8.0 TAXATION IMPLICATIONS FOR ADVANCE UNITHOLDERS

8.1 Australian Taxation Implications: Introduction

The following is a general description of the Australian income and capital gains tax consequences to Advance Unitholders of the acceptance of the Offer and the acquisition, ownership and disposal of Stockland Securities and Stockland Options. The comments set out below are relevant only to those Advance Unitholders who hold their Advance Units as capital assets for the purpose of investment.

Advance Unitholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer and of the acquisition, ownership and disposal of Stockland Securities and Stockland Options. The following summary is intended only for Australian Unitholders resident in Australia for income tax purposes.

The following description is based upon the law in effect at the date of this Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Advance Unitholder. Advance Unitholders should seek independent professional advice in relation to their own particular circumstances.

8.2 Acceptance of the Offer and Disposal of Advance Units

(a) **Capital Gain or Loss**

The exchange of Advance Units pursuant to the Offer will involve the disposal by Advance Unitholders of their Advance Units by way of transfer to SPML. This change in the ownership of the Advance Units will constitute a CGT event for Australian capital gains tax purposes (but see below for a description of roll-over relief).

Advance Unitholders who are Australian residents may make a capital gain or capital loss, depending on whether their capital proceeds from the disposal of the Advance Units are more than the cost base (or in some cases indexed cost base) of those Units, or whether the capital proceeds are less than their reduced cost base of those Units.

The capital proceeds of the CGT event will be the value of the Stockland Units, Stockland Shares, Stockland Options and cash received by the Advance Unitholder in respect of the disposal of the Advance Units. For these purposes, the value of the Stockland Stapled Securities and Stockland Options will be their market value on the date when the contract for the disposal is entered into. As the Stockland Options may not yet have been listed on ASX at the relevant time, the range of valuations for the Stockland Options set out in Section 1.5 should be referred to for this purpose.

The cost base of the Advance Units is generally their cost of acquisition. If the Advance Units were acquired at or before 11:45 am on 21 September 1999 and held for more than 12 months before their disposal, a Unitholder who is an individual, a complying superannuation entity or the trustee of a trust may elect to adjust the cost base of the Advance Units to include indexation by reference to changes in the Consumer Price Index from the calendar quarter in which the Advance Units were acquired until the quarter ended 30 September 1999. Advance Unitholders which are companies will be entitled to include that indexation adjustment without making an election if their Advance Units were acquired at or before 11:45 am on 21 September 1999 and held for more than 12 months before their disposal. However, those indexation adjustments are taken into account only for the purposes of calculating any capital gain; they are ignored when calculating the amount of any capital loss.

Advance Unitholders which are entitled to, but which do not make the indexation election referred to above (individuals, complying superannuation entities or trustees), are entitled to discount the amount of their net capital gain from the disposal of Advance Units by 50% in the case of individuals and trusts or by 33% for complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains.

Capital gains and capital losses are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

(b) **Roll-over**

If as a result of the Offer SPML acquires 80% or more of the Advance Units, Advance Unitholders who are Australian residents who would make a capital gain from their disposal of Advance Units may choose a partial roll-over under which that part of the capital gain which is attributable to the Stockland Units received as part of the Stockland Stapled Securities will be disregarded and effectively deferred until they dispose of the Stockland Units which they acquire in exchange for their Advance Units.

No relief will be available in respect of that part of any capital gain which is attributable to the Stockland Shares received as part of the Stockland Stapled Securities, the Stockland Options or the cash received in exchange for the Advance Units.

For the purposes of determining the percentage of the consideration that is eligible for roll-over, it is necessary to calculate the market value of the consideration received (calculated at the time the contract was entered into) and determining which percentage of that value is attributable to the Stockland Stapled Securities and which is attributable to the Stockland Options and the cash.

As the Stockland Units are not traded separately on the ASX, there is no market for the Stockland Units which might be used to assess their value. The Directors consider that it is reasonable to attribute to the value of the Stockland Units that percentage of the market price on the ASX of the Stockland Stapled Securities which the net tangible assets of the Stockland Trust bear to the total of the net tangible assets of the Stockland Trust and the Stockland Corporation in their last published annual accounts.

On this basis, 83% of the percentage of the value attributed to the Stockland Stapled Securities would be eligible for roll-over relief.

Choosing the roll-over will affect the cost base of the Stockland Units (but not the Stockland Shares or the Stockland Options) acquired by the Advance Unitholder and this will affect the tax consequences of a future disposal of those Stockland Units (see below).

There are strict requirements under the tax legislation that must be satisfied in order for roll-over relief to be obtained in respect of an exchange of units in a unit trust. Stockland has sought confirmation from the Commissioner of Taxation that Advance and Stockland Trust are unit trusts which satisfy these requirements. From discussions with the Australian Taxation Office, it is uncertain whether Advance will strictly qualify. We have made submissions to the Commissioner of Taxation that he should exercise his discretion to deem Advance to satisfy these requirements (assuming the Merger is successful). However, at the date of this Statement, a decision has not yet been made in respect of Advance. Stockland has been advised by its legal advisers however that there are strong arguments in support of the Commissioner of Taxation exercising his discretion in respect of Advance. Stockland has previously received confirmation of the exercise of the Commissioner's discretion in respect of the Stockland Trust.

(c) **Ownership of Stockland Stapled Securities**

The Australian tax consequences of ownership of Stockland Stapled Securities are similar to ownership of Advance Units.

As Stockland Trust's only activities are the holding of property for the purpose of deriving rent, and the holding of units in unit trusts that hold property to derive rent, it is not treated as a public trading trust and is therefore not taxed in the same way as a company. The Stockland Trust Constitution provides that Stockland Unitholders are presently entitled at the end of each 6 month period (ending on the last day of June and December as the case may be) to the distributable income derived by Stockland during that period. Consequently, all of the net income of Stockland for tax purposes (net taxable income) is taxed in the hands of Stockland Unitholders and not to the Responsible Entity for Stockland.

SPML will provide Stockland Unitholders with details of the extent to which any distributions are tax free distributions or tax deferred distributions.

The Stockland Shares also give rise to dividends. These dividends are made up of fees and business profits that Stockland Corporation Limited receives in consideration for the property management services provided and other property related ventures it (or its subsidiaries) undertakes. Stockland Corporation pays tax on this revenue and anticipates continuing to do so. Accordingly, it is expected (although not guaranteed) that future dividends will have full franking credits attached. Shareholders must return for tax the amount of the dividend, but will receive a tax credit for the franking credits attached to the dividends. Stockland Corporation will provide details of the franking credits attached.

Advance Unitholders who acquire Stockland Stapled Securities on accepting the Offer will be entitled to retain the distribution on their Advance Units for the 3 month period ending 30 September 2000. The taxation treatment of that distribution will depend on its particular components.

Stockland Unitholders must generally notify the responsible party of Stockland of their Australian tax file number. If the required notification is not provided, tax is deducted from distributions made by Stockland at the highest marginal rate (48.5% including Medicare levy) until the required notification is provided.

(d) **Ownership of Stockland Options**

Holders of Stockland Options (conferring the right to subscribe for Stockland Stapled Securities) will not be subject to capital gains tax on exercise of Stockland Options. At the time of exercise any capital gain or loss is essentially disregarded. The cost base of the Stockland Stapled Securities issued upon exercise of the Stockland Options for capital gains tax purposes is that portion of the Advance Units which was reasonably attributed to the exchange of the Advance Units. It is noted that in determining the 12 month holding period in order to qualify for discount capital gains treatment for Stockland Stapled Securities acquired on exercise of Stockland Options, the 12 month period commences on the date the Stockland Options are exercised.

(e) **Disposal of Stockland Stapled Securities and Stockland Options**

For capital gains tax purposes, the Stockland Unit and Stockland Share which together comprise a Stockland Stapled Security are treated as distinct assets.

The Australian capital gains tax consequences of any disposal of Stockland Units will be the same as for the disposal of Advance Units as described above, subject to the following differences in the case of an Advance Unitholder who elected a roll-over in relation to the exchange of Advance Units for Stockland Units.

For those Unitholders, the cost base of the Stockland Units is equal to the portion of the cost base of the Advance Units which was reasonably attributable to the exchange of the Advance Units.

As the Stockland Units will have been acquired after 21 September 1999, there is no indexation adjustment made to the cost base of the Stockland Units. However, Advance Unitholders who are individuals, complying superannuation entities or trustees may determine their compliance with the 12 month ownership requirement for discount capital gain treatment (as to which, see above) by reference to the period of time from their acquisition of Advance Units until their disposal of Stockland Units which they received in exchange for those Advance Units.

Where roll-over does not apply to the disposal of Advance Units, the cost base of the Stockland Units which are received in exchange for those Advance Units is the value of the proportion of the Advance Units reasonably apportioned as being in exchange for the Stockland Units at the date of entry into the contract for acquisition of the Stockland Units.

The cost base of the Stockland Share component of the Stockland Stapled Securities will be that proportion of the market value of the Advance Units which is reasonably attributable to those Stockland Shares. As the Stockland Shares will have been acquired after 21 September 1999, there is no indexation adjustment made to the cost base of the Stockland Shares. However, as for the Stockland Units, providing that the other requirements are met (as to which, see above) discount capital gain treatment may be available. The time the Stockland Share was acquired (being the date of entry into the contract for acquisition of the Stockland Shares) would be the date of commencement of the 12 month ownership requirement.

For Stockland Option holders, the capital gains tax consequences on disposal of the Stockland Options (as opposed to exercise of the Stockland Options) are the same as disposal of Stockland Units. The cost base of the Stockland Options is equal to the value of that portion of the Advance Units which was reasonably attributable to the Stockland Option proportion of the Offer for the exchange of the Units. As the Stockland Options will be exercisable on 29 June 2001, discount capital gain treatment will not be available.