WHERE *we focus on results*

INTERIM FINANCIAL REPORT
31 December 2015

Stockland

CONTENTS

STREAMLINED FINANCIAL STATEMENTS

These financial statements have been organised into the following six sections to make them less complex and more relevant to unitholders/ securityholders:

- Basis of preparation
- Results for the period
- Operating assets and liabilities
- Capital structure and financing costs
- Group structure and
- Other items.

KEEPING IT SIMPLE …

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

Notes to the financial statements provide information required by statute, accounting standards or ASX Listing Rules to explain a particular feature of the financial statements. The notes to the financial statements which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial report.

Directors' Report

Half year ended 31 December 2015

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 Financial Report of Stockland and the Financial Report of Stockland Trust Group for the half year ended 31 December 2015 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited ('the Company') and its controlled entities, including Stockland Trust ('the Trust') and its controlled entities ('Stockland' or the 'Group'). The Financial Report of Stockland Trust Group comprises the consolidated Financial Report of the Trust and its controlled entities ('Stockland Trust Group').

Operating and Financial Review[1]

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $15.4 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.

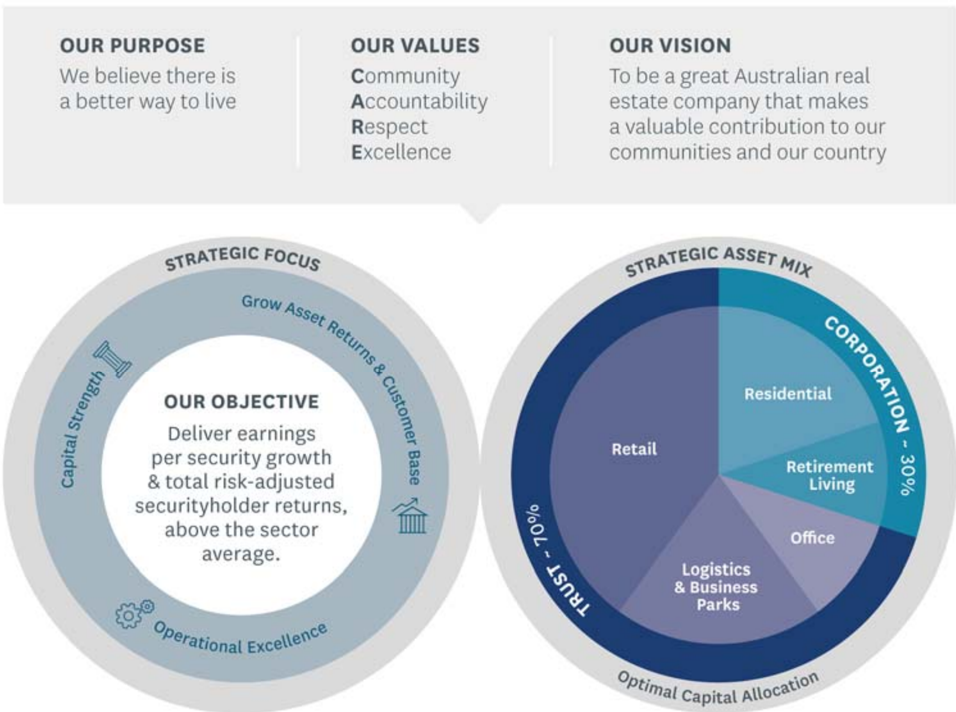
The company was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Today Stockland leverages its diversified model, to help create thriving communities where people live, shop and work.

This approach is underpinned by our Group's purpose "we believe there is a better way to live" and is brought to life by our employees who are guided by Stockland's values of community, accountability, respect, and excellence (CARE).

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 great customer experiences.

To optimise value to securityholders we are 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 the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation) to create sustainable risk/reward outcomes.

Stockland strategy



Five year indicative asset mix

1 All measures of revenue and profit throughout this section are calculated based on underlying profit unless otherwise stated.

We focus on three strategic areas:

- Growing asset returns and our customer base - driving returns 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

Stockland strategic priorities	1H16 Progress
Grow our assets and customer base	• Valuation uplift of $433m including $127m from recent developments • 4.5% growth in comparable FFO across Commercial Property • $651m of retail development underway and future pipeline of $1bn • Strong retail MAT sales growth of 5.5% • Over 4,100 residential contracts on hand • Improvement in return on assets on our core residential portfolio to 18% (excludes impaired projects) • Over 80% of residential capital employed in projects actively selling • Broadening our customer reach with seven medium density projects launched across four states • Over 300 Retirement Living reservations on hand • 9.2% increase in Retirement Living operating profit • Launch of unique selling proposition 'Retire Your Way'
Operational excellence	• 'Always on' marketing campaign driving website traffic increase of 25% • Recognised as Global Real Estate Sector Leader on the Dow Jones Sustainability Index for 2015-16 • Retained our Employer of Choice for Gender Equality WGEA citation • Launched Flexibility@Stockland, a program to improve flexible working practices • Significant progress improving Group system capabilities including commitment to implement SAP as our core enterprise resource planning system. The deployment is subject to the completion of an appropriate implementation plan.
Capital strength	• Maintained A-/stable credit rating for over ten years and gearing within our target range • Reduced average FY16 cost of debt by 50bp • Extended weighted average debt maturity • Diversified our funding sources

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 securityholders and meeting commitments to its employees, tenants, customers, business partners, consultants and the communities in which it does business. More information on Stockland's risk management policy is available at stockland.com.au.

There are various risks that could impact our business. 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	Economic downturn creates challenging operating conditions	Continue to: • focus on retaining a strong balance sheet with low gearing • concentrate on efficiency and cost management • use diverse funding sources
	Downturn in residential market impacts revenue	As part of our Residential Strategy we have: • broadened our market reach by expanding our residential product offering including diverse house and land packages, completed housing, medium density and apartments • sought to balance the demand from home owners and investors to ensure our residential communities remain attractive to future buyers • sought to maintain a geographically diversified business across four states Continue to engage with government to seek effective solutions on land supply issues
	Increased competition in the Australian property market limits opportunities for growth	Continue to: • take advantage of organic development opportunities within our existing portfolio • ensure discipline and agility in our investment decision making so we can take advantage of opportunities that will deliver the appropriate risk-adjusted returns • maintain a strong balance sheet to provide funding flexibility
	Ability to attract and retain talented employees impacts strategy delivery	Established an in-house recruitment team, Careers@Stockland, and referral program to improve our recruitment capability and assist in the selection of the right talent. Significantly reduced first year employee turnover through improved on boarding and induction. Continue to focus on providing learning and development opportunities and building a strong employment brand. Launched Flexibility@Stockland, a program to improve flexible working practices
Longer term – changing marketplace	Timing of infrastructure and amenity delivery affects project delivery and customer satisfaction	The staging of our projects can sometimes be impacted by the pace of approvals, sales and construction. Prioritisation of effective stakeholder engagement on our projects with suppliers, customers and government has resulted in positive outcomes across several projects. Continue to: • use our Liveability research to understand priorities of residents in our communities. • ensure all projects have stakeholder engagement plans that minimise obstacles to infrastructure and amenity delivery and ensure appropriate communication with all stakeholders about these matters
	Enhancements to digital technology affects customer behaviour and business process efficiency	Significant progress improving Group system capabilities including commitment to implement SAP as our core enterprise resource planning system. The deployment is subject to the completion of an appropriate implementation plan. Continue to: • recognise and integrate technical enhancements across the business • ensure Stockland retail centres are thriving community hubs by delivering quality services and community spaces • invest in process and system upgrades to improve the efficiency of our operations
	Regulatory changes impact our business model	Continue to: • engage with industry and government on policy areas including taxation and planning reform • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and set best practice standards
	Ability to develop products that meet anticipated future customer and societal demands	Continue to: • evolve our market leading product innovation and customer insights using platforms such as Stockland Exchange (Stockland's online research community) • foster a culture of innovation to ensure we identify and take advantage of new opportunities • remain flexible and open to opportunities to leverage movements in stakeholder preferences • focus on the creation of sustainable and liveable communities and assets • enhance our design excellence providing greater functionality and value for money

Stockland results and outlook

Key metrics:

- Half year distribution was 12.2 cents per security
- Statutory profit was $696 million, up significantly on 1H15
- Statutory earnings per security (EPS) was 29.4 cents, up 48.9% on 1H15
- FFO was $342 million, up 11.3% on 1H15
- FFO per security was 14.5 cents, up 9.9% on 1H15
- Underlying profit was $313 million, up 8.1% on 1H15
- Underlying earnings per security was 13.2 cents, up 6.7 % on 1H15

Stockland has achieved strong growth for the half year to 31 December 2015, with underlying profit up 8.1% on the previous corresponding period to $313 million. The result was underpinned by continued growth in all businesses, including a solid contribution from Residential, which delivered operating profit growth of 45.5% on 1H15. Commercial Property operating profit was up 3.8% and Retirement Living achieved operating profit growth of 9.2% on 1H15.

Statutory profit for the half was $696 million and statutory EPS was 29.4 cents. Return on equity increased 70 basis points to 10.3%, excluding workout assets.

FFO per security was 14.5 cents with growth at 9.9%. Underlying EPS was 13.2 cents, which is a 6.7% increase on 1H15. Distribution for the half year was 12.2 cents per security, supporting our target full year distribution.

The strong outcome for the half demonstrates that our focus on disciplined implementation of our strategy is working. We have maintained our strong balance sheet strength and continued to improve our operational effectiveness. We continue to grow asset returns through active asset management and project commencements and are growing our customer base with more diverse products across all asset classes.

In our Residential business we capitalised on favourable market conditions in Sydney and Melbourne, ending the half with a record number of contracts on hand. We've activated a high proportion of our residential land bank and we have sufficient depth to our projects in high demand corridors to underpin future organic growth.

Our Commercial Property business delivered solid growth in recurring income. We achieved comparable FFO growth of 4.5% and comparable underlying profit growth of 3.3%. Total retail sales exceeded $6.6 billion in 2015.

We continue to make good progress growing returns in our Retirement Living business and are on track at the half way mark of our five year plan. Operating profit was up 9.2% on the prior corresponding period and we ended the half with record reservations on hand. Development continues to underpin our growth with 470 homes now under construction or ready for sale.

We have maintained our strong balance sheet and A-/Stable credit rating with gearing at 23.1%, well within our target range of 20 - 30%. During the first half, we continued to lower our weighted average cost of debt. We also terminated high cost interest rate swaps at a cost of $119 million, funded from gains on asset sales, which will result in a lower weighted average cost of debt in future years.

Our Dividend Reinvestment Plan remains active for 1H16, achieving a take-up rate of 20%.

We have made significant progress on improving the Group's systems capabilities, including the commitment to implement SAP as our core enterprise resource planning system, with deployment to take place during the next two years. The deployment is subject to the completion of an appropriate implementation plan.

Stockland continues to lead in sustainability, diversity and employee engagement, providing long term benefits to our customers, the communities in which we operate and our shareholders.

We have been recognised by the S&P Dow Jones Sustainability Index (DJSI) as the global real estate sector leader for 2015-16, and the Regional Sector Leader for Listed, Australian, Diversified Property Companies in the 2015 GRESB (Global Real Estate Sustainability Benchmark) Report.

Outlook

While there is clearly some uncertainty about the economic outlook, conditions should remain generally supportive with sustained low interest rates and modest economic growth.

We are well placed to continue growing returns from our core asset base, further supported by a very active development pipeline across key asset classes.

We are on track to achieve our guidance range, and have therefore tightened this to 6.5 – 7.5% EPS growth in FY16, with FFO growth at 9.0 – 10.0%, and we are targeting a full year distribution of 24.5 cents per security, assuming no material decline in market conditions.

Group results summary

Underlying profit is determined following the principles of AICD/Finsia for reporting underlying profit, having regard to the guidance from ASIC's RG 230 *Disclosing non-IFRS information* ('RG 230'). The reconciliation between underlying profit and statutory profit is provided below for Stockland. The Group has reported consistently on this basis for more than seven years to help investors understand the performance of its business.

Stockland underlying profit and statutory profit reconciliation

	2015			2014		
Half year ended 31 December	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	**1,055**	**10**	**1,065**	990	9	999
Cost of property developments sold:						
• Land and development	**(454)**	**–**	**(454)**	(499)	–	(499)
• Capitalised interest	**(59)**	**–**	**(59)**	(62)	–	(62)
• Utilisation of provision for write-down of inventories	**30**	**–**	**30**	88	–	88
Investment property expenses	**(119)**	**–**	**(119)**	(115)	–	(115)
Share of profits of equity-accounted investments	**16**	**51**	**67**	24	37	61
Management, administration, marketing and selling expenses	**(126)**	**–**	**(126)**	(119)	–	(119)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**382**	**382**	–	133	133
• Retirement Living	**9**	**48**	**57**	8	47	55
Net change in fair value of Retirement Living resident obligations	**–**	**(57)**	**(57)**	–	(41)	(41)
Net gain on other financial assets	**–**	**7**	**7**	–	73	73
Net loss on sale of other non-current assets	**–**	**–**	**–**	–	(2)	(2)
Finance income	**3**	**–**	**3**	4	1	5
Finance expense	**(40)**	**(45)**	**(85)**	(38)	(55)	(93)
Profit before income tax benefit/(expense)	**315**	**396**	**711**	281	202	483
Income tax benefit/(expense)	**(2)**	**(13)**	**(15)**	9	(30)	(21)
Profit attributable to securityholders	**313**	**383**	**696**	290	172	462
Earnings per share (cents)	**13.2**	**–**	**29.4**	12.4	–	19.8

Underlying profit is a non-IFRS measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities of Stockland in a way that appropriately reflects the Group's underlying performance. Underlying profit excludes items such as unrealised fair value gains/losses, unrealised provision gains/losses and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties). These items are required to be included in the statutory profit in accordance with Australian Accounting Standards.

Other statutory profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. Underlying profit is the basis on which distributions are determined.

The growth in statutory profit in 1H16 was driven by strong improvements in underlying profit, combined with revaluation gains in Commercial Property investment properties. Commercial Property, including equity-accounted investments, contributed $433 million (1H15: $170 million) to statutory profit from valuation movements, primarily due to continued capitalisation rate compression and income growth across the portfolio and valuation uplift from completed Retail development (namely Baldivis, Glasshouse, Wetherill Park and Point Cook). The Retail portfolio contributed the most significant revaluation uplift, primarily arising from our assets in NSW at Green Hills, Merrylands, Balgowlah and Glendale. Our Office and Logistics and Business Park assets also contributed strong revaluation gains.

The net gain on other financial assets ($7 million) reflects the fair value of the call option Stockland has to acquire the remaining 50% units in the Sugarland Shopping Centre Trust. The prior year gain of $73 million relates to the sale of our investment in Australand to Frasers Centrepoint in August 2014.

Other movements which affected the statutory profit included a $45 million loss from changes in the market value of the Group's financial instruments.

We recognised an income tax expense on statutory profit adjustments of $13 million.

Funds from operations reconciliation

$ million	1H16	1H15	Change
Group funds from operations ('FFO')	**342**	307	**↑11.3%**
Adjust for:			
Amortisation of fit out incentives	**(23)**	(22)	
Amortisation of rent-free incentives	**(10)**	(8)	
Straight-line rent	**6**	4	
Tax benefit/(expense) on underlying profit	**(2)**	9	
Underlying profit	**313**	290	**↑8.1%**
Commercial Property revaluations (including equity investments)	**433**	170	
Change in fair value of Retirement Living investment properties	**1**	15	
Mark to market loss on financial instruments	**(45)**	(54)	
Net gain on other financial assets	**7**	73	
Net loss on sale of other non-current assets	**–**	(2)	
Tax expense on statutory profit adjustments	**(13)**	(30)	
Statutory profit	**696**	462	**↑50.6%**

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. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight line rent from underlying profit. Apart from Stockland's Commercial Property business, underlying profit and FFO reported for the other business units remain the same.

Business unit performance and priorities

Commercial Property

Our 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 42 retail centres accommodate more than 3,500 tenants. The logistics and business parks portfolio comprises 25 properties with over 1.25 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The office portfolio comprises nine assets in key locations.

Portfolio at 31 December 2015	Approximate value*
42 retail centres	$6.6 billion
25 logistics and business parks	$1.8 billion
9 office buildings	$0.8 billion
76 Commercial Property assets	**$9.2 billion**

*Stockland's ownership interest

Performance

	Funds from operations				Underlying profit			
Commercial Property ($m, unless otherwise stated)	**1H16**	**1H15**	**Change**	**Comparable growth**	**1H16**	**1H15**	**Change**	**Comparable growth**
Net operating income (NOI):								
• Retail	**197**	188	↑4.6%	↑3.3%	**183**	174	↑5.0%	↑3.5%
• Logistics and Business Parks	**66**	63	↑5.2%	↑3.8%	**60**	57	↑5.8%	↑0.3%
• Office	**36**	39	↓9.1%	↑11.1%	**29**	33	↓11.1%	↑8.6%
Net overheads	**(8)**	(9)	↓13.3%		**(8)**	(9)	↓13.3%	
Total Commercial Property	**291**	281	↑3.8%	↑4.5%	**264**	255	↑3.8%	↑3.3%
ROA (Return on assets)					**8.4%**	8.4%		

Retail

In Retail, comparable FFO was up 3.3% and comparable underlying NOI increased by 3.5% on 1H15. This result was supported by high stable retail occupancy levels of 99.5% and blended average rental growth on lease renewals and new leases of 2.6% in the stable portfolio. Within the portfolio, 94% of specialty shop leases have fixed 4-5% annual rent increases. The sustainability of our stable rental growth is underpinned by below average specialty occupancy costs of 14.6%, and specialty sales of $9,042 per square metre, exceeding Urbis averages.

Our Retail business continued to achieve stronger sales growth across the portfolio. Comparable speciality shop moving annual turnover (MAT) grew by 4.1% with the strongest categories being: communication and technology up 20.9%; retail services up 6.6%; homewares up 5.2% and fast casual dining and food catering up 4.7% on an MAT basis.

We also saw a resurgence in department stores and discount department stores with sales growing 1.9% for the half and the pace picking up with 2.1% growth in the December quarter. Apparel sales MAT per square metre also improved, growing 5.0% during the half, a direct reflection of remixing to more productive fashion retailers.

In the Retail projects pipeline, the second stage of the $228 million redevelopment and expansion of Stockland Wetherill Park in western Sydney officially opened on 10 December 2015, three months ahead of schedule. The centre recorded more than 721,000 unique customer visits in December alone, representing a 42% increase on the corresponding trading period of the previous year. The entire redevelopment will be completed by June 2016 and returns are expected to be above our hurdle rates.

In the first half, we completed three major retail redevelopments on or ahead of schedule and feasibility at Baldivis in WA; Glasshouse in the Sydney CBD, now occupied by H&M and Zara Home; and Point Cook in Melbourne.

Our next major project is now underway with the $372 million redevelopment and expansion of Stockland Green Hills in the Lower Hunter Valley, due for completion over the next two years. Stockland Green Hills is the best performing centre of its size in Australia for specialty MAT per square metre[2]. We will create a leading lifestyle and leisure precinct, and have already executed agreements for lease with David Jones, Target, JB Hi-Fi Home and Dan Murphy's.

Across our retail projects we are targeting incremental internal rates of return (IRRs) of 11-14% and stabilised yields of 7-8%.

Retail strategic priorities

The Retail business maintains its focus on creating market leading centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. We have $651 million of retail development under construction and a pipeline of $1 billion targeting incremental internal rates of return (IRR) of 11-14%[3].

Stockland's retail mix, underpinned by supermarkets, mini majors, food catering and fast casual dining 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, cultivating retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape.

Logistics and Business Parks

Logistics and Business Parks achieved comparable FFO growth of 3.8% relative to 1H15. Comparable underlying NOI grew by 0.3% in 1H16 with the relatively low figure due to non-cash IFRS adjustments from prior leasing activity.

[2] Shopping Centre News 2015 little Guns Survey: Stockland Green Hills recorded specialty MAT per square metre of $14,275.

[3] Unlevered 10 year IRR on incremental development from completion.

We continue to grow the portfolio through acquisition and development with our ownership interests now valued at more than $1.8 billion. Average rental growth of 2.2% on total lease deals in the half was achieved, with occupancy at 94.6% and a portfolio WALE at 4.5 years.

We made good progress on our development pipeline during the first half, with commencement of works at Ingleburn in Sydney and Oakleigh in Melbourne. We've also continued to achieve positive leasing results, with 233,000 square metres of leases executed or underway.

Logistics and Business Parks strategic priorities

Our focus is on growing a quality portfolio of logistics centres and business parks. We will leverage our existing assets and land, strong tenant relationships and asset management skills to become a scale player in this market.

Office

Office comparable FFO was up 11.1% and comparable underlying NOI was up 8.6% on 1H15. The strong result reflects improved occupancy at 95.4%, following good leasing momentum in the Sydney market where the majority of our office assets are now held.

Office strategic priorities

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. We intend to retain the majority of our office portfolio whilst we maximise returns and highest and best use over time. Joint-ventures (or part sales) will also be considered as appropriate.

Residential

Stockland is the leading residential developer in Australia. The business has 64 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 78,800 lots remaining in our portfolio, with a total end value of approximately $20.1 billion[4].

Residential as at 31 December 2015

Approximate portfolio - active	Approximate portfolio - inactive	Approximate total end value
47,750 lots	30,000 lots	$20.1 billion[4]

Performance

Residential Communities ($m, unless otherwise stated)	1H16	1H15	Change
Lots settled (no. of lots)	**2,771**	2,747	↑0.9%
Revenue[5]	**657**	562	↑16.9%
EBIT (before interest in COGS)	**157**	128	↑22.2%
EBIT margin	**24.0%**	22.9%	
Operating profit / funds from operations	**98**	67	↑45.5%
Operating profit margin	**14.9%**	12.0%	
ROA – core projects only[4]	**18.0%**	14.8%	↑
ROA – total portfolio	**12.9%**	10.2%	↑

Residential operating profit increased by 45.5% on 1H15, as a result of our growth strategy and supportive conditions in key markets. Core ROA was 18% for 1H16.

Volumes and operating profit margin were both stronger in the half, with 2,771 lots settled, marginally higher than 1H15. Contracts on hand at the start of January 2016 totalled 4,109, an increase of 377 over January 2015. Our Residential business is tracking marginally above the top end of our target through the cycle settlements range of 5,000 - 6,000 lots, allowing for some production constraints on recently commenced projects.

Our significant increase in operating profit margin to 14.9%, reflected a number of factors including selling a higher proportion of superlots, selling more higher margin lots and achieving stronger than expected price growth in Sydney and Melbourne projects.

4 Excluding properties identified for disposal or workout.

5 Includes revenue from equity-accounted investments.

We are well positioned for the second half with the market expected to remain solid in Sydney and Melbourne and steady in south east Queensland, offsetting the continued weakening in Perth.

During the first half we made significant progress reshaping our landbank to move capital efficient projects in strong submarkets, with more than 80% of our Residential capital employed in projects actively selling. This includes the launch of our largest ever projects: Aura on the Sunshine Coast and Cloverton in Melbourne.

We will also launch four additional projects in 2H16 at Schofields and Macarthur Gardens in Sydney and Newport and Pallara in Brisbane, which will continue to reshape our portfolio and drive further ROA improvements. We've made good progress on our strategy to broaden our customer reach with seven medium density developments now underway across four states.

We are also progressing well with our apartments strategy with an initial focus on opportunities at existing assets in our portfolio. We are documenting DAs for new apartments projects at Merrylands Court in Sydney and Toowong in Brisbane and have an interest in two other projects in Brisbane which are under construction are largely de-risked.

Residential strategic priorities

The Residential business is making good progress on its plans to make the portfolio more resilient and profitable in the future by continuing to focus on:

(1) Reshaping the portfolio - actively manage the portfolio to improve returns; achieve and maintain an optimal land bank; with a preference to acquire land on capital efficient terms. We continue to make good progress activating our land bank through the launch of new projects and 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.

Retirement Living

Stockland is a top three retirement living operator within Australia, with over 9,400 established units in 69 established villages across five states and the Australian Capital Territory. The portfolio includes a short to medium development pipeline of over 3,000 units.

Retirement Living as at 31 December 2015

Portfolio	Short-medium term development pipeline
9,400 established units	Approximately 3,000 units

Performance

Retirement Living ($m, unless otherwise stated)	1H16	1H15	Change
EBIT	**20**	19	↑6.8%
Operating profit / Funds from operations	**18**	16	↑9.2%
Transaction value[6]	**159**	152	↑4.4%
ROA	**5.2%**	4.6%	↑
Established			
Established settlements (no. of units)	**317**	289	↑9.7%
Average re-sale price	**$325k**	$328k	↓0.9%
Turnover cash per unit	**$81k**	$84k	↓2.9%
Turnover cash margin (before overheads)	**25.0%**	25.5%	↓
Reservations on hand (no. of units)	**168**	147	↑14.3%
Established occupancy	**93.9%**	94.6%	↓
Development			
New unit settlements (no. of units)	**126**	130	↓3.1%
Average price	**$427k**	$405k	↑5.4%
Average margin[7]	**15.9%**	15.8%	↑%
Reservations on hand (no. of units)	**150**	98	↑53.1%

[6] Includes established villages and new developments.
[7] Margin shown includes internal development staff overheads.

The Retirement Living business performed well in the first half with operating profit up 9.2% on 1H15. The business remains on track to deliver return on asset targets, driven by improved volumes in our established portfolio, developments and ongoing improvements in efficiency. The business had a record number of reservations on hand at the end of the December half.

Retirement Living operating profit will be strongly skewed to the second half, due to the timing of development completions and the normal seasonality of sales in this asset class. The June half will see the first settlements from Willowdale and The Residences, Cardinal Freeman in Sydney's inner west.

The business remains focused on organic growth and currently has development projects underway at ten villages across five states. By appropriately scaling and resourcing our in-house development capabilities, we will continue to effectively manage peaks in production, enhancing the quality of our villages and maintaining our speed to market on all opportunities.

We continue to explore opportunities to reshape the portfolio via selective asset sales, co-investment and site acquisitions and we will remain very disciplined in our approach.

Our strategy to increasingly offer a continuum of care, enabling more residents to age in place has been well received and we now have five sites within our portfolio that are either under contract or agreed for sale to Opal Aged Care.

Retirement Living strategic priorities

The Retirement Living business remains focused on being a preferred operator and developer of Retirement Living villages. The business has a clear strategy to continue to improve returns on assets by more actively managing the portfolio, growing development volumes and differentiating the customer experience.

Capital management

Financial position

We maintained our focus on prudent balance sheet management, continuing to utilise diverse funding sources throughout the first half. Our gearing level remains within our target range of 20-30% and reduced marginally to 23.1% at 31 December 2015 (30 June 2015: 23.4%) largely due to the impact of revaluation gains across the Commercial Property portfolio and prudent cash management. The Group continues to retain its A-/ stable credit rating.

The fixed/hedged ratio has increased to 82% at 31 December 2015 (30 June 2015: 72%) as we continue to take advantage of low fixed interest rates. The weighted average cost of debt for the period ended 31 December 2015 has decreased to 6.1% (30 June 2015: 6.2%) following the termination of three swaps during the first half, funded from gains on asset sales.

Interest cover has increased to 4.2:1 (30 June 2015: 4.0:1) due to stronger earnings across the business.

Stockland Balance Sheet

$ million	December 2015	June 2015	Change
Cash	**279**	170	↑64.1%
Real estate assets[8]:			
• Commercial Property	**9,362**	8,942	↑4.7%
• Residential	**2,603**	2,552	↑2.0%
• Retirement Living	**3,488**	3,335	↑4.6%
• Other	**-**	7	nm
Other assets	**849**	723	↑17.4%
Total assets	**16,581**	15,729	
Interest bearing loans and borrowings	**3,677**	3,283	↑12.0%
Resident loan obligations	**2,316**	2,211	↑ 4.7%
Other liabilities	**1,301**	1,448	↓ 10.2%
Total liabilities	**7,294**	6,942	
Net assets/total equity	**9,287**	8,787	

[8] Includes non-current assets held for sale, inventory, investment properties, equity-accounted investments and certain other assets.

The Commercial Property investment portfolio has increased by $420 million to $9,362 million primarily due to valuation uplift across all three asset classes ($433 million including equity accounted joint venture investments). The overall increase also reflects continued capital and development expenditure predominantly on the Retail development pipeline. The valuation gain of $347 million in the retail portfolio was driven largely by assets in NSW, namely Green Hills ($35 million), Merrylands ($32 million), Balgowlah ($21 million), Glendale ($21 million) and Wetherill Park ($69 million) all benefitting from income growth and capitalisation rate compression. The Group's Office portfolio decreased following the disposal of Waterfront Place, however revaluation gains of $25 million on the remaining portfolio partly offset this. Logistics and Business Parks similarly delivered strong revaluation gains ($72 million) and the acquisition of Wonderland Drive, Eastern Creek was also completed during the period.

Residential assets (mainly land under development) increased to $2,603 million at 31 December 2015. This reflects the acquisition of Isles of Newport, Queensland, and part interests in two existing projects (Ormeau Ridge and Hundred Hills, Queensland) previously under management by Stockland in an unlisted property fund, which largely offset the reduction in inventory due to the impact of continued strong settlement volumes. Finished goods levels remain appropriate, slightly below prior year levels due to favourable demand conditions.

The value of the Retirement Living assets, net of resident loan obligations, was $1,172 million, an increase of $48 million from the 30 June 2015 balance. This primarily reflects capital expenditure on the development pipeline, partly offset by an increase in resident loan obligations created on first sales of development units.

Total debt increased by $394 million to $3,677 million at 31 December 2015 as a result of increased operating activity satisfied by the issuance of Domestic Medium term notes and US Private Placement notes, partly offset by the repayment of bank facilities and Asian Private Placement notes. Movements in other assets and liabilities mainly reflect the changes in value of the Group's strategic investments, financial instruments and intangibles.

Cash flows

Stockland Cash Flows

$ million	1H16	1H15	Change %
Operating cash flows	**302**	137	↑120.4%
Investing cash flows	**(94)**	519	↓118.1%
Financing cash flows, including FX on cash	**(99)**	(364)	↓72.8%
Net change in cash and cash equivalents	**109**	292	↓62.7%
Cash at the end of the period	**279**	523	↓46.7%

Operating cash flows are up on the prior year, primarily as a result of improved trading revenues across the business combined with lower levels of development spend and land payments in Residential.

Net cash inflows from investing activities are lower than the prior year, driven by lower proceeds from the sale of investment properties and investments. 1H16 includes investment proceeds from the disposal of Waterfront Place ($218 million) whilst the prior year includes disposal proceeds from the 50% disposal of Townsville ($223 million), the remaining assets in the UK ($44 million), Aged care ($20 million) and our investment in Australand ($506 million). Overall net cash payments in relation to Commercial Property and Retirement Living capital expenditure and payments for investments is in line with the prior year.

Net financing cash outflows reduced following additional proceeds from borrowings, primarily from the issuance of US Private Placement Notes and Domestic Medium Term Notes. This is partially offset by additional repayment of borrowings and payments for terminating three swaps prior to 31 December 2015.

Equity

Dividend/Distribution Reinvestment Plan

On 17 December 2015, Stockland announced that the Dividend/Distribution Reinvestment Plan ('DRP') would operate for the first half year distribution to 31 December 2015 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.04 based on the average of the daily volume weighted average of the selling price over the 15-day trading period immediately preceding Friday 5 February 2016 and applying a 1% discount.

Distributions

The dividend and distribution payable for the half year ended 31 December 2015 is 12.2 cents per security. Our distribution policy is to pay the higher of 100% of Trust taxable income or 80-90% of underlying profit. We believe this is the appropriate level to provide growing returns for securityholders while allowing for investment in future growth.

In line with this distribution policy, in FY16 we are targeting a distribution of 24.5 cents per security assuming no material change in market conditions.

The distribution for the half year comprises:

Stockland Consolidated Group	1H16 Cents	1H15 Cents
Trust distribution	**12.2**	12.0
Corporation dividend, fully franked	**–**	–
Total dividend and distribution	**12.2**	12.0

Registers closed at 5.00pm on 31 December 2015 to determine entitlement to the half year-end dividend and distribution, which will be paid on 29 February 2016.

Directors' Report

Half year ended 31 December 2015

Directors

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

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Duncan Boyle	(resigned 27 October 2015)
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Tom Pockett	
Ms Carol Schwartz	
Dr Nora Scheinkestel	(appointed 19 August 2015)
Mr Peter Scott	
Mr Terry Williamson	(resigned 27 October 2015)

Executive Director

Mr Mark Steinert	Managing Director and Chief Executive Officer ('CEO')

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 2015.

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 nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Graham Bradley
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 10 February 2016

Auditor's Independence Declaration

As lead auditor for the review of Stockland Corporation Limited and Stockland Trust for the half year ended 31 December 2015, 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 Corporation Limited and the entities it controlled during the period and Stockland Trust and the entities it controlled during the period.

SJ Hadfield
Partner
PricewaterhouseCoopers

Sydney
10 February 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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 2015

Half year ended 31 December	Section	Stockland 2015 $M	Stockland 2014 $M	Stockland Trust Group 2015 $M	Stockland Trust Group 2014 $M
Revenue	(B1)	**1,065**	999	**370**	351
Cost of property developments sold:					
• Land and development		**(454)**	(499)	**–**	–
• Capitalised interest		**(59)**	(62)	**–**	–
• Utilisation of provision for write-down of inventories		**30**	88	**–**	–
Investment property expenses		**(119)**	(115)	**(115)**	(111)
Share of profits of equity-accounted investments	(E1)	**67**	61	**67**	59
Management, administration, marketing and selling expenses		**(126)**	(119)	**(12)**	(11)
Net change in fair value of investment properties:					
• Commercial Property	(C1b)	**382**	133	**346**	134
• Retirement Living	(B2d)	**57**	55	**–**	–
Net change in fair value of Retirement Living resident obligations	(B2d)	**(57)**	(41)	**–**	–
Impairment of intangibles		**–**	–	**–**	–
Net gain on other financial assets	(E1), (D3)	**7**	73	**7**	–
Net loss on sale of other non-current assets		**–**	(2)	**–**	(2)
Finance income	(D1)	**3**	5	**150**	152
Finance expense	(D1)	**(85)**	(93)	**(143)**	(153)
Profit before income tax benefit/(expense)		**711**	483	**670**	419
Income tax expense		**(15)**	(21)	**–**	–
Profit attributable to securityholders/unitholders		**696**	462	**670**	419
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets – net change in fair value	(D3)	**–**	–	**–**	–
Available for sale financial assets – reclassified to profit and loss	(D3)	**–**	(51)	**–**	–
Cash flow hedges – net change in fair value of effective portion		**23**	35	**23**	35
Cash flow hedges – reclassified to profit or loss		**5**	(1)	**5**	(1)
Foreign operations – foreign currency translation differences		**–**	5	**–**	–
Foreign operations – reclassified to profit and loss		**–**	–	**–**	–
Other comprehensive income/(expense), net of tax		**28**	(12)	**28**	34
Total comprehensive income attributable to securityholders/unitholders		**724**	450	**698**	453
Basic earnings per security/unit (cents)	(F1)	**29.4**	19.8	**28.3**	17.9
Diluted earnings per security/unit (cents)	(F1)	**29.4**	19.7	**28.2**	17.8

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

Consolidated Balance Sheets

Half year ended 31 December 2015

	Section	Stockland 31 December 2015 $M	Stockland 30 June 2015 $M	Stockland Trust Group 31 December 2015 $M	Stockland Trust Group 30 June 2015 $M
Current assets					
Cash and cash equivalents		**279**	170	**140**	89
Trade and other receivables		**123**	103	**26**	33
Inventories	(C1a)	**696**	549	**–**	–
Other financial assets	(D4)	**9**	2	**9**	2
Other assets		**94**	84	**76**	64
		1,201	908	**251**	188
Non-current assets held for sale	(C1d)	**84**	246	**52**	224
Total current assets		**1,285**	1,154	**303**	412
Non-current assets					
Trade and other receivables		**98**	92	**3,598**	3,435
Inventories	(C1a)	**1,896**	1,991	**–**	–
Investment properties – Commercial Property	(C1b)	**8,413**	7,917	**8,327**	7,840
Investment properties – Retirement Living	(C1c)	**3,488**	3,335	**–**	–
Equity-accounted investments	(E1)	**575**	518	**562**	506
Other financial assets	(D3), (D4)	**465**	366	**446**	347
Property, plant and equipment		**62**	58	**–**	–
Intangible assets		**97**	98	**–**	–
Deferred tax assets	(B3)	**45**	59	**–**	–
Other assets		**157**	141	**160**	144
Total non-current assets		**15,296**	14,575	**13,093**	12,272
Total assets		**16,581**	15,729	**13,396**	12,684
Current liabilities					
Trade and other payables		**567**	595	**396**	379
Interest-bearing loans and borrowings	(D2)	**241**	286	**241**	286
Retirement Living resident obligations	(C1c)	**2,094**	1,992	**–**	–
Development provisions		**331**	300	**–**	–
Other financial liabilities	(D4)	**2**	33	**2**	33
Other liabilities		**81**	87	**42**	54
Total current liabilities		**3,316**	3,293	**681**	752
Non-current liabilities					
Trade and other payables		**34**	33	**–**	–
Interest-bearing loans and borrowings	(D2)	**3,436**	2,997	**3,436**	2,997
Retirement Living resident obligations	(C1c)	**222**	219	**–**	–
Development provisions		**110**	98	**–**	–
Other financial liabilities	(D4)	**155**	284	**155**	284
Other liabilities		**21**	18	**–**	–
Total non-current liabilities		**3,978**	3,649	**3,591**	3,281
Total liabilities		**7,294**	6,942	**4,272**	4,033
Net assets		**9,287**	8,787	**9,124**	8,651
Securityholders'/unitholders' funds					
Issued capital	(D5)	**8,625**	8,560	**7,319**	7,255
Reserves		**113**	84	**97**	68
Retained earnings/undistributed income		**549**	143	**1,708**	1,328
Total securityholders'/unitholders' funds		**9,287**	8,787	**9,124**	8,651

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 2015

Attributable to securityholders of Stockland

	Section	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 2015		**8,560**	**35**	**36**	**13**	**–**	**143**	**8,787**
Profit for the year		–	–	–	–	–	**696**	**696**
Other comprehensive income, net of tax		–	–	**28**	–	–	–	**28**
Total comprehensive income		**–**	**–**	**28**	**–**	**–**	**696**	**724**
Dividends and distributions	(D6)	–	–	–	–	–	**(290)**	**(290)**
Securities issued under Distribution/Dividend Reinvestment Plan	(D5a)	**66**	–	–	–	–	–	**66**
Expense relating to rights and securities granted under securities plans, net of tax		–	**6**	–	–	–	–	**6**
Acquisition of treasury securities	(D5b)	**(6)**	–	–	–	–	–	**(6)**
Securities vested under securities plans	(D5b)	**5**	**(5)**	–	–	–	–	–
Total of other movements through reserves		**65**	**1**	**–**	**–**	**–**	**(290)**	**(224)**
Balance as at 31 December 2015		**8,625**	**36**	**64**	**13**	**–**	**549**	**9,287**
Balance as at 1 July 2014		8,420	25	2	51	(5)	(195)	8,298
Profit for the year		–	–	–	–	–	462	462
Other comprehensive income, net of tax		–	–	34	(51)	5	–	(12)
Total comprehensive income		–	–	34	(51)	5	462	450
Dividends and distributions	(D6)	–	–	–	–	–	(282)	(282)
Securities issued under Distribution/Dividend Reinvestment Plan	(D5a)	86	–	–	–	–	–	86
Expense relating to rights and securities granted under securities plans, net of tax		–	5	–	–	–	–	5
Acquisition of treasury securities	(D5b)	(2)	–	–	–	–	–	(2)
Securities vested under securities plans	(D5b)	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

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 2015

Attributable to unitholders of the Stockland Trust Group

	Section	Issued capital $M	Executive remuneration reserve $M	Cash flow hedge reserve $M	Undistributed income $M	Total equity $M
Balance as at 1 July 2015		**7,255**	**32**	**36**	**1,328**	**8,651**
Profit for the year		**–**	**–**	**–**	**670**	**670**
Other comprehensive income		**–**	**–**	**28**	**–**	**28**
Total comprehensive income		**–**	**–**	**28**	**670**	**698**
Distributions	(D6)	**–**	**–**	**–**	**(290)**	**(290)**
Securities issued under Distribution/Dividend Reinvestment Plan	(D5a)	**65**	**–**	**–**	**–**	**65**
Expense relating to rights and securities granted under securities plans, net of tax		**–**	**6**	**–**	**–**	**6**
Acquisition of treasury securities	(D5b)	**(6)**	**–**	**–**	**–**	**(6)**
Securities vested under securities plans	(D5b)	**5**	**(5)**	**–**	**–**	**–**
Total of other movements through reserves		**64**	**1**	**–**	**(290)**	**(225)**
Balance as at 31 December 2015		**7,319**	**33**	**64**	**1,708**	**9,124**
Balance as at 1 July 2014		7,116	24	2	1,026	8,168
Profit for the year		–	–	–	419	419
Other comprehensive income		–	–	34	–	34
Total comprehensive income		–	–	34	419	453
Distributions	(D6)	–	–	–	(282)	(282)
Securities issued under Distribution/Dividend Reinvestment Plan	(D5a)	85	–	–	–	85
Expense relating to rights and securities granted under securities plans, net of tax		–	5	–	–	5
Acquisition of treasury securities	(D5b)	(2)	–	–	–	(2)
Securities vested under securities plans	(D5b)	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

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 2015

Half year ended 31 December	Section	Stockland 2015 $M	Stockland 2014 $M	Stockland Trust Group 2015 $M	Stockland Trust Group 2014 $M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**1,139**	1,031	**422**	388
Cash payments in the course of operations (including GST)		**(734)**	(769)	**(178)**	(171)
Payments for land		**(90)**	(110)	**–**	–
Distributions received from equity-accounted investments		**22**	17	**20**	15
Receipts from Retirement Living residents		**147**	135	**–**	–
Payments to Retirement Living residents, net of Deferred Management Fees (‘DMF’)		**(81)**	(74)	**–**	–
Interest received		**3**	3	**150**	152
Interest paid		**(104)**	(96)	**(103)**	(96)
Net cash flows from operating activities	(F2)	**302**	137	**311**	288
Cash flows from investing activities					
Proceeds from sale of investment properties		**–**	301	**10**	233
Payments for and development of investment properties					
Commercial Property		**(197)**	(179)	**(228)**	(177)
Retirement Living		**(74)**	(59)	**–**	–
Payments for plant and equipment and software		**(10)**	(4)	**–**	–
Proceeds from sale/capital returns from investments		**220**	506	**218**	–
Payments for investments, including equity-accounted investments		**(33)**	(63)	**(4)**	(63)
Distributions received from other entities		**–**	17	**–**	–
Net cash flows from / (used in) investing activities		**(94)**	519	**(4)**	(7)
Cash flows from financing activities					
Payment for securities/units under employee securities plans	(D5b)	**(6)**	(2)	**(6)**	(2)
Proceeds from borrowings		**2,619**	2,078	**2,619**	2,078
Repayment of borrowings		**(2,375)**	(2,201)	**(2,375)**	(2,201)
Loans to related entities		**–**	–	**(157)**	392
Payments for termination and restructuring of derivatives	(D1)	**(119)**	(45)	**(119)**	(45)
Dividends and distributions paid (excluding DRP allocation)		**(218)**	(194)	**(218)**	(194)
Net cash flows used in financing activities		**(99)**	(364)	**(256)**	28
Net increase in cash and cash equivalents		**109**	292	**51**	309
Cash and cash equivalents at the beginning of the period		**170**	231	**89**	131
Cash and cash equivalents at the end of the period		**279**	523	**140**	440

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

Consolidated Notes

Half year ended 31 December 2015

(A) Basis of preparation

IN THIS SECTION

This section sets out the basis upon which the Group's financial statements are prepared as a whole.

Specific 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 2015.

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 both incorporated, formed and domiciled in Australia.

The constitutions of the Company and the 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 2015.

(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, 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 Financial Report have been rounded to the nearest million dollars, unless otherwise stated.

Certain comparative amounts have been restated to conform with the current period's presentation.

(A) Basis of preparation (continued)

Stockland and Stockland Trust Group net current asset deficiency position

Stockland and the Stockland Trust Group have a net current asset deficiency at 31 December 2015.

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 $790 million (refer to (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 included within Investment Properties – Retirement Living, development work in progress and vacant stock).

In addition, current inventory 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 Retirement Living resident obligations for existing residents (December 2015: $2,091 million; June 2015: $1,989 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 corresponding 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 2015.

(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 2015.

There have been no new or revised accounting standards or interpretations which are effective from the periods beginning on or after 1 July 2015 that impact the interim financial results.

(B) Results for the period

IN THIS SECTION

This section explains the results and performance of Stockland and the Stockland Trust Group.

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Group, including analysis of the Group's result for the period by reference to key areas, including: revenue, results by operating segment and income tax.

(B1) Revenue

Revenue recognised during the period is set out below:

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Property development sales	**650**	600	**–**	–
Rent from investment properties	**362**	347	**362**	343
Deferred Management Fees from Retirement Living	**39**	36	**–**	–
Dividend and distribution income	**4**	3	**4**	–
Other revenue	**10**	13	**4**	8
Total revenue	**1,065**	999	**370**	351

Rent from investment properties includes $2 million (December 2014: $3 million) turnover rent billed to tenants. Turnover rent represents 1% (December 2014: 1%) of rent from investment properties.

(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 and Executive Committee 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 ('CODM').

Stockland has four reportable segments, as listed below.

- Residential – delivers a range of medium density, apartments and master planned residential communities in growth areas;
- Retirement Living – designs, develops and manages communities for retirees;
- Commercial Property – invests in, develops and manages retail, office and logistic & business park properties;
- Other – includes the results from the former UK and aged care businesses, 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.

There is no customer who accounts for more than 10% of the gross revenues of Stockland or the Stockland Trust Group.

(B2a) Underlying profit

The following table shows the contribution to underlying profit by each reportable segment:

Stockland

Half year ended 31 December 2015	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Consolidated $M
External segment revenue	652	29[2]	374	–	1,055
Total external segment revenue	652	29	374	–	1,055
Segment EBIT	157	20	264	–	441
Interest expense in cost of sales	(59)	(2)	–	–	(61)
Share of interest expense in joint ventures	–	–	(1)	–	(1)
Segment operating profit[1]	98	18	263	–	379
Interest income					3
Interest expense					(40)
Unallocated corporate and other expenses					(27)
Underlying profit before tax expense					315
Income tax expense on underlying profit					(2)
Underlying profit after tax expense					313
1 Included within segment operating profits are the following:					
Straight line rent adjustments	–	–	6	–	6
Amortisation of lease incentives	–	–	(33)	–	(33)
Share of profits of equity-accounted investments:					
• Excluding fair value gains	1	–	15	–	16
• Including fair value gains	1	–	66	–	67

Half year ended 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 external 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
Interest expense					(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 are the following:					
Straight line rent adjustments	–	–	4	–	4
Amortisation of lease incentives	–	–	(30)	–	(30)
Share of profits of equity-accounted investments:					
• Excluding fair value gains	1	–	23	–	24
• Including fair value gains	1	–	60	–	61

2 $10 million (December 2014: $9 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of underlying profit to statutory profit below.

(B2b) 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 seven 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

		2015			2014		
Half year ended 31 December	**Note**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**	**Underlying profit $M**	**Statutory adjustments $M**	**Statutory profit $M**
Revenue	A	**1,055**	**10**	**1,065**	990	9	999
Cost of property developments sold:							
• Land and development		**(454)**	**–**	**(454)**	(499)	–	(499)
• Capitalised interest		**(59)**	**–**	**(59)**	(62)	–	(62)
• Utilisation of provision for write-down of inventories		**30**	**–**	**30**	88	–	88
Investment property expenses		**(119)**	**–**	**(119)**	(115)	–	(115)
Share of profits of equity-accounted investments	B	**16**	**51**	**67**	24	37	61
Management, administration, marketing and selling expenses		**(126)**	**–**	**(126)**	(119)	–	(119)
Net change in fair value of investment properties:							
• Commercial Property	B	**–**	**382**	**382**	–	133	133
• Retirement Living	B	**9**	**48**	**57**	8	47	55
Net change in fair value of Retirement Living resident obligations	B	**–**	**(57)**	**(57)**	–	(41)	(41)
Net gain on other financial assets	C	**–**	**7**	**7**	–	73	73
Net loss on sale of other non-current assets	D	**–**	**–**	**–**	–	(2)	(2)
Finance income		**3**	**–**	**3**	4	1	5
Finance expense	E	**(40)**	**(45)**	**(85)**	(38)	(55)	(93)
Profit before income tax benefit		**315**	**396**	**711**	281	202	483
Income tax benefit/(expense)		**(2)**	**(13)**	**(15)**	9	(30)	(21)
Profit attributable to securityholders		**313**	**383**	**696**	290	172	462

(B2b) Reconciliation of underlying profit to statutory profit (continued)

Stockland Trust Group

Half year ended 31 December	Note	2015 Underlying profit $M	2015 Statutory adjustments $M	2015 Statutory profit $M	2014 Underlying profit $M	2014 Statutory adjustments $M	2014 Statutory profit $M
Revenue		**370**	**–**	**370**	351	–	351
Investment property expenses		**(115)**	**–**	**(115)**	(111)	–	(111)
Share of profits of equity-accounted investments	B	**15**	**52**	**67**	22	37	59
Management, administration, marketing and selling expenses		**(12)**	**–**	**(12)**	(11)	–	(11)
Net change in fair value of Commercial Property	B	**–**	**346**	**346**	–	134	134
Net gain on other financial assets	C	**–**	**7**	**7**	–	–	–
Net loss on sale of other non-current assets	D	**–**	**–**	**–**	–	(2)	(2)
Finance income		**150**	**–**	**150**	152	–	152
Finance expense	E	**(98)**	**(45)**	**(143)**	(96)	(57)	(153)
Profit before income tax benefit		**310**	**360**	**670**	307	112	419
Income tax benefit/(expense)		**–**	**–**	**–**	–	–	–
Profit attributable to securityholders		**310**	**360**	**670**	307	112	419

Explanation of statutory adjustments

A DMF revenue is excluded from underlying profit until it is realised in cash. Refer to (B2d).

B Underlying profit excludes the net change in fair value of investment properties for properties held by Stockland both directly and indirectly through equity-accounted investments. Similarly, the net change in fair value of Retirement Living Resident Obligations are excluded from underlying profit. Refer to Section C for further information on fair value adjustments for the Residential (C1a), Commercial Properties (C1b) and Retirement Living (C1c) businesses.

C Net gain on other financial assets for the period ended 31 December 2015 includes the unrealised gain made on the Sugarland call option, which is further described in E1. The comparative as at 31 December 2014 includes the realised profit on the sale of securities in Australand, net of transaction costs.

D Net loss on sale of other non-current assets predominantly relates to the loss on the sale of investment properties.

E Net change in fair value of financial instruments and foreign exchange movements, classified as finance expense, are excluded from underlying profit. Refer to (D1).

(B2c) Balance sheet by operating segment

Stockland

31 December 2015	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	**–**	**–**	**–**	**–**	**279**	**279**
Real estate related assets[1]	**2,603**	**3,488**	**9,323**	**–**	**39**	**15,453**
Intangibles	**–**	**76**	**–**	**–**	**21**	**97**
Other financial assets	**–**	**–**	**–**	**–**	**474**	**474**
Other assets	**130**	**19**	**64**	**–**	**65**	**278**
Total assets	**2,733**	**3,583**	**9,387**	**–**	**878**	**16,581**
Liabilities						
Interest-bearing liabilities	**–**	**–**	**–**	**–**	**3,677**	**3,677**
Retirement Living resident obligations	**–**	**2,316**	**–**	**–**	**–**	**2,316**
Other financial liabilities	**–**	**–**	**–**	**–**	**157**	**157**
Other liabilities	**596**	**14**	**118**	**–**	**416**	**1,144**
Total liabilities	**596**	**2,330**	**118**	**–**	**4,250**	**7,294**
Net assets/(liabilities)	**2,137**	**1,253**	**9,269**	**–**	**(3,372)**	**9,287**
Other items						
Acquisition of investment properties	**–**	**–**	**–**	**–**	**–**	**–**

(B2c) Balance sheet by operating segments (continued)

30 June 2015	Residential $M	Retirement Living $M	Commercial Property $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash	–	–	–	–	170	170
Real estate related assets[1]	2,552	3,335	8,902	7	40	14,836
Intangibles	–	76	–	–	22	98
Other financial assets	–	–	–	–	368	368
Other assets	120	18	67	–	52	257
Total assets	2,672	3,429	8,969	7	652	15,729
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,283	3,283
Retirement Living resident obligations	–	2,211	–	–	–	2,211
Other financial liabilities	–	–	–	–	317	317
Other liabilities	569	18	121	15	408	1,131
Total liabilities	569	2,229	121	15	4,008	6,942
Net assets/(liabilities)	2,103	1,200	8,848	(8)	(3,356)	8,787
Other items						
Acquisition of investment properties	–	81	72	–	–	153

1 Includes non-current assets held for sale, inventory, investment properties, equity-accounted investments and certain other assets.

(B2d) Retirement Living segment result

KEEPING IT SIMPLE …

As accounting for Retirement Living assets is not straight forward we have included a section specifically in relation to it.

Retirement Living residents generally lend Stockland an amount equivalent to the value of the unit in exchange for a lease to live in the 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 standard contract will typically provide for DMF to be earned at a rate of 8% in the first year and 3% in subsequent years, capped at 35%. The resident generally contributes towards the renovation costs incurred in re-leasing the unit when they depart. Typically the resident is paid their net entitlement including their share of capital gains less renovation costs and DMF when the unit is re-leased to the next resident.

The DMF on an individual unit covers, to a significant extent, the resident's share of up-front capital costs of building the common infrastructure of the village, which typically includes amenities such as a pool, bowling green and community hall, and allows 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 ('settled development margin'). This settled development margin represents the unit price realised on first lease less the cost of development. Refer to (C1c) for further information on the fair value measurement and valuation technique used for Retirement Living Investment Properties and Resident Obligations.

(B2d) Retirement Living segment result (continued)

Reconciliation of Retirement Living statutory profit to segment results

Half year ended 31 December	Note	2015 Underlying profit $M	2015 Statutory adjustments $M	2015 Statutory profit $M	2014 Underlying profit $M	2014 Statutory adjustments $M	2014 Statutory profit $M
Total realised revenue		**29**	**–**	**29**	27	–	27
DMF base fees earned, unrealised	A	**–**	**10**	**10**	–	9	9
DMF Revenue		**29**	**10**	**39**	27	9	36
Net change in fair value of investment properties:							
• settled development margin		**9**	**–**	**9**	8	–	8
• operating villages and villages under development	B	**–**	**48**	**48**	–	47	47
Total net change in fair value of investment properties		**9**	**48**	**57**	8	47	55
Net change in fair value of Retirement Living resident obligations	B	**–**	**(57)**	**(57)**	–	(41)	(41)
Management, administration, marketing and selling expenses		**(16)**	**–**	**(16)**	(16)	–	(16)
Other income/(expenses)		**(4)**	**–**	**(4)**	(3)	–	(3)
Retirement Living profit		**18**	**1**	**19**	16	15	31

Explanation of statutory adjustments

A DMF base fees earned comprise DMF which is calculated on the entry price of a unit. For statutory profit these fees are accrued progressively as Stockland becomes entitled to the fee but are not recognised in underlying profit until the DMF accrued is realised in cash.

B Underlying profit excludes the net change in fair value for both investment properties and Retirement Living Resident Obligations. Refer to (C1c).

(B3) Taxation

Recoverability of deferred tax assets ('DTA')

An assessment of the recoverability of the net DTA has been made to determine if the carrying value should be reduced or more tax losses should be recognised with reference to the latest available profit forecasts, to determine the availability of suitable taxable profits or taxable temporary differences. The assessment for the period determined that the current DTA was considered to be recoverable with sufficient certainty and accordingly no additional DTA write off required or additional tax losses recognised.

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

The Group has $139 million (June 2015: $139 million) of unrecognised deferred tax assets. This balance consists of $133 million (tax-effected) (June 2015: $133 million) Australian income tax losses and $6 million (tax-effected) (June 2015: $6 million) Australian capital losses.

(C) Operating assets and liabilities

IN THIS SECTION

This section shows the real estate assets used to generate Stockland's and Stockland Trust Group's trading performance and the liabilities incurred as a result. Information on other assets and liabilities are in the following sections:

- Section B – Deferred tax assets and liabilities
- Section D – Financing activities
- Section E – Equity-accounted investments

(C1) Real estate assets and liabilities

(C1a) Inventories

Each reporting period, key estimates are reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, no net impairment provisions have been recognised in the profit or loss for the period ended 31 December 2015 (December 2014: Nil).

The composition of inventory is presented in the table below:

	31 December 2015			30 June 2015		
	Current $M	Non-current $M	Total $M	Current $M	Non-current $M	Total $M
Finished development stock held for sale[1]						
• cost of acquisition	**86**	**–**	**86**	59	–	59
• development and other costs	**164**	**–**	**164**	149	–	149
• interest capitalised	**36**	**–**	**36**	29	–	29
• impairment provision	**(29)**	**–**	**(29)**	(1)	–	(1)
Total finished stock held for sale	**257**	**–**	**257**	236	–	236
Development work in progress						
Residential communities under development						
• cost of acquisition	**309**	**1,214**	**1,523**	182	1,389	1,571
• development and other costs	**170**	**420**	**590**	116	449	565
• interest capitalised	**79**	**342**	**421**	50	376	426
• impairment provision	**(138)**	**(119)**	**(257)**	(44)	(266)	(310)
Total residential communities under development	**420**	**1,857**	**2,277**	304	1,948	2,252
Apartments						
• cost of acquisition	**15**	**–**	**15**	15	–	15
• development and other costs	**18**	**–**	**18**	18	–	18
• interest capitalised	**5**	**–**	**5**	5	–	5
• impairment provision	**(31)**	**–**	**(31)**	(31)	–	(31)
Total apartments	**7**	**–**	**7**	7	–	7
Logistics & business parks projects						
• cost of acquisition	**11**	**28**	**39**	9	30	39
• development and other costs	**14**	**15**	**29**	12	17	29
• interest capitalised	**8**	**5**	**13**	7	5	12
• impairment provision	**(21)**	**(9)**	**(30)**	(26)	(9)	(35)
Total logistics & business parks projects	**12**	**39**	**51**	2	43	45
Total inventory	**696**	**1,896**	**2,592**	549	1,991	2,540

1 Included within current finished development stock held for sale are logistics and business parks and apartments with a book value of $8 million (June 2015: $11 million) and $nil (June 2015: $nil), respectively.

(C1a) Inventories (continued)

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

	Residential communities $M	Apartments $M	Logistics & business parks $M	Total $M
Balance as at 1 July 2015	311	31	35	377
Amounts utilised	**(25)**	**–**	**(5)**	**(30)**
Balance as at 31 December 2015	**286**	**31**	**30**	**347**

(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 period, Stockland disposed of a 50% indirect investment in Waterfront Place and Eagle Street Pier. Refer to (C1d) and (E1) for further information on these transactions.

Commercial properties including Stockland's share of property held by equity-accounted investments

	Stockland		Stockland Trust Group	
	31 December 2015 $M	30 June 2015 $M	31 December 2015 $M	30 June 2015 $M
Retail	**6,490**	6,022	**6,447**	5,992
Office	**867**	1,102	**880**	1,108
Logistics & Business Parks	**1,819**	1,699	**1,819**	1,699
Capital works in progress and sundry properties	**163**	195	**62**	87
Book value of commercial properties	**9,339**	9,018[2]	**9,208**	8,886[2]
Less amounts classified as:				
• Property, plant and equipment	**(44)**	(44)	**–**	–
• Non-current assets held for sale	**(62)**	–	**(52)**	–
• Other assets (including lease incentives and lease fees)	**(202)**	(185)	**(208)**	(191)
• Other assets (including lease incentives and lease fees) attributable to equity-accounted investments	**(12)**	(26)	**(12)**	(25)
• Other receivables (straight-lining of operating lease rental income)	**(60)**	(54)	**(63)**	(58)
• Other receivables (straight-lining of operating lease rental income) attributable to equity-accounted investments	**(13)**	(18)	**(13)**	(18)
Total investment properties (including share of investment property held by equity-accounted investments)	**8,946**	8,691	**8,860**	8,594
Less: Stockland's share of investment properties held by equity-accounted investments	**(533)**	(774)[2]	**(533)**	(754)[2]
Total investment properties	**8,413**	7,917	**8,327**	7,840
Investment property reconciliation[1]				
Direct investments and controlled entities				
Carrying amount at the beginning of the financial period	**7,917**	7,489	**7,840**	7,412
Acquisitions	**54**	72	**54**	72
Disposals	**(1)**	(233)	**(11)**[3]	(233)
Expenditure capitalised	**123**	336	**150**	342
Transfers to non-current assets held for sale	**(62)**	–	**(52)**	–
Net gain from fair value adjustment of investment properties	**382**	253	**346**	247
Balance at the end of the financial period	**8,413**	7,917	**8,327**	7,840

1 The current period shows movements over a six month period while the comparative is over twelve months.
2 Includes Stockland and Stockland Trust Group's interest in the Waterfront Place property and Stockland's interest in the Eagle Street Pier property which were held through joint ventures and reclassified as an Asset Held for Sale at 30 June 2015. Refer to (C1d) and (E1).
3 Includes a sundry property sold by Stockland Trust Group to a subsidiary of Stockland Corporation.

(C1b) Commercial Properties (continued)

Description	Independent valuation Date	Independent valuation $M	Independent Cap rate[1] % 31 December 2015	Independent Cap rate[1] % 30 June 2015	Book value ($M) 31 December 2015	Book value ($M) 30 June 2015
Retail						
Directly owned						
Stockland Shellharbour, Shellharbour NSW	Dec 2015	700	**5.75**	6.00	**700**	688
Stockland Wetherill Park, Western Sydney NSW	Dec 2011[7]	358	**6.75**	6.75	**651**	522
Stockland Merrylands, Merrylands NSW	Dec 2015	540	**5.75**	6.00	**540**	506
Stockland Rockhampton, Rockhampton QLD	Jun 2015	404	**6.00**	6.00	**406**	404
Stockland Green Hills, East Maitland NSW	Dec 2015	354	**5.75**	6.50	**354**	308
Stockland Glendale, Newcastle NSW	Dec 2015	299	**6.25**	6.50	**299**	274
Stockland Cairns, Cairns QLD	Dec 2015	230	**6.00**	6.25	**230**	230
Stockland Point Cook, Point Cook VIC	Dec 2015	230	**6.25**	7.25	**230**	185
Stockland Townsville, Townsville QLD (50%)[2]	Dec 2015	229	**6.00-6.75**	6.00-7.00	**229**	227
Stockland Baldivis, Baldivis WA	Dec 2015	200	**6.00**	7.50	**200**	172
Stockland Hervey Bay, Hervey Bay QLD	Jun 2015	195	**6.25**	6.25	**196**	195
Stockland Burleigh Heads, Burleigh Heads QLD	Dec 2015	190	**6.75-7.50**	7.00-8.25	**190**	181
Stockland The Pines, Doncaster East VIC	Dec 2015	170	**6.25**	7.00	**170**	157
Stockland Forster, Forster NSW	Dec 2015	167	**6.50**	6.75	**167**	158
Stockland Jesmond, Newcastle NSW	Dec 2015	160	**6.50**	7.00	**160**	144
Stockland Wendouree, Wendouree VIC	Dec 2015	148	**6.50**	7.00	**148**	138
Stockland Balgowlah, Balgowlah NSW	Dec 2015	148	**6.00**	6.75	**148**	126
Stockland Baulkham Hills, Baulkham Hills NSW	Dec 2015	145	**6.25**	6.75	**145**	130
Stockland Gladstone, Gladstone QLD	Dec 2015	140	**7.00**	7.00	**140**	149
Stockland Caloundra, Caloundra QLD	Dec 2015	127	**6.50**	7.00	**127**	117
Stockland Nowra, Nowra NSW[6]	Dec 2015	116	**6.50**	6.75	**118**	110
Stockland Traralgon, Traralgon VIC	Dec 2015	107	**6.75**	7.00	**107**	99
Stockland Bull Creek, Bull Creek WA	Dec 2015	102	**6.50**	6.75	**102**	101
Stockland Cleveland, Cleveland QLD	Dec 2015	102	**6.75**	7.00	**102**	94
Stockland Bathurst, Bathurst NSW	Dec 2015	94	**6.75**	7.25	**94**	92
Stockland Corrimal, Corrimal NSW	Dec 2015	75	**6.75**	7.25	**75**	70
Stockland Wallsend, Wallsend NSW	Dec 2015	70	**7.00**	7.25	**70**	67
Stockland Tooronga, Tooronga VIC	Dec 2015	63	**6.00**	6.75	**63**	53
Shellharbour Retail Park, Shellharbour NSW	Dec 2015	53	**7.75**	7.75	**53**	52
Stockland Cammeray, Cammeray NSW	Dec 2015	46	**6.25**	6.75	**46**	37
Stockland Highlands, Craigieburn VIC[3]	Dec 2015	33	**6.75**	7.00	**33**	31
North Shore Townsville, Townsville QLD	Dec 2015	23	**6.75**	7.00	**23**	22
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)[2]	Jun 2015	14	**8.00**	8.00	**14**	14
Stockland Vincentia Shopping Centre, Vincentia NSW	Dec 2015	11	**8.25**	8.00	**11**	13
Stockland Merrylands Court, Merrylands NSW[3]	Dec 2014	10	**7.50**	7.50	**10**	10
Woolworths Toowong, Toowong QLD[4]	Dec 2015	6	**n/a**	n/a	**6**	14
Stockland Townsville Kingsvale Sunvale, QLD (50%)[2,5]	Dec 2014	5	**n/a**	n/a	**2**	2
Owned through equity-accounted investments						
Stockland Bundaberg, QLD (50%)	Dec 2015	68	**6.50**	6.75	**68**	67
Stockland Riverton, Riverton WA (50%)	Dec 2015	64	**6.50**	6.75	**64**	64
Total Retail[8]					**6,490**	6,022

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Property is not held by Stockland Trust. In the case of Merrylands Court, this property was held by Stockland Trust at 30 June 2015.
4 Property is valued as land.
5 Independent valuation based on 100% ownership.
6 Independent valuation excludes the adjacent property owned by Stockland.
7 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
8 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

Description	Independent valuation Date	Independent valuation $M	Independent Cap rate[1] % 31 December 2015	Independent Cap rate[1] % 30 June 2015	Book value ($M) 31 December 2015	Book value ($M) 30 June 2015
Office						
Directly owned						
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[2, 3, 4, 8]	Dec 2015	242	**6.00-7.00**	6.63–7.75	**229**	206
Durack Centre, 263 Adelaide Terrace, Perth WA[4]	Dec 2015	139	**8.00-8.50**	8.25-8.75	**139**	158
601 Pacific Highway, St Leonards NSW	Dec 2015	98	**7.00**	7.75	**98**	87
77 Pacific Highway, North Sydney NSW	Dec 2015	68	**7.00**	7.75	**68**	59
40 Cameron Avenue, Belconnen ACT[4]	Dec 2015	33	**11.00**	10.50	**33**	42
Garden Square, Mt Gravatt QLD	Jun 2014	37	**9.25**	9.25	**38**	38
110 Walker Street, North Sydney NSW	Dec 2015	30	**7.25**	7.75	**30**	28
80-88 Jephson Street, Toowong QLD	Dec 2015	20	**8.75**	9.00	**20**	19
23-29 High Street, Toowong QLD	Dec 2015	6	**7.50**	8.25-8.50	**6**	8
Owned through equity-accounted investments						
Waterfront Place, Eagle Street, Brisbane QLD (50%)[5]	Jun 2015	296	**–**	6.75	**–**	296
135 King Street, Sydney NSW (50%)[3]	Dec 2015	207	**4.75-6.00**	5.75-6.50	**207**	161
Total Office[9]					**867**	1,102
Logistics & Business Parks						
Directly owned						
Yennora Distribution Centre, Yennora NSW	Dec 2015	381	**7.00**	7.75	**381**	369
Triniti Business Campus, North Ryde NSW	Dec 2015	178	**7.00**	7.75	**178**	170
Port Adelaide Distribution Centre, Port Adelaide SA	Dec 2015	100	**9.00**	9.25	**100**	95
60-66 Waterloo Road, Macquarie Park NSW	Dec 2015	95	**6.50-7.00**	7.25-7.50	**95**	80
Hendra Distribution Centre, Brisbane QLD	Jun 2015	85	**8.75**	8.75	**89**	85
Brooklyn Estate, Brooklyn VIC	Dec 2015	83	**8.00**	9.25	**83**	83
Forrester Distribution Centre, St Marys NSW	Dec 2015	81	**7.25**	7.75	**81**	78
Ingleburn Distribution Centre, Ingleburn, NSW[6]	–	–	**–**	–	**78**	77
Balcatta Distribution Centre, Balcatta WA	Dec 2015	58	**7.00**	7.25	**58**	57
9-11a Ferndell Street, Granville NSW	Dec 2015	56	**7.25-9.00**	8.50-9.75	**56**	47
Macquarie Technology Centre, Macquarie Park NSW	Dec 2015	49	**7.00-8.25**	7.25-8.50	**49**	43
Toll Business Park, Altona VIC	Dec 2015	45	**7.25**	8.25	**45**	48
20-50 & 76-82 Fillo Drive and 10 Stubb Street, Somerton VIC	Dec 2015	44	**8.25**	8.75-9.00	**44**	47
16 Giffnock Avenue, Macquarie Park NSW	Dec 2015	42	**7.75**	8.75	**42**	38
23 Wonderland Drive, Eastern Creek NSW[6]	–	–	**–**	–	**36**	–
1090-1124 Centre Road, Oakleigh VIC	Dec 2012	32	**9.25**	9.25	**32**	32
72-76 Cherry Lane, Laverton North VIC[7]	Dec 2015	32	**7.00**	–	**32**	31
Altona Distribution Centre, Altona VIC	Dec 2015	30	**8.25**	8.75	**30**	29
2-8 Baker Street, Botany NSW[7]	Dec 2015	23	**6.25**	–	**23**	22
2 Davis Road, Wetherill Park NSW	Dec 2015	21	**7.25**	8.00	**21**	19
Coopers Paddock, Warwick Farm NSW[6]	–	–	**–**	–	**20**	19
M1 Yatala Enterprise Park, Yatala QLD	Jun 2013	9	**n/a**	n/a	**10**	10
Export Park, 9-13 Viola Place, Brisbane Airport QLD[4]	Dec 2015	9	**9.29**	9.75	**9**	12
40 Scanlon Drive, Epping VIC	Dec 2015	9	**7.50**	8.00	**9**	8
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Dec 2015	219	**7.00**	7.25	**219**	204
Total Logistics & Business Parks[9]					**1,819**	1,699

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Stockland's share of this property is held through a direct interest in the asset.
3 Book value includes the retail component of the property.
4 Property is a leasehold property.
5 At 30 June 2015, the joint venture holding Waterfront Place was reclassified as an Asset Held for sale. Refer to (C1d) and (E1). The property was disposed during the current period.
6 The values adopted above are a result of a Directors' valuations.
7 The values adopted in the comparative period are a result of a Directors' valuation.
8 The book value excludes the revaluation relating to the area occupied by Stockland. This owner-occupied area is classified as property, plant and equipment is recognised at historical cost.
9 Totals may not add due to rounding.

(C1b) Commercial Properties (continued)

Fair value measurement, valuation techniques and inputs

The techniques used to fair value the Group's commercial properties have not changed since 30 June 2015. For further explanation of the techniques used and inputs applied, refer to the 2015 financial statements.

(C1c) Retirement Living

For information on results of the Retirement Living business refer to (B2d).

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 ('ILU's'), serviced apartments, community facilities and integral plant and equipment.

Stockland

	31 December 2015 $M	30 June 2015 $M
Net investment in Retirement Living		
Operating villages	**3,251**	3,111
Villages under development	**237**	224
Total Retirement Living investment properties	**3,488**	3,335
Existing resident obligations	**(2,303)**	(2,198)
Net carrying value of Retirement Living villages	**1,185**	1,137
Retirement Living net carrying value movement during the period[1]		
Balance at the beginning of the financial period	**1,137**	1,003
Acquisitions	**–**	81
Disposals	**–**	(20)
Expenditure capitalised	**71**	130
Realised fair value movements	**9**	21
Cash received on first sales	**(54)**	(115)
Change in fair value of investment properties	**6**	6
Other movements	**16**	31
Balance at the end of the period	**1,185**	1,137

1 The current period shows movements over a six month period while the comparative is over twelve months.

	Current $M	Non-Current $M	Total $M
31 December 2015			
Existing resident obligations	**2,091**	**212**	**2,303**
Former resident obligations	**3**	**10**	**13**
Total resident obligations	**2,094**	**222**	**2,316**
30 June 2015			
Existing resident obligations	1,989	209	2,198
Former resident obligations	3	10	13
Total resident obligations	1,992	219	2,211

Fair value measurement, valuation techniques and inputs

The fair value of Retirement Living investment properties (including villages under development) is the value of the Retirement Living assets and the future cash flows associated with the contracts. Changes in fair value of investment properties are recognised in profit or loss.

The fair value is determined by the Directors' using a discounted cash flow ('DCF') methodology.

Both the investment properties and resident obligations are considered to be level 3 in the Fair Value Hierarchy Refer to (D4).

(C1c) Retirement Living (continued)

Fair value measurement, valuation techniques and inputs

The fair value of the resident obligations is the amount payable on demand to residents and comprises the initial loan amount plus the resident's share of any capital gains, in accordance with their contract, less DMF earned to date. Changes in fair value of resident obligations are recognised in profit or loss.

The following inputs are used to measure the fair value of the resident obligations:

Inputs	Range of unobservable inputs 31 December 2015
Discount rate	12.5% – 14.0% (Average: 13.0%)
Average 20 year growth rate	3.7%
Average length of stay of existing and future residents	10.5 years
Current market value of unit	$0.1 million - $1.0 million
Renovation/Reinstatement cost	$5k - $80k
Renovation recoupment	0% – 100%

Valuation process

Resident obligations are 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 above.

Sensitivity information

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 obligations to changes in the weighted assumptions are shown in the table below.

		Increase/(Decrease) in resident obligations			
		Increase in input		Decrease in input	
Significant input	Change in assumption	31 December 2015 $M	30 June 2015 $M	31 December 2015 $M	30 June 2015 $M
Current market value	10%	**141**	124	**(141)**	(124)

Current market value 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.

(C1d) Non-current assets held for sale

The following assets have been classified as held for sale:

	Stockland		Stockland Trust Group	
	31 December 2015 $M	30 June 2015 $M	31 December 2015 $M	30 June 2015 $M
Waterfront Place joint venture	**–**	224	**–**	224
Eagle Street Pier joint venture	**22**	22	**–**	–
Investment properties transferred from Commercial Property	**62**	–	**52**	–
Total non-current assets held for sale	**84**	246	**52**	224

During the period, Stockland completed the sale of properties at Waterfront Place and Eagle Street Pier which were held in joint venture entities at 30 June 2015. In the prior year, the properties were previously revalued up to their sale value.

At 30 June 2015, the Waterfront Place joint venture included net assets of $224 million comprising of: the Waterfront Place property (valued at $296 million) and $1 million of other assets less $73 million in external loans. After extinguishing the external debt the sales proceeds were distributed from the joint venture to Stockland and its joint venture partner.

At 30 June 2015, the Eagle Street Pier joint venture included net assets of $22 million primarily comprising of the Eagle Street Pier property (valued at $22 million). The proceeds from the sale have not yet been distributed by the joint venture to Stockland and its joint venture partner.

Refer to (E1) for further details.

(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 Board determines the appropriate capital structure of Stockland, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance Stockland's activities both now and in the future.

The Board considers Stockland's and the Stockland Trust Group's capital structure and its dividend and distribution policy on a regular basis and in particular ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan. During the period Stockland's credit rating remained unchanged at A-/Stable, and the Board continued to focus on improving the efficiency of the balance sheet.

Stockland and Stockland Trust Group is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions and net assets. In accordance with risk management policies, Stockland and Stockland Trust Group use derivatives to hedge these underlying exposures.

(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 assets and liabilities. The presentation of the net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

Mark-to-market movements reflect the change in value of our derivative instruments between the later of inception or 1 July 2015 and 31 December 2015. 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:

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Interest income from related parties	**–**	–	**149**	150
Interest income from other parties	**3**	4	**1**	2
Net gain transferred from the foreign currency translation reserve	**–**	1	**–**	–
Finance income	**3**	5	**150**	152
Interest expense relating to interest-bearing financial liabilities	**100**	101	**100**	100
Interest paid or payable on other financial liabilities at amortised cost	**6**	7	**–**	–
Less interest capitalised to inventories	**(60)**	(62)	**–**	–
Less interest capitalised to investment properties	**(6)**	(8)	**(2)**	(4)
Interest expense	**40**	38	**98**	96
Net loss on fair value hedges	**11**	6	**11**	6
Net loss on derivatives – through profit or loss	**34**	49	**34**	51
Total loss on debt and derivatives	**45**	55	**45**	57
Total finance expense	**85**	93	**143**	153

The interest expense relating to interest-bearing financial liabilities includes $47 million (December 2014: $56 million) related to interest on financial liabilities carried at amortised cost.

(D1) Net financing costs (continued)

The table below shows the composition of losses on derivatives, including those eligible and ineligible for hedge accounting:

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Net loss on fair value hedges				
Gain on net change in fair value of derivatives	**(95)**	(133)	**(95)**	(133)
Loss on net change in fair value of interest-bearing liabilities	**106**	139	**106**	139
Net loss on fair value hedges	**11**	6	**11**	6
Net loss on derivatives – through profit or loss				
Loss on foreign exchange movement	**38**	103	**38**	104
Gain on fair value movement	**(4)**	(54)	**(4)**	(53)
Net loss on derivatives – through profit or loss	**34**	49	**34**	51

During the period, financial instruments were closed out by Stockland and the Stockland Trust Group. The following table shows the cash and profit and loss impact of closing out these instruments:

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Cash costs of closing out financial instruments	**(119)**	(45)	**(119)**	(45)
Cumulative fair value loss previously recognised	**112**	36	**112**	36
Loss realised in current period	**(7)**	(9)	**(7)**	(9)

(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.

The interest payable and receivable on these instruments are shown in the net financing costs note in (D1).

Stockland and Stockland Trust Group

Interest-bearing loans and borrowings are carried at amortised cost. The table below shows fair value of each of these instruments, which is the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

		Carrying value			
	Section	**Current $M**	**Non-Current $M**	**Total $M**	**Fair value $M**
31 December 2015					
Foreign medium term notes	(D2a)	**91**	**2,751**	**2,842**	**3,105**
Domestic medium term notes	(D2b)	**150**	**555**	**705**	**754**
Bank facilities	(D2c)	**–**	**130**	**130**	**130**
Total		**241**	**3,436**	**3,677**	**3,989**
30 June 2015					
Foreign medium term notes	(D2a)	286	2,259	2,545	2,740
Domestic medium term notes	(D2b)	–	458	458	510
Bank facilities	(D2c)	–	280	280	280
Total		286	2,997	3,283	3,530

The difference of $312 million (June 2015: $247 million) between the carrying amount and fair value of the domestic and foreign medium term notes is due to notes being carried at amortised cost under AASB 139 *Financial Instruments: Recognition and Measurement*, 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.

(D2) Interest-bearing loans and borrowings (continued)

Stockland and Stockland Trust Group

(D2a) Foreign medium term notes

US private placement

In the prior year, Stockland secured USD275 million (AUD359 million) in funding which was delivered in the current period. In addition, Stockland issued notes into the US private placement market with a face value of AUD100 million. Notes were issued at a fixed coupon payable in AUD.

During the period, Stockland repaid USD115 million (AUD163 million) of its notes that were issued in the US private placement market and matured in July and October 2015.

Asian and European private placement

In August 2015 the JPY notes issued in the Asian private placement market with a face value of AUD151 million (JPY13,000 million) and an original maturity date of August 2035 were redeemed.

(D2b) Domestic medium term notes

During the period, medium term notes with a face value of $250 million were issued at a discount. The discount is amortised to finance costs over the term of the notes.

(D2c) Bank facilities

Stockland and Stockland Trust Group

The bank facilities are unsecured multi-use facilities which may be used partially for bank guarantees.

Details of maturity dates for facilities, excluding bank guarantee facilities (refer to (F3)), are set out below:

	31 December 2015		30 June 2015	
Maturity date	Utilised $M	Facility Limit $M	Utilised $M	Facility Limit $M
July 2016	–	100	–	100
August 2016	–	120	–	120
December 2016	–	200	–	200
January 2018	–	–	30	250
January 2019	–	250	-	–
February 2019	–	–	150	150
November 2019	–	–	100	100
February 2020	30	150	–	–
November 2020	100	100	–	–
	130	920	280	920

(D3) Other financial assets

Investment in BGP Holdings, Plc ('BGP')

Stockland holds a 12.4% non-transferrable, non-tradeable, investment in BGP. BGP is a European (predominantly Euro currency denominated) real estate investment company, which Stockland acquired via an in specie distribution through its previous investment in The GPT Group ('GPT'). This investment is held as an available for sale investment, in non-current Other Financial Assets.

BGP is not a listed company and as such there is limited financial information provided to investors. The 31 December 2014 financial statements of BGP indicate the company had net assets of €528 million (A$781 million). Applying Stockland's percentage ownership of 12.4%, this equates to a prima facie value of A$97 million.

For the year-end 30 June 2015, Stockland recognised a fair value of $19 million ($13 million after tax) through other comprehensive income based on the information available at the time.

Following an assessment of available information as at 31 December 2015, including financial information and announcements published by BGP, the fair value of the investment remains at $19 million ($13 million after tax).

Valuation process

The fair value of the investment has been determined by the Directors using a DCF methodology. Internal valuations are completed every six months using DCF models with reference to publicly available information on BGP as well as external market data. The aim of the valuation process is to ensure the investment is held at fair value on Stockland's balance sheet.

Inputs

The investment in BGP is a level 3 in the Fair Value Hierarchy (the Fair Value Hierarchy is explained in (D4)). The inputs used by Stockland in estimating the fair value of BGP are based on assumptions. These assumptions, particularly cash flow projections, are based on public information, largely limited to public financial statements. These financial statements do not specifically provide projections of forward cash flows and as a result these have been estimated by Stockland using point in time values set out in those statements. These inputs should be read in that context.

The following inputs are used to measure the fair value of Stockland's investment in BGP:

	Unobservable inputs 31 December 2015
Discount rate	30%
DCF period	5 years

Sensitivity information

When assessing the valuation of the BGP investment, a change in the assumed discount rate or DCF period, would impact the valuation. In theory, a decrease in the discount rate and/or DCF period would increase the fair value of the investment, and an increase in the discount rate and/or DCF period would decrease the fair value. Sensitivity of the investment fair value (pre-tax) to changes in the weighted assumptions is shown in the table below.

		Increase / (Decrease) in Fair Value			
		Increase in input		**Decrease in input**	
Significant input	**Change in assumption**	**31 December 2015 $M**	**30 June 2015 $M**	**31 December 2015 $M**	**30 June 2015 $M**
Discount rate	10%	**(6)**	(6)	**9**	9
DCF period	2 years	**(8)**	(8)	**19**	19

Investment in Australand Property Group ('Australand')

During the period ended 31 December 2014, Stockland disposed of its interest in Australand, which comprised a 15.7% direct holding in securities of Australand and 4.2% indirect interest via a cash settled equity swap agreement. On disposal, Stockland realised 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.

(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: quoted 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 counterparty's 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 (C1c).

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2015				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**28**	**28**
Derivative assets	**–**	**439**	**7**	**446**
Total financial assets carried at fair value	**–**	**439**	**35**	**474**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(157)**	**–**	**(157)**
Retirement Living resident obligations	**–**	**–**	**(2,316)**	**(2,316)**
Total financial liabilities carried at fair value	**–**	**(157)**	**(2,316)**	**(2,473)**
Net position	**–**	**282**	**(2,281)**	**(1,999)**
30 June 2015				
Financial assets carried at fair value				
Units in unlisted entities	–	–	24	24
Derivative assets	–	344	–	344
Total financial assets carried at fair value	–	344	24	368
Financial liabilities carried at fair value				
Derivative liabilities	–	(304)	(13)	(317)
Retirement Living resident obligations	–	–	(2,211)	(2,211)
Total financial liabilities carried at fair value	–	(304)	(2,224)	(2,528)
Net position	–	40	(2,200)	(2,160)

(D4) Fair value hierarchy (continued)

Stockland Trust Group

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2015				
Financial assets carried at fair value				
Units in unlisted entities	**–**	**–**	**9**	**9**
Derivative assets	**–**	**439**	**7**	**446**
Total financial assets carried at fair value	**–**	**439**	**16**	**455**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(157)**	**–**	**(157)**
Total financial liabilities carried at fair value	**–**	**(157)**	**–**	**(157)**
Net position	**–**	**282**	**16**	**298**
30 June 2015				
Financial assets carried at fair value				
Units in unlisted entities	–	–	5	5
Derivative assets	–	344	-	344
Total financial assets carried at fair value	–	344	5	349
Financial liabilities carried at fair value				
Derivative liabilities	–	(304)	(13)	(317)
Total financial liabilities carried at fair value	–	(304)	(13)	(317)
Net position	–	40	(8)	32

Derivative financial assets and liabilities are not offset in the balance sheet as under agreements held with derivative counterparties, Stockland and the Stockland Trust Group do not have a legally enforceable right to set-off the position payable/receivable to a single counterparty.

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 bonds $M	Retirement Living resident obligations $M	Total $M
Balance at 30 June 2014	6	(11)	(53)	(1,865)	(1,923)
Total gains and losses recognised in:					
• profit or loss	–	(2)	–	(25)	(27)
• other comprehensive income	19	–	–	–	19
Net cash settled on resident turnover	–	–	–	(146)	(146)
Purchased	–	–	–	(175)	(175)
Disposal of Aged Care bonds	–	–	53	–	53
Capital distributions	(1)	–	–	–	(1)
Balance at 30 June 2015	24	(13)	–	(2,211)	(2,200)
Total gains and losses recognised in:					
• profit or loss	**4**	**7**	**–**	**(36)**	**(25)**
• other comprehensive income	**–**	**–**	**–**	**–**	**–**
Net cash settled on resident turnover	**–**	**–**	**–**	**(69)**	**(69)**
Capital distributions	**–**	**–**	**–**	**–**	**–**
Disposed / Settled	**–**	**13**	**–**	**–**	**13**
Balance at 31 December 2015	**28**	**7**	**–**	**(2,316)**	**(2,281)**

(D4) Fair value hierarchy (continued)

Stockland Trust Group

	Units in unlisted entities $M	Derivatives $M	Total $M
Balance at 30 June 2014	6	(11)	(5)
Total gains and losses recognised in:			
• profit or loss	–	(2)	(2)
Capital distributions	(1)	–	(1)
Balance at 30 June 2015	5	(13)	(8)
Total gains and losses recognised in:			
• profit or loss	**4**	**7**	**11**
Capital distributions	**–**	**–**	**–**
Disposed / Settled	**–**	**13**	**13**
Balance at 31 December 2015	**9**	**7**	**16**

(D5) Issued capital

KEEPING IT SIMPLE …

This section explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The movements in equity of Stockland and Stockland Trust Group and the balances are presented in the consolidated Statements of Changes in Equity.

Issued capital represents the amount of consideration received for stapled securities issued by Stockland. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

For so long as Stockland remains jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and the securityholders and unitholders shall be identical. Unitholders of the Trust are only entitled to distributions and voting rights upon stapling.

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

	Stockland and Stockland Trust Group		Stockland		Stockland Trust Group	
Details	**31 December 2015 Number of securities/ units**	**30 June 2015 Number of securities/ units**	**31 December 2015 $M**	**30 June 2015 $M**	**31 December 2015 $M**	**30 June 2015 $M**
Ordinary securities/units on issue						
Issued and fully paid	**2,377,518,222**	2,361,717,862	**8,637**	8,571	**7,331**	7,266
Other equity securities/units						
Treasury Shares	**(3,994,556)**	(2,621,149)	**(12)**	(11)	**(12)**	(11)
Total issued capital	**2,373,523,666**	2,359,096,713	**8,625**	8,560	**7,319**	7,255

(D5a) Ordinary securities/units

The following table provides details of movements in Stockland's issued securities and 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 30 June 2014	2,326,978,560	8,430	7,126
Securities/units issued as part of the distribution reinvestment plan	34,739,302	141	140
Balance as at 30 June 2015	2,361,717,862	8,571	7,266
Securities/units issued as part of the distribution reinvestment plan	**15,800,360**	**66**	**65**
Balance as at 31 December 2015	**2,377,518,222**	**8,637**	**7,331**

Dividend/Distribution Reinvestment Plan

On 17 December 2015, Stockland announced that the Dividend/Distribution Plan ('DRP') would operate for the interim distribution to 31 December 2015. Securityholders participating in the DRP will be entitled to receive a full distribution. The DRP security price of $4.04 was determined by the average of the daily volume weighted average of the selling price over a 15-day trading period immediately preceding 5 February 2016 and applying a 1.0 per cent discount.

(D5b) Other equity securities/units

Treasury Shares

Details	Stockland and Stockland Trust Group Number of securities/units	Stockland $M	Stockland Trust Group $M
Opening balance as at 1 July 2015	2,621,149	(11)	(11)
Acquisition of securities/units by the Trust	**2,030,936**	**(6)**	**(6)**
Transferred to ordinary shares on vesting	**(657,529)**	**5**	**5**
Balance as at 31 December 2015	**3,994,556**	**(12)**	**(12)**

Acquisition of securities by the Trust

During the period, 2,030,936 securities were acquired on market 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, 657,529 securities vested with Executives and Senior Management under the DSTI scheme.

(D6) Dividends and distributions

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

The tax preferred component represents income of the Stockland Trust which is not included in the trust's taxable income. The tax preferred component includes concessional capital gain amounts not included in the trust's taxable income and tax deferred amounts, being the amount distributed in excess of the trust's taxable income.

(D6) Dividends and distributions (continued)

Stockland Corporation Limited

There was no dividend from Stockland Corporation Limited during the current, or previous, financial period.

The dividend franking account balance as at 31 December 2015 is $13 million based on a 30% tax rate (June 2015: $13 million).

Stockland Trust

	Cents per unit	Total amount $M	Date of payment
Interim distribution: 31 December 2015	**12.2**	**290**	**29 February 2016**
Interim distribution: 31 December 2014	12.0	282	27 February 2015

The tax preferred percentage will be determined at year-end.

(E) Group structure

IN THIS SECTION

This section provides information on changes to the Group structure. The Group includes entities that are classified as joint ventures, joint operations, associates and structured entities.

Joint ventures and associates are accounted for using the equity method, while joint operations are proportionately consolidated and structured entities are recorded as investments at cost.

(E1) Equity-accounted investments

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

	Stockland		Stockland Trust Group	
	31 December 2015 $M	30 June 2015 $M	31 December 2015 $M	30 June 2015 $M
Aggregate carrying amount of individually immaterial joint venture entities	**575**	518	**562**	506

	Stockland		Stockland Trust Group	
Half year ended 31 December	2015 $M	2014 $M	2015 $M	2014 $M
Aggregate share of:				
Profit from continuing operations	**67**	61	**67**	59
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**67**	61	**67**	59

Changes to Joint Ventures

Brisbane Casino Towers

On 26 October 2015, Stockland entered into a joint arrangement with an unrelated party to develop apartments in the Brisbane area. As part of the arrangement, Stockland has equal voting rights and decision making powers.

Stockland's investment ranks behind any external debt but ahead of the joint venture partner's investment. Any undistributed profits from the project will be distributed equally after each party has been repaid its initial investment.

(E1) Equity-accounted investments (continued)

Stockland Ormeau Trust

On 22 December 2015, Stockland acquired all units in Stockland Ormeau Trust ('SOT') held by its joint venture partner, Stockland Residential Estates Equity Fund No. 1 ('SREEF No.1') which is also a related party. Refer to (F5).

The units were acquired for $16 million and increased Stockland's equity interest in SOT from 50% to 100%. Upon acquisition of the additional units, SOT ceased being a joint venture and became a wholly owned subsidiary of Stockland. Accordingly, the information presented in the above table includes the results of SOT for the period from 1 July 2015 to 22 December 2015.

Waterfront Place and Eagle Street Pier

Through joint venture entities, Stockland held an indirect interest in properties located at Waterfront Place and Eagle Street Pier in Brisbane. On 19 June 2015, these joint venture entities entered into an agreement to sell the properties to an unrelated party and the sale was settled during the current period.

At 30 June 2015, the joint venture entities were reclassified as assets held for sale at which point the investments were no longer equity-accounted. During the current period, $4 million of net profits was distributed by the joint venture entities to Stockland. As equity accounting is no longer applied, these amounts have been recognised within profit or loss as dividend and distribution income.

Refer to (C1d) for further details.

Stockland Bundaberg

On 10 October 2014, Stockland Trust acquired a 50% interest in Sugarland Shopping Centre Trust ('SSCT') from an unrelated party for $59 million. SSCT owns Sugarland Shoppingtown in Bundaberg, Queensland, which was subsequently re-named 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 is included in Stockland and the Stockland Trust Group's investments in joint venture entities for the periods subsequent to 10 October 2014.

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

The counterparty has since exercised their right to vary the option periods. The Put option is exercisable until 3 October 2016, with the call option exercisable from 4 April 2016 until 3 October 2016. If the Put or Call options are exercised, a liability in the range of $60 million to $62 million will be recognised.

At 31 December 2015, the call option over the remaining 50% of the SSCT has an estimated fair value of $7 million which has been recognised in statutory profit or loss, but not in underlying profit, during the current period. The value has been estimated using the independent valuation for the Stockland Bundaberg shopping centre and the exercise price of the call option.

(F) Other items

IN THIS SECTION

This section includes information about the financial performance and position of the Group, that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations.*

(F1) 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 period divided by the weighted average number of securities outstanding.

Diluted EPS adjusts the Basic EPS for the dilutive effect of any instruments, such as options, that could be converted into ordinary securities.

Basic underlying earnings per security are disclosed in the Directors' Report on page 4.

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.

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 cents**	**2014 cents**	**2015 cents**	**2014 cents**
Basic and diluted earnings per security/unit				
Basic earnings per security/unit	**29.4**	19.8	**28.3**	17.9
Diluted earnings per security/unit	**29.4**	19.7	**28.2**	17.8

Reconciliations of earnings used in calculating earnings per security/unit

	Stockland		Stockland Trust Group	
Half year ended 31 December	**2015 $M**	**2014 $M**	**2015 $M**	**2014 $M**
Basic and diluted earnings				
Profit attributable to securityholders/unitholders	**696**	462	**670**	419

Weighted average number of securities/units used as the denominator

	Stockland and Stockland Trust Group	
Half year ended 31 December	**2015 No.**	**2014 No.**
Weighted average number of securities/units (basic)		
Weighted average number of securities/units	**2,368,328,381**	2,338,801,489
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic)	**2,368,328,381**	2,338,801,489
Effect of rights and securities/units granted under share plans	**3,994,556**	4,851,168
Weighted average number of securities/units (diluted)	**2,372,322,937**	2,343,652,657

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

(F2) Notes to cash flow statements

Half year ended 31 December	Stockland 2015 $M	Stockland 2014 $M	Stockland Trust Group 2015 $M	Stockland Trust Group 2014 $M
Reconciliation of profit to net cash flow from operating activities:				
Profit	**696**	462	**670**	419
Add/(less) items classified as investing/financing activities:				
Net loss on fair value hedges	**11**	6	**11**	6
Net loss on derivatives – through profit and loss	**34**	49	**34**	51
Interest capitalised to investment properties	**(6)**	(8)	**(2)**	(4)
Net loss on sale of non-current assets	**–**	2	**–**	2
Net gain on other financial assets	**(7)**	(73)	**(7)**	–
Dividends and distributions income	**(4)**	(3)	**–**	–
Add/(less) non-cash items:				
DMF base fee earned, unrealised	**(10)**	(9)	**–**	–
Depreciation	**6**	8	**–**	–
Straight-line rent adjustment	**(6)**	(4)	**(6)**	(4)
Net change in fair value of investment properties (including equity-accounted investments)	**(481)**	(217)	**(398)**	(171)
Share of profits of equity-accounted investments, net of distributions received	**1**	(6)	**2**	(6)
Equity-settled share based payments	**6**	5	**–**	–
Other items	**(8)**	(2)	**1**	(2)
Net cash flow from operating activities before change in assets and liabilities	**232**	210	**305**	291
Decrease/(Increase) in receivables	**(26)**	18	**1**	4
(Increase) in other assets	**(22)**	(16)	**(22)**	(13)
(Increase) in inventories	**(25)**	(137)	**–**	–
Decrease in deferred tax assets	**14**	18	**–**	–
Increase/(Decrease) in payables and other liabilities	**(19)**	(23)	**26**	6
Increase in Retirement Living resident obligations	**105**	79	**–**	–
Increase in employee benefits	**–**	1	**–**	–
Increase/(Decrease) in other provisions	**43**	(13)	**–**	–
Net cash flow from operating activities	**302**	137	**310**	288

(F3) Contingent liabilities

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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.

There has been no material change in the Group's contingent liabilities since 30 June 2015 and the disclosures in the annual financial statements remain appropriate at 31 December 2015.

No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

(F4) 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 2015 $M	30 June 2015 $M	31 December 2015 $M	30 June 2015 $M
Inventory commitments	**265**	183	**–**	–
Investment property commitments	**393**	152	**295**	54
Total capital expenditure commitments	**658**	335	**295**	54

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	**6**	8	**–**	–
Later than five years	**–**	–	**–**	–
Total operating lease commitments	**10**	12	**–**	–

During the period, $2 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (December 2014: $2 million).

(F5) Related party disclosures

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) or a nominated subsidiary of Stockland provided a loan facility offer to Stockland Residential Estates Equity Fund No. 1 ('SREEF No.1'). The offer was extinguished on 22 December 2015, following Stockland's acquisition of the remaining units in the Stockland Ormeau Trust from SREEF No. 1. Refer to (E1).

As at 30 June 2015, the loan facility offer was for $11 million and was to expire on 30 September 2017. While the offer was available, SREEF No. 1 was charged a line fee of 20 basis points on this facility offer.

Other than the above change, there have been no significant changes to the nature of related parties that were disclosed in the annual financial statements for the year ended 30 June 2015.

(F6) Events subsequent to the end of the period

Stockland and Stockland Trust Group

Other than disclosed elsewhere in this report, there has not arisen in the interval between the end of the current period 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 2015

(1) 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 47, are in accordance with the *Corporations Act 2001*, including:

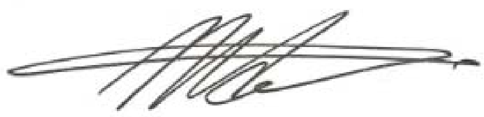
(i) giving a true and fair view of Stockland's and Stockland Trust Group's financial position as at 31 December 2015 and of their performance, for the period ended on that date; and

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

(b) there are reasonable grounds to believe that both Stockland and 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
Chairman



Mark Steinert
Managing Director

Dated at Sydney, 10 February 2016

Independent auditor's review report to the stapled securityholders of Stockland Consolidated Group 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 2015, 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 Consolidated Group, being the consolidated stapled entity ("Stockland Consolidated Group"). 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 2015, 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 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 half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Stockland Consolidated Group and Stockland Trust Group's financial position as at 31 December 2015 and 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 Consolidated 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 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.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Independence

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

Auditor's opinion

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 Consolidated Group and Stockland Trust Group is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of Stockland Consolidated Group and Stockland Trust Group's financial positions as at 31 December 2015 and of their performance for the half year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Hadfield
Partner

N R McConnell
Partner

Sydney
10 February 2016

Stockland Corporation Ltd
ACN 000 181 733

Head Office
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Sydney
Telephone 02 9035 2000

Melbourne
Telephone 03 9095 5000

Brisbane
Telephone 07 3305 8600

Perth
Telephone 08 9368 9222