



Stockland

Balance Sheet and Cash Flow Model

Agenda

- Stockland
- Project Background
- Objectives (and complexities)
- Approach
- Environment
- Solution Design & Process Flow
- Demonstration
- Result

- Stockland is one of Australia's leading diversified property groups
- Long and proud history of creating places that meet the needs of our customers and communities
- Actively managing a portfolio of assets including :
 - Residential communities
 - Retirement living
 - Shopping centres
 - Office and industrial
- We are focussed on developing thriving communities
- Recognising our responsibilities to the environment, we are striving to become a leader in sustainable business practices

Stockland (cont)

- Residential

- Communities



- We have 65,700 lots and projects with a total end value of approximately \$15.9b

- Apartments



- Portfolio valued at \$0.7b

- Retirement Living

- Top 5 retirement living operator, with 3,843 established units and an additional 2,875 in our short-medium term development pipeline

Stockland (cont)

- Commercial Property

- Office



- Portfolio comprises 31 properties valued at \$2.6b

- Industrial



- Portfolio comprises 16 properties valued at \$1.0b

- Retail



- Portfolio comprises 38 properties valued at \$4.1b

Project Background

- Forecast cycle: monthly (current financial year), bi-annual long-term (5 years)
- Business Units predominantly only forecast one side of the accounting transaction (P&L). Handful of exceptions.
- Balance Sheet and Cash Flow constructed in Excel
- Built by Finance employees, so not dynamic
- Old model was cumbersome and over complicated in its structure
- Convoluted audit trail to create the Balance Sheet and Cash Flow using information built up from numerous linked sheets
- Evolved over a number of years by a number of people

Background (cont)

- Late change requests (eg corporate adjustments) could not be promptly processed through the model due to the myriad of links which needed to be established
- Significant risk of human error due to the model's complexity
- A significant proportion of time was spent generating the Balance Sheet and Cash Flow rather than analysing the output
- It would take about 3+ month end cycles of use for a new employee to grasp how the model worked, again this opened the door for possible human error
- Significant time wasted trying to answer questions on results, as all the linking needed to be unwound

Objectives

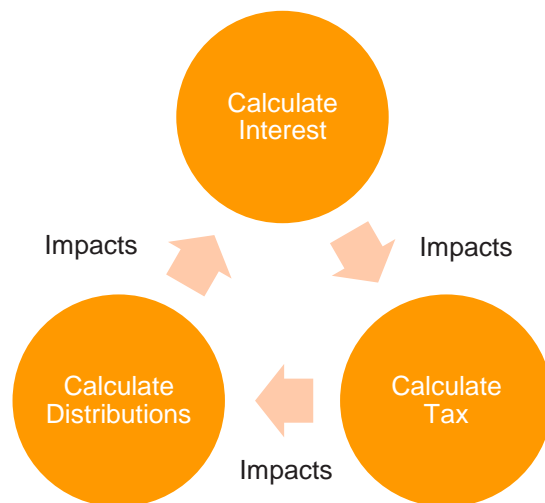
- Streamline and reduce much of the clutter that does not add value
- Automate the production of standard information (TB, BS, CF) within TM1 so that time can be spent on analysis rather than producing the data
- Establish appropriate reconciliations and system controls within TM1 that would eradicate manual entry and errors
- Production of month end reports reduced from 2-3 days to 1-2 days
- Time savings due to better audit trails which will reduce time pressure during peak deadline periods
- Process manual adjustments through the model and produce revised reports within 1-2 hours
- Statutory and Management Balance Sheet and Cash Flow outputs

Complexities – Accounting treatment

- Stockland has separate Corporate and Trust structures, requiring different treatment and interaction between the two
- Stockland has 3 operating divisions with some differences in accounting treatment
- Ability to treat legal entities and operating divisions differently in terms of accounting treatment
- Ability to map P&L to BS at any level within the Account hierarchy
- Needed to be able to factor in that there were already a handful of double sided entries already included in the forecast
- Users needed the ability to create every type of transaction: single sided trial balance, double sided journals, inter-company, eliminations, transfers etc.

Complexities – Funding model

- Interest, tax and distribution calculations are circular in nature



- Stockland has a complex funding model with minimum cash and minimum debt caveats
- Basis for distributing cash between Corporation and Trust is variable
- Incorporating Intercompany transactions

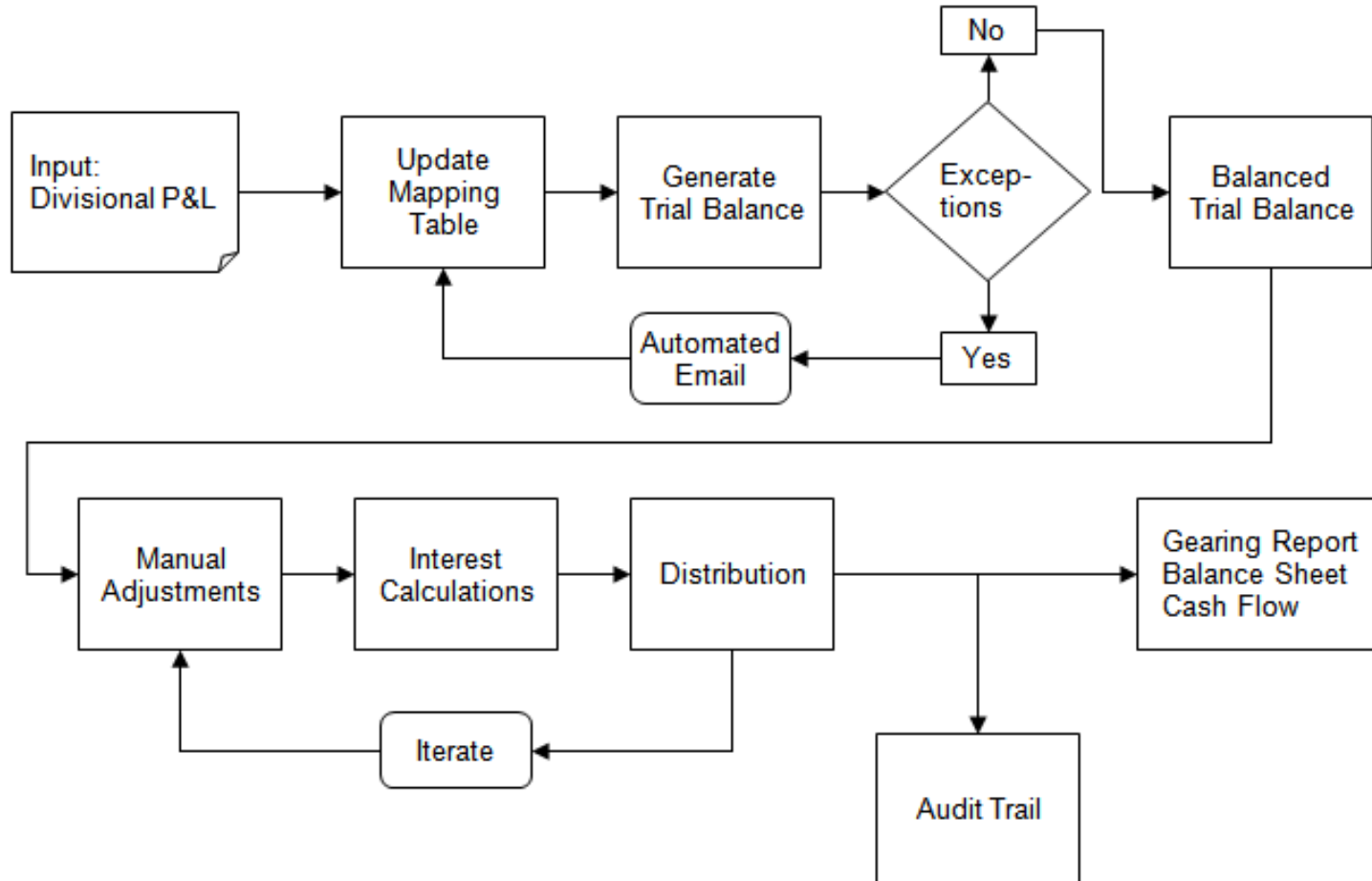
Approach

- Iterative process working with a business SME (Agile)
- Started off by creating a Trial Balance that balanced
- Once we had a balanced Trial Balance all transactions were double sided to maintain Trial Balance integrity
- Understand the varied accounting treatment between operating divisions and incorporated these into the Trial Balance
- Build a Manual Adjustment module stored in TM1
- Build a funding, interest calculation and intercompany model pulling from the Statutory Balance Sheet
- TM1 to hold the Balance Sheet and Cash Flow hierarchies

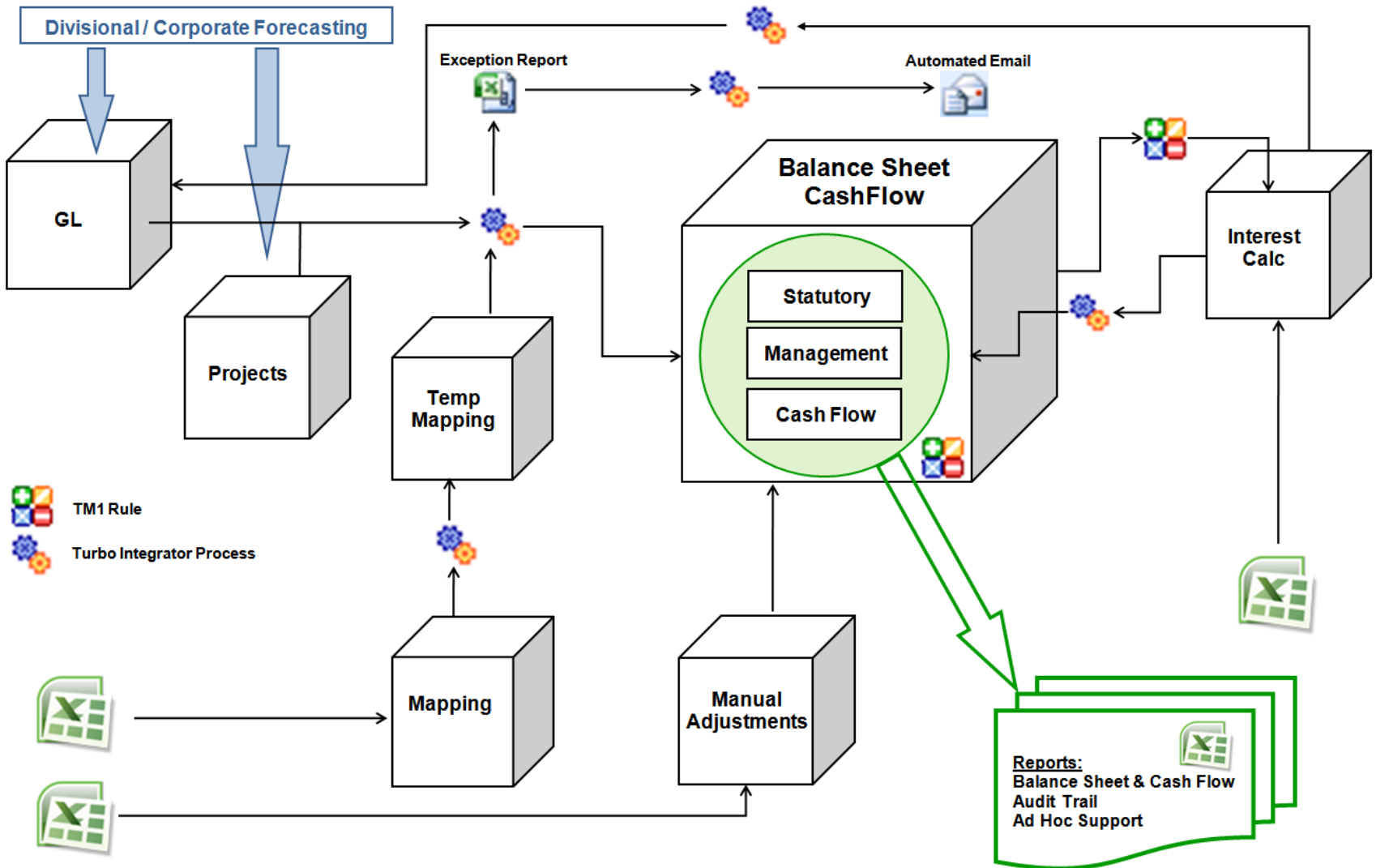
TM1 Development Environment

- TM1 version 9.1.4 (no Active Forms)
- Excel front-end (2003)
- Users access TM1 via Citrix client
- Reliant on VBA for added functionality and user experience
- Purpose built MDX reports via VBA (zero suppress data on server side)

Data Process Flow

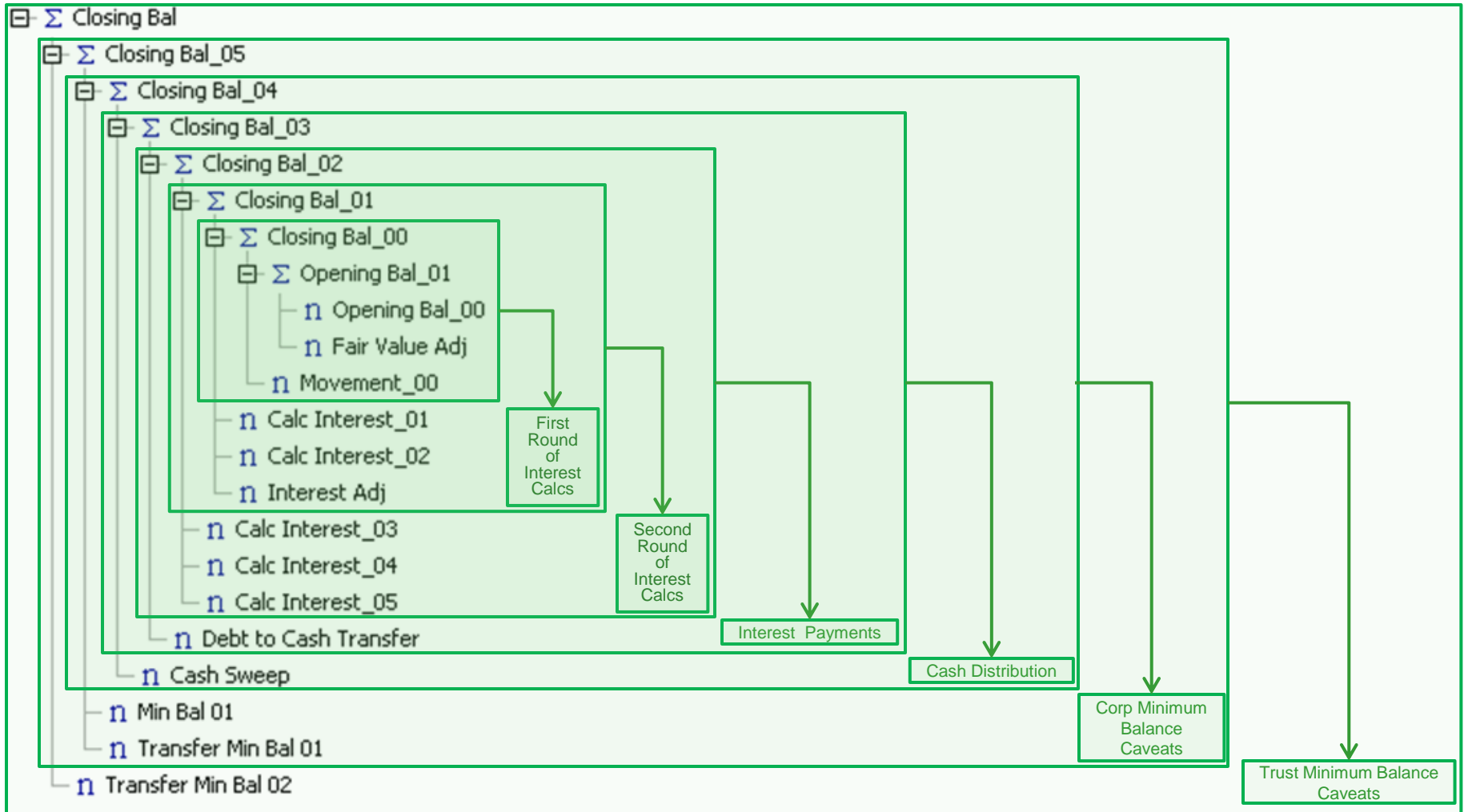


TM1 Design & Data Flow



Demonstration

Interest calculations – Way to combat circular nature



Outcome

- A wholly TM1-based Balance Sheet and Cash Flow model
- Statutory and Management reports
- Highlighted the fact that there were errors in the old model, thus improving integrity
- Time saving benefits to business users (1 day in a 3 day cycle)
- Revised reports following changes can be generated in 5-10 minutes
- Incorporated a sophisticated Interest calculation model, including Intercompany and funding model
- Transparent Audit Trail of all transactions, resulting in significant improvements in the turn around time to analyse and answer queries
- Automated notification of new accounts for mapping in Trial Balance
- Model is more user friendly. New employee can pick it up much quicker

Things to consider

- Well defined scope and functional requirements
- Sufficient business resources agreed upfront (eg SME and UAT)
- In addition to SME, also end users as early as possible
- Structured development change management principle
- Don't under estimate time required to train end users

Thank You

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