

Taxation Implications for ADP Unitholders

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8.1 Australian taxation implications: introduction

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

ADP 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 Stapled Securities. The following summary is intended only for Australian ADP 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 ADP Unitholder. ADP Unitholders should seek independent professional advice in relation to their own particular circumstances.

8.2 Acceptance of the Offer and disposal of ADP Units

(a) Capital gain or loss

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

ADP Unitholders who are Australian residents may make a capital gain or capital loss, depending on whether their capital proceeds from the disposal of the ADP 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.

In the event of capital gains, the capital proceeds of the CGT event will be the value of the Stockland Stapled Securities (comprising Stockland Units and Stockland Shares) and cash received by the ADP Unitholder in respect of the disposal of the ADP Units. For these purposes, the value of the Stockland Stapled Securities will be their market value on the date when the contract for the disposal is entered into.

The cost base of the ADP Units is generally their cost of acquisition plus any incidental costs incurred on their acquisition, less the tax deferred components of any distributions received by you on your ADP units.

If the ADP Units were acquired at or before 11:45 am on 21 September 1999, 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 ADP Units to include indexation by reference to changes in the Consumer Price Index from the calendar quarter in which the ADP Units were acquired until the quarter ended 30 September 1999. ADP Unitholders that are companies will be entitled to include that indexation adjustment without making an election if their ADP Units were acquired at or before 11:45 am on 21 September 1999. 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.

ADP Unitholders who acquired units on or before 11:45 am on 21 September 1999 but do not make the indexation election referred to above and those ADP Unitholders who acquired units after that time (being individuals, complying superannuation entities or trustees), are entitled to discount the amount of their net capital gain from the disposal of ADP Units, after taking into account capital losses, by 50% in the case of individuals and trusts or by 33% for complying superannuation entities.

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

No relief will be available in respect of that part of any capital gain which is attributable to the Stockland Shares and cash received as part of the Offer in exchange for the ADP Units.

For the purposes of determining that part 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). The market value of the consideration received will be equal to the market value of the Stockland Stapled Security plus the cash component.

As noted above, should the relevant conditions for CGT roll-over relief be satisfied, relief will only be available to the extent of the value of the Stockland Units as a proportion of the total value of the consideration received under the Offer. In this regard, 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, 89% of the percentage of the value attributed to the Stockland Stapled Securities is attributable to the Stockland Units and is available for roll-over relief.

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. In particular, entities must have "fixed" entitlements to all of the income and capital of ADP and Stockland Trust or the Commissioner must exercise his discretion to treat them as "fixed". In this regard, Stockland has previously received confirmation of the exercise of the Commissioner's discretion in respect of the Stockland Trust.

Stockland Management will apply to the Commissioner to confirm that both Stockland Trust and ADP have "fixed entitlements". The Commissioner has previously released public rulings confirming that certain publicly listed trusts satisfy these requirements. Once requested, Stockland Management expects that the Commissioner will confirm that ADP and Stockland Trust satisfy these requirements. You will be advised when this confirmation is received.

Stockland Management will mail to all accepting ADP Unitholders upon the close of the Offer a schedule setting out the value of the consideration on each day of acceptance showing the portion on which roll-over relief will be available, assuming approval is received from the Commissioner.

8.3 Ownership and disposal of Stockland Stapled Securities

(a) Taxation of Stockland distributions

The Australian tax consequences of ownership of Stockland Stapled Securities are similar to ownership of ADP 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 Trust during that period. Consequently, all of the net income of Stockland Trust for tax purposes (net taxable income) is taxed in the hands of Stockland Unitholders and not to Stockland.

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

The Stockland Shares give rise to dividends. These dividends are made up of fees and business profits that Stockland Corporation 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. Holders of Stockland Shares must return for tax the amount of the dividend grossed up for the franking credit, but will receive a tax credit for the franking credits attached to the dividends.

Stockland Corporation will provide details of the franking credits attached.

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

(b) Disposal of Stockland Stapled Securities

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 ADP Units as described above, subject to the following differences in the case of an ADP Unitholder who elected a roll-over in relation to the exchange of ADP Units for Stockland Units.

For those Unitholders who elected a roll-over, the cost base of the Stockland Units is equal to the portion of the cost base of the ADP Units at the time of the roll-over election, which was reasonably attributable to the exchange of the ADP Units for Stockland Units.

ADP Unitholders who are individuals, complying superannuation entities or trustees may determine their compliance with the 12 month ownership requirement for discount capital gain treatment (see section 8.2) by reference to the period of time from their acquisition of ADP Units until their disposal of Stockland Units which they received in exchange for those ADP Units.

Where roll-over does not apply to the disposal of ADP Units, the cost base of the Stockland Units which are received in exchange for those ADP Units is the proportion of the market value of the ADP 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 ADP Units which is reasonably attributable to those Stockland Shares. However, as for the Stockland Units, providing that the other requirements are met (see section 8.2) discount capital gain treatment may be available. The time the Stockland Shares were 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.