Interim Financial Report
31 December 2014

Stockland
it's your place

Implementing our strategy

Contents

Streamlined financial statements

In preparing these interim financial statements, we continue to adopt the same approach as the June 2014 annual financial statements. Our objective is to make Stockland's financial statements less complex, more relevant to securityholders and provide readers with a clearer understanding of what drives the financial performance and position of Stockland. We have grouped notes under six key headings:

- 'Basis of preparation';
- 'Results for the half year';
- 'Operating assets and liabilities';
- 'Capital structure and financing costs';
- 'Group structure'; and
- 'Other items'.

Keeping it simple . . .

The aim of the text in each "Keeping it simple" box is to provide commentary on more complex sections, or notes, in plain English.

The Directors of Stockland Corporation Limited (ACN 000 181 733) and the Directors of Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust (ARSN 092 897 348), present their report together with the Interim Financial Report of Stockland and the Interim Financial Report of Stockland Trust Group for the six months ended 31 December 2014 and the Independent Auditor's Report thereon. The Interim Financial Report of Stockland comprises the consolidated Interim Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust"), ("Stockland"). The Interim Financial Report of Stockland Trust Group comprises the consolidated Interim Financial Report of Stockland Trust and its controlled entities ("Stockland Trust Group").

Operating and Financial Review

About Stockland

Stockland is the largest diversified property group in Australia with $14 billion of real estate assets. We own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

Our company was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Today we leverage our diversified model to help create thriving communities where people live, shop and work.

This approach is underpinned by our purpose "we believe there is a better way to live" and our vision "to be a great Australian property company that delivers value to all stakeholders". This is brought to life by our employees who are guided by Stockland's values of community, accountability, respect, and excellence (CARE).

As a responsible listed entity our primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality property assets and delivering value for our customers.

To provide the greatest value to our securityholders Stockland is structured as a stapled security; a combination of a unit in a trust and a share in a company that are traded together on the Australian Securities Exchange. This allows us to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation).

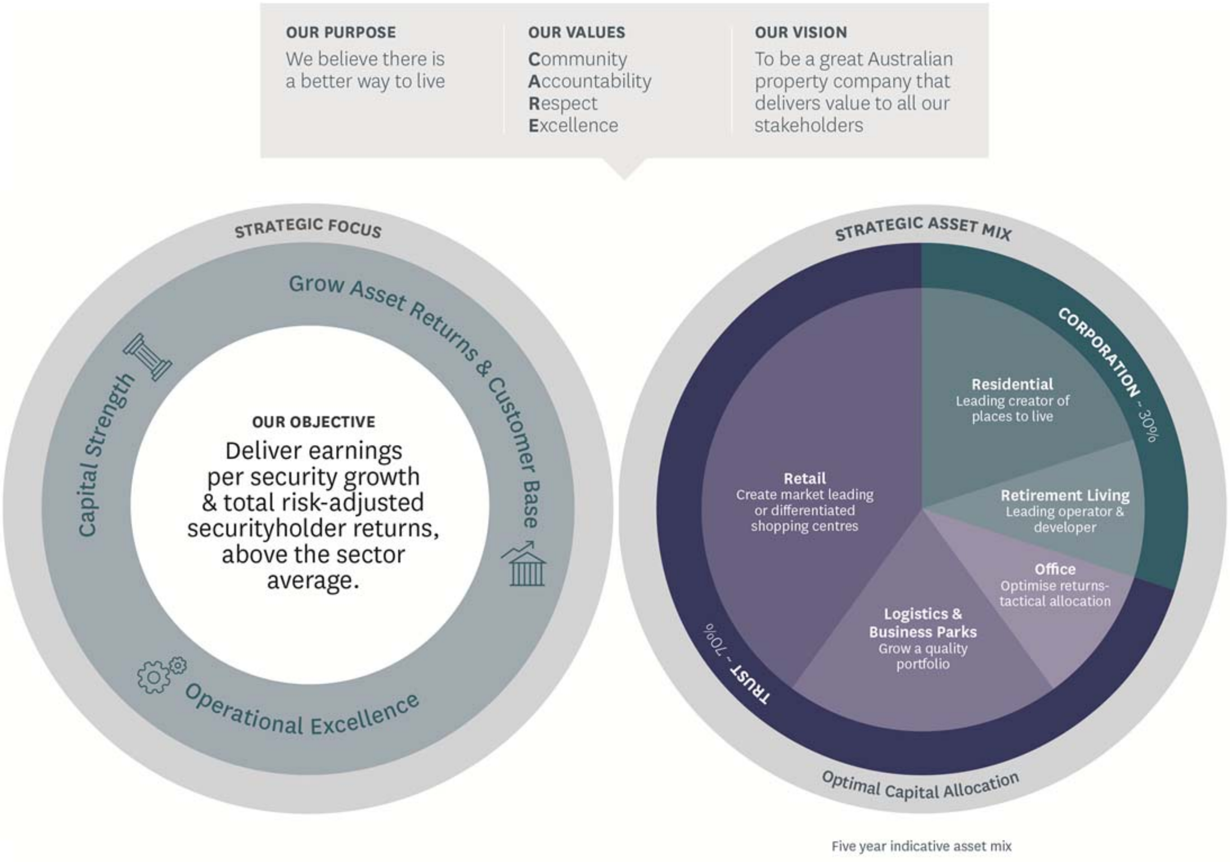
Group Strategy

Stockland's strategic focus is:

- Grow asset returns and customer base - driving growth in our core businesses
- Operational excellence - improving the way we operate across the Group to drive efficiencies and effectiveness
- Capital strength - actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

We leverage our asset mix by taking an integrated approach, allocating capital across the portfolio for optimal risk adjusted returns. We always put our customers at the centre of everything we do. Collaboration across business units enables us to utilise systems, skills and knowledge to deliver optimal business and community outcomes.

Our strategy



Stockland strategic priorities	1H15 Progress
Grow asset returns and customer base	• Active retail development pipeline of over $500 million: Hervey Bay, Wetherill Park and Baldivis • Purchased 50% of Stockland Bundaberg • Acquired two logistics and business park assets at Botany (settlement 2H15) and Warwick Farm in Sydney • Activated over 13,400 residential lots delivering target margins at The Grove and Cloverton in Melbourne • Acquired over 2,600 residential lots in Sydney, Melbourne and Brisbane • Delivered first sales of medium density and Completed Homes • Over 450 retirement living homes under construction, for completion FY15/16
Capital strength	• Progressed capital partnering strategy; joint-ventured our Townsville regional centre • Issued Australia's First Green Bond; leveraging our strong sustainability credentials • Gross profit from Australand of circa $80 million which will be reinvested into the growth of our business • Completed the exit of our UK assets
Operational excellence	• Recognised as a global leader in sustainability with GRESB Green Star and #2 Real Estate ranking on Dow Jones Sustainability Index • Halved downtime and reduced renovation costs by 20% in our Retirement Living business • Vertically integrated our Logistics and Business Parks business • Creating CARE Foundation • Optimised marketing with system enhancements • Achieved WGEA Employer of Choice for Gender Equality citation • Received Integrated Reporting Award at 2014 Australasian Reporting Awards • Streamlined our Financial Reporting

Risks and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks we face in our business. We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for our securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business.

There are various risks that could affect our strategy and outlook and the nature and potential impact of these risks change over time. These include, but are not limited to:

	Risk	Response and opportunities
Short term – strategy execution	Consumers remain cautious and focused on cost of living	Continue to: • provide affordable and accessible product options • enhance customer satisfaction and customer insights • deliver leading or differentiated retail centres with focus on value and convenience
	Out-dated systems affect timeliness and accuracy of information and decision-making	Continue to: • enhance decision-making tools, including the development of the new TRAC (time, revenue and cost) proprietary application to manage projects, inventory and financial feasibility, which launched in late calendar 2014 • execute the IT strategy with focus on long term strategic investment
	Prolonged economic downturn creates challenging operating conditions	Continue to: • focus on retaining a strong balance sheet with low gearing • concentrate on capital and functional efficiency and cost management • leverage a diversity of funding sources • exercise investment decision discipline and prudent capital allocation through the Investment Review Group
Longer term – changing marketplace	Technology impacts spending habits and lifestyles, reducing demand for our traditional products	Continue to: • evolve our market leading product innovation and customer insights such as the Virtual Customer and Asset Directory and Stockland Exchange (Stockland's online research community) • foster a culture of innovation to ensure we identify and take advantage of new opportunities • ensure our retail centres are thriving community hubs by delivering quality retail and community spaces
	Regulatory changes impact business	Continue to: • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and engage with regulators, the community and be standard setters on best practice
	Greater demand from customers for transparency and sustainable products	Continue to: • remain flexible and open to opportunities to take advantage of shifts in stakeholder preferences • focus on elements that create sustainable and liveable communities and assets • foster a culture of high transparency, trust and accountability

Stockland results to 31 December 2014

Stockland has achieved an underlying profit of $290 million for the half year to 31 December 2014, an increase of 8.5% on the previous corresponding period. The result was underpinned by growth in all businesses and a particularly strong contribution from the Group's Residential business, which was up 72.8% on 1H14. Retirement Living achieved underlying profit growth of 5.8% on 1H14. Commercial Property comparable underlying profit was up 4.7%.

Statutory profit for the half was $462 million and statutory earnings per security (EPS) was 19.8 cents. Return on Equity increased 140 basis points to 9.6%, excluding workout assets.

Underlying EPS was 12.4 cents, which is a 6.9% increase on 1H14. Distribution for the half year was stable at 12.0 cents per security, representing an improved payout ratio, down to 97% of underlying earnings.

We continue to achieve profitable growth across all our core portfolios through the active implementation of our strategy and supportive market conditions. During the half we focused on our core strategic priorities of growing asset returns and our customer base; capital strength; and operational excellence. This included the launch of 10 new projects, four strategic acquisitions, significant progress extending our customer reach with the introduction of new medium density and completed home products, and the launch of our refreshed brand.

Our Residential business was a standout performer in the first half, with substantially increased sales across a number of the markets in which we operate. Our business has benefitted from both improved market conditions, and the strategies we've implemented to increase speed to market, as well as broadening our customer target markets.

Our Commercial Property business remains a key driver of our Group's success. On a comparable basis we achieved operating profit growth of 4.7% across the portfolio, with 3.3% in Retail, 5.7% in Logistics and Business Parks and 7.8% in Office, reflecting our strong focus on property fundamentals.

We've continued to invest in our Retail business with good progress on our three major shopping centre developments. We also announced two new projects at Point Cook in Melbourne, and Glasshouse in the Sydney CBD. Our shopping centres recorded improvements in retail sales over this period, with strong comparable growth in the December quarter, despite subdued consumer sentiment.

Our Logistics and Business Parks portfolio is showing the benefits of increased focus and investment over the past year, with 21.9% profit growth on 1H14. We continue to make selective acquisitions and redevelopments where returns exceed our hurdle rates, progressing us towards our target strategic weighting.

Our Retirement Living business has also continued to grow, with new development underway at nine villages, supporting a 6.6% increase in new unit settlements in 1H15 compared to 1H14.

Sustainability remains a key focus for Stockland, providing long term benefits to our customers and the communities in which we operate, as well as enhanced operational efficiencies. We were proud to be rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index 2014/2015, for the eighth consecutive year.

The Group has maintained its strong balance sheet and A-/Stable credit rating with gearing at 22.1%, well within our target range of 20 – 30%, while also improving interest cover.

During the half we sold our Australand holding resulting in a gross capital profit of circa $80 million. We will reinvest some of these funds into growth opportunities as well as further process and system enhancements.

We have maintained our active approach to debt, becoming the first Australian corporate to link sustainability with its funding strategy by issuing the first Australian green bond during the half. We have also terminated an interest rate swap at a cost of $44 million, which will result in a lower weighted average cost of debt by circa 30bps in future years. Our Dividend Reinvestment Plan remains active with a take up rate of 20%.

Key metrics:

- Stockland's half year distribution was steady at 12.0 cents
- Statutory Profit was $462 million, up 55.1%
- Underlying Profit was $290 million, up 8.5% on 1H14
- Funds From Operations was $307 million, up 14.5% on 1H14
- Underlying earnings per security 12.4 cents, up 6.9% on 1H14
- Statutory earnings per security was 19.8 cents
- Funds From Operations per security was 13.1 cents, up 12.0% on 1H14
- Return on Equity increased 1.4% to 9.6% (excluding workout assets) over prior calendar year

Funds From Operations (FFO) has been identified as a key performance metric for the Group. FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. Underlying profit has been adjusted for: amortisation of fitout incentives, amortisation of rent-free incentives, straight-line rent and non-cash income tax expense/benefit included in underlying profit. Apart from Stockland's Commercial Property business, underlying profit and FFO reported for the other business units remain the same.

Group FFO reflects strong growth in cash flows across our Commercial Property and Residential businesses. We expect FFO to exceed underlying profit in the future.

The movement in statutory profit after tax reflects a number of non-cash items which are excluded from underlying profit. The increase in statutory profit in 1H15 was primarily driven by positive growth in underlying profit, a favourable movement in the fair values of the Commercial Property investment properties and profit on the sale of our investment in Australand.

Valuation movements in Commercial Property investment property and equity accounted joint venture assets contributed $133 million (December 2013: $44 million) and $37 million (December 2013: nil) respectively to statutory profit. The valuation uplift was driven by capitalisation rate compression and income growth across all three asset classes.

The Retirement Living investment property valuation increased by $15 million (December 2013: $4 million) due to growth in the underlying value of the resident units.

Other movements which affected the statutory profit included a $73 million pre-tax net realised gain on the disposal of our investment in Australand and $55 million loss resulting from changes in the market value of the Group's financial instruments in the year ended 31 December 2014.

The Group recognised an income tax expense of $30 million on significant items.

Group Results Summary

Underlying profit is determined following the principles of Australian Institute of Company Directors ('AICD') and the Financial Services Institute of Australasia ('Finsia') for reporting underlying profit having regard to the guidance from ASIC's RG 230 Disclosing Non-IFRS Financial Information. These principles include providing a clear reconciliation between statutory profit and underlying profit in the Directors' Report and financial statements, including both positive and negative adjustments and taking into consideration property industry practices. The Group has reported consistently on this basis for more than six years to help investors understand the performance of the business.

Underlying profit is a non-IFRS measure that is designed to present, in the opinion of the Chief Operating Decision Makers ("CODM"), the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying profit is the basis on which distributions and dividends are determined and reflects the way the business is managed and how the CODM's assess the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities.

Underlying profit excludes items such as unrealised fair value gains/losses (such as revaluing derivatives, financial instruments and investment properties) and unrealised provision gains/(losses). These items are required to be included in statutory profit in accordance with Accounting Standards.

The reconciliation between underlying profit and statutory profit is provided below for Stockland.

Stockland Underlying Profit and Statutory Profit Reconciliation

Half year ended	31 December 2014 Underlying Profit $M	31 December 2014 Statutory Profit adjustments $M	31 December 2014 Statutory Profit $M	31 December 2013 Underlying Profit $M	31 December 2013 Statutory Profit adjustments $M	31 December 2013 Statutory Profit $M
Revenue	**990**	**9**	**999**	876	9	885
Cost of property developments sold:						
• Land and development	**(499)**	**–**	**(499)**	(421)	–	(421)
• Capitalised interest	**(62)**	**–**	**(62)**	(85)	–	(85)
• Utilisation of provision for write-down of inventories	**88**	**–**	**88**	120	–	120
Investment property expenses	**(115)**	**–**	**(115)**	(115)	–	(115)
Share of profits of equity-accounted investments	**24**	**37**	**61**	17	–	17
Management, administration, marketing and selling expenses	**(119)**	**–**	**(119)**	(118)	–	(118)
Net change in fair value of investment properties						
• Commercial Property	**–**	**133**	**133**	–	44	44
• Retirement Living	**8**	**47**	**55**	7	(13)	(6)
Net change in fair value of existing Retirement Living resident obligations	**–**	**(41)**	**(41)**	–	8	8
Net gain on sale of other financial assets	**–**	**73**	**73**	–	32	32
Net loss on sale of other non-current assets	**–**	**(2)**	**(2)**	–	(5)	(5)
Finance income	**4**	**1**	**5**	4	–	4
Finance expense	**(38)**	**(55)**	**(93)**	(39)	(4)	(43)
Profit before income tax benefit	**281**	**202**	**483**	246	71	317
Income tax benefit/(expense)	**9**	**(30)**	**(21)**	21	(40)	(19)
Profit for the year attributable to securityholders	**290**	**172**	**462**	267	31	298
Basic earnings per security (cents)	**12.4**	**-**	**19.8**	11.6	-	12.9

Business unit performance and priorities

Commercial Property

Stockland's Commercial Property business comprises retail centres, logistics and business parks, and office assets. We are one of the largest retail property owners, developers and managers in Australia. Our 41 retail centres accommodate more than 3,200 tenants, realising over $6 billion of retail sales per annum. Our logistics and business parks portfolio (the former industrial portfolio now including business parks and logistics) comprises 21 properties with just over 1.2 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. Our office portfolio comprises 10 assets in key locations including three joint ventures.

Portfolio at 31 December 2014	Approximate value
41 retail centres	$5.7 billion
21 logistics and business parks	$1.6 billion
10 office buildings	$1.0 billion
72 Commercial Property assets	**$8.3 billion**

Performance

Commercial Property ($m, unless otherwise stated)	Underlying Profit				Funds From Operations			
	1H15	1H14	Change	Comparable Growth	1H15	1H14	Change	Comparable growth
Net operating income:								
• Retail	174	174	↓0.1%	↑3.3%	188	184	↑2.1%	↑4.5%
• Logistics and Business Parks	57	47	↑21.9%	↑5.7%	63	51	↑22.2%	↑7.1%
• Office	32	37	↓13.3%	↑7.8%	39	46	↓14.2%	↑4.2%
Total net operating income (NOI)	**263**	**258**	**↑ 2.0%**		**290**	**281**	**↑3.1%**	
Net operating costs	(9)	(9)	↓3.2%	n/a	(9)	(9)	↓3.2%	n/a
Operating Profit	**255**	**249**	**↑2.1%**	**↑4.7%**	**281**	**272**	**↑3.3%**	**↑5.1%**
ROA	**8.4%**	**8.5%**						

Our Commercial Property business remains a key driver of the Group’s success. On a comparable basis the business achieved underlying profit growth of 4.7% across the portfolio.

Retail

Retail delivered a solid result with total NOI consistent with the 1H14 result, impacted by capital transactions and redevelopment activity. Comparable NOI growth was 3.3%, while comparable FFO grew by 4.5%. Stockland maintained its high Retail occupancy levels, and achieved average rental growth of 2.9% on new and renewed leases. In addition, 91% of specialty leases have fixed 4-5% annual reviews.

The recently opened redevelopment of Stockland Hervey Bay was well received with the new Kmart achieving record sales for a regional store opening. Significant redevelopments of Stockland Baldivis in Perth and Stockland Wetherill Park in western Sydney remain on schedule for completion in FY15 and FY16 respectively. Further developments have been announced for the Point Cook centre in Melbourne, and Glasshouse in Sydney’s Pitt St Mall, which will be transformed with the inclusion of flagship H&M and Zara Home stores.

During 1H15, we made further progress in our capital partnering program with the sale of a 50% stake in the Townsville Shopping Centre to AMP Capital Shopping Centre Fund. We recycled capital into new, accretive opportunities, including the acquisition of a 50% interest in Sugarland Shoppingtown Bundaberg, on the Central Coast of Queensland.

Retail sales within our portfolio have materially improved thanks to our redeveloped centres and active remixing approach in our existing centres with a strategic focus on food and services. Comparable specialty stores achieved annual growth of 3.5%, with strong growth in the December quarter at 4.5%. Outperforming categories included food catering and fast casual dining, communication technology and retail services.

Retail strategic priorities: We maintain our focus on creating market leading or differentiated centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. Further projects, representing approximately $900 million of investment, with an expected average incremental internal rate of return (IRR) of 11-14%, are planned for the next wave of developments.

Our retail mix, underpinned by supermarkets, mini majors and speciality food and retail services, is proving to be resilient to online leakage. The business will continue to focus on tailoring its offering to the specific trade area, retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape. The business will also consider joint ventures (as part sales) as appropriate to fund portfolio expansion.

Logistics and Business Parks

NOI growth of 21.9% from Stockland’s Logistics and Business Parks assets reflects the Group’s focus on growing its portfolio through acquisition and development and optimising the performance of existing assets through active leasing. The portfolio achieved average rental growth on leasing activity of 3.6% in the half, with occupancy at 95.6%.

We have internalised the leasing, asset and property management of our logistics assets to maximise efficiencies and operational performance. We’ve continued to selectively acquire assets that meet our return criteria, including a well located South Sydney facility, and a greenfield development site at Warwick Farm in South West Sydney.

We have made significant progress on improving the performance and income security of this portfolio since announcing in FY13 our strategy to grow the business.

Logistics and Business Parks strategic priorities: We are focused on growing a quality portfolio of logistics centres and business parks. We will leverage existing assets and land, strong tenant relationships and asset management skills to become a scale player in this market.

Office

Office NOI was 13.3% lower than in 1H14 reflecting asset sales and joint venturing in prior periods. NOI growth on a comparable basis was strong at 7.8%, due to leasing success in all Sydney markets. While the leasing environment remains challenging, particularly in Brisbane and Perth, portfolio occupancy has improved to 94.3%. Weighted average lease expiry is stable on the previous half at 4.5 years.

Office strategic priorities: We continue to focus on optimising returns from the portfolio while managing the exposure tactically.

Residential

Stockland is the largest residential developer in Australia. Our business has 59 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country with over 78,700 lots in our portfolio, with a total end value of approximately $19.8 billion[1].

Residential as at 31 December 2014[1]

Approximate portfolio - active	Approximate portfolio - inactive	Approximate total end value
28,900 lots	46,900 lots	$19.8 billion

Performance

Residential Communities ($m, unless otherwise stated)	1H15	1H14	Change
Lots settled (no. of lots)	2,747	2,253	↑21.9%
Revenue	562	442	↑27.1%
EBIT (before interest in COGS)	128	120	↑7.1%
EBIT margin	22.9%	27.2%	↓
Operating Profit	67	39	↑72.8%
Operating Profit margin	12.0%	8.8%	↑
ROA – core projects only[2]	14.8%	9.8%	↑
ROA – total portfolio	10.2%	4.0%	↑

Residential Operating Profit increased by a substantial 72.8% on 1H14, reflecting improved market conditions, and successful strategies to broaden market reach and increase efficiency.

Volumes and operating margins were both stronger in the half, with 2,747 lot settlements, reflecting a 21.9% increase on 1H14. Contracts on hand at the start of January totalled 3,732, an increase of 547 lots over the June 2014 level. Stockland's Residential business remains on track to achieve FY15 settlements at the upper end of it's through the cycle target range of 5,000 – 6,000 lots.

Stockland's newest communities: Willowdale in south west Sydney; Elara in north west Sydney; and Calleya in south east Perth, ramped up to full production in the first half and all performed strongly, with successive stages at the communities selling out on the first day of each release.

We have made important progress in activating a greater proportion of our portfolio to enhance return on capital, with the recent launch of The Grove in Melbourne and Cloverton, our largest project in Victoria, due to commence sales next month. We also commenced trading at our three recent land consolidations at Highlands West, Newhaven and Whiteman Edge.

1 Excluding properties identified for disposal
2 Core excludes impaired, develop out, and disposal projects

Our Completed Homes program and medium density developments are progressing well, with deposits in both achieved last half. By the end of FY15 we will have commenced construction on 280 completed homes and 270 townhouses. These initiatives are broadening our market reach to support our strategy to grow our customer base.

We have continued to selectively re-stock our portfolio in our target growth corridors, including acquisition of a townhouse site in Ivanhoe, Melbourne; consolidation land at our highly successful Elara project in Sydney; a new community on capital efficient terms at Clyde North in Melbourne; and a trading project at the Isles of Newport, Brisbane. Each of these projects is expected to generate returns exceeding our hurdle rates, and contribute to further margin improvement over time.

Residential strategic priorities: We are driving resilience and profitability by:

(1) Reshaping the portfolio - actively manage the portfolio to improve returns; achieve and maintain an optimal land bank; and preference for land acquisitions on capital efficient terms. We continue to make good progress working through low margin and impaired stock.

(2) Improving efficiency – continue to tightly manage costs. Project management has been embedded into the business driving cost savings.

(3) Delivering revenue growth – increase revenue by creating a better community value proposition that drives high customer referrals; and broaden market reach through a medium density/built form offering. Our medium density and completed homes initiatives are well underway.

Retirement Living

Stockland is a top three retirement living operator within Australia, with a deep development pipeline and 63 retirement living villages with over 8,400 established units across five states and the Australian Capital Territory.

Retirement Living as at 31 December 2014

Portfolio	Medium term development pipeline	Estimated development pipeline end value
Approximately 8,400 established units	Approximately 3,200 units	$1.5 billion

Performance

Retirement Living ($m, unless otherwise stated)	1H15	1H14	Change
Transaction value[3]	152	144	↑5.9%
Operating profit	16	15	↑5.8%
ROA	4.6%	4.6%	-
Established			
Established unit turnovers (no. of units)	289	302	↓4.3%
Average re-sale price	$328k	$320k	↑2.5%
Turnover cash per unit	$84k	$75k	↑11.6%
Turnover cash margin	25.5%	23.5%	↑
Reservations on hand (no. of units)	147	150	↓2.0%
Established occupancy	94.6%	94.3%	↑
Development			
New unit settlement (no. of units)	130	122	↑6.6%
Average price	$405k	$383k	↑5.8%
Average margin	15.8%	16.5%	↓
Reservations on hand (no. of units)	98	73	↑34.2%

The Retirement Living business performed well in the first half with Operating Profit up 5.8% on 1H14, driven by improved margins in our established portfolio, ongoing improvements in efficiency and an increase in development settlements.

3 Includes established villages and new developments

The business remains focused on organic growth with a strong development pipeline. Development is currently underway at nine villages across four states.

We continue our focus on profitable growth through development, improved efficiency and expanding our customer appeal through a continuum of care offering. Our improved unit turnover process is starting to pay dividends, with renovation costs reduced by 20% and downtime by 50% over the past eighteen months. Our continuum of care strategy is progressing well with plans for new aged care facilities in several villages through our relationship with Opal.

We are actively managing our portfolio to optimise returns, with the sale of two villages in February 2015. We will recycle this capital into our accretive development pipeline.

Retirement Living strategic priorities: We are focused on being the preferred operator and developer of Retirement Living villages. We have a clear strategy to continue to improve return on assets by managing costs, differentiating the customer experience, growing development volumes and partnering to deliver a continuum of care.

Capital management

Financial position

The Group maintained a strong focus on prudent balance sheet management and retained its A-/ stable credit rating. Gearing decreased to 22.1% at 31 December 2014 (June 2014: 25.0%), within our target range of 20-30%. During the half year we realised our investment in Australand and continued to execute our capital partnering strategy, with the establishment of a joint venture at our Townsville shopping centre.

As part of Stockland's ongoing commitment to active capital management, the Group will maintain balanced and diverse funding sources and continue to manage its hedging in line with prudent risk management.

Stockland Balance Sheet

$ million	December 2014	June 2014	Change
Cash	523	231	nm
Real Estate Assets			
• Commercial Property	8,563	8,363	↑ 2.4%
• Residential	2,421	2,325	↑ 4.1%
• Retirement Living	2,983	2,860	↑ 4.3%
• Other	12	127	↓90.8%
Other assets	664	994	↓33.2%
Total assets	**15,166**	**14,900**	
Interest bearing loans and borrowings	3,235	3,118	↑3.8%
Resident loan obligations	1,944	1,865	↑ 4.2%
Other liabilities	1,432	1,619	↓ 11.6%
Total liabilities	**6,611**	**6,602**	
Net assets/total equity	**8,555**	**8,298**	

The value of the Commercial Property investment portfolio has increased to $8,563 million primarily due to continued investment growth from capital expenditure on the retail development pipeline, the valuation uplift across the portfolio driven by capitalisation rate compression and income growth, and the acquisition of Stockland Bundaberg. This is partly offset by the disposal of 50% of Stockland Townsville in the Retail portfolio.

Residential assets (mainly land under development) increased marginally to $2,421 million at 31 December 2014. Development expenditure, including acquisition of land on deferred payment terms, has been actively managed to maintain stable inventory levels, offset by the cost of inventory sold during the year. Finished goods inventory is lower than previous years due to management focus on reducing aged stock and selling impaired projects.

Our investment in Retirement Living property, net of resident loan obligations, was $1,039 million, an increase of $44 million from the 30 June 2014 balance. The movement is driven by development expenditure and an increase in the established portfolio asset valuations.

Our total debt increased by $117 million to $3,235 million at 31 December 2014 mainly due to the issue of a Green Bond and the repayment of bank debt following the disposal of our investment in Australand. Movements in other assets and liabilities mainly reflect the changes in value of the Group's strategic investments and financial instruments.

Cash flows

Stockland Cash Flows

$ million	1H15	1H14
Operating cash flows	137	303
Investing cash flows	519	(176)
Financing cash flows, including FX on cash	(364)	(153)
Net change in cash and cash equivalents	**292**	**(26)**
Cash at the end of the period	**523**	**201**

Operating cash flows were lower than the previous period due to increased development expenditure in the Residential Business, including payments for the acquisition of land on deferred payment terms, as production increases to take advantage of improved market conditions and higher sales volumes.

Cash flows from investing activities were higher than the same period last year as a result of the sale of our investment in Australand and proceeds from the sale of investment properties including the 50% disposal of Stockland Townsville.

The proceeds from the sale of Australand and the issue of a Green Bond were used to partially repay maturing debt, bank bills and close out of derivatives, in addition to funding capital acquisitions and developments. The balance of proceeds were carried forward to repay debt maturities in early February 2015. Net financing cash flow also includes distributions paid to securityholders during the period.

Equity

Dividend/Distribution Reinvestment Plan (DRP)

On 16 December 2014, we announced that the DRP would operate for the first half year distribution to 31 December 2014 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.33 based on the volume weighted average price over the 15-day trading period immediately preceding 6 February 2015 and applying a 1% discount.

Distributions

The dividend and distribution payable for the half year to 31 December 2014 is 12.0 cents per stapled security, consistent with 12.0 cents paid for the half year ended 31 December 2013.

The distribution comprises:

Stockland Consolidated Group	1H15 Cents	1H14 Cents
Trust distribution	12.0	12.0
Corporation dividend, fully franked	–	–
Total dividend and distribution	**12.0**	**12.0**

Registers closed at 5.00pm on 31 December 2014 to determine entitlement to the year-end dividend and distribution, which will be paid on 27 February 2015.

Outlook

Market indicators remain mixed with both business and consumers cautious around economic conditions.

While consumer confidence and employment growth are likely to remain constrained, we expect population growth and interest rates to remain generally supportive of residential markets for some time. We are confident that Stockland is well positioned to produce sustainable returns for securityholders across our portfolio.

Our strategy is unchanged. We remain focused on improving returns from our core asset base, maintaining our strong balance sheet position, building on operational efficiency gains, and selectively considering new investment opportunities. We've made good progress in each of our core businesses, and commenced the June half with strong momentum in our Residential and Retirement Living businesses.

Assuming residential market conditions remain reasonable, we would expect to achieve settlements towards the upper end of our target through the cycle range of 5,000-6,000 lots in FY15. Commercial Property is well placed to achieve 3-4% comparable underlying income growth and we should see a second half skew to earnings in Retirement Living.

We are on track to achieve the upper end of our guidance range, and have therefore tightened this to 6.75 – 7.5% EPS growth in FY15, assuming no material decline in market conditions. We expect the full year distribution to be maintained at 24.0 cents per security.

Directors

The Directors of the Company and the Responsible Entity at any time during or since the end of the financial half year ("the Directors") were:

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Tom Pockett	Appointed 1 September 2014
Ms Carol Schwartz	
Mr Peter Scott	
Mr Terry Williamson	

Executive Director

Mr Mark Steinert	Managing Director

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

The external auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the half year ended 31 December 2014.

Rounding off

Stockland 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 million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Graham Bradley
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 11 February 2015

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Auditor's Independence Declaration

As lead auditor for the review of Stockland and Stockland Trust Group for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stockland and the entities it controlled during the period and Stockland Trust Group and the entities it controlled during the period.

I L Hammond
Partner
PricewaterhouseCoopers

Sydney
11 February 2015

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Half year ended 31 December 2014

Half year ended 31 December	Notes	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Revenue	(B1)	**999**	885	**351**	350
Cost of property developments sold:					
• Land and development		**(499)**	(421)	**–**	–
• Capitalised interest		**(62)**	(85)	**–**	–
• Utilisation of provision for write-down of inventories		**88**	120	**–**	–
Investment property expenses		**(115)**	(115)	**(111)**	(110)
Share of profits of equity-accounted investments	(E1), (E2)	**61**	17	**59**	16
Management, administration, marketing and selling expenses		**(119)**	(118)	**(11)**	(19)
Net change in fair value of investment properties:					
• Commercial Property	(C1b)	**133**	44	**134**	34
• Retirement Living	(B2)	**55**	(6)	**–**	–
Net change in fair value of existing Retirement Living resident obligations	(B2)	**(41)**	8	**–**	–
Impairment of goodwill		–	–	**–**	–
Net gain on sale of other financial assets		**73**	32	**–**	1
Net loss on sale of other non-current assets		**(2)**	(5)	**(2)**	(5)
Finance income	(D1)	**5**	4	**152**	173
Finance expense	(D1)	**(93)**	(43)	**(153)**	(102)
Profit before income tax expense		**483**	317	**419**	338
Income tax expense		**(21)**	(19)	**–**	–
Profit for the year attributable to securityholders/unitholders		**462**	298	**419**	338
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets - net change in fair value		**–**	–	**–**	–
Available for sale financial asset – reclassified to profit and loss		**(51)**	–	**–**	–
Cash flow hedges – net change in fair value of effective portion		**35**	4	**35**	4
Cash flow hedges – reclassified to profit or loss		**(1)**	(1)	**(1)**	(1)
Foreign operations – foreign currency translation differences		**5**	10	**–**	–
Foreign operations – reclassified to profit and loss		**–**	–	**–**	–
Other comprehensive income/(expense), net of tax		**(12)**	13	**34**	3
Total comprehensive income attributable to securityholders/unitholders		**450**	311	**453**	341
Basic earnings per security/unit (cents)	(B4)	**19.8**	12.9	**17.9**	14.7
Diluted earnings per security/unit (cents)	(B4)	**19.7**	12.9	**17.8**	14.6

The above consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

As at 31 December 2014

	Notes	Stockland 31 December 2014 $M	Stockland 30 June 2014 $M	Stockland Trust Group 31 December 2014 $M	Stockland Trust Group 30 June 2014 $M
Current assets					
Cash and cash equivalents		**523**	231	**440**	131
Trade and other receivables		**84**	119	**29**	34
Inventories	(C1a)	**587**	570	–	–
Other financial assets	(D3)	**8**	508	**8**	7
Other assets		**80**	58	**66**	49
		1,282	1,486	**543**	221
Non-current assets held for sale	(C1d)	**24**	120	–	–
Total current assets		**1,306**	1,606	**543**	221
Non-current assets					
Trade and other receivables		**94**	77	**3,316**	3,709
Inventories	(C1a)	**1,821**	1,746	–	–
Investment properties – Commercial Property	(C1b)	**7,583**	7,489	**7,495**	7,412
Investment properties – Retirement Living	(C1c)	**2,960**	2,852	–	–
Investments accounted for using the equity method	(E1), (E2)	**757**	650	**716**	608
Other financial assets	(D3)	**292**	126	**292**	126
Property, plant and equipment		**104**	104	–	–
Deferred tax assets	(B3)	**38**	33	–	–
Intangible assets		**94**	94	–	–
Other assets		**117**	123	**122**	127
Total non-current assets		**13,860**	13,294	**11,941**	11,982
Total assets		**15,166**	14,900	**12,484**	12,203
Current liabilities					
Trade and other payables		**557**	554	**385**	372
Interest-bearing loans and borrowings	(D2)	**485**	356	**485**	356
Retirement Living resident obligations	(C1c)	**1,740**	1,666	–	–
Provisions		**280**	257	**28**	30
Other financial liabilities	(D3)	**46**	69	**46**	16
Other liabilities		**47**	51	**27**	34
Total current liabilities		**3,155**	2,953	**971**	808
Non-current liabilities					
Trade and other payables		**33**	53	–	–
Interest-bearing loans and borrowings	(D2)	**2,750**	2,762	**2,750**	2,762
Retirement Living resident obligations	(C1c)	**204**	199	–	–
Provisions		**133**	170	–	–
Other financial liabilities	(D3)	**336**	465	**336**	465
Total non-current liabilities		**3,456**	3,649	**3,086**	3,227
Total liabilities		**6,611**	6,602	**4,057**	4,035
Net assets		**8,555**	8,298	**8,427**	8,168
Securityholders'/unitholders' funds					
Issued capital	(D5)	**8,507**	8,420	**7,202**	7,116
Reserves		**63**	73	**62**	26
Retained earnings/undistributed income		**(15)**	(195)	**1,163**	1,026
Total Securityholders'/unitholders' funds		**8,555**	**8,298**	**8,427**	**8,168**

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

Consolidated Statements of Changes in Equity

Half year ended 31 December 2014

Attributable to securityholders of Stockland

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Fair value reserve $M	Foreign currency translation reserve $M	Retained earnings $M	Total equity $M
Balance as at 1 July 2014		**8,420**	**25**	**2**	**51**	**(5)**	**(195)**	**8,298**
Profit for the period		–	–	–	–	–	**462**	**462**
Other comprehensive income, net of tax		–	–	**34**	**(51)**	**5**	–	**(12)**
Total comprehensive income		**–**	**–**	**34**	**(51)**	**5**	**462**	**450**
Securities issued under Distribution/Dividend Reinvestment Plan		**86**	–	–	–	–	–	**86**
Acquisition of treasury securities		**(2)**	–	–	–	–	–	**(2)**
Dividends and distributions	(D6)	–	–	–	–	–	**(282)**	**(282)**
Expense relating to rights and securities granted under securities plans, net of tax		–	**5**	–	–	–	–	**5**
Securities vested under share plans		**3**	**(3)**	–	–	–	–	–
Total of other movements through reserves		**87**	**2**	**–**	**–**	**–**	**(282)**	**(193)**
Balance as at 31 December 2014		**8,507**	**27**	**36**	**–**	**–**	**(15)**	**8,555**
Balance as at 1 July 2013		**8,348**	**19**	**12**	**–**	**(17)**	**(167)**	**8,195**
Profit for the period		–	–	–	–	–	298	298
Other comprehensive income, net of tax		–	–	3	–	10	–	13
Total comprehensive income		**–**	**–**	**3**	**–**	**10**	**298**	**311**
Acquisition of treasury securities		(1)	–	–	–	–	–	(1)
Dividends and distributions	(D6)	–	–	–	–	–	(277)	(277)
Expense relating to rights and securities granted under securities plans, net of tax		–	4	–	–	–	–	4
Total of other movements through reserves		**(1)**	**4**	**–**	**–**	**–**	**(277)**	**(274)**
Balance as at 31 December 2013		**8,347**	**23**	**15**	**–**	**(7)**	**(146)**	**8,232**

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

Consolidated Statements of Changes in Equity

Half year ended 31 December 2014

Attributable to unitholders of the Stockland Trust Group

	Notes	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2014		**7,116**	**24**	**2**	**1,026**	**8,168**
Profit for the period		–	–	–	**419**	**419**
Other comprehensive income		–	–	**34**	–	**34**
Total comprehensive income		**–**	**–**	**34**	**419**	**453**
Securities issued under Distribution/ Dividend Reinvestment Plan		**85**	–	–	–	**85**
Acquisition of treasury securities		**(2)**	–	–	–	**(2)**
Distributions	(D6)	–	–	–	**(282)**	**(282)**
Expense relating to rights and securities granted under securities plans, net of tax		–	**5**	–	–	**5**
Securities vested under share plans		**3**	**(3)**	–	–	–
Total of other movements through reserves		**86**	**2**	–	**(282)**	**(194)**
Balance as at 31 December 2014		**7,202**	**26**	**36**	**1,163**	**8,427**
Balance as at 1 July 2013		**7,554**	**17**	**12**	**940**	**8,523**
Profit for the period		–	–	–	338	338
Other comprehensive income		–	–	3	–	3
Total comprehensive income		–	–	**3**	**338**	**341**
Reduction and transfer of capital to Stockland Corporation Limited		(507)	–	–	–	(507)
Expense relating to rights and securities granted under securities plans, net of tax		–	3	–	–	3
Acquisition of treasury securities		(1)	–	–	–	(1)
Distributions	(D6)	–	–	–	(277)	(277)
Total of other movements through reserves		**(508)**	**3**	**–**	**(277)**	**(782)**
Balance as at 31 December 2013		**7,046**	**20**	**15**	**1,001**	**8,082**

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

Consolidated Cash Flow Statements

Half year ended 31 December 2014

Half year ended 31 December	Notes	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**1,031**	922	**388**	387
Cash payments in the course of operations (including GST)		**(769)**	(520)	**(171)**	(160)
Payments for land		**(110)**	(94)	–	–
Distributions received from associates and joint venture entities		**17**	16	**15**	15
Receipts from Retirement Living residents		**135**	139	–	–
Payments to Retirement Living residents, net of DMF		**(74)**	(66)	–	–
Interest received		**3**	3	**152**	173
Interest paid		**(96)**	(97)	**(96)**	(97)
Net cash inflow from operating activities	(F3)	**137**	303	**288**	318
Cash flows from investing activities					
Proceeds from sale of investment properties		**301**	83	**233**	83
Payments for and development of investment properties:					
• Commercial Property		**(179)**	(211)	**(177)**	(209)
• Retirement Living		**(59)**	(42)	–	–
Payments for plant and equipment		**(4)**	(6)	–	–
Proceeds from sale/capital returns from investments		**506**	117	–	1
Payments for investments, including joint ventures and associates		**(63)**	(118)	**(63)**	–
Distributions received from other entities		**17**	1	–	–
Net cash inflow from investing activities		**519**	(176)	**(7)**	(125)
Cash flows from financing activities					
Reallocation of capital		–	–	–	(507)
Payment for securities/units under employee securities plans		**(2)**	(1)	**(2)**	(1)
Proceeds from borrowings		**2,078**	1,065	**2,078**	1,065
Repayment of borrowings		**(2,201)**	(684)	**(2,201)**	(684)
Loans to related entities		–	–	**392**	432
Payments for termination and restructuring of derivatives	(D1)	**(45)**	(257)	**(45)**	(258)
Dividends and distributions paid (excluding DRP)		**(194)**	(276)	**(194)**	(276)
Net cash utilised in financing activities		**(364)**	(153)	**28**	(229)
Net increase/(decrease) in cash and cash equivalents		**292**	(26)	**309**	(36)
Cash and cash equivalents at the beginning of the year		**231**	227	**131**	138
Cash and cash equivalents at the end of the year		**523**	201	**440**	102

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

Consolidated Notes

Half Year ended 31 December 2014

(A) Basis of preparation

In this section

This section sets out accounting conventions and accounting policies used in preparing the interim financial statements.

The accounting policies applied by Stockland and the Stockland Trust Group in the interim financial statements are the same as those applied in the annual financial statements as at and for the year ended 30 June 2014.

Stockland represents the combination or stapling of Stockland Corporation Limited ("the Company") and its controlled entities ("the Stockland Corporation Group") and Stockland Trust ("the Trust") and its controlled entities ("the Stockland Trust Group"). Both the Company and the Trust (collectively referred to as "Stockland" or "the Group") are for profit entities that were incorporated and formed in Australia respectively, and are both 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 Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company 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 Company or the Trust or either entity terminating the stapling arrangement.

(i) Statement of compliance

The interim financial statements have been prepared in accordance with *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of Stockland as at and for the year ended 30 June 2014.

(ii) Basis of preparation

As permitted by Class Order 13/1050, issued by the Australian Securities and Investments Commission ("ASIC"), these financial statements are combined financial statements that present the financial statements and accompanying notes of both Stockland and the Stockland Trust Group.

The financial statements are presented in Australian dollars, which is the Company's and Trust's functional currency and the functional currency of the majority of Stockland and the Stockland Trust Group.

The financial statements have been prepared on a going concern basis, using historical cost conventions except for:

- investment properties, derivative financial instruments, and certain financial assets and liabilities which are stated at their fair value; 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.

In accordance with ASIC Class Order 98/100, amounts in the interim financial statements have been rounded to the nearest million dollars, unless otherwise stated.

Stockland and the Stockland Trust Group net current asset deficiency position

Stockland and the Stockland Trust Group have a net current asset deficiency at 31 December 2014.

Based on the profits and net operating cash inflows in the period and forecast for the next 12 months, Stockland and the Stockland Trust Group will be able to pay their debts as and when they become due and payable. Undrawn bank facilities of $920 million (refer to Note (D2c)) are also available should they need to be drawn down.

The deficiency in the Stockland Trust Group primarily arises due to the requirement under Accounting Standards to classify the "at call" intercompany loan receivable from the Company or Stockland Corporation Group as a non-current asset. In relation to Stockland, a number of liabilities are classified as current under Accounting Standards that are not expected to actually result in net cash outflows within the next 12 months (in particular Retirement Living resident obligations). Similarly, some assets held as non-current will generate cash income in the next 12 months (including Retirement Living DMF, development work in progress and vacant stock).

In addition, current inventory (predominantly Residential finished goods) is held on the balance sheet at the lower of cost and net realisable value, whereas this is expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (December 2014: $1,719 million; June 2014: $1,635 million), in the short term 8% of residents are estimated to leave each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units the resident obligations will be repaid from receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the offsetting Retirement Living assets are classified as non-current under Accounting Standards as the majority are not expected to be realised within 12 months.

(iii) Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 30 June 2014.

(iv) New and amended Accounting Standards

The accounting policies applied in these interim financial statements are the same as those applied in the Group's financial statements as at and for the year ended 30 June 2014.

There have been no new or revised accounting standards or interpretations which are effective from the periods beginning on or after 1 July 2014 that impact the interim financial results.

(B) Results for the half year

In this section

This section focuses on the results and performance of Stockland and the Stockland Trust Group. On the following pages you will find disclosures explaining the Group's results for the period, segmental information and earnings per security.

(B1) Revenue

Revenue recognised during the half year is set out below:

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2014 $M**	**2013 $M**	**2014 $M**	**2013 $M**
Property development sales	**600**	475	**–**	–
Rent from investment properties	**347**	340	**343**	341
Deferred Management Fees from Retirement Living	**36**	36	**–**	–
Dividend and distribution income	**3**	1	**–**	1
Other revenue	**13**	33	**8**	8
Total revenue	**999**	**885**	**351**	**350**

Rent from investment properties includes $3 million (December 2013: $6 million) contingent rent billed to tenants. Contingent rent represents 1% of gross lease income.

(B2) Operating segments

Keeping it simple . . .

This section shows a reconciliation from underlying profit to the Group's statutory profit. Underlying profit remains the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group.

Both underlying profit and segment operating profit are presented on a proportionate consolidation basis, whereby earnings from equity accounted investments are grossed up and included in segment EBIT based on Stockland's proportionate ownership interest.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Managing Director and the Executive Committee, whom are the chief operating decision makers ("CODMs").

Stockland has four reportable segments, as listed below:

- Residential – delivers a range of master planned and mixed use residential communities in growth areas;
- Retirement Living – designs, develops and manages communities for retirees;
- Commercial Property – invests in, develops and manages retail, office and logistics & business park properties;
- Other – includes the results from the remaining assets in the UK, the former apartments business, the aged care business, dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

The Stockland Trust Group has one reportable segment in which it operates, being Commercial Property, therefore no separate segment note has been prepared.

Operating Segment Results

Stockland

31 December 2014	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Consolidated $M
External segment revenue	557	27[2]	352	54	990
Total segment revenue	**557**	**27**	**352**	**54**	**990**
Segment EBIT	128	19	255	4	406
Interest expense in cost of sales	(61)	(3)	–	(1)	(65)
Share of interest expense in joint ventures	–	–	(2)	–	(2)
Segment operating profit[1]	**67**	**16**	**253**	**3**	**339**
Interest income					4
Net borrowing costs					(38)
Unallocated corporate other expenses					(24)
Underlying profit before tax benefit					**281**
Income tax benefit on underlying profit					9
Underlying profit after tax benefit					**290**
1 Included within segment operating profits:					
Share of profits of equity-accounted investments (excluding fair value gains/(losses))	1	–	23	–	24
Total share of equity-accounted investments	1	–	60	–	61
Straight line rent adjustments	–	–	4	–	4
Amortisation of lease incentives	–	–	(30)	–	(30)

31 December 2013	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Consolidated $M
External segment revenue	443	27[2]	347	59	876
Total segment revenue	**443**	**27**	**347**	**59**	**876**
Segment EBIT	120	18	249	7	394
Interest expense in cost of sales	(81)	(3)	–	(4)	(88)
Share of interest expense in joint ventures	–	–	(2)	–	(2)
Segment operating profit[1]	**39**	**15**	**247**	**3**	**304**
Interest income					3
Net borrowing costs					(39)
Unallocated corporate other expenses					(22)
Underlying profit before tax benefit					**246**
Income tax benefit on underlying profit					21
Underlying profit after tax benefit					**267**
1 Included within segment operating profit:					
Share of profits of equity-accounted investments (excluding fair value gains/(losses))	–	–	17	–	17
Total share of equity-accounted investments	–	–	17	–	17
Straight line rent adjustments	–	–	4	–	4
Amortisation of lease incentives	–	–	(27)	–	(27)

2 $9 million (December 2013: $9 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of underlying profit to statutory profit on the following page.

Reconciliation of Underlying Profit to Statutory Profit

Underlying Profit is determined following the principles of Australian Institute of Company Directors ('AICD') and the Financial Services Institute of Australasia ('Finsia') for reporting underlying profit having regard to the guidance from ASIC's RG 230 Disclosing Non-IFRS Financial Information. These principles include providing a clear reconciliation between statutory profit and underlying profit in the Directors' Report and financial statements, including both positive and negative adjustments and taking into consideration property industry practices. The Group has reported consistently on this basis for more than six years to help investors understand the performance of the business.

Underlying Profit is a non-IFRS measure that is designed to present, in the opinion of the CODM, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying Profit is the basis on which distributions and dividends are determined and reflects the way the business is managed and how the CODM assess the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities.

Underlying Profit excludes items such as unrealised fair value gains/losses (such as revaluing derivatives, financial instruments and investment properties) and unrealised provision gains/(losses). These items are required to be included in Statutory Profit in accordance with Accounting Standards.

Stockland

Half year ended 31 December	2014 Under-lying profit $M	2014 Statutory profit adjustments $M	2014 Statutory profit $M	2013 Under-lying profit $M	2013 Statutory profit adjustments $M	2013 Statutory profit $M
Revenue	**990**	**9**[A]	**999**	876	9	885
Cost of property developments sold:						
• Land and development	**(499)**	**–**	**(499)**	(421)	–	(421)
• Capitalised interest	**(62)**	**–**	**(62)**	(85)	–	(85)
• Utilisation of provision for write-down of inventories	**88**	**–**	**88**	120	–	120
Investment property expenses	**(115)**	**–**	**(115)**	(115)	–	(115)
Share of profits of equity-accounted investments	**24**	**37**[B]	**61**	17	–	17
Management, administration, marketing and selling expenses	**(119)**	**–**	**(119)**	(118)	–	(118)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**133**[C]	**133**	–	44	44
• Retirement Living	**8**	**47**[D]	**55**	7	(13)	(6)
Net change in fair value of existing Retirement Living resident obligations	**–**	**(41)**[E]	**(41)**	–	8	8
Net gain on sale of other financial assets	**–**	**73**[F]	**73**	–	32	32
Net loss on sale of other non-current assets	**–**	**(2)**[G]	**(2)**	–	(5)	(5)
Finance income	**4**	**1**[H]	**5**	4	–	4
Finance expense	**(38)**	**(55)**[H]	**(93)**	(39)	(4)	(43)
Profit before income tax benefit	**281**	**202**	**483**	**246**	**71**	**317**
Income tax benefit/(expense)	**9**	**(30)**	**(21)**	**21**	**(40)**	**(19)**
Profit for the year attributable to securityholders	**290**	**172**	**462**	**267**	**31**	**298**

Adjustments

A DMF base fees earned, unrealised (refer Note B2 on page 29 – Additional information on the Retirement Living segment result)
B Share of net change in fair value of investment properties in joint ventures and associates
C Net change in fair value of investment properties – Commercial Property (refer Note C1b)
D Net change in fair value of investment properties – Retirement Living (refer Note C1c)
E Net change in fair value of existing Retirement Living resident obligations (refer Note C1c)
F Net gain on sale of other financial assets (refer Note D3). For the half year ended 31 December 2014, the gain comprises of the realised profit on the sale of securities in Australand, net of transaction costs. For the half year ended 31 December 2013, the gain comprises of the realised profit on the sale of securities in AVEO Group (formerly FKP Property Group).
G Net realised loss on sale of other non-current assets
H Net gain/(loss) from fair value of financial instruments and foreign exchange movements (refer Note D1)

Stockland Trust Group

Half year ended 31 December	2014 Underlying profit $M	2014 Statutory profit adjustments $M	2014 Statutory profit $M	2013 Underlying profit $M	2013 Statutory profit adjustments $M	2013 Statutory profit $M
Revenue	**351**	–	**351**	350	–	350
Investment property expenses	**(111)**	–	**(111)**	(110)	–	(110)
Share of profits of equity-accounted investments	**22**	**37**[A]	**59**	16	–	16
Management, administration, marketing and selling expenses	**(11)**	**–**	**(11)**	(19)	–	(19)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**134**[B]	**134**	–	34	34
Net gain on sale of other financial assets	**–**	**–**	**–**	**–**	1	1
Net loss on sale of other non-current assets	**–**	**(2)**[C]	**(2)**	–	(5)	(5)
Finance income	**152**	**–**	**152**	173	–	173
Finance expense	**(96)**	**(57)**[D]	**(153)**	(97)	(5)	(102)
Profit before income tax benefit	**307**	**112**	**419**	**313**	**25**	**338**
Income tax benefit/(expense)	**–**	**–**	**–**	**–**	**–**	**–**
Profit for the year attributable to securityholders	**307**	**112**	**419**	**313**	**25**	**338**

Adjustments

A Share of net change in fair value of investment properties in joint ventures and associates
B Net change in fair value of investment properties – Commercial Property (refer note C1b)
C Net realised loss on sale of other non-current assets
D Fair value of adjustments of financial instruments and foreign exchange movements (refer Note D1)

Operating Segments Net Assets

Stockland

31 December 2014	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	523	**523**
Real estate related assets[1,2]	2,421	2,983	8,522	12	41	**13,979**
Intangibles	–	94	–	–	–	**94**
Other financial assets	–	–	–	–	300	**300**
Other assets	94	11	77	5	83	**270**
Total assets	**2,515**	**3,088**	**8,599**	**17**	**947**	**15,166**
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,235	**3,235**
Retirement Living resident obligations	–	1,944	–	–	–	**1,944**
Other financial liabilities	–	–	–	–	382	**382**
Other liabilities	479	23	129	17	402	**1,050**
Total liabilities	**479**	**1,967**	**129**	**17**	**4,019**	**6,611**
Net assets/(liabilities)	**2,036**	**1,121**	**8,470**	**–**	**(3,072)**	**8,555**
1 Investments accounted for using the equity method	24	–	733	–	–	757
Other items						
Acquisition of investment properties	–	–	–	–	–	–

30 June 2014	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	231	231
Real estate related assets[1,2]	2,325	2,860	8,321	127	42	13,675
Intangibles	–	94	–	–	–	94
Other financial assets	–	–	–	–	634	634
Other assets	166	2	71	2	25	266
Total assets	**2,491**	**2,956**	**8,392**	**129**	**932**	**14,900**
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,118	3,118
Retirement Living resident obligations	–	1,865	–	–	–	1,865
Other financial liabilities	–	–	–	–	534	534
Other liabilities	528	17	296	63	181	1,085
Total liabilities	**528**	**1,882**	**296**	**63**	**3,833**	**6,602**
Net assets/(liabilities)	**1,963**	**1,074**	**8,096**	**66**	**(2,901)**	**8,298**
1 Investments accounted for using the equity method	25	–	625	–	–	650
Other items						
Acquisition of investment properties	–	–	224	–	–	224

2 Includes non-current assets held for sale, inventory, investment properties, investments accounted for using the equity method and certain other assets.

Additional information on the Retirement Living segment result

Keeping it simple . . .

Accounting for Retirement Living assets is not straight forward and therefore we have included a section specifically in relation to it.

Retirement Living residents generally lend Stockland an amount equivalent to the value of their unit in exchange for a lease to live in their unit and access to community facilities. This loan is recorded as a resident obligation liability.

During the resident's tenure, Stockland earns Deferred Management Fees ("DMF") which are calculated based on the individual resident contract ("DMF contract"). There are various contractual arrangements, however a typical contract will provide for DMF to be earned over a fixed period, plus provide a share of any net capital gain when the unit is re-leased to the next resident. The DMF, on an individual unit covers the resident's share of up-front capital costs of building the common infrastructure of the village, which includes amenities such as a pool, bowling green and community hall, and allow the resident to pay for these at the end of their tenancy, instead of the start. The DMF revenue is included in the Retirement Living segment results when Stockland receives the accumulated DMF in cash when a resident leaves and a new resident enters the unit.

The Retirement Living segment result also includes the development margin realised on settlement of newly developed units. This settled development margin represents the unit price realised on first lease *less* the cost of development.

Reconciliation of Retirement Living statutory profit to segment results

	2014			2013		
Half year ended 31 December	**Under-lying profit $M**	**Statutory profit adjustments $M**	**Statutory profit $M**	**Under-lying profit $M**	**Statutory profit adjustments $M**	**Statutory profit $M**
Total realised revenue	**27**	**–**	**27**	27	–	27
DMF base fees earned, unrealised	**–**	**9**[A]	**9**	–	9	9
Revenue	**27**	**9**	**36**	27	9	36
Net change in fair value of investment properties:						
• settled development margin	**8**	**–**	**8**	7	–	7
• operating villages and villages under development	**–**	**47**[B]	**47**	–	(13)	(13)
Total net change in fair value of investment properties	**8**	**47**	**55**	7	(13)	(6)
Existing Retirement Living resident obligations fair value movement	**–**	**(41)**[C]	**(41)**	–	8	8
Investment property expenses	**(3)**	**–**	**(3)**	(3)	–	(3)
Management, administration, marketing and selling expenses	**(16)**	**–**	**(16)**	(16)	–	(16)
Retirement Living profit	**16**	**15**	**31**	15	4	19

Adjustments

A DMF base fees unrealised - DMF base fees earned represent the DMF income earned on the entry price of the unit, recognised annually as Stockland becomes contractually entitled to that DMF income on entry price contracts

B Net change in fair value of investment properties – Retirement Living operating villages and villages under development (refer Note C1c)

C Retirement Living resident obligations fair value movement (refer Note C1c)

(B3) Taxation

Recoverability of deferred tax assets ("DTA")

An assessment of the recoverability of the net DTA has been made to assess if the carrying value should be reduced with reference to the latest available profit forecasts, so as to determine the availability of suitable taxable profits. The assessment for the period has determined that the net DTA of $38 million for the current period (June 2014: $33 million) is currently considered to be recoverable with sufficient certainty and accordingly has been recognised.

The Group has $173 million (June 2014: $173 million) of unrecognised deferred tax assets. This balance consists of $128 million (June 2014: $128 million) Australian income tax losses, $15 million (June 2014: $15 million) Australian capital losses; $10 million (June 2014: $10 million) of UK capital losses and $20 million (June 2014: $20 million) of UK trading losses.

At each reporting period, the recoverability of the net DTA will be reassessed. This may lead to the partial or full recognition of this unrecognised tax benefit in future reporting periods.

(B4) Earnings per security/unit

Keeping it simple . . .

Earnings per security ("EPS") is the amount of post-tax profit attributable to each security.

Basic EPS is calculated on Stockland's and the Stockland Trust Group's statutory profit for the half year attributable to equity securityholders of $462 million (December 2013: $298 million) divided by 2,338,801,489 (December 2013: 2,304,299,817) being the weighted average number of securities outstanding.

Diluted EPS reflects Stockland's and the Stockland Trust Group's statutory profit for the half year attributable to equity securityholders divided by the weighted average number of securities outstanding after adjustment for the effects of all dilutive potential ordinary securities.

Basic underlying earnings per security are disclosed in the Directors' Report on page 7.

The calculation of basic earnings per security has been based on the following profit attributable to ordinary securityholders and weighted-average number of ordinary securities outstanding.

Half year ended 31 December	Stockland		Stockland Trust Group	
	2014 cents	2013 cents	2014 cents	2013 cents
Basic and diluted earnings per security/unit				
Basic earnings per security/unit	**19.8**	12.9	**17.9**	14.7
Diluted earnings per security/unit	**19.7**	12.9	**17.8**	14.6

Reconciliations of earnings used in calculating earnings per security/unit

Half year ended 31 December	Stockland		Stockland Trust Group	
	2014 $M	2013 $M	2014 $M	2013 $M
Basic and diluted earnings				
Profit attributable to securityholders/unitholders	**462**	298	**419**	338

Weighted average number of securities/units used as the denominator

	Stockland and the Stockland Trust Group	
	31 December 2014 No.	31 December 2013 No.
Weighted average number of securities/units (basic)		
Weighted average number of securities/units	**2,338,801,489**	2,304,299,817
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic)	**2,338,801,489**	2,304,299,817
Effect of rights and securities/units granted under securities plans	**4,851,168**	4,871,171
Weighted average number of securities/units (diluted)	**2,343,652,657**	**2,309,170,988**

Rights and securities/units granted under employee security plans are only included in diluted earnings per security/unit where Stockland are meeting performance hurdles for contingently issuable securities based payment rights.

(C) Operating assets and liabilities

In this section

This section focuses on the real estate assets used to generate Stockland's and the Stockland Trust Group's trading performance.

(C1) Real Estate assets and liabilities

(C1a) Inventories

Estimates of net realisable value ("NRV") of inventories

Properties held for development and resale are stated at the lower of cost and net realisable value.

The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and cost to sell. NRV is based on the most reliable evidence available at the time of the amount the inventories are expected to realise (using estimates such as revenue escalations) and the estimate of total costs (including costs to complete). These estimates take into consideration events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Consistent with previous periods, key estimates have been reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, no net movement in impairment provisions has been recognised in the profit or loss for the half-year ended 31 December 2014 (December 2013: $nil).

	31 December 2014			30 June 2014		
	Current $M	Non-current $M	Total $M	Current $M	Non-current $M	Total $M
Finished development stock held for sale[1]						
• cost of acquisition	**47**	**–**	**47**	73	–	73
• development and other costs	**152**	**–**	**152**	165	–	165
• interest capitalised	**31**	**–**	**31**	43	–	43
• impairment provision	**(7)**	**–**	**(7)**	(36)	–	(36)
Total finished stock held for sale	**223**	**–**	**223**	245	–	245
Development work in progress						
Residential communities under development						
• cost of acquisition	**296**	**1,163**	**1,459**	245	1,223	1,468
• development and other costs	**154**	**423**	**577**	195	288	483
• interest capitalised	**96**	**331**	**427**	102	325	427
• impairment provision	**(187)**	**(141)**	**(328)**	(218)	(136)	(354)
Total residential communities under development	**359**	**1,776**	**2,135**	324	1,700	2,024
Apartments						
• cost of acquisition	**14**	**–**	**14**	14	–	14
• development and other costs	**18**	**–**	**18**	18	–	18
• interest capitalised	**5**	**–**	**5**	5	–	5
• impairment provision	**(33)**	**–**	**(33)**	(36)	–	(36)
Total apartments	**4**	**–**	**4**	1	–	1
Logistics & business parks projects						
• cost of acquisition	**9**	**30**	**39**	–	29	29
• development and other costs	**11**	**16**	**27**	–	16	16
• interest capitalised	**7**	**8**	**15**	–	7	7
• impairment provision	**(26)**	**(9)**	**(35)**	–	(6)	(6)
Total logistics & business parks projects	**1**	**45**	**46**	–	46	46
Total inventory	**587**	**1,821**	**2,408**	570	1,746	2,316

1 Included within current finished development stock held for sale are apartments of $8 million (June 2014: $15 million) and logistics & business parks of $15 million (June 2014: $17 million).

The following impairment provisions are included in the inventory balance with movements for the half year recognised in the profit or loss:

	Residential Communities $M	Apartments $M	Logistics & business parks $M	Total $M
Balance as at 1 July 2014	386	40	6	432
Transfers[2]	(29)	–	29	–
Amounts utilised	(26)	(3)	–	(29)[1]
Balance as at 31 December 2014	**331**	**37**	**35**	**403**

1 The Consolidated Statements of Profit or Loss include an additional $59 million in provisions utilised relating to UK assets that were transferred to Assets Held for Sale at 30 June 2014 (refer Note (C1d)).
2 In the current period, $30 million of project costs and $29 million of impairment provisions were transferred from residential communities under development to logistics and business park projects, in line with the highest and best use of the asset.

(C1b) Commercial properties

Commercial 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.

During the half year, Stockland acquired a 50% indirect investment in Stockland Bundaberg and sold a direct 50% investment in Stockland Townsville. Refer to Note E – *Group structure* for further information on these transactions.

Commercial properties including Stockland's share of property held by joint ventures and associates

	Stockland		Stockland Trust Group	
	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Retail	**5,618**	5,483	**5,592**	5,457
Office	**1,080**	1,043	**1,082**	1,045
Logistics & Business Parks	**1,594**	1,572	**1,592**	1,570
Capital works in progress and sundry properties	**342**	341	**225**	233
Book value of commercial properties	**8,634**	8,439	**8,491**	8,305
Less amounts classified as:				
• Property, plant and equipment	**(45)**	(45)	–	–
• Non-current assets held for sale	–	–	–	–
• Other assets (including lease incentives and lease fees)	**(157)**	(158)	**(164)**	(165)
• Other assets (including lease incentives and lease fees) attributable to equity-accounted investments	**(23)**	(22)	**(22)**	(21)
• Other receivables (straight-lining of operating lease rental income)	**(49)**	(49)	**(54)**	(52)
• Other receivables (straight-lining of operating lease rental income) attributable to equity-accounted investments	**(18)**	(18)	**(18)**	(18)
Total investment properties (including share of investment property held by associates and joint ventures)	**8,342**	8,147	**8,233**	8,049
Less: Stockland's share of investment properties held by associates and joint venture entities	**(759)**	(658)	**(738)**	(637)
Carrying value of investment properties	**7,583**	7,489	**7,495**	7,412
Investment property reconciliation				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial period	**7,489**	6,991	**7,412**	6,988
Acquisitions	–	224	–	216
Disposals	**(235)**	(177)	**(235)**	(177)
Expenditure capitalised	**196**	306	**184**	303
Transfers from property, plant and equipment[1]	–	52	–	–
Net gain from fair value adjustment of investment properties	**133**	93	**134**	82
Carrying amount at the end of the financial year	**7,583**	7,489	**7,495**	7,412

1 In the period ending 30 June 2014, 50% of Piccadilly Complex was disposed, resulting in transfer of 50% of the owner occupied property, plant & equipment to investment property.

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[5] %	Book value 31 December 2014 $M	Book value 30 June 2014 $M
Retail					
Directly owned					
Stockland Shellharbour, Shellharbour NSW	Dec 2013	680	6.00	**684**	683
Stockland Merrylands, Merrylands NSW	Dec 2014	506	6.00	**506**	475
Stockland Wetherill Park, Western Sydney NSW	Dec 2011	358	6.75	**387**	372
Stockland Rockhampton, Rockhampton QLD	Dec 2012	365	6.50	**368**	367
Stockland Green Hills, East Maitland NSW	Jun 2014	308	6.50	**308**	308
Stockland Glendale, Newcastle NSW	Jun 2014	270	6.50	**272**	270
Stockland Townsville, Townsville QLD (Dec 2014: 50%; June 2014: 100%)[1,2]	Dec 2013	432	6.25-7.25	**222**	432
Stockland Cairns, Cairns QLD	Jun 2013	217	6.75	**223**	221
Stockland Point Cook, Point Cook VIC	Dec 2013	184	7.25	**185**	185
Stockland Burleigh Heads, Burleigh Heads QLD	Dec 2014	180	7.00-8.25	**180**	170
Stockland Hervey Bay, Hervey Bay QLD	Jun 2012	64	7.50	**164**	66
Stockland The Pines, Doncaster East VIC	Dec 2014	156	7.00	**156**	140
Stockland Forster, Forster NSW	Jun 2014	149	7.00	**149**	149
Stockland Gladstone, Gladstone QLD	Dec 2014	148	7.00	**148**	137
Stockland Wendouree, Wendouree VIC	Dec 2014	136	7.00	**136**	129
Stockland Jesmond, Newcastle NSW	Jun 2014	127	7.50	**131**	127
Stockland Balgowlah, Balgowlah NSW	Dec 2014	126	6.75	**126**	116
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2014	117	7.25	**117**	117
Stockland Caloundra, Caloundra QLD	Dec 2014	117	7.00	**117**	111
Stockland Nowra, Nowra NSW	Dec 2014	100	7.00	**100**	90
Stockland Bull Creek, Bull Creek WA	Dec 2014	100	6.75	**100**	93
Stockland Traralgon, Traralgon VIC	Dec 2014	98	7.00	**98**	87
Stockland Cleveland, Cleveland QLD	Dec 2014	94	7.00	**94**	89
Stockland Bathurst, Bathurst NSW	Dec 2014	89	7.25	**89**	81
Stockland Corrimal, Corrimal NSW	Dec 2014	70	7.25	**70**	63
Stockland Wallsend, Wallsend NSW	Jun 2014	58	8.00	**59**	58
Stockland Baldivis, Baldivis WA	Jun 2011	45	7.50	**55**	46
Stockland Tooronga, Tooronga VIC	Dec 2014	53	6.75	**53**	51
Shellharbour Retail Park, Shellharbour NSW	Dec 2014	52	7.75	**52**	50
Stockland Cammeray, Cammeray NSW	Dec 2014	37	6.75	**37**	33
Stockland Highlands, Craigieburn VIC[3]	Jun 2014	26	7.75	**27**	26
North Shore Townsville, Townsville QLD	Dec 2013	21	7.50	**20**	21
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)[1]	Dec 2013	16	8.75	**16**	16
Woolworths Toowong, Toowong QLD[4]	Jun 2013	14	n/a	**14**	14
Stockland Vincentia Shopping Centre, Vincentia NSW	Dec 2014	13	8.00	**13**	12
Stockland Merrylands Court, Merrylands NSW	Dec 2014	10	7.50	**10**	9
Hervey Bay Central Square, Hervey Bay QLD	Aug 2012	5	9.00	**6**	6
Stockland Townsville Kingsvale Sunvale, QLD (Dec 2014: 50%; June 2014: 100%)[1,2]	Dec 2012	5	n/a	**3**	6
Owned through associates and joint ventures					
Stockland Riverton, Riverton WA (50%)	Dec 2014	64	6.75	**64**	61
Stockland Bundaberg, QLD (50%)[6]	–	–	–	**63**	–
Total Retail[7]				**5,618**	**5,483**

1 Stockland's share of this property is held through a direct interest in the asset.
2 Valuation based on 100% ownership.
3 This property is not held by Stockland Trust.
4 This property is valued as land.
5 A range of cap rates are disclosed for a complex comprising of a number of properties.
6 Stockland Bundaberg, QLD was acquired on 10 October 2014. The value adopted above is as a result of a Directors' valuation adopted as at 31 December 2014.
7 Totals may not add due to rounding.

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[4] %	Book value 31 December 2014 $M	Book value 30 June 2014 $M
Office					
Directly owned					
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[1, 2, 3]	Dec 2014	206	6.63-7.75	**206**	195
Durack Centre, 263 Adelaide Terrace, Perth WA[3]	Jun 2014	157	8.25-8.75	**158**	157
601 Pacific Highway, St Leonards NSW	Jun 2014	80	8.25	**80**	80
77 Pacific Highway, North Sydney NSW	Jun 2014	56	8.25	**56**	56
40 Cameron Avenue, Belconnen ACT[3]	Jun 2014	43	10.50	**43**	43
Garden Square, Mt Gravatt QLD	Jun 2014	37	9.25	**37**	36
110 Walker Street, North Sydney NSW	Jun 2014	27	8.25	**27**	27
80-88 Jephson Street, Toowong QLD	Jun 2013	19	9.00	**19**	19
23 High St, Toowong QLD	Jun 2013	4	8.25	**4**	4
27-29 High Street, Toowong QLD	Jun 2013	3	8.50	**3**	3
Owned through associates and joint ventures					
Waterfront Place, Eagle Street, Brisbane QLD (50%)	Jun 2014	288	6.75	**287**	287
135 King Street, Sydney NSW (50%)[2]	Dec 2014	162	5.75-6.50	**162**	135
Total Office[5]				**1,080**	1,043

1 Stockland's share of this property is held through a direct interest in the asset.
2 Book value includes the retail component of the property.
3 This property is a leasehold property.
4 A range of cap rates are disclosed for a complex comprising of a number of properties.
5 Totals may not add due to rounding.

Description	Independent valuation date	Independent valuation $M	Independent Cap rate[3] %	Book value 31 December 2014 $M	Book value 30 June 2014 $M
Logistics & Business Parks					
Directly owned					
Yennora Distribution Centre, Yennora NSW	Dec 2013	351	7.75	**368**	360
Triniti Business Campus, North Ryde NSW	Jun 2014	168	7.75	**167**	168
Port Adelaide Distribution Centre, Port Adelaide SA	Jun 2013	82	10.00	**85**	85
Hendra Distribution Centre, Brisbane QLD	Dec 2012	82	9.25	**84**	84
Brooklyn Estate, Brooklyn VIC	Dec 2012	80	9.25	**82**	83
Forrester Distribution Centre, St Marys NSW	Dec 2014	77	7.75	**77**	78
Ingleburn Distribution Centre, Ingleburn, NSW[1]	–	–	–	**77**	77
60-66 Waterloo Road, Macquarie Park NSW	Jun 2014	73	7.50-7.75	**75**	73
Balcatta Distribution Centre, Balcatta WA[1]	–	–	–	**57**	57
9-11a Ferndell Street, Granville NSW	Dec 2014	46	8.50-9.75	**46**	45
16 Giffnock Avenue, Macquarie Park NSW	Jun 2014	37	8.75	**36**	37
Macquarie Technology Centre, Macquarie Park NSW	Jun 2014	33	8.25-9.00	**33**	34
1090-1124 Centre Road, Oakleigh VIC	Dec 2012	32	9.25	**32**	32
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Jun 2014	32	8.75	**32**	32
Altona Distribution Centre, Altona VIC	Dec 2014	29	8.75	**29**	28
2 Davis Road, Wetherill Park NSW	Dec 2014	19	8.00	**19**	17
11-25 Toll Drive, Altona North VIC	Dec 2012	16	8.25	**16**	16
32-54 Toll Drive, Altona VIC	Dec 2012	15	8.25	**15**	15
56-60 Toll Drive, Altona North VIC	Jun 2013	15	8.25	**15**	15
Export Park, 9-13 Viola Place, Brisbane Airport QLD[2]	Jun 2013	12	9.75	**12**	12
76-82 Fillo Drive, Somerton VIC	Jun 2014	15	9.00	**15**	15
M1 Yatala Enterprise Park, Yatala QLD	Jun 2013	9	n/a	**10**	10
40 Scanlon Drive, Epping VIC	Dec 2014	9	8.00	**9**	8
Owned through associates and joint ventures					
Optus Centre, Macquarie Park NSW (51%)	Dec 2014	203	7.25	**203**	192
Total Logistics & Business Parks[4]				**1,594**	1,572

1 Ingleburn Distribution Centre, Ingleburn NSW; and Balcatta Distribution Centre, Balcatta WA were acquired on 20 June 2014 and 27 June 2014, respectively. The value adopted above is as a result of a Directors' valuation adopted as at 31 December 2014.
2 This property is a leasehold property.
3 A range of cap rates are disclosed for a complex comprising of a number of properties.
4 Totals may not add due to rounding.

Fair value measurement, valuation techniques and inputs

The fair value techniques used to fair value the Group's commercial properties have not changed since 30 June 2014. For further explanation of the techniques used and inputs applied, refer to the 2014 annual financial statements. There has not been a significant change to the range of inputs used to measure the fair value for commercial properties in the six months to 31 December 2014.

(C1c) Retirement Living

Retirement Living investment properties

Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. Retirement villages comprise independent living units, serviced apartments, community facilities and integral plant and equipment.

For further information on Retirement Living refer to Note B2 – Additional Information on the Retirement Living segment result.

Net Investment in Retirement Living

	Stockland	
	31 December 2014 $M	30 June 2014 $M
Stockland's net investment in Retirement Living		
Operating villages	**2,746**	2,639
Villages under development	**214**	213
Total Retirement Living investment properties	**2,960**	2,852
Existing resident obligations	**(1,912)**	(1,823)
Net carrying value of Retirement Living villages	**1,048**	1,029
Retirement Living net carrying value movement during the year		
Carrying amount at the beginning of the financial year	**1,029**	1,077
Transfers to assets held for sale	**(20)**	(1)
Expenditure capitalised	**60**	85
Realised fair value movements	**9**	18
Cash received on first sales	**(53)**	(103)
Change in fair value of investment properties	**18**	(50)
Other movements	**5**	3
Carrying amount at the end of the financial year	**1,048**	1,029
Current and non-current liabilities – Retirement Living resident obligations		
Current resident obligations		
Existing resident obligations	**1,719**	1,635
Former resident obligations	**21**	31
Total current resident obligations	**1,740**	1,666
Non-current resident obligations		
Existing resident obligations	**193**	188
Former resident obligations	**11**	11
Total non-current resident obligations	**204**	199
Total resident obligations		
Existing resident obligations	**1,912**	1,823
Former resident obligations	**32**	42
Total resident obligations	**1,944**	1,865

Fair value measurement, valuation techniques and inputs

The fair value techniques used to fair value the Group's Retirement Living investment properties (including villages under development) have not changed since 30 June 2014. Refer to the 2014 annual financial statements for further explanation of the valuation techniques used for investment properties.

The valuation technique to fair value resident obligations is calculated in the valuation model, as at the measurement date based on the initial loan amount paid by the resident adjusted for DMF and their share of capital gain or loss arising on the unit.

It is not possible to have the resident obligations valued externally, therefore these are valued every six months by the Directors as described in the 2014 annual financial statements.

Inputs
Both the investment properties and resident obligations are considered to be level 3 in the fair value hierarchy (fair value hierarchy is further explained in Note D4).

The following unobservable inputs are used to measure the fair value of the investment properties at 31 December 2014 and 30 June 2014:

Inputs Used to Measure Fair Value	Range of Unobservable Inputs
Discount rate	12.5% – 14.0% (Average: 12.8%) (2014: 12.5% – 14.0% (Average: 12.8%))
Average 20 year growth rate	3.8% (2014: 3.8%)
Average length of stay of existing and future residents	10.0 years (2014: 9.9 years)
Current market value of unit	$0.1 million - $1.2 million (2014: $0.1 million - $1.2 million)
Renovation/Reinstatement cost	$5k – $60k (2014: $5k – $60k)
Renovation recoupment	0% – 100% (2014: 0% – 100%)

Refer to the 2014 annual financial statements for further explanation of the inputs applied.

There are no additional inputs in relation to the resident obligations. The fair value of the obligations is based on contractual positions as at the measurement date.

Sensitivity
As the resident obligations are a financial liability, a quantitative sensitivity analysis as required by *AASB 13 Fair Value Measurement* has been disclosed. Sensitivity of the resident obligation to changes in the current market value is shown in the table below.

This is the only input that will significantly impact the fair value of the resident obligation since this impacts the amount of any capital gain that will be shared between Stockland and the resident upon exit.

		Impact on Resident Obligations	
Significant input	**Change in assumption**	**Increase in obligation $M**	**Decrease in obligation $M**
Current market value	10%	119	119

(C1d) Non-current assets held for sale
Certain Retirement Living village investment properties have been classified as held for sale at 31 December 2014. During the half year, villages valued at $20 million were transferred to held for sale. These villages were subsequently sold for their carrying value on 5 February 2015.

During the half year, Stockland completed the sale of its Aged Care business to Opal Aged Care. The Aged care business was written down to its sale value at 30 June 2014.

The remaining UK assets were sold during the half year. The UK assets were previously written down to their sale value.

	Stockland		Stockland Trust Group	
	31 December 2014 $M	**30 June 2014 $M**	**31 December 2014 $M**	**30 June 2014 $M**
Investment Properties transferred from Retirement Living	**24**	8	–	–
Property, plant & equipment – Aged Care	–	73	–	–
Inventory transferred from UK	–	39	–	–
Total	**24**	**120**	**–**	**–**

(D) Capital structure and financing costs

In this section

This section outlines how Stockland and the Stockland Trust Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets. The Directors consider Stockland's and the Stockland Trust Group's capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute strategy and to deliver its business plan. During the period Stockland's credit rating remained unchanged at A-/Stable, and the Directors continued to focus on improving the efficiency of the balance sheet.

On the following pages there are sections on the Group's net financing costs, borrowings and derivative financial instruments.

(D1) Net financing costs

Keeping it simple . . .

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial liabilities.

Mark-to-market movements reflect the change in value of our derivative instruments between the later of inception or 1 July 2014 and 31 December 2014. The value at period end is not necessarily the same as the value at which they will be settled at maturity.

Net financing costs can be analysed as follows:

Half year ended 31 December	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Interest income from related parties	**–**	–	**150**	171
Interest income from other parties	**4**	3	**2**	2
Net gain on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**–**	1	**–**	–
Net gain on foreign exchange transferred from the foreign currency translation reserve	**1**	–	**–**	–
Finance income	**5**	4	**152**	173
Interest expense relating to interest-bearing financial liabilities	**101**	97	**100**	97
Interest paid or payable on other financial liabilities at amortised cost	**7**	7	**–**	–
Less interest capitalised to inventories	**(62)**	(60)	**–**	–
Less interest capitalised to investment properties	**(8)**	(5)	**(4)**	(1)
Interest expense	**38**	39	**96**	96
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**6**	4	**6**	4
Net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**49**	–	**51**	2
Total fair value and foreign exchange movements on debt and derivatives	**55**	4	**57**	6
Finance expense	**93**	43	**153**	102

The interest expense relating to interest-bearing financial liabilities includes $56 million (December 2013: $54 million) related to interest on financial liabilities at amortised cost.

The net loss from hedged items and financial instruments treated as fair value hedges of $6 million (December 2013: $4 million) comprise:

- a gain arising on the change in fair value of the derivatives of $133 million (December 2013: gain of $7 million); and
- a loss arising on the net change in fair value of the interest-bearing liabilities of $139 million (December 2013 loss of $11 million).

The net loss on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules comprise:

For Stockland:

- a gain of $54 million (December 2013: gain of $27 million) from fair value movements; and
- a loss of $103 million (December 2013: loss of $26 million) from net unrealised foreign exchange movement.

For Stockland Trust Group:

- a gain of $53 million (December 2013: gain of $24 million) from fair value movements; and
- a loss of $104 million (December 2013: loss of $26 million) from net unrealised foreign exchange movement.

During the period financial instruments were closed out by Stockland and the Stockland Trust Group at cash costs of $45 million (December 2013: $257 million) and $45 million (December 2013: $258 million), respectively. The following amounts were recognised in the profit or loss in the current year:

- a realised loss of $9 million was recognised by Stockland (December 2013: $5 million loss), as cumulative fair value losses of $36 million had previously been recognised. The remaining loss for the half year of $40 million (December 2013: $6 million gain) is unrealised.
- a realised loss of $9 million was recognised by Stockland Trust Group (December 2013: $5 million loss), as cumulative fair value losses of $36 million had previously been recognised. The remaining loss for the half year of $42 million (December 2013: $6 million gain) is unrealised.

(D2) Interest-bearing loans and borrowings

Keeping it simple . . .

Stockland and the Stockland Trust Group borrow money from financial institutions and debt investors in the form of bonds and other financial instruments. Stockland and the Stockland Trust Group's bonds generally have fixed interest rates and are for a fixed term.

	Stockland		Stockland Trust Group	
	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Current				
Unsecured				
Foreign medium term notes	**221**	92	**221**	92
Domestic medium term notes	**264**	264	**264**	264
Total current debt	**485**	356	**485**	356
Non-current				
Unsecured				
Foreign medium term notes	**2,292**	1,778	**2,292**	1,778
Domestic medium term notes	**458**	458	**458**	458
Bank facilities	**–**	526	**–**	526
Total non-current debt	**2,750**	2,762	**2,750**	2,762

Fair values versus carrying amounts

All financial instruments recognised on the balance sheet are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings:

	Stockland and the Stockland Trust Group			
	Carrying amount 31 December 2014 $M	Fair value 31 December 2014 $M	Carrying amount 30 June 2014 $M	Fair value 30 June 2014 $M
Foreign medium term notes	**2,513**	**2,723**	1,870	2,017
Domestic medium term notes	**722**	**783**	722	781
Total medium notes	**3,235**	**3,506**	2,592	2,798

The difference of $271 million (June 2014: $206 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 Financial Instruments*, while 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.

(D2a) Foreign medium term notes

Stockland and the Stockland Trust Group

US private placement
During the period, Stockland repaid USD 22 million (AUD 28 million) of its notes that were issued in the US private placement market and matured in July 2014.

Euro private placement
During the period, Stockland issued a seven year Green Bond with a face value of EUR 300 million (AUD 433 million) into the European private placement market. The EUR proceeds and fixed coupons payable are converted back to AUD floating coupons through cross currency principal and interest rate swaps.

(D2b) Domestic medium term notes

No change in the current period.

(D2c) Bank facilities

Stockland and the Stockland Trust Group
Details of maturity dates and security for facilities are set out below:

Facility limit				Utilised	
31 December 2014 $M	30 June 2014 $M	Security	Maturity date	31 December 2014 $M	30 June 2014 $M
100	100	Unsecured	July 2015	**–**	–
120	470	Unsecured	August 2015	**–**	346
100	100	Unsecured	September 2015	**–**	–
100	100	Unsecured	December 2015	**–**	–
–	175	Unsecured	December 2016	**–**	–
–	100	Unsecured	January 2017	**–**	–
250	–	Unsecured	January 2018	**–**	–
–	150	Unsecured	February 2018	**–**	140
–	175	Unsecured	November 2018	**–**	40
150	–	Unsecured	February 2019	**–**	–
100	–	Unsecured	November 2019	**–**	–
920	**1,370**			**–**	**526**

(D3) Other financial assets and liabilities

Other financial assets

During the year to 30 June 2014, Stockland obtained a 19.9% (115,166,597 securities) stake in the Australand Property Group ('Australand') at an average price of $3.78. This comprised a 15.7% direct holding in securities of Australand and 4.2% indirect interest via a cash settled equity swap agreement. The direct holding was included in "Securities in listed entities" while the indirect holding was included in "Other Financial Instruments".

On 15 August 2014, Stockland accepted an offer from Frasers Centrepoint Limited to acquire Stockland's Australand securities for $4.48 per security plus accrued distribution. Based on the closing price of Australand at the point of sale, this holding resulted in a net gain on sale after transaction costs and before tax of $73 million. As this investment was carried at fair value at 30 June 2014, $51 million (net of tax) of realised fair value gains were transferred from Other Comprehensive Income to the Profit and Loss upon disposal of the investment.

Financial assets and financial liabilities carried at fair value are detailed in the table at Note D4 – Fair value hierarchy.

(D4) Fair value hierarchy

Keeping it simple . . .

The financial instruments included on the Balance Sheet are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. Stockland generally uses external valuations based on market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value

The fair value of derivative financial instruments, including domestic and foreign medium term notes, interest rate derivatives and cross currency interest rate swaps ("CCIRS"), is determined in accordance with generally accepted pricing models by discounting the expected future cash flows using assumptions supported by observable market rates. Whilst certain derivatives are not quoted in an active market, Stockland 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 debit or credit value adjustments based on Stockland or the derivative counterparties current credit worthiness.

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 table below sets out the financial instruments included on the Balance Sheet at 'fair value'.

Quantitative sensitivities required under *AASB 13 Fair Value Measurement* in relation to the Retirement Living resident obligations have been disclosed in Note C1c.

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2014				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**8**	**8**
Derivative assets	**–**	**292**	**–**	**292**
Total financial assets carried at fair value	**–**	**292**	**8**	**300**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(366)**	**(16)**	**(382)**
Financial liabilities designated in effective fair value hedges	**–**	**(1,536)**	**–**	**(1,536)**
Aged care accommodation bonds	**–**	**–**	**–**	**–**
Retirement Living resident obligations	**–**	**–**	**(1,944)**	**(1,944)**
Total financial liabilities carried at fair value	**–**	**(1,902)**	**(1,960)**	**(3,862)**
Net position	**–**	**(1,610)**	**(1,952)**	**(3,562)**
30 June 2014				
Financial assets carried at fair value				
Securities in listed entities	404	–	–	404
Units in unlisted entities	–	–	6	6
Derivative assets	–	125	–	125
Other financial instrument	–	99	–	99
Total financial assets carried at fair value	404	224	6	634
Financial liabilities carried at fair value				
Derivative liabilities	–	(470)	(11)	(481)
Financial liabilities designated in effective fair value hedges	–	(981)	–	(981)
Aged care accommodation bonds	–	–	(53)	(53)
Retirement Living resident obligations	–	–	(1,865)	(1,865)
Total financial liabilities carried at fair value	–	(1,451)	(1,929)	(3,380)
Net position	404	(1,227)	(1,923)	(2,746)

Stockland Trust Group

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2014				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**8**	**8**
Derivative assets	**–**	**292**	**–**	**292**
Total financial assets carried at fair value	**–**	**292**	**8**	**300**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(366)**	**(16)**	**(382)**
Financial liabilities designated in effective fair value hedges	**–**	**(1,536)**	**–**	**(1,536)**
Total financial liabilities carried at fair value	**–**	**(1,902)**	**(16)**	**(1,918)**
Net position	**–**	**(1,610)**	**(8)**	**(1,618)**
30 June 2014				
Financial assets carried at fair value				
Units in unlisted entities	–	–	6	6
Derivative assets	–	127	–	127
Total financial assets carried at fair value	–	127	6	133
Financial liabilities carried at fair value				
Derivative liabilities	–	(470)	(11)	(481)
Financial liabilities designated in effective fair value hedges	–	(981)	–	(981)
Total financial liabilities carried at fair value	–	(1,451)	(11)	(1,462)
Net position	–	(1,324)	(5)	(1,329)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

Stockland

	Units in unlisted entities $M	Derivatives $M	Aged Care Accommodation bonds $M	Retirement Living resident obligations $M	Total $M
Balance at 1 July 2013	20	1	(56)	(1,774)	(1,809)
Total gains and losses recognised in:					
• profit or loss	–	(12)	–	72	60
• other comprehensive income	–	–	–	–	–
Other transfers	–	–	(7)	7	–
Purchases	–	–	–	–	–
Net cash settled on resident turnover	–	–	10	(170)	(160)
Capital distributions	(14)	–	–	–	(14)
Balance at 30 June 2014	6	(11)	(53)	(1,865)	(1,923)
Total gains and losses recognised in:					
• profit or loss	**–**	**(5)**	**–**	**(21)**	**(26)**
• other comprehensive income	**2**	**–**	**–**	**–**	**2**
Purchases	**–**	**–**	**–**	**–**	**–**
Net cash settled on resident turnover	**–**	**–**	**–**	**(58)**	**(58)**
Disposals of Aged Care bonds	**–**	**–**	**53**	**–**	**53**
Capital distributions	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	8	(16)	–	(1,944)	(1,952)

Stockland Trust Group

	Units in unlisted entities $M	Derivatives $M	Total $M
Balance at 1 July 2013	19	1	20
Total gains and losses recognised in:			
• profit or loss	–	(12)	(12)
• other comprehensive income	–	–	–
Transfer out of level 3	–	–	–
Purchases	–	–	–
Capital distributions	(13)	–	(13)
Balance at 30 June 2014	6	(11)	(5)
Total gains and losses recognised in:			
• profit or loss	**–**	**(5)**	**(5)**
• other comprehensive income	**2**	**–**	**2**
Transfer out of level 3	**–**	**–**	**–**
Purchases	**–**	**–**	**–**
Capital distributions	**–**	**–**	**–**
Balance at 31 December 2014	8	(16)	(8)

(D5) Issued capital

The following table provides details of Stockland's issued securities and the Stockland Trust Group's issued units.

	Stockland and Stockland Trust Group		Stockland		Stockland Trust Group	
	31 December 2014 Number of securities/ units	30 June 2014 Number of securities/ units	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Ordinary securities/units on issue						
Issued and fully paid	**2,348,746,744**	2,326,978,560	**8,516**	8,430	**7,211**	7,126
Other equity securities/units						
Treasury Securities	**(2,703,880)**	(2,704,874)	**(9)**	(10)	**(9)**	(10)
Total Issued Capital	**2,346,042,864**	**2,324,273,686**	**8,507**	**8,420**	**7,202**	**7,116**

(D5a) Ordinary securities/units

The following table provides details of movements in Stockland's issued securities and the Stockland Trust Group's issued units.

Details	Stockland and Stockland Trust Group Number of securities/units	Stockland $M	Stockland Trust Group $M
Movement of securities/units issued			
Balance as at 1 July 2013	2,305,750,747	8,353	7,559
Securities/units issued as part of the distribution reinvestment plan	21,227,813	77	74
Transfer of capital to Stockland Corporation Limited	–	–	(507)
Balance as at 1 July 2014	2,326,978,560	8,430	7,126
Securities/units issued as part of the distribution reinvestment plan	**21,768,184**	**86**	**85**
Closing balance as at 31 December 2014	**2,348,746,744**	**8,516**	**7,211**

Dividend Reinvestment Plan

On 12 June 2014, Stockland announced that the Dividend Distribution Plan ("DRP") would operate for the half year distribution to 30 June 2014. Under the DRP to 30 June 2014, 21,768,184 securities (June 2013: Nil) were issued.

On 16 December 2014, Stockland announced that the DRP would operate for the half year distribution to 31 December 2014 and that securityholders participating in the DRP will be entitled to receive a full distribution. Participating securityholders will receive a discount of 1.0% on the securities acquired under the DRP.

The DRP security price was determined to be $4.33 based on the average of the daily volume weighted averages over the 15-day trading period immediately preceding 6 February 2015 and applying a 1% discount.

Transfer of Capital

In the prior year Stockland Trust Group reallocated $507 million of issued capital (equivalent to $0.22 per security) from the Stockland Trust to Stockland Corporation Limited following securityholders approval at the Annual General Meeting of Stockland Corporation Limited and Meeting of Unitholders of Stockland Trust on 29 October 2013. The number of units and the number of shares on issue remained unchanged following the reallocation.

(D5b) Other equity securities/units

Movement in treasury securities

Details	Stockland and Stockland Trust Group Number of securities/units	Stockland $M	Stockland Trust Group $M
Movement of securities/units issued			
Balance as at 1 July 2013	1,374,761	(5)	(5)
Acquisition of securities/units by the Trust	1,508,503	(6)	(6)
Transferred to ordinary securities/units on vesting	(178,390)	1	1
Balance as at 1 July 2014	2,704,874	(10)	(10)
Acquisition of securities/units by the Trust	**396,140**	**(2)**	**(2)**
Transferred to ordinary securities/units on vesting	**(397,134)**	**3**	**3**
Closing balance as at 31 December 2014	**2,703,880**	**(9)**	**(9)**

Acquisition of securities by the Trust

During the period, Stockland acquired 396,140 securities (31 December 2013: 127,880) for the purpose of issuing securities under the Deferred Short Term Incentive ("DSTI") scheme.

The securities are held by the Stockland Employee Securities Plan Trust on behalf of Executives and Senior Management eligible under the scheme until the end of the vesting period affixed to the securities. During the vesting period, the Executives and Senior Management are entitled to the distributions and dividends.

Transferred to ordinary securities on vesting

During the period, Stockland transferred 397,134 securities (31 December 2013: Nil) that had vested with Executives and Senior Management under the DSTI scheme.

(D6) Dividends and distributions

Dividends and distributions recognised in the financial year by the Stockland and the Stockland Trust Group are detailed below.

Stockland Corporation Limited

There was no interim dividend from Stockland Corporation Limited during the current or previous financial year.

The dividend franking account balance as at 31 December 2014 is $12.5 million based on a 30% tax rate (30 June 2014: $12.5 million).

Stockland Trust

	Cents per unit	Total amount $M	Date of payment
Interim distribution: 31 December 2014	12.0	282	27 February 2015
Interim distribution: 31 December 2013	12.0	277	28 February 2014

The tax preferred percentage will be determined at year end.

(E) Group structure

In this section

This section provides information in relation to capital partnering arrangements that Stockland has entered into.

Changes to Capital Partnering arrangements

On 10 October 2014, Stockland Trust acquired a 50% interest in Sugarland Shopping Centre Trust which owns Sugarland Shoppingtown in Bundaberg, Queensland, subsequently re-named to Stockland Bundaberg. The owners have joint control over the asset with strategic decisions requiring unanimous approval from the Unitholders' Committee comprising equal representation of the owners. The Group's share of profits from Stockland Bundaberg are included in Stockland and the Stockland Trust Group's Investments in joint venture entities for the period 10 October 2014 to 31 December 2014.

At the time of acquiring the 50% interest in Sugarland Shopping Centre Trust, Stockland Trust entered into a Put and Call option to acquire the remaining 50% interest.

The Put option can be exercised within 12 months from 10 April 2015. The Call option period will commence no later than 10 October 2015 for a period of six months. A liability in the range of $60 million to $62 million will be recognised if the Put or Call options are exercised.

On 15 October 2014, Stockland Trust sold a direct 50% stake in Stockland Townsville. The owners have joint control over the asset with strategic decisions requiring unanimous approval from the Management Committee comprising equal representation of the owners. Therefore, Stockland and the Stockland Trust Group's share of the results from Stockland Townsville Shopping Centre are recognised on a proportionately consolidated basis for the period 16 October 2014 to 31 December 2014. Stockland Townsville Shopping Centre's results were fully consolidated until 16 October 2014.

At the time of disposal, a Put and Call Option Deed was established in relation to selected sundry assets located in Townsville.

In the prior period, on 7 February 2014, Stockland and Stockland Group Trust's equity interest in one of its associates, Macquarie Park Trust, increased from 31% to 51% and became a joint venture from that date.

Stockland and the Stockland Group Trust have interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method.

(E1) Investments in associates

	Stockland		Stockland Trust Group	
	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Aggregate carrying amount of individually immaterial associates	–	–	–	–

	Stockland		Stockland Trust Group	
Half year ended 31 December	2014 $M	2013 $M	2014 $M	2013 $M
Aggregate share of:				
Profit from continuing operations	–	5	–	5
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	5	–	5

(E2) Investments in joint venture entities

	Stockland		Stockland Trust Group	
	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Aggregate carrying amount of individually immaterial joint venture entities	757	650	716	608

Half year ended 31 December	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Aggregate share of:				
Profit from continuing operations	**61**	12	**59**	11
Post-tax profit or loss from discontinued operations	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**61**	12	**59**	11
Total comprehensive income from equity-accounted investments	**61**	17	**59**	16

Included in profit from continuing operations is $37 million (December 2013: Nil) of fair value gains from the revaluation of investment properties.

(F) Other items

In this section

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations.*

(F1) Contingent liabilities

Keeping it simple . . .

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Other than items disclosed in Note E – Group structure, there has been no material change in the Group's contingent liabilities since 30 June 2014 and the disclosures in the annual financial statements remain appropriate as at 31 December 2014.

(F2) Commitments

Capital expenditure commitments

Commitments for the acquisition of land and future development costs not recognised in the financial statements at balance date:

	Stockland		Stockland Trust Group	
	31 December 2014 $M	30 June 2014 $M	31 December 2014 $M	30 June 2014 $M
Inventory commitments	**235**	240	**–**	–
Investment property commitments	**241**	305	**167**	229
Total capital expenditure commitments	**476**	545	**167**	229

Operating lease commitments

Commitments for the operating lease expenditure not recognised in the financial statements at balance date:

Within one year	**4**	4	**–**	–
Later than one year but not later than five years	**7**	8	**–**	–
Later than five years	**1**	1	**–**	–
Total operating lease commitments	**12**	13	**–**	**–**

During the current half year, $2 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (December 2013: $2 million).

(F3) Notes to Cash Flow Statements

Half year ended 31 December	Stockland 2014 $M	Stockland 2013 $M	Stockland Trust Group 2014 $M	Stockland Trust Group 2013 $M
Reconciliation of profit to net cash inflow from operating activities:				
Profit	**462**	298	**419**	338
Add/(less) items classified as investing/financing activities:				
Net loss on sale of other non-current assets	**2**	5	**2**	5
Net gain on foreign exchange transferred from the foreign currency translation reserve	**(1)**	–	–	–
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	**6**	4	**6**	4
Net loss/(gain) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	**49**	(1)	**51**	2
Interest capitalised to investment properties	**(8)**	(5)	**(4)**	(1)
Net gain on sale of other financial assets	**(73)**	(32)	**–**	(1)
Dividend and distribution income	**(3)**	(1)	**–**	(1)
Add/(less) non-cash items:				
Net change in fair value of investment properties:				
• Commercial Property	**(170)**	(44)	**(171)**	(34)
• Retirement Living	**(47)**	13	**–**	–
DMF base fees earned, unrealised	**(9)**	(9)	**–**	–
Depreciation	**8**	7	**–**	–
Straight-line rent adjustment	**(4)**	(4)	**(4)**	(3)
Equity-settled share-based payments	**5**	4	**–**	–
Share of profits of equity-accounted investments, net of distributions received	**(6)**	–	**(6)**	–
Other items	**(1)**	–	**(2)**	–
Net cash inflow from operating activities before change in assets and liabilities	**210**	235	**291**	309
Decrease/(increase) in receivables	**18**	21	**4**	(7)
Increase in other assets	**(7)**	(20)	**(6)**	(1)
Increase in prepayments	**(9)**	(5)	**(7)**	(2)
Increase in inventories	**(137)**	(59)	**–**	–
Decrease in deferred tax assets	**18**	18	**–**	–
Increase/(decrease) in payables and other liabilities	**56**	13	**6**	(9)
Increase in employee benefits	**1**	–	**–**	–
(Decrease)/increase in other provisions	**(13)**	100	**–**	28
Net cash inflow from operating activities	**137**	303	**288**	318

(F4) Related party disclosures

(F4a) Other related party transactions

There have been no significant changes to the nature of related parties disclosed in the annual financial statements as at and for the year ended 30 June 2014.

(F4b) Loan facility offer

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of Stockland has provided loan facility offers to two unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. A loan facility offer to Stockland Direct Retail Trust No. 1 ("SDRT No. 1") of $40 million due to expire on 28 February 2015 was extinguished on 19 December 2014. SRDT No. 1 was charged a line fee of 30 basis points on this facility offer. A loan facility offer to Stockland Residential Estates Equity Fund No. 1 ("SREEF No.1") of $17 million expires on 30 September 2017. SREEF No. 1 is charged a line fee of 20 basis points on this facility offer.

(F5) Events subsequent to the end of the year

Stockland and the Stockland Trust Group

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, to affect significantly the operations, the results of operations, or the state of the affairs in future years of Stockland and the Stockland Trust Group.

Directors' Declaration

Half year ended 31 December 2014

In the opinion of the Directors of Stockland Corporation Limited ("the Company"), and the Directors of the Responsible Entity of Stockland Trust ("the Trust"), Stockland Trust Management Limited (collectively referred to as "the Directors"):

(a) the financial statements and notes, in the Directors' Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ("Stockland") and Stockland Trust and its controlled entities ("Stockland Trust Group"), set out on pages 15 to 52 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of Stockland's and the Stockland Trust Group's financial position as at 31 December 2014 and of its performance, for the half year ended on that date; and

(b) there are reasonable grounds to believe that both Stockland and the Stockland Trust Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Graham Bradley	Mark Steinert
Chairman	Managing Director

Dated at Sydney, 11 February 2015

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Independent auditor's review report to the stapled securityholders of Stockland and the unitholders of Stockland Trust Group

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report which comprises:

- the Consolidated Balance Sheet as at 31 December 2014, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Stockland, being the consolidated stapled entity ("Stockland"). The consolidated stapled entity, as described in Note A to the half-year financial report, comprises Stockland Corporation Limited and the entities it controlled during that half-year, including Stockland Trust and the entities it controlled during that half-year, and

- the Consolidated Balance Sheet as at 31 December 2014, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Stockland Trust Group, being the consolidated entity ("Stockland Trust Group"). The consolidated entity comprises Stockland Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity for Stockland Trust (collectively referred to as "the directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stockland and Stockland Trust Group's financial positions as at 31 December 2014 and of their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stockland and Stockland Trust Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stockland and Stockland Trust Group is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Stockland and Stockland Trust Group's financial positions as at 31 December 2014 and of their performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

I L Hammond
Partner

S J Hadfield
Partner

Sydney
11 February 2015