

Stockland Trust and its controlled entities

Annual Financial Report
30 June 2009

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Trust and its controlled entities

Contents

Directors' Report	1
Lead Auditor's Independence Declaration	48
Income Statements	49
Balance Sheets	50
Statements of Changes in Equity	51
Cash Flow Statements	53
Notes to the Consolidated Financial Statements	54
1 Summary of significant accounting policies	54
2 Accounting estimates and assumptions	66
3 Segment reporting	69
4 Rent from investment properties	69
5 Finance income and expense	70
6 Auditors' remuneration	70
7 Earnings per unit	71
8 Current assets – Cash and cash equivalents	73
9 Current assets – Trade and other receivables	73
10 Current assets – Other financial assets	73
11 Current assets – Other assets	73
12 Non-current assets held for sale	74
13 Non-current assets – Trade and other receivables	74
14 Non-current assets – Investment properties	75
15 Non-current assets – Other financial assets	80
16 Non-current assets – Investments accounted for using the equity method	80
17 Non-current assets – Intangible assets	81
18 Non-current assets – Other assets	81
19 Current liabilities – Trade and other payables	82
20 Current liabilities – Interest-bearing loans and borrowings	82
21 Current liabilities – Provisions	82
22 Current liabilities – Other liabilities	83
23 Non-current liabilities – Interest-bearing loans and borrowings	84
24 Non-current liabilities – Other liabilities	87
25 Issued capital	88
26 Reserves and undistributed income	89
27 Distributions	91
28 Commitments	91
29 Controlled entities	92
30 Investments in associates	94
31 Investments in joint ventures	95
32 Notes to the Cash Flow Statements	97
33 Financial instruments	98
34 Key Management Personnel disclosures	109
35 Other related party disclosures	110
Directors' Declaration	112
Independent Auditor's Report	113

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

The Directors of Stockland Trust Management Limited ("STML"), the Responsible Entity of Stockland Trust, present their report together with the Financial Report of Stockland Trust ("the Trust") and its controlled entities (together "the consolidated entity") for the year ended 30 June 2009 and the Independent Auditor's Report thereon. The consolidated entity, together with Stockland Corporation Limited (and its controlled entities) ("Corporation") forms part of the stapled group, Stockland ("Stockland").

Directors

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

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

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

Former Directorships of listed entities in last three years

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

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

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

Former Directorships of listed entities in last three years

Mr Greiner was a Director of QBE Insurance Group Limited from September 1992 until April 2007, Australian Vintage Wines Limited from September 1992 to November 2008 and Bluefreeway Limited from November 2006 to July 2009.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Directors (continued)

Duncan Boyle

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

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

Former Directorships of listed entities in last three years

None.

Bruce Corlett

BA, LLB
(Non-Executive)

Mr Corlett was appointed to the Board in October 1996 and retired on 21 October 2008. He is Chairman of Servcorp Limited (appointed as a Director October 1999) and Trust Company Limited (appointed as a Director October 2000), and has been a Director of Tooth & Co. Limited since September 1999. Mr Corlett was Chair of the Human Resources Committee and was a member of the Treasury Policy Committee until his retirement on 21 October 2008.

Former Directorships of listed entities in last three years

Mr Corlett was a Director of Adsteam Marine Limited from March 1997 until April 2007.

Lyn Gearing

B.Comm, Dip. Valuations,
Cert. Bus.Studies (Real Estate),
FAICD
(Non-Executive)

Ms Gearing was appointed to the Board on 1 November 2005 and resigned on 31 December 2008. Ms Gearing is a Director of Hancock Natural Resources Group Australasia Pty Limited, IMB Limited, Queensland Investment Corporation and the Garvan Research Foundation. Ms Gearing was Chief Executive of NSW State Super from 1997 to 2002, and has extensive business experience in superannuation, funds management, corporate finance and management consulting. She was a member of the Stockland Audit and Risk Committee and Chair of the Stockland and Stockland Capital Partners Financial Services Compliance Committees until her resignation on 31 December 2008.

Former Directorships of listed entities in last three years

None.

Carolyn Hewson

B.Ec (Hons), M.A. Ec.
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over twenty five years experience in the financial sector, with extensive financial markets, risk management and investment management expertise. Ms Hewson is a non-executive Director of Westpac (appointed February 2003) and BT Investment Management (appointed December 2007), and previously served as a Director on the Boards of AMP, CSR, South Australia Water and the Economic Development Board of South Australia. She has Board or advisory roles with the Australian Charities Fund, the Neurosurgical Research Foundation of Australia and Nanosonics Limited. Ms Hewson is a member of the Stockland Audit and Risk and Human Resources Committees.

Former Directorships of listed entities in last three years

Ms Hewson was a Director of the Australian Gas Light Company Limited ("AGL") from 1996 to October 2006 and AGL Energy Limited from October 2006 to March 2009.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Directors (continued)

Barry Neil

B.Eng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty six years experience in property, both in Australia and overseas. He is a Director of Dymocks Book Arcade Pty Limited and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is a member of the Corporate Responsibility and Sustainability Committee.

Former Directorships of listed entities in last three years

None.

Matthew Quinn

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

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He was appointed Chairman of Australian Business and Community Network Limited in November 2007. Mr Quinn is a member of the Corporate Responsibility and Sustainability Committee and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds.

Former Directorships of listed entities in last three years

None.

Peter Scott

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

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

Former Directorships of listed entities in last three years

None.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Directors (continued)

Hugh Thorburn

B.Comm, FCA
Finance Director

Mr Thorburn was appointed to the Board as Finance Director on 1 July 2004, having been Chief Financial Officer since his commencement at Stockland on 16 February 2004. He is a Chartered Accountant and has held a number of senior financial and general management roles in Australian companies. Mr Thorburn is a member of the Treasury Policy Committee.

Former Directorships of listed entities in last three years

None.

Terry Williamson

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

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

Former Directorships of listed entities in last three years

Mr Williamson was a Director of Excel Coal Limited from March 2004 until his retirement in October 2006.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

External Independent Committee Members and Independent Directors of the consolidated entity

Anthony Sherlock
B. Ec., FCA, MAICD

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited and Sydney Attractions Group Limited, and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Audit and Risk Committee, the Stockland and Stockland Capital Partners Financial Services Compliance Committees, and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

David Kent
BA (Hons) 1st Class, MAICD

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

Company Secretaries

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

Mr Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over thirteen years experience as a Company Secretary and General Counsel. Prior to joining Stockland, he was General Counsel and Company Secretary of IAMA Limited, an Australian Securities Exchange ("ASX") listed company. He has also held a number of senior management and legal positions in the finance sector. Mr Hepburn is an Executive Member of the Stockland and the Stockland Capital Partners Financial Services Compliance Committees.

Derwyn Williams
B.Comm, ASA, FCIS, MAICD
Company Secretary

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

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Directors' meetings

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

Stockland

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee		Human Resources Committee		Corporate Responsibility and Sustainability Committee		Treasury Policy Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	18	18	-	-	-	-	4	4	5	5	-	-
Mr N Greiner	14	18	-	-	-	-	-	-	5	5	-	-
Mr D Boyle	18	18	7	8	-	-	-	-	-	-	2	2
Mr B Corlett	7	7	-	-	-	-	2	2	-	-	2	2
Ms L Gearing	9	11	4	4	2	2	-	-	-	-	-	-
Ms C Hewson	6	6	2	2	-	-	1	1	-	-	-	-
Mr B Neil	16	18	-	-	-	-	-	-	2	2	-	-
Mr M Quinn	18	18	-	-	-	-	-	-	4	5	-	-
Mr P Scott	17	18	-	-	-	-	4	4	-	-	-	-
Mr H Thorburn	17	18	-	-	-	-	-	-	-	-	4	4
Mr T Williamson	17	18	8	8	2	2	-	-	-	-	4	4
Other members												
Mr P Hepburn	-	-	-	-	4	4	-	-	-	-	-	-
Mr A Sherlock	-	-	-	-	4	4	-	-	-	-	-	-

Stockland Capital Partners

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr P Scott	6	6	-	-	-	-
Mr D Kent	6	6	-	-	-	-
Mr M Quinn	5	6	-	-	-	-
Mr A Sherlock	6	6	6	6	4	4
Other members						
Ms L Gearing	-	-	-	-	2	2
Mr P Hepburn	-	-	-	-	4	4
Mr T Williamson	-	-	6	6	2	2

A – Meetings attended

B – Meetings eligible to attend

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance

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

Outlined below are the main corporate governance policies and practices in place throughout the year, unless otherwise stated.

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

Role of the Board

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

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

The Board has delegated responsibility to the Managing Director to manage the consolidated entity's business and to its various Board Committees to oversee specific areas of governance. Delegated responsibilities are regularly reviewed and the Managing Director regularly consults with the Board on the consolidated entity's performance. Matters which are not specifically delegated to the Managing Director require Board approval, including capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of units or debt by the Trust and key risk management and accounting policies.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

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

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

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

Composition of the Board

The Responsible Entity is committed to having a Board whose members have the capacity to act independently of Management, and have the collective skills necessary to optimise the long-term financial performance of the consolidated entity so as to sustain superior returns to unitholders.

At the date of this report, the Board comprised two Executive Directors and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 1 to 4 including details of their other listed company directorships and prior experience.

The Responsible Entity recognises that having a majority of independent Directors provides assurance that the Board is structured properly to fulfil its role in holding Management accountable for the consolidated entity's performance. The Board has resolved that it should continue to have a majority of independent Non-Executive Directors, that the positions of Chairman and Managing Director must be separate, and that the Chairman should be an independent Non-Executive Director. The Board is comprised of Directors with a wide and relevant range of experience and expertise. Some Directors have occupied senior executive management positions in large corporations both in Australia and globally covering a wide range of industry sectors including property development, investments and construction. Other Directors have held executive positions in relevant financing and accounting disciplines.

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

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

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

Stockland Trust and its controlled entities Directors' Report For the year ended 30 June 2009

Corporate Governance (continued)

Composition of the Board (continued)

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

In making this determination, the Board considered the transactions between the consolidated entity and entities with which the consolidated entity's Directors are associated as directors or advisors set out in Note 35 to the Consolidated Financial Statements. The Board concluded that none of these transactions rendered these entities significant suppliers to, or customers of, the consolidated entity when the relative size of the transactions was compared to the total revenues or business of those entities. Further, in none of these transactions did the consolidated entity's Directors receive direct financial benefits as principals, partners or substantial shareholders of the entities concerned.

The composition of the Board changed during the year with the retirement of Mr B Corlett as a Director at the 2008 Annual General Meeting and the resignation of Ms L Gearing as a Director on 31 December 2008. Ms C Hewson was appointed to the Board on 1 March 2009.

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

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

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

Director induction and ongoing education

The Responsible Entity has a formal process to inform new Directors about the nature of its business, current issues and corporate strategies. Shortly after their appointment, Directors are given a full briefing on the consolidated entity and meetings with Stockland's key Executives. Directors also have the opportunity to visit the Stockland facilities and to meet with Stockland Management to gain a better understanding of business operations. Directors have the right of access to all consolidated entity information and Stockland Executives.

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

Terms of appointment and retirement of Non-Executive Directors

The terms of appointment of a Non-Executive Director are set out in a letter to the Director from the Chairman which, among other things, sets out the expectations of the Board in relation to the performance of the Director, procedures for dealing with a Director's potential conflicts of interests, and the disclosure obligations of the Director, together with the details of Director's remuneration and relevant company policies.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Terms of appointment and retirement of Non-Executive Directors (continued)

The Constitution provides that a Director may enter into an arrangement with the consolidated entity. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law directors' duties and the consolidated entity's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditors" on page 47.

Directors are required to keep the Board advised of any interest that may be in conflict with those of the consolidated entity, and restrictions are applied to Directors' rights to participate in discussion and to vote, as circumstances dictate. In particular, where a potential conflict of interest may exist, Directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

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

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

Board meetings

The Board currently holds ten scheduled meetings each year. Additional meetings are convened as required. During the 2009 financial year, the Board held 18 meetings including 8 special Board meetings. Agendas for each meeting are prepared by the Company Secretary with input from the Chairman and Managing Director and are distributed prior to the meeting together with supporting papers.

Standing items include the Managing Director's report, the Finance Director's report, the reports of each business unit and functional Stockland Senior Executive, as well as reports addressing matters of strategy, governance and compliance. Stockland Senior Executives are directly involved in Board discussions and Directors have a number of further opportunities to contact a wider group of Stockland's employees, including visits to business operations.

Board papers are designed to focus Board attention on current and future issues of importance to the consolidated entity's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board Committees and subsidiaries as well as papers on material issues requiring consideration. Significant matters are presented to the Board by Stockland's Senior Executives and the Board may seek further information on any issue, from any Executive.

The Board's practice is for Non-Executive Directors to meet prior to the full Board meeting in the absence of Executive Directors and Management.

Board and Director performance

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

As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behaviour. The questionnaires are confidential, other than to the Chairman who collates the results and leads a discussion of them by the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes or procedures. Following these sessions, the Chairman provides feedback to individual Directors as necessary. The Deputy Chairman follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Board and Director performance (continued)

The consolidated entity adopted a process in 2008 requiring each Committee Chairman to lead a discussion at least once per year on their Committee's performance and effectiveness.

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

Director remuneration and share ownership

Non-Executive Directors receive a fee for their services and may elect to take part of their fees in the form of Stockland securities acquired on market. During the 2009 financial year, a majority of Non-Executive Directors elected to take part of their fees in Stockland securities. Non-Executive Directors are also paid superannuation but receive no other retirement benefits. Refer to the Remuneration Report on pages 24 to 46 for further information.

The Board has a policy that all Non-Executive Directors acquire and hold at least 10,000 stapled securities ("securities") in Stockland within a reasonable time of becoming a Director. This policy is intended to align the personal financial interests of Directors with those of stapled securityholders.

The Remuneration Report also describes Stockland's process for evaluating the performance of Senior Executives.

Board Committees

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

1. Human Resources Committee;
2. Audit and Risk Committee;
3. Corporate Responsibility and Sustainability Committee;
4. Treasury Policy Committee; and
5. Financial Services Compliance Committee.

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

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

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

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Corporate Governance (continued)

Board Committees (continued)

The Human Resources Committee

The Human Resources Committee reviews and makes recommendations to the Board on:

Nominations

1. competencies required for the role of a Responsible Entity Director;
2. Board succession;
3. Board and Committee performance and the performance of individual Directors;
4. the appointment and removal of Non-Executive and Executive Directors; and
5. the composition of the Board and Directors' independence.

Remuneration and Employee Policies

1. Non-Executive Director remuneration;
2. recruitment, retention, remuneration and termination policies for Executive Directors and Stockland Senior Executives;
3. succession management for Stockland Senior Executives;
4. Director, Stockland's Executive and employee share and incentive plans; and
5. key employee policies such as health, safety and environmental policies.

The Committee seeks to ensure that there is a strong link between employee reward, the consolidated entity's performance and ultimately unitholder returns. The Committee also ensures that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 24 to 46 for further information.

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

Mr P Scott (Chair) – Non-Executive Director (appointed Chair October 2008)

Mr G Bradley – Non-Executive Director

Ms C Hewson – Non-Executive Director (appointed March 2009)

Mr B Corlett (Chair) – Non-Executive Director (retired October 2008)

The Human Resources Committee meets as frequently as required and during the current financial year held 4 meetings.

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Board Committees (continued)

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

In addition, the Committee:

1. oversees the quality of the audits conducted by both the internal and external auditors;
2. reviews financial information prior to approval by the Board for presentation to unitholders and release to the ASX and its regulatory bodies;
3. reviews and determines the adequacy of the consolidated entity's operating and accounting controls; and
4. oversees the effectiveness of risk management strategies, policies, systems and procedures, including annual review of the corporate insurance programme.

The Committee also has responsibility for recommending the appointment and removal of the external auditors. It is the consolidated entity's policy that:

1. the external auditor must at all times remain independent of the consolidated entity;
2. the external auditor is to be appointed to all controlled entities of the consolidated entity;
3. the external auditor must not undertake staff recruitment, internal audit or management and IT consulting for the consolidated entity;
4. the external auditor must not provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the consolidated entity or audits its own professional expertise; and
5. the external audit engagement partner and independent review partner will be rotated every five years.

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

Audit and Risk Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Finance Director, the consolidated entity's external auditor and, as required, other Stockland Executives and external advisors. The Committee met 8 times during the 2009 financial year. The Committee meets privately with the external auditor in the absence of management at least once a year. The Committee has written terms of reference which incorporates the ASX Guidelines.

Under its charter, the Committee must have at least three members, all of whom must be Non-Executive Directors, and a majority must be independent Directors. The Chairman of the Committee may not also be the Chairman of the Board.

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

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

Mr T Williamson (Chair) – Non-Executive Director

Mr D Boyle – Non-Executive Director

Ms C Hewson – Non-Executive Director (appointed March 2009)

Ms L Gearing – Non-Executive Director (resigned December 2008)

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Corporate Governance (continued)

Board Committees (continued)

Corporate Responsibility and Sustainability Committee

The consolidated entity recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Corporate Responsibility and Sustainability Committee is to assist the Board by overseeing the consolidated entity's commitment to operate its businesses ethically, responsibly and in a sustainable way. The Committee:

1. reviews the social, environmental and ethical consequences of the consolidated entity's current and planned operations;
2. oversees the development and implementation of operating policies and practices designed to meet the standard expected of an ethical and socially responsible organisation;
3. considers initiatives proposed by management to adapt the consolidated entity's policies and practices to meet changing community expectations;
4. monitors the consolidated entity's compliance with health, safety and environmental laws;
5. approves external reporting on major corporate responsibility and sustainability policies, principles and initiatives; and
6. acts as a first point of reference for management to the Board for any major social, environmental or ethical issues likely to adversely affect the consolidated entity's brand, reputation or stakeholders.

The Board has charged Executive Management with responsibility for managing the consolidated entity's business operations to the highest standard of ethical business practice, corporate citizenship and environmental responsibility.

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

Mr N Greiner (Chair) – Non-Executive Director

Mr G Bradley – Non-Executive Director

Mr B Neil – Non-Executive Director (appointed January 2009)

Mr M Quinn – Managing Director

The Committee meets at least three times annually, or more frequently as circumstances dictate.

Environmental Regulation

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Board Committees (continued)

Treasury Policy Committee

The Treasury Policy Committee was established in October 2007 to assist the Board to oversee the effectiveness of the consolidated entity's policies for managing the consolidated entity's financial resources and securing its financing needs prudently and in a way that manages the consolidated entity's financial exposures with an appropriate balance of risk and return.

The Committee:

1. reviews the effectiveness of the consolidated entity's Treasury Policy and monitors its implementation;
2. reviews treasury risk management strategies and recommends to the Board any changes to the consolidated entity's Treasury Policy including alternative forms of financial accommodation or funding arrangements;
3. formulates, in consultation with the Finance Director, key performance indicators on Treasury performance and financial exposure risks which should routinely be reported to the Board;
4. reviews the consolidated entity's current and future funding needs; and
5. reviews strategies for managing risk associated with debt maturities, interest rates, foreign exchange and other financial exposures of the consolidated entity.

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

Mr T Williamson (Chair) – Non-Executive Director

Mr H Thorburn – Finance Director

Mr D Boyle – Non-Executive Director (appointed October 2008)

Mr B Corlett – Non-Executive Director (retired October 2008)

The Committee meets at least four times a year.

Financial Services Compliance Committee

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

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

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

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

Mr T Williamson (Chair) – Non-Executive Director (appointed December 2008)

Mr A Sherlock – External Independent Member

Mr P Hepburn – Executive Member

Ms L Gearing (Chair) – Non-Executive Director (resigned December 2008)

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Stockland Capital Partners

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

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

Since the Capital Partners business has dealings with and may acquire assets from the consolidated entity, the SCPL Board has two independent Non-Executive Directors who are not members of the Stockland Trust Management Limited Board. They must approve each transaction SCPL enters into with the consolidated entity and must be satisfied that such transactions are on arm’s length commercial terms.

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

With a strong philosophy of co-investment, well defined fund investment strategies and transparent reporting, SCPL's governance policies and processes are designed to ensure that the investors in its unlisted securities are not disadvantaged by the interests of the consolidated entity.

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

Mr P Scott (Chair) – Non-Executive Director

Mr M Quinn – Managing Director

Mr A Sherlock – Independent Non-Executive Director

Mr D Kent – Independent Non-Executive Director

Stockland Capital Partners Audit and Risk Committee

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

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

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

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

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Stockland Capital Partners (continued)

Stockland Capital Partners Financial Services Compliance Committee

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

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

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

Mr T Williamson (Chair) – Non-Executive Director (appointed December 2008)

Mr A Sherlock – Independent Non-Executive Director

Mr P Hepburn – Executive Member

Ms L Gearing (Chair) – Non-Executive Director of Stockland (resigned December 2008)

Risk Management

The consolidated entity adopts a rigorous approach to understanding and proactively managing the risks the consolidated entity faces in its business. The consolidated entity recognises taking business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for unitholders and meeting commitments to the consolidated entity's tenants, customers, business partners, consultants and the communities in which it does business.

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

Risk Management responsibilities

Management is responsible for the design and implementation of the risk management framework and for adapting it to changes in the business and the external environment in which the consolidated entity operates. Business Units are responsible for integrating the risk management framework within their business processes and systems.

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

The Chief Risk Officer leads Stockland's Compliance, Audit and Risk team which is responsible for:

- leading and facilitating the identification and monitoring of material risks across the consolidated entity;
- reporting consolidated risk information to Executive Management and the Board and providing feedback on the effectiveness of risk management policies and practices;
- supporting and advising the business on implementing appropriate risk management processes and practices;
- undertaking internal audit projects to provide independent assessment of internal controls including financial controls; and
- implementing programs that assist the business to comply with legislative requirements including Stockland's Australian Financial Services Licences and Stockland Real Estate Licences.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Risk Management (continued)

Risk Management responsibilities (continued)

The Chief Risk Officer ("CRO") has a direct reporting relationship to both the Finance Director and the Chairman of the Audit and Risk and Compliance Committees.

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

Executive confirmations

In accordance with the consolidated entity's legal obligations, the Managing Director and the Finance Director have declared in writing to the Board that, for the year ended 30 June 2009 that, to the best of their knowledge and belief:

With regard to the consolidated entity's financial reports:

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

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

- the statements made with respect to the integrity of the consolidated entity's financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2009, nothing has come to the attention of the Managing Director and the Finance Director that would indicate any material change to any of the statements made above.

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Code of Conduct and Ethical Behaviour

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

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

1. protection of the consolidated entity's assets;
2. confidentiality and commercially sensitive information;
3. Responsible Entity's employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;
4. the consolidated entity's responsibilities to unitholders and the financial community generally;
5. the consolidated entity's responsibilities to its customers and the broader community;
6. dealings with external parties including its customers, the media and regulatory authorities;
7. compliance with laws;
8. conflicts of interest and disclosure requirements;
9. prevention of Directors and key Executives from taking advantage of information or their position for personal gain;
10. fair dealing and proper use of the consolidated entity's assets;
11. outside business interests, corporate entertainment and political contributions; and
12. Stockland's "whistleblowing" policy.

The consolidated entity actively promotes and maintains an honest, ethical and law abiding culture. Any Director or employee who becomes aware of or suspects a breach of the Code are encouraged to report the breach to their line manager or the Chief Risk Officer. Where a report is received, the matter must be investigated. Appropriate disciplinary action is taken if the allegation is proven. This could include legal action or dismissal, depending on the severity of the breach.

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

Employee and Director trading in Stockland securities

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

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

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

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Corporate Governance (continued)

Communication to unitholders

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

1. Annual and Half Year Financial Reports lodged with the ASX and made available to all unitholders;
2. announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;
3. the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;
4. copies of announcements, presentations, past and current reports to unitholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and
5. relevant announcements lodged with the Singapore Securities Exchange ("SGX") following the issue of Notes in Singapore by Stockland Finance Pty Limited, a wholly-owned subsidiary of Stockland Trust.

The consolidated entity has a unitholder disclosure policy which includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how Stockland meets its disclosure obligations under ASX Listing Rule 3.1. The consolidated entity's policy is to lodge with the ASX and place on its website all market-sensitive information, including Annual and Half Year result announcements and analyst presentations, as soon as practically possible.

The consolidated entity produces two sets of financial information each year: the Half Year Financial Report for the six months ended 31 December and the Annual Financial Report for the year ended 30 June. Both are made available to unitholders and other interested parties.

Unitholders have the right to attend Stockland's Annual General Meeting, usually held towards the end of October each year, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the Stockland website and lodged with the ASX.

Unitholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the Notice of Meeting, all unitholders are eligible to vote on all resolutions. Unitholders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile or electronically.

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

Transcripts of the Chairman's and Managing Director's Reports to unitholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the minutes of the Annual General Meeting are also posted on the Stockland website (www.stockland.com.au).

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

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Principal activity

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

The consolidated entity operates primarily in mainland Australia. In May 2008, the consolidated entity disposed of its business assets in New Zealand and the business activities in New Zealand ceased from this time.

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

Review and results of operations

The consolidated entity recorded a loss attributable to unitholders calculated in accordance with Australian Accounting Standards ("AASBs") of \$1,083.8 million for the year ended 30 June 2009 (2008: profit of \$723.7 million). This loss includes a number of certain significant items, such as investment property revaluations that, in the opinion of the Directors, need adjustment to enable unitholders to obtain an understanding of the consolidated entity's underlying profit (refer to table below).

The underlying profit for the year was \$623.2 million (2008: \$584.1 million), reflecting a 6.7% increase from the previous financial year.

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

		Consolidated	
	Notes	2009	2008
		\$M	\$M
Underlying profit		623.2	584.1
Certain significant items:			
<i>Fair value adjustment of investment properties</i>			
Net (loss)/gain from fair value adjustment of investment properties (excluding minority interest)		(929.2)	262.6
Share of net (loss)/gain from fair value adjustment of investment properties in associates and joint ventures		(177.9)	83.0
<i>Impairment and net loss on sale of non-current assets</i>			
Impairment of goodwill		(161.1)	-
Impairment of other financial assets ¹		(265.3)	-
Net loss on disposal of foreign operations		-	(5.3)
Net (loss)/gain on sale of other non-current assets		(32.8)	1.0
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules	5	(103.3)	(206.5)
Net unrealised (loss)/gain from hedged items and financial instruments treated as fair value hedges	5	(7.6)	10.6
Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules		(30.0)	-
Net realised loss on financial instruments that do not qualify as effective under hedge accounting rules	5	(60.3)	-
Net realised gain on other financial instruments that do not qualify as effective under hedge accounting rules		-	1.9
Net unrealised foreign exchange gain/(loss)	5	60.5	(7.7)
(Loss)/profit for the year attributable to unitholders of the consolidated entity		(1,083.8)	723.7

¹ Includes a write-down of \$256.0 million (2008: \$Nil) relating to an investment which did not qualify for derecognition under accounting standards, classified as Current assets – Other financial assets.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Review and results of operations (continued)

Basic earnings per unit was a loss of 62.6 cents. Basic underlying earnings per unit as listed on the previous page, was 36.0 cents, a decrease of 4.3% from 37.6 cents in the previous financial year.

	Consolidated	
	2009	2008 ¹
	Cents	Cents
Basic underlying earnings per unit	36.0	37.6
Diluted underlying earnings per unit	35.8	37.4
Basic earnings per unit	(62.6)	46.6
Diluted earnings per unit	(62.6)	46.4

¹ Prior period weighted average number of securities and EPSs have been adjusted for an additional dilution impact of the Equity Raising announced on 13 May 2009 as required by AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of securities on issue for the current period, prior to the Equity Raising, have also been adjusted as required by AASB 133.

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

Distribution per unit

The distribution payment is 33.8 cents per unit, down 25.7% from 45.5 cents paid for the previous corresponding period. The payment comprises:

Trust distribution, estimated 31.9% tax preferred
 (prior year actual 6.0% tax preferred)

33.8	45.5
-------------	-------------

Registers closed at 5.00 pm on 30 June 2009 to determine entitlement to the year end distribution, which will be paid on 31 August 2009. The Dividend and Distribution Reinvestment Plan will not operate for this payment.

Operational highlights

Commercial Property

- The weighted average capitalisation rate for Retail, Office and Industrial moved from 6.7% to 7.7% for the year

Office and Industrial

- Comparable net rental growth of 5.7% in Office and 4.2% in Industrial
- High portfolio occupancy of over 97% in Office and 96% in Industrial

Retail

- Comparable net rental income growth of 6.8%
- High portfolio occupancy of over 99%
- Sustainable specialty occupancy costs 12.8%

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Distributions

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

State of affairs

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

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

Likely developments

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

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

Events subsequent to the end of the year

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

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Remuneration Report – Audited

The Remuneration Report is set out under the following sections:

1. Key points
2. Remuneration philosophy
 - 2.1 Remuneration governance
 - 2.2 Remuneration policy
 - 2.3 Board review of policies
 - 2.4 Remuneration framework
 - 2.5 Security dealing approval
3. Link between remuneration policy and Stockland performance
4. Remuneration of Executives
 - 4.1 Key Management Personnel
 - 4.2 Legacy LTI plans, Executives' loans and other arrangements
 - 4.3 Employment arrangements and termination provisions
 - 4.4 Remuneration tables
5. Remuneration of Non-Executive Directors
 - 5.1 Remuneration policy
 - 5.2 Non-Executive Director fee schedule
 - 5.3 Remuneration table for Non-Executive Directors
 - 5.4 Security acquisition plan and holdings

This report sets out current remuneration arrangements for all of the stapled group ("Stockland") employees, including Directors and Executives of the Responsible Entity. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

1. Key points

Challenging market conditions have affected Stockland during the last year, and the Board of the Responsible Entity ("the Board") is committed to ensuring that remuneration decisions and payments are appropriate in the current climate and through the business cycle. The Board has endorsed the following:

- no increase in Non-Executive Director fees (following no increase in 2008);
- no increase in Executive Fixed Pay, other than where an individual's responsibilities have materially changed (this follows no increase in 2008 for the Stockland's Executive Committee);
- performance based pay reflecting Stockland's lower underlying profit¹ but also taking account of good performance in relation to other Balanced Scorecard measures;
- implementation of a retention incentive related to securities previously acquired under the legacy loan-based share schemes; and
- no amendments at this stage to Stockland's employee share plans following changes proposed in the Federal Budget but grants may be postponed pending further detail of the new legislation.

¹ Throughout this report, the term "underlying profit" is used as set out on page 21 of this report.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Remuneration Report – Audited (continued)

2. Remuneration philosophy

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

2.1 Remuneration governance

The Human Resources Committee ("HR Committee") has been set up to assist the Board to exercise sound governance in relation to the appointment, performance and remuneration of Directors, the Managing Director and Stockland Senior Executives reporting to the Managing Director, risk and financial control personnel and all other employees of Stockland whose total remuneration includes a significant variable component.

The HR Committee also oversees all Stockland's employment and remuneration policies to ensure fairness and balance are maintained at all levels between reward cost and value to the company.

The HR Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. Its full charter can be accessed via Stockland's website under Investor Information/Corporate Governance.

2.2 Remuneration policy

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

- Fixed Pay should be fair and competitive relative to the market;
- Variable pay should be a feature of all employees' remuneration. Variable pay should be linked to securityholder returns and individuals should have clear performance criteria;
- Performance payments (or short-term incentives) should be affordable i.e. paid from annual underlying profit. These payments (if any) depend on performance against a variety of measures reflecting progress against long-term goals; and
- Equity based pay awarded against achievement of long-term goals will not only motivate and help retain key Stockland Executives but will also build a sense of ownership of business performance that benefits all securityholders.

The Board has reaffirmed these remuneration principles for the 2010 financial year.

2.3 Board review of policies

Setting Executive remuneration policies is viewed by the Board as one of its most important responsibilities. More so than ever before, investors and the general community seek reassurance that Executive pay is not excessive, adjusted for risk, is fair, competitive and reasonable, does not reward poor performance or provide windfall benefits unrelated to the Executive performance, and is structured in a way that aligns management's objectives with long-term securityholder interests.

Accordingly, the Board has thoroughly reviewed Stockland's remuneration framework and found it to be appropriate. Stockland has addressed some common questions about its remuneration approach below.

Is any major change to Stockland's remuneration framework required in the current economic climate?

The Board believes Stockland's remuneration framework has proven to be robust across the business cycle. Maintaining consistency in remuneration policy is important to Stockland's ongoing performance and ability to attract and retain key talent. The Board will continue to ensure:

- Fixed Pay remains broadly market competitive;
- Performance based pay is paid only where meaningful performance goals have been achieved; and
- Equity-based pay continues to align Executive interests with securityholder interests.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.3 Board review of policies (continued)

Is it appropriate to pay annual bonuses when profits are down?

While total performance based payments are lower this year reflecting Stockland's lower underlying profit, it is important to continue to reward achievement of goals that are balanced and aligned with securityholders' long-term interests. Paying for performance is an important way to motivate and retain employees.

Is there merit in deferring annual performance based pay?

While Stockland's payments are part of an annual cycle, they are only awarded when the agreed level of performance has been achieved across a combination of objectives. These objectives include both financial and non-financial (long-term) KPIs such as stakeholder engagement, people leadership, corporate responsibility and sustainability ("CR&S") and health, safety and environment ("HSE"). The Board believes it is important to reward achievements in a timely manner and does not believe deferral is appropriate within Stockland's remuneration framework.

Should long-term incentives ("LTI") based on total securityholder return ("TSR") vest when security prices decline?

Stockland's TSR hurdle measures performance relative to other companies and is designed so that Executives do not simply benefit from a rising market but are rewarded only if Stockland's securities perform better than those of Stockland's peers. In a falling market, it is appropriate to reward Executives when Stockland's security price has not fallen as far as the security prices of its peers.

The Board acknowledges that some securityholders would prefer that LTI incentives should not vest if TSR is negative. The Board does not believe however, that a change to the current policy is appropriate because LTI is Stockland's key financial retention tool. Accordingly, vesting LTIs in the current market is positive for securityholders – it will increase the current holdings of Executives, strengthening the alignment of their interests with those of securityholders.

Are the potential rewards from Stockland's equity-based pay incentives appropriate?

The Board believes the potential rewards from Stockland's long-term, equity-based incentives are appropriate and are not excessive. Firstly, they are benchmarked against the remuneration arrangements that apply to similar roles in comparable Australian companies. Secondly, these incentives are not guaranteed. They are not earned unless the relevant performance objectives – which the Board believes are aligned with securityholder interests – are achieved.

The lower security price results in a higher number of rights this year, and concurrently there is higher upside potential. The Board believes the allocation method remains appropriate because it provides some balance for the lower value currently delivered. The rights are still subject to performance hurdles (and some peers' prices having dropped much further may be considered to have more upside potential).

It is also important to note that the way these incentives are disclosed in the Remuneration Report, to conform with accounting standards, often differs upwards or downwards from the value of the awards achieved in practice. For example, the 2007 Remuneration Report disclosed the value of the Managing Director's LTI in that year as being \$1.3 million. Three years later, as a result of the fall of the Stockland security price, the value of the 2007 LTI award as at 30 June 2009 was actually worth approximately \$0.8 million (explained in more detail on page 36).

Stockland Trust and its controlled entities Directors' Report For the year ended 30 June 2009

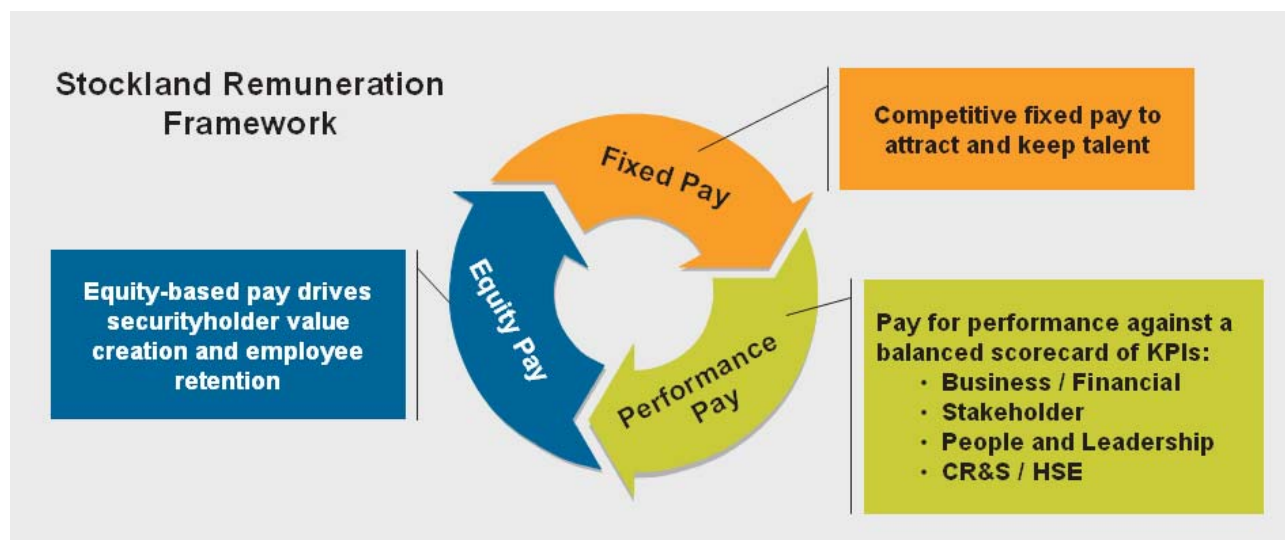
Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

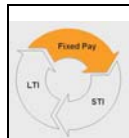
2.4 Remuneration framework

The way Stockland structures remuneration for employees comprises three components:

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



Fixed Pay



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

Fixed Pay is typically set by reference to the competitive market for Executive talent. Stockland develops remuneration policies by benchmarking its roles to similar roles in comparable companies.

Fixed Pay is calculated on a “total cost to Stockland” basis, including the cost of employee benefits such as superannuation, motor vehicles and car parking, together with fringe benefits tax (“FBT”) applicable to those benefits.

Stockland’s employment contracts explicitly state that Fixed Pay will be reviewed each year but increases are not guaranteed.

In the interest of cost containment, Executive Directors sought no increase in Fixed Pay for the 2009 financial year. This approach has been approved by the Board and continued for the 2010 financial year (unless a role had changed substantially).


**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.4 Remuneration framework (continued)

Short-term incentives

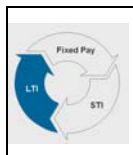
	Performance pay, or short-term incentive (“STI”) is a performance based payment rewarding annual progress towards long-term objectives.
---	---

Four principles define Stockland’s approach:

- Incentive payments are a significant part of senior employees’ remuneration;
- All permanent employees with over three months of service participate in the STI program;
- Incentive payments are funded out of each year’s underlying profit; and
- Incentive payments depend on an individual’s performance using a range of measures all of which are related to long-term objectives.

When setting and reviewing individual performance, Stockland adopts a Balanced Scorecard approach to ensure organisational objectives are achieved in a sustainable way. The Balanced Scorecard requires objectives in each of four categories: Business/Financial; Stakeholder; People and Leadership; and CR&S and HSE.

Long-term incentives

	Equity pay, or long-term incentive (“LTI”) aligns Senior Executive remuneration with securityholder returns and helps retain key individuals.
---	---

Stockland’s remuneration strategy is designed to align remuneration with securityholder returns and retain key talent. The principles which underpin long-term incentives are that:

- Stockland provides LTI as equity in the company so that employees feel a sense of ownership;
- LTI grants represent a significant proportion of senior employee remuneration; and
- Challenging hurdles, aligned with securityholders’ interests, encourage sustained performance from employees, with vesting occurring over a three year horizon.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.4 Remuneration framework (continued)

Performance Rights Plan

Stockland uses a Performance Rights Plan (“PRP”) as the LTI for Executives. If participants leave before vesting (generally three years after the allocation date), their rights lapse. For Stockland Senior Executives with more than two years tenure, the lost value on resignation is more than annual Fixed Pay.

The 2009 Federal Budget proposed changes to the way equity plans are taxed. This may impact some aspects of the design of Stockland’s plan. 2009 grants may be delayed until full details of the new legislation are known.

Key features of Stockland’s PRP include

- Rights are granted over ordinary securities;
- Rights are issued at no cost to the employee;
- Rights may or may not vest on the third anniversary of grant, depending on whether performance hurdles are achieved;
- No re-testing of performance: if targets are not achieved, rights lapse;
- On vesting, the employee receives the underlying securities at no cost to the employee;
- Vested securities may be either issued or purchased on market, at the Board’s discretion;
- Securities are subject to a holding lock for up to 10 years from date of grant; and
- Dividends and distributions are payable on securities only after vesting.

Overview of hurdles

Long-term incentive performance hurdles link reward to securityholders’ interests.
--

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

- The first tranche vests based on Stockland’s total securityholder return (“TSR”) measured against the ASX Australian Real Estate Investment Trusts (“A-REIT”) Index (exclusive of Stockland). TSR is defined as security price growth plus dividends and distributions paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured over the vesting period (usually three years). It is calculated by an independent party and approved by the Board; and
- The second tranche vests based on growth in Stockland’s earnings per security (“EPS”).

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.4 Remuneration framework (continued)

Overview of hurdles (continued)

Total securityholder return hurdle

The TSR hurdle requires TSR growth to be better than Stockland's peers. The Target is the A-REIT Index excluding Stockland. The following vesting schedule applies:

Relative TSR Growth over three years	Proportion of TSR related performance rights vesting
Less than or equal to Target	0%
Greater than Target	50%
Up to 10 percent greater than Target	Straight-line between 50% and 100%
10 percent or more greater than Target	100%

Relative TSR was chosen as the performance hurdle because it reflects a company's success in generating returns for securityholders relative to comparable businesses in both rising and falling markets. The A-REIT Index was adopted as it represents the group with whom Stockland competes for securityholders' capital. Stockland was excluded as it forms a large part of the Index.

TSRs are measured using a 30 day Volume Weighted Average Price ("VWAP") at the start and the end of the period.

Earnings per security hurdle

EPS is used as it is a key indicator of Stockland's financial performance. The following vesting schedule applies:

Aggregate EPS Growth over three years	Proportion of EPS related performance rights vesting
Less than Target	0%
Equal to Target	50%
Up to 5 percent greater than Target	Straight-line between 50% and 100%
5 percent or more greater than Target	100%

EPS is calculated using Stockland's underlying profit. The Board believes this is the appropriate way to view Stockland's annual operating performance and is therefore the appropriate measure of EPS for LTI purposes.

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

The Board believes that this approach is better aligned to securityholders' interests than setting a three year Target in advance which may become unrealistically high or unreasonably low as market conditions change over the three year period. Due to their commercial sensitivity, the annual EPS Targets and the extent to which the Targets have been achieved are disclosed retrospectively.

Both the Stockland and the Index TSRs are calculated by an independent third-party. The Board has final accountability for the determination of performance relative to Targets, independently from management.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

2. Remuneration philosophy (continued)

2.4 Remuneration framework (continued)

PRP on termination of employment

If an employee leaves employment of Stockland, any unvested rights lapse and hence will be forfeited at the termination date, except at the discretion of the Board in circumstances such as death, disability, retirement or redundancy. In the case of redundancy, the Board does not generally exercise such discretion unless within a year of vesting where typically the rights may be allowed to remain, subject to original hurdles.

Other equity-based benefit programs

Stockland also offers the Tax Exempt Employee Security Plan for the majority of its employees and the Non-Executive Director Security Acquisition Plan (“NEDSAP”) for Non-Executive Directors. All other programs were closed to new entrants in 2006 (refer to page 37 Legacy LTI Plans).

Tax Exempt Employee Security Plan (“\$1,000 Plan”) for all eligible employees

Under this plan:

- Eligible employees receive up to \$1,000 worth of Stockland securities;
- Securities cannot be sold or transferred until the earlier of three years after allocation date or the time the participant ceases to be a Stockland employee;
- Securities acquired under this plan are not subject to performance hurdles;
- Securities are issued by Stockland; and
- Executives do not participate in this plan.

Non-Executive Director Security Acquisition Plan

Under this plan, Non-Executive Director can sacrifice up to 90 percent of their Directors' fees to acquire securities in Stockland. These securities are purchased two times each year at market value and have a disposal restriction of 10 years, or when the Director ceases to be a Director of Stockland or earlier at the Board's discretion. This plan is described further on page 45.

This plan may be withdrawn following changes announced in the 2009 Federal Budget.

2.5 Security dealing approval

Stockland Executives are expected to behave in a responsible manner when dealing with Stockland securities as outlined in the Stockland Trading Policy (available on the website).

Stockland employees and Directors are prohibited from entering into hedging arrangements in relation to Stockland securities. Stockland employees and Directors cannot trade in financial products issued over Stockland securities by third parties or trade in any associated products which limit the economic risk of holding Stockland securities.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

3. Link between remuneration policy and Stockland performance

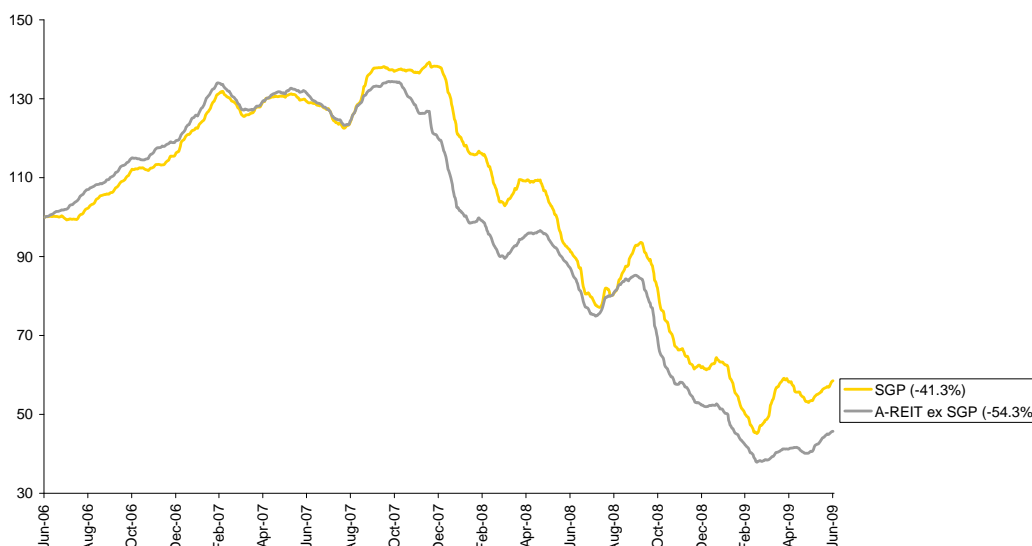
The Board believes that Stockland's remuneration policy has proven to be sound both in times of growth and in challenging market conditions. Stockland has structured employee remuneration to align goals with those of securityholders and achieved in a sustainable way.

Anticipating the downturn in economic activity, Stockland took early measures to contain employee costs. As a result, Stockland's annual Fixed Pay fell from around \$151 million as at 30 June 2008 to approximately \$135 million as at 31 July 2009, a fall of 10.6%.

STI paid to employees is contingent on the underlying profits achieved by Stockland. In 2009, Stockland's underlying profit fell from \$674.0 million to \$631.4 million, a decline of about 6.3%, but the STI pool fell from \$27 million to \$16 million, a fall of over 40.7%.

Half of the LTI allocated to employees is linked to achieving a TSR performance hurdle. The graph below shows that Stockland's TSR has generally outperformed the industry and did so by a considerable margin over the past year.

**Total Security Holder Returns (30 day trailing average)
1 July 2006 - 30 June 2009**



**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives

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

4.1 Key Management Personnel

Key Management Personnel (“KMP”) are people who have the authority and responsibility for planning, directing and controlling Stockland’s activities directly or indirectly. In this report, KMP represents the Directors of the Responsible Entity.

The following were KMP during the reporting period and unless otherwise indicated were KMP for the entire period. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited.

Non-Executive Directors

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

Former Non-Executive Directors

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

Executive Directors

Mr Matthew Quinn	Managing Director
Mr Hugh Thorburn	Finance Director

The term “remuneration” has been used in this report as having the same meaning as the alternative term “compensation” as defined in AASB 124 “Related Party Disclosures” (“AASB 124”). The report contains disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)

Variable pay and remuneration mix

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

	Target Reward % of Fixed Pay		Remuneration Mix At Target		
	STI	LTI			
Executive Directors					
M Quinn	100	90	34.5	34.5	31.0
H Thorburn	70	70	41.6	29.2	29.2

Fixed Pay	STI	LTI
-----------	-----	-----

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)



Short-term incentives

Short-term incentives are directly linked to group, business unit and individual performance measures based on a Balanced Scorecard approach that includes the following:

Category	Measures	Weighting %
Business/ Financial	<ul style="list-style-type: none"> Earnings per security; Capital management; Risk management; and Board assessment of the development and execution of Stockland's strategic plan. 	50-70
Stakeholder	<ul style="list-style-type: none"> Achieving and maintaining effective stakeholder relationships such as with customers, suppliers, investors and government, measured by such indicators as customer survey results, Corporate Confidence Index ("CCI") and internal stakeholder engagement and planning tools. 	10-20
People and Leadership	<ul style="list-style-type: none"> Leadership, employee engagement and retention of key personnel, measured by such indicators as Our Voice Employee Opinion Survey results and turnover. 	10-20
CR&S and HSE	<ul style="list-style-type: none"> Contribution to Stockland's CR&S, including HSE measured by such indicators as Our Voice Employee Opinion Survey, Dow Jones Sustainability Index ("DJSI"), reduction in carbon emissions from assets and lost time injury frequency rate. 	10-20
Note: specific weighting allocation depends on employee seniority, role type, area of business and short-term priorities of the business unit/area.		Total
		100

Objectives for Stockland's Executive Committee are approved by the Managing Director. The actual performance against the objectives is assessed by the Managing Director and approved by the Board.

	STI Target % of Fixed Pay	STI achieved % of Target	STI achieved % of potential maximum	STI not achieved % of potential maximum
Executive Directors				
M Quinn	100	65	32	68
H Thorburn	70	79	39	61

The STI amounts awarded and included in remuneration for the year have been based on achievement of specified performance criteria. No amounts vest in future financial years in respect of STI schemes. The STI is capped at 200% of the Target STI. The STI not achieved reflects the gap between the maximum (or cap) and the performance achieved.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)



Long-term incentives

Stockland's 2007 PRP grant vested based on performance measured over the period 1 July 2006 to 30 June 2009. Over this three year period, aggregate EPS growth was -10.0% compared to the aggregate Target EPS growth of 10.1%, resulting in zero vesting of that portion of the rights.

	EPS Target Growth	Actual Growth
FY07	4.1%	6.0%
FY08	5.0%	5.0%
FY09	1.0%	-21.0%
Aggregate	10.1%	-10.0%

Over the period 1 July 2006 to 30 June 2009, Stockland's TSR was -41.3% compared to the Index TSR (excluding Stockland) of -54.3% (see chart on page 32). In line with the vesting schedule, the Board approved vesting of 100% of the FY07 TSR related rights. In all, 50% of the total rights allocated in FY07 has therefore vested.

The following table illustrates the value delivered for the LTI granted in FY07 that vested in 2009 (the assumptions and an example are shown below).

	FY07 Target LTI Value	Value of Vested Allocation	Value of Lapsed Allocation
	\$	\$	\$
Executive Directors			
M Quinn	1,312,500	754,350	754,350
H Thorburn	570,000	327,420	327,420

For example, Mr M Quinn's PRP allocation in October 2006 was 470,000 Performance Rights. The actual value derived is calculated as follows:

- 470,000 rights converted to 235,000 securities as 50% of the allocation vested;
- with the security price at 30 June 2009 of \$3.21, the value is \$754,350;
- the remaining 50% of the FY07 grant has lapsed.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)

4.2 Legacy LTI plans, Executives' loans and other arrangements

Stockland operated loan-based plans prior to the 2007 changes to the tax regime, as option and rights plans were not previously tax effective for stapled securities.

Incentive Share Plan (“ISP”)

This plan operated on the basis of limited recourse interest-free loans to participants for a maximum term of five years. Final grants under ISP were made in August 2006 and no more allocations will be made. This overview of the plan is provided as it forms part of the detailed remuneration figures for some KMP, with the fair value of the 2006 grant expensed over the three year period to 30 June 2009.

ISP Plan Characteristics

Limited recourse interest-free loan. A portion of the loan may be waived if certain performance conditions are met. The two measurements (EPS and TSR) have equal weighting for the loan waiver, having regard to the vesting scales below, retaining Board discretion.

In addition to potential loan waivers, the after-tax value of dividends and distributions paid on ISP securities are applied against the loan balance.

If a participant resigns from Stockland prior to the end of the vesting period, the securities are forfeited, unless the Board exercises its discretion to allow vesting in certain circumstances.

Measurement period is three financial years – from 1 July 2006 to 30 June 2009. TSR is calculated based on a 5 day VWAP.

No re-testing of performance.

Securities are not recognised in issued capital until the loan is extinguished.

Any outstanding loan balance may be repaid at any time after vesting. The loan must be repaid five years after the date of grant.

EPS Vesting: Target being the sum of annual EPS Targets over the measurement period	<u>EPS Growth</u>	<u>EPS related Proportion Vesting</u>
	Less than Target	0%
	Equal to Target	100%
	For each 1% above Target	20% (Max 100%)
TSR Vesting: Target being ASX 200 REIT Index over the measurement period	<u>TSR Growth</u>	<u>TSR related Proportion Vesting</u>
	Less than or equal to Target	0%
	Greater than Target	100%
	For each 1% above Target	10% (Max 100%)

Executive loans and other arrangements

Non-monetary amounts in the remuneration table include salary sacrificed benefits (e.g. cars, parking, etc.). They also include interest-free housing loans where relocation for work at Stockland has been required. The loans were advanced by a wholly-owned subsidiary of Stockland and are secured by unregistered mortgage over residential property. Commercial interest rates apply should the Executive no longer be an employee of Stockland, and the loan matures within 180 days of ceasing employment with Stockland with an extension period not to exceed ten years from employment commencement. The value of these loans as remuneration represents the fair value of interest that would otherwise be payable (together with any related FBT).

Mr M Quinn had an interest-free housing loan of \$159,000 maturing on 20 August 2009. Having transitioned to the PRP, Mr M Quinn did not have a 2006 ISP allocation against which to apply his 2005 ISP excess loan waiver and had previously repaid his 2004 ISP loan. In the case of Mr M Quinn, the Board applied the 2005 ISP excess of \$117,568 against the balance of his interest-free housing loan in September 2008 and Mr M Quinn repaid the balance in October 2008.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)

4.2 Legacy LTI plans, Executives' loans and other arrangements (continued)

Executive Share Scheme

The Executive Share Scheme (“ESS”) plan has been closed to new members since 2006. It involved limited recourse interest-bearing loans over five years, including the two year vesting requirement. No KMPs remain in the ESS plan, though some participated in this plan prior to 2004.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement “ESS retention” for all relevant employees who hold fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans provided by Stockland and subsequently refinanced with bank loan facilities.

During unprecedented market volatility, as experienced in recent months, the ESS retention ensures that employees have access to support that allows them to continue to hold and participate in the long-term value of Stockland through retaining their fully vested securities provided to them under a legacy long-term incentive plan. The ESS retention serves to further align the long-term goals of the relevant employees with securityholders. The ability for employees to retain their securities and focus on the delivery of long-term growth and value creation for Stockland, rather than on short-term volatility, is in the benefit of both the relevant employees and the securityholders.

In accordance with the Stockland Trading Policy, employees may only trade in securities during nominated trading windows, which means that it is not always possible for employees to trade in Stockland securities to meet liability commitments when requested. The ESS retention also ensures that key Executives are not forced to sell securities in a falling market.

To implement this arrangement, Stockland placed cash on interest-bearing deposit with the relevant bank to cover the shortfall (if any) between the current security price and the minimum amount (defined below). The cash on deposit remains a Stockland asset.

The ESS retention, which was implemented in February 2009, does not operate unless Stockland securities fall below \$3.50 per security (“minimum amount”).

The Executives have already provided additional loan support to the relevant bank sufficient to preclude loan repayments which might otherwise have been necessary due to the decline in the price of Stockland securities from their original purchase price to the minimum amount.

The relevant employees will only receive the benefit under this retention arrangement so long as they remain with Stockland for specified periods up to three years. If a participant, other than the Finance Director, resigns within the specified period, some or all of any benefit paid out under the arrangement will be repayable to Stockland: 100% if they resign in the first year, 67% if they resign in the second year and 33% if they resign in the third year. In the case of the Finance Director, the relevant periods are the first, second and third six month periods respectively.

The fair value of the arrangement, at grant date was \$1.08 per respective security for all relevant employees other than the Finance Director, which was \$0.90 per respective security.

Subsequent to this arrangement being put in place, effective from 30 June 2009, the two Executive Directors formally waived any benefit associated with closing out the position below the minimum price. Accordingly the fair value of their arrangements subsequent to the above waiver is nil. If the security price is below the minimum amount at the time when the Executive Directors cease employment, the security from Stockland will be withdrawn after 90 days.

Stockland Trust and its controlled entities

Directors' Report

For the year ended 30 June 2009

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)

4.3 Employment arrangements and termination provisions

There are no fixed terms in the contracts of Stockland's KMP. The notice periods are shown below, with potential payment in lieu of notice by Stockland. Where the termination occurs as a result of misconduct or serious or persistent breach of agreement, Stockland may terminate employment immediately without notice.

In the event that Stockland initiates the termination for reasons which are outside the control of the individual, severance payments are payable. Total severance payments (including payment in lieu of notice), are shown as a percentage of annual Fixed Pay. A portion of STI may also be paid at the discretion of the Board. In addition, other statutory entitlements such as accrued leave and superannuation benefits may be included.

	Notice period	Total severance pay as a % of Fixed Pay
Managing Director	6 months	150%
Finance Director	3 months	100%

The above arrangements relate to the contracts agreed prior to recently proposed changes to the Corporations Act governing termination payments and are expected to be "grandfathered" under the new laws. In particular, the Managing Director's contractual arrangements were entered into in 2001 and reflect market practice at that time.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Remuneration Report – Audited (continued)

4. Remuneration of Executives (continued)

4.4 Remuneration table of Executive Directors

		Short-term				Post-employment	Other long-term	Share-based payment	Termination benefits	Total	Performance related		
		Salary	Non-monetary benefits ¹	Other payments	STI ²	Total short-term	Super-annuation benefits	Long service leave			LTI ³	(STI+LTI) Percent of Total	LTI Percent of Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Executive Directors													
M Quinn, Managing Director	2009	1,792,328	15,745	-	1,235,000	3,043,073	13,745	52,592	272,269	-	3,381,679⁴	44.6	8.1
	2008	1,879,735	35,089	-	1,700,000	3,614,824	13,129	121,039	1,398,927	-	5,147,919	60.2	27.2
H Thorburn, Finance Director	2009	1,013,986	8,649	-	550,000	1,572,635	13,795	9,800	105,805	-	1,702,035	38.5	6.2
	2008	995,662	9,654	-	825,000	1,830,316	13,078	8,192	634,477	-	2,486,063	58.7	25.5
Total remuneration	2009	2,806,314	24,394	-	1,785,000	4,615,708	27,540	62,392	378,074	-	5,083,714	42.5	7.4
	2008	2,875,397	44,743	-	2,525,000	5,445,140	26,207	129,231	2,033,404	-	7,633,982	59.7	26.6

¹ Comprises salary packaged benefits, including motor vehicle costs, car parking, measured “cost to Stockland” for interest-free housing loans and FBT payable on these items.

² Short-term incentives are earned in the financial year to which they relate and are paid in August of the following financial year.

³ Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP allocations and excludes FBT. The cumulative expense relating to certain equity-settled schemes has been reversed during the year due to anticipated non-performance in relation to certain hurdles.

⁴ During the current financial year, the Board applied Mr M Quinn’s \$117,568 excess from his 2005 ISP award against the balance of his \$159,000 interest-free housing loan. The remaining \$41,432 was repaid by Mr M Quinn. FBT has been paid on this waiver in the amount of \$102,205. This is not considered to be remuneration as the excess funds arose from his 2005 ISP award. Mr M Quinn had repaid his 2004 ISP loan balance with his own funds. The excess on the 2005 award would normally have been applied to the 2004 balance, which is consistent with all participants in the ISP.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009
Remuneration Report – Audited (continued)**

4. Remuneration of Executives (continued)

4.4 Vesting profile of long-term incentives, rights held under PRP

	LTI plan	Rights granted during the year	Rights held at 30 June 2009	Grant date	Fair value per right at grant date	Exercise price per option	Vested during the year ²	No. vested during the year	Vesting Date ³	Maximum value recognised in future years
Executive Directors										
M Quinn ¹	PRP	-	470,000	24/10/2006	\$3.36	\$Nil	50%	235,000	30/06/2009	-
	PRP	-	395,000	23/10/2007	\$3.90	\$Nil	-	-	30/06/2010	\$513,500
	PRP	723,000	723,000	21/10/2008	\$2.04	\$Nil	-	-	30/06/2011	\$983,280
H Thorburn ¹	PRP	-	204,000	24/10/2006	\$3.36	\$Nil	50%	102,000	30/06/2009	-
	PRP	-	166,000	23/10/2007	\$3.90	\$Nil	-	-	30/06/2010	\$215,800
	PRP	296,000	296,000	21/10/2008	\$2.04	\$Nil	-	-	30/06/2011	\$402,560

¹ In addition to the above PRPs granted during the year, Mr M Quinn and Mr H Thorburn have 1,452,000 and 200,000 securities respectively subject to support from Stockland. As at 30 June 2009, \$2,808,400 was placed on deposit in relation to these securities.

² Proportion vesting reflects the meeting of performance and service conditions.

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

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

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009
Remuneration Report – Audited (continued)**

4. Remuneration of Executives (continued)

4.4 Movements in value of long-term incentive rights/securities during the year

	Granted in the year \$	Exercised in the year¹ \$	Forfeited in the year² \$	Lapsed in the year³ \$
Executive Directors				
M Quinn	1,474,920	688,800	-	(754,350)
H Thorburn	603,840	541,546	-	(327,420)

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

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

³ The value of the rights that have lapsed during the year is calculated using the security price on the date the rights lapsed. For the current year, 50% of the 2007 PRP lapsed on 30 June 2009.

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

4.4 Loans repaid during the year in respect of LTI securities granted as remuneration in previous years

During the year, the following KMP sold LTI securities and/or repaid loans in respect of LTI securities granted as remuneration in previous years. There are no loan amounts remaining unpaid in respect of these securities.

	Number of securities associated with loan repayment	Loan value repaid \$	Loan value repaid per security \$
Executive Directors			
M Quinn	-	-	-
H Thorburn	90,000	141,654	1.57

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009
Remuneration Report – Audited (continued)

5. Remuneration of Non-Executive Directors

This section outlines Stockland's remuneration policy for Non-Executive Directors and provides detail on their fee schedule, remuneration and security holdings.

5.1 Remuneration policy

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

Stockland's remuneration policy for Non-Executive Directors aims to ensure Stockland can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently \$2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. Total fees paid to Non-Executive Directors in 2009 were \$1,652,095 (2008: \$1,834,015) or 66% (2008: 73%) of the approved limit.

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

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

5.2 Non-Executive Director fee schedule

The schedule of annual fee rates, excluding 9% superannuation contributions, for the Board and Board Committees are shown in the table below.

Stockland Board	FY09		FY08	
Chairman	\$365,250		\$365,250	
Deputy Chairman	\$219,000		\$219,000	
Non-Executive Director	\$146,000		\$146,000	
	FY09		FY08	
Board Committees	Chair	Member	Chair	Member
Audit and Risk	\$33,700	\$16,900	\$33,700	\$16,900
Financial Services Compliance	\$14,000	\$8,400	\$14,000	\$8,400
Human Resources	\$13,500	\$9,000	\$13,500	\$9,000
Corporate Responsibility and Sustainability	\$13,500	\$9,000	\$13,500	\$9,000
Treasury Policy	\$8,000	\$5,000	\$8,000	\$5,000
Stockland Capital Partners Ltd ("SCPL") Board	FY09		FY08	
Chairman	\$30,000		\$45,000	
Non-Executive Director	\$30,000		\$45,000	
Independent Non-Executive Director ¹	\$50,000		\$80,250	
	FY09		FY08	
SCPL Board Committees	Chair	Member	Chair	Member
Audit and Risk	\$8,000	\$5,000	\$8,000	\$5,000
Financial Services Compliance	\$14,000	\$8,400	\$14,000	\$8,400

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

In the interest of cost containment, the Board resolved to make no increase in fees for FY09. In respect of FY10, the Board again resolved to make no increase in fees.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009
Remuneration Report – Audited (continued)

5. Remuneration of Non-Executive Directors (continued)

5.3 Remuneration table for Non-Executive Directors

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

		Short-term		Post-employment	Total
		Board and Committee Fees	Non- monetary benefits	Superannuation contributions	
		\$	\$	\$	\$
Non-Executive Directors					
G Bradley	2009	365,250	-	32,873	398,123
Chairman	2008	365,250	-	32,873	398,123
N Greiner	2009	232,500	-	20,925	253,425
Deputy Chairman	2008	232,500	-	20,925	253,425
D Boyle	2009	166,351	-	14,972	181,323
	2008	143,599	-	12,924	156,523
C Hewson	2009	57,300	-	5,157	62,457
(Appointed March 2009)	2008	-	-	-	-
B Neil	2009	150,500	-	13,545	164,045
	2008	131,832	-	11,865	143,697
P Scott	2009	188,119	-	16,931	205,050
	2008	200,000	-	18,000	218,000
T Williamson	2009	209,700	-	18,873	228,573
	2008	207,150	-	18,644	225,794
Former Non-Executive Directors					
B Corlett	2009	50,512	5,000¹	4,546	60,058
(Retired October 2008)	2008	166,350	-	14,972	181,322
L Gearing	2009	95,450	-	8,591	104,041
(Resigned December 2008)	2008	235,900	-	21,231	257,131
Total remuneration	2009	1,515,682	5,000	136,413	1,657,095
(Consolidated and Company)	2008	1,682,581	-	151,434	1,834,015

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

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009
Remuneration Report – Audited (continued)

5. Remuneration of Non-Executive Directors (continued)

5.4 Security acquisition plan and holdings

Approval was given at the 2006 Annual General Meeting for a Non-Executive Director Security Acquisition Plan (“NEDSAP”) to facilitate and encourage Non-Executive Directors to acquire securities through a fee sacrifice arrangement. The NEDSAP operates under the following terms:

Term	Description
Eligibility	All Non-Executive Directors on a voluntary basis.
Disposal restrictions	The earlier of ten years from the date of acquisition, the retirement of the Non-Executive Director from the Board or a date determined by the Board.
Source of securities	All securities will be acquired on-market.
Performance conditions	Not applicable as securities are in lieu of fees sacrificed.

This plan is currently suspended pending detail of the changes proposed in the “Taxation of Employee Share Schemes” Policy Statement issued on 1 July 2009.

Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009

Remuneration Report – Audited (continued)

5. Remuneration of Non-Executive Directors (continued)

5.4 Security acquisition plan and holdings (continued)

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

		Securities in Stockland Stapled Group			Units in	Units in	Units in	Units in
		Excluding acquired via NEDSAP	Acquired via NEDSAP	Total securities	SDOT No. 1	SDOT No. 2	SDOT No. 3	SDRT No. 1
Non-Executive Directors								
G Bradley	2009	132,641	48,082	180,723	225,000	750,000	-	-
	2008	80,725	17,968	98,693	225,000	750,000	-	-
N Greiner	2009	70,017	44,826	114,843	10,000	25,000	-	-
	2008	49,937	5,719	55,656	10,000	25,000	-	-
D Boyle	2009	15,483	45,686	61,169	-	-	-	-
	2008	-	12,289	12,289	-	-	-	-
C Hewson (Appointed March 2009)	2009	14,000	3,809	17,809	-	-	-	-
	2008	-	-	-	-	-	-	-
B Neil	2009	24,386	27,221	51,607	-	-	-	-
	2008	10,611	4,550	15,161	-	-	-	-
P Scott	2009	13,410	14,639	28,049	-	25,000	20,000	20,000
	2008	6,272	-	6,272	-	25,000	20,000	20,000
T Williamson	2009	48,401	46,029	94,430	37,500	100,000	-	-
	2008	22,718	9,839	32,557	37,500	100,000	-	-
Executive Directors								
M Quinn	2009	1,732,800	-	1,732,800	15,000	25,000	10,000	10,000
	2008	1,452,000	-	1,452,000	15,000	25,000	10,000	10,000
H Thorburn	2009	574,562	-	574,562	-	-	-	-
	2008	468,000	-	468,000	-	-	-	-
Former Non-Executive Directors								
B Corlett ¹ (Retired October 2008)	2008	219,252	14,771	234,023	15,000	200,000	-	-
L Gearing ¹ (Resigned December 2008)	2008	5,404	2,755	8,159	-	-	-	-
Total	2009	2,625,700	230,292	2,855,992	287,500	925,000	30,000	30,000
	2008	2,314,919	67,891	2,382,810	302,500	1,125,000	30,000	30,000

¹ Mr B Corlett and Ms L Gearing are former Non-Executive Directors. Disclosure of their 2009 security holdings is not required.

The above holdings of Executive Directors does not include unvested Performance Rights detailed on page 41 of this report.

**Stockland Trust and its controlled entities
Directors' Report
For the year ended 30 June 2009**

Indemnities and insurance of officers and auditors

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

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

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

Non-audit services

During the year the consolidated entity's auditors, KPMG, provided certain other services to the consolidated entity in addition to their statutory duties as auditors.

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

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

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

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

The external auditor's independence declaration is set out on page 48 and forms part of the Directors' Report for the year ended 30 June 2009.

Rounding off

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

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director

Dated at Sydney, 12 August 2009



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

A handwritten signature in blue ink, appearing to read 'Michael J Coleman'.

KPMG

A handwritten signature in blue ink, appearing to read 'Michael J Coleman'.

Michael J Coleman
Partner

Sydney

12 August 2009

Stockland Trust and its controlled entities
Income Statements
For the year ended 30 June 2009

	Notes	Consolidated		Trust	
		2009 \$M	2008 \$M	2009 \$M	2008 \$M
Revenue					
Rent from investment properties		643.8	685.1	262.5	260.4
Dividend and distribution income		11.6	1.8	42.3	28.2
Distribution from controlled entities		-	-	373.2	502.3
Other revenue		0.5	3.1	-	0.9
Total revenue		655.9	690.0	678.0	791.8
Finance income	5	393.7	294.8	332.8	288.5
Net realised gain on other financial instruments that do not qualify as effective under hedge accounting rules		-	1.9	-	1.9
Net (loss)/gain from fair value adjustment of investment properties ¹	14	(929.2)	262.6	(372.6)	72.8
Share of (losses)/profits of investments accounted for using the equity method	30, 31	(109.3)	147.3	-	-
Investment property expenses		(171.7)	(178.8)	(74.6)	(72.9)
Goodwill impairment		(161.1)	-	(1.2)	-
Impairment of other financial assets ²		(265.3)	-	(381.5)	-
Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules		(30.0)	-	(30.0)	-
Net loss on disposal of foreign operations		-	(5.3)	-	-
Net (loss)/gain on sale of other non-current assets		(32.8)	1.0	(15.9)	11.1
Trust management fees		(9.5)	(10.8)	(9.5)	(10.1)
Other expenses		(4.4)	(5.7)	(4.5)	(4.9)
Finance expense	5	(420.1)	(473.3)	(329.7)	(464.4)
(Loss)/profit for the year attributable to unitholders of the consolidated entity	26(b)	(1,083.8)	723.7	(208.7)	613.8
Basic earnings per unit (cents)³	7	(62.6)	46.6		
Diluted earnings per unit (cents)³	7	(62.6)	46.4		

¹ The net (loss)/net gain from fair value adjustment of investment properties includes loss of \$10.9 million (2008: loss of \$15.1 million) on Non-current assets held for sale.

² The impairment of other financial assets includes an impairment of \$256.0 million (2008: \$Nil) in respect of Current assets – Other financial assets.

³ Prior period weighted average number of securities and EPSs have been adjusted in accordance with AASB 133 “Earnings per Share” (“AASB 133”). The weighted average number of securities on issue for the current period, prior to the Equity Raising, have also been adjusted as required by AASB 133.

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

Stockland Trust and its controlled entities
Balance Sheets
As at 30 June 2009

	Notes	Consolidated		Trust	
		2009 \$M	2008 \$M	2009 \$M	2008 \$M
Current assets					
Cash and cash equivalents	8	730.4	15.9	728.9	12.0
Trade and other receivables	9	3,578.5	3,304.8	6,137.8	5,895.9
Other financial assets	10	191.1	-	191.1	-
Other assets	11	31.0	30.8	12.9	14.1
		4,531.0	3,351.5	7,070.7	5,922.0
Non-current assets held for sale	12	155.8	136.4	-	107.3
Total current assets		4,686.8	3,487.9	7,070.7	6,029.3
Non-current assets					
Trade and other receivables	13	25.3	23.5	8.9	9.6
Investment properties	14	6,661.6	7,347.2	2,817.4	2,971.3
Other financial assets	15	23.6	20.7	3,728.6	3,845.4
Investments accounted for using the equity method	16	1,022.6	1,208.6	-	-
Intangible assets	17	-	170.4	-	1.2
Other assets	18	232.1	119.3	43.1	69.5
Total non-current assets		7,965.2	8,889.7	6,598.0	6,897.0
Total assets		12,652.0	12,377.6	13,668.7	12,926.3
Current liabilities					
Trade and other payables	19	120.0	119.0	3,848.1	3,930.4
Interest-bearing loans and borrowings	20	-	600.0	402.5	984.7
Provisions	21	1.9	2.0	1.9	2.0
Other liabilities	22	799.9	374.1	602.5	357.4
Total current liabilities		921.8	1,095.1	4,855.0	5,274.5
Non-current liabilities					
Interest-bearing loans and borrowings	23	2,799.2	2,623.9	591.8	842.2
Other liabilities	24	413.7	689.5	283.0	281.3
Total non-current liabilities		3,212.9	3,313.4	874.8	1,123.5
Total liabilities		4,134.7	4,408.5	5,729.8	6,398.0
Net assets		8,517.3	7,969.1	7,938.9	6,528.3
Unitholders' funds					
Issued capital	25	7,693.6	5,400.6	7,693.6	5,400.6
Reserves	26(a)	(578.8)	(197.6)	(365.4)	(187.4)
Undistributed income	26(b)	1,402.5	2,766.1	610.7	1,315.1
Total unitholders' funds		8,517.3	7,969.1	7,938.9	6,528.3

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

Stockland Trust and its controlled entities
Statements of Changes in Equity
For the year ended 30 June 2009

Consolidated

	Notes	Attributable to unitholders of the consolidated entity			Total \$M
		Issued capital \$M	Reserves \$M	Undistributed income \$M	
Balance as at 1 July 2008		5,400.6	(197.6)	2,766.1	7,969.1
Currency translation differences		-	0.2	-	0.2
Effective portion of changes in fair value of cash flow hedges	26	-	12.9	-	12.9
Change in fair value of cashflow hedges transferred to the Income Statement	26	-	(0.5)	-	(0.5)
Change in fair value of other financial assets	26	-	(4.9)	-	(4.9)
Change in fair value of other financial assets transferred to the Income Statement	26	-	2.9	-	2.9
Total income and expenses recognised directly in equity for the year		-	10.6	-	10.6
Loss for the year		-	-	(1,083.8)	(1,083.8)
Total recognised income and expenses		-	10.6	(1,083.8)	(1,073.2)
Net transfers to reserves from undistributed income	26	-	(338.4)	338.4	-
Units issued for the year, net of transaction costs	25	2,293.0	-	-	2,293.0
Distributions to unitholders ¹	26	-	(50.6)	(618.2)	(668.8)
Expenses relating to rights and securities granted under share plans	26	-	(2.8)	-	(2.8)
Balance as at 30 June 2009		7,693.6	(578.8)	1,402.5	8,517.3
Balance as at 1 July 2007		5,167.8	90.9	2,436.3	7,695.0
Currency translation differences	26	-	(32.6)	-	(32.6)
Transfer to the Income Statement on disposal of foreign operations	26	-	20.4	-	20.4
Effective portion of changes in fair value of cash flow hedges	26	-	(11.4)	-	(11.4)
Change in fair value of other financial assets		-	(1.3)	-	(1.3)
Total income and expenses recognised directly in equity for the year	26	-	(24.9)	-	(24.9)
Profit for the year		-	-	723.7	723.7
Total recognised income and expenses		-	(24.9)	723.7	698.8
Net transfers from reserves to undistributed income	26	-	(252.0)	252.0	-
Units issued for the year	25	232.8	-	-	232.8
Distributions to unitholders ¹	26	-	(18.1)	(645.9)	(664.0)
Expenses relating to rights and securities granted under share plans	26	-	6.5	-	6.5
Balance as at 30 June 2008		5,400.6	(197.6)	2,766.1	7,969.1

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

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

Stockland Trust and its controlled entities
Statements of Changes in Equity
For the year ended 30 June 2009

Trust	Notes	Attributable to unitholders of the Trust			Total \$M
		Issued capital \$M	Reserves \$M	Undistributed income \$M	
Balance as at 1 July 2008		5,400.6	(187.4)	1,315.1	6,528.3
Change in fair value of other financial assets	26	-	(4.9)	-	(4.9)
Change in fair value of other financial assets transferred to the Income Statement	26	-	2.9	-	2.9
Total income and expenses recognised directly in equity for the year		-	(2.0)	-	(2.0)
Profit for the year		-	-	(208.7)	(208.7)
Total recognised income and expenses		-	(2.0)	(208.7)	(210.7)
Net transfers from reserves to undistributed income	26	-	(173.1)	173.1	-
Units issued for the year, net of transaction costs	25	2,293.0	-	-	2,293.0
Distributions to unitholders ¹	26,27	-	-	(668.8)	(668.8)
Expenses relating to rights and securities granted under share plans	26	-	(2.9)	-	(2.9)
Balance as at 30 June 2009		7,693.6	(365.4)	610.7	7,938.9
Balance as at 1 July 2007		5,167.8	62.1	1,110.1	6,340.0
Change in fair value of other financial assets	26	-	(1.3)	-	(1.3)
Total income and expenses recognised directly in equity for the year		-	(1.3)	-	(1.3)
Profit for the year		-	-	613.8	613.8
Total recognised income and expenses		-	(1.3)	613.8	612.5
Net transfers from reserves to undistributed income	26	-	(237.1)	237.1	-
Units issued for the year	25	232.8	-	-	232.8
Distributions to unitholders ¹	26,27	-	(18.1)	(645.9)	(664.0)
Expenses relating to rights and securities granted under share plans	26	-	7.0	-	7.0
Balance as at 30 June 2008		5,400.6	(187.4)	1,315.1	6,528.3

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

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

Stockland Trust and its controlled entities
Cash Flow Statements
For the year ended 30 June 2009

	Notes	Consolidated		Trust	
		2009	2008	2009	2008
		\$M	\$M	\$M	\$M
Cash flows from operating activities					
Cash receipts in the course of operations		703.5	779.8	301.9	298.5
Cash payments in the course of operations		(248.3)	(244.1)	(170.8)	(118.2)
Distributions received from associates and joint venture entities		68.0	63.7	29.5	26.5
Distributions received from other entities		1.3	1.5	1.3	1.5
Distributions received from controlled entities		-	-	477.8	333.2
Interest received		333.2	284.3	332.8	280.2
Interest paid		(273.8)	(287.9)	(269.6)	(252.6)
Net cash inflow from operating activities	32	583.9	597.3	702.9	569.1
Cash flows from investing activities					
Proceeds from sale of investment properties		576.0	636.9	223.0	1.1
Payments for investment properties		(686.9)	(580.0)	(316.4)	(139.6)
Proceeds from sale of investments and other assets		383.5	234.5	368.4	82.3
Payments for investments		(250.8)	(192.3)	(250.8)	(415.8)
Distributions received from other entities		10.4	-	10.4	-
Funds placed on deposit in connection with derivative contracts		(203.9)	-	(203.9)	-
Payments for additional interests in controlled entities		-	-	8.0	-
Loans (to)/from controlled entities		-	-	(5.2)	17.3
Loans to related entities		-	(102.0)	-	(102.0)
Net cash inflow from/(utilised in) investing activities		(171.7)	(2.9)	(166.5)	(556.7)
Cash flows from financing activities					
Proceeds from issue of units		2,081.2	232.8	2,081.2	232.8
Proceeds from borrowings		21,621.6	7,652.7	21,621.6	7,652.7
Repayment of borrowings		(22,475.1)	(7,298.0)	(22,475.1)	(7,298.0)
Payment on termination of derivatives		(41.7)	-	(41.7)	-
Distributions paid		(611.6)	(577.5)	(611.6)	(577.5)
Net cash inflow from financing activities		574.4	10.0	574.4	10.0
Net increase in cash and cash equivalents held		986.6	604.4	1,110.8	22.4
Cash and cash equivalents at the beginning of the financial year		2,843.3	2,238.9	1,223.5	1,201.1
Cash and cash equivalents at the end of the financial year	8	3,829.9	2,843.3	2,334.3	1,223.5

Non-cash financing and investing activities

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

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

Stockland Trust and its controlled entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

1 Summary of significant accounting policies

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

The Financial Report as at and for the financial year ended 30 June 2009 was authorised for issue by the Directors on 12 August 2009.

(a) Statement of compliance

The Financial Report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The Financial Report of the consolidated entity and the Trust comply with the International Financial Reporting Standards (“IFRSs”) and interpretations adopted by the International Accounting Standard Board (“IASB”).

(b) New accounting standards

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

AASB 8 “Operating Segments” (“AASB 8”) introduces the “management approach” to segment reporting. AASB 8 will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity’s Managing Director in order to assess each segment’s performance and to allocate resources to them. Currently the consolidated entity presents segment information in respect of its business and geographical segments (refer Note 3). AASB 8 will become mandatory for the consolidated entity’s 30 June 2010 Financial Report.

Revised AASB 101 “Presentation of Financial Statements” (“AASB 101”) introduces as a financial statement (formerly “primary” statement) the “Statement of Comprehensive Income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the consolidated entity’s 30 June 2010 Financial Report.

Revised AASB 123 “Borrowing Costs” (“AASB 123”) removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the consolidated entity’s 30 June 2010 Financial Report.

Revised AASB 3 “Business Combinations” (“AASB 3”) changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutual entities. The revised standard becomes mandatory for the consolidated entity’s 30 June 2010 Financial Report.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(b) New accounting standards (continued)

Revised AASB 127 “Consolidated and Separate Financial Statements” (“AASB 127”) changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in the Income Statement; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity’s 30 June 2010 Financial Report.

AASB 2008-1 “Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations” (“AASB 2008-1”) changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the consolidated entity’s 30 June 2010 Financial Report.

AASB 2008-5 and AASB 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvement Projects: The improvement project is an annual project that provides a mechanism for making non urgent, but necessary, amendments to IFRSs. These standards will become mandatory for the consolidated entity’s 30 June 2010 Financial Report.

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

(c) Basis of preparation

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

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

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

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

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

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(d) Basis of consolidation

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

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

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

(e) Investments

Controlled entities

Investments in controlled entities are carried at the lower of cost and recoverable amount in the Trust's Financial Statements. Minority interests are shown as a separate item in the consolidated Financial Statements.

Associates

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

Joint venture entities

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

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

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

Joint venture operations

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(e) Investments (continued)

Other investments

Investments in other entities which do not qualify as controlled entities, associates, joint ventures or joint venture entities are classified as financial assets available for sale and are stated at fair value, with any resultant gain or loss recognised in the financial asset revaluation reserve unless impaired (Refer to Note 1(r)). When an investment is derecognised, the cumulative gain or loss is transferred to the Income Statement. These investments are included in Non-current assets – Other financial assets unless the consolidated entity intends to dispose of the investment within twelve months of balance date in which case the investment is classified as Current assets – Other financial assets.

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

Transactions eliminated on consolidation

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

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

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

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

(f) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

Rent from investment properties

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

Dividends and distributions

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

Interest income

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

(g) Operating leases

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

(h) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The consolidated entity's primary format for segment reporting is based on business segments. The business segments are based on the consolidated entity's management and internal reporting structure.

(i) Goods and services tax

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

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

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

(j) Income tax

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(k) Foreign currency

Transactions

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

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

Translation of financial reports of foreign operations

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

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

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

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

(l) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value and remeasured at each balance date. The gain or loss on re-measurement to fair value is recognised in the Income Statement. Refer to Note 33(c) for the determination of fair value for derivative financial instruments. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Refer Note 1(m).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(m) Hedging

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

Fair value hedge

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when the consolidated entity revokes designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the Income Statement. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash flow hedge

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

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

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

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

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

Hedge of a net investment in foreign operation

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(n) Finance income and expenses

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

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

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

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

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

(o) Cash and cash equivalents

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

(p) Trade and other receivables

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(q) Non-current assets held for sale

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

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

(r) Impairment of assets

The carrying amounts of the consolidated entity's assets, other than investment properties (refer Note 1(s)) are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

Calculation of recoverable amount

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

Impairment of investments in listed/unlisted entities classified as available for sale is recognised when there is objective evidence that the asset is impaired (e.g. a significant or prolonged decline in fair value of the investment below its cost). Any cumulative loss that has been recognised directly in equity shall be removed from equity and recognised in the Income Statement.

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through the Income Statement.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(s) Investment properties

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

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

Where property does not qualify as investment property but is to be redeveloped into investment property it is treated as property, plant and equipment and carried at cost until completion and then transferred to investment property at fair value. Finance costs incurred on investment properties undergoing redevelopment are included in the cost of the development as set out in Note 1(n).

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

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to undistributed income. Any loss arising in this manner is recognised immediately in the Income Statement.

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

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

Fair value

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

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

Subsequent costs

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(s) Investment properties (continued)

Disposal of revalued assets

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

(t) Goodwill

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

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

(u) Trade and other payables

Trade and other payables are carried at amortised cost.

Distributions

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

(v) Interest-bearing loans and borrowings

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

(w) Provisions

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

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

(x) Employee benefits

Share-based payments

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

Share-based payments (continued)

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

(y) Issued capital

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

(z) Comparatives

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

2 Accounting estimates and assumptions

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

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

(a) Key sources of estimation uncertainty

Estimates of fair value of investment properties

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

2 Accounting estimates and assumptions (continued)

(a) Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value

i) Investment property

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

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

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

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

- Retail assets – 7.3% (2008: 6.3%);
- Office assets – 7.9% (2008: 6.8%); and
- Industrial assets – 8.6% (2008: 7.6%).

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

- Retail assets – 0.9% (2008: 0.1%);
- Office assets – 2.6% (2008: 2.1%); and
- Industrial assets – 4.4% (2008: 4.9%).

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

- Retail assets (speciality shops) – 2.5 years (2008: 2.6 years);
- Office assets – 4.3 years (2008: 4.5 years); and
- Industrial assets – 3.5 years (2008: 4.0 years).

ii) Goodwill

The value in use method for assessing goodwill involves using cash flow projections based on formal budgets approved by management and applying relevant assumptions in respect of the cash flow period, growth rate and discount rate to arrive at a fair value. The assumptions applied for assessing goodwill are described further in Note 17.

iii) Fair value of derivatives

The fair value of derivatives is determined using a generally accepted pricing model based on a discounted cash flow analysis using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, the consolidated entity has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties. The determination of fair value of derivatives is described further in Note 33(c).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

2 Accounting estimates and assumptions (continued)

(a) Key sources of estimation uncertainty (continued)

Current market conditions

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

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

The fair value of investment properties is supported by independent external valuations and detailed internal valuations, and has been adjusted to reflect market conditions at the end of the reporting period. Certain key assumptions in the internal valuations are supported by external opinions as at 30 June 2009, however there has been little transactional activity to corroborate these values.

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

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

Distinction between investment properties and owner-occupied properties

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

3 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, liabilities 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 operates solely in one business segment, Commercial Property, based on its management reporting system.

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.

All segments operate solely within Australia with the exception of Commercial Property which also operated in New Zealand until May 2008.

Secondary reporting – geographical segments

	External segment revenues		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	2009	2008	2009	2008	2009	2008
	\$M	\$M	\$M	\$M	\$M	\$M
New South Wales	357.1	341.0	5,954.0	5,329.3	163.2	529.7
Queensland	147.8	140.5	1,426.1	1,932.0	3.4	23.8
Victoria	78.1	72.5	743.2	885.7	3.0	43.7
Western Australia	45.6	40.8	497.6	622.1	-	27.5
ACT	12.8	41.7	241.6	185.6	-	-
South Australia	14.0	26.4	76.7	169.6	-	-
New Zealand ¹	-	25.4	0.4	0.5	-	-
Unallocated	-	-	3,712.4	3,252.8	-	-
	655.4	688.3	12,652.0	12,377.6	169.6	624.7

¹ In May 2008, the consolidated entity disposed of its business assets in New Zealand and the business activities in New Zealand ceased from this time.

4 Rent from investment properties

Included within rent from investment properties:

Contingent rent billed to tenants and recognised in gross lease income

Consolidated		Trust	
2009	2008	2009	2008
\$M	\$M	\$M	\$M
8.1	8.7	2.6	3.3

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009 \$M	2008 \$M	2009 \$M	2008 \$M
5 Finance income and expense				
Interest income from related parties	329.9	279.9	329.9	277.5
Interest income from other parties	3.3	4.3	2.9	2.7
Net unrealised gain from hedged items and financial instruments treated as fair value hedges ¹	-	10.6	-	-
Net realised foreign exchange gain	-	-	-	-
Net unrealised foreign exchange gain	60.5	-	-	8.3
Finance income	393.7	294.8	332.8	288.5
Finance costs to controlled entities	-	-	15.6	2.9
Interest expense relating to interest-bearing financial liabilities ²	257.5	264.8	242.4	259.6
Less interest capitalised to investment properties	(8.6)	(5.7)	(8.6)	(5.7)
Net borrowing costs	248.9	259.1	249.4	256.8
Net unrealised loss from hedged items and financial instruments treated as fair value hedges ¹	7.6	-	-	-
Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules	103.3	206.5	36.3	207.6
Net realised loss on financial instruments that do not qualify as effective under hedge accounting rules	60.3	-	43.2	-
Net unrealised foreign exchange loss	-	7.7	0.8	-
Finance expense	420.1	473.3	329.7	464.4

¹ The net unrealised loss/net unrealised gain from hedged items and financial instruments treated as fair value hedges includes an unrealised gain arising on the fair value movement of the derivatives of \$482.7 million (2008: \$81.1 million loss) and an unrealised loss arising on the fair value movement on the interest-bearing liabilities of \$490.3 million (2008: \$91.7 million gain).

² \$133.6 million (2008: \$125.1 million) of this amount for the consolidated entity relates to interest-bearing financial liabilities at amortised cost. \$242.4 million (2008: \$259.6 million) of this amount for the Trust relates to interest-bearing financial liabilities at amortised cost.

	Consolidated		Trust	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
6 Auditors' remuneration				
<i>Audit services</i>				
<i>Auditors of the consolidated entity</i>				
Audit and review of the Financial Reports (KPMG Australia)	1,008	723	1,008	723
Audit and review of the Financial Reports (Overseas KPMG firms)	-	15	-	15
Regulatory audit and assurance services (KPMG Australia)	415	309	415	309
	1,423	1,047	1,423	1,047
<i>Other services</i>				
<i>Other audit related services</i>				
Transaction services (KPMG Australia)	31	-	31	-
	31	-	31	-
<i>Other non-audit related services</i>				
Taxation compliance services (KPMG Australia)	359	370	359	370
	1,813	1,417	1,813	1,417

Auditors' fees are paid by the Trust.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

7 Earnings per unit

	Notes	2009 Cents	2008 ¹ Cents
Basic earnings per unit	(a)	(62.6)	46.6
Diluted earnings per unit	(a)	(62.6)	46.4
Basic underlying earnings per unit	(b)	36.0	37.6
Diluted underlying earnings per unit	(b)	35.8	37.4

¹ Prior period weighted average number of securities and EPSs have been adjusted in accordance with AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of securities on issue for the current period, prior to the Equity Raising, have also been adjusted as required by AASB 133.

(a) Earnings per unit

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

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

	2009 \$M	2008 \$M
<i>Basic and diluted earnings</i>		
(Loss)/profit attributable to unitholders of the consolidated entity	(1,083.8)	723.7
	2009 No.	2008 No.
<i>Weighted average number of units (basic)</i>		
Weighted average number of units as at 30 June	1,730,982,143	1,554,149,226
<i>Weighted average number of units (diluted)</i>		
Weighted average number of units (basic) as at 30 June	1,730,982,143	1,554,149,226
Effect of rights and units granted under share plans accounted for as options	-	7,278,053
Weighted average number of units (diluted) as at 30 June	1,730,982,143	1,561,427,279

As at 30 June 2009, 11,459,036 Performance Rights Plan ("PRP") rights, Incentive Security Plan ("ISP") securities and Executive Share Scheme ("ESS") securities were antidilutive and therefore excluded from the above calculation. As at 30 June 2009, additional securities under the ISP and ESS are potentially dilutive in future periods. As at 30 June 2008, all PRP rights, ISP securities and ESS securities were dilutive.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

7 Earnings per unit (continued)

(b) Earnings per unit calculated on the underlying profit

To provide information to unitholders that reflects the Directors' assessment of the profit attributable to unitholders in accordance with AASBs, certain significant items that are relevant to an understanding of the consolidated entity's underlying profit have been identified. The effect of these items are set out below.

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

	Notes	Consolidated	
		2009 \$M	2008 \$M
Underlying profit		623.2	584.1
Certain significant items:			
<i>Fair value adjustment of investment properties</i>			
Net (loss)/gain from fair value adjustment of investment properties (excluding minority interest)		(929.2)	262.6
Share of net (loss)/gain from fair value adjustment of investment properties in associates and joint ventures		(177.9)	83.0
<i>Impairment and net loss on sale of non-current assets</i>			
Impairment of goodwill		(161.1)	-
Impairment of other financial assets ¹		(265.3)	-
Net loss on disposal of foreign operations		-	(5.3)
Net (loss)/gain on sale of other non-current assets		(32.8)	1.0
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules	5	(103.3)	(206.5)
Net unrealised (loss)/gain from hedged items and financial instruments treated as fair value hedges	5	(7.6)	10.6
Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules		(30.0)	-
Net realised loss on financial instruments that do not qualify as effective under hedge accounting rules	5	(60.3)	-
Net realised gain on other financial instruments that do not qualify as effective under hedge accounting rules		-	1.9
Net unrealised foreign exchange gain/(loss)	5	60.5	(7.7)
(Loss)/profit for the year attributable to unitholders of the consolidated entity		(1,083.8)	723.7

¹ Includes a write-down of \$256.0 million (2008: \$Nil) relating to an investment which did not qualify for derecognition under accounting standards, classified as Current assets – Other financial assets.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

7 Earnings per unit (continued)

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

	2009 No.	2008 No.
<i>Weighted average number of units (basic)</i>		
Weighted average number of units as at 30 June	1,730,982,143	1,554,149,226
<i>Weighted average number of units (diluted)</i>		
Weighted average number of units (basic) as at 30 June	1,730,982,143	1,554,149,226
Effect of rights and units granted under share plans accounted for as options	11,459,036	7,278,053
Weighted average number of units (diluted) as at 30 June	1,742,441,179	1,561,427,279

As at 30 June 2009, all PRP rights were dilutive. As at 30 June 2008, all PRP rights, ISP securities and ESS securities were dilutive.

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
8 Current assets – Cash and cash equivalents				
Cash and cash equivalents	730.4	15.9	728.9	12.0
Reconciliation to Cash Flow Statements:				
Cash balances as above	730.4	15.9	728.9	12.0
Loan to related company	3,099.5	2,827.4	1,605.4	1,211.5
Balance as per Cash Flow Statements	3,829.9	2,843.3	2,334.3	1,223.5
9 Current assets – Trade and other receivables				
Trade receivables	4.6	0.9	0.5	0.3
Less: impairment loss	(0.4)	(0.1)	(0.3)	-
	4.2	0.8	0.2	0.3
Distribution receivable from controlled entities	-	-	215.7	319.9
Receivables from controlled entities	-	-	2,600.1	2,590.2
Receivables due from related companies	3,087.0	2,816.0	3,200.1	2,871.0
Other receivables from related companies	434.3	436.9	107.5	95.8
Goods and services tax (“GST”) receivable	18.0	-	4.6	-
Other receivables	35.0	51.1	9.6	18.7
	3,578.5	3,304.8	6,137.8	5,895.9
10 Current assets – Other financial assets				
Securities in listed entity ¹	191.1	-	191.1	-

¹ This relates to an investment in the GPT Group which did not qualify for derecognition under accounting standards as a result of an ongoing exposure to movements in the GPT share price provided by certain equity derivative contracts. Refer to Note 22 for details in relation to the associated liability.

11 Current assets – Other assets

Prepayments	10.7	7.3	6.9	3.8
Lease incentives and lease fees (net of amortisation)	19.8	16.9	5.5	3.8
Other	0.5	6.6	0.5	6.5
	31.0	30.8	12.9	14.1

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
12 Non-current assets held for sale				
Edmund Barton Building, Canberra ACT ¹	155.8	-	-	-
Stockland Batemans Bay, Batemans Bay NSW ²	-	67.4	-	67.4
Amory Gardens, 2-6 Cavill Avenue, Ashfield NSW ²	-	29.1	-	-
Lidcombe Industrial Park, 42 Birnie Avenue, Lidcombe NSW ³	-	13.6	-	13.6
159-163 Newton Road, Wetherill Park NSW ³	-	13.2	-	13.2
Bridge Plaza, Batemans Bay NSW ²	-	13.1	-	13.1
	155.8	136.4	-	107.3

¹ This commercial property was presented as held for sale as settlement occurred in June 2009 but recognition of the sale is deferred in accordance with accounting standards.

² These commercial properties were sold in the twelve months ended 30 June 2009.

³ These commercial properties were transferred to investment properties in the twelve months ended 30 June 2009 as management no longer intends to sell these properties. These properties continue to be held at fair value.

13 Non-current assets – Trade and other receivables

Trade receivables – straight-lining of rental income	25.3	23.5	8.9	9.6
--	-------------	------	------------	-----

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

14 Non-current assets – Investment properties

Description	Acquisition Date	Original Purchase Price \$M	Cost Including Additions \$M	Independent Valuation Date	Independent Valuation \$M	Book Value 30 June 2009 \$M	Book Value 30 June 2008 \$M
Retail							
Stockland Wetherill Park, Western Sydney NSW ¹¹	Aug 1983	12.0	109.6	Jun 2009	318.8	318.8	341.4
Stockland Shellharbour, Shellharbour NSW	Jun 2003	140.2	150.3	Jun 2009	270.0	270.0	281.2
Stockland Green Hills, East Maitland NSW ¹¹	Dec 2000	51.7	114.9	Jun 2009	252.7	252.7	243.8
Stockland Townsville, Townsville QLD ¹¹	Jun 1987	27.7	100.9	Jun 2009	240.0	240.0	231.5
Stockland Glendale, Newcastle NSW ¹¹	Mar 1996	50.6	84.9	Jun 2009	222.0	222.0	240.8
Stockland Merrylands, Western Sydney NSW ^{2,5, 11}	Sep 1982	18.0	115.2	Dec 2006	151.0	213.6	152.3
Stockland Rockhampton, Rockhampton QLD ^{2,5}	Jun 2003	132.6	148.2	Dec 2007	193.0	207.0	195.4
Stockland Cairns, Cairns QLD ¹¹	Jun 1992	47.8	162.3	Jun 2009	200.0	200.0	184.8
Stockland Bay Village, Bateau Bay NSW	Oct 2000	63.9	109.7	Jun 2009	173.5	173.5	187.5
Stockland The Pines, Doncaster East VIC ¹¹	Nov 2004	122.5	125.0	Jun 2009	140.0	140.0	151.8
Stockland Burleigh Heads, Burleigh Heads QLD ¹¹	Aug 2003	82.4	114.7	Jun 2009	138.0	138.0	159.0
Stockland Jesmond, Newcastle NSW ¹¹	Feb 1984	9.2	42.5	Jun 2009	116.0	116.0	123.8
Stockland Forster, Forster NSW ¹¹	Jul 2003	39.0	96.4	Jun 2009	114.0	114.0	126.5
Stockland Baulkham Hills, Baulkham Hills NSW ¹¹	Sep 1982	15.5	82.5	Jun 2009	100.0	100.0	137.0
Stockland Wendouree, Wendouree VIC	Jun 2003	42.0	64.1	Jun 2009	99.0	99.0	115.0
Stockland Balgowlah, Balgowlah NSW ¹	Jun 2009	117.0	117.0	-	-	96.3	-
Stockland Gladstone, Gladstone QLD	Oct 2000	52.2	57.5	Jun 2009	95.0	95.0	102.0
Stockland Nowra, Nowra NSW	Jun 2003	49.7	60.6	Jun 2009	79.5	79.5	90.2
Stockland Bathurst, Bathurst NSW	Jun 2003	40.4	55.0	Jun 2009	78.0	78.0	84.0
Stockland Caloundra, Caloundra QLD	Jun 2003	46.5	49.9	Jun 2009	77.0	77.0	82.5
Stockland Bull Creek, Bull Creek WA	Jun 2003	53.0	54.1	Jun 2009	75.5	75.5	88.2
Stockland Cleveland, Cleveland QLD ¹¹	Oct 2002	63.3	68.7	Jun 2009	75.5	75.5	87.5
Stockland Traralgon, Traralgon VIC	Jun 2003	44.0	46.8	Jun 2009	73.5	73.5	78.6
Stockland Corrimal, Corrimal NSW	Jun 2003	36.5	38.5	Jun 2009	58.0	58.0	65.1
Stockland Wallsend, Wallsend NSW	Sep 2007	56.2	61.8	Jun 2009	50.0	50.0	57.1
Shellharbour Retail Park, Shellharbour NSW	Jun 2003	33.5	34.6	Jun 2009	44.0	44.0	51.6
Stockland Baldivis, Baldivis WA ¹¹	Aug 2006	5.6	30.7	Jun 2009	38.9	38.9	46.5
Stockland Riverton, Riverton WA (50%) ^{2,3,5}	Aug 2006	35.0	39.6	Jun 2007	38.8	38.5	39.2
Stockland Cammeray, Cammeray NSW ^{1, 11}	Dec 2008	46.2	52.9	Jun 2009	29.0	29.0	-
Stockland Lilydale, Lilydale VIC	Sep 2007	29.4	31.7	Jun 2009	26.5	26.5	29.4

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

14 Non-current assets – Investment properties (continued)

Description	Acquisition Date	Original Purchase Price \$M	Cost Including Additions \$M	Independent Valuation Date	Independent Valuation \$M	Book Value 30 June 2009 \$M	Book Value 30 June 2008 \$M
Retail (continued)							
Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jan 2007	24.8	24.8	Jun 2009	17.0	17.0	18.2
Burleigh Central, Burleigh Heads QLD ¹¹	Aug 2003	14.8	15.0	Jun 2009	14.3	14.3	18.0
Vincentia Shopping Centre, Vincentia NSW ¹¹	Jan 2007	13.7	15.1	Jun 2009	13.4	13.4	15.0
Woolworths Toowong, Toowong QLD	Oct 2000	4.8	4.9	Jun 2009	13.1	13.1	10.0
Stockland Glenrose, Belrose NSW ^{2, 11}	Jan 2003	39.6	46.1	Dec 2007	20.0	10.0	20.1
Merrylands Court, Merrylands NSW ¹¹	Dec 2002	15.8	17.5	Jun 2009	9.5	9.5	16.3
Townsville Kingsvale & Sunvale, Townsville QLD ¹¹	Aug 2007	13.1	13.9	Jun 2009	5.0	5.0	6.5
Auckland Creek, Gladstone QLD	Oct 2000	6.7	8.3	Jun 2009	4.0	4.0	3.9
Retail total						3,826.1	3,881.7
Office							
Piccadilly Complex, 133-145 Castlereagh Street, Sydney NSW ^{4,7}	Oct 2000	210.1	254.6	Jun 2009	338.3	338.3	365.7
Waterfront Place, Eagle Street, Brisbane QLD (50%) ³	Feb 2004	151.6	156.8	Jun 2009	235.7	235.7	285.0
Colonial Centre, 52 Martin Place, Sydney NSW (50%) ^{3,7}	Jun 2003	173.8	176.2	Jun 2009	175.0	175.0	209.8
9 Castlereagh Street, Sydney NSW	Mar 2008	202.6	205.1	Jun 2009	170.0	170.0	212.0
Riverside Plaza, 452 Flinders Street, Melbourne VIC	Oct 2000	124.5	130.0	Jun 2009	155.2	155.2	192.4
Trinity Business Campus, North Ryde NSW ⁵	Jun 2001	16.0	144.8	Dec 2008	121.2	140.7	24.4
Exchange Plaza, 2 The Esplanade, Perth WA (50%) ^{3,7}	Jun 2003	67.8	70.1	Jun 2009	139.0	139.0	164.7
Durack Centre, 263 Adelaide Terrace, Perth WA ^{7, 11}	Oct 2006	49.1	98.1	Jun 2009	139.0	139.0	111.5
135 King Street, Sydney NSW (50%) ^{3,4}	Jun 2003	96.5	105.3	Jun 2009	133.0	133.0	158.5
BankWest Tower, 108 St. George's Terrace, Perth WA (50%)	Apr 2007	139.0	146.9	Jun 2009	132.5	132.5	184.9
Optus Centre, Macquarie Park, NSW (31%) ³	Jul 2000	68.7	105.5	Jun 2009	108.5	108.5	124.0
601 Pacific Highway, St Leonards NSW	Jun 2003	61.1	64.5	Jun 2009	70.7	70.7	77.8
60-66 Waterloo Road, Macquarie Park NSW	Oct 2000	20.8	51.8	Jun 2009	67.8	67.8	81.5
78 Waterloo Road, Macquarie Park NSW	Aug 2007	12.0	75.7	Jun 2009	64.7	64.7	13.2
72 Christie Street, St Leonards NSW	Jun 2003	46.0	63.6	Jun 2009	60.0	60.0	68.4
77 Pacific Highway, North Sydney NSW	Jan 2000	25.9	54.5	Jun 2009	58.0	58.0	64.0
175-181 Castlereagh Street, Sydney NSW ¹¹	Sep 1982	18.0	34.9	Jun 2009	53.0	53.0	66.0
45 St Georges Terrace, Perth WA ¹¹	Mar 2007	57.2	60.4	Jun 2009	52.0	52.0	70.0
7 Macquarie Place, Sydney NSW (50%) ³	Jun 2003	48.1	49.2	Jun 2009	50.0	50.0	61.6

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

14 Non-current assets – Investment properties (continued)

Description	Acquisition Date	Original Purchase Price \$M	Cost Including Additions \$M	Independent Valuation Date	Independent Valuation \$M	Book Value 30 June 2009 \$M	Book Value 30 June 2008 \$M
Office (continued)							
234 Sussex Street, Sydney NSW	Oct 2000	42.0	44.2	Jun 2009	46.5	46.5	62.0
150 Charlotte Street, Brisbane QLD	Jan 2006	45.0	47.1	Jun 2009	42.0	42.0	59.0
333 Kent Street, Sydney NSW	Jan 2000	32.8	35.8	Jun 2009	42.0	42.0	50.5
Macquarie Technology Centre, Macquarie Park NSW	Oct 2000	36.5	38.9	Jun 2009	38.5	38.5	47.2
Garden Square, Mt Gravatt QLD ¹¹	Feb 2007	57.0	60.2	Jun 2009	37.0	37.0	60.3
16 Giffnock Avenue, Macquarie Park NSW	Jul 2000	25.7	29.5	Jun 2009	37.0	37.0	41.6
1 Havelock Street, West Perth WA	Apr 2007	28.8	30.8	Jun 2009	31.8	31.8	39.0
110 Walker Street, North Sydney NSW	Oct 2000	22.7	23.8	Jun 2009	26.5	26.5	29.4
40 Cameron Avenue, Belconnen ACT (50%) ⁷	Feb 2007	28.5	33.2	Jun 2009	26.4	26.4	31.7
68 Northbourne Avenue, Canberra ACT ^{7, 11}	Aug 2003	21.5	22.2	Jun 2009	24.8	24.8	28.0
118-120 Pacific Highway, St Leonards NSW	Oct 2000	19.1	21.1	Jun 2009	22.8	22.8	28.4
80-88 Jephson Street, Toowong QLD	Jun 2006	23.9	24.3	Jun 2009	19.7	19.7	24.8
267 St Georges Terrace, Perth WA	Jul 2007	19.6	20.9	Jun 2009	19.3	19.3	20.7
Trace/Todd Buildings Cooyong & Mort Streets, Canberra ACT ⁷	Oct 2000	10.6	15.5	Jun 2009	17.4	17.4	18.6
Cox & Drakeford Buildings Northbourne Avenue & Mort Street, Canberra ACT ⁷	Oct 2000	11.0	13.3	Jun 2009	16.8	16.8	20.0
255 St Georges Terrace, Perth WA	Jul 2007	6.5	6.9	Jun 2009	6.5	6.5	6.9
23 High St, Toowong QLD	Jan 2008	7.8	8.3	Jun 2009	4.2	4.2	6.5
27-29 High Street, Toowong QLD	Jul 2006	4.5	4.8	Jun 2009	3.8	3.8	4.8
3 Byfield Street, Macquarie Park NSW ⁸	Jan 2000	9.0	9.9	Dec 2007	11.3	-	11.3
300 Ann Street, Brisbane QLD ⁸	Dec 2006	40.4	43.2	Dec 2007	45.0	-	45.1
Edmund Barton Building, Canberra ACT ⁶	Oct 2000	76.9	118.3	Dec 2004	87.5	-	79.5
81-95 Waymouth Street, Adelaide SA ⁸	Jun 2003	41.0	43.5	Dec 2006	50.0	-	50.0
Chesser House, 91-97 Grenfell Street, Adelaide SA ⁸	Jun 2003	22.6	26.8	Jun 2008	37.3	-	37.3
Office total						2,806.1	3,338.0
Industrial							
Yennora Distribution Centre, Yennora NSW	Jul 2000	141.9	229.2	Jun 2009	335.7	335.7	345.0
Defence Distribution Centre, Moorebank NSW (55%) ³	Dec 2007	180.6	154.1	Jun 2009	138.0	138.0	160.8
Hendra Distribution Centre, Brisbane QLD	Jul 2000	41.7	47.4	Jun 2009	80.0	80.0	92.4
Port Adelaide Distribution Centre, Port Adelaide SA	Jul 2000	42.9	46.1	Jun 2009	76.5	76.5	78.5

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

14 Non-current assets – Investment properties (continued)

Description	Acquisition Date	Original Purchase Price \$M	Cost Including Additions \$M	Independent Valuation Date	Independent Valuation \$M	Book Value 30 June 2009 \$M	Book Value 30 June 2008 \$M
Industrial (continued)							
Brooklyn Estate, Brooklyn VIC	Jun 2003	52.4	58.9	Jun 2009	72.1	72.1	81.1
9-11 Ferndell Street, Granville NSW ¹¹	Jun 2003	32.9	37.7	Jun 2009	36.0	36.0	40.9
1090-1124 Centre Road, Oakleigh VIC	Feb 2007	42.6	49.4	Jun 2009	35.0	35.0	38.5
3676 Ipswich Road Wacol QLD ¹¹	Aug 2006	23.1	53.4	Jun 2009	30.1	30.1	24.7
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Sep 2006	43.1	46.0	Jun 2009	28.6	28.6	36.7
Altona Distribution Centre, Altona VIC ¹⁰	Jul 2000	24.3	21.3	Jun 2009	19.6	19.6	30.0
509 Boundary Road, Richlands QLD	Jun 2003	8.1	17.1	Jun 2009	18.0	18.0	23.2
2 Davis Road, Wetherill Park NSW ¹¹	Apr 2003	15.6	15.9	Jun 2009	17.5	17.5	19.2
Preston Industrial Estate, Prestons NSW ¹¹	May 2005	21.6	21.7	Jun 2009	16.9	16.9	19.8
11-25 Toll Drive, Altona North VIC	Sep 2006	21.4	22.6	Jun 2009	16.8	16.8	20.7
32-54 Toll Drive, Altona VIC	Sep 2006	18.1	19.6	Jun 2009	15.7	15.7	19.2
56-60 Toll Drive, Altona North VIC	Sep 2006	18.8	19.9	Jun 2009	14.6	14.6	18.2
11A Ferndell Street, Granville NSW ¹¹	Apr 2003	14.4	15.0	Jun 2009	14.4	14.4	16.7
11 Amour Street, Revesby NSW ¹¹	Jun 2003	11.0	13.3	Jun 2009	13.6	13.6	13.5
Export Park, 9-13 Viola Place, Brisbane Airport QLD ¹¹	Nov 2007	15.0	16.0	Jun 2009	13.2	13.2	16.0
76-82 Fillo Drive, Somerton VIC	Jul 2006	15.8	16.9	Jun 2009	12.9	12.9	15.0
159-163 Newton Road, Wetherill Park NSW ^{9, 11}	Oct 2003	11.1	11.3	Jun 2009	12.3	12.3	-
Lidcombe Industrial Park, 42 Birnie Avenue, Lidcombe NSW ^{9, 11}	Jun 2005	15.0	15.4	Jun 2009	11.9	11.9	-
735 Boundary Road, Richlands QLD	Oct 2005	11.8	12.4	Jun 2009	11.9	11.9	15.7
M1 Yatala Enterprise Park, Yatala QLD ¹¹	Nov 2006	20.0	26.2	Jun 2009	11.6	11.6	22.7
17 McNaughton Road, Clayton VIC	Jul 2006	11.4	12.3	Jun 2009	9.5	9.5	12.3
17 Scanlon Drive, Epping VIC	Jun 2007	2.1	10.4	Jun 2009	8.4	8.4	10.7
1 Amour Street, Revesby NSW ¹¹	Sep 2007	8.2	8.8	Jun 2009	6.9	6.9	8.1
40 Scanlon Drive, Epping VIC	Sep 2007	1.8	8.7	Jun 2009	6.8	6.8	8.0
9-11 Somerton Park Drive, Somerton VIC	Jul 2006	7.1	7.7	Jun 2009	6.3	6.3	7.3
M4 Greystanes Industrial Park, Greystanes NSW ^{8, 11}	Jun 2005	15.2	56.8	Jun 2008	58.0	-	58.0
9 Orielton Park, Smeaton Grange NSW ^{8, 11}	Sep 2003	11.9	11.7	Jun 2008	12.5	-	12.5
514 Boundary Road, Richlands QLD ^{8, 11}	Oct 2005	17.2	18.0	Dec 2008	17.2	-	23.2
55-63 Bourke Road, Alexandria NSW ⁸	Jun 2003	20.1	20.5	Jun 2008	29.3	-	29.3

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

14 Non-current assets – Investment properties (continued)

Description	Acquisition Date	Original Purchase Price \$M	Cost Including Additions \$M	Independent Valuation Date	Independent Valuation \$M	Book Value 30 June 2009 \$M	Book Value 30 June 2008 \$M
Industrial (continued)							
73-91 Lenore Lane, Erskine Park NSW ^{8, 11}	Feb 2007	15.3	16.2	Dec 2008	12.9	-	14.0
72 Formation Street, Wacol QLD ^{8, 11}	Jun 2007	12.2	12.9	Dec 2008	11.5	-	12.4
60 Fulcrum Street, Richlands QLD ⁸	Jun 2003	5.7	6.0	Dec 2008	8.4	-	10.7
Industrial total						1,090.8	1,355.0
Commercial Property total						7,723.0	8,574.7
Other							
Capital work in progress Mantra Hotel (formerly Saville Southbank), 161 Grey Street, Brisbane QLD	Apr 2007	38.6	38.7	Jun 2009	35.0	45.5	41.6
Other total						35.0	39.0
Less amounts classified as:						80.5	80.6
- Other assets (including lease incentives)						(98.8)	(80.9)
- Other assets (including lease incentives) attributable to investments accounted for using the equity method						(18.4)	(22.9)
- Other receivables (straight-lining of operating lease rental income)						(25.3)	(23.5)
- Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method						(9.4)	(7.3)
Total investment properties (including share of investment property held by associates and joint ventures)						7,651.6	8,520.7

¹ This property was acquired during the financial year.

² Book value includes capital expenditure incurred and amortisation since latest independent valuation.

³ Property held by associates and joint venture entities.

⁴ Includes Retail.

⁵ Capital works are in progress. Fair value as at 30 June 2009 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 30 June 2009. An independent valuation of the property will be undertaken upon completion of the works.

⁶ Included in Non-current assets held for sale.

⁷ These properties are leasehold properties.

⁸ These properties were disposed of during the financial year.

⁹ These properties were transferred from Non-current assets held for sale during the financial year.

¹⁰ These properties were partially disposed of during the financial year.

¹¹ Property held by the Trust.

Directors' valuations have been undertaken as at 30 June 2009 for all properties when determining fair value. In arriving at fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property and movement in market values. These valuations are also considered by the Directors when determining fair value.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated	
	2009	2008
	\$M	\$M
14 Non-current assets – Investment properties (continued)		
Reconciliation of ownership		
Consolidated investment properties	6,661.6	7,347.2
The consolidated entity's share of investment properties held by associates and joint venture entities	990.0	1,173.5
Total interest in investment properties	7,651.6	8,520.7

	Consolidated		Trust	
	2009	2008	2009	2008
Notes	\$M	\$M	\$M	\$M
Reconciliation – investment properties				
<i>Direct investments and controlled entities</i>				
Carrying amount at the beginning of the financial year	7,347.2	7,276.5	2,971.3	2,873.4
Acquisitions	169.6	444.1	169.6	92.4
Expenditure capitalised	503.8	144.1	190.5	40.0
Transfers from/(to) assets classified as held for sale, net	(429.8)	(748.3)	(141.4)	(107.3)
Net (loss)/gain from fair value adjustment of investment properties	(929.2)	262.6	(372.6)	72.8
Effect of movements in foreign exchange	-	(31.8)	-	-
Carrying amount at the end of the financial year	6,661.6	7,347.2	2,817.4	2,971.3

15 Non-current assets – Other financial assets

Investments in other entities				
Units in unlisted entities ¹	23.6	20.7	426.7	419.3
Shares/units in controlled entities ²	-	-	3,301.9	3,426.1
	23.6	20.7	3,728.6	3,845.4

¹ Refer to accounting policy Note 1(e) Other Investments for accounting treatment.

² Refer to accounting policy Note 1(e) Controlled entities for accounting treatment. An impairment loss of \$116.2 million has been recognised in the current financial year (2008: \$Nil).

16 Non-current assets – Investments accounted for using the equity method

Associates	30	246.6	285.3	-	-
Joint venture entities	31	776.0	923.3	-	-
		1,022.6	1,208.6	-	-

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

17 Non-current assets – Intangible assets

	Consolidated			Trust	
	Goodwill \$M	Other ¹ \$M	Total \$M	Other ¹ \$M	Total \$M
Cost					
Balance as at 1 July 2007	189.7	1.2	190.9	1.2	1.2
Write-off on disposal of investment properties ²	(20.5)	-	(20.5)	-	-
Balance as at 30 June 2008	169.2	1.2	170.4	1.2	1.2
Balance as at 1 July 2008	169.2	1.2	170.4	1.2	1.2
Write-off on disposal of investment properties ²	(9.3)	-	(9.3)	-	-
Balance as at 30 June 2009	159.9	1.2	161.1	1.2	1.2
Amortisation and impairment losses					
Balance as at 1 July 2007	-	-	-	-	-
Balance as at 30 June 2008	-	-	-	-	-
Balance as at 1 July 2008	-	-	-	-	-
Impairment loss	159.9	1.2	161.1	1.2	1.2
Balance as at 30 June 2009	159.9	1.2	161.1	1.2	1.2
Carrying Amounts					
As at 1 July 2007	189.7	1.2	190.9	1.2	1.2
As at 30 June 2008	169.2	1.2	170.4	1.2	1.2
As at 1 July 2008	169.2	1.2	170.4	1.2	1.2
As at 30 June 2009	-	-	-	-	-

¹ Other intangibles consists of Heritage Floor Space of \$Nil (2008: \$1.2 million).

² Prior to the full impairment of ADP goodwill, a portion of ADP goodwill is required to be written off when investment properties measured at fair value are sold.

Goodwill is tested for impairment annually, or more frequently if there are indicators of impairment. An impairment loss of \$159.9 million was recognised in the current financial year (2008: \$Nil).

The ADP goodwill arose on the acquisition of the AMP Diversified Property Trust in 2003. The goodwill impairment test was based on the fair value less costs to sell method. This involves identifying other competitors in the market place that appear to have similar cash flows. An assessment, based on available market information in relation to a portfolio premium which would reasonably be expected to be included in the fair value. A comparison is then made to the underlying assets to which the ADP goodwill relates to assess any potential impairment of goodwill. Due to the downturn in the investment property market, there is no longer an observable premium for a portfolio of assets. An impairment loss of \$159.9 million has been recognised in the current financial year in respect of ADP goodwill (2008: \$Nil).

	Consolidated		Trust	
	2009 \$M	2008 \$M	2009 \$M	2008 \$M
Lease incentives (net of amortisation)	68.3	54.5	20.1	10.6
Lease fees (net of amortisation)	10.7	9.5	3.7	3.6
Derivatives that do not qualify as effective under hedge accounting rules ¹	88.5	55.3	19.3	55.3
Derivatives that do qualify as effective under hedge accounting rules ¹	64.6	-	-	-
	232.1	119.3	43.1	69.5

¹ Refer to Note 33 for details

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
19 Current liabilities – Trade and other payables				
Trade payables and accruals	120.0	117.3	43.0	59.5
Payables to controlled entities	-	-	3,768.2	3,870.3
Payable to related entity	-	-	36.9	-
Goods and services tax (“GST”) payable	-	1.7	-	0.6
	120.0	119.0	3,848.1	3,930.4

20 Current liabilities – Interest-bearing loans and borrowings

Unsecured

Domestic medium term notes	-	250.0	-	250.0
Bank facilities	-	350.0	-	350.0
Loans from controlled entities	-	-	326.8	329.7
Loans from other related companies	-	-	75.7	55.0
	-	600.0	402.5	984.7

Details of the weighted average effective interest rate on the domestic medium term notes and bank facilities are set out in Note 23.

21 Current liabilities – Provisions

Other	1.9	2.0	1.9	2.0
-------	------------	-----	------------	-----

Movement in provisions

Movements in each class of provision during the financial year are set out below.

	Other
	\$M
Consolidated	
Carrying amount at the beginning of the financial year	2.0
Additional provisions recognised	0.5
Payments	(0.6)
Carrying amount at the end of the financial year	1.9
Trust	
Carrying amount at the beginning of the financial year	2.0
Additional provisions recognised	0.5
Payments	(0.6)
Carrying amount at the end of the financial year	1.9

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Note	Consolidated		Trust	
		2009 \$M	2008 \$M	2009 \$M	2008 \$M
22 Current liabilities – Other liabilities					
Distributions payable ¹	27	401.3	344.0	401.3	344.0
Tenant security deposits		2.6	2.6	1.5	1.4
Rents in advance		16.2	17.0	6.3	6.2
Liability in respect of transfer of investment and equity derivative contracts ²		191.6	-	191.6	-
Other		188.2	10.5	1.8	5.8
		799.9	374.1	602.5	357.4

¹ Distributions disclosed in Note 27 include \$0.4 million (2008: \$1.3 million) in relation to distributions payable on ESS and ISP units not vested or refinanced (Trust: \$0.4 million (2008: \$1.3 million)).

² \$368.4 million relates to cash received on transfer of an investment which did not qualify for derecognition under accounting standards. The balance has been offset by \$206.8 million of cash on deposit with the counterparty of the associated equity derivative contracts. The remaining balance of \$30.0 million relates to the fair value of a number of equity derivative contracts held over the underlying investment.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
23 Non-current liabilities – Interest-bearing loans and borrowings				
Unsecured				
Domestic medium term notes	591.8	594.2	591.8	594.2
Foreign medium term notes ¹	2,207.4	1,781.7	-	-
Bank facilities	-	248.0	-	248.0
	2,799.2	2,623.9	591.8	842.2

¹ The above movement in foreign medium term notes is due to the change in fair value in accordance with AASB 139 “Financial Instruments: Recognition and Measurement”. No additional notes were issued during the year.

Financing arrangements (current and non-current interest-bearing loans and borrowings)

(a) Bank facilities

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

As at 30 June 2009 the weighted average effective interest rate on the utilised facilities was nil (2008: 7.9%).

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

Facility limit		Security	Maturity date	Utilised	
2009	2008			2009	2008
\$M	\$M		\$M	\$M	
-	350.0	Unsecured	-	350.0	
-	250.0	Unsecured	-	-	
-	550.0	Unsecured	-	-	
-	200.0	Unsecured	-	-	
150.0	-	Unsecured	-	-	
150.0	-	Unsecured	-	-	
200.0	200.0	Unsecured	-	103.0	
200.0	200.0	Unsecured	-	145.0	
600.0	-	Unsecured	-	-	
200.0	-	Unsecured	-	-	
1,500.0	1,750.0		-	598.0	

(b) Medium term notes

Domestic

During the 2009 financial year, the consolidated entity repurchased medium term notes from the domestic private placement market. The face value of these notes was \$5.6 million and they are due to mature in June 2011.

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

The weighted average effective interest rate of the domestic medium term notes before and after the effects of swaps as at 30 June 2009 is 5.5% (2008: 6.7%) and 4.9% (2008: 7.7%) respectively.

The fair value of the notes recorded as at 30 June 2009 is \$545.6 million (2008: \$1,028.2 million).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

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

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

(b) Medium term notes (continued)

Domestic (continued)

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

Maturity date	Consolidated and Trust	
	2009	2008
	\$M	\$M
August 2008	-	250.0
June 2011	444.4	450.0
May 2013	150.0	150.0
Total	594.4	850.0
Less: attributable transaction costs	(2.6)	(5.8)
Total Balance Sheet carrying amount at amortised cost	591.8	844.2

Foreign

UK private placement

During the 2007 financial year, the consolidated entity issued medium term notes with a face value of \$619.3 million (GBP 250.0 million) into the UK private placement market. All notes were issued at a fixed coupon payable in GBP and converted back to AUD floating coupons through cross currency principal and interest rate swaps. The fair value of the notes recorded as at 30 June 2009 is \$539.9 million (2008: \$487.2 million) and the weighted average effective interest rate is 3.7% (2008: 8.4%). The notes mature in October 2013.

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

Maturity date	Consolidated	
	2009	2008
	\$M	\$M
October 2013	539.9	487.2
Less: attributable transaction costs	(0.7)	(0.8)
Total Balance Sheet carrying amount	539.2	486.4

US private placement

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

All notes were issued at a fixed coupon in USD and converted back to AUD 1,406.8 million (2008: AUD 1,108.7 million) and GBP 53.7 million (2008: GBP 159.6 million) floating coupons through cross currency interest rate swaps. During the year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules which has resulted in these notes no longer being carried at fair value but at amortised cost (refer to Note 1(m)).

These notes had a face value of AUD 1,517.0 million as at 30 June 2009 (2008: AUD 1,438.9 million).

The fair value of the notes recorded as at 30 June 2009 is \$1,508.0 million (2008: \$1,185.0 million) and the weighted average effective interest rate is 3.6% (2008: 8.0%).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

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

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

(b) Medium term notes (continued)

Foreign (continued)

US private placement (continued)

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

Maturity date	Consolidated	
	2009	2008
	\$M	\$M
October 2011	27.3	22.0
July 2012	51.7	41.0
October 2012	39.6	31.6
July 2013	51.7	40.9
July 2014	28.4	22.4
June 2015	84.9	67.2
July 2015	64.5	50.7
October 2015	87.2	68.9
July 2016	62.5	48.5
October 2016	24.4	19.2
June 2017	239.5	188.4
October 2017	54.4	42.9
June 2018	213.5	175.9
October 2018	241.2	189.2
July 2019	71.6	55.0
July 2020	92.2	69.9
June 2022	42.6	29.3
June 2027	33.5	22.0
Total	1,510.7	1,185.0
Less: attributable transaction costs	(4.8)	(5.5)
Total Balance Sheet carrying amount	1,505.9	1,179.5

Asian private placement

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

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

The fair value of the notes recorded as at 30 June 2009 is \$176.8 million (2008: \$116.2 million) and the weighted average effective interest rate as at 30 June 2009 is 3.9% (2008: 8.5%). The notes mature in August 2035.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

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

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

(b) Medium term notes (continued)

Foreign (continued)

Asian private placement

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

Maturity date	Consolidated	
	2009	2008
	\$M	\$M
August 2035	162.7	116.2
Less: attributable transaction costs	(0.4)	(0.4)
Total Balance Sheet carrying amount	162.3	115.8

Derivatives

The consolidated entity has entered into cross currency principal and interest rate swaps over its foreign currency loans and borrowings. Refer to Note 33 for details.

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
Derivatives that do qualify as effective under hedge accounting rules ¹	112.4	408.2	-	-
Derivatives that do not qualify as effective under hedge accounting rules ¹	300.5	280.4	282.1	280.4
Other liabilities	0.8	0.9	0.9	0.9
	413.7	689.5	283.0	281.3

¹ Refer to Note 33 for details.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated and Trust		Consolidated and Trust	
	Number of units 2009	Number of units 2008	2009 \$M	2008 \$M
Ordinary Units – Issued and fully paid	2,379,317,384	1,472,602,981	7,693.6	5,400.6

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

Date	Details	Number of units	Issue price	\$M
Movement of units issued				
1 July 2007	Opening balance	1,437,595,986		5,167.8
29 August 2007	Dividend and Distribution Reinvestment Plan	15,069,337	\$7.42	111.8
5 September 2007	Employee share plan	85,527	\$7.92	0.7
31 December 2007	Issued units which have either matured, been sold or forfeited and sold under share plans	2,920,667		15.5
29 February 2008	Dividend and Distribution Reinvestment Plan	14,940,464	\$6.57	98.2
30 June 2008	Issued units which have either matured, been sold or forfeited and sold under share plans	1,991,000		6.6
1 July 2008	Balance	1,472,602,981		5,400.6
30 September 2008	Employee share plan	174,834	\$4.69	0.8
8 October 2008	Placement	56,603,774	\$5.04	285.3
	Less: transaction costs			(5.9)
11 November 2008	Placement	51,000,000	\$4.15	211.8
31 December 2008	Issued units which have either matured, been sold or forfeited and sold under share plans	2,536,000		6.1
27 February 2009	Dividend and Distribution Reinvestment Plan	60,274,679	\$3.48	209.9
28 May 2009	Placement – Institutional investors	591,813,694	\$2.21	1,310.3
	Less: transaction costs			(33.4)
19 June 2009	Placement – Retail investors	142,616,922	\$2.21	315.8
	Less: transaction costs			(12.0)
30 June 2009	Issued units which have either matured, been sold or forfeited and sold under share plans	1,694,500		4.3
30 June 2009	Closing balance	2,379,317,384		7,693.6

Terms and conditions of securities

For so long as the consolidated entity remains jointly quoted, as detailed in Note 1, the number of shares in the Corporation and the number of units in the Trust shall be equal and the share holders and unitholders be identical. Unitholders of the Trust are only entitled to distributions and voting rights upon stapling.

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
26 Reserves and undistributed income				
(a) Reserves				
Realised capital profits reserve	(84.2)	(0.8)	3.8	19.7
Executive remuneration reserve	12.8	15.6	13.2	16.1
Cash flow hedge reserve	23.1	10.7	-	-
Unrealised financial instruments reserve	(530.7)	(225.1)	(382.4)	(225.2)
Foreign currency translation reserve	0.2	-	-	-
Financial assets revaluation reserve	-	2.0	-	2.0
	(578.8)	(197.6)	(365.4)	(187.4)
Movements in reserves				
<i>Realised capital profits reserve</i>				
Balance at the beginning of the financial year	(0.8)	22.3	19.7	26.7
(Loss)/profit on sale of investment properties transferred (from)/to undistributed income	(32.8)	(5.0)	(15.9)	11.1
Distributions paid from capital	(50.6)	(18.1)	-	(18.1)
Balance at the end of the financial year	(84.2)	(0.8)	3.8	19.7
<i>Executive remuneration reserve</i>				
Balance at the beginning of the financial year	15.6	9.1	16.1	9.1
Expense relating to rights and units granted under share plans	(2.8)	6.5	(2.9)	7.0
Balance at the end of the financial year	12.8	15.6	13.2	16.1
<i>Cash flow hedge reserve</i>				
Balance at the beginning of the financial year	10.7	22.1	-	-
Effective portion of changes in the fair value of cash flow hedges during the year	12.9	(11.4)	-	-
Change in fair value of cash flow hedges transferred to the Income Statement	(0.5)	-	-	-
Balance at the end of the financial year	23.1	10.7	-	-
<i>Unrealised financial instruments reserve</i>				
Balance at the beginning of the financial year	(225.1)	21.9	(225.2)	22.9
Unrealised loss on financial instruments transferred from undistributed income	(139.7)	(206.5)	(65.4)	(248.1)
Realised loss on financial instruments transferred to undistributed income	(165.9)	(40.5)	(91.8)	-
Balance at the end of the financial year	(530.7)	(225.1)	(382.4)	(225.2)
<i>Foreign currency translation reserve</i>				
Balance at the beginning of the financial year	-	12.2	-	-
Net exchange differences on translation of foreign controlled entities	0.2	(32.6)	-	-
Transfer to Income Statement on disposal of foreign controlled entity	-	20.4	-	-
Balance at the end of the financial year	0.2	-	-	-
<i>Financial assets revaluation reserve</i>				
Balance at the beginning of the financial year	2.0	3.3	2.0	3.3
Change in fair value of other financial assets	(4.9)	(1.3)	(4.9)	(1.3)
Change in fair value of other financial assets transferred to the Income Statement	2.9	-	2.9	-
Balance at the end of the financial year	-	2.0	-	2.0

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Notes	Consolidated		Trust	
		2009 \$M	2008 \$M	2009 \$M	2008 \$M
26 Reserves and undistributed income (continued)					
(b) Undistributed income					
Undistributed income at the beginning of the financial year		2,766.1	2,436.3	1,315.1	1,110.1
(Loss)/profit for the year attributable to unitholders		(1,083.8)	723.7	(208.7)	613.8
Aggregate of amounts transferred from/(to) reserves		338.4	252.0	173.1	237.1
Distributions provided for or paid		(618.2)	(645.9)	(668.8)	(645.9)
Undistributed income at the end of the financial year		1,402.5	2,766.1	610.7	1,315.1
Reconciliation of distributions paid and payable to unitholders as per Statement of Changes in Equity					
Distributions paid from capital	26(a)	(50.6)	(18.1)	-	(18.1)
Distributions provided for or paid		(618.2)	(645.9)	(668.8)	(645.9)
Total distributions recognised through unitholders' funds	27	(668.8)	(664.0)	(668.8)	(664.0)

(c) Nature and purpose of reserves

(i) Realised capital profits reserve

The realised capital profits reserve is used to transfer realised gains on the sale of investment properties which have been recorded in the Income Statement to reserves, as management policy is generally to reinvest these profits into future acquisitions of investment properties, or pay out distributions.

(ii) Executive remuneration reserve

Securities are issued to all employees of the Corporation under the Executive Securities Plan and the Incentive Share Plan. Rights granted to Executive Directors and Senior Executives of the Corporation under the Performance Rights Plan are also required to be accounted for as options. The securities and rights granted are required to be accounted for as options in the Corporation. The fair value of the options granted is recognised as an employee expense by the Corporation, however the Trust is required to record an amount in its reserves, being the Trust's share of their fair value of the options granted to all employees of the Corporation. Refer accounting policy at Note 1(x).

(iii) Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. Refer accounting policy at Note 1(m).

(iv) Unrealised financial instruments reserve

The unrealised financial instruments reserve is used to transfer unrealised gains and losses on financial instruments which have been recorded in the Income Statement to reserves until such time as they are realised.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(vi) Financial assets revaluation reserve

The financial assets revaluation reserve comprises the cumulative net change in the fair value of other financial assets unless the investment becomes impaired or is derecognised.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

27 Distributions

Distributions recognised in the current year by the Trust are detailed below.

	Cents per unit	Total amount \$M	Date of payment	Tax preferred %
2009				
Interim distribution	16.9	268.4	27 February 2009	31.9 ¹
Final distribution	16.9	401.7	31 August 2009	31.9 ¹
Total distributions	<u>33.8</u>	<u>670.1</u>		
2008				
Interim distribution	22.1	322.8	29 February 2008	6.0 ¹
Final distribution	23.4	345.3	29 August 2008	6.0 ¹
Total distributions	<u>45.5</u>	<u>668.1</u>		

¹ Includes tax-free component of 8.3% (2008: 6.0%).

	Consolidated		Trust	
	2009 \$M	2008 \$M	2009 \$M	2008 \$M
The following table reconciles the total distributions paid and payable to the Statement of Changes in Equity.				
Total distributions paid and payable	670.1	668.1	670.1	668.1
Less:				
Distributions relating to share-based payment loans	(1.3)	(4.1)	(1.3)	(4.1)
Distributions paid and payable to unitholders as per Statement of Changes in Equity	<u>668.8</u>	664.0	<u>668.8</u>	664.0

Refer accounting policy at Note 1(u).

28 Commitments

Capital expenditure commitments

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

Within one year	27.7	54.9	17.4	-
Later than one year but not later than five years	2.9	-	-	-
Commitments not recognised in the Financial Statements	<u>30.6</u>	54.9	<u>17.4</u>	-

Lease commitments

Exchange Plaza, Perth WA

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
28 Commitments (continued)				
Non-cancellable operating lease receivable from investment property tenants				
Non-cancellable operating lease commitments receivable:				
Within one year	543.9	502.8	237.0	234.3
Later than one year but not later than five years	1,341.2	1,254.1	613.0	597.8
Later than five years	802.0	702.5	450.0	387.2
	2,687.1	2,459.4	1,300.0	1,219.3

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

29 Controlled entities

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

ADP Trust
Advance Property Fund
Australian Commercial Property Trust
Flinders Industrial Property Trust
Stockland Finance Pty Limited¹
Stocks & Holdings Property Trust
Underwood Street (No. 1) Unit Trust
Underwood Street (No. 2) Unit Trust
Advance Property Fund No. 3 (Growth)
Advance Property Fund No. 5 (Capital Growth)
Property Trust of Australasia
Stockland Commercial Office Trust
Stockland Brisbane Office Trust
ADP NZ Finance Company Limited
ADP (NZ) Trust
ADP Property Trust No. 1
ADP Property Trust No. 2
Capricornia Property Trust
Industrial Property Trust
Schroders Building Fund
Shellharbour Property Trust
Stockland Industrial No. 1 Property 1 Trust
Stockland Industrial No. 1 Property 2 Trust
Stockland Industrial No. 1 Property 3 Trust
Stockland Industrial No. 1 Property 4 Trust
Stockland Industrial No. 1 Property 5 Trust
Stockland Industrial No. 1 Property 6 Trust
Stockland Industrial No. 1 Property 7 Trust
Stockland Industrial No. 1 Property 8 Trust
Stockland Industrial No. 1 Property 9 Trust
Stockland Industrial No. 1 Property 10 Trust
Stockland Industrial No. 1 Property 11 Trust

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

29 Controlled entities (continued)

The following entities were 100% controlled during the current and previous financial years (continued):

Jimboomba Village Shopping Centre and Tavern Trust
Saville Brisbane Trust
Stockland Direct Diversified Fund
Stockland Direct Office Trust No. 4
SDOT 4 Property # 1 Trust
SDOT 4 Property # 2 Trust
SDOT 4 Property # 3 Trust
Stockland Direct Retail Trust No. 3
SDRT 3 Property # 1 Trust
SDRT 3 Property # 2 Trust
SDRT 3 Property # 3 Trust
Stockland Retail Holding Trust No. 1
Stockland Retail Holding Sub-Trust No. 1
Stockland Retail Holding Sub-Trust No. 2
Endeavour (No. 1) Unit Trust
Stockland Wholesale Office Trust No. 1
9 Castlereagh Street Unit Trust
Stockland Castlereagh St Trust
SWOT2 Sub Trust No. 1
SWOT2 Sub Trust No. 2
SWOT2 Sub Trust No. 3
Stockland Finance Holdings Pty Limited¹
Stockland Wholesale Office Trust No. 2

The following entities were formed/incorporated or acquired during the current financial year and are 100% controlled unless stated otherwise:

Stockland PR1 Trust
Stockland PR2 Trust
Stockland PR3 Trust
Stockland PR4 Trust

The following entity is no longer a controlled entity of Stockland Trust:

Stockland Holding Trust No. 2

The following entities were sold during the previous financial year having been 100% controlled in the previous financial year:

North Sydney Property Trust

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

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

¹ Except for these companies, all other companies listed above, excluding Trusts were parties to the Deed and members of the Closed Group, as at 30 June 2009.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

30 Investments in associates

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

Associate	Location	Principal activity	Ownership interest		Carrying amount	
			2009 %	2008 %	2009 \$M	2008 \$M
Moorebank Industrial Property Trust ¹	Australia	Property Investment	55	60	138.6	161.5
Macquarie Park Trust	Australia	Property Investment	31	31	108.0	123.8
KSC Trust ²	Australia	Property Investment	-	-	-	-
					246.6	285.3

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

² KSC Trust was sold in January 2008.

	Consolidated	
	2009 \$M	2008 \$M
Movements in carrying amount of investments in associates		
Carrying amount at the beginning of the financial year	285.3	257.4
Share of net profit (excluding fair value adjustment of investment properties)	17.8	16.8
Share of fair value adjustment of investment properties	(26.6)	3.8
Disposal of interest in associate	(13.5)	(157.4)
Acquisition of associates	-	180.6
Distributions received/receivable	(16.4)	(15.9)
Carrying amount at the end of the financial year	246.6	285.3

	Revenues (100%) \$M	(Loss)/ profit (100%) \$M	Share of associates net profit recognised \$M	Total assets (100%) \$M	Total liabilities (100%) \$M	Net assets as reported by associates (100%) \$M	Share of associate's net assets equity accounted \$M
2009							
Moorebank Industrial Property Trust	21.1	(2.7)	(0.7)	252.4	(0.4)	252.0	138.6
Macquarie Park Trust	31.5	(26.2)	(8.1)	349.9	(1.6)	348.3	108.0
KSC Trust	-	-	-	-	-	-	-
	52.6	(28.9)	(8.8)	602.3	(2.0)	600.3	246.6
2008							
Moorebank Industrial Property Trust	11.5	(14.2)	(8.5)	270.3	(1.1)	269.2	161.5
Macquarie Park Trust	31.6	11.7	3.6	403.0	(3.7)	399.3	123.8
KSC Trust	107.4	102.0	25.5	-	-	-	-
	150.5	99.5	20.6	673.3	(4.8)	668.5	285.3

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

31 Investments in joint ventures

Joint Venture	Location	Principal activity	Holdings		Carrying amount	
			2009 %	2008 %	2009 \$M	2008 \$M
SDOT Sub Trust No. 1	QLD	Property investment	50	50	235.1	285.0
Martin Place Property Trust	NSW	Property investment	50	50	178.1	212.2
Esplanade Property Trust	WA	Property investment	50	50	139.6	165.9
The King Trust	NSW	Property investment	50	50	133.8	158.3
M Property Trust	NSW	Property investment	50	50	51.0	62.4
Willeri Drive Trust	WA	Property investment	50	50	38.4	39.5
					776.0	923.3

		Consolidated	
		2009 \$M	2008 \$M

Movements in carrying amount of investments in joint venture entities

Carrying amount at the beginning of the financial year	923.3	838.4
Contributions to the joint venture entities	4.5	6.9
Share of net profit (excluding fair value adjustment of investment properties)	50.8	47.5
Share of fair value adjustment of investment properties	(151.3)	79.2
Distribution received/receivable	(51.3)	(48.7)
Carrying amount at the end of the financial year	776.0	923.3

Share of joint venture entities' assets and liabilities

Current assets	14.2	13.9
Non-current assets	768.5	915.0
Total assets	782.7	928.9
Current liabilities	(5.9)	(4.9)
Non-current liabilities	(0.8)	(0.7)
Total liabilities	(6.7)	(5.6)
Net assets	776.0	923.3

Share of joint venture entities' revenues, expenses and results

Revenues	69.7	143.7
Expenses	(170.2)	(17.0)
Net (loss)/profit accounted for using the equity method	(100.5)	126.7

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

31 Investments in joint ventures (continued)

Consolidated	Current assets (100%) \$M	Non-current assets (100%) \$M	Current liabilities (100%) \$M	Non-current liabilities (100%) \$M	Net assets (100%) \$M	Revenues (100%) \$M	Expenses (100%) \$M
2009							
SDOT Sub Trust No. 1	6.5	470.0	(4.7)	(1.6)	470.2	41.5	(112.6)
Martin Place Property Trust	7.9	349.1	(0.8)	-	356.2	32.9	(76.0)
Esplanade Property Trust	4.0	276.4	(1.2)	-	279.2	24.2	(60.7)
The King Trust	6.8	262.7	(1.9)	-	267.6	25.6	(53.5)
M Property Trust	1.0	101.2	(0.2)	-	102.0	8.3	(25.5)
Willeri Drive Trust	2.1	77.6	(2.9)	-	76.8	6.8	(12.1)
	28.3	1,537.0	(11.7)	(1.6)	1,552.0	139.3	(340.4)
2008							
SDOT Sub Trust No. 1	7.1	568.6	(4.4)	(1.3)	570.0	114.9	(9.2)
Martin Place Property Trust	6.8	418.5	(0.9)	-	424.4	32.7	(6.3)
Esplanade Property Trust	4.6	327.5	(0.3)	-	331.8	65.8	(8.2)
The King Trust	5.3	313.8	(2.5)	-	316.6	58.8	(6.1)
M Property Trust	1.1	123.2	0.5	-	124.8	7.9	(2.0)
Willeri Drive Trust	2.9	78.3	(2.3)	-	78.9	7.2	(2.2)
	27.8	1,829.9	(9.9)	(1.3)	1,846.5	287.3	(34.0)

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

	Consolidated		Trust	
	2009 \$M	2008 \$M	2009 \$M	2008 \$M
32 Notes to the Cash Flow Statements				
Reconciliation of (loss)/profit to net cash inflow from operating activities:				
(Loss)/profit	(1,083.8)	723.7	(208.7)	613.8
Add/(less) items classified as investing/financing activities:				
Fair value adjustment for investment properties (including associates and joint ventures)	1,107.1	(345.6)	372.6	(72.8)
Net unrealised loss/(gain) from hedged items and financial instruments treated as fair value hedges	7.6	(10.6)	-	-
Net unrealised loss on other financial instruments	30.0	-	30.0	-
Net unrealised loss on financial instruments	103.3	206.5	36.3	207.6
Net realised loss on financial instruments	60.3	-	43.2	-
Net loss/(gain) on sale of other non-current assets	32.8	(2.9)	15.9	(13.0)
Impairment of other financial assets	265.3	-	381.5	-
Interest capitalised to investment properties	(8.6)	(5.3)	(8.6)	(5.3)
Medium term note interest capitalised	4.1	3.0	3.2	2.0
Distributions received from other entities	(10.4)	-	(10.4)	-
Add/(less) non-cash items:				
Net unrealised (gain)/loss on foreign exchange	(60.5)	7.7	0.8	(8.7)
Goodwill impairment	161.1	-	1.2	-
Straight-line rent adjustment	(1.8)	(4.4)	0.7	(2.6)
Equity-settled share-based payments	(3.0)	6.9	(3.0)	6.9
Net loss on disposal of foreign operations	-	5.3	-	-
Other items	(1.8)	-	0.1	-
Net cash inflow from operating activities before change in assets and liabilities	601.7	584.3	654.8	727.9
(Increase)/decrease in receivables	(39.9)	20.1	108.3	(159.6)
(Increase)/decrease in other assets	(7.0)	17.7	(3.4)	(6.8)
Increase in prepayments	(3.4)	(2.5)	(3.1)	(1.3)
(Decrease)/increase in payables and other liabilities	32.6	(22.2)	(53.6)	8.9
Decrease in provisions	(0.1)	(0.1)	(0.1)	-
Net cash inflow from operating activities	583.9	597.3	702.9	569.1

Stockland Trust and its controlled entities

Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

33 Financial instruments

(a) Financial risk and capital management

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

Financial risk and capital management is carried out by a central treasury department of the Responsible Entity under policies approved by the Board. The Board provides written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rate and credit risks, use of derivative financial instruments and investing excess liquidity. The Treasury Policy Committee assists the Board in monitoring the implementation of these treasury policies.

Capital management

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

Management can alter the capital structure of the Trust and consolidated entity by issuing new units, adjusting the amount of distributions paid to unitholders, returning capital to unitholders, selling assets to reduce debt, adjusting the timing of capital expenditure and through the operation of a Dividend and Distribution Reinvestment Plan.

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

The capital structure of Trust and the consolidated entity is monitored at the Stockland stapled entity ("Stockland") level through the gearing ratio. The ratio is calculated as face value of debt, net of cash, divided by total tangible assets excluding cash and other adjustments in accordance with the financial covenants detailed below. The current target range for Stockland's gearing ratio is between 25% and 35% which is consistent with the previous year. The gearing ratio as at 30 June 2009 is 16.0% (2008: 28.9%). This is outside the target range due to the equity raising at the end of the financial year.

Management monitors the credit rating set down by Standard and Poors ("S&P") for Stockland as this influences Stockland's access to finance at a reasonable cost for Stockland and its controlled entities. The S&P credit rating as at 30 June 2009 is A-/Stable (2008: A-/Stable).

Financial covenants

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

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

The gearing covenant is limited to Stockland's Balance Sheet liabilities with no look through gearing and excluding the mark to market of derivatives, GPT exposure and the gross up of Retirement living resident obligations and deferred sale recognition (Edmund Barton Building).

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

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

As at 30 June 2009 and 30 June 2008, Stockland was in compliance with both the above financial covenants.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Credit risk

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

The Trust and consolidated entity has no significant concentrations of credit risk with counterparties external to the Stockland group. Refer to Note 9 for receivables from counterparties within the Stockland group.

The Trust and consolidated entity also has policies to review the aggregate exposure of tenancies across its portfolio and to ensure that the provision of services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Treasury Policy Committee. At 30 June 2009, these financial institutions had a S&P credit rating of A or above (2008: A+ or above). There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions.

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

As at 30 June 2009 and 30 June 2008, there were no significant financial assets that were past due. Additionally, there were no significant financial assets that would otherwise be past due whose terms have been renegotiated.

The carrying amount of financial assets included in the consolidated Balance Sheet represents the Trust and consolidated entity's maximum exposure to credit risk in relation to these assets. Refer to Note 33(c) for a breakdown of these financial assets.

Liquidity risk

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

The Trust and consolidated entity manages liquidity risk through monitoring the maturity of its debt portfolio. The current weighted average debt maturity of the consolidated entity is 7.0 years (2008: 6.3 years). The current weighted average debt maturity of the Trust (excluding loans with counterparties in the Stockland Group) is 2.4 years (2008: 2.0 years)

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Liquidity risk (continued)

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
Contractual maturity of financial liabilities including estimated interest and derivatives				
Due within one year	699.5	1,294.0	4,747.7 ¹	5,303.1 ¹
Due between one and two years	633.1	214.7	516.8	34.8
Due between two and five years	1,424.1	1,520.3	176.8	877.1
Due after five years	2,062.3	2,729.3	7.3	(19.5)
	4,819.0	5,758.3	5,448.6	6,195.5

¹ Includes intercompany loan of \$4,207.6 million (2008: \$4,255.0 million) which is at call.

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

Foreign exchange risk

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

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

The Trust and consolidated entity manage foreign exchange exposure by using cross currency interest rate swap ("CCIRS") contracts, forward exchange contracts ("FEC") and other interest rate swaps ("IRS"). Refer to Note 33(b) for further details about the CCIRS, FEC and IRS.

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

	2009				2008			
	GBP £M	USD \$M	Yen ¥M	Euro €M	GBP £M	USD \$M	Yen ¥M	Euro €M
Consolidated								
Borrowings	(303.7)	(1,241.3)	(13,000.0)	-	(409.6)	(1,241.3)	(13,000.0)	-
CCIRS / IRS	226.5	1,241.3	13,000.0	-	203.2	1,241.3	13,000.0	-
FEC	-	-	-	- ¹	-	-	-	- ¹
Other net assets	205.9	-	-	-	205.9	-	-	-
	128.7	-	-	-	(0.5)	-	-	-
Trust								
Borrowings	(159.6)	-	-	-	(159.6)	-	-	-
CCIRS / IRS	(23.5)	-	-	-	(46.8)	-	-	-
FEC	-	-	-	-	-	-	-	-
Other net assets	205.9	-	-	-	205.9	-	-	-
	22.8	-	-	-	(0.5)	-	-	-

¹ The FEC was entered into on behalf of Stockland UK where there is a matching derivative asset and liability resulting in nil exposure to Euro.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Foreign exchange risk (continued)

Sensitivity analysis

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

Consolidated Entity

An increase of 8 cents (2008: 8 cents) to AUD/USD exchange rate would result in a loss to the Income Statement of \$14.0 million (2008: \$Nil) and a decrease to equity of \$4.6 million (2008: \$4.5 million). A decrease of 8 cents (2008: 8 cents) to AUD/USD exchange rate would result in a gain to the Income Statement of \$15.8 million (2008: \$Nil) and an increase to equity of \$5.6 million (2008: \$5.3 million).

An increase of 5 pence (2008: 4 pence) to AUD/GBP exchange rate would result in a loss to the Income Statement of \$23.7 million (2008: \$0.9 million gain) and a decrease to equity of \$1.7 million (2008: \$3.3 million). A decrease of 5 pence (2008: 4 pence) to AUD/GBP exchange rate would result in a gain to the Income Statement of \$29.3 million (2008: \$1.1 million loss) and an increase to equity of \$1.7 million (2008: \$3.9 million).

An increase of 8 Yen to AUD/Yen exchange rate would result in a gain to the Income Statement of \$5.4 million (2008: \$Nil) and would have a \$Nil impact on equity (2008: \$Nil). A decrease of 8 Yen to AUD/Yen exchange rate would result in a loss to the Income Statement of \$7.4 million (2008: \$Nil) and would have a \$Nil impact on equity (2008: \$Nil).

Trust

An increase of 5 pence (2008: 4 pence) to AUD/GBP exchange rate would result in a loss to the Income Statement of \$3.6 million (2008: \$0.1 million gain) and a \$Nil impact on equity (2008: \$Nil). A decrease of 5 pence (2008: 4 pence) to AUD/GBP exchange rate would result in a gain to the Income Statement of \$5.2 million (2008: \$0.1 million loss) and a \$Nil impact on equity (2008: \$Nil).

Interest rate risk

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

The income and the associated operating cash flows of the Trust and consolidated entity's financial assets are substantially independent of changes in market interest rates.

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

The consolidated entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The consolidated entity manages its fair value interest rate risk through cross currency interest rate swaps. Refer to Note 33(b) for further details about the interest rate swap contracts.

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Interest rate risk (continued)

	Gross exposure		Net exposure	
	(before the effect of derivatives)		(after the effect of derivatives)	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
Consolidated				
Fixed rate interest-bearing loans and borrowings ¹	2,722.5	2,794.5	2,053.2	2,711.2
Floating rate interest-bearing loans and borrowings ¹	159.4	863.0	828.7	946.3
	2,881.9	3,657.5	2,881.9	3,657.5
Trust²				
Fixed rate interest-bearing loans and borrowings ¹	435.0	585.0	435.0	585.0
Floating rate interest-bearing loans and borrowings ¹	561.9	1,247.7	561.9	1,247.7
	996.9	1,832.7	996.9	1,832.7

¹ Notional principal amounts.

² All unallocated swaps are held in Trust. These swaps hedge the total debt portfolio of Stockland. The effect of these swaps has been excluded from the net exposure after the effect of derivatives.

Sensitivity analysis

The following sensitivity analysis shows the effect on the Income Statement and equity if market interest rates at balance date had been 25 basis points higher/lower (2008: 25 basis points) with all other variables held constant.

Consolidated Entity

An increase of 25 basis points (2008: 25 basis points) in market interest rate would result in a loss in the Income Statement of \$6.8 million (2008: \$32.1 million) and a decrease in equity of \$0.2 million (2008: \$0.2 million). The impact on the Income Statement would be reflected as \$17.0 million (2008: \$38.6 million) in Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules and \$10.2 million gain (2008: \$6.5 million gain) in Interest expense relating to interest-bearing financial liabilities.

A decrease of 25 basis points (2008: 25 basis points) in market interest rate would result in a gain in the Income Statement of \$3.1 million (2008: \$27.7 million) and an increase in equity of \$0.2 million (2008: \$Nil). The impact on the Income Statement would be reflected as \$13.3 million (2008: \$34.2 million) in Net unrealised gain on financial instruments that do not qualify as effective under hedge accounting rules and \$10.2 million loss (2008: \$6.5 million loss) in Interest expense relating to interest-bearing financial liabilities.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(a) Financial risk and capital management (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

Trust

An increase of 25 basis points (2008: 25 basis points) in market interest rate would result in a gain in the Income Statement of \$12.7 million (2008: \$32.4 million loss) and a \$Nil impact on equity (2008: \$Nil). The impact on the Income Statement would be reflected as \$3.0 million gain (2008: \$39.2 million loss) in Net unrealised gain on financial instruments that do not qualify as effective under hedge accounting rules and \$9.7 million gain (2008: \$6.8 million gain) in Interest expense relating to interest-bearing financial liabilities.

A decrease of 25 basis points (2008: 25 basis points) in market interest rate would result in a loss in the Income Statement of \$16.6 million (2008: \$28.0 million gain) and a \$Nil impact on equity (2008: \$Nil). The impact on the Income Statement would be reflected as \$6.9 million loss (2008: \$34.8 million gain) in Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules and \$9.7 million loss (2008: \$6.8 million loss) in Interest expense relating to interest-bearing financial liabilities.

Equity price risk

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

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

Sensitivity analysis

The following sensitivity analysis shows the effect on the Income Statement and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower with all other variables held constant. In 2008, the Trust and consolidated entity did not have a material exposure to equity price risk.

Consolidated Entity and Trust

An increase of 10% in market price of the underlying equity securities/units would result in a gain to the Income Statement of \$39.0 million and an increase in equity of \$21.5 million. The impact on the Income Statement would be reflected as \$39.0 million in Net unrealised gain on other financial instruments that do not qualify as effective under hedge accounting rules.

A decrease of 10% in market price of the underlying equity securities/units would result in a loss to the Income Statement of \$60.9 million and \$Nil impact on equity. The impact on the Income Statement would be reflected as \$39.3 million in Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules and \$21.6 million in Impairment of other financial assets.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(b) Derivative financial instruments used by the consolidated entity

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

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

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

As at 30 June 2009, the notional principal amounts and periods of expiry of the unallocated interest rate swap contracts are as follows:

	2009	2008
	\$M	\$M
Less than 1 year	20.0	400.0
1-2 years	2,076.0	100.0
2-5 years	1,535.6	1,007.7
Over 5 years	2,734.2	2,827.1

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

At balance date, these contracts had a fair value of \$63.7 million (2008: \$42.9 million) included in Non-current assets – Other assets and \$284.5 million (2008: \$280.4 million) included in Non-current liabilities – Other liabilities.

Cross currency interest rate swap contracts

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

Swaps currently in place cover 100% of the UK, US and Asian private placement principals outstanding and are timed to expire when each private placement loan matures. These swaps also swap the obligation to pay fixed interest to floating interest. This creates a floating rate exposure which is then managed through the effect of the unallocated interest rate swap contracts.

These cross currency interest rate swaps have been designated as fair value and cash flow hedges with the movements in fair value recognised in accordance with the accounting policy at Note 1(m). In the current year, certain cross currency interest rate swaps no longer qualified as effective under hedge accounting rules. Whilst this is the case, management believe the hedges in place at 30 June 2009 are effective economically

The fair value of these swaps designated as fair value hedges at 30 June 2009 was \$53.0 million included in Non-current other assets – Derivatives that do qualify as effective under hedge accounting rules and \$117.8 million included in Non-current liabilities – Derivatives that do qualify as effective under hedge accounting rules (2008: \$419.0 million included in Non-current other liabilities).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

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

Cross currency interest rate swap contracts (continued)

The fair value of these swaps designated as cash flow hedges at 30 June 2009 was \$11.6 million included in Non-current other assets – Derivatives that do qualify as effective under hedge accounting rules and \$5.4 million asset included in Non-current liabilities – Derivatives that do qualify as effective under hedge accounting rules (2008: \$10.8 million asset included in Non-current other liabilities).

The fair value of these cross currency interest rate swaps that no longer qualified as effective under hedge accounting rules at 30 June 2009 is \$24.8 million included in Non-current other assets – Derivatives that do not qualify as effective under hedge accounting rules and \$14.8 million included in Non-current liabilities – Derivatives that do not qualify as effective under hedge accounting rules and the foreign currency translation reserve (2008: \$Nil).

In addition to these swaps, other swaps totalling \$63.1 million (2008: \$165.1 million) have been entered into to further manage the risk profile of the foreign medium term notes and foreign operations. The fair value of these swaps was \$1.2 million included in Non-current other liabilities – Derivatives that do not qualify as effective under hedge accounting rules (2008: \$12.4 million asset included in Non-current other assets).

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

	2009	2008
Foreign currency loan interest rates		
Fixed interest rate range		
USD placement – October 2003	5.10%-6.01%	5.10% - 6.01%
USD placement – July 2005	4.68%-5.24%	4.68% - 5.24%
Asian bond – August 2005	3.99%	3.99%
Sterling bond – April 2007	5.63%	5.63%
USD placement – June 2007	5.81%-6.28%	5.81% - 6.28%
Variable interest rates (margin above 90 day bank bill rate)		
USD placement – October 2003	0.46%-0.79%	0.46% - 0.79%
USD placement – July 2005	0.55%-0.87%	0.55% - 0.87%
Asian bond – August 2005	0.80%	0.80%
Sterling bond – April 2007	0.63%-0.64%	0.63% - 0.64%
USD placement – June 2007		
- above 90 Day bank bill rate	0.39%-1.00%	0.39% - 0.48%
- above 90 Day Libor rate	0.41%	0.41% - 0.61%
90 day bank bill rate	3.15%	7.84%
90 day Libor rate	1.23%	5.95%
Foreign currency exchange rates		
US private placement market		
AUD / USD placement – October 2003	0.66	0.66
AUD / USD placement – July 2005	0.78	0.78
Asian private placement market		
AUD / USD placement – August 2005	0.77	0.77
UK private placement market		
AUD / GBP placement – April 2007	0.40	0.40
US private placement market		
AUD / USD placement – June 2007	0.75	0.84
GBP / USD	1.99	1.99

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

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

Cross currency interest rate swap contracts (continued)

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

	2009	2008
	A\$M	A\$M
2-5 years – Other foreign exposure	32.1	134.1
2-5 years – USD placements	180.7	129.3
Over 5 years – Other foreign exposure	31.0	31.0
Over 5 years – USD placements	1,336.3	1,460.9
Over 5 years – GBP placement	619.3	619.3
Over 5 years – Asian placement	151.3	151.3

Forward exchange contract

Euro

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

As at 30 June 2009, the notional principal and period of expiry is as follows:

	Sell Euro		Forward Exchange Rate	
	2009	2008	2009	2008
	\$M	\$M	Euro/GBP	Euro/GBP
Over 5 years	9.3	9.3	0.81	0.81

The amount disclosed above represents the currency sold measured at the contracted rate.

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

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

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

At balance date, the Trust and consolidated entity had an aggregate exposure to 1,215 million securities in the GPT Group through these equity derivative contracts and other financial assets (included in Current assets - Other financial assets), which is equivalent to 13.1% of the issued securities of GPT Group.

As at 30 June 2009, these derivatives had a net fair value of \$30.0 million included in Current liabilities – Other liabilities. The net movement during the year of \$30.0 million has been recorded in the Income Statement as a Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

(c) Fair values of financial assets and liabilities

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

	Carrying amount 2009 \$M	Fair value 2009 \$M	Carrying amount 2008 \$M	Fair value 2008 \$M
Consolidated				
Cash and cash equivalents	730.4	730.4	15.9	15.9
Trade and other receivables	3,603.8	3,603.8	3,328.3	3,328.3
Other financial assets	214.7	214.7	20.7	20.7
Derivative assets	153.1	153.1	55.3	55.3
Trade and other payables	(120.0)	(120.0)	(119.0)	(119.0)
Distributions payable	(401.3)	(401.3)	(344.0)	(344.0)
Bank facilities	-	-	(598.0)	(598.0)
Domestic medium term notes	(591.8)	(545.6)	(844.2)	(1,028.2)
Foreign medium term notes	(2,207.4)	(2,224.7)	(1,781.7)	(1,781.7)
Liability in respect of transfer of investment and equity contract	(191.6)	(191.6)	-	-
Derivative liabilities	(412.9)	(412.9)	(688.6)	(688.6)

The difference of \$28.9 million (2008: \$184.0 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

	Carrying amount 2009 \$M	Fair value 2009 \$M	Carrying amount 2008 \$M	Fair value 2008 \$M
Trust				
Cash and cash equivalents	728.9	728.9	12.0	12.0
Trade and other receivables	6,146.7	6,146.7	5,905.5	5,905.5
Other financial assets	3,919.7	3,919.7	3,845.4	3,845.4
Derivative assets	19.3	19.3	55.3	55.3
Trade and other payables	(3,848.1)	(3,848.1)	(3,930.4)	(3,930.4)
Distributions payable	(401.3)	(401.3)	(344.0)	(344.0)
Bank facilities	-	-	(598.0)	(598.0)
Domestic medium term notes	(591.8)	(545.6)	(844.2)	(1,028.2)
Loan from controlled entities	(326.8)	(326.8)	(329.7)	(329.7)
Loan from other related parties	(75.7)	(75.7)	(55.0)	(55.0)
Liability in respect of transfer of investment and equity contract	(191.6)	(191.6)	-	-
Derivative liabilities	(282.1)	(282.1)	(280.4)	(280.4)

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

33 Financial instruments (continued)

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

Determination of fair value

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

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

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

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

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

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

34 Key Management Personnel disclosures

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

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

Non-Executive Directors

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

Former Non-Executive Directors

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

Executive Directors

Mr Matthew Quinn	Managing Director
Mr Hugh Thorburn	Finance Director

No remuneration is paid directly by the Trust to the KMP of the Responsible Entity. The consolidated entity has no investment in the Responsible Entity or its associates. As at 30 June 2009, the Responsible Entity did not hold units in the consolidated entity (2008: Nil).

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

35 Other related party disclosures

Responsible Entity fees and other transactions

Revenue

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

	Consolidated	
	2009	2008
	\$M	\$M
<hr/>		
Provision of services by Stockland Corporation Limited, a related party of the Responsible Entity, to the Trust and consolidated entity:		
Responsible Entity management fees	9.6	9.5
Property management and leasing	21.2	26.1
Recoupment of expenses	34.9	39.7
Property development	550.3	124.2
	616.0	199.5

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

	Consolidated		Trust	
	2009	2008	2009	2008
	\$M	\$M	\$M	\$M
<hr/>				

Interest

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

Interest income	329.9	279.9	329.9	277.5
-----------------	--------------	-------	--------------	-------

The Trust has an unsecured loan to Stockland Corporation Limited repayable at call to the Trust of \$3,087.0 million (2008: \$2,816.0 million). The Trust also has an unsecured loan to Stockland Development Limited repayable at call to the Trust of \$434.3 million (2008: \$436.9 million). Interest on both loans was payable monthly in arrears at an interest rate of 10.4% for July 2008, 9.6% for August 2008, 9.5% for September 2008, 9.3% for October 2008, 9.2% for November 2008, 8.9% for December 2008, 9.0% for January 2009, 8.8% for February 2009, 7.7% for March 2009, 7.8% for April 2009, 8.2% for May 2009 and 7.5% for June 2009 (2008: 8.4% for 1 July 2007 to 31 August 2007, 8.5% for September 2007, 8.7% for October 2007, 8.9% for November 2007, 9.1% for December 2007, 9.7% for 1 January 2008 to 29 February 2008 and 10.0% for 1 March 2008 – 30 June 2008).

Rent

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

Rent paid	8.9	7.2	-	-
-----------	------------	-----	---	---

Rent paid is in the normal course of business and on normal terms and conditions.

Stockland Trust and its controlled entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2009

35 Other related party disclosures (continued)

	2009 \$M	2008 \$M
Wholly-owned group		
Details of dealings with in the consolidated entity are set out below:		
<i>Distributions</i>		
Distributions received or due and receivable by the Trust from wholly-owned controlled entities	<u>373.2</u>	<u>502.3</u>
<i>Intercompany loans</i>		
Aggregate amounts payable to entities in the wholly-owned group at the end of the financial year:		
The Trust	<u>1,494.9</u>	<u>1,609.8</u>

The loans from the Trust to entities in the wholly-owned group repayable at call.

Other related parties

As at 30 June 2009, the carrying amount of the consolidated entity's investment in the unlisted property funds was \$23.6 million (2008: \$20.7 million).

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

During a previous financial year, the Trust entered into an interest rate swap contract with Stockland Direct Retail Trust No.1 ("SDRT No. 1"), an unlisted property fund managed by SCPL. The swap contract is for a nominal amount of \$56.1 million maturing on the earlier of 7 years or when the underlying debt becomes due and payable. The fixed interest rate is 6.45% p.a. and the variable rate is the three month BBSY plus margin set quarterly.

During a previous financial year, the Trust entered into an interest rate swap contract with Stockland Direct Office Trust No. 3 ("SDOT No. 3"), an unlisted property fund managed by SCPL. The swap contract is for a nominal amount of \$86.4 million maturing on the earlier of 7 years or when the underlying debt becomes due and payable. The fixed interest rate is 6.35% p.a. and the variable rate is the three month BBSY plus margin set quarterly.

Stockland Trust and its controlled entities
Directors' Declaration
For the year ended 30 June 2009

1. In the opinion of the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust ("the Trust"):
 - (a) the Financial Statements and notes set out on pages 49 to **Error! Bookmark not defined.** and the Remuneration Report in the Directors' report, set out on pages 24 to 47 are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Trust's and the consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
 - (c) there are reasonable grounds to believe that the Trust and consolidated entity will be able to pay their debts as and when they become due and payable;
 - (d) the Trust has operated during the year ended 30 June 2009 in accordance with the provisions of the Trust Constitution as amended dated 24 October 2006; and
 - (e) the Register of Unitholders has, during the year ended 30 June 2009, been properly drawn up and maintained so as to give a true account of the unitholders of the consolidated entity.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and the Finance Director for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director
Dated at Sydney, 12 August 2009



Independent auditor's report to the unit holders of Stockland Trust

Report on the financial report

We have audited the accompanying financial report of Stockland Trust ("the Trust") and its controlled entities ("the consolidated entity"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations) and the provisions of the trust constitution dated 16 May 2000, as amended, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Stockland Trust and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Trust and the consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Stockland Trust for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Michael J Coleman

Partner

Sydney

12 August 2009



Independent auditor's report to the directors of Stockland Trust Management Limited

We have audited the compliance plans of the schemes listed in Appendix 1 (the schemes) which were established by Stockland Trust Management Limited as the responsible entity for the schemes for the year ended 30 June 2009. The compliance plans were approved by the directors of the responsible entity and lodged with the Australian Securities Investment Commission on the dates detailed in Appendix 1.

Directors' responsibility for the compliance plans

The directors of the responsible entity are responsible for the design, documentation, operation and monitoring of the compliance plans and the compliance measures, including the internal control systems, policies and procedures which they contain.

Auditor's responsibility

Our responsibility is to express an opinion to the responsible entity in accordance with section 601HG(3) of the Corporations Act 2001 on each of the compliance plans' design and operation.

We have performed our work in accordance with applicable Australian Standards on Assurance Engagements, and accordingly included such tests and procedures for each scheme as we considered necessary in the circumstances. Our procedures included obtaining an understanding of the compliance plans and the compliance measures which they contain and examination, on a test basis, of evidence supporting the operation of these compliance measures. These procedures have been undertaken to form an opinion whether, in all material respects, the compliance plans have been adequately designed to meet the requirements of Part 5C.4 of the Corporations Act 2001 as at 30 June 2009 and provide reasonable, but not absolute assurance, that the responsible entity has complied with the compliance plans for the year ended 2009.

This report has been prepared for Stockland Trust Management Limited as the responsible entity of the schemes in accordance with section 601HG(3) of the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report, or the compliance plans to which it relates to any person other than the responsible entity, or for any purpose other than for which it was prepared.

Inherent limitations

Because of the inherent limitations of any internal control structure, as documented in the compliance plans, it is possible that errors or irregularities may occur and not be detected. Our audits are not designed to detect all weaknesses in the compliance plans and their compliance measures, as the audits have not been performed continuously throughout the period and the



procedures performed on the compliance plans and their measures were undertaken on a test basis.

Any projection of the evaluation of the operation of the compliance plans to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate.

The audit opinions expressed in this report have been formed on the above basis.

Auditor's opinion

In our opinion:

- a) Stockland Trust Management Limited has complied with each of the compliance plans for the schemes listed in Appendix 1 for the year ended 30 June 2009 and
- b) the compliance plans continued to meet the requirements of Part 5C.4 of the Corporations Act 2001 as at that date.


KPMG



P M Reid

Partner

Sydney

12 August 2009



Appendix 1: Schedule of registered schemes

Scheme name	ARSN	Compliance plan last modified and lodged with ASIC
Stockland Trust	092 897 348	9 July 2004
Macquarie Park Trust	116 396 804	23 September 2005