8. TAXATION IMPLICATIONS FOR FLINDERS UNITHOLDERS

8.1 Australian Taxation Implications: Introduction

The following is a general description of the Australian income and capital gains tax consequences to Flinders 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 Flinders Unitholders who hold their Flinders Units as capital assets for the purpose of investment.

Flinders 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 resident Flinders Unitholders.

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

8.2 Acceptance of the Offer and Disposal of Flinders Units

(a) Capital Gain or Loss

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

Flinders Unitholders who are Australian residents may make a capital gain or capital loss, depending on whether their capital proceeds from the disposal of the Flinders 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 capital gains tax event will be the value of the Stockland Units, Stockland Shares and cash received by the Flinders Unitholder in respect of the disposal of the Flinders 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 (which is the date on which a Flinders Unitholder accepts the Offer).

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

Flinders 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 capital gain from the disposal of Flinders 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 of a taxpayer in a year of income 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.

Flinders Unitholders who are not resident in Australia for income tax purposes are generally not subject to Australian capital gains tax on the disposal of Flinders Units if they and their associates have not held 10% or more of the issued units in Flinders at any time in the five years preceding the disposal of their Flinders Units.

(b) Roll-over

If as a result of the Offers SPML acquires 80% or more of the Flinders Units, Flinders Unitholders who are Australian residents who would make a capital gain from their disposal of Flinders Units may choose a partial roll-over (subject to our comments below) 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 Flinders 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 or cash received in exchange for the Flinders Units.

Accordingly, the proportion of the capital gain derived by Flinders Unitholders who accept the Full Scrip Alternative that will be eligible for roll-over relief will depend on the proportion of the market value of Stockland Stapled Securities which is attributable to the value of the Stockland Units on the date that a contract for the disposal of the Flinders Units is entered into.

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 any capital gain which is derived by a Flinders Unitholder who elects the Full Scrip Alternative would be attributable to the Stockland Units received as part of the Stockland Stapled Securities and be eligible for roll-over relief.

For Flinders Unitholders electing the Cash and Scrip Alternative, only the capital gain attributable to the Stockland Units, and not the Stockland Shares or cash, would be eligible for roll-over relief. For the purposes of determining the percentage of the consideration that is eligible for roll-over relief, it is necessary to calculate the market value of the consideration received (calculated at the time the contract for the disposal of Flinders Units was entered into) by the Flinders Unitholders as a result of accepting the Offers and determining which percentage of that value is attributable to the Stockland Stapled Securities and which is attributable to the cash. 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) acquired by the Flinders 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 Flinders and Stockland Trust are unit trusts which satisfy these requirements. From discussions with the Australian Taxation Office, it appears unlikely that either Flinders or Stockland Trust strictly qualify. Accordingly, we made submissions to the Commissioner of Taxation that he should exercise his discretion to deem both Flinders and Stockland Trust to satisfy these requirements (assuming the Merger proceeds). The Commissioner of Taxation has now confirmed that if the Merger Proposal is successful (that is, more than 80% of Flinders Units are acquired), capital gains tax rollover relief should be available for Flinders Unitholders to the extent that Stockland Units are received in exchange for Flinders Units.

It is noted that, as Flinders does not satisfy these requirements, it would appear that Flinders Unitholders accepting Goodman Hardie's Offer would not be entitled to roll-over relief unless the Commissioner of Taxation had exercised his discretion to deem Flinders to satisfy the requirements. As far as Stockland is aware, there has been no such exercise of discretion.

8.3 Ownership of Stockland Stapled Securities

The Australian tax consequences of ownership of Stockland Stapled Securities are similar in most respects to ownership of Flinders 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 six 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 to Stockland Unitholders and not to the Responsible Entity of Stockland Trust.

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 give rise to dividends. These dividends are made up from fees and business profits that Stockland Corporation receives in consideration of the property management services it provides and the 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 distributions will have full franking credits attached. Holders of Stockland Shares must return for tax the amount of the dividend, but will receive a tax credit for the franking credits attached to the dividends. As from 1 July 2000, taxpayers entitled to franking rebates will be allowed a refund if the franking credits attached to their Stockland Corporation dividends exceed the income tax that would have been payable by the taxpayer, but for obtaining the franking rebates. Stockland Corporation will provide to holders of Stockland Shares details of the franking credits attached.

Flinders Unitholders who acquire Stockland Stapled Securities on accepting the Offer will not be removed from the register of Flinders Unitholders until 3 July 2000 (at the earliest) and will be entitled to retain the distribution on their Flinders Units for the six month period ending 30 June 2000. The taxation treatment of that distribution will depend on its particular components. Stockland assumes that Flinders will pay the June Distribution to Flinders Unitholders in accordance with the Flinders Trust Deed.

Stockland Unitholders must generally notify the responsible party of Stockland Trust 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.

8.4 Disposal of Stockland Units

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

For those Flinders Unitholders, the cost base of the Stockland Units is equal to the portion of the cost base of the Flinders Units which was reasonably attributed for the exchange of the Stockland Units. The cost base for the Stockland Shares will be that portion of the market value of the Flinders Units which is reasonably attributable to those shares. Because the Stockland Units will have been acquired after 21 September 1999, there is no indexation adjustment made to their cost base. However, Flinders Unitholders who are individuals, complying superannuation entities or trustees may determine their compliance with the 12 month ownership requirement for discount capital gains treatment (as to which, see above) by reference to the period of time from their acquisition of Flinders Units until their disposal of Stockland Units which they received in exchange for those Flinders Units.

Where roll-over was not elected, or was not applicable to, the disposal of Flinders Units, the cost base of the Stockland Units which are received in exchange for those Flinders Units is the value of the proportion of the Flinders 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 (which is the date on which a Flinders Unitholder accepts the Offer).