part of their holding to participate in future issues.

Members who do not wish to reinvest any of the income they receive, simply do nothing.

Members are advised to read the DRP booklet and seek some advice, either from their own financial advisers or from the Office of the Secretary on (02) 9321 1500.

Members are reminded that the total amount of the distribution receivable is still to be included by them for taxation purposes, even though it may be reinvested under the DRP.

Directors retain the right to temporarily suspend the DRP for any particular payout, if their view is that it would not be in the best long-term interest of all members for the Plan to be applied.

**STOCKLAND UNIT/SHARE ISSUE HISTORY**

Date	Type	Number	Price \$
30.09.82	Prospectus	150,000,000	1.00
31.08.83	Distribution Reinvestment Plan	2,893,420	1.17
31.08.84	Distribution Reinvestment Plan	987,110	1.50
28.12.84	1 for 10 issue	16,860,622	1.35
28.02.85	Distribution Reinvestment Plan	1,076,577	1.55
31.08.85	Distribution Reinvestment Plan	2,800,827	1.53
28.02.86	Placement	12,000,000	1.50
28.02.86	Distribution Reinvestment Plan	3,301,205	1.54
31.08.86	Distribution Reinvestment Plan	3,017,790	1.67
28.02.87	Distribution Reinvestment Plan	2,917,440	1.86
31.08.87	1 for 10 issue	21,063,049	2.10
31.08.87	Distribution Reinvestment Plan	2,474,446	2.46
28.02.88	Distribution Reinvestment Plan	4,018,991	1.67
31.08.88	Distribution Reinvestment Plan	4,268,689	1.93
28.02.89	Distribution Reinvestment Plan	5,063,273	1.77
31.08.89	Distribution Reinvestment Plan	3,339,277	1.78
28.02.90	Distribution Reinvestment Plan	4,222,184	1.84
31.08.90	Distribution Reinvestment Plan	5,202,431	1.73
31.03.92	Converting Preference Unit Shares	38,000,000	2.60
31.03.92	Shareholder Options	19,000,000	0.00
31.08.92	Distribution Reinvestment Plan	5,215,129	2.69
28.02.93	Distribution Reinvestment Plan	5,607,925	2.71
30.06.93	Shareholder Options exercised	9,083,850	2.60
31.08.93	Distribution Reinvestment Plan	5,082,629	3.35
31.12.93	Shareholder Options exercised	1,202,600	2.60
28.02.94	Distribution Reinvestment Plan	5,867,096	3.17
31.06.94	Shareholder Options exercised	377,800	2.60
31.12.94	Shareholder Options exercised	7,680,018	2.60
31.08.95	Distribution Reinvestment Plan	6,602,255	3.01
28.02.96	Distribution Reinvestment Plan	6,204,233	3.00
31.08.97	Distribution Reinvestment Plan	6,549,843	3.32
28.02.98	Distribution Reinvestment Plan	5,755,465	3.60
31.08.98	Distribution Reinvestment Plan	6,639,692	3.54
15.02.99	Bond Conversion	22,857,120	3.50
28.02.99	Distribution Reinvestment Plan	5,365,088	3.64
28.02.99	Placement	15,000,000	3.80
31.08.99	Distribution Reinvestment Plan	5,531,810	3.50
01.07.00	Flinders Takeover	81,028,987	3.06
14.08.00	Placement	34,800,000	3.60
31.12.00	Advance Takeover	169,889,992	3.25
28.02.01	Distribution Reinvestment Plan	11,282,045	3.85
31.03.01	Bond Conversion	5,714,280	3.50
30.06.01	Shareholder Options exercised	35,218,750	3.85
22.08.01	Placement	25,000,000	4.15
31.08.01	Distribution Reinvestment Plan	13,950,069	4.06
28.02.02	Distribution Reinvestment Plan	16,469,684	4.08
30.08.02	Executive Share Scheme	2,660,000	4.17
28.02.03	Executive Share Scheme	480,000	4.81
30.04.03	Placement	60,000,000	4.75
30.06.03	ADP Takeover	143,511,622	5.01

# CORPORATE GOVERNANCE STATEMENT



THE BOARDS OF DIRECTORS ('BOARD') ARE RESPONSIBLE FOR THE MANAGEMENT AND GOVERNANCE OF STOCKLAND CORPORATION LIMITED AND STOCKLAND TRUST MANAGEMENT LIMITED ('STML'), THE RESPONSIBLE ENTITY OF THE STOCKLAND TRUST.

The primary role of the Boards is to ensure the long-term health and prosperity of the Company and Trust ('Stockland'), which it accomplishes by:

- setting objectives, goals and strategic direction for management with a view to maximising shareholder value;
- adopting an annual budget and monitoring financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- selecting, appointing and reviewing the performance of the Managing Director;
- selecting and appointing new non-executive directors; and
- setting the highest business standards and code of ethical behaviour.

The Boards of Stockland Corporation and STML are comprised of the same directors. All directors are appointed for a period of three years. The Responsible Entity is the party responsible for the operation of Stockland Trust and its controlled entities. The Responsible Entity must exercise its powers and perform its obligations under the Constitution and the Corporations Law in the best interest of unitholders and ensure the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

- (a) ongoing management research and selection of property investments;
- (b) management of the Trust's property portfolio through a Stockland Company;
- (c) maintenance of all accounting and statutory records of the Trusts;
- (d) management of all equity and debt raisings; and
- (e) preparation of all notices and reports issued to unitholders.

The Board has delegated authorities to the Managing Director to manage the business of Stockland and to its various Board Committees to deal with specific areas described later. An executive committee of management has also been set up as discussed on page 43. Matters which are not covered by those delegations require Board approval. Among such matters include approvals above delegated levels of capital expenditure or expenditure outside the ordinary course of business, major acquisitions and sales, approval of major elements of strategy, including any significant changes in direction, approval of the interim and final accounts and related reports to the ASX, proposals for the issue of securities by Stockland and certain risk management policies.

The monthly Board papers make the Board aware of current and forthcoming issues relevant to Stockland's operations and performance. These contain the monthly and year-to-date performance of all divisions compared with budget, a report from any Board committee which may have met since the last Board meeting and papers relating to particular issues. Senior management present significant matters to the Board. The Board may seek further information on any issue, including requesting that a particular division head present to it on the performance, strategy or outlook for a division.

At the date of this statement, the Board comprises two executive directors, five non-executive directors and the Chairman. The members of the Board are listed in the table on pages 12-13 with their brief resumes.

Stockland recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board resolved that its composition should continue to have a majority of non-executive directors and that the Chairman and Managing Director be and remain separate persons.

Stockland has set criteria for determining the independence of its Board members. Directors will be considered independent if not a member of management (a non-executive director) and the director:

- is not directly or indirectly a substantial shareholder of Stockland;
- has not within the last three years been employed in an executive capacity by Stockland;
- is not a significant supplier or customer of Stockland;
- has no material contractual relationship with Stockland;
- has no other interest or relationship that could interfere with the director's ability to act in the best interests of Stockland and independently of management; and
- (where the director is a principal or employee of a professional adviser) does not participate in any consideration of the possible appointment of that adviser and does not participate in the provision of any service to Stockland by that adviser, unless the Board otherwise resolves.

In April 2003, the Board also resolved that a majority of the members of each Board committee should be independent directors; however, the Audit Committee and the Nominations and Remuneration Committee should continue to comprise all non-executive directors. The Compliance Committee is to be chaired by an independent director and have a majority of independent directors/members. The Treasury Risk Management Committee shall include at least two non-executive directors, one of whom must be present for a quorum.

The Board has also approved a policy that all independent directors will meet at least twice per year in the absence of management and at other times as they determine. The convener of the meetings will be the Chairman.

Stockland acknowledges the importance of having independent directors as determined by objective criteria. As importantly, Stockland is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of Stockland and returns to shareholders.

Stockland has a high dependence on the performance of its staff and its operations are complex both financially and in business terms. These have been the reasons why Stockland believes it to be in security holder's interest to have Board members with first-hand experience of the businesses and a Chairman who has extensive knowledge of Stockland and the industry. The Chairman was previously an executive director of the Group, but resigned from this position on 22 October 2001.

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**NICHOLAS GREINER**  
DEPUTY CHAIRMAN  
(NON-EXECUTIVE)  
CHAIRMAN,  
NOMINATIONS AND  
REMUNERATION COMMITTEE

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**TERRY WILLIAMSON**  
NON-EXECUTIVE DIRECTOR  
CHAIRMAN,  
AUDIT COMMITTEE

Board members with first-hand experience of the businesses and a Chairman who has extensive knowledge of Stockland and the industry. The Chairman was previously an executive director of the Group, but resigned from this position on 22 October 2001.

Stockland's Constitution provides that:

- the maximum number of directors shall be 10;
- one third of the directors must retire from office at the annual general meeting ('AGM') each year; such retiring directors are eligible for re-election;
- directors appointed to fill casual vacancies must submit to election at the next general meeting; and
- the number of directors necessary to constitute a quorum is not less than two of the directors currently in office.

#### **TERMS AND CONDITIONS OF APPOINTMENT AND RETIREMENT OF NON-EXECUTIVE DIRECTORS**

The terms and conditions of the appointment and retirement of any new non-executive directors are set out in a letter of appointment, which prescribes:

- remuneration;
- term of appointment, subject to shareholder approval;
- expectation of the Board in relation to attending and preparing for all Board meetings;
- procedures for dealing with conflicts of interest;
- induction procedures;
- indemnification and director's liability insurance; and
- disclosure obligations.

Stockland's Constitution provides that a director may enter into an arrangement with Stockland or with any controlled entity. However, these arrangements are subject to the restrictions and disclosures in the Corporations Act applicable to public companies, common law directors' duties and Stockland's policy on the independence of directors. The indemnity and insurance arrangements for directors are described in the Director's Report on page 53.

It is the practice of the directors that when a potential conflict of interest may arise the director may be required to withdraw from the Board Meeting while the matter is being considered.

The Board has a policy of enabling directors to seek independent professional advice for company-related matters at Stockland's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable.

In order to encourage long-term commitment and more closely align the interest of the Board with shareholders, the Board encourages shareholding by non-executive directors.

#### **BOARD COMMITTEES**

Five Board Committees have been established to assist in the execution of the Board's responsibilities as described below. All Board members are free to attend any meeting of any Board Committee.

##### **NOMINATIONS AND REMUNERATION COMMITTEE**

The Nominations and Remuneration Committee periodically reviews the composition of the Board and ensures that the non-executive directors bring a mix of qualifications, skills and experience to the Board. The Deputy Chairman (Nick Greiner) chairs this Committee with Peter Daly and



**DAVID FAIRFULL**  
NON-EXECUTIVE DIRECTOR  
CHAIRMAN,  
COMPLIANCE COMMITTEE

Bruce Corlett as members.

The Committee has a charter which was updated in April 2003 to take into account ASX Best Practice Guidelines.

When a vacancy exists, or whenever it is considered that the Board would benefit from the services of a new director, the Committee selects one or more candidates with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Candidates are then submitted to the Board for approval. During the year, Terry Williamson was appointed as a new non-executive director.

An objective of the Nominations and Remuneration Committee is to assist the Board in ensuring that Stockland's remuneration levels for directors and senior executives are appropriate in the markets in which it operates and are applied fairly.

The Committee has the responsibility to review and recommend:

- proposals for changes to remuneration policies which are referred to the Board by the Managing Director; and
- remuneration of the Chairman, non-executive directors, the Managing Director and executive management.

The Committee has a regular meeting cycle and meets more often as needed. The Committee has access to senior management of the Group and may



**PETER DALY**  
CHAIRMAN (NON-EXECUTIVE)  
CHAIRMAN,  
TREASURY RISK  
MANAGEMENT COMMITTEE

consult independent experts where the Committee considers it necessary to carry out its duties.

Stockland's remuneration disclosures for senior management are discussed in the Director's Report. The remuneration policy for non-executive directors is designed to remunerate them at market levels for their time, commitment and responsibilities.

Non-executive directors are paid a director's fee as shown in the Director's Report (see page 52). Non-executive directors and the Chairman do not participate in any share plan nor receive any retirement benefits. Shareholders in 2001 resolved that the maximum cap payable to non-executive directors should not exceed \$600,000 in total for all directors, plus superannuation. The Board reviews directors' fees annually and increased directors' fees by 4% during this calendar year.

The remuneration policy for senior management is designed to encourage superior performance and long-term commitment to Stockland. In particular, a portion of each executive's pay is based on performance to agreed benchmarks (see page 52). Stockland maintains sufficient depth of management to ensure adequate candidates for succession.

#### AUDIT COMMITTEE

Audit Committee meetings are held periodically throughout the year and attended, where appropriate and as requested, by the Managing Director, the Finance Director, other representatives of Stockland's external auditors and, as required, other Stockland executives and external advisers.

The Committee also has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Committee has a charter which was updated in April 2003 to incorporate the ASX Best Practice Guidelines.

The Committee comprises four independent directors, David Fairfull as Chairman, Bruce Corlett, Barry Thornton and Terry Williamson, with David Fairfull and Terry Williamson in particular possessing financial qualifications. On 30 July 2003 David Fairfull retired as Chairman and a member of this Committee and was replaced as Chairman by Terry Williamson.

The Company Secretary acts as secretary to the Committee and attends its meetings.

The main objective of the Committee is to assist the Board of Directors in reviewing any matters of significance affecting financial reporting and compliance of the Group including:

- exercising oversight of the accuracy and completeness of the financial statements;
- making informed decisions regarding accounting policies, practices and disclosures; and
- reviewing the scope and results of operational risk reviews, internal control framework and external audits.

To fulfil these responsibilities the Committee meets with and receives regular reports from the external auditors and management, dealing with matters which arise in connection with their reviews, audits or other work performed.

The Audit Committee is also responsible for the appointment of external auditors, monitoring the effectiveness, objectivity and independence of the external auditors, and reviewing the quality and scope of the services provided. The following principles and practices were adopted in April 2002:

- The external auditor must remain independent of Stockland at all times;
- The external auditor must be appointed by the Audit Committee;
- The external auditor is to be appointed to all entities in the Group;



- Stockland will not appoint the auditor to undertake staff recruitment, internal audit or management and IT consulting;
- The external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for Stockland or audits its own professional expertise;
- Stockland will put the statutory audit to tender every seven years commencing from 2002;
- Stockland also requires that the external audit partner be rotated every five years; and
- As disclosed in Note 5 of the financial statements, a related practice of the auditors was engaged to provide advisory and transaction services on the acquisition of AMP Diversified Property Trust. This engagement was approved by the Board and is consistent with Stockland's non audit services policy and leveraged KPMG's experience and expertise of the Stockland Group.

# TEN YEAR HISTORY

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Members' equity	\$m	760.7	792.0	857.8	873.8	920.7	1,130.1	1,179.3	2,337.5	2,642.7	3,600.6
Total assets	\$m	843.7	863.3	932.3	1,073.2	1,124.9	1,278.4	1,683.1	3,386.2	3,327.1	5,958.3
Gross revenue	\$m	168.9	180.5	184.2	192.5	214.7	250.6	345.0	631.5	837.3	867.3
Net profit	\$m	82.2	86.3	87.7	88.4	92.2	100.8	115.1	198.2	249.8	284.8*
Distribution/dividend paid	\$m	80.2	83.8	87.3	88.6	90.6	99.5	111.8	192.4	241.3	272.8
Units/shares on issue											
- ordinary	m	299.7	311.1	325.2	327.7	371.8	422.6	429.2	770.0	832.1	1,038.8
- convertible preference	m	38.0	34.3	34.3	31.8	-	-	-	-	-	-
- options	m	8.3	-	-	-	-	-	-	-	-	-
Payout per unit/share	¢	24.00	24.35	24.50	24.51	24.71	25.11	26.11	28.30	29.70	32.10
Net assets per unit/share	\$	2.25	2.29	2.39	2.43	2.48	2.67	2.70	3.01	3.14	3.41
Closing market price	\$	3.05	3.28	2.90	3.48	3.69	3.45	3.52	4.02	4.39	5.04
Lettable area											
- retail	,000m <sup>2</sup>	169.2	166.9	209.4	236.0	238.6	238.9	228.7	356.8	371.8	809.6
- commercial	,000m <sup>2</sup>	61.1	60.1	60.3	76.2	97.4	97.4	158.3	360.0	321.9	534.9
- office parks/industrial	,000m <sup>2</sup>	-	-	-	-	-	-	12.2	703.2	707.2	1,202.9
Residential											
development inventory	\$m	115.4	131.2	141.3	134.1	170.0	210.6	406.1	412.2	512.4	682.4

\*Before write-off of premium on acquisition of AMP Diversified Property Trust (see page 95 for explanation).

# FINANCIAL AND OTHER INFORMATION

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Stockland



**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003**

**DIRECTORS' REPORT**

**STOCKLAND COMPRISING STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED**

The directors present their report together with the combined financial report of Stockland for the year ended 30 June 2003 and the auditor's report thereon. The combined financial report of Stockland comprises the consolidated financial report of Stockland Trust and its controlled entities ('the Trust'), and Stockland Corporation Limited and its controlled entities ('the Corporation'), which form the consolidated entity.

**DIRECTORS**

The directors of Stockland Corporation Limited and Stockland Trust Management Limited (formerly Stockland Property Management Limited), the Responsible Entity of Stockland Trust ('the Responsible Entity'), at any time during or since the end of the financial year are:

PETER DALY	CHAIRMAN (NON-EXECUTIVE)
NICHOLAS GREINER	DEPUTY CHAIRMAN (NON-EXECUTIVE)
MATTHEW QUINN	MANAGING DIRECTOR
JOHN PETTIGREW	FINANCE DIRECTOR
BRUCE CORLETT	NON-EXECUTIVE DIRECTOR
DAVID FAIRFULL	NON-EXECUTIVE DIRECTOR
BARRY THORNTON	NON-EXECUTIVE DIRECTOR
TERRY WILLIAMSON	NON-EXECUTIVE DIRECTOR (APPOINTED 28 APRIL 2003)

Details of the directors' qualifications, age, experience and special responsibilities are set out on pages 12 to 13 of the Annual Report.

**DIRECTORS' MEETINGS**

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company and the Responsible Entity during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Nominations and Remuneration Committee Meetings		Compliance Committee Meetings		Treasury Risk Management Committee Meetings		Risk Management Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B
PETER DALY	16	17	-	-	2	2	-	-	3	3	-	-
NICHOLAS GREINER	15	17	-	-	2	2	-	-	-	-	-	-
MATTHEW QUINN	17	17	-	-	1	1	-	-	3	3	12	12
JOHN PETTIGREW	17	17	-	-	-	-	8	8	3	3	12	12
BRUCE CORLETT	16	17	3	3	1	1	-	-	-	-	-	-
DAVID FAIRFULL	17	17	3	3	-	-	8	8	3	3	-	-
BARRY THORNTON	17	17	3	3	-	-	-	-	-	-	-	-
TERRY WILLIAMSON	5	5	1	1	-	-	-	-	-	-	-	-

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were:

- investment in income producing retail, commercial, industrial and office park properties;
- development of retail properties;
- residential property development;
- property trust management;
- property management; and
- hotel management.

Through the acquisition of a controlling interest in AMP Diversified Property Trust ('ADP') (see Note 31(b)) the consolidated entity now operates in New Zealand as well as mainland Australia.

There has been no other significant change in the nature of the activities of the consolidated entity during the year.

### REVIEW AND RESULTS OF OPERATIONS

The review of the consolidated entity's operations is included in the various reports commencing on page 8 of the Annual Report.

### DISTRIBUTIONS/DIVIDENDS

Distributions/dividends paid or declared by the Trust and the Corporation to members since the end of the previous financial year are set out in Note 28 of the Financial Statements.

### STATE OF AFFAIRS

Changes in the state of affairs of the consolidated entity during the financial year are set out in the various reports commencing on page 8 of the Annual Report.

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

### ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The consolidated entity undertakes an environmental due diligence and risk assessment of all properties it acquires. Also, management monitors on a regular basis the consolidated entity's compliance with environmental regulations.

The directors are not aware of any significant breaches during the period covered by this report.

### EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the consolidated entity has acquired further units in AMP Diversified Property Trust (see Note 31(b)). The consolidated entity now holds 100% of the units of AMP Diversified Property Trust.

In addition, on 28 July 2003 Stockland Trust Management Limited became the Responsible Entity of AMP Diversified Property Trust.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Corporation and the Responsible Entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

### LIKELY DEVELOPMENTS

Information about certain likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years is included in the various reports commencing on page 8 of the Annual Report. Further information about likely developments has not been included in this report because disclosure of such information would be likely to result in unreasonable prejudice to the consolidated entity.



**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003**

**DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**

The Nominations and Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Corporation. The broad remuneration policy is to ensure that each remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The committee also engages external consultants to advise on the remuneration packages of senior executives to ensure they reflect market practice and are consistent with the broad remuneration policy.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive directors do not receive any performance related remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Corporation and each of the five named officers of the consolidated entity receiving the highest emolument are:

	Base Remuneration \$	Performance Bonuses \$	Non-cash Benefits \$	Superannuation \$	Total \$
<b>DIRECTOR</b>					
<b>Executive</b>					
MATTHEW QUINN	707,185	450,000	59,876	10,519	1,227,580
JOHN PETTIGREW	315,207	200,000	63,175	10,519	588,901
<b>Non Executive</b>					
PETER DALY	156,000	-	-	10,519	166,519
NICHOLAS GREINER	83,200	-	-	7,488	90,688
BRUCE CORLETT <sup>1</sup>	64,480	-	-	5,802	70,282
DAVID FAIRFULL <sup>2</sup>	87,360	-	-	9,855	97,215
BARRY THORNTON <sup>1</sup>	64,480	-	-	5,802	70,282
TERRY WILLIAMSON <sup>1</sup>	13,340	-	-	1,066	14,406
<b>Executive officers (excluding directors)</b>					
DENIS HICKEY CEO, DEVELOPMENT DIVISION	403,946	180,000	74,802	10,519	669,267
DARREN STEINBERG CEO, SHOPPING CENTRE DIVISION	335,377	180,000	13,006	10,519	538,902
STEVEN MANN CEO, COMMERCIAL & INDUSTRIAL DIVISION	302,497	120,000	45,885	10,519	478,901
ANTHONY GILCHRIST GM, DEVELOPMENT & ACQUISITIONS, SHOPPING CENTRE DIVISION	262,027	100,000	4,904	10,519	377,450
WAYNE REX GM, DEVELOPMENT DIVISION (QLD)	242,969	100,000	21,512	10,519	375,000

<sup>1</sup> Includes fees from Audit Committee.

<sup>2</sup> Includes fees from Audit and Compliance Committees.

**DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003**

**DIRECTORS' INTERESTS**

The relevant interest of each director in the stapled securities issued by entities within the consolidated entity, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Number of Securities Held
PETER DALY	1,869,758
NICHOLAS GREINER	35,587
MATTHEW QUINN	2,350,000*
JOHN PETTIGREW	1,225,000*
BRUCE CORLETT	68,464
DAVID FAIRFULL	11,104
BARRY THORNTON	-
TERRY WILLIAMSON	5,000

\*Other than 75,000 securities held by the Trustee of John Pettigrew's Superannuation Fund, all of these securities are held under the Stockland Executive Securities Plan (see Note 36).

**INDEMNITIES AND INSURANCE PREMIUMS OF OFFICERS AND AUDITORS**

**Indemnification**

Since the end of the previous financial year, the consolidated entity has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the consolidated entity or an auditor of the consolidated entity.

**Insurance premiums**

Since the end of the previous financial year, the consolidated entity has paid insurance premiums in respect of directors' and officers' liability insurance contracts, for directors, executive directors, secretaries and officers of the consolidated entity. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been directors and officers of the consolidated entity.

Details of the nature of or the amount of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the insurance contracts.

**ROUNDING**

The Corporation and the Trust are of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 1st day of September 2003.

Signed in accordance with a resolution of the directors:

PETER DALY  
CHAIRMAN



MATTHEW QUINN  
MANAGING DIRECTOR





STOCKLAND COMPRISING STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>Revenue from ordinary activities</b>			
<i>From operating activities</i>			
Rent from investment properties		304,471	290,952
Property development sales		409,503	388,402
Hotel operation revenue		58,898	55,307
Management and agency fee income		533	1,976
Interest income	3	6,112	5,221
Distributions/dividend income		166	-
Other revenue		1,245	4,764
<i>From outside operating activities</i>			
Gross proceeds from sale of non-current assets		86,381	90,693
<b>Total revenue from ordinary activities</b>		<b>867,309</b>	<b>837,315</b>
Investment property expenses		(77,113)	(70,017)
Cost of property developments sold		(258,842)	(283,331)
Hotel operation expenses		(55,793)	(53,027)
Management, administration, marketing and selling expenses	4	(69,765)	(55,146)
Borrowing costs	4	(20,264)	(24,673)
Book value of non-current assets sold		(84,676)	(88,880)
Premium on acquisition of ADP written-off	31(b)	(220,387)	-
Share of net profits of investments accounted for using the equity method	32	9,132	5,447
<b>Profit from ordinary activities before related income tax expense</b>		<b>89,601</b>	<b>267,688</b>
Income tax expense relating to ordinary activities	6(a)	(25,191)	(17,785)
Net profit after income tax before outside equity interests		64,410	249,903
Net profit attributable to outside equity interests		-	(152)
<b>Net profit attributable to members of the parent entity</b>		<b>64,410</b>	<b>249,751</b>
<b>Non-owner transaction changes in equity</b>			
Increase in asset revaluation reserve		151,820	42,556
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		151,820	42,556
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>		<b>216,230</b>	<b>292,307</b>
<b>Basic earnings per security</b>	7	<b>7.6¢</b>	<b>30.8¢</b>
Basic earnings per security before premium on acquisition of ADP written-off	7	33.5¢	30.8¢

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 107.

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003**

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>Current assets</b>			
Cash assets	9	34,869	34,567
Receivables	10	49,364	16,236
Capital works for Stockland Trust	11	43,444	31,580
Inventories	12	347,344	263,076
Other assets	13	60,135	16,054
<b>Total current assets</b>		<b>535,156</b>	<b>361,513</b>
<b>Non-current assets</b>			
Receivables	10	77,526	34,659
Inventories	12	406,079	275,740
Investment properties	14	4,378,490	2,539,503
Other financial assets	15	22,299	45
Property, plant and equipment	16	17,938	15,789
Investments accounted for using the equity method	17	443,308	68,514
Intangible assets	18	57,082	22,460
Deferred tax assets	6(d)	6,048	4,319
Other assets	13	14,429	4,605
<b>Total non-current assets</b>		<b>5,423,199</b>	<b>2,965,634</b>
<b>Total assets</b>		<b>5,958,355</b>	<b>3,327,147</b>
<b>Current liabilities</b>			
Payables	19	237,461	85,477
Interest-bearing liabilities	20	377,000	-
Current tax liabilities	6(b)	238	1,304
Provisions	21	173,918	130,026
Other liabilities	22	2,466	863
<b>Total current liabilities</b>		<b>791,083</b>	<b>217,670</b>
<b>Non-current liabilities</b>			
Payables	19	44,284	7,900
Interest-bearing liabilities	20	1,108,876	448,171
Deferred tax liabilities	6(c)	13,868	9,129
Provisions	21	443	345
Other liabilities	22	-	1,250
<b>Total non-current liabilities</b>		<b>1,167,471</b>	<b>466,795</b>
<b>Total liabilities</b>		<b>1,958,554</b>	<b>684,465</b>
<b>Net assets</b>		<b>3,999,801</b>	<b>2,642,682</b>
<b>Equity</b>			
Contributed equity	23	3,256,945	2,242,400
Reserves	24	269,176	335,409
Retained profits	25	74,504	64,873
<b>Total parent entity interest</b>		<b>3,600,625</b>	<b>2,642,682</b>
Outside equity interests	26	399,176	-
<b>Total equity</b>		<b>3,999,801</b>	<b>2,642,682</b>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 107.



STOCKLAND COMPRISING STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		815,293	860,953
Cash payments in the course of operations		(669,602)	(545,294)
Payments to joint venture entities		(3,048)	(2,996)
Payments from joint venture entities		9,484	14,526
Interest received		5,313	4,462
Borrowing costs paid		(37,419)	(34,985)
Income taxes paid		(23,247)	(23,951)
<b>Net cash provided by operating activities</b>	34(b)	<b>96,774</b>	<b>272,715</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties		24,446	83,837
Payments for investment properties		(321,755)	(100,583)
Proceeds from sale of property, plant and equipment		526	5,417
Payments for plant and equipment		(5,289)	(4,897)
Proceeds from sale of investment securities		-	882
Payments for investments		(22,143)	-
Proceeds from sale of partnership interest	32	61,409	-
Repayment of loans by directors and executives under the Executive Securities Plan		2,224	8,324
Advances to directors and executives under the Executive Securities Plan		(13,401)	(27,772)
Repayment of loans from other entities		109	465
Loans to other entities		(35,595)	-
Payments for controlled entities	31(b)	(342,784)	(177,466)
<b>Net cash used in investing activities</b>		<b>(652,253)</b>	<b>(211,793)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units/shares		298,401	257,633
Proceeds from borrowings		490,140	346,160
Repayment of borrowings		-	(667,246)
Distributions/dividends paid		(255,730)	(222,528)
<b>Net cash provided by/(used in) financing activities</b>		<b>532,811</b>	<b>(285,981)</b>
<b>Net decrease in cash held</b>		<b>(22,668)</b>	<b>(225,059)</b>
<b>Cash from purchase of controlled entities during the year</b>	31(b)	<b>22,970</b>	<b>5,126</b>
<b>Cash at the beginning of the financial year</b>		<b>34,567</b>	<b>254,500</b>
<b>Cash at the end of the financial year</b>	34(a)	<b>34,869</b>	<b>34,567</b>

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 107.

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant policies which have been adopted in the preparation of this financial report are:

**(a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared to satisfy the requirements of Urgent Issues Group Consensus View 13, "The presentation of the Financial Report of Entities Whose Securities are Stapled". The financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It is recommended that the financial report is read in conjunction with any public announcements made by the consolidated entity during the year ended 30 June 2003 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The financial report has been prepared on the basis of the going concern and historical cost conventions and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

**(b) Principles of consolidation**

The combined financial report of Stockland comprises the consolidated financial report of Stockland Trust and its controlled entities ("the Trust"), and Stockland Corporation Limited and its controlled entities ("the Corporation"), which form the consolidated entity. Stockland was established for the purpose of facilitating a joint quotation of both entities on the Australian Stock Exchange. The Constitution of the Trust and the Articles of Association of the Corporation ensure that, for so long as the two entities remain jointly quoted, the number of units in the Trust and the number of shares in the Corporation shall be equal, and that Unitholders and Shareholders be identical.

Urgent Issues Group Consensus View 13, "The presentation of the Financial Report of Entities Whose Securities are Stapled" requires stapled securities, such as those of Stockland, to prepare combined accounts in accordance with certain requirements of AASB 1024 "Consolidated Accounts". This combined financial report has been prepared in accordance with those requirements.

**Controlled entities**

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the consolidated entity are shown as a separate item in the consolidated financial statements.

**Associates**

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount. The consolidated entity's equity accounted share of the associate's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

**Joint ventures**

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

**Joint venture entities**

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

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



**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Principles of consolidation (continued)**

*Joint venture operations*

The consolidated entity's interests in unincorporated joint ventures are brought to account by including its proportionate share of joint ventures' assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

*Transactions eliminated on consolidation*

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with joint venture entities are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

**(c) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

*Residential land sales*

Revenue from residential land sales is recognised when contracts are settled.

*High and medium density residential property development sales*

High and medium density residential property development revenues and expenses are recognised on a project basis by applying the percentage of completion method to the proportion of exchanged sales when the project outcome can be reliably estimated.

Stage of completion is measured by reference to project costs to date as a percentage of estimated total costs for the project and the proportion of exchanged sales is measured as the value of exchanged sales to date as a percentage of total estimated sales for the project.

An expected loss on a project is recognised immediately as an expense.

For 'reliable' measurement of revenues and expenses to occur then the following conditions must be satisfied before any profit is recognised:

- A signed construction contract is in place and Development Approval received;
- Financing for the development has been arranged; and
- Construction is substantially underway.

At each reporting date all projects on which pre-sales have occurred are analysed to establish the level of reliability on which profits may be accurately reported.

*Hotel operations and management income*

Revenue from hotel and property management is recognised when the service is rendered.

*Rental revenue*

Rent is brought to account when legally due and, if not received at balance date, is reflected in the Statement of Financial Position as a receivable or if paid in advance, as rents in advance. Turnover rent is brought to account when invoiced to the respective tenants.

*Interest revenue*

Interest revenue is brought to account when earned and, if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

*Distributions/dividends*

Revenue from distributions/dividends from controlled entities is recognised by Stockland Trust and Stockland Corporation Limited when they are declared by the controlled entities.

Distributions/dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

*Sale of non-current assets*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Goods and services tax**

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the Statement of Financial Position.

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

**(e) Foreign Currency**

*Translation of foreign currency transactions*

Transactions in entities with foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction or at hedge rates where applicable.

*Translation of financial reports of foreign entities*

The New Zealand operations of the consolidated entity are deemed to be an integrated foreign operation. The financial reports of overseas operations are translated using the temporal method under AASB 1012 Foreign Currency Translation. Under the temporal method, any exchange differences must be recognised as revenues or expenses in the net profit in the reporting period in which they arise.

At balance date, monetary items are translated at the spot rate. Foreign exchange gains or losses that arise on the translation of monetary items are recognised in the Statement of Financial Performance. Non-monetary items are translated using historical rates of exchange. Non-monetary assets that are revalued are translated using spot rates at the date of valuation and any exchange movement is treated as a revaluation increment or decrement.

**(f) Derivatives**

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. It is the consolidated entity's policy to use interest rate swap agreements and forward exchange contracts to hedge this risk. Derivative financial instruments are not held for speculative purposes.

*Interest rate swaps*

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis, in the Statement of Financial Performance, as an adjustment to borrowing costs during the period.

*Forward exchange contracts*

The consolidated entity enters into forward exchange contracts where it agrees to buy specified amounts of foreign exchange at pre-determined exchange rates. The objective is to minimise the risk of exchange rate fluctuations in respect of a portion of its foreign currency denominated revenues from operations. The value of forward exchange contracts are brought to account in conjunction with the income to which the hedge relates.

Gains and losses on hedge positions are recognised in The Statement of Financial Position and amortised over the period to which the hedge applies. Details are set out in Note 35.

**(g) Borrowing costs**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets until the assets are revenue generating. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.



**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Taxation**

*Stockland Corporation Limited*  
The Corporation adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses and capital losses are only brought to account when their realisation is virtually certain.

*Stockland Trust*  
Under current income tax legislation, the Trust and its controlled entities are not liable for income tax, provided that the taxable income is fully distributed to unitholders each year, and any taxable capital gain derived from the sale of an asset acquired after 19 September 1985 is fully distributed to unitholders. Tax allowances for building and plant and equipment depreciation are distributed to unitholders in the form of tax deferred components of distributions.

The New Zealand operations of the consolidated entity are subject to New Zealand tax on their taxable earnings.

**(i) Earnings per security**

Earnings per security ("EPS") is calculated by dividing the net profit attributable to members of the consolidated entity for the reporting period by the weighted average number of securities of the consolidated entity.

**(j) Acquisitions of assets**

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The discount is treated as interest expense and is amortised over the deferred period.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred. Borrowing costs are capitalised to qualifying assets as set out in Note 1(g).

**(k) Revisions of accounting estimates**

Revisions to accounting estimates are recognised prospectively in current and future periods only.

**(l) Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors which are not considered to be doubtful are carried at amounts due.

**(m) Land and property held for resale**

Development properties are carried 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. Borrowing costs and other holding costs incurred after completion of development are expensed.

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Investments**

*Investment properties*

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Land and buildings, comprising investment properties, are regarded as composite assets and are disclosed as such in the accompanying financial statements. Directors' valuations of investment properties are performed for each financial period or where the consolidated entity believes that there has been a significant change in the value of the property.

Where property is acquired during the reporting period and not revalued at balance date, the costs of acquisition are capitalised and included in the book value of the property.

Where a property is undergoing redevelopment it is carried at the latest valuation with subsequent additions at cost. Included in the cost of redevelopment (as the project is taking more than 12 months to complete) are the borrowing costs incurred on funds used to finance the development, as set out in Note 1(g).

*Valuation*

The consolidated entity's accounting policy is to carry these investment properties at fair value. In addition, the Trust's Constitution requires independent valuations to be performed at regular intervals appropriate to the nature of the property. These valuations are considered by the directors when determining fair value. When assessing fair value, the directors will also consider the discounted cash flow of the property, the highest and best use of the property and sales of similar properties.

Fair value is based on the price at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind
- (iii) that the property will be reasonably exposed to that market
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued
- (v) it only takes into account instructions given by the consolidated entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the consolidated entity.

Revaluation increments are credited directly to the asset revaluation reserve. Revaluation decrements are taken to the asset revaluation reserve to the extent that such losses are covered by amounts previously credited to the reserve and still available in that reserve. Revaluation decrements in excess of the amounts available in the reserves are first charged to the Statement of Financial Performance. Subsequent revaluation increments which recover amounts previously charged to the Statement of Financial Performance are to that extent, credited to the Statement of Financial Performance and then transferred to the asset revaluation reserve.

*Depreciation*

In accordance with AASB 1021 "Depreciation of Non-Current Assets", investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

*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 proceeds on disposal and is included in the Statement of Financial Performance in the year of disposal.

**(o) Operating leases**

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**(p) Goodwill**

Goodwill represents future benefits from unidentifiable assets measured as the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. To the extent that this excess does not constitute goodwill, such excess is recognised immediately as an expense.



**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(q) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written-down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Except where specifically stated, non-current assets are recorded at the lower of cost and recoverable amount.

**(r) Depreciation and amortisation**

Non-financial assets, having limited useful lives are depreciated/ amortised using the diminishing value or the straight line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

	2003	2002
Plant and equipment:		
Leasehold improvements	10 - 20%	10 - 20%
Plant and equipment	2 - 50%	2 - 50%
Intangibles:		
Hotel management rights	10 years	10 years
Trust management rights	84 years	84 years
Goodwill	10-20 years	10-20 years

Other non-current assets:

Deferred expenditure is amortised over the underlying lease term.

Trust and property management rights acquired from AMP in respect of AMP Diversified Property Trust are not amortised as it is considered they have an indefinite useful life pursuant to the stapled structure of the consolidated entity.

**(s) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received.

Trade accounts payable are normally settled within 30 days.

**(t) Interest-bearing liabilities**

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in payables.

Notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

**(u) Employee benefits**

*Wages, salaries and annual leave*

The provisions for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to the reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the consolidated entity expects to pay as at reporting date including related on costs.

*Long service leave*

The provision for employee entitlements to long service leave represents the value of the estimated future cash outflows to be made resulting from employees' services provided up to the reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

*Superannuation plan*

The Corporation contributes to several contribution superannuation plans. Contributions are charged against income as they are made.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(v) Provisions**

A provision is recognised when a legal, equitable or constructive obligation exists as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

*Distributions and dividends*

A provision for distributions and dividends payable is recognised in the reporting period in which the distributions and dividends are declared and unpaid.

*Legal*

A provision for legal claims has been established to reflect the probable outcome of a number of legal matters. The information usually required by AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the claims.

**2 CHANGES IN ACCOUNTING POLICY**

**(a) Employee benefits**

The consolidated entity has applied the revised AASB 1028 "Employee Benefits" (issued in June 2001) for the first time from 1 July 2002.

The liability for wages and salaries, annual leave and sick leave is now calculated using the remuneration rates the consolidated entity expects to pay as at each reporting date, not wage and salary rates current at the reporting date.

There were no initial adjustments to the combined Financial Report as at 1 July 2002 as a result of this change as the amounts were not material.

**(b) High and medium density residential property development**

The consolidated entity has applied UIG53 'Pre-completion Contracts for the Sale of Residential Development Projects' (issued in April 2003) for the first time from 1 July 2002.

High and medium density residential property development revenues and expenses are recognised on a project basis by applying the percentage of completion method to the proportion of exchanged sales (see Note 1(c)).

There were no adjustments to the combined Financial Report as a result of this change.

<b>Consolidated</b>	
<b>2003</b>	<b>2002</b>
<b>\$'000</b>	<b>\$'000</b>

**3 REVENUE FROM ORDINARY ACTIVITIES**

Revenue from ordinary activities includes the following items:

**Interest income**

Other parties	4,799	4,393
Interest on loans to directors*	1,313	828
	<b>6,112</b>	<b>5,221</b>

\*Represents interest on loans to directors for the purchase of securities under Stockland's Executive Securities Plan as approved by shareholders.



	Consolidated	
	2003	2002
	\$'000	\$'000
<b>4 NET PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before income tax expense has been arrived at after (charging)/crediting the following items:		
Net bad and doubtful debts expense including movements in provision for doubtful debts	246	(1,577)
Depreciation of plant and equipment	(2,115)	(1,974)
Amortisation of:		
goodwill	(1,332)	(790)
trust and hotel management rights	(712)	(712)
leasehold improvements	(428)	(497)
hotel pre-opening costs	(468)	(501)
Total depreciation and amortisation expense	(5,055)	(4,474)
Borrowing costs:		
other parties	(40,712)	(38,376)
less: interest paid capitalised to development projects	20,448	13,703
	(20,264)	(24,673)
Net gain/(loss) on disposal of non-current assets:		
investment properties	305	746
partnership interest	1,471	-
property, plant and equipment	(71)	428
investments	-	639
	1,705	1,813
Net expense from movements in provision for:		
legal claims	-	(900)
employee benefits	(1,329)	(2,699)
Operating lease rental expense	(19,544)	(20,132)
Management, administration, marketing and selling expenses such as trust management, property management, leasing, marketing, selling and administration expenses	(69,765)	(55,146)
<b>Individually significant items included in net profit from ordinary activities before income tax expense:</b>		
Sale of investment properties		
Gross proceeds	24,446	83,837
Book value of investment properties sold	(24,141)	(83,091)
Gross profit on sale	305	746
Sale of partnership interests		
Gross proceeds	61,409	-
Book value of partnership interest sold	(59,938)	-
Gross profit on sale	1,471	-
Premium on acquisition of ADP written-off	220,387	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated	
	2003 \$	2002 \$
<b>5 AUDITORS' REMUNERATION</b>		
<b>Audit services</b>		
Auditors of the consolidated entity - KPMG	402,500	445,732
<b>Other services</b>		
Auditors of the consolidated entity - KPMG	201,000	274,765
KPMG related practices - included in operating expenses	-	38,950
- included in cost of acquisition of ADP	1,033,555	-
	<b>1,234,555</b>	<b>313,715</b>

The major component of the fees payable to KPMG for non-statutory audit services were for the following services: non-statutory audit, accounting, tax and financial due diligence. KPMG received \$1,033,555 (2002: nil) for corporate finance and transaction services in relation to the acquisition of AMP Diversified Property Trust. These fees, which were approved in accordance with the consolidated entity's Corporate Governance Statement (see page 40), have been included as a cost of acquisition (Note 31(b)).

	Consolidated	
	2003 \$'000	2002 \$'000
<b>6 TAXATION</b>		
<b>(a) Income tax expense</b>		
Prima facie income tax expense calculated at 30% (2002: 30%) on Corporation profit from ordinary activities	25,158	17,740
Increase in income tax expense due to:		
amortisation	613	529
non-deductible entertainment	88	47
capital gain	-	184
other	80	47
	<b>781</b>	<b>807</b>
Decrease in income tax expense due to:		
rebate on dividend income	-	(3)
tax depreciation on buildings and equipment	(60)	(470)
accounting profit on sale of non-current assets	-	(189)
other	-	(6)
	<b>(60)</b>	<b>(668)</b>
Income tax expense on the profit from ordinary activities before individually significant income tax items	25,879	17,879
Individually significant income tax items:		
restatement of deferred tax balances due to change in company tax rate	-	32
Income tax over provided in prior year	(688)	(126)
Income tax expense attributable to Corporation profit from ordinary activities	<b>25,191</b>	<b>17,785</b>
Income tax expense attributable to Corporation profit from ordinary activities comprises:		
current income tax provision	22,976	17,494
deferred income tax provision	4,870	1,191
future income tax benefit	(1,967)	(774)
over provision of income tax in prior year	(688)	(126)
	<b>25,191</b>	<b>17,785</b>



	Consolidated	
	2003	2002
	\$'000	\$'000
<b>6 TAXATION (CONTINUED)</b>		
<b>(b) Current tax liabilities</b>		
Provision for current income tax		
Movements during the year:		
Balance at the beginning of the financial year	1,304	7,632
Income tax paid on operating activities	(23,354)	(23,951)
Addition through acquisition of a controlled entity	-	255
Current year's income tax expense on Corporation profit from ordinary activities	22,976	17,494
Over provision in prior year	(688)	(126)
	<u>238</u>	<u>1,304</u>
<b>(c) Deferred tax liabilities</b>		
Provision for deferred income tax		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2002: 30%) on expenditure currently deductible for tax but deferred and amortised for accounting purposes	13,868	9,129
<b>(d) Deferred tax assets</b>		
Future income tax benefit		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002: 30%) on the following items:		
provisions and accrued employee benefits not currently deductible	2,658	2,712
sundry items	3,390	1,607
	<u>6,048</u>	<u>4,319</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated	
	2003 \$'000	2002 \$'000
<b>7 EARNINGS PER SECURITY (EPS)</b>		
<b>Earnings reconciliation</b>		
Net profit after income tax before premium on acquisition of ADP written-off	284,797	249,903
Premium on acquisition of ADP written-off	(220,387)	-
Net profit after income tax	64,410	249,903
Net income attributable to outside equity interests	-	(152)
Basic earnings	64,410	249,751
	2003	2002
Weighted average number of securities used as the denominator	849,516,402	811,952,434

There are no dilutive potential ordinary securities, therefore diluted EPS has not been calculated or disclosed.

**8 SEGMENT REPORTING**

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

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

**Business segments**

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

- Property development;
- Property management and investment (including trust management);
- Hotel management; and
- Other (including finance).

**Geographical segments**

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the underlying assets.



STOCKLAND COMPRISING STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

Primary Reporting Business Segments	Property Development		Property Management and Investment		Hotel Management		Other (including Finance)		Eliminations		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>8 SEGMENT REPORTING (CONTINUED)</b>												
<b>Revenue</b>												
External segment revenue	409,428	387,836	396,511	392,396	59,055	56,208	46,288	34,615	(43,973)	(33,740)	867,309	837,315
Inter-segment revenue	97,881	63,473	10,412	4,874	-	-	-	-	(108,293)	(68,347)	-	-
<b>Total segment revenue</b>	<b>507,309</b>	<b>451,309</b>	<b>406,923</b>	<b>397,270</b>	<b>59,055</b>	<b>56,208</b>	<b>46,288</b>	<b>34,615</b>	<b>(152,266)</b>	<b>(102,087)</b>	<b>867,309</b>	<b>837,315</b>
<b>Result</b>												
Segment result before interest	100,463	68,140	233,151	225,923	3,013	2,177	5,803	6,467	-	-	342,430	302,707
Interest expense	-	-	-	-	-	-	(20,264)	(24,673)	-	-	(20,264)	(24,673)
Interest expense included in cost of goods sold	(5,844)	(6,349)	-	-	-	-	-	-	-	-	(5,844)	(6,349)
Segment result after interest	94,619	61,791	233,151	225,923	3,013	2,177	(14,461)	(18,206)	-	-	316,322	271,685
Share of net profit of equity accounted investments	31	352	9,101	5,095	-	-	-	-	-	-	9,132	5,447
Unallocated corporate expenses											(15,466)	(9,444)
Profit from ordinary activities before write-off of premium on acquisition of ADP and related income tax expense	94,650	62,143	242,252	231,018	3,013	2,177	(14,461)	(18,206)	-	-	309,988	267,688
Premium on acquisition of ADP written-off											(220,387)	-
Profit from ordinary activities before income tax											89,601	267,688
Income tax expense											(25,191)	(17,785)
<b>Net profit</b>											<b>64,410</b>	<b>249,903</b>
<b>Net profit arrived at after crediting/ (charging) the following items:</b>												
Depreciation and amortisation	(1,257)	(1,363)	(169)	(570)	(1,628)	(1,709)	(2,001)	(832)	-	-	(5,055)	(4,474)
Non-cash expenses other than depreciation and amortisation	-	-	(633)	(1,764)	-	-	(53)	(551)	-	-	(686)	(2,315)
Individually significant items:												
Proceeds on sale of non-current assets	-	-	84,923	83,837	-	-	-	-	-	-	84,923	83,837
Written-down value of non-current assets sold	-	-	(83,218)	(83,091)	-	-	-	-	-	-	(83,218)	(83,091)
	-	-	1,705	746	-	-	-	-	-	-	1,705	746
<b>Assets</b>												
Segment assets	818,852	595,113	4,525,750	2,570,597	18,532	14,575	42,984	38,063	-	-	5,406,118	3,218,348
Equity accounted investments	3,952	5,792	439,356	62,722	-	-	-	-	-	-	443,308	68,514
Unallocated corporate assets											108,929	40,285
<b>Consolidated total assets</b>											<b>5,958,355</b>	<b>3,327,147</b>
<b>Liabilities</b>												
Segment liabilities	74,205	47,463	123,944	27,383	5,016	4,376	1,540,488	457,823	-	-	1,743,653	537,045
Unallocated corporate liabilities											214,901	147,420
<b>Consolidated total liabilities</b>											<b>1,958,554</b>	<b>684,465</b>
Acquisitions of non-current assets*	210,656	137,574	2,093,124	103,224	419	389	787	1,760	-	-	2,304,986	242,947

\*Includes acquisition of land for development, investment properties, capital expenditure on investment properties and acquisition of plant and equipment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

Secondary Reporting Geographical Segments	New South Wales		Queensland		Victoria		Western Australia		ACT	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

**8 SEGMENT REPORTING (CONTINUED)**

External segment revenue by location of assets	382,462	396,429	172,109	171,468	122,436	139,467	77,033	70,129	16,213	34,254
Segment assets by location of assets	2,982,306	2,046,912	982,626	524,159	580,857	309,296	260,825	104,256	115,105	114,038
Acquisitions of non-current assets*	1,233,431	122,392	316,390	49,576	237,525	20,411	210,102	48,982	28	1,196

Secondary Reporting Geographical Segments	South Australia		Northern Territory		New Zealand		Other (incl. Finance)		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
External segment revenue by location of assets	79,935	9,437	12,176	14,234	-	-	4,945	1,897	867,309	837,315
Segment assets by location of assets	227,088	56,563	21,276	25,067	167,936	-	68,099	38,059	5,406,118	3,218,348
Acquisitions of non-current assets*	119,687	354	37	36	167,936	-	19,850	-	2,304,986	242,947

\*Includes acquisition of land for development, investment properties, capital expenditure on investment properties and acquisition of plant and equipment.

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>9 CASH ASSETS</b>			
<b>Current</b>			
Cash at bank and on hand		29,345	14,067
Bank short term deposits		5,524	20,500
	34(a)	<b>34,869</b>	<b>34,567</b>

The bank short term deposits are at call and pay interest at a weighted average interest rate of 4.70% at 30 June 2003 (2002: 4.85%).



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

		Consolidated	
	Note	2003 \$'000	2002 \$'000
<b>10 RECEIVABLES</b>			
<b>Current</b>			
Trade debtors		9,695	13,952
Less: provision for doubtful trade debtors		(2,061)	(2,204)
		<u>7,634</u>	<u>11,748</u>
Employee Share Scheme loans (non-directors)	36	978	663
Other loans		18,442	557
Less: provision for doubtful loans		(456)	(503)
		<u>17,986</u>	<u>54</u>
Other debtors		22,106	2,985
Loans to directors*	36	660	786
		<u>49,364</u>	<u>16,236</u>
<b>Non-current</b>			
Loans to directors*	36	16,793	16,799
Employee Share Scheme loans (non-directors)	36	29,045	17,860
Other loans		31,688	-
		<u>77,526</u>	<u>34,659</u>
*Includes interest-bearing loans to directors for the purchase of securities under Stockland's Executive Securities Plan as approved by shareholders.			
<b>11 CAPITAL WORKS FOR STOCKLAND TRUST</b>			
Capital works in progress by Corporation entities for the Trust investment properties (to be transferred upon completion)		<u>43,444</u>	<u>31,580</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Consolidated	
	2003 \$'000	2002 \$'000
<b>12 INVENTORIES</b>		
<b>Current</b>		
Land and property held for resale - at cost:		
cost of acquisition	27,943	17,179
development costs	67,951	46,874
other costs	7,658	902
	103,552	64,955
Land and property under development - at cost:		
cost of acquisition	52,082	63,298
development costs	44,600	48,706
other costs	2,551	1,556
	99,233	113,560
Apartments - at cost:		
cost of acquisition	49,910	35,230
development costs	51,901	26,138
other costs	4,482	2,414
	106,293	63,782
Retail projects - at cost:		
cost of acquisition	14,394	9,553
development costs	21,537	9,832
other costs	2,335	1,394
	38,266	20,779
	347,344	263,076
<b>Non-current</b>		
Land and property under development - at cost:		
cost of acquisition	313,794	208,627
development costs	34,864	22,830
other costs	16,475	10,039
	365,133	241,496
Apartments - at cost:		
cost of acquisition	7,609	25,313
development costs	202	2,310
other costs	426	1,212
	8,237	28,835
Retail projects - at cost:		
cost of acquisition	27,634	3,781
development costs	3,180	1,332
other costs	1,895	296
	32,709	5,409
	406,079	275,740

Borrowing costs were capitalised at a weighted average interest rate of 6.5% from 1 July 2002 to 31 March 2003 and 6.25% from 1 April 2003 to 30 June 2003 [1 July 2001 to 31 December 2001: 6.25% and 1 January 2002 to 30 June 2002: 6.0%].



STOCKLAND COMPRISING STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Consolidated	
	2003	2002
	\$'000	\$'000
<b>13 OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	8,443	5,458
Deposits	31,136	7,390
Other	20,556	3,206
	<b>60,135</b>	<b>16,054</b>
<b>Non-current</b>		
Hotel pre-opening costs:		
at cost	3,155	3,218
accumulated amortisation	(2,058)	(1,590)
	<b>1,097</b>	<b>1,628</b>
Other	13,332	2,977
	<b>14,429</b>	<b>4,605</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

## 14 INVESTMENT PROPERTIES

Details of the individual properties comprising Investment Properties are set out below. Investment properties are 100% owned except where indicated.

Description/Ownership	Title	Acquisition Date	Original Purchase Price \$'000	Cost Including Additions \$'000	Independent Valuation Date	Independent Valuation \$'000	Book Value 2003 \$'000	Book Value 2002 \$'000
175-183 Castlereagh Street Sydney NSW	F/hold	Sept 1982	18,000	27,303	Dec 2001	43,000	43,164 <sup>1</sup>	43,000
Parkview 157 Liverpool Street Sydney NSW	F/hold	June 1988	41,688	53,337	June 2003	51,000	51,000 <sup>1</sup>	52,100
50 Pitt Street Sydney NSW	F/hold	June 1998	44,830	44,830	April 2001	48,500	48,500 <sup>1</sup>	48,500
367 George Street Sydney NSW	F/hold	June 1998	35,757	35,757	April 2001	36,000	36,000 <sup>1</sup>	36,000
333 Exhibition Street Melbourne VIC	F/hold	Aug 1985	4,379	18,843	-	-	29,863 <sup>2</sup>	33,002
77 Pacific Highway North Sydney NSW	F/hold	Jan 2000	25,897	53,339	June 2003	45,000	45,000	23,508
333 Kent Street Sydney NSW	F/hold	Jan 2000	32,771	32,784	May 2001	32,500	32,664	32,650
50 Miller Street North Sydney NSW	F/hold	Jan 2000	30,000	30,104	May 2001	35,300	35,568	35,567
504 Pacific Highway & 95 Nicholson Street St Leonards NSW	F/hold	Jan 2000	25,000	26,418	Dec 2002	32,000	32,018	26,622
541 St Kilda Road Melbourne VIC	F/hold	Jan 2000	17,100	19,924	May 2001	20,750	21,521	21,002
33 Herbert Street St Leonards NSW	F/hold	Jan 2000	20,895	21,050	May 2001	21,500	21,755	21,599
164-174 Liverpool Road Ashfield NSW <sup>7</sup>	F/hold	Jan 2000	17,303	-	June 2002	12,500	-	12,500
Amory Gardens 2, 4-6 Cavill Avenue Ashfield NSW	F/hold	July 2000	33,200	36,491	June 2002	22,000	25,283	22,000
Piccadilly Complex 133-145 Castlereagh Street Sydney NSW	L/hold	Oct 2000	210,061	212,882	June 2003	237,500	237,500	210,553
Riverside 452 Flinders Street Melbourne VIC	F/hold	Oct 2000	124,500	124,633	June 2002	135,000	135,014	135,000
Edmond Barton Building Barton ACT	L/hold	Oct 2000	76,887	78,392	Dec 2001	85,200	85,515	85,334
2-10 Wentworth Street Parramatta NSW	F/hold	Oct 2000	29,701	29,936	June 2002	26,200	26,269	26,200
110 Walker Street North Sydney NSW	F/hold	Oct 2000	22,665	22,665	June 2003	23,000	23,000	22,665



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

**14 INVESTMENT PROPERTIES (CONTINUED)**

Description/Ownership	Title	Acquisition Date	Original Purchase Price \$'000	Cost Including Additions \$'000	Independent Valuation Date	Independent Valuation \$'000	Book Value 2003 \$'000	Book Value 2002 \$'000
Clemenger Building 118-120 Pacific Highway St Leonards NSW	F/hold	Oct 2000	19,148	19,801	Dec 2001	20,000	20,000	20,000
51-57 Pitt Street Sydney NSW	F/hold	Oct 2000	17,275	17,925	June 2003	20,000	20,000	17,908
Underwood House 37-49 Pitt Street, Sydney NSW	F/hold	Oct 2000	47,408	47,910	Dec 2002	48,000	48,441	47,462
Cox & Drakeford Buildings Northbourne Avenue & Mort Street, Canberra ACT	L/hold	Oct 2000	11,004	12,963	Dec 2002	14,000	14,042	12,921
234 Sussex Street Sydney NSW	F/hold	Oct 2000	42,013	42,103	March 2002	43,000	43,014	43,000
Trace/Todd Buildings Cooyong & Mort Streets Canberra ACT	L/hold	Oct 2000	10,562	14,459	March 2002	14,100	14,447	14,100
6-8 Underwood Street Sydney NSW	F/hold	Aug 2002	12,001	12,001	June 2003	10,000	10,000	-
Colonial Centre Sydney NSW (50%)	L/hold	June 2003	173,811	173,811	March 2003 <sup>3</sup>	173,500	173,811 <sup>5</sup>	-
Northpoint North Sydney NSW	F/hold	June 2003	173,281	173,281	March 2003 <sup>3</sup>	171,000	173,281	-
135 King Street Sydney NSW (50%)	F/hold	June 2003	96,506	96,506	March 2003 <sup>3</sup>	96,000	96,506 <sup>5</sup>	-
Exchange Plaza Perth WA (50%)	L/hold	June 2003	67,774	67,774	March 2003 <sup>3</sup>	67,200	67,774 <sup>5</sup>	-
601 Pacific Highway St Leonards NSW	F/hold	June 2003	61,064	61,064	March 2003 <sup>3</sup>	61,000	61,064	-
7 Macquarie Place Sydney NSW (50%)	F/hold	June 2003	48,140	48,140	March 2003 <sup>3</sup>	48,000	48,140 <sup>5</sup>	-
72 Christie Street St Leonards NSW	F/hold	June 2003	46,000	46,000	March 2003 <sup>3</sup>	46,000	46,000	-
81-95 Waymouth Street Adelaide SA	F/hold	June 2003	41,000	41,000	March 2003 <sup>3</sup>	41,000	41,000	-
75 George Street Parramatta NSW	F/hold	June 2003	30,041	30,041	March 2003 <sup>3</sup>	30,000	30,041	-
Chesser House Adelaide SA	F/hold	June 2003	22,600	22,600	March 2003 <sup>3</sup>	22,600	22,600	-
90 Mount Street North Sydney NSW	F/hold	June 2003	21,427	21,427	March 2003 <sup>3</sup>	21,400	21,427	-
Stockland Baulkham Hills Baulkham Hills NSW	F/hold	Sept 1982	15,500	26,076	June 2003	57,000	57,000 <sup>1</sup>	49,340
Stockland Merrylands Merrylands NSW	F/hold	Sept 1982	18,000	35,054	June 2003	110,000	110,000 <sup>1</sup>	91,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

**14 INVESTMENT PROPERTIES (CONTINUED)**

Description/Ownership	Title	Acquisition Date	Original Purchase Price \$'000	Cost Including Additions \$'000	Independent Valuation Date	Independent Valuation \$'000	Book Value 2003 \$'000	Book Value 2002 \$'000
Stockland Imperial Arcade Pitt Street, Sydney NSW	F/hold	Sept 1982	9,500	49,337	June 2003	77,000	77,000 <sup>1</sup>	65,500
Stockland Wetherill Park Wetherill Park NSW	F/hold	Aug 1983	11,950	103,691	June 2003	190,000	190,000 <sup>1</sup>	129,000
Stockland Jesmond Jesmond NSW	F/hold	Feb 1984	9,212	35,402	June 2003	72,000	72,000 <sup>1</sup>	64,133
Stockland Townsville Townsville QLD	F/hold	June 1987	27,655	91,028	Dec 2002	150,000	150,788 <sup>1</sup>	147,724
Stockland Cairns Cairns QLD	F/hold	June 1992	47,843	140,475	June 2003	124,000	124,000 <sup>1</sup>	110,000
Stockland Glendale Glendale NSW	F/hold	March 1996	50,634	62,625	June 2003	110,300	110,300 <sup>1</sup>	100,400
Stockland Greenhills Maitland NSW	F/hold	Dec 2000	51,667	111,271	Dec 2002	120,000	120,124 <sup>1</sup>	85,551
Stockland Batemans Bay Batemans Bay NSW	F/hold	June 2002	6,250	21,737	-	-	21,737 <sup>1,4</sup>	6,250
Harris Scarfe Dept Store Oxenham Drive, Elizabeth SA <sup>6</sup>	F/hold	Oct 2000	12,000	-	June 2002	8,500	-	8,500
Woolworths High Street, Toowong QLD	F/hold	Oct 2000	4,830	4,836	June 2003	5,300	5,300	4,836
Bay Village Shopping Centre The Entrance Road Bateau Bay NSW	F/hold	Oct 2000	63,913	64,114	June 2003	79,000	79,000	70,003
Kin Kora Centre Cnr Dawson Highway & Phillip Street, Gladstone QLD	F/hold	Oct 2000	52,206	52,716	June 2003	64,000	64,000	52,206
City Centre Plaza Cnr Fitzroy & Bolsover Streets Rockhampton QLD	F/hold	Oct 2000	24,987	25,157	June 2003	33,500	33,500	27,600
Auckland Creek Gladstone QLD	F/hold	Oct 2000	6,739	7,363	June 2001	3,100	3,100	3,100
Cleveland Harbourside Cleveland QLD	F/hold	Oct 2002	63,254	63,334	-	-	63,334 <sup>1</sup>	-
Merrylands Court Merrylands NSW	F/hold	Dec 2002	15,782	15,782	-	-	15,782 <sup>1</sup>	-
Stockland Glenrose Glenrose NSW	F/hold	Jan 2003	39,615	39,615	-	-	39,615 <sup>1</sup>	-
Lot 801 The Wool Road Vincentia NSW	F/hold	June 2003	6,798	6,798	-	-	6,798 <sup>1</sup>	-
Rockhampton Shopping Fair Rockhampton QLD	F/hold	June 2003	132,553	132,553	March 2003 <sup>3</sup>	132,200	132,553	-
Shellharbour Square Shellharbour NSW	F/hold	June 2003	140,223	140,223	March 2003 <sup>3</sup>	140,000	140,223	-
Botany Town Centre Auckland NZ (50%)	F/hold	June 2003	86,316	86,316	March 2003 <sup>3</sup>	90,551	86,316	-
Karrinyup Shopping Centre Karrinyup WA (25%)	F/hold	June 2003	69,910	69,910	March 2003 <sup>3</sup>	69,625	69,910 <sup>5</sup>	-



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

**14 INVESTMENT PROPERTIES (CONTINUED)**

Description/Ownership	Title	Acquisition Date	Original Purchase Price \$'000	Cost Including Additions \$'000	Independent Valuation Date	Independent Valuation \$'000	Book Value 2003 \$'000	Book Value 2002 \$'000
Lynmall Shopping Centre Auckland NZ (50%)	F/hold	June 2003	56,348	56,348	March 2003 <sup>3</sup>	59,069	56,348	-
Parabanks Shopping Centre Salisbury SA	F/hold	June 2003	55,711	55,711	March 2003 <sup>3</sup>	55,700	55,711	-
Bullcreek Shopping Centre Bullcreek WA	F/hold	June 2003	53,000	53,000	March 2003 <sup>3</sup>	53,000	53,000	-
Nowra Fair Nowra NSW	F/hold	June 2003	50,750	50,750	March 2003 <sup>3</sup>	50,530	50,750	-
Sunland Shopping Centre Caloundra QLD	F/hold	June 2003	46,504	46,504	March 2003 <sup>3</sup>	46,500	46,504	-
Bathurst City Centre Bathurst NSW	F/hold	June 2003	40,413	40,413	March 2003 <sup>3</sup>	40,400	40,413	-
Wendouree Village Ballarat VIC	F/hold	June 2003	42,042	42,042	March 2003 <sup>3</sup>	42,000	42,042	-
Traralgon Centre Plaza Traralgon VIC	F/hold	June 2003	44,000	44,000	March 2003 <sup>3</sup>	44,000	44,000	-
Corrimal Court Corrimal NSW	F/hold	June 2003	36,504	36,504	March 2003 <sup>3</sup>	36,500	36,504	-
Shellharbour Super Centre Shellharbour NSW	F/hold	June 2003	33,500	33,500	March 2003 <sup>3</sup>	33,500	33,500	-
Manukau Supa Centre Auckland NZ (50%)	F/hold	June 2003	22,090	22,090	March 2003 <sup>3</sup>	23,187	22,090	-
Yennora Distribution Park Yennora NSW	F/hold	July 2000	141,890	142,430	June 2000 <sup>3</sup>	141,500	142,430 <sup>e</sup>	142,322
Hendra Distribution Park Hendra QLD	F/hold	July 2000	41,717	45,040	June 2001	37,000	40,209	37,159
Port Adelaide Distribution Park Gillman SA	F/hold	July 2000	42,945	43,752	June 2002	47,400	47,574	47,400
Altona Distribution Park Altona VIC	F/hold	July 2000	24,334	24,462	Dec 2002	19,000	19,000	24,462
Spearwood Distribution Park Bibra Lake WA	F/hold	July 2000	16,370	16,399	Dec 2002	14,250	14,274	16,375
2 Davis Road Wetherill Park NSW	F/hold	April 2003	15,642	15,642	-	-	15,642 <sup>1</sup>	-
11A Ferndell Street Granville NSW	F/hold	April 2003	14,439	14,439	-	-	14,439 <sup>1</sup>	-
11 Amour Street Revesby NSW	F/hold	June 2003	11,049	11,710	-	-	11,710 <sup>1</sup>	-
Brooklyn Estate Brooklyn VIC	F/hold	June 2003	52,436	52,436	March 2003 <sup>3</sup>	51,700	52,436	-
9-11 Ferndell Street Granville NSW	F/hold	June 2003	32,891	32,891	March 2003 <sup>3</sup>	27,335	32,891	-
Century Estate Alexandria NSW	F/hold	June 2003	24,500	24,500	March 2003 <sup>3</sup>	24,500	24,500	-
55-63 Bourke Road Alexandria NSW	F/hold	June 2003	20,100	20,100	March 2003 <sup>3</sup>	20,100	20,100	-
29-35 Gibbes Street Chatswood NSW	F/hold	June 2003	13,300	13,300	March 2003 <sup>3</sup>	13,300	13,300	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

**14 INVESTMENT PROPERTIES (CONTINUED)**

Description/Ownership	Title	Acquisition Date	Original Purchase Price \$'000	Cost Including Additions \$'000	Independent Valuation Date	Independent Valuation \$'000	Book Value 2003 \$'000	Book Value 2002 \$'000
1 Skyline Place, Frenchs Forest NSW	F/hold	June 2003	9,000	9,000	March 2003 <sup>3</sup>	9,000	9,000	-
509 Boundary Road Richlands QLD	F/hold	June 2003	8,131	8,131	March 2003 <sup>3</sup>	8,100	8,131	-
60 Fulcrum Street Richlands QLD	F/hold	June 2003	5,700	5,700	March 2003 <sup>3</sup>	5,700	5,700	-
3 Byfield Street North Ryde NSW	F/hold	Jan 2000	8,975	9,262	May 2001	6,900	7,218	6,931
18 Rodborough Road Frenchs Forest NSW	F/hold	Jan 2000	8,713	8,713	May 2001	8,550	8,589	8,589
28 Rodborough Road Frenchs Forest NSW	F/hold	Jan 2000	13,984	13,984	May 2001	13,000	13,059	13,059
Centre Court Estate North Ryde NSW	F/hold	July 2000	68,657	70,455	March 2001	77,300	79,047	78,937
11-17 Khartoum Road North Ryde NSW	F/hold	Oct 2000	36,540	38,518	June 2003	38,500	38,500	36,679
60-66 Waterloo Road North Ryde NSW	F/hold	Oct 2000	20,757	23,274	June 2003	26,700	26,700	23,274
Lot 21 Riverside Corporate Park North Ryde NSW	F/hold	June 2001	15,980	15,980	-	-	15,980	15,980
Totem Shopping Centre Balgowlah NSW	F/hold	April 2002	29,060	39,738	-	-	39,738	30,000
<b>Total investment properties</b>							<b>4,834,631</b>	<b>2,539,503</b>

<sup>1</sup> Property held by Stockland Trust.

<sup>2</sup> Sale of strata units at 333 Exhibition Street commenced during the year ended 30 June 2001. The book value at 30 June 2003 represents the last independent valuation less the cost of units sold. The directors consider the book value of the property at 30 June 2003 to reflect fair value.

<sup>3</sup> Date of latest valuation preceding acquisition by Stockland.

<sup>4</sup> Capital works in progress - fair value at 30 June 2003 has been assessed by the directors after consideration of the latest valuation and capital works incurred to 30 June 2003. An independent valuation of the property will be undertaken to assess book value upon completion of the capital works.

<sup>5</sup> Property held by associate.

<sup>6</sup> Property sold in January 2003.

<sup>7</sup> Property sold in June 2003.

In the above table, Independent Valuation Date and Independent Valuation refer to the most recent independent valuation undertaken in relation to an investment property. Directors' valuations have been undertaken as at 30 June 2003 for all properties when determining fair value. Directors' valuations are on the basis of open market values for the existing use of the respective properties.

With respect to properties held by Australian Commercial Property Trust, Flinders Industrial Property Trust, Advance Property Fund and AMP Diversified Property Trust, the Acquisition Date reflects the date Stockland Trust gained control of the sub-trust and the Original Purchase Price reflects the fair value of the property at that date.

	Consolidated	
	2003 \$'000	2002 \$'000
<b>Reconciliation of ownership</b>		
Consolidated property investments	4,378,490	2,539,503
Consolidated entity's share of property investments held by associates	456,141	-
<b>Total interest in property investments</b>	<b>4,834,631</b>	<b>2,539,503</b>



	Consolidated	
	2003	2002
	\$'000	\$'000
<b>14 INVESTMENT PROPERTIES (CONTINUED)</b>		
<b>Reconciliation - investment properties</b>		
<i>Direct investments and controlled entities</i>		
Carrying amount at the beginning of the financial year	2,539,503	2,482,490
Additions	309,892	129,889
Disposals	(24,141)	(82,906)
Transfer to inventory	-	(33,756)
Investment property of entities consolidated for the first time	1,401,425	-
Valuation increment	151,811	43,786
Carrying amount at the end of the financial year	<u>4,378,490</u>	<u>2,539,503</u>
<b>15 OTHER FINANCIAL ASSETS</b>		
<b>Non-current</b>		
<i>Investment in other entities</i>		
listed shares at cost	36	36
unlisted shares at cost	120	9
unlisted units at cost	22,143	-
	<u>22,299</u>	<u>45</u>
<b>16 PROPERTY, PLANT AND EQUIPMENT</b>		
Strata units at cost	5,720	5,720
Leasehold improvements:		
at cost	1,814	1,996
accumulated depreciation	(754)	(608)
	<u>1,060</u>	<u>1,388</u>
Plant and equipment:		
at cost	21,552	17,928
accumulated depreciation	(10,394)	(9,247)
	<u>11,158</u>	<u>8,681</u>
	<u>17,938</u>	<u>15,789</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>			
<b>Reconciliations</b>			
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:			
Strata units:			
Carrying amount at the beginning of the financial year		5,720	5,720
Additions		-	-
Carrying amount at the end of the financial year		5,720	5,720
Leasehold improvements:			
Carrying amount at the beginning of the financial year		1,388	847
Additions		656	1,038
Disposals		(556)	-
Amortisation		(428)	(497)
Carrying amount at the end of the financial year		1,060	1,388
Plant and equipment:			
Carrying amount at the beginning of the financial year		8,681	6,500
Additions		5,189	5,621
Disposals		(597)	(1,449)
Depreciation		(2,115)	(1,991)
Carrying amount at the end of the financial year		11,158	8,681
<b>17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>			
<b>Non-current</b>			
Associates	32	439,356	-
Joint venture entities	32	3,952	68,514
		443,308	68,514



	Consolidated	
	2003 \$'000	2002 \$'000
<b>18 INTANGIBLE ASSETS</b>		
Hotel management rights:		
at deemed cost	7,312	7,312
accumulated amortisation	(2,343)	(1,726)
	<b>4,969</b>	<b>5,586</b>
Goodwill:		
at cost	11,670	9,303
accumulated amortisation	(2,165)	(833)
	<b>9,505</b>	<b>8,470</b>
Trust management rights:		
at cost	32,500	7,500
accumulated amortisation	(438)	(342)
	<b>32,062</b>	<b>7,158</b>
Property management rights:		
at cost	9,300	-
Heritage floor space:		
at cost	1,246	1,246
	<b>57,082</b>	<b>22,460</b>
<b>19 PAYABLES</b>		
<b>Current</b>		
Trade creditors and accruals	192,363	62,442
Trade creditors - land purchases	45,098	23,035
	<b>237,461</b>	<b>85,477</b>
<b>Non-current</b>		
Trade creditors - land purchases	44,284	7,900

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated	
	2003 \$'000	2002 \$'000
<b>20 INTEREST-BEARING LIABILITIES</b>		
<b>Current</b>		
Medium Term Notes	300,000	-
Commercial Paper	77,000	-
	<b>377,000</b>	<b>-</b>
<b>Non-current</b>		
Bank bill facility	240,000	-
Medium Term Notes	868,876	448,171
	<b>1,108,876</b>	<b>448,171</b>

**Financing Arrangements**(a) *Bank bill facility*

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

Facility 30 June 2003 \$'000	Facility 30 June 2002 \$'000	Security	Maturity Date	Utilised at 30 June 2003 \$'000	Utilised at 30 June 2002 \$'000
50,000	-	Unsecured	September 2003	-	-
150,000	-	Unsecured	December 2003	-	-
250,000	-	Unsecured	May 2005	125,000	-
250,000	-	Unsecured	December 2005	115,000	-
-	100,000	Unsecured	May 2005	-	-
-	125,000	Unsecured	December 2005	-	-
<b>700,000*</b>	<b>225,000*</b>			<b>240,000</b>	<b>-</b>

\*These facilities are multi-use facilities which may be used partially for bank guarantees.

(b) *Medium term notes*

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

	2003 \$'000	2002 \$'000
<b>Maturity date</b>		
August 2003	300,000	150,000
September 2004	150,000	150,000
July 2005	175,000	-
February 2006	150,000	150,000
October 2007	395,000	-
<b>Total</b>	<b>1,170,000</b>	<b>450,000</b>

**20 INTEREST-BEARING LIABILITIES (CONTINUED)**

## (b) Medium term notes (continued)

Coupon interest payments under each issue are made semi-annually. The September 2004 notes have been swapped to floating rate through an interest rate hedge. The weighted average interest rate of the medium term notes at 30 June 2003 is 5.97% (30 June 2002: 5.94%).

The medium term notes have been issued at a discount to face value. The discount is amortised as interest expense over the term of the notes. The notional face value of the notes is \$1,170 million (2002: \$450 million). The current book value is \$1,168.88 million (2002: \$448.17 million).

## (c) Commercial Paper

Commercial paper is a short-term funding instrument. Commercial paper is always of less than one year to maturity and is typically issued at a margin above bank bill rates. At 30 June 2003 \$77 million (2002: \$nil) of commercial paper was issued and the weighted average interest rate was 4.87% (2002: nil) per annum (including margins).

## (d) Committed Standby Facilities

	Facility Limit \$'000	Utilised \$'000	Unutilised \$'000
	80,000	-	80,000

These standby facilities are in place specifically to provide liquidity support for commercial paper issued under the commercial paper program. Should the consolidated entity be unable to issue commercial paper, it may draw on these fully committed facilities. These facilities are provided for 364 day terms with review every six months and are not available for any other type of funding requirement (i.e. to increase debt).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>21 PROVISIONS</b>			
<b>Current</b>			
Distribution/dividend	28	142,745	125,640
Employee benefits	36	3,768	2,919
Legal claims		900	900
AMP Diversified Property Trust debt restructure costs		25,798	-
Other		707	567
		<b>173,918</b>	<b>130,026</b>
<b>Non-current</b>			
Employee benefits	36	443	345

**Reconciliations**

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:

**Current***Distribution/dividend*

Carrying amount at the beginning of the financial year	125,640
Provisions made during the year	
Interim distribution/dividend 2003	130,091
Final distribution/dividend 2003	142,745
Payments made during the year	(255,731)
Carrying amount at the end of the financial year	<b>142,745</b>

*Legal claims*

Carrying amount at the beginning of the financial year	900
Provisions made during the year	-
Payments made during the year	-
Carrying amount at the end of the financial year	<b>900</b>

*AMP Diversified Property Trust debt restructure costs*

Carrying amount at the beginning of the financial year	-
Provisions made during the year	25,798
Payments made during the year	-
Carrying amount at the end of the financial year	<b>25,798</b>

*Other*

Carrying amount at beginning of the financial year	567
Provisions made during the year	1,231
Payments made during the year	(1,091)
Carrying amount at the end of the financial year	<b>707</b>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Consolidated	
	2003 \$'000	2002 \$'000
<b>22 OTHER LIABILITIES</b>		
<b>Current</b>		
Tenant security deposits and other	2,466	863
<b>Non-current</b>		
Loan from associated company	-	1,250
<b>23 CONTRIBUTED EQUITY</b>		
<b>Capital</b>		
1,038,791,357 (30 June 2002: 832,139,735) securities, at issue price	3,256,945	2,242,400
<b>Movement in ordinary securities</b>		
Balance at the beginning of the financial year	2,242,400	1,988,223
<b>Dividend reinvestment plan</b>		
February 2002 - 16,469,684 securities at \$4.08	-	67,196
August 2001 - 13,950,069 securities at \$4.06	-	56,637
<b>Executive Securities Plan</b>		
February 2003 - 480,000 securities at \$4.81	2,309	-
August 2002 - 2,660,000 securities at \$4.17	11,092	-
February 2002 - 210,000 securities at \$4.08	-	857
December 2001 - 4,100,000 securities at \$4.16	-	17,056
November 2001 - 500,000 securities at \$4.25	-	2,125
August 2001 - 1,905,000 securities at \$4.06	-	7,734
<b>Acquisitions - securities issued</b>		
AMP Diversified Property Trust allotment		
June 2003 - 143,511,622 securities at \$5.01	718,993	-
<b>Placement</b>		
April 2003 - 60,000,000 securities at \$4.75	285,000	-
less: transaction costs	(2,849)	-
August 2001 - 25,000,000 securities at \$4.15	-	103,750
less: transaction costs	-	(1,178)
Balance at the end of the financial year	3,256,945	2,242,400

**Terms and conditions**

Holder of stapled securities are entitled to receive distributions/dividends as declared from time to time and are entitled to one vote per stapled security at unitholder/shareholder meetings.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Consolidated	
	2003 \$'000	2002 \$'000
<b>24 RESERVES</b>		
Capital redemption	1	1
Realised capital profits	8,645	27,593
Asset revaluation reserve	260,530	307,815
	<b>269,176</b>	<b>335,409</b>
<i>Realised capital profits reserve</i>		
Balance at the beginning of the financial year	27,593	26,789
Profit on sale of investment properties transferred to reserve	305	804
Profit on sale of partnership interest transferred to reserve	1,471	-
Transfer to retained profits*	(20,724)	-
Balance at the end of the financial year	<b>8,645</b>	<b>27,593</b>
<i>Asset revaluation reserve</i>		
Balance at the beginning of the financial year	307,815	265,259
Net increase in the valuation of investment property	151,820	43,786
Transfer to retained profits*	(199,105)	-
Movement in outside equity interests in reserve	-	(1,230)
Balance at the end of the financial year	<b>260,530</b>	<b>307,815</b>

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with accounting standard AASB 1041 "Revaluation of Non-current Assets".

\* The total amount transferred to retained profits is \$219.8 million.

**25 RETAINED PROFITS**

Retained profits at the beginning of the financial year	64,873	57,179
Net profit attributable to members of the parent entity	64,410	249,751
Transfer from/(to) capital profits reserve	18,951	(804)
Transfer from asset revaluation reserve	199,105	-
Distributions/dividends provided for or paid	(272,835)	(241,253)
Retained profits at the end of the financial year	<b>74,504</b>	<b>64,873</b>

**26 OUTSIDE EQUITY INTERESTS**

Outside equity interests in controlled entities comprise:

Interest in undistributed income at the beginning of the financial year after adjusting for outside equity interests acquired during the financial year	2,840	86
Interest in net operating income	-	152
Interest in distributions provided for or paid	-	(238)
Interest in undistributed income at the end of the financial year	2,840	-
Interest in issued capital	332,056	-
Interest in reserves	64,280	-
	<b>399,176</b>	<b>-</b>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Consolidated	
	2003 \$'000	2002 \$'000
<b>27 TOTAL EQUITY RECONCILIATION</b>		
Total equity at the beginning of the financial year	2,642,683	2,409,184
Total changes in parent entity interest in equity recognised in the Statement of Financial Performance	216,230	292,308
Transactions with owners as owners:		
Contributions of equity	1,014,548	254,177
Distributions/dividends	(272,836)	(241,253)
Total changes in outside equity interest	399,176	(71,733)
Total equity at the end of the financial year	<u>3,999,801</u>	<u>2,642,683</u>

**28 DISTRIBUTIONS/DIVIDENDS**

Distributions/dividends recognised in the current year by the Trust and Corporation are:

	Cents per Unit/Share	Total Amount \$'000	Date of Payment	Tax Rate for Franking Credit %	Percentage Franked %		
<b>2003</b>							
Interim dividend	2.5¢	20,848	28 Feb 2003	30	100		
Final dividend	3.2¢	27,684	29 Aug 2003	30	100		
Total dividends		<u>48,532</u>					
				Total %	Tax Preferred Tax Deferred %	CGT Concession %	
Interim distribution	13.1¢	109,243	28 Feb 2003	25.1	25.1	0.0	
Final distribution <sup>1</sup>	13.3¢	115,061	29 Aug 2003	22.4	8.9	13.5	
Total distribution		<u>224,304</u>					
				Tax Rate for Franking Credit %	Percentage Franked %		
<b>2002</b>							
Interim dividend	1.9¢	15,150	28 Feb 2002	30	100		
Final dividend	2.2¢	18,185	30 Aug 2002	30	100		
Total dividends		<u>33,335</u>					
				Total %	Tax Preferred Tax Deferred %	CGT Concession %	
Interim distribution	12.6¢	100,463	28 Feb 2002	24.0	24.0	0.0	
Final distribution	13.0¢	107,455	30 Aug 2002	27.8	27.8	0.0	
Total distribution		<u>207,918</u>					

<sup>1</sup> Included in the final distribution for 2003 are capital gains derived by Stockland Trust. The CGT concession percentage has been calculated using the 50% discount capital gain method.

No unfranked dividends have been declared or paid during the year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Corporation	
	2003 \$'000	2002 \$'000
<b>Dividend franking account</b>		
30% franking credits available to shareholders of the Corporation for subsequent financial years	27,533	40,308

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after tax profits. As a result, the "franking credits available" were converted from \$40,308,033 to \$17,274,871 at 1 July 2002. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

	Consolidated	
	2003 \$'000	2002 \$'000
<b>29 COMMITMENTS AND CONTINGENT LIABILITIES</b>		
<b>Capital expenditure commitments</b>		
<i>Investment properties</i>		
Contracted but not provided for and payable:		
Within one year	63,700	60,920
One year or later and no later than five years	2,300	9,200
	<b>66,000</b>	<b>70,120</b>
<b>Lease commitments</b>		
<i>Colonial Centre</i>		
The consolidated entity has a contractual commitment for ground rent on Colonial Centre of \$1 per annum which is not provided for in the accounts. This commitment expires in 2110 and totals \$107.		
<i>Exchange Plaza</i>		
There is a contractual commitment for ground rent on Exchange Plaza of 10% per annum (the Trust's share 5% annum) of the net income of the leased premises for each lease year, or \$0.75 million (the Trust's share: \$0.38 million), whichever is greater. This commitment expires in 2122.		
<b>Non-cancellable operating lease receivable from investment property tenants</b>		
Non-cancellable operating lease commitments are receivable:		
Within one year	797,177	244,925
One year or later and no later than five years	651,072	576,285
Later than five years	188,877	57,195
	<b>1,637,126</b>	<b>878,405</b>



	Consolidated	
	2003	2002
	\$'000	\$'000

**29 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****Hotel lease commitments**

The consolidated entity has entered into non-cancellable operating leases in respect of several all-suite hotel developments, to be operated by the consolidated entity, for terms of up to ten years. The leases generally provide the consolidated entity with a right to renew at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either the movements in the Consumer Price Index or operating criteria.

Non-cancellable operating lease commitments are payable:

Within one year	17,305	17,467
One year or later and no later than five years	46,714	53,849
Later than five years	32,186	44,088
	<b>96,205</b>	<b>115,404</b>

**Contingent Liabilities***Joint and several liability*

A controlled entity, as a 33.33% partner in a joint venture partnership (Subiaco Joint Venture) is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership as at 30 June 2003 are sufficient to meet such liabilities (refer Note 29).

A controlled entity, as a 50% partner in a joint venture partnership (Southbeach Joint Venture) is jointly and severally liable for 100% of all liabilities incurred by that partnership. The assets of the partnership at 30 June 2003 are sufficient to meet such liabilities (refer Note 29).

*Bank guarantees*

The consolidated entity has given joint and several guarantees and a negative pledge to a bank in support of the following:

Bank guarantees issued to semi and local government authorities against performance contracts, maximum facility \$175 million (2002: \$100 million) included within bank multi-use facilities, refer Note 20.

	<b>90,775</b>	<b>59,919</b>
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### **30 DEED OF CROSS GUARANTEE**

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, certain wholly-owned subsidiaries listed in Note 31 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that Stockland Corporation Limited ("the Company") and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated Statement of Financial Performance and Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2003 are set out on the following page:



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	2003 \$'000	2002 \$'000
<b>30 DEED OF CROSS GUARANTEE (CONTINUED)</b>		
<b>Statement of Financial Performance</b>		
Profit from ordinary activities before related income tax expense	83,023	61,520
Income tax expense relating to ordinary activities	(24,101)	(16,902)
<b>Profit from ordinary activities after related income tax expense</b>	<b>58,922</b>	<b>44,618</b>
Retained profits at the beginning of the financial year	63,483	52,200
	122,405	96,818
Dividends provided for or paid	(48,532)	(33,335)
<b>Retained profits at the end of the financial year</b>	<b>73,873</b>	<b>63,483</b>
<b>Statement of Financial Position</b>		
<b>Current assets</b>		
Cash assets	4,287	5,206
Receivables	19,874	6,084
Capital works for Stockland Trust	43,444	31,580
Inventories	347,140	287,131
Other assets	19,676	9,359
<b>Total current assets</b>	<b>434,421</b>	<b>339,360</b>
<b>Non-current assets</b>		
Receivables	58,543	41,400
Inventories	406,079	281,455
Other financial assets	201	10,122
Investment properties	49,770	-
Property, plant and equipment	9,929	7,606
Intangibles	50,867	15,628
Investments accounted for using the equity method	3,952	5,792
Other assets	11,531	4,617
<b>Total non-current assets</b>	<b>590,872</b>	<b>366,620</b>
<b>Total assets</b>	<b>1,025,293</b>	<b>705,980</b>
<b>Current liabilities</b>		
Payables	113,865	48,330
Interest-bearing liabilities	488,047	329,794
Current tax liabilities	-	1,034
Provisions	31,367	20,964
<b>Total current liabilities</b>	<b>633,279</b>	<b>400,122</b>
<b>Non-current liabilities</b>		
Payables	44,284	7,900
Deferred tax liabilities	13,383	8,442
Provisions	314	275
<b>Total non-current liabilities</b>	<b>57,981</b>	<b>16,617</b>
<b>Total liabilities</b>	<b>691,260</b>	<b>416,739</b>
<b>Net assets</b>	<b>334,033</b>	<b>289,241</b>
<b>Equity</b>		
Contributed equity	254,490	220,088
Reserves	5,670	5,670
Retained profits	73,873	63,483
<b>Total equity</b>	<b>334,033</b>	<b>289,241</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Unit/Share Capital Consolidated Entity Interest	
	2003	2002
	%	%
<b>31 CONTROLLED ENTITIES</b>		
<b>(a) Particulars in relation to controlled entities</b>		
Parent entity (Trust)		
Stockland Trust		
Controlled entities of Stockland Trust		
Stocks & Holdings Property Trust	100	100
Advance Property Fund	100	100
Flinders Industrial Property Trust	100	100
Australian Commercial Property Trust	100	100
Underwood Street (No 1) Unit Trust	100	-
Underwood Street (No 2) Unit Trust	100	-
Stockland Industrial Property Trust	100	-
Stockland Office Trust	100	-
AMP Diversified Property Trust	69	-
Controlled entities of Advance Property Fund		
Advance Property Fund No. 3 (Growth)	100	100
Advance Property Fund No. 5 (Capital Growth)	100	100
Controlled entities of Flinders Industrial Property Trust		
Property Trust of Australasia	100	100
Controlled entities of Underwood Street (No's 1 and 2) Unit Trusts		
Stockland Commercial Office Trust	100	-
Controlled entities of AMP Diversified Property Trust		
Shellharbour Property Trust	69	-
Capricornia Property Trust	69	-
Industrial Property Trust	69	-
Martin Place Management Ltd	69	-
North Sydney Property Trust	69	-
Schroeders Building Fund	69	-
AMP Diversified Property (NZ) Trust	69	-



Unit/Share Capital  
Consolidated Entity Interest  
2003            2002  
%                %

**31 CONTROLLED ENTITIES (CONTINUED)**

**(a) Particulars in relation to controlled entities (continued)**

Parent entity (Corporation)		
Stockland Corporation Limited		
Controlled entities of Stockland Corporation Limited		
Albert & Co. Pty Limited	100	100
Colony Town Estates Pty Limited	100	100
Gold Star Homes Pty Limited	100	100
Gold Star Real Estate Pty Limited	100	100
Stockland (Russell Street) Pty Limited	100	100
Stockland (Alamein) Pty Limited	100	100
Stockland Development Pty Limited (formerly Stockland (Constructors) Pty Ltd)	100	100
Stockland (Co-Ordinators) Pty Limited	100	100
Stockland (Enterprises) Pty Limited	100	100
Stockland (Macquarie) Pty Limited	100	100
Stockland (Mapledown) Pty Limited	100	100
Stockland (Master) Pty Limited	100	100
Stockland (Park) Pty Limited	100	100
Stockland (Promoters) Pty Limited	100	100
Stockland Property Management Pty Limited (formerly Stockland (Properties) Pty Limited)	100	100
Stockland (Queensland) Pty Limited	100	100
Stockland (Sales) Pty Limited	100	100
Stockland (Subdividers) Pty Limited	100	100
Stockland (Victoria) Pty Limited	100	100
Stockland Property Services Pty Limited	100	100
Stockland Management Services Pty Limited	100	100
Stockland Trust Management Limited (formerly Stockland Property Management Limited)	100	100
Stockland Funds Management Limited	100	100
Stocks and Realty (Security Finance) Pty Limited	100	100
Thermotech Building Maintenance Services Pty Limited	100	100
Stockland WA Holdings Pty Limited	100	100
Stockland Hotel Group Pty Limited	100	100

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

	Unit/Share Capital Consolidated Entity Interest	
	2003 %	2002 %
<b>31 CONTROLLED ENTITIES (CONTINUED)</b>		
<b>(a) Particulars in relation to controlled entities (continued)</b>		
<i>Controlled entities of Stockland WA Holdings Pty Limited</i>		
Stockland WA Development Pty Limited (formerly Stockland WA (Constructors) Pty Limited)	100	100
Stockland WA (Estates) Pty Limited	100	100
Stockland WA Property Company of Australia Pty Limited	100	100
Heritage Construction Pty Limited	100	100
Stockland WA Corser Pty Limited	100	100
Stockland WA Realty Pty Limited	100	100
Stockland WA Enterprises Pty Limited	100	100
Stockland WA Home Builders Pty Limited	100	100
Stockland WA (Rockingham) Pty Limited	100	100
North Whitfords Estates Pty Limited	100	100
<i>Controlled entities of Stockland Hotel Group Pty Limited</i>		
Ezoperli Pty Limited	100	100
The Park at Melbourne (Australia) Pty Limited	100	100
Directors Management Pty Limited	100	100
West End Apartments Management Pty Limited	100	100
West End Apartments Management Unit Trust	100	100
<i>Controlled entities of Stockland (Development) Pty Limited</i>		
Centenary Park Developments No.1 Pty Limited	100	100
<i>Controlled entities of Stockland (Sales) Pty Limited</i>		
Stockland (General) Pty Limited	100	100



**31 CONTROLLED ENTITIES (CONTINUED)**

**(a) Particulars in relation to controlled entities (continued)**

Stockland Trust, Stockland Corporation Limited and all their respective controlled entities were formed/incorporated in Australia.

Stockland Trust and Stockland Corporation own all the issued units/shares of their respective controlled entities and such units/shares carry the voting, distribution/dividend and equitable rights.

Each of the controlled entities of Stockland Corporation Limited ("the Company") listed above, (except Stockland Hotel Group Pty Limited and its controlled entities and Stockland Funds Management Limited), has entered into a Deed of Cross Guarantee with the Company in respect of relief granted from specific accounting requirements in accordance with a Class Order.

Colony Town Estates Pty Limited, Gold Star Homes Pty Limited, Gold Star Real Estate Pty Limited, Stockland (Co-Ordinators) Pty Limited, Stockland (Enterprises) Pty Limited, Stockland (Macquarie) Pty Limited and Stockland (Promoters) Pty Limited have been released from their obligations under the Deed, effective for the financial year ended 30 June 2002, by executing Revocation Deeds on 13 December 2001. These companies will be deregistered.

**(b) Acquisition of entities**

At 30 June 2003 the consolidated entity acquired control of AMP Diversified Property Trust, a listed property trust. The consolidated operating results of the acquired entity and its controlled entities will be included in consolidated net income from 1 July 2003.

During the previous financial year the consolidated entity acquired 100% of the voting shares of Taylor Woodrow Pty Limited, a residential property developer. The consolidated operating results of the acquired entity and its controlled entities were included in consolidated net income from 1 July 2001.

	Consolidated	
	2003 \$'000	2002 \$'000
Details of the acquisitions are as follows:		
Cash consideration <sup>1</sup>	381,317	104,472
Stockland units/shares issued	718,993	-
Acquisition costs	16,350	-
Equity accounted profits up to date of acquisition	6,069	-
	1,122,729	104,472
Fair value of net assets of entities acquired:		
Investment property	1,401,425	-
Investments	439,356	-
Inventories	-	96,011
Cash assets	22,970	5,126
Receivables	21,185	3,464
Property, plant and equipment	-	5,044
Other assets	14,185	431
Interest-bearing liabilities	(547,000)	-
Payables	(24,805)	(11,885)
Provisions	(25,798)	(1,420)
Other liabilities	-	(662)
	1,301,518	96,109
Outside equity interests at acquisition	(399,176)	-
	902,342	96,109
Premium on acquisition/goodwill on acquisition <sup>2</sup>	220,387	8,363
Premium on acquisition written-off <sup>2</sup>	220,387	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

**31 CONTROLLED ENTITIES (CONTINUED)****(b) Acquisition of entities (continued)**

Footnotes from table on previous page

<sup>1</sup> Includes cash paid and accrued for acceptances up to 30 June 2003.

<sup>2</sup> The premium on acquisition represents the excess of the purchase consideration paid to ADP unitholders plus incidental costs over the fair value of the identifiable net assets acquired. The fair value of Stockland securities issued as a part of the consideration paid has been determined as their market price at the date of acquisition.

The Directors are of the opinion that the premium on acquisition does not represent goodwill to be carried forward and amortised because:

- ADP does not have a management team, employees or processes, or relationships with tenants and suppliers as this is with AMP Henderson;
- the cost savings synergies relating to trust and property management rights are a separately identifiable intangible; and
- any future benefits relating to greater scale and influence over tenants and suppliers will be reflected in future valuations of the investment properties.

Accordingly the premium on acquisition is written-off to the Statement of Financial Performance in the year of acquisition.

As at 30 June 2003 Stockland held a 69.33% interest in the units on issue of ADP. The premium on acquisition attributable to this interest of \$220.4m has been written-off to the Statement of Financial Performance. To ensure that Stockland Security Holders are not disadvantaged by the write-off of the premium, an amount of \$218.1m has been transferred from reserves to the Distribution Account so that unitholders' cash distribution will not be affected.

The remaining premium on acquisition will be written-off in the financial year ending 30 June 2004. As at the date of this report Stockland holds a 100% interest in the units on issue of ADP. Again a transfer from reserves to the Distribution Account will be made so that unitholders' cash distribution will not be affected.

During the previous financial year the consolidated entity also acquired further units in:

- Australian Commercial Property Trust, increasing its ownership interest to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$69,896.
- Property Trust of Australasia, increasing its ownership interest to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$3,038,574.
- Advance Property Fund No. 5, increasing its ownership interest to 100%. Cash consideration for these units, including acquisition costs, for the year ended 30 June 2002 was \$57,248.

		Consolidated	
		2003	2002
		\$'000	\$'000

**32 INVESTMENTS**

Share of net profits accounted for using the equity method included in the Statement of Financial Performance

- associates	(a)	6,070	-
- joint venture entities	(b)	3,062	5,447
		9,132	5,447

Income from associates during the financial year represents distributions receivable from AMP Diversified Property Trust from when significant influence was obtained until the end of the financial year when control was achieved.

**(a) Investments in associates**

Details of investments in associates are as follows:

	Balance Date	Ownership Interest	Ownership Interest	Investment Carrying Amount	
		2003 %	2002 %	2003 \$'000	2002 \$'000
M Property Trust	30 June	50	-	48,356	-
Esplanade Property Trust	30 June	50	-	65,897	-
The King Trust	30 June	50	-	94,691	-
KSC Trust	30 June	25	-	69,724	-
Martin Place Property Trust	31 March	50	-	160,688	-
				439,356	-



	Consolidated	
	2003 \$'000	2002 \$'000
<b>32 INVESTMENTS (CONTINUED)</b>		
<b>(a) Investments in associates (continued)</b>		
The principal activity of all entities is investment in real property . All entities were formed or incorporated in Australia.		
Statement of Financial Position		
Current assets	3,253	-
Non-current assets	456,727	-
Current liabilities	(9,316)	-
Non-current liabilities	(11,308)	-
<b>Share of net assets after equity accounting adjustments</b>	<b>439,356</b>	<b>-</b>
Movements in carrying amount of associates		
Carrying amount at the beginning of the financial year	-	-
Interest in associates acquired through acquisition of controlled entity	439,356	-
Share of associates net profit	-	-
<b>Carrying amount at the end of the financial year</b>	<b>439,356</b>	<b>-</b>

**(b) Interest in joint venture entities**

	Principal Activity	Balance Date	Ownership Interest
Subiaco Joint Venture	Property development	30 June 2002 and 2003	33.33%
Southbeach Joint Venture	Property development	30 June 2003	50.00%

	Consolidated	
	2003 \$'000	2002 \$'000
Results of joint venture entities		
The consolidated entities' share of the joint venture entities' results consists of:		
Revenue from ordinary activities	9,242	12,874
Expenses from ordinary activities	(6,180)	(7,427)
<b>Net profit - accounted for using the equity method</b>	<b>3,062</b>	<b>5,447</b>
Statement of Financial Position		
Current assets	3,777	8,755
Non-current assets	-	60,806
<b>Total assets</b>	<b>3,777</b>	<b>69,561</b>
Current liabilities	9	584
<b>Total liabilities</b>	<b>9</b>	<b>584</b>
<b>Share of net assets before equity accounting adjustments</b>	<b>3,768</b>	<b>68,977</b>
Other adjustments arising from equity accounting	184	(463)
<b>Share of net assets after equity accounting adjustments</b>	<b>3,952</b>	<b>68,514</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>32 INVESTMENTS IN ASSOCIATES (CONTINUED)</b>			
<b>Interest in joint venture entities (continued)</b>			
<i>Share of post-acquisition retained profits attributable to joint venture entities</i>			
Share of joint venture entities' retained profits at the beginning of the financial year		1,411	1,059
Share of joint venture entities' net profit		31	5,447
Distributions of joint venture entities' net profit		-	(5,095)
Share of joint venture entities' retained profits at the end of the financial year		<u>1,442</u>	<u>1,411</u>
<i>Movements in carrying amount of joint venture entities</i>			
Carrying amount at the beginning of the financial year		68,514	74,598
Contributions to the partnerships		2,096	2,491
Share of joint venture entities' net profit		3,062	5,447
Drawings/distributions from the partnerships		(8,611)	(14,526)
Disposal of interest in partnership		(59,938)	-
Other adjustments		(1,241)	-
Other expenses		70	504
Carrying amount at the end of the financial year	17	<u>3,952</u>	<u>68,514</u>

*Disposal of joint venture entities*

During the financial year, the consolidated entity disposed of its ownership interest in Elizabeth City Centre Pty Limited and Elizabeth City Centre Partnership.

Elizabeth City Centre Pty Limited acted as the agent for the Elizabeth City Centre Partnership and did not trade in its own right. As agent, it recorded the liabilities with a corresponding right of indemnity over the assets of the partnership. The investment in Elizabeth City Centre Pty Limited was valued at the lower of cost, which was 50% of the net tangible assets of the company, and recoverable amount.

Details of the disposal are as follows:

	2003 \$'000
Consideration (cash)	61,409
Carrying amount of disposal	(59,938)
Profit on disposal	<u>1,471</u>
Net assets of joint venture entities disposed of:	
Current assets	4,065
Non current assets	61,349
Total assets	<u>65,414</u>
Current liabilities	(2,939)
Non current liabilities	(2,537)
Total liabilities	<u>(5,476)</u>
Net assets	<u>59,938</u>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Principal Activity	Balance Date	Ownership Interest
<b>33 JOINT VENTURE OPERATION</b>			
Carrington Joint Venture	Property development	30 June 2002 and 2003	50%

Carrington Joint Venture's principle activity is the development and sale of sub-divided land. For the year ended 30 June 2003 the contribution of the joint venture to the operating profit of the consolidated entity was \$nil (2002: \$488,396).

Included in inventory of the consolidated entity is \$62 (2002: \$2,628), representing the consolidated entity's interest in the inventory employed in the joint venture operation.

	Note	Consolidated 2003 \$'000	2002 \$'000

**34 NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	8	34,869	34,567
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**(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities**

Profit from ordinary activities after income tax		64,410	249,903
Add/(less) items classified as investing/ financing activities:			
(increase)/decrease in distributions receivable		(10,463)	6,083
(profit) on sale of non-current assets		(1,705)	(1,813)
medium term note interest capitalised		565	536
other items		(2,569)	(605)
Add/(less) non-cash items:			
write-off of investment in ADP		220,387	-
depreciation		2,115	1,974
amortisation		2,997	2,500
decrease in income tax payable		(1,066)	(6,583)
increase in deferred taxes payable		3,010	418

Net cash provided by operating activities before change in assets and liabilities		277,681	252,413
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Change in assets and liabilities adjusted for the effects of purchase of controlled entities during the financial year:

Decrease in receivables		3,517	17,960
(Increase) in other assets		(93,921)	(6,143)
Increase in payables and other liabilities		111,293	543
Increase/(decrease) in employee benefits		947	(1,461)
Increase in other provisions		-	900
(Increase)/decrease in inventories		(202,743)	8,503
Net cash provided by operating activities		96,774	272,715

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

## 35 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

## (a) Financial arrangements

At 30 June 2003 the consolidated entity had a \$2,000 million (2002: \$750 million) medium term note facility, of which \$1,170 million has been issued (2002: \$450 million).

## (b) Interest rate risk

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating.

*Interest rate swaps*

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between two and four years. Each contract involves quarterly payment or receipt of the net amount of interest.

*Interest rate risk exposures*

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted Average Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Maturing in One Year or Less \$'000	One to Five Years \$'000	More than Five Years \$'000	Non Interest Bearing \$'000	Total \$'000
<b>2003</b>								
<b>Financial assets</b>								
Cash	9	4.55%	34,869	-	-	-	-	34,869
Receivables	10	7.60%	47,476	-	-	-	79,414	126,890
<b>Total</b>			82,345	-	-	-	79,414	161,759
<b>Financial liabilities</b>								
Payables	19		-	-	-	-	281,745	281,745
Interest-bearing liabilities		6.05%	437,000	299,980	748,896	-	-	1,485,876
Other liabilities	22	4.60%	448	-	-	-	2,018	2,466
<b>Total</b>			437,448	299,980	748,896	-	283,763	1,770,087
<b>Interest rate swaps (notional principal)</b>								
- drawn bank facilities			(120,000)	-	120,000	-	-	-
- medium term notes			150,000	-	(150,000)	-	-	-

Weighted average interest rates include fees, margins and the effect of interest rate swaps.



**35 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)**

**(b) Interest rate risk (continued)**

<b>2002</b>	Note	Weighted Average Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Maturing in			Non Interest Bearing \$'000	Total \$'000
				One Year or Less \$'000	One to Five Years \$'000	More than Five Years \$'000		
<b>Financial assets</b>								
Cash	9	4.60%	34,567	-	-	-	-	34,567
Receivables	10	7.03%	35,949	54	-	-	14,892	50,895
			70,516	54	-	-	14,892	85,462
<b>Financial liabilities</b>								
Payables	19	-	-	-	-	-	93,377	93,377
Interest-bearing liabilities	20	5.94%	-	-	448,171	-	-	448,171
Other liabilities	22	4.25%	296	-	-	-	1,817	2,113
			296	-	448,171	-	95,194	543,661
Interest rate swaps (notional principal)								
- undrawn bank facilities			(120,000)	-	120,000	-	-	-
- medium term notes			150,000	-	(150,000)	-	-	-

Weighted average interest rates include fees, margins and the effect of interest rate swaps.

**35 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)****(c) Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

*Recognised financial instruments*

The credit risk on financial assets of the consolidated entity, which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts. The consolidated entity is not materially exposed to any individual debtor.

*Unrecognised financial instruments*

Swap contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks.

The credit risk on swap contracts is limited to the net amount to be received from counterparties on contracts that are favourable to the consolidated entity. The accrued amount due to the consolidated entity at 30 June 2003 was \$6,671,746.

**(d) Net fair values of financial assets and liabilities**

The consolidated entity's financial assets and liabilities included in current and non-current assets and liabilities on the Statement of Financial Position are carried at amounts that approximate fair value.

The valuation of financial instruments not recognised on the Statement of Financial Position reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts, or replace the contracts at their current market rates as at the reporting date. This is based on independent market quotations and determined using standard valuation techniques.

The net fair value of interest rate swaps not recognised on the Statement of Financial Position held at 30 June 2003 was (\$5,004,761).

**(e) Exchange Rate Derivatives**

	Australian Principal Amount \$'000	New Zealand Principal Amount \$'000
Forward exchange contracts to pay New Zealand dollars and receive Australian dollars. (Hedges the present value of the bulk of the Trust's forecast NZD income over a five year period.) <sup>1</sup>	55,177	(62,200)

<sup>1</sup> The forward exchange rate for the above contract is A\$1.00 = NZ\$ 1.13581

Exchange gains or losses in respect of the above currency hedge contracts compared to balance sheet date exchange rate of A\$1.00 = NZ\$1.1454 are recognised as either assets or liabilities in the Statement of Financial Position at the end of the period and are amortised as revenue and expenses in the period to which the hedge relates.

The total realised losses on all foreign exchange hedges is \$2,143,850 of which \$364,997 was amortised in the accounts of AMP Diversified Property Trust prior to acquisition.

As at 30 June 2003, the unrealised loss on the existing hedge is \$872,401 of which \$20,233 was amortised in the accounts of AMP Diversified Property Trust prior to acquisition.

The loss on the fair value of the foreign exchange contract is not materially different from the unrealised loss reflected in the financial statements.

All of the above forward exchange contracts have been closed out subsequent to year-end. The costs associated with the close out of these positions were provided in full at 30 June 2003.



	Note	Consolidated	
		2003 \$'000	2002 \$'000
<b>36 EMPLOYEE BENEFITS</b>			
Aggregate liability for employee benefits, including on-costs			
Current	21	3,768	2,919
Non-current	21	443	345
		<b>4,211</b>	<b>3,264</b>
		<b>Number</b>	<b>Number</b>
Number of employees at year end		<b>984</b>	<b>964</b>

**Superannuation commitments**

The Corporation contributes to a superannuation fund being an accumulation fund. The consolidated entity and the employees make contributions based on various percentages of gross salaries. Employees are entitled to benefits on retirement. In addition, the consolidated entity contributes to several award related superannuation funds in order to satisfy award entitlements of certain employees.

**Employee Securities Plan**

Stockland does not have in place any option scheme for employees and has never issued any executive options.

The Group does have an Executive Securities Plan, the purpose of which is to provide executives with an additional incentive to create value for shareholders and to participate in the long-term success of Stockland. The Plan operates as follows:

*General provisions*

Offers to purchase securities in Stockland are made to executives based on individual merit pursuant to the Executive Securities Plan, after approval by the Nominations and Remuneration Committee and on the following conditions:

- The executives pay the prevailing market price, less 2.5%;
- If required by the executives, interest-bearing loans shall be provided by a Stockland Company for a maximum of five years, at which time the loan is repayable;
- Ownership of the securities shall become unconditional two years after the date of allotment, subject to the executive remaining an employee of Stockland; and
- For general executives, no performance hurdles apply. However, for certain senior executives (including executive directors), the hurdle is set out below.

*Non-executive directors*

Non-executive directors do not participate.

*Executive directors*

With respect to executive directors, any offer of securities requires a special resolution to be passed at a general meeting. The most recent special resolution was passed at the Annual General Meeting on 22 October 2001, the effect of which was to allot a combined 3,000,000 stapled securities to the two executive directors, Matthew Quinn and John Pettigrew ('the executive directors'), pursuant to the Executive Securities Plan on the following conditions:

- No further approvals for issues under the Executive Securities Plan shall be sought for the executive directors for a period of four years.
- The executive directors shall purchase the securities at the prevailing market price, less 2.5%, being the same discount as applies to the Distribution/Dividend Reinvestment Plan.
- If required by the executive directors, interest-bearing loans shall be provided by a Stockland Group Company for a maximum of five years.
- Ownership of the securities shall become unconditional progressively over a four year period, as stipulated in the resolution, and only if the set performance hurdle is met or exceeded. The set performance hurdle is that Stockland securities outperform the ASX LPT 200 Index on a cumulative basis from the initial base index date over the four year period. If the set performance hurdle is not met, the securities to which the executive directors would have been entitled will be sold at the end of the four year period for no benefit to the executive directors.

Details of loans made to directors, including executive directors and directors of the consolidated entity, are set out in Note 38.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

**36 EMPLOYEE BENEFITS (CONTINUED)****Employee Securities Plan (continued)***Senior executives*

The Executive Securities Plan operates in the same manner for certain senior executives as it does for executive directors, with the exception that any allotments made pursuant to the Executive Securities Plan must be approved by the Nominations and Remuneration Committee and do not require the passing of a special resolution at a general meeting.

At 30 June 2003, the number of securities on issue under the Executive Share Plan was 11,250,000 (2002: 8,555,000).

Consolidated	
2003	2002
\$'000	\$'000

**37 DIRECTORS' AND EXECUTIVES' REMUNERATION****(a) Directors**

The number of directors of the Company and wholly owned controlled entities, whose income from the Company or any related party is within the following bands is:

\$ 60,000 - \$ 69,999	-	2
\$ 70,000 - \$ 79,999	2	-
\$ 80,000 - \$ 89,999	-	2
\$ 90,000 - \$ 99,999	3	1
\$120,000 - \$129,999	-	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	-
\$200,000 - \$209,999	-	1
\$250,000 - \$259,999	1	-
\$300,000 - \$309,999	-	1
\$370,000 - \$379,999	1	-
\$430,000 - \$439,999	-	1
\$550,000 - \$559,999	-	1
\$580,000 - \$589,999	1	-
\$880,000 - \$889,999	-	1
\$1,220,000 - \$1,229,999	1	-

Total income paid or payable, or otherwise made available, to all directors of Stockland Corporation Limited and controlled entities from Stockland Corporation Limited or any related party

<b>\$3,359,669</b>	<b>\$3,053,093</b>
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003**

	Consolidated	
	2003 \$'000	2002 \$'000
<b>37 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)</b>		
<b>(b) Executives</b>		
The number of executive officers of Stockland Corporation Limited and of controlled entities (including directors), whose remuneration from Stockland Corporation Limited or related parties, and from entities in the consolidated entity, falls within the following bands is:		
\$100,000 - \$109,999	18	11
\$110,000 - \$119,999	9	12
\$120,000 - \$129,999	7	14
\$130,000 - \$139,999	7	2
\$140,000 - \$149,999	10	5
\$150,000 - \$159,999	14	6
\$160,000 - \$169,999	6	5
\$170,000 - \$179,999	6	1
\$180,000 - \$189,999	3	1
\$190,000 - \$199,999	2	3
\$200,000 - \$209,999	5	4
\$210,000 - \$219,999	4	3
\$220,000 - \$229,999	2	1
\$230,000 - \$239,999	1	1
\$250,000 - \$259,999	2	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	1	2
\$280,000 - \$289,999	1	-
\$290,000 - \$299,999	2	-
\$300,000 - \$309,999	1	1
\$310,000 - \$319,999	1	-
\$320,000 - \$329,999	1	-
\$350,000 - \$359,999	-	1
\$360,000 - \$369,999	-	1
\$370,000 - \$379,999	3	-
\$430,000 - \$439,999	-	1
\$440,000 - \$449,999	-	1
\$470,000 - \$479,999	1	-
\$530,000 - \$539,000	1	-
\$580,000 - \$589,999	1	-
\$660,000 - \$669,999	1	1
\$750,000 - \$759,999	-	1
\$880,000 - \$889,999	-	1
\$1,220,000 - \$1,229,999	1	-
Total income in respect of the financial year received, or due and receivable, from Stockland Corporation Limited, entities in the consolidated entity or related parties by executive officers of Stockland Corporation Limited and of controlled entities whose income is \$100,000 or more	<b>\$21,415,900</b>	<b>\$14,859,607</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003****38 RELATED PARTY DISCLOSURES****Directors**

The names of each person holding a position of director of Stockland Corporation Limited and Stockland Trust Management Limited (formerly Stockland Property Management Limited), the Responsible Entity of Stockland Trust, during the financial year were:

PETER DALY	CHAIRMAN (NON-EXECUTIVE)
NICHOLAS GREINER	DEPUTY CHAIRMAN (NON-EXECUTIVE)
MATTHEW QUINN	MANAGING DIRECTOR
JOHN PETTIGREW	FINANCE DIRECTOR
BRUCE CORLETT	NON-EXECUTIVE DIRECTOR
DAVID FAIRFULL	NON-EXECUTIVE DIRECTOR
BARRY THORNTON	NON-EXECUTIVE DIRECTOR
TERRY WILLIAMSON	NON-EXECUTIVE DIRECTOR (APPOINTED 28 APRIL 2003)

**Directors' holdings of units/shares**

The aggregate interests of the directors of Stockland Corporation Limited and Stockland Trust Management Limited, the Responsible Entity of the Trust, and their director-related entities, in units of Stockland Trust and shares of Stockland Corporation Limited at the end of the financial year is 5,813,853 units/shares (2002: 5,958,853).

**Directors' transactions with the consolidated entity**

Nicholas Greiner is Chairman of Boulderstone Hornibrook Limited, which provided construction services to the consolidated entity during the financial year. Amounts paid to Boulderstone Hornibrook Limited for the financial year were \$32,801,393 (2002: \$21,245,358).

Bruce Corlett is a director of Trust Company of Australia Limited, which provided custodial services to Stockland Trust and its controlled entities during the financial year. Custodian fees paid and payable to Trust Company of Australia Limited for the financial year were \$158,660 (2002: \$150,000).

The terms and conditions of the above transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Consolidated	
2003	2002
\$'000	\$'000

**Loans to Directors***Executive Securities Plan*

Interest-bearing director's loans outstanding at balance date:

**Maturing:**

August 2004	70	70
August 2005	350	910
February 2006	2,310	2,502
August 2006	670	792
November 2006	2,125	2,125
December 2006	10,400	10,400
August 2007	709	-
Accrued interest	660	627
	<b>17,294</b>	<b>17,426</b>

**38 RELATED PARTY DISCLOSURES (CONTINUED)**

Interest bearing loans varying between \$103,150 and \$9,699,900 have been made by a wholly owned controlled entity of Stockland Corporation Limited ("the Company") to seven (2002: eight) directors in full-time employment of the consolidated entity, to finance the purchase of shares in the Company and units in Stockland Trust, pursuant to an Executive Securities Plan approved at general meetings of the Trust and the Company. Interest is payable six monthly at an amount equal to the distribution/dividend receivable in respect of the relevant units/shares. The effective rates for the year ended 30 June 2003 were between 6.67% and 7.70% per annum (2002: between 6.99% and 7.32% per annum). The loans have varying commencement dates with each loan having a 5 year term. Security is held by the lender company over the units/shares.

Of these loans, an amount totalling \$14,450,000 (2002: \$14,975,000) is to directors of the Company, ranging in value from \$4,750,000 and \$9,699,900 (2002: from \$5,275,100 and \$9,699,900).

During the year \$708,900 was advanced for further plan issues to Wayne Rex, Matthew Mears, Andrew Coffey, Ian Jansen and Paul Wilkin. In addition, \$525,000 of the principal of the loans was repaid by John Pettigrew.

In addition to the loans advanced under the Executive Securities Plan, Matthew Quinn has a housing loan of \$159,000 (2002: \$159,000) approved at general meetings of the Company. This loan is interest free and is repayable on or before 30 June 2009, or within six months of him ceasing to be an employee of the Company, whichever is the earlier and is secured.

	Consolidated	
	2003 \$'000	2002 \$'000
<b>Related party transactions</b>		
Interest paid to Stockland Trust	30,313	22,389

Stockland Corporation Limited has an unsecured loan repayable at call to Stockland Trust of \$502,337,383 (2002: \$329,794,151). Interest was payable monthly in arrears at an interest rate of 7.0% during the financial year (2002: 6.25% p.a. from 1 July 2001 to 31 December 2001, 6.0% from 1 January 2002 to 30 June 2002).

**Provision of services to Stockland Trust by Stockland Corporation Limited**

Revenue was brought to account by Stockland Corporation Limited on the following services provided to Stockland Trust on normal terms and conditions:

Management of Trust	3,113	2,983
Property management and leasing	6,274	5,557
Property maintenance	185	-
Property development	97,881	63,473

**Rent paid to Stockland Trust by Stockland Corporation Limited**

Rent was paid by Stockland Corporation Limited to Stockland Trust amounting to \$1,745,356 (2002: \$1,891,000). Rent paid is in the normal course of business and on normal terms and conditions.

**Wholly owned group**

Details of wholly-owned controlled entities are set out in Note 31. Details of dealings with these entities are set out below:

**Loans**

Loans from Stockland Corporation to entities in the Corporation wholly owned group are repayable at call. Interest was payable monthly in arrears at an interest rate of 7.0% during the financial year (2002: 6.25% p.a. from 1 July 2001 to 31 December 2001 and 6.0% p.a. from 1 January 2002 to 30 June 2002).

The loan from Stockland Trust to Stocks & Holdings Property Trust is non interest-bearing and is repayable at call.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

**38 RELATED PARTY DISCLOSURES (CONTINUED)****Loans (continued)**

The loans from Stockland Trust to entities in the wholly-owned group are non-interest bearing (2002: 90 day bill rate plus 0.6%) and are repayable at call. Interest charged on these loans was:

	2003 \$'000	2002 \$'000
Loan to Advance Property Fund	-	5,487
Loan to Flinders Industrial Property Trust	-	3,122
Loan to Property Trust of Australasia	-	2,281
Loan to Australian Commercial Property Trust	-	2,048
<i>Distributions/dividends</i>		
Distributions received or due and receivable by Stockland Trust from Trust wholly-owned controlled entities	<b>134,439</b>	121,376
Dividends received or due and receivable by Stockland Corporation Limited from Corporation wholly-owned controlled entities	<b>58,750</b>	38,659

**39 EVENTS SUBSEQUENT TO BALANCE DATE**

Since the end of the financial year the consolidated entity has acquired further units in AMP Diversified Property Trust (see Note 31(b)). The consolidated entity now holds 100% of the units of AMP Diversified Property Trust.

In addition, on 28 July 2003 Stockland Trust Management Limited became the Responsible Entity of AMP Diversified Property Trust.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transactions or event of a material or unusual nature likely, in the opinion of the directors of Stockland Corporation Limited and the Responsible Entity of Stockland Trust, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.



**DIRECTORS' DECLARATION**

In the opinion of the directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited, and the directors of Stockland Corporation Limited, the combined financial report of Stockland, as set out in pages 54 to 107, is drawn up in accordance with the requirements of UIG 13 "The Presentation of the Financial Report of Entities Whose Securities are Stapled" and the summary of accounting policies set out in Note 1, so as to present fairly the performance, as represented by the results of its operations and its cash flows, of Stockland for the financial year ended 30 June 2003 and the financial position of Stockland as at that date.

In the opinion of the directors of Stockland Trust Management Limited, as Responsible Entity of Stockland Trust, and Stockland Corporation Limited, at the date of this statement there are reasonable grounds to believe that Stockland will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 1st day of September 2003.

Signed in accordance with a resolution of the directors:

PETER DALY  
CHAIRMAN

MATTHEW QUINN  
MANAGING DIRECTOR

**INDEPENDENT AUDIT REPORT TO THE STAPLED SECURITY HOLDERS OF STOCKLAND TRUST AND STOCKLAND CORPORATION LIMITED**

**SCOPE**

We have audited the combined financial report of Stockland for the financial year ended 30 June 2003, consisting of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes, and the Directors' Declaration set out on pages 54 to 108. The combined financial report of Stockland comprises the financial statements of the Stockland Trust consolidated entity, being Stockland Trust and its controlled entities, and the Stockland Corporation Limited consolidated entity, being Stockland Corporation Limited and its controlled entities. The directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited, and the directors of Stockland Corporation Limited are responsible for the financial report.

We have conducted an independent audit of the combined financial report in order to express an opinion on it to the stapled security holders of Stockland Trust and Stockland Corporation Limited.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the combined financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the combined financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the combined financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the stapled entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**AUDIT OPINION**

In our opinion, the combined financial report presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements, the financial position of Stockland at 30 June 2003 and its performance for the financial year ended on that date.

KPMG



ROGER AMOS  
PARTNER



SYDNEY, 1 SEPTEMBER 2003

**UNITHOLDERS/SHAREHOLDERS****UNITHOLDERS/SHAREHOLDERS**

The information set out below was prepared as at 22 August 2003 and applies equally to Stockland Trust and Stockland Corporation Limited, as members are required to hold equal numbers of units in the Trust and shares in the Corporation under the terms of the joint quotation of the Australian Stock Exchange. There are 1,115,913,109 on issue ordinary units in the Trust and ordinary shares in the Corporation.

<b>Largest Twenty Ordinary Unitholders/Shareholders</b>	<b>Number of Securities</b>	<b>Percentage of Issued Securities</b>
Westpac Custodian Nominees Limited	143,995,552	12.90%
JP Morgan Nominees Australia Limited	135,253,799	12.12%
National Nominees Limited	82,373,356	7.38%
Citicorp Nominees Pty Limited <CFS WSLE Property Secs A/C>	57,626,107	5.16%
Commonwealth Custodial Services Limited	34,079,007	3.05%
AMP Life Limited	33,191,580	2.97%
Cogent Nominees Pty Limited	30,868,755	2.77%
Cogent Nominees Pty Limited <SMP Accounts>	30,382,058	2.72%
MLC Limited	25,089,778	2.25%
Queensland Investment Corporation	23,193,363	2.08%
Citicorp Nominees Pty Limited	20,458,999	1.83%
RBC Global Services Australia Nominees Pty Limited [BKCUST A/C]	19,194,852	1.72%
ANZ Nominees Limited	18,868,864	1.69%
HSBC Custody Nominees (Australia) Limited	18,292,745	1.64%
Bond Street Custodians Limited <PROPERTY SECURITIES A/C>	16,858,106	1.51%
Zurich Investment Management Limited <ZURICH PROPERTY SEC A/C>	16,058,624	1.44%
RBC Global Services Australia Nominees Pty Limited <DE A/C>	14,701,056	1.32%
Westpac Financial Services Limited	14,079,843	1.26%
Transport Accident Commission	11,669,810	1.05%
RBC Global Services Australia Nominees Pty Limited <RA A/C>	11,062,768	0.99%

The largest twenty members held 67.85% of the ordinary units/shares on issue.

**DISTRIBUTION OF EQUITY SECURITY HOLDERS**

Category	Number of Securities	Number of Equity Security Holders
1 - 1,000	3,099,412	5,970
1,001 - 5,000	56,161,385	20,357
5,001 - 10,000	52,584,476	7,395
10,001 - 100,000	87,903,124	4,500
100,001 and over	916,164,712	196

The number of unitholders/shareholders holding less than a marketable parcel was 923.

**SUBSTANTIAL UNITHOLDERS/SHAREHOLDERS**

Category	Number of Securities
AMP Limited	98,641,154
Commonwealth Bank of Australia Limited/Colonial Limited	81,470,179
Lend Lease Corporation Limited	67,677,842
Westpac Banking Corporation	57,260,468
National Australia Bank Limited Group	51,976,068



#### **END OF FINANCIAL YEAR TAX STATEMENT**

After 30 June each year you will receive a comprehensive tax statement. This statement summarises the distributions and dividends paid to you during the year and includes information required to complete your tax return.

#### **ANNUAL REPORT**

Members have a choice as to whether they receive:

- no Annual Report;
- an Annual Report in this form; or
- the Annual Report plus a Financial Report.

The Share Registry will send a form to enable unitholders to choose.

#### **MEMBERS' ENQUIRIES**

To assist in providing quality service to its investors, Stockland has established the following sources for those wishing to obtain information in relation to the Group:

Stockland Website  
[www.stockland.com.au](http://www.stockland.com.au)

The Stockland site contains a variety of investor information, including market presentations, financial results, property news, announcements to the ASX and the latest annual and interim reports.

#### **Registry**

Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland.

Please call the freecall hotline on **1800 804 985**, if you have any questions with regards to the following matters:

- change of address details as a member;
- request to have payments made directly to a bank account;
- request not to receive annual, financial or half year report;
- provision of tax file numbers.

#### **REINVESTMENT PLAN**

Stockland operates a Distribution/Dividend Reinvestment Plan which allows members to have their payments used to buy more Stapled Securities in Stockland at a discount of 2.5%, with no costs. Application forms can be sent to you by Computershare.

#### **DISTRIBUTION PERIODS**

1 July - 31 December 2002  
1 January - 30 June 2003

#### **EX-DISTRIBUTION DATES**

24 June 2003  
22 December 2003

#### **DISTRIBUTION BANKING OR MAILING DATES**

28 February 2003  
29 August 2003

#### **ANNUAL GENERAL MEETING**

20 October 2003

## **DIRECTORY**

### **CORPORATION/RESPONSIBLE ENTITY**

STOCKLAND CORPORATION LIMITED  
ACN 000 181 733

STOCKLAND PROPERTY MANAGEMENT LIMITED  
ACN 001 900 741

LEVEL 16  
157 LIVERPOOL STREET  
SYDNEY NSW 2000  
TELEPHONE (02) 9321 1500  
TOLL FREE 1800 251 813

### **CUSTODIAN**

TRUST COMPANY OF AUSTRALIA LIMITED  
ACN 004 027 749  
80-84 NEW SOUTH HEAD ROAD  
EDGECLIFF NSW 2027

### **DIRECTORS**

#### **NON-EXECUTIVE**

PETER DALY – CHAIRMAN  
NICHOLAS GREINER – DEPUTY CHAIRMAN  
BRUCE CORLETT  
DAVID FAIRFULL  
BARRY THORNTON  
TERRY WILLIAMSON

#### **EXECUTIVE**

MATTHEW QUINN – MANAGING DIRECTOR  
JOHN PETTIGREW – FINANCE DIRECTOR

### **SECRETARY**

PHILLIP HEPBURN

### **UNIT/SHARE REGISTRY**

COMPUTERSHARE REGISTRY SERVICES PTY LIMITED  
LEVEL 3  
60 CARRINGTON STREET  
SYDNEY NSW 2000  
TELEPHONE 02 8234 5000  
TOLL FREE 1800 804 985

### **BANKERS**

COMMONWEALTH BANK OF AUSTRALIA  
WESTPAC BANKING CORPORATION LIMITED

### **AUDITOR**

KPMG

### **QUOTED SECURITIES**

SGP ORDINARY UNITS/SHARES

### **DISCLAIMER OF LIABILITY**

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**Stockland**