

Stockland

Interim Reports
31 December 2013

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland (ACN 000 181 733)

Contents

Directors' Report	1
Auditor's Independence Declaration	12
Consolidated Interim Statements of Comprehensive Income	13
Consolidated Interim Balance Sheets	14
Consolidated Interim Statements of Changes in Equity	15
Consolidated Interim Cash Flow Statements	17
Condensed Notes to the Consolidated Interim Financial Statements	18
1 Summary of significant accounting policies	18
2 Critical accounting estimates and judgements	20
3 Operating segments	20
4 Finance income and expense	23
5 Income tax benefit	24
6 Earnings per security/unit	24
7 Inventories	26
8 Non-current assets held for sale	28
9 Investment properties	28
10 Investments in associates	32
11 Investments in joint ventures	33
12 Interest-bearing loans and borrowings	34
13 Other liabilities	35
14 Deferred tax assets and liabilities	35
15 Issued capital	37
16 Dividends and distributions	39
17 Commitments	40
18 Contingent Liabilities	40
19 Retirement Living	41
20 Notes to the Cash Flow Statements	45
21 Financial Instruments	46
22 Related party disclosures	49
23 Events subsequent to the end of the half year	50
Directors' Declaration	51
Independent Auditor's Review Report	52

Stockland
Directors' Report
For the half year ended 31 December 2013

The Directors of Stockland Corporation Limited and the Directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust, present their report together with the Interim Financial Report of Stockland and the Interim Financial Report of Stockland Trust Group for the half year ended 31 December 2013 and the Independent Auditor's Review Report thereon.

The Interim Financial Report of Stockland comprises the consolidated Interim Financial Report of Stockland Corporation Limited ("the Company" or "the Corporation") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust"), ("Stockland" or "Stockland Consolidated Group").

The Interim Financial Report of the Stockland Trust Group comprises the consolidated Interim Financial Report of Stockland Trust and its controlled entities ("Stockland Trust Group").

Directors

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

Non-Executive Directors

Mr Graham Bradley, Chairman

Mr Duncan Boyle

Ms Carolyn Hewson

Mr Barry Neil

Ms Carol Schwartz

Mr Peter Scott

Mr Terry Williamson

Executive Director

Mr Mark Steinert, Managing Director

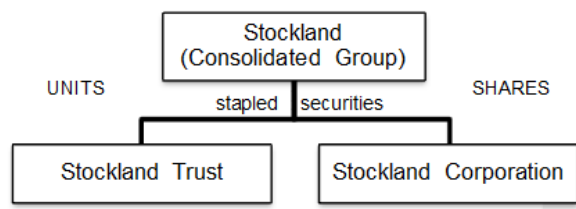
Stockland Directors' Report For the half year ended 31 December 2013

Operating and Financial Review

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than \$11.6 billion of real estate assets. Stockland owns, manages and develops shopping centres, industrial and office assets, residential communities, and retirement villages.

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



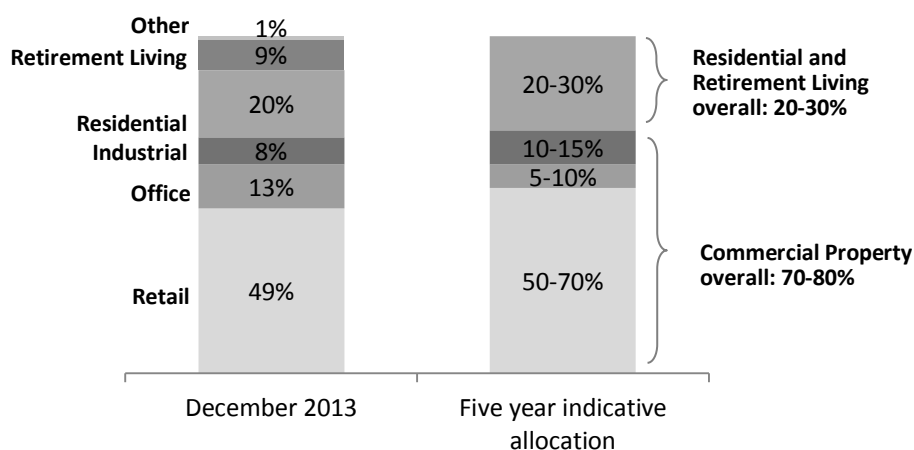
The company was founded in 1952 with a vision to “not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country”. Through its diversified model, Stockland helps create thriving communities where people live, work and shop, directly aligned with the Group’s purpose that *we believe there is a better way to live*.

Today the company’s vision is to be a great Australian property company that delivers value to all its stakeholders. Stockland’s primary objective is to deliver earnings per security (EPS) growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust (A-REIT) index average, by creating quality property assets and delivering value for its customers.

Group Strategy

Stockland’s strategy is to allocate capital within a disciplined risk/return framework and drive returns from assets while tightly controlling costs. The Group will continue to leverage its asset and development strengths in shopping centres, residential and retirement living, while retaining and, over time, increasing exposure to industrial property as a core capability. Stockland will be tactical in its exposure to office assets, optimising the value of its current portfolio and progressively down weighting at this point in the cycle. The Group will also actively divest assets that don’t meet defined risk-adjusted hurdle rates.

Indicative strategic asset weightings



Capital management and operational efficiency are key areas of focus. Stockland remains committed to maintaining its strong balance sheet with an A- credit rating, gearing of 20-30 per cent, and diversified sources of funding. This includes pursuing additional capital partnering opportunities where this will improve the Group’s risk-return profile.

**Stockland
Directors' Report
For the half year ended 31 December 2013
Operating and Financial Review (continued)**

Group Strategy (continued)

As part of Stockland's strategy update in May 2013, five immediate business priorities were identified.

- Improve profitability of the Residential business.
- Improve Retirement Living return on assets.
- Grow Commercial Property through development and acquisition.
- Reduce overheads and improve organisational efficiency.
- Strengthen the Corporation through capital reallocation.

Stockland has made good progress on these priorities with over \$450 million of Commercial Property development underway, an improving profitability trend in Residential and Retirement Living, and process and operational efficiencies emerging. After receiving securityholder approval, Stockland completed its \$507.3 million recapitalisation of the Corporation on 29 November 2013.

Stockland half year results to 31 December 2013

Stockland delivered an Underlying Profit of \$267.2 million for the half year to 31 December 2013, an increase of 5% on the previous corresponding period. Statutory profit was \$298.1 million. The result was underpinned by a significant improvement in the performance of the Residential business, which was up 39% on 1H13.

The strategy Stockland commenced implementing in May 2013 has ensured that the Group is focused on allocating capital to assets that deliver the best risk-adjusted returns. The operating environment during the half was mixed, with challenges in retail and office markets balanced by a significant improvement in residential. Stockland's largest business, Retail, continued to prove resilient with shopping centres achieving a solid result for the period in soft conditions. The Residential business capitalised on the improved housing market with a substantial uplift in sales.

Stockland maintained its strong balance sheet, with a continued focus on active capital management. Through recent debt issues and closing swaps Stockland tightly managed its average cost of debt in a narrow range while increasing the average maturity. Stockland reinstated its dividend reinvestment plan to help fund its accretive development pipeline. This was well supported by investors with a 28% take up. At 24.0% gearing remains comfortably within the 20-30 per cent target range and Stockland has retained an A-/stable credit rating.

Key metrics:

- Stockland's half year distribution was steady at 12.0 cents per security.
- Underlying Profit was \$267.2 million, up 5% from 1H13.
- Underlying Earnings per security (EPS)¹ was 11.6 cents, the same as 1H13 and up 7.4% on 2H13, noting the full effect of impairments and more conservative future assumptions implemented during 2H13. Statutory Profit was \$298.1 million up \$445.2 million on 1H13.
- Statutory EPS was 12.9 cents up 292% on 1H13.

In addition to underlying earnings, the increase in Statutory Profit in the half year ended 31 December 2013 was primarily driven by a favourable movement in the fair values of the Commercial Property and Retirement Living investment property in the current period compared to the prior year and no impairment charges recognised on inventory in the current period. An impairment charge on Residential inventory of \$318.3 million was recognised in 1H13. The movement in statutory profit after tax reflects a number of non-cash items which are excluded from Underlying Profit.

Valuation movements in Commercial Property contributed \$44.4 million (December 2012: \$45.6 million) to statutory profit, primarily due to valuation uplift recognised on the Shellharbour retail redevelopment. There was a net increase of \$2.9 million (December 2012: decrease of \$60.9 million) in the fair value of the Retirement Living business.

Other movements which affected the statutory profit included the \$31.0 million realised on disposal of the Group's investment in FKP and non-cash changes in the market values of the Group's financial instruments in the half year ended 31 December 2013.

The Group recognised an income tax expense on significant items of \$40.2 million.

¹ Underlying EPS is calculated by dividing Underlying Profit by the weighted average number of ordinary securities outstanding during the

Stockland
Directors' Report
For the half year ended 31 December 2013
Operating and Financial Review (continued)
Group Results Summary

GROUP RESULTS SUMMARY	Stockland Consolidated Group		Stockland Trust Group	
(\$m, unless otherwise stated)	1H14	1H13	1H14	1H13
Underlying Profit before tax	246.0	226.8	313.7	316.4
Income tax benefit	21.2	28.2	-	-
Underlying Profit	267.2	255.0	313.7	316.4
Certain significant items:				
<i>Non-cash adjustment to inventories and development profits</i>				
Net provision for write-down of inventories – Australia	-	(306.0)	-	-
Net provision for write-down of inventories – UK	-	(12.3)	-	-
	-	(318.3)	-	-
<i>Unrealised fair value adjustment of investment properties</i>				
Net gain from fair value adjustment of investment properties – Commercial Property	44.4	45.6	33.9	25.6
Share of net loss from fair value adjustment of investment properties in associates and joint ventures	-	(11.1)	-	(11.1)
DMF base fees earned, unrealised	8.8	0.5	-	-
Change in fair value adjustment of Retirement Living				
-Operating villages and villages under development	(13.8)	(106.9)	-	-
-Resident obligations	7.9	45.5	-	-
	47.3	(26.4)	33.9	14.5
<i>Fair value adjustment of other financial assets and net gain/(loss) on sale of other non-current assets</i>				
Net gain/(loss) from fair value adjustment of other financial assets	31.7	(43.6)	0.7	-
Net realised loss on sale of other non-current assets	(5.1)	(4.9)	(5.1)	(4.9)
	26.6	(48.5)	(4.4)	(4.9)
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>				
Net gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	1.4	(33.7)	(5.5)	(33.6)
Net loss from hedged items and financial instruments treated as fair value hedges	(4.1)	(0.3)	-	(0.3)
Net foreign exchange loss transferred from the foreign currency translation reserve	(0.1)	-	-	-
	(2.7)	(34.0)	(5.5)	(33.9)
Income tax (expense)/benefit on significant items	(40.2)	25.1	-	-
Total net significant items	30.9	(402.1)	24.0	(24.3)
Statutory Profit for the year attributable to securityholders/unitholders	298.1	(147.1)	337.7	292.1

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) (such as Residential impairment) 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 the Australian Accounting Standards.

Other Underlying 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 also the basis on which distributions are determined.

Stockland
Directors' Report
For the half year ended 31 December 2013

Operating and Financial Review (continued)

Group Results Summary (continued)

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 above for both the Stockland Consolidated Group and Stockland Trust Group.

Stockland has reported consistently on this basis for more than five years to help investors understand the performance of our business.

Business unit performance and priorities

Commercial Property

Stockland's Commercial Property business comprises three asset types - retail centres, industrial and office properties. Stockland is one of the largest retail property owners, developers and managers in Australia. Stockland's 40 retail centres accommodate more than 3,200 tenants, realising \$6 billion of retail sales per annum. The industrial portfolio comprises 14 properties with just over one million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. Business parks and logistics will be reflected in the Industrial portfolio at the end of FY14. The office portfolio comprises 15 properties in key locations.

Portfolio at 31 December 2013	Value approx.
40 retail centres	\$5.5 billion
14 industrial properties	\$0.9 billion
15 office buildings	\$1.5 billion

Performance

Commercial Property (\$m, unless otherwise stated)	1H14	1H13	Change %
Net operating income:			
- Retail	174.3	158.9	↑ 9%
- Industrial	31.3	31.9	↓ 3%
- Office	53.1	60.3	↓ 11%
Total net operating income (NOI)	258.7	251.1	↑ 3%
Net operating costs / fees	(9.3)	(11.4)	↓ 25%
Operating Profit	249.4	239.7	↑ 4%
ROA	8.6%	8.1%	

The Commercial Property portfolio continued to deliver a solid result in a challenging market with total net operating income (NOI) up on the previous year to \$258.7 million.

Retail

Retail NOI was up 9% in the soft market, reflecting the contribution of recently completed centres. Comparable NOI, measuring the growth in income on like for like assets, was up 2.6% on 1H13.

Recently completed centres at Townsville, Shellharbour and Merrylands performed particularly strongly, confirming the effectiveness of Stockland's Retail growth strategy. The next wave of redevelopments is well progressed with Hervey Bay in Queensland and Wetherill Park in Sydney underway and Baldivis in Perth set to commence 2H14. Stockland maintained high occupancy within the retail portfolio at 99.6%.

Although the retail environment has remained soft, there were signs of improvement in retail sales in the second quarter.

Industrial

The renewed focus on the Industrial business has meant that this business is now well positioned for future growth. The Industrial business made good progress on a number of strategic initiatives with key management now in place, the completion of one off market acquisition and identification and planning of opportunities for redevelopment within the existing portfolio. While NOI was 3% lower than 1H13, continued leasing focus resulted in an increase in weighted average lease expiry and puts the business on track to achieve NOI growth in FY14.

Stockland
Directors' Report
For the half year ended 31 December 2013

Operating and Financial Review (continued)

Commercial Property (continued)

Performance (continued)

Office

Stockland improved weighted average lease expiry across the office portfolio and increased comparable NOI by 1.6% in a very challenging market. Leases were executed on 38,364 sqm during 1H14. Stockland continued to execute its tactical approach to office with the disposal of 78 Waterloo Rd and entry into a joint venture arrangement on Optus Centre, both at Macquarie Park, resulting in an improved lease profile and yield. A strategic partnership was also achieved with Investa at 135 King St and Glasshouse, Sydney.

Strategic priorities

The Retail business maintains its focus on developing its most productive assets to maximise trade area share and create community and entertainment hubs. Further projects, representing \$1.5 billion of investment, with an average incremental internal rate of return² (IRR) of 12-14 per cent, are planned over the next five to six years.

Stockland's diverse retail mix, underpinned by supermarkets, mini majors and speciality food and retail services, is proving to be resilient to online leakage. The business will continue to focus on the deep, mass customer segment, retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape.

Stockland expects continued solid underlying demand for industrial space with market conditions likely to remain stable. As a result of reletting and redevelopment activity already underway, Stockland expects to achieve NOI growth from its industrial portfolio in FY14. Stockland will look to grow its portfolio, targeting \$1.2 - \$1.5 billion in assets in five years. The business will focus on actively leasing, upgrading and developing the existing portfolio, sourcing pre-commitments and completing design and construct, and assessing assets that fit strategic filters and investment criteria.

Stockland will retain a tactical exposure to office and will continue to focus on maximising returns from the portfolio. Income will be optimised in the short to medium term with a focus on active management, refurbishment and leasing. The business will also look to take advantage of value-add opportunities within the existing portfolio, consider joint-ventures (or part sales) as appropriate, and progressively down-weight when market conditions are optimal.

Residential

Stockland is the largest residential developer in Australia. The business is focused on delivering a range of masterplanned communities and medium density in growth areas across the country.

Residential as at 31 December 2013³		
Portfolio - active	Portfolio - inactive	Total end value
24,700 lots approx.	52,900 lots approx.	\$20.8 billion approx.

Performance

Residential Communities (\$m, unless otherwise stated)	1H14	1H13	Change %
Lots settled (no. of lots)	2,253	2,085	↑ 8%
Revenue	439.3	397.9	↑ 10%
EBIT (before interest in COGS)	120.3	76.2	↑ 58%
EBIT margin	27.3%	19.1%	↑
Operating Profit	39.0	27.7	↑ 39%
Operating Profit margin	8.9%	7.0%	↑
ROA – core projects only	9.8%	8.7%	↑
ROA – total portfolio ⁴	4.0%	5.5%	↓

² Unlevered 10 year IRR on incremental development from construction

³ Excluding properties identified for disposal

⁴ Reflects the utilisation of existing impairment provisions as the business trades through and sells non-core land holdings.

Stockland
Directors' Report
For the half year ended 31 December 2013

Operating and Financial Review (continued)

Residential (continued)

Performance (continued)

Residential Operating Profit was up 39% on 1H13 reflecting efficiency improvements, the reshaping of the residential portfolio and improvement in the residential market. The business is well placed for the second half with 2,872 contracts on hand at the end of December 2013, over 900 more than June 2013.

Volumes and margins were both stronger in the half, although operating profit continues to be impacted by the large number of low margin and impaired lots sold during the period.

Stockland's new Willowdale community in south west Sydney performed particularly strongly and will deliver its first settlements in 2H14, demonstrating the quality of the new projects coming to market. Other key new projects are also progressing well with Calleya in Perth launched, Marsden Park in New South Wales set to commence in 2H14 and the recently acquired Craigieburn site adjacent to Highlands in Victoria on track to launch in FY15.

The medium density strategy is also well progressed with a focus on identifying opportunities within the existing land portfolio. The first project consisting of 71 townhouses will commence at Stockland's highly successful community Highlands in Victoria in 2H14.

Strategic priorities

The Residential business continues to work through its low margin and impaired stock. The business is making good progress on its plans to make the portfolio more resilient and profitable in the future by focusing on:

1. Reshaping the portfolio - accelerate the launch of new projects to create greater geographic diversity and scale; actively manage the portfolio to improve returns; right size the land bank; and retain its preference to acquire land on capital efficient terms.
2. Improving efficiency – continue to tightly manage costs.
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 a deep development pipeline and just over 8,200 established units across five states and the Australian Capital Territory.

Retirement Living as at 31 December 2013		
Portfolio	Short-medium term development pipeline	Estimated development pipeline end value
8,208 established units	around 3,390 units	\$1.5 billion

Stockland
Directors' Report
For the half year ended 31 December 2013
Operating and Financial Review (continued)

Retirement Living (continued)

Performance

Retirement Living (\$m, unless otherwise stated)	1H14	1H13	Change %
Transaction value ⁵	144	131	↑ 10%
Operating profit	16.8	12.0	↑ 42%
ROA	4.8%	4.2%	↑
Established			
Established unit turnovers	302	249	↑ 21%
Average re-sale price	\$320k	\$315k	↑ 2%
Turnover cash per unit	\$75k	\$82k	↓ 9%
Turnover cash margin	24%	26%	↓
Reservations on hand	150	124	↑ 21%
Established occupancy	94%	94%	-
Development			
New unit settlement	122	131	↓ 7%
Average price	\$383k	\$403k	↓ 5%
Average margin	17%	17%	-
Reservations on hand	73	103	↓ 29%

The Retirement Living business performed well in the first half with Operating Profit up 42% on 1H13. Established unit settlements were strong reflecting improvements in efficiency and capability. Development settlements in the first half were impacted by the timing of development completions which are skewed to the second half.

The business remains focused on organic growth with a strong development pipeline. There are currently new stages under development at five successful villages with additional stages set to commence in 2H14.

Strategic priorities

The Retirement Living business' strategy is to achieve high occupancy, satisfied residents and greater scale by targeting the middle market with affordable products and services. The business has a clear strategy to continue to improve return on assets by managing costs, differentiating the customer experience and growing development volumes.

Other

Stockland's wind down of its holdings in Apartments and the United Kingdom is on track. No further material contribution is expected from these businesses.

Capital management

Financial position

The Group maintained a strong focus on prudent balance sheet management and retained its A-/ stable credit rating. Gearing increased to 24.0% at 31 December 2013 (June 2013: 22.7%) following various investments including the acquisition of residential land at Craigieburn, Victoria, and Willowdale, New South Wales, and the acquisition of Forrester Distribution Centre at St Marys, New South Wales.

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

⁵ Includes established villages and new developments

**Stockland
Directors' Report
For the half year ended 31 December 2013
Operating and Financial Review (continued)**

Capital management (continued)

Financial position: (continued)

Stockland Group Balance Sheet

\$ million	31 December 2013	30 June 2013	Change %
Cash	200.8	227.1	↓ 12%
Real Estate Assets			
- Commercial Property	8,043.9	7,866.0	↑ 2%
- Residential	2,369.7	2,310.5	↑ 3%
- Retirement Living	2,941.1	2,897.3	↑ 2%
- Other	72.1	72.2	↓ 0%
Other assets	691.6	696.6	↓ 1%
Total assets	14,319.2	14,069.7	
Interest bearing loans and borrowings	2,880.7	2,461.5	↑ 17%
Resident loan obligations	1,874.8	1,829.4	↑ 2%
Other liabilities	1,331.0	1,583.9	↓ 16%
Total liabilities	6,086.5	5,874.8	
Net assets/total equity	8,232.7	8,194.9	

The value of the Commercial Property investment portfolio has increased by \$177.9 million to \$8,043.9 million primarily due to continued growth from capital expenditure on the retail development pipeline, the acquisition of Forrester Distribution Centre at St Marys and the valuation uplift on completion of Shellharbour redevelopment. This is offset by the sale of 78 Waterloo Road in the office portfolio and Adelaide Plaza, Fremantle.

Residential assets (mainly land under development) increased by \$59.2 million to \$2,369.7 million at 31 December 2013. This was largely driven by land purchases including Marsden Park purchased on deferred terms and net movement in development work in progress on our active projects, offset by the disposal of previously impaired projects identified as non-core.

The Group's investment in Retirement Living property, net of resident loan obligations, was \$1,066.3 million, in line with the 30 June 2013 balance. The value of the established portfolio increased during the period as a result of higher sales values achieved on resident turnovers. This is offset by a reduction in development expenditure as a result of a production shift in the development pipeline to 2H14.

The Group's total debt increased by \$419.2 million to \$2,880.7 million at 31 December mainly due to the drawdown on bank bills to fund capital investment and restructuring of financial instruments. Movements in other assets and liabilities mainly reflect the changes in value of the Group's strategic investments and financial instruments.

Cash flows

Stockland Group Cash Flows

\$ million	1H14	1H13	Change %
Operating cash flows	303.7	189.4	↑ 60%
Investing cash flows	(84.4)	(42.0)	↓ 101%
Financing cash flows, including FX on cash	(244.6)	(117.7)	↓ 108%
Net change in cash and cash equivalents	(26.3)	29.7	↓ 189%
Cash at the end of the period	200.8	165.3	-

Operating cash flows were strong, as a result of a focus on capital efficient residential development and on cost efficiency. Stronger residential settlements in the current period resulted in an increase in cash flows from operating activities.

Cash flows from investing in the portfolio were lower in 1H14 compared to 1H13, mainly due to lower proceeds from the sale of Commercial Property and other investments.

Proceeds from bank loans and new medium term notes issued were used to repay maturing debt and derivatives and financial instruments associated with this debt. Net financing cash flow primarily reflects distributions paid to security holders during the period.

**Stockland
Directors' Report
For the half year ended 31 December 2013**

Operating and Financial Review (continued)

Equity

Dividend/Distribution Reinvestment Plan

On 18 December 2013 Stockland announced it was reactivating the Dividend Reinvestment Plan (DRP) to enable investors to reinvest distributions in the Group's securities. On 10 February 2014 the issue price was determined to be \$3.64 for each stapled security.

Capital restructure

On 29 November 2013, Stockland re-allocated capital of \$507.3 million between the Trust and Corporation following shareholder approval at the Annual General Meeting on 29 October 2013.

Distributions

The dividend and distribution payable is 12.0 cents per stapled security, consistent with 12.0 cents paid for the previous corresponding period. Stockland remains confident earnings will begin to improve from FY14 and for this reason distributions are above our target 75-85% payout ratio. The distribution comprises:

Stockland Consolidated Group	December 2013 Cents	June 2013 Cents
Trust distribution	12.0	24.0
Corporation dividend, fully franked	-	-
Total dividend and distribution	12.0	24.0

Registers closed at 5.00pm on 31 December 2013 to determine entitlement to the year-end dividend and distribution, which will be paid on 28 February 2014.

Outlook

While Stockland is well positioned the group remained conservative in its outlook for FY14 due to continuing uncertain economic conditions. The Group has made good progress reshaping its business over the last 12 months and this has been reflected in the 1H14 result. Stockland is confident it can continue to implement its strategy to deliver reliable and growing returns for its securityholders.

It is important to note that economic indicators have been mixed, creating some uncertainty around expectations from the market in the second half. Stockland also continues to work through impaired projects in its Residential business and optimising its Industrial portfolio as it positions these businesses for stronger future growth. In the short to medium term this will constrain earnings.

Stockland is confident that it is on track to achieve the upper end of its guidance, 5-6% EPS growth in FY14, assuming there is no material decline in market conditions.

**Stockland
Directors' Report
For the half year ended 31 December 2013**

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

The external auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the half year ended 31 December 2013.

Rounding off

Stockland is an entity of the kind referred to in ASIC Class Order 13/1050 (as amended) and in accordance with that Class Order, amounts in the Interim Financial Report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Mark Steinert
Managing Director

Dated at Sydney, 12 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Stockland Consolidated Group and Stockland Trust Group for the half-year ended 31 December 2013, 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 Consolidated Group and the entities it controlled during the period and Stockland Trust Group and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read "I L Hammond".

I L Hammond

Partner

Sydney

12 February 2014

Stockland
Consolidated Interim Statements of Comprehensive Income
For the half year ended 31 December 2013

	Notes	Stockland Consolidated Group		Stockland Trust Group	
		Half year ended 2013	2012	Half year ended 2013	2012
		\$M	\$M	\$M	\$M
Revenue					
Property development sales		475.1	411.1	-	-
Rent from investment properties		339.8	335.0	340.9	336.2
Deferred Management Fees from Retirement Living	19(e)	35.4	23.8	-	-
Dividend and distribution income		0.9	0.5	0.5	0.5
Other revenue		33.3	21.5	9.0	-
Total revenue		884.5	791.9	350.4	336.7
 Finance income	4	 4.2	 3.8	 172.9	 171.6
Net gain/(loss) from fair value adjustment of investment properties					
- Commercial Property	9(a)	44.4	45.6	33.9	25.6
- Retirement Living	19(e)	(6.1)	(98.1)	-	-
Share of profits of investments accounted for using the equity method	10,11	17.0	9.3	16.2	8.2
Cost of property developments sold:					
- Land development		(421.3)	(291.5)	-	-
- Capitalised interest		(85.3)	(50.6)	-	-
- Utilisation of provision for write-down of inventories		120.3	17.2	-	-
Net provision for write-down of inventories		-	(318.3)	-	-
Existing Retirement Living resident obligations fair value movement	19(e)	7.9	45.5	-	-
Net gain/(loss) from fair value adjustment of other financial assets		31.7	(43.6)	0.7	-
Net loss on sale of other non-current assets		(5.1)	(4.9)	(5.1)	(4.9)
Investment property expenses		(114.2)	(108.8)	(110.3)	(105.6)
Management, administration, marketing and selling expenses		(117.5)	(129.6)	(19.3)	(5.5)
Finance expense	4	(43.4)	(68.3)	(101.7)	(134.0)
Profit/(Loss) before income tax		317.1	(200.4)	337.7	292.1
Income tax (expense)/benefit	5	(19.0)	53.3	-	-
Profit/(Loss) for the half year attributable to securityholders/unitholders		298.1	(147.1)	337.7	292.1
 Other comprehensive income which may be recycled through Profit or Loss					
Net exchange differences on translation of foreign controlled entity		9.7	1.3	-	-
Effective portion of changes in fair value of cash flow hedges during the half year		4.4	(4.7)	4.4	(4.7)
Change in fair value of cash flow hedges transferred to income		(1.1)	(1.3)	(1.1)	(1.3)
Other comprehensive income/(expense) for the half year, net of tax		13.0	(4.7)	3.3	(6.0)
Total comprehensive income/(expense) for the half year attributable to securityholders/unitholders		311.1	(151.8)	341.0	286.1
 Basic earnings/(loss) per security/unit (cents)	6	 12.9	 (6.7)	 14.7	 13.3
Diluted earnings/(loss) per security/unit (cents)	6	 12.9	 (6.7)	 14.6	 13.3

The above consolidated Interim Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Stockland
Consolidated Interim Balance Sheets
As at 31 December 2013

	Notes	Stockland Consolidated Group		Stockland Trust Group	
		31 December 2013 \$M	30 June 2013 \$M	31 December 2013 \$M	30 June 2013 \$M
Current assets					
Cash and cash equivalents		200.8	227.1	102.1	137.8
Trade and other receivables		135.1	154.3	44.2	48.0
Inventories	7	558.2	668.2	-	-
Other financial assets		5.1	4.4	6.1	4.4
Other assets		80.1	62.3	56.4	44.5
		979.3	1,116.3	208.8	234.7
Non-current assets held for sale	8	7.8	90.6	-	83.5
Total current assets		987.1	1,206.9	208.8	318.2
Non-current assets					
Trade and other receivables		88.4	89.7	3,534.8	3,966.3
Inventories	7	1,858.9	1,690.1	-	-
Investment properties – Commercial Property	9(a)	7,243.2	6,991.4	7,225.7	6,987.7
Investment properties – Retirement Living	19(d)(i)	2,850.9	2,807.6	-	-
Investments accounted for using the equity method	10,11	543.7	543.0	507.4	506.5
Other financial assets		253.7	233.2	159.7	174.3
Property, plant and equipment		218.9	220.7	-	-
Deferred tax assets	14	40.4	58.5	-	-
Intangible assets		116.6	116.6	-	-
Other assets		117.4	112.0	118.5	119.2
Total non-current assets		13,332.1	12,862.8	11,546.1	11,754.0
Total assets		14,319.2	14,069.7	11,754.9	12,072.2
Current liabilities					
Trade and other payables		263.3	298.5	101.4	113.7
Interest-bearing loans and borrowings	12(a)	25.0	143.3	25.0	143.3
Retirement Living resident obligations	19(d)(ii)	1,689.3	1,632.6	-	-
Provisions		177.2	175.5	28.5	0.6
Other financial liabilities		49.3	236.8	49.3	236.8
Other liabilities	13	323.5	315.1	303.0	305.7
Total current liabilities		2,527.6	2,801.8	507.2	800.1
Non-current liabilities					
Trade and other payables		17.5	34.2	0.1	-
Interest-bearing loans and borrowings	12(b)	2,855.7	2,318.2	2,855.7	2,318.2
Retirement Living resident obligations	19(d)(ii)	185.5	196.8	-	-
Provisions		190.7	92.4	-	-
Other financial liabilities		309.5	431.4	309.5	431.4
Total non-current liabilities		3,558.9	3,073.0	3,165.3	2,749.6
Total liabilities		6,086.5	5,874.8	3,672.5	3,549.7
Net assets		8,232.7	8,194.9	8,082.4	8,522.5
Securityholders'/unitholders' funds					
Issued capital	15	8,347.6	8,348.1	7,046.1	7,553.9
Reserves		30.7	13.8	35.1	28.4
Retained earnings/undistributed income		(145.6)	(167.0)	1,001.2	940.2
Total equity/unitholders' funds		8,232.7	8,194.9	8,082.4	8,522.5

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

Stockland
Consolidated Interim Statements of Changes in Equity
For the half year ended 31 December 2013

Attributable to securityholders of the Stockland Consolidated Group

	Notes	Issued capital \$M	Executive remuneration reserve \$M	Cash flow hedge reserve \$M	Foreign currency translation reserve \$M	Retained earnings \$M	Total equity \$M
Balance as at 1 July 2013		8,348.1	18.9	11.6	(16.7)	(167.0)	8,194.9
Profit for the period		-	-	-	-	298.1	298.1
Other comprehensive income		-	-	3.3	9.7	-	13.0
Total comprehensive income		-	-	3.3	9.7	298.1	311.1
Securities purchased and held in Employee Share Plan (Treasury Shares)	15	(0.5)	-	-	-	-	(0.5)
Expense relating to rights and securities granted under share plans, net of tax		-	3.9	-	-	-	3.9
Dividends and distributions to securityholders	16	-	-	-	-	(276.7)	(276.7)
		(0.5)	3.9	-	-	(276.7)	(273.3)
Balance as at 31 December 2013		8,347.6	22.8	14.9	(7.0)	(145.6)	8,232.7
Balance as at 1 July 2012		7,962.5	19.7	3.4	(28.3)	270.1	8,227.4
Loss for the period		-	-	-	-	(147.1)	(147.1)
Other comprehensive (expense)/income		-	-	(6.0)	1.3	-	(4.7)
Total comprehensive (expense)/income		-	-	(6.0)	1.3	(147.1)	(151.8)
Securities bought back during on-market buyback, net of transaction costs	15	(2.8)	-	-	-	-	(2.8)
Securities purchased and held in Employee Share Plan (Treasury Shares)		(1.4)	-	-	-	-	(1.4)
Expense relating to rights and securities granted under share plans, net of tax		-	(2.7)	-	-	-	(2.7)
Dividends and distributions to securityholders	16	-	-	-	-	(264.3)	(264.3)
		(4.2)	(2.7)	-	-	(264.3)	(271.2)
Balance as at 31 December 2012		7,958.3	17.0	(2.6)	(27.0)	(141.3)	7,804.4

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

Stockland
Consolidated Interim Statements of Changes in Equity
For the half year ended 31 December 2013

Attributable to unitholders of the Stockland Trust Group

	Notes	Issued capital \$M	Executive remuneration reserve \$M	Cash flow hedge reserve \$M	Undistributed income \$M	Total unitholders' funds \$M
Balance as at 1 July 2013		7,553.9	16.8	11.6	940.2	8,522.5
Profit for the period		-	-	-	337.7	337.7
Other comprehensive income		-	-	3.3	-	3.3
Total comprehensive income		-	-	3.3	337.7	341.0
Units purchased and held in Employee Share Plan (Treasury Shares)	15	(0.5)	-	-	-	(0.5)
Expense relating to rights and units granted under share plans, net of tax		-	3.4	-	-	3.4
Reduction and transfer of capital to Stockland Corporation Limited	16	(507.3)	-	-	-	(507.3)
Distributions to unitholders	16	-	-	-	(276.7)	(276.7)
		(507.8)	3.4	-	(276.7)	(781.1)
Balance as at 31 December 2013		7,046.1	20.2	14.9	1,001.2	8,082.4
Balance as at 1 July 2012		7,179.8	17.6	3.4	835.3	8,036.1
Profit for the period		-	-	-	292.1	292.1
Other comprehensive expense		-	-	(6.0)	-	(6.0)
Total comprehensive income		-	-	(6.0)	292.1	286.1
Units bought back during on-market buyback, net of transaction costs	15	(2.8)	-	-	-	(2.8)
Units purchased and held in Employee Share Plan (Treasury Shares)		(1.3)	-	-	-	(1.3)
Expense relating to rights and units granted under share plans, net of tax		-	(2.5)	-	-	(2.5)
Distributions to unitholders	16	-	-	-	(264.3)	(264.3)
		(4.1)	(2.5)	-	(264.3)	(270.9)
Balance as at 31 December 2012		7,175.7	15.1	(2.6)	863.1	8,051.3

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

Stockland
Consolidated Interim Cash Flow Statements
For the half year ended 31 December 2013

		Stockland Consolidated Group		Stockland Trust Group	
		Half year ended		Half year ended	
		2013	2012	2013	2012
	Notes	\$M	\$M	\$M	\$M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		922.1	789.2	386.7	384.1
Cash payments in the course of operations (including GST)		(520.2)	(539.8)	(159.7)	(215.9)
Payments for land		(94.1)	(74.1)	-	-
Distributions received from associates and joint ventures		16.2	15.4	15.2	14.6
Distributions received from investments in managed funds		0.2	0.3	0.2	0.3
Receipts from Retirement Living residents		138.6	126.0	-	-
Payments to Retirement Living residents, net of DMF		(65.8)	(56.2)	-	-
Interest received		2.8	3.8	172.8	171.6
Interest paid		(97.1)	(108.4)	(96.9)	(107.7)
Net cash inflow from operating activities	20	302.7	156.2	318.3	247.0
Cash flows from investing activities					
Net proceeds from sale of investment properties		82.8	270.5	82.8	270.5
Payment for and development of investment properties					
- Commercial Property		(211.0)	(180.0)	(208.5)	(181.7)
- Retirement Living		(41.5)	(60.3)	-	-
Payments for plant and equipment		(5.5)	(10.6)	-	-
Proceeds from sale of investments and other assets		117.3	-	0.9	-
Payments for investments, including joint ventures and associates		(27.0)	(30.9)	-	(1.1)
Distributions received from other entities		0.5	2.5	-	-
Net cash (utilised in)/inflow from investing activities		(84.4)	(8.8)	(124.8)	87.7
Cash flows from financing activities					
Payment relating to capital reallocation	15(a)(iii)	-	-	(507.3)	-
Payments for securities/units under employee share plans		(0.5)	(1.4)	(0.5)	(1.3)
Payments for on-market buyback, net of transaction costs		-	(2.8)	-	(2.7)
Proceeds from borrowings		1,064.9	2,393.3	1,064.9	2,393.3
Repayments of borrowings		(683.9)	(2,232.2)	(683.9)	(2,232.2)
Loans to related entities		-	-	432.2	(188.1)
Payments in relation to derivatives and other financial instruments		(348.4)	(10.2)	(257.9)	(10.2)
Dividends and distributions paid		(276.7)	(264.4)	(276.7)	(264.4)
Net cash utilised in financing activities		(244.6)	(117.7)	(229.2)	(305.6)
Net (decrease)/increase in cash and cash equivalents		(26.3)	29.7	(35.7)	29.1
Cash and cash equivalents at the beginning of the half year		227.1	135.6	137.8	40.6
Cash and cash equivalents at the end of the half year		200.8	165.3	102.1	69.7

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

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

1 Summary of significant accounting policies

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited ("the Company") and its controlled entities and Stockland Trust ("the Trust") and its controlled entities on the Australian Securities Exchange ("ASX"). Both the Company and the Trust (collectively referred to as the "Entities") are domiciled in Australia. The Constitutions of Stockland Corporation Limited and Stockland Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Company and the Responsible Entity of the Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earliest of either the winding up of the Company or the Trust or either entity terminating the stapling arrangement.

The Interim Financial Report of the Stockland Consolidated Group as at and for the half year ended 31 December 2013 comprises the consolidated Interim Financial Report of the Company and its controlled entities including the Trust and its controlled entities ("Stockland" or "Stockland Consolidated Group").

The Interim Financial Report of the Stockland Trust Group as at and for the half year ended 31 December 2013 comprises the consolidated Interim Financial Report of the Trust and its controlled entities ("Stockland Trust Group").

The accounting policies applied by the Stockland Consolidated Group and the Stockland Trust Group in these Interim Financial Reports are the same as those applied in the Annual Financial Report of the Stockland Consolidated Group as at and for the year ended 30 June 2013 except for the accounting policies impacted by the new or amended Accounting Standards detailed in Note 1(iii).

The Interim Financial Reports as at and for the half year ended 31 December 2013 were authorised for issue by the Directors on 12 February 2014.

(a) Statement of Compliance

The Interim Financial Reports have been prepared in accordance with AASB 134 *"Interim Financial Reporting"* and the *Corporations Act 2001* and IAS 34 *"Interim Financial Reporting"*.

The Interim Financial Reports do not include all of the information required for a full Annual Financial Report, and should be read in conjunction with the Annual Financial Report of the Stockland Consolidated Group as at and for the year ended 30 June 2013.

(b) Basis of Preparation

As permitted by Class Order 13/1050, issued by the Australian Securities and Investments Commission, this Financial Report is a combined financial report that presents the financial statements and accompanying notes of both the Stockland Consolidated Group and the Stockland Trust Group.

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

The Financial Statements have been prepared on a going concern basis (after the considerations noted below) and 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.

Going Concern - Stapled Group and Stockland Trust Group net current asset deficiency position

Stockland Consolidated Group and the Stockland Trust Group have a net current asset deficiency at 31 December 2013.

Based on the profits and net operating cash inflows in the period and forecast for the next 12 months, the Consolidated Group and the Trust Group are considered able to meet their debts and obligations as they fall due in the next 12 months. Undrawn bank facilities of \$0.6 billion (refer to Note 12) are also available should they need to be drawn down.

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

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

1 Summary of significant accounting policies (continued)

(b) Basis of Preparation (continued)

Going Concern - Stapled Group and Stockland Trust Group net current asset deficiency position (continued)

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

In relation to Retirement Living Resident Obligations for existing residents (Dec 2013: \$1,607.5 million, June 2013: \$1,545.7 million), based on actuarial turnover calculations, 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 twelve months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the offsetting Retirement Living assets are classified as non-current under Accounting Standards as the majority are not expected to be realised within twelve months.

Going Concern - Stockland Corporation Limited net asset position

As at 31 December 2013, Stockland Corporation Limited is in a net asset position. However, as at 30 June 2013, Stockland Corporation Limited was in a net asset deficiency position of \$302.8 million.

In order to support the going concern assumption for Stockland Corporation as at 30 June 2013 a letter of support was signed by Stockland Trust Management Limited (as Responsible Entity of Stockland Trust) to Stockland Corporation Limited Group to confirm that the intercompany debt of \$3,902.9 million would not be recalled before all other external creditors are satisfied and that it will continue to provide financial and other support to Stockland Corporation until the earliest of the time the Company has net assets of at least \$100 million, or twenty months from the date of the letter being 13 February 2013.

During the period to 31 December 2013, following shareholder approval, Stockland reallocated capital of \$507.3 million between the Trust and Corporation. This has resulted in Stockland Corporation being in a net asset position greater than \$100 million as at 31 December 2013, therefore a letter of support is not required from Stockland Trust Management Limited (as Responsible Entity of Stockland Trust).

(c) Changes in Accounting Standards and Regulatory requirements

The Stockland Consolidated Group has adopted all the mandatory amended Accounting Standards issued that are relevant to its operations and effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

(i) Accounting for subsidiaries and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

The accounting for the Group's joint operations and joint ventures has not changed as a result of the adoption of AASB 11. The Group continues to recognise its share of jointly held assets, liabilities, revenues and expenses of joint operations and joint ventures on an equity accounted basis. These have been incorporated in the financial statements under the appropriate headings.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

1 Summary of significant accounting policies (continued)

(c) Changes in Accounting Standards and Regulatory requirements (continued)

(ii) Fair Value Measurement

Another new standard that is applicable for the first time for the December 2013 Interim Financial Reports are AASB 13 *Fair Value Measurement*. This standard has introduced new disclosures for the Interim Financial Reports but did not affect the entity's accounting policies or any of the amounts recognised.

(d) Comparatives

No comparatives have been amended from those reported in the prior year except for those reclassified to conform to the current financial year's presentation.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Stockland makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed in the Annual Financial Report of the Stockland Consolidated Group as at and for the year ended 30 June 2013. Due to the change in market conditions since 30 June 2013, certain assumptions underlying management's estimates of fair value have changed, as set out below.

(a) Key sources of estimation uncertainty

Assumptions underlying management's estimates of fair value

(i) Investment property (excluding Retirement Living Community assets)

Refer to Note 9(b) for details of assumptions underlying management's estimates of fair value for both investment property and investment property under construction.

(ii) Retirement Living

Refer to Note 19(a) for details of assumptions underlying management's estimates of fair value for investment property, investment property under construction, community assets, community assets under development and the liability value.

(iii) Inventories

Refer to Note 7 for details of assumptions underlying management's estimates of net realisable value for inventories.

(iv) Fair value of derivatives

Refer to Note 21 for details on assumptions underlying management's estimates of the fair value of the derivatives.

(v) Tax losses

Refer to Note 14 for details on assumptions underlying management's estimates of recoverability of deferred tax assets relating to tax losses.

3 Operating segments

The Stockland Consolidated Group has three reportable segments, as listed below. All other income/assets that do not meet the definition of reportable segments are included in Other.

- Residential – delivers a range of master planned and mixed use residential communities in growth areas and apartment developments;
- Retirement Living – designs, develops and manages communities for retirees and also operates Aged Care facilities;
- Commercial Property – invests in, develops and manages retail, office and industrial properties; and
- Other – includes the development and management of retail, office and mixed use properties in the UK, Responsible Entity fees relating to property asset management, dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

3 Operating segments (continued)

Stockland determine and present operating segments based on the information that is internally provided to the Managing Director and the Executive Committee, whom are Stockland's chief operating decision makers.

Underlying Profit (as defined within the Operating and Financial Review section of the Directors Report) is the primary measure provided to the Managing Director and the Executive Committee in relation to the performance of the Group. Segment Operating Profit, is the primary measure provided to the Managing Director and Executive Committee to assess segment performance. Segment Operating Profit includes capitalised interest included in cost of sales and the Group's share of interest incurred by joint ventures, but excludes an allocation of the Group's net interest expense and tax benefit.

The Stockland Trust Group has one reportable segment in which it operates, being Commercial Property. The reportable measure is Underlying Profit and all revenues are external, therefore no separate segment note has been prepared for the Stockland Trust Group.

Stockland Consolidated Group

31 December 2013

	Residential	Retirement Living	Commercial Property	Other	Elimination	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M
External segment revenue	468.5	39.2 ³	347.0	21.0	-	875.7 ³
Inter-segment revenue ²	-	-	-	8.5	(8.5)	-
Total segment revenue	468.5	39.2	347.0	29.5	(8.5)	875.7
Segment EBIT	123.5	19.0	249.4	1.6	-	393.5
Interest expense in cost of sales ⁴	(84.3)	(2.2)	-	(1.0)	-	(87.5)
Share of interest expense in joint ventures	-	-	(1.8)	-	-	(1.8)
Segment Operating Profit¹	39.2	16.8	247.6	0.6	-	304.2
Interest income						2.8
Net borrowing costs						(39.2)
Unallocated corporate other income and expenses						(21.8)
Underlying Profit before tax benefit						246.0
Income tax benefit on Underlying Profit						21.2
Underlying Profit after tax benefit						267.2

¹ Included within Segment Operating Profit:

Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))

0.4	-	16.6	-	-	17.0
0.4	-	16.6	-	-	17.0

Total share of profit on investments accounted for using the equity method

31 December 2012

	Residential	Retirement Living	Commercial Property	Other	Elimination	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M
External segment revenue	415.0	35.9 ³	337.7	2.8	-	791.4 ³
Inter-segment revenue ²	-	-	-	4.4	(4.4)	-
Total segment revenue	415.0	35.9	337.7	7.2	(4.4)	791.4
Segment EBIT	76.0	14.9	239.7	3.5	-	334.1
Interest expense in cost of sales ⁴	(49.8)	(2.9)	-	(0.8)	-	(53.5)
Segment Operating Profit¹	26.2	12.0⁴	239.7	2.7	-	280.6
Interest income						3.8
Net borrowing costs						(34.3)
Unallocated corporate other income and expenses						(23.3)
Underlying Profit before tax benefit						226.8
Income tax benefit on Underlying Profit						28.2
Underlying Profit after tax benefit						255.0

¹ Included within Segment Operating Profit:

Share of profits of investments accounted for using the equity method (excluding fair value gains/(losses))

0.1	-	20.1	0.2	-	20.3
0.1	-	9.0	0.2	-	9.3

Total share of profit on investments accounted for using the equity method

² Transactions between segments are completed on an arm's length basis.

³ \$8.8 million (31 December 2012: \$0.5 million) of unrealised DMF revenue is excluded from segment revenues. Refer to the reconciliation of Underlying Profit to statutory profit on the following page.

⁴ \$2.2 million (31 December 2012: \$2.9 million) for Retirement Living is reported through the settled development margin, which forms part of the fair value adjustment of investment properties.

Stockland

Condensed Notes to the Consolidated Interim Financial Statements For the half year ended 31 December 2013

3 Operating segments (continued)

Reconciliation of Underlying Profit to Statutory Profit

Underlying Profit is determined following the principles of AICD/Finsia for reporting Underlying Profit having regard to the guidance from ASIC's RG 230 and in accordance with AASB 8 *Operating Segments*. These principles include providing clear reconciliation between statutory profit and Underlying Profit in the Directors' Report and Financial Report, including both positive and negative adjustments, maintaining consistency between reporting periods, and taking into consideration property industry practices.

The following table is shown gross of tax.

		Stockland Consolidated Group Half year ended		Stockland Trust Group Half year ended	
		31 December 2013 \$M	31 December 2012 \$M	31 December 2013 \$M	31 December 2012 \$M
	Notes				
Underlying Profit before tax		246.0	226.8	313.7	316.4
Income tax benefit		21.2	28.2	-	-
Underlying Profit		267.2	255.0	313.7	316.4
Certain significant items:					
Non-cash adjustment to inventories					
Net provision for write-down of inventories – Australia		-	(306.0)	-	-
Net provision for write-down of inventories – UK		-	(12.3)	-	-
		-	(318.3)	-	-
Unrealised fair value adjustment of investment properties					
Net gain from fair value adjustment of investment properties – Commercial Property		44.4	45.6	33.9	25.6
Share of net loss from fair value adjustment of investment properties in associates and joint ventures		-	(11.1)	-	(11.1)
DMF base fees earned, unrealised	19(f)	8.8	0.5	-	-
Change in fair value adjustment of Retirement Living - operating villages and villages under development	19(f)	(13.8)	(106.9)	-	-
- resident obligations	19(f)	7.9	45.5	-	-
		47.3	(26.4)	33.9	14.5
Fair value adjustment of other financial assets and net gain/(loss) on sale of other non-current assets					
Net gain/(loss) from fair value adjustment of other financial assets		31.7	(43.6)	0.7	-
Net realised loss on sale of other non-current assets		(5.1)	(4.9)	(5.1)	(4.9)
		26.6	(48.5)	(4.4)	(4.9)
Fair value adjustment of financial instruments and foreign exchange movements					
Net gain/(loss) on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	4	1.4	(33.7)	(5.5)	(33.6)
Net loss from hedged items and financial instruments treated as fair value hedges	4	(4.1)	(0.3)	-	(0.3)
Net foreign exchange loss transferred from the foreign currency translation reserve	4	(0.1)	-	-	-
		(2.8)	(34.0)	(5.5)	(33.9)
Income tax (expense)/benefit on significant items		(40.2)	25.1	-	-
Total net significant items		30.9	(402.1)	24.0	(24.3)
Profit/(loss) for the year attributable to securityholders/unitholders		298.1	(147.1)	337.7	292.1

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

	Stockland Consolidated Group		Stockland Trust Group	
	Half year ended		Half year ended	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
4 Finance income and expense				
Interest income from related parties	-	-	171.2	170.8
Interest income from other parties	2.8	3.8	1.7	0.8
Net unrealised gain on foreign exchange and fair value movement of financial instruments that do not qualify as effective under hedge accounting rules ^{3,4}	1.4	-	-	-
Finance income	4.2	3.8	172.9	171.6
Interest expense relating to interest-bearing financial liabilities ¹	97.1	107.2	97.0	106.8
Interest paid or payable on other financial liabilities at amortised cost	6.7	3.0	-	-
Less interest capitalised to property developments in inventories	(60.0)	(63.8)	-	-
Less interest capitalised to investment properties	(4.6)	(12.1)	(0.9)	(6.7)
Net borrowing costs	39.2	34.3	96.1	100.1
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges ²	4.1	0.3	4.1	0.3
Net loss on fair value and foreign exchange movement of financial instruments that do not qualify as effective under hedge accounting rules ^{3,4}	-	33.7	1.5	33.6
Net foreign exchange loss transferred from the foreign currency translation reserve	0.1	-	-	-
Finance expense	43.4	68.3	101.7	134.0

¹ Stockland Consolidated Group and Stockland Trust Group: Of this amount, \$54.1 million (2012: \$67.0 million) relates to interest bearing financial liabilities at amortised cost.

² Stockland Consolidated Group and Stockland Trust Group: The net loss from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the interest-bearing liabilities of \$11.1 million (2012: loss of \$13.5 million) and a gain arising on the fair value movement of the derivatives of \$7.0 million (2012: gain of \$13.2 million).

³ Stockland Consolidated Group: The net gain on fair value movement of financial instruments that do not qualify for hedge accounting is \$27.4 million (2012: loss of \$60.0 million) and the net foreign exchange loss from financial instruments that do not qualify for hedge accounting is \$26.0 million (2012: gain of \$26.3 million).

Stockland Trust Group: The net gain on fair value movement of financial instruments that do not qualify for hedge accounting is \$24.0 million (2012: loss of \$59.9 million) and the net foreign exchange loss for financial instruments that do not qualify for hedge accounting of \$25.5 million (2012: loss of \$26.3 million).

⁴ Stockland Consolidated Group: During the period financial instruments were realised at a cash cost of \$257.4 million (2012: \$10.2 million cost). As fair value losses of \$252.3 million had previously been recognised in the income statement, a loss of \$5.1 million was recognised for the current period (2012: \$2.3 million gain). The remaining \$6.5 million (2012: \$36.0 million) is unrealised.

Stockland Trust Group: During the period financial instruments were realised at a cash cost of \$258.0 million (2012: \$10.2 million cost). As fair value losses of \$253.2 million had previously been recognised in the income statement, a loss of \$4.8 million was recognised for the current period (2012: \$2.3 million gain). The remaining \$6.3 million (2012: \$35.9 million) is unrealised.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

	Stockland Consolidated Group		Stockland Trust Group	
	Half year ended		Half year ended	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
5 Income tax expense/(benefit)				
Current tax (benefit)				
Current year	(81.5)	(52.4)	-	-
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	75.5	(95.6)	-	-
	(6.0)	(148.0)		
Derecognition of tax losses and temporary differences	25.0	94.7	-	-
Total income tax (benefit)/expense in the Statement of Profit or Loss and Other Comprehensive Income	19.0	(53.3)	-	-
Numerical reconciliation between income tax benefit and pre-tax net profit				
Profit/(loss) before income tax expense/(benefit)	317.1	(200.4)	-	-
Less: Profit from Trust and intergroup eliminations	(336.7)	(291.3)	-	-
	(19.6)	(491.7)	-	-
Prima facie income tax benefit calculated at 30%	(5.9)	(147.5)	-	-
Increase/(decrease) in income tax expense due to:				
Non-assessable items	(1.1)	(0.3)	-	-
Other non-deductible expenses	0.2	0.3	-	-
Assessable income not recognised in profit before income tax expense	0.1	0.5	-	-
Other deductible expenses	(0.1)	(0.4)	-	-
Tax effect of FX loss transferred from Foreign Currency Translation Reserve	0.8	-	-	-
Over-provided in prior years	-	(0.6)	-	-
Derecognition of tax losses and temporary differences	25.0	94.7	-	-
Income tax expense/(benefit)	19.0	(53.3)	-	-

6 Earnings per security/unit

	Stockland Consolidated Group		Stockland Trust Group	
	Half year ended		Half year ended	
	2013	2012	2013	2012
	Cents	Cents	Cents	Cents
Basic earnings per security/unit	12.9	(6.7)	14.7	13.3
Diluted earnings per security/unit	12.9	(6.7)	14.6	13.3

Basic earnings per security/unit is calculated by dividing profit by the weighted average number of ordinary securities/units outstanding during the half year.

Diluted earnings per security/unit is calculated by dividing the profit by the weighted average number of ordinary securities/units outstanding during the half year after adjusting for the effect of dilutive securities/units granted under share plans accounted for as options and rights granted under employee share plans.

Basic and diluted underlying earnings per security/unit are disclosed in the Directors' Report.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

6 Earnings per security/unit (continued)

(a) Earnings used in calculating earnings per security/unit

	Stockland Consolidated Group		Stockland Trust Group	
	Half year ended		Half year ended	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
<hr/>				
Basic and diluted earnings				
Profit/(Loss) for the half year attributable to securityholders/unitholders	298.1	(147.1)	337.7	292.1
	<hr/>			

(b) Weighted average number of securities/units used as the denominator

	Stockland Consolidated Group and Stockland Trust Group	
	Half year ended	Half year ended
	2013	2012
<hr/>		
Weighted average number of securities/units (basic)		
Weighted average number of securities/units	2,304,299,817	2,202,899,903
	<hr/>	
Weighted average number of securities/units (diluted)		
Weighted average number of securities/units (basic)	2,304,299,817	2,202,899,903
Effect of rights and securities/units granted under share plans	4,871,171	188,312
Weighted average number of securities/units (diluted)	2,309,170,988	2,203,088,215
	<hr/>	

The weighted average number of securities/units has been impacted by the on-market buyback undertaken during the previous half year.

The increase in dilutive securities/units has been adjusted for the probability of Stockland Consolidated Group meeting hurdles for contingently issuable share-based payment rights.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

7 Inventories

Estimates of net realisable value (“NRV”) of inventories

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

Consistent with previous periods, key estimates have been reviewed including the estimated costs of completion, estimated dates of completion and estimated revenue escalations. As a result of this review, no impairment provisions have been recognised in the Statement of Comprehensive Income for this half year to 31 December 2013.

In the prior period an impairment charge of \$367.1 million was recognised. The impairment charge related to:

- \$12.3 million of actual and estimated selling prices and costs of properties in the UK;
- \$80.4 million of changes in estimates of future selling prices and costs of certain residential communities' projects;
- \$247.4 million to reduce the carrying value to net estimated sales proceeds for certain residential communities' projects which have been identified for disposal;
- \$15.0 million for apartments; and
- \$12.0 million for industrial land identified for disposal.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

7 Inventories (continued)

(a) Inventories

Stockland Consolidated Group

	Current Inventories		Non-current Inventories	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	\$M	\$M	\$M	\$M
Finished development stock held for sale^{1, 4, 5}				
- cost of acquisition	70.7	111.5	-	-
- development and other costs ²	151.3	230.0	-	-
- interest capitalised ³	43.5	70.9	-	-
- impairment provision	(57.0)	(106.6)	-	-
	208.5	305.8	-	-
Development work in progress¹				
Residential Communities under development				
- cost of acquisition	198.1	200.5	1,308.7	1,223.1
- development and other costs ²	133.8	137.4	380.8	338.9
- interest capitalised ³	77.3	94.3	360.2	351.7
- impairment provision	(133.6)	(171.0)	(229.9)	(245.7)
	275.6	261.2	1,819.8	1,668.0
Apartments				
- cost of acquisition	14.3	34.6	-	-
- development and other costs ²	17.8	31.0	-	-
- interest capitalised ³	5.3	8.2	-	-
- impairment provision	(35.4)	(46.3)	-	-
	2.0	27.5	-	-
Retail projects⁴				
- cost of acquisition	91.9	88.8	-	-
- development and other costs ²	12.4	8.9	-	-
- interest capitalised ³	-	-	-	-
- impairment provision	(60.3)	(57.7)	-	-
	44.0	40.0	-	-
Office and Industrial projects⁴				
- cost of acquisition	41.1	40.0	27.7	20.0
- development and other costs ²	7.3	17.9	15.1	2.1
- interest capitalised ³	-	-	2.3	-
- impairment provision	(20.3)	(24.2)	(6.0)	-
	28.1	33.7	39.1	22.1
	558.2	668.2	1,858.9	1,690.1

¹ Inventories are held at the lower of cost and net realisable value.

² Other costs include rates and taxes.

³ Finance costs were capitalised at interest rates within the range of 6.1% to 7.1% during the half year ended 31 December 2013 (year ended 30 June 2013: 6.0% to 6.9%).

⁴ Included in current inventories are net Stockland UK assets as follows: \$nil million (30 June 2013: \$7.2 million) of Finished development stock held for sale, \$44.0 million (30 June 2013: \$40.0 million) of Retail projects and \$28.1 million (30 June 2013: \$25.0 million) of Office and Industrial projects.

⁵ Included within current finished development stock held for sale are Apartments of \$23.5 million (30 June 2013: \$23.1 million)

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

7 Inventories (continued)

(b) Impairment Provisions

Stockland Consolidated Group

	UK \$M	Apartments \$M	Residential Communities \$M	Total \$M
Balance as at 1 July 2013	80.4	52.7	518.4	651.5
Amounts utilised	(9.2)	(13.3)	(97.8)	(120.3)
Transferred from other provisions	-	-	(0.3)	(0.3)
Impact of exchange rate	9.4	-	-	9.4
Other	-	-	2.2	2.2
Balance as at 31 December 2013	80.6	39.4	422.5	542.5

	Stockland Consolidated Group		Stockland Trust Group	
	31 December 2013 \$M	30 June 2013 \$M	31 December 2013 \$M	30 June 2013 \$M
8 Non-current assets held for sale				
Investment Properties transferred from Retirement Living	7.8	7.1	-	-
Investment Properties transferred from Commercial Property	-	83.5	-	83.5
	7.8	90.6	-	83.5

9 Investment properties

(a) Commercial properties

Retail	5,379.2	5,281.0	5,354.4	5,256.2
Office	1,601.3	1,663.1	1,605.4	1,667.2
Industrial	916.3	832.0	916.3	832.0
Capital works in progress and sundry properties	234.5	175.0	135.6	89.7
	8,131.3	7,951.1	8,011.7	7,845.1

Less amounts classified as:

- Property, plant and equipment	(92.0)	(92.8)	-	-
- Non-current assets held for sale	-	(83.5)	-	(83.5)
- Other assets (including lease incentives and lease fees)	(156.0)	(147.9)	(159.0)	(151.6)
- Other assets (including lease incentives and lease fees) attributable to investments accounted for using the equity method	(21.0)	(20.4)	(19.9)	(19.3)
- Other receivables (straight-lining of operating lease rental income)	(48.5)	(46.0)	(52.2)	(50.6)
- Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method	(13.7)	(13.6)	(13.3)	(12.3)

Total investment properties (including share of investment property held by associates and joint ventures)

7,800.1	7,546.9	7,767.3	7,527.8
(556.9)	(555.5)	(541.6)	(540.1)
7,243.2	6,991.4	7,225.7	6,987.7

Investment property reconciliation

Direct investments and controlled ventures

Carrying amount at the beginning of the financial period	6,991.4	7,020.6	6,987.7	7,013.2
Acquisitions	86.0	5.1	78.0	5.1
Expenditure capitalised	120.6	262.0	126.1	285.6
Transfers to assets classified as held for sale, net	-	(356.0)	-	(356.0)
Net gain from fair value adjustment of investment properties ¹	45.2	59.7	33.9	39.8
Carrying amount at the end of the financial period	7,243.2	6,991.4	7,225.7	6,987.7

¹ Net gain from fair value adjustment during the period ended 31 December 2013 excludes owner occupied depreciation of \$0.8 million.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

9 Investment properties (continued)

(a) Commercial properties (continued)

Description	Independent valuation date	Independent valuation \$M	Independent Cap rate %	Book value 31 Dec 2013 ¹ \$M	Book value 30 June 2013 ¹ \$M
Retail					
Stockland Shellharbour, Shellharbour NSW	Dec 2013	679.7	6.00	679.7	634.8
Stockland Merrylands, Merrylands NSW	Dec 2012	473.7	6.25	474.5	472.9
Stockland Townsville, Townsville QLD	Dec 2013	432.1	6.25-7.25	432.1	418.5
Stockland Rockhampton, Rockhampton QLD	Dec 2012	365.0	6.50	365.0	364.6
Stockland Wetherill Park, Western Sydney NSW ²	Dec 2011	358.0	6.75	364.6	362.3
Stockland Green Hills, East Maitland NSW	Jun 2012	271.0	6.75	277.3	276.8
Stockland Glendale, Newcastle NSW	Jun 2012	255.0	6.75	261.0	259.4
Stockland Cairns, Cairns QLD	Jun 2013	217.0	6.75	218.3	217.0
Stockland Point Cook, Point Cook VIC	Dec 2013	183.5	7.25	183.5	187.0
Stockland Burleigh Heads, Burleigh Heads QLD	Jun 2013	167.8	7.50	168.7	167.8
Stockland The Pines, Doncaster East VIC	Dec 2012	138.5	7.50	139.3	139.2
Stockland Forster, Forster NSW	Jun 2013	135.5	7.50	136.1	135.5
Stockland Gladstone, Gladstone QLD	Dec 2013	134.5	7.50	134.5	118.5
Stockland Wendouree, Wendouree VIC	Dec 2013	126.5	7.25	126.5	114.7
Stockland Jesmond, Newcastle NSW	Dec 2012	122.5	7.88	124.8	123.4
Stockland Balgowlah, Balgowlah NSW	Dec 2012	115.0	7.25	115.3	115.2
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2012	108.0	7.50	110.5	109.6
Stockland Caloundra, Caloundra QLD	Dec 2013	110.1	7.25	110.1	106.4
Stockland Bull Creek, Bull Creek WA	Jun 2013	90.5	7.25	90.8	90.5
Stockland Nowra, Nowra NSW	Dec 2012	88.0	7.75	89.5	88.8
Stockland Cleveland, Cleveland QLD	Dec 2012	86.0	7.50	87.2	86.6
Stockland Traralgon, Traralgon VIC	Dec 2013	85.8	7.75	85.8	79.7
Stockland Bathurst, Bathurst NSW	Dec 2013	79.8	7.75	79.8	77.6
Stockland Hervey Bay, Hervey Bay QLD ²	Jun 2012	63.7	7.50	64.7	64.5
Stockland Corrimal, Corrimal NSW	Dec 2012	61.1	8.00	62.2	61.8
Stockland Riverton, Riverton WA (50%) ³	Jun 2013	60.5	7.25	60.7	60.5
Stockland Wallsend, Wallsend NSW	Jun 2012	52.5	8.25	53.7	53.1
Stockland Tooronga, Tooronga VIC	Dec 2012	50.1	7.25	50.7	50.3
Shellharbour Retail Park, Shellharbour NSW	Dec 2013	48.0	8.25	48.0	48.0
Stockland Baldavis, Baldavis WA ²	Jun 2011	45.4	7.50	46.2	46.1
Stockland Cammeray, Cammeray NSW	Dec 2012	32.0	7.50	32.2	32.2
Stockland Highlands, Craigieburn VIC ⁴	Jun 2012	25.2	8.00	24.8	24.8
North Shore Townsville, Townsville QLD	Dec 2013	20.5	7.50	20.5	19.8
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Dec 2013	15.9	8.75	15.9	16.5
Woolworths Toowong, Toowong QLD ⁵	Jun 2013	13.5	n/a	13.5	13.5
Stockland Vincentia Shopping Centre, Vincentia NSW	Jun 2012	10.7	10.00	11.0	10.9
Stockland Merrylands Court, Merrylands NSW	Dec 2013	9.0	9.00	9.0	9.5
Hervey Bay Central Square, Hervey Bay QLD	Aug 2012	5.1	9.00	5.7	5.8
Stockland Townsville Kingsvale Sunvale QLD ⁵	Dec 2012	4.5	n/a	5.5	5.5
Adelaide Street Plaza, Fremantle WA	Jun 2012	11.3	9.75	-	11.4
Total Retail				5,379.2	5,281.0

- ¹ Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.
- ² Capital works are in progress. Fair value as at 31 December 2013 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 31 December 2013. An independent valuation of the property will be undertaken upon completion of the works.
- ³ Property held by associates and joint ventures.
- ⁴ This property is not held by Stockland Trust.
- ⁵ This property is valued as land.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

9 Investment properties (continued)

(a) Commercial properties (continued)

Description	Independent valuation date	Independent valuation \$M	Independent Cap rate %	Book value 31 Dec 2013 ¹ \$M	Book value 30 June 2013 ¹ \$M
Office					
133-145 Castlereagh Street, Sydney NSW ^{2,3}	Dec 2011	361.0	7.25-8.25	367.0	364.0
Waterfront Place, Eagle Street, Brisbane QLD (50%) ⁴	Jun 2013	264.0	7.25	263.0	264.0
Trinity Business Campus, North Ryde NSW	Jun 2013	170.2	7.75	169.9	170.2
Durack Centre, 263 Adelaide Terrace, Perth WA ³	Jun 2013	152.5	9.00	152.4	152.5
135 King Street, Sydney NSW (50%) ^{2,4}	Dec 2012	128.0	6.90-7.30	133.8	131.9
Optus Centre, Macquarie Park NSW (31%) ⁴	Jun 2013	116.3	7.50	117.2	116.3
601 Pacific Highway, St Leonards NSW	Dec 2013	72.0	8.50	72.0	68.5
60-66 Waterloo Road, Macquarie Park NSW	Dec 2013	68.8	8.00	68.8	65.6
77 Pacific Highway, North Sydney NSW	Jun 2013	55.0	8.50	54.7	55.0
40 Cameron Avenue, Belconnen ACT ³	Jun 2013	44.1	10.25	43.4	44.1
Garden Square, Mt Gravatt QLD	Dec 2012	37.5	9.38	38.5	38.2
16 Giffnock Avenue, Macquarie Park NSW	Dec 2013	36.8	8.75	36.8	35.9
Macquarie Technology Centre, Macquarie Park NSW	Dec 2013	32.8	8.75-9.25	32.8	34.3
110 Walker Street, North Sydney NSW	Dec 2013	25.5	8.75	25.5	25.0
80-88 Jephson Street, Toowong QLD	Jun 2013	18.5	9.00	18.5	18.5
23 High St, Toowong QLD	Jun 2013	3.8	8.25	3.8	3.8
27-29 High Street, Toowong QLD	Jun 2013	3.2	8.50	3.2	3.2
78 Waterloo Road, Macquarie Park NSW	Dec 2012	71.0	7.75	-	72.1
Total Office				1,601.3	1,663.1

¹ Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.

² Book value includes the retail component of the property.

³ This property is a leasehold property.

⁴ Property held by associates and joint ventures.

Description	Independent valuation date	Independent valuation \$M	Independent Cap rate %	Book value 31 Dec 2013 ¹ \$M	Book value 30 June 2013 ¹ \$M
Industrial					
Yennora Distribution Centre, Yennora NSW	Dec 2013	350.5	7.75	350.5	347.6
Port Adelaide Distribution Centre, Port Adelaide SA	Jun 2013	81.9	10.00	83.6	81.9
Hendra Distribution Centre, Brisbane QLD	Dec 2012	81.5	9.25	83.4	82.6
Brooklyn Estate, Brooklyn VIC	Dec 2012	79.7	9.25	81.2	80.3
Forrester Distribution Centre, St Marys NSW ²	-	-	-	77.0	-
9-11a Ferndell Street, Granville NSW	Dec 2012	42.2	9.25-10.00	42.8	42.5
1090-1124 Centre Road, Oakleigh VIC	Dec 2012	31.8	9.25	32.2	31.9
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Jun 2013	31.8	9.50	31.6	31.8
Altona Distribution Centre, Altona VIC	Jun 2013	27.7	9.25	27.6	27.7
2 Davis Road, Wetherill Park NSW	Dec 2013	16.8	8.75	16.8	16.2
11-25 Toll Drive, Altona North VIC	Dec 2012	16.4	8.25	16.3	16.4
32-54 Toll Drive, Altona VIC	Dec 2012	15.4	8.25	15.3	15.3
56-60 Toll Drive, Altona North VIC	Jun 2013	14.9	8.25	14.7	14.9
76-82 Fillo Drive, Somerton VIC	Jun 2013	14.2	9.00	14.6	14.2
Export Park, 9-13 Viola Place, Brisbane Airport QLD ³	Jun 2013	12.6	9.75	12.0	12.0
M1 Yatala Enterprise Park, Yatala QLD	Jun 2013	8.5	n/a	8.6	8.5
40 Scanlon Drive, Epping VIC	Jun 2013	8.2	8.50	8.1	8.2
Total Industrial				916.3	832.0

¹ Book value includes lease incentives capitalised, capital expenditure incurred and amortisation of incentives since latest independent valuation.

² Forrester Distribution Centre was acquired on 11 December 2013. The value adopted above is as a result of a directors' valuation adopted as at 31 December 2013.

³ This property is a leasehold property.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

9 Investment properties (continued)

(b) Fair values – Commercial Property

Directors' valuations are undertaken every reporting period. External valuations are performed at the earlier of every three years or if the Directors' valuation results in a revaluation movement of +/- 5% or greater. Directors' valuations have been undertaken as at 31 December 2013 for all properties (including properties classified as Non-current assets held for sale) when determining fair value using the assumptions below. The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, Stockland determines a property's value within a range of reasonable fair value estimates. In making its judgement, Stockland considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the term of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and
- (iv) capitalised income projections based upon a property's estimated net market income, which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from analysis of market evidence. Reversions associated with short-term leasing risks/costs, incentives and capital expenditure may be deducted from the capitalised net income figure.

In determining the fair value, the capitalisation of net market income method and discounting of future cash flows to their present value have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties. If such prices are not available then the fair value of investment properties is determined using assumptions that are mainly based on market conditions existing at each balance date.

These valuations are regularly compared to market yield data and actual transactions by Stockland and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The key assumptions that have been used for each period are as follows:

	Retail		Office		Industrial	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013
Weighted average capitalisation rates	6.9%	7.0%	7.9%	8.0%	8.6%	8.8%
Lease vacancy rates	0.4%	0.6%	8.7%	4.0%	10.3%	10.9%
Weighted average lease expiry	6.1 years	6.4 years	5.3 years	4.6 years	3.7 years	3.3 years

Investment property assets under development

In determining the fair value of investment property assets under development, consideration is given to:

- percentage completion of the development;
- future anticipated net rental income;
- risks associated with the forecast completion of the asset;
- forecast cost of the development; and
- current market evidence for similar assets.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

10 Investments in associates

(a) Movements in carrying amount of investment in associates¹

	Stockland Consolidated Group		Stockland Trust Group	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$M	\$M	\$M	\$M
Carrying amount at the beginning of the financial period	109.3	108.4	116.3	115.4
Share of net profit (excluding fair value loss on investment properties)	5.1	9.3	5.1	9.3
Share of fair value loss on investment properties	-	(1.1)	-	(1.1)
Distributions received/receivable	(4.1)	(7.3)	(4.1)	(7.3)
Carrying amount at the end of the financial period	110.3	109.3	117.3	116.3

¹ Current period represents movements during the six month period to 31 December 2013. Prior period represents movements during the twelve months to 30 June 2013.

(b) Summarised financial information of associates

Associates	Location	Ownership interest %	Assets¹ \$M	Liabilities¹ \$M	Revenues¹ \$M	Profit¹ \$M
31 December 2013						
Stockland Trust Group						
Macquarie Park Trust	Australia	31	118.7	(1.4)	4.2	5.1
			118.7	(1.4)	4.2	5.1
Stockland Consolidated Group						
Tyburn Stockland No. 2 LP ^{2,3}	UK	30	-	-	-	-
Tyburn Stockland No. 3 LP ^{2,3}	UK	30	-	-	-	-
CRaM Trust and subsidiary limited partnerships ^{3,5}	UK	10	-	-	-	-
Elimination ⁶			(7.0)	-	-	-
			111.7	(1.4)	4.2	5.1
30 June 2013						
Stockland Trust Group						
Macquarie Park Trust	Australia	31	117.8	(1.5)	8.6	8.2
			117.8	(1.5)	8.6	8.2
Stockland Consolidated Group						
Tyburn Stockland No. 2 LP ^{3,4}	UK	30	-	-	-	-
Tyburn Stockland No. 3 LP ^{3,4}	UK	30	-	-	-	-
Halladale Nelson Limited Partnership ^{3,5}	UK	9	-	-	-	-
CRaM Trust and subsidiary limited partnerships ⁵	UK	10	-	-	-	-
Capita Portfolio Limited Partnership ^{3,4}	Jersey	30	-	-	-	-
Elimination ⁶			(7.0)	-	-	-
			110.8	(1.5)	8.6	8.2

¹ Stockland Consolidated Group and/or Stockland Trust Group's share of assets, liabilities, revenues and profits. Current period represents revenue and profits during the six months to 31 December 2013. Prior period represents revenue and profits during the twelve months to 30 June 2013.

² As at 31 December 2013, this associate is in liquidation.

³ Equity accounting has ceased for associates with a carrying value of \$Nil.

⁴ As at 30 June 2013, this entity was in liquidation.

⁵ Stockland has significant influence over the operating decisions of these associates due to a combination of its role as asset manager, presence on advisory committees and participation in general partner meetings.

⁶ Elimination of \$7.0 million (30 June 2013: \$7.0 million) in retained earnings within the Stockland Consolidated Group in relation to previously unrealised profit on the sale of assets from Macquarie Park Trust to a joint venture.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

11 Investments in joint ventures

(a) Joint ventures

		31 December 2013 %	30 June 2013 %	31 December 2013 \$M	30 June 2013 \$M
	Location				
Stockland Trust Group					
SDOT Sub Trust No. 1	Australia	50.0	50.0	193.4	193.5
The King Trust	Australia	50.0	50.0	133.0	132.6
Willeri Drive Trust	Australia	50.0	50.0	63.6	64.1
				390.0	390.2
Stockland Consolidated Group					
Stockland Ormeau Trust ¹	Australia	50.0	50.0	24.7	24.4
Eagle Street Pier Pty Limited	Australia	50.0	50.0	18.7	19.1
Compam Property Management Pty Limited	Australia	50.0	50.0	-	-
Subiaco Joint Venture	Australia	33.3	33.3	-	-
Stockland Ventures Limited	UK	50.0	50.0	-	-
				433.4	433.7

¹ Stockland Ormeau Trust is a Residential related joint venture entity. All other Australian located joint ventures are Commercial Property related.

(b) Summarised financial information of joint ventures

	Stockland Consolidated Group		Stockland Trust Group	
	31 December 2013 \$M	30 June 2013 \$M	31 December 2013 \$M	30 June 2013 \$M
Movements in carrying amount of investments in joint ventures¹				
Carrying amount at the beginning of the financial period	433.7	500.5	390.2	447.8
Contributions to the joint ventures	-	13.3	-	11.8
Share of net profit (excluding fair value gain on investment properties)	11.9	29.8	11.0	28.6
Share of fair value gain on investment properties	-	6.1	-	5.8
Disposal of interests in joint ventures	-	(11.3)	-	-
Distributions received/receivable	(12.3)	(31.7)	(11.2)	(30.8)
Effects of movements in exchange rates	0.1	-	0.1	-
Return of capital from interests in joint ventures	-	(73.0)	-	(73.0)
Carrying amount at the end of the financial period	433.4	433.7	390.1	390.2
Share of joint ventures' assets and liabilities¹				
Current assets	41.2	43.6	12.3	13.8
Non-current assets	470.3	465.8	456.1	454.2
Total assets	511.5	509.4	468.4	468.0
Current liabilities	29.4	27.4	26.7	26.7
Non-current liabilities	48.7	48.3	51.6	51.1
Total liabilities	78.1	75.7	78.3	77.8
Net assets	433.4	433.7	390.1	390.2
Share of joint ventures' revenues, expenses and results¹				
Revenues	24.1	52.2	18.2	39.6
Expenses	(12.2)	(16.3)	(7.2)	(5.2)
Net profit accounted for using the equity method	11.9	35.9	11.0	34.4

¹ Current period represents movements during the six month period to 31 December 2013. Prior period represents movements during the twelve months to 30 June 2013.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

Stockland Consolidated Group		Stockland Trust Group	
31 December	30 June	31 December	30 June
2013	2013	2013	2013
\$M	\$M	\$M	\$M

12 Interest-bearing loans and borrowings

(a) Current

Unsecured

Foreign medium term notes	25.0	143.3	25.0	143.3
	25.0	143.3	25.0	143.3

(b) Non-current

Unsecured

Bank debt	365.0	-	365.0	-
Domestic medium term notes	721.2	607.4	721.2	607.4
Foreign medium term notes	1,769.5	1,710.8	1,769.5	1,710.8
	2,855.7	2,318.2	2,855.7	2,318.2

(c) Financing arrangements

Stockland Consolidated Group and Stockland Trust Group

Bank facilities

Details of maturity dates and security for bank facilities are set out below:

Facility limit		Security	Maturity date	Utilised	
31 December	30 June			31 December	30 June
2013	2013			2013	2013
\$M	\$M			\$M	\$M
-	100.0	Unsecured	November 2013	-	-
100.0	100.0	Unsecured	July 2014	-	-
120.0	120.0	Unsecured	August 2014	-	-
100.0	100.0	Unsecured	September 2014	-	-
100.0	100.0	Unsecured	December 2014	-	-
-	100.0	Unsecured	November 2015	-	-
-	175.0	Unsecured	December 2015	-	-
175.0	-	Unsecured	December 2016	-	-
100.0	-	Unsecured	January 2017	40.0	-
-	150.0	Unsecured	February 2017	-	-
-	175.0	Unsecured	November 2017	-	-
100.0	-	Unsecured	February 2018	100.0	-
50.0	-	Unsecured	February 2018	50.0	-
175.0	-	Unsecured	November 2018	175.0	-
1,020.0¹	1,120.0¹			365.0	-

¹ Excludes bank guarantee facility of \$300.0 million (30 June 2013: \$300.0 million), of which \$139.3 million (30 June 2013: \$164.9 million) has been utilised.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

12 Interest-bearing loans and borrowings (continued)

(c) Financing arrangements (continued)

Domestic medium term notes

During the current half year, Stockland repurchased medium term notes from the domestic private placement market. The total face value of these notes were \$36.0 million and were due to mature in February 2015. In addition, Stockland also issued \$150.0 million of notes in the domestic private placement market which mature in September 2019.

Foreign medium term notes

UK Private Placement

During the current half year, Stockland fully repaid GBP 60.1 million (AUD 101.5 million) of its medium term notes that were issued into the UK private placement market and matured in October 2013.

US Private Placement

During the current half year, Stockland repaid USD 40.0 million (AUD 51.4 million) of notes that were issued into the US private placement market and matured in July 2013.

Asian Private Placement

During the current half year, Stockland issued medium term notes with a face value of \$54.9 million (HKD 400.0 million) into the Asian private placement market which matures in May 2025.

13 Other liabilities

		Stockland Consolidated Group		Stockland Trust Group	
		31 December 2013	30 June 2013	31 December 2013	30 June 2013
	Note	\$M	\$M	\$M	\$M
Current					
Dividends and distributions payable	16	276.7	277.4	276.7	277.4
Rents in advance		15.3	11.9	15.1	11.8
Other liabilities		31.5	25.8	11.2	16.5
		323.5	315.1	303.0	305.7

14 Deferred tax assets and liabilities

Stockland Consolidated Group

(a) Recoverability of deferred tax assets ("DTA")

Stockland has recognised DTA relating to carried forward losses and deductible temporary differences to the extent these are expected to be realised in future periods and to the extent there are sufficient taxable temporary differences (deferred tax liabilities ("DTL")) against which the unused tax losses can be utilised.

An assessment of the recoverability of the resulting net DTA has been made to determine if the carrying value of the net DTA should be reduced. The assessment for the period has determined that a tax benefit of \$25.0 million on realised capital losses (June 2013: \$106.4 million) is not currently recognised, as recoverability is not considered probable. The remaining net DTA of \$40.4 million (June 2013: \$58.5 million) is deemed to be recoverable. Refer to section (b) below.

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

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

14 Deferred tax assets and liabilities (continued)

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June
	2013	2013	2013	2013	2013	2013
	\$M	\$M	\$M	\$M	\$M	\$M
Trade and other receivables	0.1	0.1	(0.5)	(0.5)	(0.4)	(0.4)
Inventories	147.8	181.4	(162.8)	(177.2)	(15.0)	4.2
Other assets	0.1	-	-	-	0.1	-
Investment properties	12.4	12.4	(201.9)	(186.4)	(189.5)	(174.0)
Property, plant and equipment	-	-	(0.2)	(0.4)	(0.2)	(0.4)
Other financial assets	-	31.5	(0.4)	-	(0.4)	31.5
Trade and other payables	10.3	10.6	-	-	10.3	10.6
Retirement Living resident obligations	11.2	13.3	-	-	11.2	13.3
Interest-bearing loans and borrowings	-	-	(0.5)	(0.5)	(0.5)	(0.5)
Provisions	4.0	4.2	-	-	4.0	4.2
Reserves	4.3	4.2	-	-	4.3	4.2
Tax losses carried forward	381.1	305.4	-	-	381.0	305.4
Tax assets/(liabilities)	571.3	563.1	(366.3)	(365.0)	204.9	198.1
Less: Tax losses not recognised	(164.6)	(139.6)	-	-	(164.5)	(139.6)
Recognised tax assets/(liabilities)	406.7	423.5	(366.3)	(365.0)	40.4	58.5
Set-off of tax balances	(366.3)	(365.0)	366.3	365.0	-	-
Net deferred tax asset	40.4	58.5	-	-	40.4	58.5

The group has recognised deferred tax assets relating to carry forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) against which the unused tax losses can be utilised. Utilisation of the tax losses also depends on the achievement of future taxable income forecasts.

In addition to the items booked as described above, the group has \$164.6 million (June 2013: \$139.6 million) of unrecognised deferred tax assets. This balance consists of \$106.4 million (June 2013: \$106.4) Australian income tax losses, \$28.4 million (June 2013: \$3.4 million) of Australian capital losses; \$10.0 million (June 2013: \$10.0 million) of UK capital losses and \$20.0 million (June 2013: \$20.0 million) of UK trading losses.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

15 Issued capital

	Stockland Consolidated Group and Stockland Trust Group		Stockland Consolidated Group		Stockland Trust Group	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	Number of securities/units	Number of securities/units	\$M	\$M	\$M	\$M
(a) Ordinary securities/ units on issue						
Issued and fully paid	2,305,750,747	2,305,750,747	8,353.0	8,353.0	7,051.2	7,558.5
(b) Other equity securities/units						
Treasury shares	(1,502,641)	(1,374,761)	(5.4)	(4.9)	(5.1)	(4.6)
Total Issued Capital	2,304,248,106	2,304,375,986	8,347.6	8,348.1	7,046.1	7,553.9

(a) Ordinary securities/units

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

Movement of issued and fully paid securities/units

Details

	Notes	Stockland Consolidated Group and Stockland Trust Group Number of securities/units	Stockland Consolidated Group \$M	Stockland Trust Group \$M
Opening balance as at 1 July 2012		2,203,547,228	7,962.5	7,179.8
Securities/units bought back as part of the on-market buyback and cancelled	15 (a)(i)	(889,265)	(2.8)	(2.8)
Securities/units issued as part of the capital raising	15(a)(ii)	103,092,784	400.0	388.0
Less: transaction costs from capital transactions	15(a)(ii)	-	(6.7)	(6.5)
Balance as at 1 July 2013		2,305,750,747	8,353.0	7,558.5
Transfer of capital	15(a)(iii)	-	-	(507.3)
Balance as at 31 December 2013		2,305,750,747	8,353.0	7,051.2

(i) On-market buyback

During the year ended 30 June 2012, Stockland announced that it would undertake an on-market buyback of up to 10% of its issued capital. Securities acquired through the buyback were purchased on-market at a price no more than 5% above their last five trading day average closing market price at the time.

On 13 February 2013, the on-market buyback ceased. As at cessation of the on-market buyback, a total of 180,378,754 securities (8.19% of issued capital) had been bought back at a total price of \$548.1 million for an average price of \$3.04. These securities have been cancelled.

(ii) Capital raising

On 22 May 2013, Stockland raised \$400 million (pre-fees) through a fully underwritten placement to institutional investors of 103,092,784 securities at \$3.88 each. This was at a 2.5% discount to the closing price on Tuesday 21 May 2013.

Stockland also dispatched a non-underwritten Security Purchase Plan ("SPP") inviting eligible securityholders to participate in a non-underwritten SPP capped at \$100 million. The SPP was subsequently withdrawn due to the decrease in share price during the offering period.

On 18 December 2013 Stockland announced that the Dividend Reinvestment Plan (DRP) will operate for the half year distribution to 31 December 2013. This is disclosed further in Note 16.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

15 Issued capital (continued)

(a) Ordinary securities/units (continued)

(iii) Transfer of capital

At the Annual General Meeting of Stockland Corporation Limited and Meeting of Unitholders of Stockland Trust in Sydney on Tuesday, 29 October 2013, securityholders approved a proposal to reallocate capital from the Stockland Trust to Stockland Corporation Limited. On 29 November 2013, Stockland Trust Group reallocated \$507.3 million of issued capital (equivalent to \$0.22 per security) to Stockland Corporation Limited. The number of units and the number of shares on issue remained unchanged following the reallocation.

(iv) Issue price

Other than the capital raising described above (\$3.88 per security) all other issues relate to securities/units under share plans, which do not require a cash outflow or inflow for Stockland and therefore have an issue price of \$Nil.

Terms and conditions of securities

For so long as the Stockland Consolidated Group remains jointly quoted, as detailed in Note 1, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders and unitholders be identical. Unitholders of the Trust are only entitled to distributions and voting rights upon stapling.

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to the amount, if any, remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination of the stapling arrangement (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

(b) Other equity securities/units

(i) Treasury Shares

Treasury shares are securities/units in Stockland that are held by the Stockland Employee Securities Plan Trust for the purpose of issuing shares under the Deferred Short Term Incentive ("DSTI") scheme.

The securities/units are held on behalf of Executives and Senior Management eligible under the scheme until the end of the vesting period. During the vesting period, the Executives and Senior Management are entitled to the distributions and dividends.

Movement in Treasury Shares

Details	Note	Stockland Consolidated Group and Stockland Trust Group		
		Number of securities/units	Stockland Consolidated Group \$M	Stockland Trust Group \$M
Opening balance as at 1 July 2013		1,374,761	(4.9)	(4.6)
Acquisition of securities/units by the Trust	15(b)(i)	127,880	(0.5)	(0.5)
Issuance of securities/units on vesting	15(b)(i)	-	-	-
Balance as at 31 December 2013		1,502,641	(5.4)	(5.1)

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

16 Dividends and distributions

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

Stockland Corporation Limited

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

Stockland Trust

	Cents per unit/share	Total amount \$M	Date of payment
31 December 2013			
Interim distribution	<u>12.0</u>	<u>276.7</u>	28 February 2014
31 December 2012			
Interim distribution	<u>12.0</u>	<u>264.3</u>	28 February 2013

The tax preferred % will be determined at year end.

All dividends/distributions were approved and declared prior to 31 December 2013 and 31 December 2012 respectively, and have been included in the Statement of Changes in Equity with no reconciling items. The final dividends and distributions for the six months to 30 June 2013 and 30 June 2012, which were recognised during the previous financial years and paid by the Company and Trust during the current period, are detailed below.

Stockland Corporation Limited

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

Stockland Trust

	Cents per unit/share	Total amount \$M	Date of payment	Tax preferred %
30 June 2013				
Final distribution	<u>12.0</u>	<u>277.4</u>	31 August 2013	15.5
30 June 2012				
Final distribution	<u>12.0</u>	<u>264.4</u>	31 August 2012	2.3

Dividend Reinvestment Plan

On 18 December 2013 Stockland announced that the Dividend Reinvestment Plan ("DRP") will operate for the half year distribution to 31 December 2013.

Investors participating in the DRP will be entitled to receive a full distribution. Participating unitholders will receive a discount of 1.5 per cent on the securities acquired under the DRP.

The DRP security price will be determined by the volume weighted average price over a 15-day trading period immediately preceding 7 February 2014.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

	Stockland Consolidated Group		Stockland Trust Group	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$M	\$M	\$M	\$M

17 Commitments

Capital expenditure commitments

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

Inventory commitments	202.9	114.3	-	-
Investment property commitments	279.1	103.1	216.7	93.0
	482.0	217.4	216.7	93.0

Operating lease commitments

Commitments for the operating lease expenditure not recognised in the Financial Statements at balance date:

Within one year	4.0	4.0	-	-
Later than one year but not later than five years	8.3	9.6	-	-
Later than five years	-	-	-	-
	12.3	13.6	-	-

During the half year, \$2.3 million was recognised as an expense in the Stockland Consolidated Group Statement of Comprehensive Income in respect of operating leases (twelve months ended 30 June 2013: \$4.9 million).

Non-cancellable operating lease receivable from investment property tenants

Non-cancellable operating lease receivable not recognised in the Financial Statements at balance date:

Within one year	537.9	486.0	543.7	495.1
Later than one year but not later than five years	1,378.5	1,265.7	1,385.5	1,295.1
Later than five years	782.9	727.2	779.8	727.4
	2,699.3	2,478.9	2,709.0	2,517.6

Annual rent receivable by Stockland under current leases from tenants, is from property held by the Commercial Property business.

18 Contingent Liabilities

There are no known material contingent liabilities other than the bank guarantees (as disclosed in Note 12 (c)) at 31 December 2013.

Guarantees

Bank guarantees and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility \$450.0 million (June 2013: \$450.0 million)

208.4	225.6	208.3	225.6
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No deficiencies of assets exist in relation to any of the companies to which bank guarantees apply.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

19 Retirement Living

Stockland Consolidated Group

As at 31 December 2013, Stockland owns 62 Retirement Living villages (30 June 2013: 62 Retirement Living villages).

When residents move into retirement units, they lend Stockland an amount equivalent to the value of the unit. This loan is recorded as a resident obligation liability. In exchange for the loan, Stockland gives the resident a lease to live in the unit and to access the community facilities. During the resident's tenure, Stockland accrues Deferred Management Fees ("DMF") as revenue over the length of tenure. DMF is calculated based on the individual resident contract ("DMF contract"). There are various contractual arrangements, however a typical contract will provide for an annual management fee for a fixed period, plus a share of any capital gain when the unit is re-leased. DMF income on an exiting resident is recognised when the unit is re-leased to a new resident.

(a) Retirement Living investment properties

Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. Retirement villages comprise independent living units, serviced apartments, community facilities and integral plant and equipment. The fair value of Retirement Living investment properties is the value of these assets and of the discounted future cashflows associated with the DMF contracts. Changes in fair value of investment properties are recognised directly in the Statement of Comprehensive Income.

The fair value is determined by the Directors' using a discounted cash flow methodology and is based on projected cash flows using the current value of individual units and DMF contracts.

Operating villages and villages under development

To support the Directors' valuation of operating villages, independent valuations are undertaken at least every two years. The most recent independent valuations were obtained at 30 June 2013. During the intervening periods, management assesses the valuation of individual units on a six-monthly basis to revise valuations based on current market values.

The Directors' valuation of villages under development is based on future cash flows discounted to their present value.

The key assumptions used for operating villages and villages under development are:

- weighted average discount rate of 12.9% (June 2013: 12.8%);
- weighted average 20 year growth rate 3.9% (June 2013: 3.8%);
- average length of stay of future residents 11.2 years (June 2013: 11.4 years);
- future anticipated contract terms between Stockland and future residents;
- forecast cost of village developments for projects under development;
- risks associated with the forecast completion of these developments; and
- current market evidence for similar villages.

Recognition of development profit

Settled development margin represents the development profit from newly developed units, being the unit price realised on first lease less cost of development. Settled development margin is recognised in Underlying Profit. Profit recognised for the creation of the associated DMF entitlement is recognised as part of "Net gain/(loss) from fair value adjustment of investment properties – operating villages and villages under development".

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

19 Retirement Living (continued)

(b) Deferred Management Fees from Retirement Living

DMF base fees earned but unrealised

DMF base fees earned represent the DMF income accrued on the entry price of the unit, recognised annually as Stockland becomes contractually entitled to it.

DMF base fees earned and realised

DMF base fees are realised when the existing resident departs and are recognised in Retirement Living Underlying Profit segment result.

DMF contingent income realised

DMF contingent income realised represents the DMF income accrued on the exit price of the unit, recognised at the end of the resident's tenure as Stockland becomes contractually entitled to it. This amount includes additional income earned on the conversion of certain legacy contracts to current contract terms ("conversion profit").

(c) Resident obligations

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and recognised at fair value. Fair value is the amount payable on demand and comprises the initial loan amount plus the resident's share of any capital gains in accordance with their contracts less DMF earned to date. Changes in fair value of resident obligations are recognised directly in the Statement of Comprehensive Income. Resident obligations are expected to be covered by receipts from incoming residents, refer to Note 19(e).

Current resident obligations

Based on actuarial turnover calculations, in the short term 8% of residents are estimated to leave each year and therefore it is not expected that the full obligation to residents will fall due within one year. Typically, the resident obligations are able to be repaid by receipts from incoming residents.

Accounting Standards require that resident obligations are classified as current as all residents have the right to terminate their occupancy contract with immediate effect, with no unconditional contractual right to defer settlement for at least twelve months.

Non-current resident obligations

Certain legacy contracts are classified as non-current as these contracts give Stockland a right to defer settlement for up to eight years.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

19 Retirement Living (continued)

	Notes	Stockland Consolidated Group		Stockland Trust Group	
		31 December 2013	30 June 2013	31 December 2013	30 June 2013
		\$M	\$M	\$M	\$M
(d) Stockland's net investment in Retirement Living					
Operating villages	19(a)	2,645.2	2,571.8	-	-
Villages under development	19(a)	205.7	235.8	-	-
	19(d)(i)	2,850.9	2,807.6	-	-
Existing resident obligations	19(d)(ii)	(1,782.6)	(1,730.8)	-	-
Net investment in Retirement Living villages		1,068.3	1,076.8	-	-
Plant, property and equipment – Aged Care		82.4	82.7	-	-
Aged Care accommodation bonds	19(d)(ii)	(51.0)	(55.6)	-	-
Net investment in Aged Care		31.4	27.1	-	-
Net tangible investment in Retirement Living		1,099.7	1,103.9	-	-

Comprising of the following:

(i) Retirement Living investment properties¹

Carrying amount at the beginning of the financial period		2,807.6	2,747.4	-	-
Expenditure capitalised		23.5	103.9	-	-
Realised fair value movements	19(f)	26.6	51.6	-	-
Change in fair value of investment properties	19(e)	(6.1)	(88.2)	-	-
Transfers to assets held for sale		(0.7)	(7.1)	-	-
Carrying amount at the end of the financial period		2,850.9	2,807.6	-	-

¹ Current period represents movements during the six month period to 31 December 2013. Prior period represents movements during the twelve months to 30 June 2013.

(ii) Current and Non-current liabilities – Retirement Living resident obligations

Current resident obligations

Existing resident obligations	1,607.5	1,545.7	-	-
Ex-resident obligations	30.8	31.3	-	-
Aged Care accommodation bonds	51.0	55.6	-	-
	1,689.3	1,632.6	-	-

Non-current resident obligations

Existing resident obligations	175.1	185.1	-	-
Ex-resident obligations	10.4	11.7	-	-
	185.5	196.8	-	-

Total resident obligations

Existing resident obligations	1,782.6	1,730.8	-	-
Ex-resident obligations	41.2	43.0	-	-
Aged Care accommodation bonds	51.0	55.6	-	-
	1,874.8	1,829.4	-	-

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

19 Retirement Living (continued)

		Stockland Consolidated Group		Stockland Trust Group	
		Half year ended 2013	2012	Half year ended 2013	2012
		\$M	\$M	\$M	\$M
	Notes				
(e) Retirement Living contribution to the Statement of Comprehensive Income					
Revenue					
Total realised revenue ¹	19(d)(i)	26.6	23.3	-	-
DMF base fees earned, unrealised	19(b)	8.8	0.5	-	-
Retirement Living statutory revenue		35.4	23.8	-	-
Net gain/(loss) from fair value adjustment of investment properties:					
– settled development margin ²		7.7	8.8	-	-
– operating villages and villages under development	19(a)	(13.8)	(106.9)	-	-
	19(a)	(6.1)	(98.1)	-	-
Net gain from change in fair value of resident obligations	19(c)	7.9	45.5	-	-
Investment property expenses		(3.2)	(2.6)	-	-
Management, administration, marketing and selling expenses		(15.7)	(19.5)	-	-
		(11.0)	23.4		
Net contribution from Retirement Living villages		18.3	(50.9)	-	-
Net contribution from Aged Care		1.4	2.0	-	-
Retirement Living statutory profit / (loss) before interest and tax		19.7	(48.9)	-	-
(f) Reconciliation of Retirement Living statutory profit to segment results-					
Total realised revenue ¹		26.6	23.3	-	-
Net gain from fair value adjustment of investment properties – settled development margin ²		7.7	8.8	-	-
Investment property expenses		(3.2)	(2.6)	-	-
Management, administration, marketing and selling expenses		(15.7)	(19.5)	-	-
Net contribution from Aged Care		1.4	2.0	-	-
Retirement Living segment operating profit	3	16.8	12.0	-	-
Add:					
DMF base fees earned, unrealised		8.8	0.5	-	-
Net loss from change in fair value of Retirement Living investment properties – operating villages and villages under development		(13.8)	(106.9)	-	-
Net gain from change in fair value of resident obligations		7.9	45.5	-	-
Retirement Living statutory profit/(loss) before interest and tax		19.7	(48.9)	-	-

¹ Includes realised profit on conversion of certain legacy contracts to current contract terms of \$3.9 million (31 December 2012: \$3.0 million).

² Settled development margin represents the “development profit” achieved upon settlement of the first lease on newly developed units excluding the fair value gain recognised on the creation of the DMF entitlement. The profit recognised for creation of the DMF entitlement is included within “Net loss from fair value adjustment of investment properties – Operating villages and villages under development”. The profit recognised in relation to DMF creation is \$3.4 million (2012: \$7.9 million).

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

	Stockland Consolidated Group		Stockland Trust Group	
	Half year ended		Half year ended	
	2013	2012	2013	2012
	\$M	\$M	\$M	\$M
20 Notes to the Cash Flow Statements				
Reconciliation of profit to net cash inflow from operating activities:				
Profit/(Loss)	298.1	(147.1)	337.7	292.1
Add/(less) items classified as investing/financing activities:				
Net loss on fair value movement of hedged items and financial instruments treated as fair value hedges	4.1	0.3	4.1	0.3
Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	(27.4)	60.0	(24.5)	59.9
Net loss on sale of other non-current assets	5.1	4.9	5.1	4.9
Interest capitalised to investment properties	(4.7)	(12.1)	(1.0)	(6.7)
Net (gain)/loss from fair value adjustment of other financial assets	(31.7)	43.6	(0.7)	-
Add/(less) non-cash items:				
Fair value adjustment for investment properties (including associates and joint ventures)	(20.4)	18.1	(33.9)	(14.6)
Net loss/(gain) on foreign exchange	26.1	(26.3)	26.0	(26.3)
Depreciation	6.9	7.1	-	-
Provision for write-down of inventories	-	318.3	-	-
Straight-line rent adjustment	(2.5)	(5.6)	(2.5)	(5.5)
Equity-settled share-based payments	-	(2.6)	-	(2.5)
Other items	(4.5)	(0.4)	(0.8)	-
Net cash inflow from operating activities before change in assets and	249.1	258.2	309.5	301.6
Decrease/(increase) in receivables	20.5	5.9	(7.3)	(2.8)
(Increase)/decrease in other assets	(18.7)	(17.7)	(1.4)	11.8
Increase in prepayments	(4.5)	(7.6)	(1.5)	(3.7)
Increase in inventories	(58.7)	(14.5)	-	-
(Increase)/decrease in deferred tax assets	18.1	(53.4)	-	-
Decrease in payables and other liabilities	(3.1)	(25.1)	(8.9)	(29.4)
Increase/(decrease) in other provisions	100.0	43.6	27.9	-
Net cash inflow from operating activities	302.7	189.4	318.3	277.5

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

21 Financial Instruments

(a) Accounting classifications and fair values

(i) Financial instrument fair values

Determination of fair value

The fair value of medium term notes (domestic and foreign) and derivative financial instruments is determined in accordance with generally accepted pricing models by discounting the expected future cash flows at prevailing market interest rates and exchange rates.

The fair value of interest rate derivatives and cross currency interest rate swaps (CCIRS) is determined using a generally accepted pricing model based on a discounted cash flow analysis 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 observable inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and the current credit worthiness of the derivative counterparties.

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 fair value of "Other financial assets – Units in unlisted entities" is determined by reference to the net assets of the underlying investments at balance date.

The fair value of "Other financial instruments" is determined using a generally accepted pricing model based on sourced market inputs adjusted for specific features of the instruments.

Fair values versus carrying amounts

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

	Stockland Consolidated Group and Stockland Trust Group	
	Carrying amount	Fair value
	December 2013	December 2013
	\$M	\$M
Domestic medium term notes	(721.2)	(772.9)
Foreign medium term notes	(1,794.5)	(1,927.2)
	(2,515.7)	(2,700.1)

The difference of \$184.4 million between the carrying amount and fair value of the domestic and foreign medium term notes is due to certain notes being carried at amortised cost under AASB 139, whilst 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.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

21 Financial Instruments (continued)

(a) Accounting classifications and fair values (continued)

(ii) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Stockland Consolidated Group			
	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M
As at December 2013				
Financial assets carried at fair value				
Securities in listed entities	-	-	-	-
Units in unlisted entities	-	-	20.0	20.0
Derivative assets and other financial instruments	-	238.8	-	238.8
	-	238.8	20.0	258.8
Financial liabilities carried at fair value				
Derivative liabilities and other financial instruments	-	(352.3)	(6.5)	(358.8)
Financial liabilities designated at fair value through profit or loss	-	(859.9)	-	(859.9)
Retirement Living resident obligations	-	-	(1,874.8)	(1,874.8)
	-	(1,212.2)	(1,881.3)	(3,093.5)
	-	(973.4)	(1,861.3)	(2,834.7)

There were no transfers between Level 1 and Level 2 fair value measurements during the reporting period.

	Stockland Trust Group			
	Level 1	Level 2	Level 3	Total
	\$M	\$M	\$M	\$M
As at 31 December 2013				
Financial assets carried at fair value				
Units in unlisted entities	-	-	19.5	19.5
Derivative assets and other financial instruments	-	146.3	-	146.3
	-	146.3	19.5	165.8
Financial liabilities carried at fair value				
Derivative liabilities and other financial instruments	-	(352.3)	(6.5)	(358.8)
Financial liabilities designated at fair value through profit or loss	-	(837.1)	-	(837.1)
	-	(1,189.4)	(6.5)	(1,195.9)
	-	(1,043.1)	13.0	(1,030.1)

There were no transfers between Level 1 and Level 2 fair value measurements during the financial year.

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

21 Financial Instruments (continued)

(a) Accounting classifications and fair values (continued)

(ii) Fair value hierarchy (continued)

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

	Stockland Consolidated Group			Total
	Units in unlisted entities \$M	Derivatives and other financial instruments \$M	Retirement Living resident obligations \$M	\$M
As at 31 December 2013				
Balance at 1 July 2013	19.9	0.6	(1,829.4)	(1,808.9)
Total gains and losses recognised				
- profit or loss*	-	(7.1)	26.8	19.7
- other comprehensive income	-	-	-	-
Purchases	0.3	-	-	0.3
Net cash settled on resident	-	-	(72.2)	(72.2)
Capital distributions	(0.2)	-	-	(0.2)
Balance at 31 December 2013	20.0	(6.5)	(1,874.8)	(1,861.3)
* unrealised gains or (losses) recognised in profit or loss attributable to assets and liabilities held at the end of the reporting period (included in gains/(losses) recognised in other income above)	-	(7.1)	7.9	0.8

	Stockland Trust Group			Total
	Units in unlisted entities \$M	Derivatives and other financial instruments \$M		\$M
As at 31 December 2013				
Balance at 1 July 2013	19.4	0.6		20.0
Total gains and losses recognised in:				
- profit or loss	-	(7.1)		(7.1)
- other comprehensive income	-	-		-
Purchases	0.3	-		0.3
Capital distributions	(0.2)	-		(0.2)
Balance at 31 December 2013	19.5	(6.5)		13.0
* unrealised gains or (losses) recognised in profit or loss attributable to the assets held at the end of the reporting period (included in gains/(losses) recognised in other income above)	-	(7.1)		(7.1)

Stockland
Condensed Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2013

21 Financial Instruments (continued)

(a) Accounting classifications and fair values (continued)

(ii) Fair value hierarchy (continued)

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for significant level 3 assets and liabilities. See Note 19(a) for the valuation technique adopted.

Stockland Consolidated Group			
Description	Fair value at 31 December 2013 \$M	Unobservable inputs	Range of inputs (probability-weighted average)
		weighted average discount rate	12% - 14% (12.9%)
Retirement Living resident obligations	(1,874.8)	weighted average 20 year growth rate	3.0% - 5.0% (3.9%)
		average length of stay of future residents	10 – 12 years (11.2 years)

The weighted average growth rate is considered to be the most sensitive unobservable input in terms of impact on the value of the resident obligations. In the year to 30 June 2013, units across the established portfolio were repriced downwards by 2.3% as a result of housing market price data. This was equivalent to a 0.1% reduction in the average 20 year growth rate and resulted in a decrease of \$33.5 million in the fair value of the obligations.

Valuation processes

Management performs the valuations of the retirement living items required for financial reporting purposes, including level 3 fair values. Management reports to the Audit Committee on the outcomes of these valuations at least once every six months, in line with the group's half-yearly reporting dates.

22 Related party disclosures

A development management deed was executed between Stockland Trust (Trust) and Stockland Development Pty Limited (a controlled entity of Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for Corporation's property development expertise and is calculated as 50 per cent of the total valuation gain or loss on the completion of a development. During the period, a fee of \$11.3 million (December 2012: \$29.1 million) was paid by Stockland Trust to Stockland Development Pty Limited.

On 29 November 2013, Stockland Trust Group reallocated \$507.3 million of issued capital (equivalent to \$0.22 per security) to Stockland Corporation Limited, following unitholder approval on Tuesday, 29 October 2013. The number of units and the number of shares on issue remained unchanged following the reallocation.

There were no other new significant related party arrangements during the half year of a nature other than those disclosed in the Annual Report of the Stockland Consolidated Group as at and for the year ended 30 June 2013.

Stockland Trust Management Limited (a controlled entity of Stockland Corporation Limited) has provided loan facility offers to two unlisted property funds managed by Stockland on market terms and conditions available at the date of acceptance of the loan facility offer. The loan facility offers have not yet been accepted by the related parties. A loan facility offer to Stockland Direct Retail Trust No. 1 ("SDRT No. 1") of \$40.0 million expires on 28 February 2015. SDRT No. 1 is charged a line fee of 30 basis points on this facility offer. A loan facility offer to Stockland Residential Estates Equity Fund No. 1 ("SREEF No.1") of \$40.0 million expires on 30 September 2016. SREEF No. 1 is not charged a line fee on this facility offer.

Stockland**Condensed Notes to the Consolidated Interim Financial Statements****For the half year ended 31 December 2013****23 Events subsequent to the end of the half year**

On 25 November 2013, Stockland announced the conditional exchange of contracts to acquire an additional 20 per cent stake in Macquarie Park Trust, which owns the Optus Centre at Macquarie Park, Sydney, from UniSuper for \$75 million. This transaction settled on 7 February 2014.

There were no other material events subsequent to the end of the half year.

Stockland
Directors' Declaration
For the half year ended 31 December 2013

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 of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities ("Stockland Consolidated Group") and Stockland Trust and its controlled entities ("Stockland Trust Group"), set out on pages 13 to 50, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of Stockland Consolidated Group's and Stockland Trust Group's financial position as at 31 December 2013 and of their performance, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *"Interim Financial Reporting"*, the Corporations Regulations 2001 and other mandatory reporting requirements;
 - (b) there are reasonable grounds to believe that the Stockland Consolidated Group and the Stockland Trust Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Mark Steinert
Managing Director

Dated at Sydney, 12 February 2014



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

Report on the Interim Report

We have reviewed the accompanying interim financial report which comprises:

- the Consolidated Balance Sheet as at 31 December 2013, and the Consolidated Statement of 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 1 to the interim 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 2013, and the Consolidated Statement of 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 interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its 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 and Stockland Trust Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of an interim 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.

Independence

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

Conclusion

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

- (a) giving a true and fair view of Stockland Consolidated Group and Stockland Trust Group's financial positions as at 31 December 2013 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'I L Hammond'.

I L Hammond
Partner

A handwritten signature in black ink, appearing to read 'S J Hadfield'.

S J Hadfield
Partner

Sydney
12 February 2014