

**Stockland Corporation Limited and its controlled
entities**

(including Stockland Trust)

Interim Report
31 December 2010

Registered office:

133 Castlereagh Street
Sydney NSW 2000

Stockland Corporation Limited and its controlled entities (including Stockland Trust)

Contents

Directors' Report	1
Lead Auditor's Independence Declaration	6
Interim Financial Report	
Consolidated Interim Financial Statements	
Consolidated Interim Statement of Comprehensive Income	7
Consolidated Interim Balance Sheet	8
Consolidated Interim Statement of Changes in Equity	9
Consolidated Interim Cash Flow Statement	10
Notes to the Consolidated Interim Financial Statements	
1 Summary of significant accounting policies	11
2 Accounting estimates and assumptions	12
3 Operating segments	13
4 Business combinations and disposals	16
5 Finance income and expense	17
6 Earnings per security	18
7 Current assets – Inventories	21
8 Current assets – Other financial assets	22
9 Non-current assets held for sale	22
10 Non-current assets – Inventories	23
11 Non-current assets – Investment properties	24
12 Non-current assets – Other financial assets	28
13 Non-current assets – Property, plant and equipment	29
14 Current liabilities – Interest-bearing loans and borrowings	30
15 Current and Non Current Liabilities – Retirement Living resident obligations	30
16 Current and Non-current liabilities – Other liabilities	31
17 Non-current liabilities – Interest-bearing loans and borrowings	32
18 Issued capital	33
19 Reserves	34
20 Dividends and distributions	36
21 Commitments	37
22 Retirement Living Communities	38
23 Notes to the Cash Flow Statement	40
24 Related party disclosures	41
25 Events subsequent to the end of the half year	41
Directors' Declaration	42
Independent Auditor's Review Report	43

Stockland Corporation Limited and its controlled entities (including Stockland Trust)

Directors' Report

For the half year ended 31 December 2010

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 for the half year ended 31 December 2010 and the Independent Auditor's Review Report thereon. The Interim Financial Report of Stockland comprises the Interim Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust") which together form the consolidated entity ("Stockland" or "the consolidated entity").

Directors

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

Non-Executive Directors

Mr Graham Bradley, Chairman

Mr Nicholas Greiner, Deputy Chairman Retired 19 October 2010

Mr Duncan Boyle

Ms Carolyn Hewson

Mr Barry Neil

Ms Carol Schwartz

Appointed 1 July 2010

Mr Peter Scott

Mr Terry Williamson

Executive Director

Mr Matthew Quinn, Managing Director

Review and results of operations

Stockland recorded a profit attributable to securityholders calculated in accordance with Australian Accounting Standards ("AASBs") of \$425.1 million for the half year ended 31 December 2010 (\$213.7 million for the half year ended 31 December 2009). This profit includes a number of certain significant items that, in the opinion of the Directors, need adjustment to enable securityholders to obtain an understanding of Stockland's Underlying profit (refer to next page).

The Underlying profit for the half year was \$380.3 million (\$334.6 million for the half year ended 31 December 2009), reflecting a 14 per cent increase from the prior period.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Directors' Report
For the half year ended 31 December 2010

Review and results of operations (continued)

The following table provides information to securityholders that reconciles Underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying profit.

		Half year ended	
		2010	2009
	Notes	\$M	\$M
Underlying profit, net of tax		380.3	334.6
Certain significant items:			
<i>Provision for write-down of inventories</i>			
Provision for write-down of inventories – Australia, net of tax		-	(2.9)
Provision for write-down of inventories – UK, net of tax		(6.8)	-
Write back of excess inventory provision – Australia, net of tax		2.1	-
Write back of excess inventory provision – UK, net of tax		0.2	-
<i>Fair value adjustment of investment properties</i>			
Net gain/(loss) from fair value adjustment of investment properties (excluding Retirement Living communities), net of tax ¹		41.9	(280.4)
Share of net gain/(loss) from fair value adjustment of investment properties in associates and joint ventures		1.0	(44.0)
Capital growth of operational Retirement Living communities, net of tax	22	23.9	14.1
Net fair value movement of deferred management fee contracts, net of tax	22	1.9	4.1
Net loss from fair value adjustment of undeveloped Retirement Living communities, net of tax	22	-	(21.8)
Existing Retirement Living resident obligations fair value movement, net of tax	22	(23.6)	(14.1)
<i>Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets</i>			
Net gain from fair value adjustment of other financial assets, net of tax		31.8	94.1
Net loss on sale of other non-current assets, net of tax		(0.8)	(14.4)
Impairment of other investments		(0.8)	-
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules, net of tax	5	(116.4)	(30.6)
Net gain from hedged items and financial instruments treated as fair value hedges	5	3.0	19.4
Net gain on other financial instruments that do not qualify as effective under hedge accounting rules	16	-	102.3
Net loss on exit of exposure to GPT	16	(24.9)	-
Net realised foreign exchange gain/(loss), net of tax	5	0.9	(1.1)
Net unrealised foreign exchange gain	5	117.6	54.4
<i>Other</i>			
Non cash adjustment to cost of sales ²		7.0	-
Acquisition and integration costs of business combinations, net of tax		(13.2)	-
Profit for the half year attributable to securityholders of Stockland		425.1	213.7

¹ The net gain/(loss) from fair value adjustment of investment properties (excluding Retirement Living communities) includes a tax benefit of \$Nil (2009: \$6.8 million).

² A proportion of the profit on sale of property development sold during the period has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost, which was below fair value, prior to the commencement of the development.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)

Directors' Report

For the half year ended 31 December 2010

Review and results of operations (continued)

Basic Underlying earnings per stapled security was 16.0 cents, an increase of 14 per cent from 14.1 cents in the previous corresponding period. Basic earnings per stapled security was 17.9 cents.

	Half year ended	
	2010	2009
	Cents	Cents
Basic Underlying earnings per security	16.0	14.1
Diluted Underlying earnings per security	15.8	13.9
Basic earnings per security	17.9	9.0
Diluted earnings per security	17.7	8.9

Refer to Note 6 of the accompanying Financial Statements for further information regarding the earnings per security calculations.

Dividend and distribution per security

The dividend and distribution payable is 11.8 cents per stapled security, up 9.3 per cent from 10.8 cents paid for the previous corresponding period. The payable comprises:

Trust distribution	11.8	10.8
Corporation dividend	-	-
Total dividend and distribution	11.8	10.8

Registers closed at 5.00pm on 31 December 2010 to determine entitlement to the half year dividend and distribution, which will be paid on 28 February 2011.

Events subsequent to the end of the half year

There has not arisen in the interval between the end of the current half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of Stockland, to affect significantly the operations of Stockland, the results of those operations, or the state of affairs of Stockland in future financial years.

The Directors have considered the impact of the January 2011 floods and the February 2011 cyclone on Stockland's operations and assets in the Queensland, New South Wales and Victoria regions. The operations of some retail and office assets were temporarily interrupted but the impact of this is not material to Stockland.

Financial Position

- Gearing ratio (Net Debt/Total Tangible Assets) of 20% (net of cash on deposit)
- \$0.6 billion of cash on deposit and \$0.5 billion of available committed debt facilities
- Weighted average debt maturity 6.2 years
- Net tangible assets per security of \$3.63

Operational highlights

Residential

Communities

- EBIT (excluding interest in COGS) of \$129 million, operating profit (including interest in COGS) of \$101 million
- Solid price and margin growth; EBIT margin of 29%, operating profit margin (including interest in COGS) of 23%
- Record 3,188 contracts on hand, up 70% on 1H10 (with 2,451 contracts due to settle in 2H11)

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Directors' Report
For the half year ended 31 December 2010

Review and results of operations (continued)

Operational highlights (continued)

Residential (continued)

Apartments

- Operating profit (including interest in COGS) of \$32 million
- 286 units settled
- Completion of existing projects and disposal of undeveloped sites on track

Retirement Living Communities

- Operating profit of \$23 million including \$4 million contribution from the newly acquired Aevum portfolio (two month contribution)
- 52 units and 113 established units settled (Stockland only)
- High portfolio occupancy of 97% (Stockland only)
- The acquisition of Aevum has added scale and diversity to Stockland's portfolio, with an additional 30 villages comprising 3,146 independent living units

Commercial Property

- Net operating income of \$275 million
- The comparable net income growth was 3.2%
- Weighted average capitalisation rates tightened slightly period on period
- 42% of investment property assets, excluding assets under development, were independently valued

Retail

- Net operating income of \$143 million
- Comparable net income growth of 4.3%
- High portfolio occupancy of 99.6%
- Sustainable specialty occupancy costs of 13.8%

Office and Industrial

- Net operating income of \$94 million in Office and \$38 million in Industrial
- Comparable net income growth of 1.5% in Office and 3.7% in Industrial
- High portfolio occupancy of 97% in Office (92% including space under refurbishment) and 98% in Industrial
- Weighted average lease expiry of 4.2 years in Office and 3.6 years in Industrial

Stockland UK

- Operating loss of \$0.7 million
- Stockland continued its orderly workout program in the UK selling assets with a book value of around \$38 million during the period

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Directors' Report
For the half year ended 31 December 2010


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

The external auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2010.

Rounding off

Stockland is an entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the 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

Dated at Sydney, 9 February 2011



Matthew Quinn
Managing Director



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

To: the directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Andrew Dickinson
Partner

Sydney

9 February 2011

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Consolidated Interim Statement of Comprehensive Income
For the half year ended 31 December 2010

		Half year ended	
	Notes	2010 \$M	2009 \$M
Revenue			
Property development sales		796.1	584.8
Rent from investment properties		336.4	331.8
Dividend and distribution income		10.6	9.8
Other revenue		12.3	15.7
Total revenue		1,155.4	942.1
Finance income	5	140.4	90.5
Net gain/(loss) from fair value adjustment of investment properties ^{1, 2}	11	117.0	(259.6)
Share of profit/(loss) of investments accounted for using the equity method		37.8	(9.1)
Cost of property developments sold		(587.7)	(435.8)
Provision for write-down of inventories	7	(6.8)	(4.2)
Investment property expenses		(100.1)	(97.9)
Existing Retirement Living resident obligations fair value movement	22	(33.8)	(20.2)
Net gain from fair value adjustment of other financial assets	16	194.6	115.1
Impairment of other investments		(0.8)	-
Net (loss)/gain on other financial instruments that do not qualify as effective under hedge accounting rules	16	(174.1)	102.3
Net loss on sale of other non-current assets		(0.9)	(14.4)
Management, administration, marketing and selling expenses ³		(152.2)	(133.5)
Finance expense	5	(136.2)	(52.8)
Profit before income tax expense		452.6	222.5
Income tax expense		(27.5)	(8.8)
Profit for the half year		425.1	213.7
Other comprehensive income			
Currency translation differences	19	(41.7)	(0.7)
Effective portion of changes in fair value of cash flow hedges	19	(14.1)	(6.9)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	19	6.2	(0.6)
Other comprehensive expense for the half year, net of tax		(49.6)	(8.2)
Total comprehensive income for the half year		375.5	205.5
Basic earnings per security (cents)	6	17.9	9.0
Diluted earnings per security (cents)	6	17.7	8.9

¹ The net gain/(loss) from fair value adjustment of investment properties includes a gain of \$Nil (2009: \$2.2 million) on non-current assets held for sale.

² The net gain/(loss) from fair value adjustment of investment properties includes a gain of \$41.9 million on Commercial Property and a net gain of \$75.1 million on Retirement Living communities (2009: loss of \$287.2 million on Commercial Property and net gain of \$27.6 million on Retirement Living communities).

³ Also includes indirect property management expenses, leasing expenses, project expenses, development management expenses and acquisition and integration costs.

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

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Consolidated Interim Balance Sheet
As at 31 December 2010

	Notes	31 December 2010 \$M	30 June 2010 \$M
Current assets			
Cash and cash equivalents		586.0	911.4
Trade and other receivables		131.5	120.2
Inventories	7	1,075.4	1,101.9
Other financial assets	8	-	219.2
Other assets		97.8	91.5
		1,890.7	2,444.2
Non-current assets held for sale	9	59.0	47.1
Total current assets		1,949.7	2,491.3
Non-current assets			
Trade and other receivables		88.2	76.5
Inventories	10	1,723.1	1,704.8
Investment properties	11	8,934.0	7,883.5
Other financial assets	12	182.1	170.1
Property, plant and equipment	13	207.0	123.4
Investments accounted for using the equity method		1,051.4	1,044.3
Intangible assets		113.5	108.4
Deferred tax assets		1.0	18.3
Other assets		294.1	336.3
Total non-current assets		12,594.4	11,465.6
Total assets		14,544.1	13,956.9
Current liabilities			
Trade and other payables		380.2	375.4
Interest-bearing loans and borrowings	14	112.5	254.1
Retirement Living resident obligations ¹	15	1,256.3	520.4
Provisions		128.2	130.6
Other liabilities	16	325.2	534.7
Total current liabilities		2,202.4	1,815.2
Non-current liabilities			
Other payables		159.8	104.5
Interest-bearing loans and borrowings	17	2,469.6	2,575.4
Retirement Living resident obligations ²	15	257.3	378.0
Deferred tax liabilities		44.3	-
Provisions		4.5	4.7
Other liabilities	16	641.9	414.0
Total non-current liabilities		3,577.4	3,476.6
Total liabilities		5,779.8	5,291.8
Net assets		8,764.3	8,665.1
Securityholders' funds			
Issued capital	18	8,504.0	8,500.4
Reserves	19	(22.4)	(377.0)
Retained earnings		282.7	541.7
Total equity		8,764.3	8,665.1

¹ Of this balance \$1,198.4 million (30 June 2010: \$514.6 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

² Of this balance \$232.9 million (30 June 2010: \$351.4 million) does not represent an anticipated net cash outflow as it is expected to be covered by receipts from incoming residents.

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

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Consolidated Interim Statement of Changes in Equity
For the half year ended 31 December 2010

Attributable to securityholders of Stockland

	Notes	Issued capital \$M	Reserves \$M	Retained earnings \$M	Total equity \$M
Balance as at 1 July 2010		8,500.4	(377.0)	541.7	8,665.1
Profit for the half year		-	-	425.1	425.1
Other comprehensive expense		-	(49.6)	-	(49.6)
Total comprehensive (expense)/income		-	(49.6)	425.1	375.5
Net transfer to retained earnings from reserves	19	-	403.0	(403.0)	-
Vested securities purchased on-market	19	-	(5.6)	-	(5.6)
Equity issued during the half year, net of transaction costs	18	3.6	-	-	3.6
Dividends and distributions to securityholders ¹	20	-	-	(281.1)	(281.1)
Expense relating to rights and securities granted under share plans, net of tax	19	-	6.8	-	6.8
Balance as at 31 December 2010		8,504.0	(22.4)	282.7	8,764.3
Balance as at 1 July 2009		8,497.4	(571.9)	767.0	8,692.5
Profit for the half year		-	-	213.7	213.7
Other comprehensive expense		-	(8.2)	-	(8.2)
Total comprehensive (expense)/income		-	(8.2)	213.7	205.5
Net transfer to retained earnings from reserves	19	-	188.4	(188.4)	-
Vested securities purchased on-market	19	-	(2.9)	-	(2.9)
Equity issued during the half year, net of transaction costs	18	2.5	-	-	2.5
Dividends and distributions to securityholders ¹	20	-	-	(257.1)	(257.1)
Expense relating to rights and securities granted under share plans, net of tax	19	-	6.3	-	6.3
Balance as at 31 December 2009		8,499.9	(388.3)	535.2	8,646.8

¹ Stockland has guaranteed the repayment of certain Stockland employee loans with an external financier used for the purpose of acquiring securities granted under the Incentive Share Plan and Executive Share Scheme. AASB 2 "Share-based Payments" ("AASB 2") requires such guarantees to be recognised as a financial liability. The effect of this is to treat dividends and distributions paid on these securities as interest payments. Refer to Note 20 for further information.

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

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Consolidated Interim Cash Flow Statement
For the half year ended 31 December 2010

		Half year ended	
		2010	2009
	Notes	\$M	\$M
Cash flows from operating activities			
Cash receipts in the course of operations		1,265.0	1,029.1
Cash payments in the course of operations		(901.3)	(711.9)
Distributions received from associates and joint venture entities		32.9	36.3
Distributions received from other entities		0.6	0.7
Receipts from Retirement Living residents		55.8	69.1
Payments to Retirement Living residents, net of deferred management fees		(27.3)	(34.8)
Interest received		23.3	16.7
Interest paid		(86.6)	(63.1)
Income taxes (paid)/refunded		(0.2)	0.1
Net cash inflow from operating activities	23	362.2	342.2
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	4	(264.9)	-
Proceeds from sale of investment properties		148.5	158.4
Payments for and development of investment properties		(200.8)	(266.2)
Payments for plant and equipment		(3.3)	(2.9)
Payments for investments, including joint ventures and associates		(8.1)	(65.9)
Funds returned on deposit in connection with derivative contracts		81.9	130.3
Distributions received from other entities		9.4	9.1
Net cash utilised in investing activities		(237.3)	(37.2)
Cash flows from financing activities			
Payments for securities		(5.6)	(3.2)
Proceeds from vesting of equity instruments under employee share plans		2.7	1.2
Proceeds from borrowings		378.2	300.8
Repayment of borrowings		(426.4)	(187.7)
Payments on termination of derivatives		(136.2)	(110.0)
Dividends and distributions paid		(262.1)	(403.5)
Net cash utilised in financing activities		(449.4)	(402.4)
Net decrease in cash and cash equivalents		(324.5)	(97.4)
Cash and cash equivalents at the beginning of the half year		911.4	1,176.3
Effect of exchange rate fluctuations on cash held		(0.9)	(0.7)
Cash and cash equivalents at the end of the half year		586.0	1,078.2

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

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

1 Summary of significant accounting policies

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited and its controlled entities (“the Corporation”) and Stockland Trust and its controlled entities (“the Trust”) on the Australian Securities Exchange (“ASX”). Both the Corporation and the Trust were incorporated/formed and 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 Corporation and the number of units in the Trust shall be equal and that the shareholders and unitholders be identical. Both the Corporation 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 Corporation or the Trust or either entity terminating the stapling arrangements.

The Interim Financial Report of Stockland as at and for the half year ended 31 December 2010 comprises the consolidated Interim Financial Report of Stockland Corporation Limited (“the Company”) and its controlled entities including the Trust, which form the consolidated entity (“Stockland” or “consolidated entity”).

The accounting policies applied by the consolidated entity in this Interim Financial Report are the same as those applied by the consolidated entity in the Annual Financial Report of Stockland as at and for the year ended 30 June 2010 except for the accounting policies impacted by the new or amended Accounting Standards detailed in Note 1(b).

The Interim Financial Report as at and for the half year ended 31 December 2010 was authorised for issue by the Directors on 9 February 2011.

(a) Statement of compliance

The Interim Financial Report is a general purpose interim financial report which has been prepared in accordance with AASB 134 “Interim Financial Reporting” and the Corporations Act 2001. The Interim Financial Report also complies with the International Financial Reporting Standards (“IFRSs”).

The Interim Financial Report does 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 Stockland as at and for the year ended 30 June 2010.

(b) Changes in Accounting Standards

There are a number of new and amended accounting standards issued by the Australian Accounting Standards Board which are applicable for reporting periods beginning on or before 1 July 2010. The consolidated entity has adopted all the mandatory new and amended accounting standards issued that are relevant to its operations and effective for the current reporting period.

There was no material impact on the Interim Financial Report as a result of the mandatory new and amended accounting standards adopted.

(c) Classification change

A change in classification has been made in the current period in the Retirement Living communities segment whereby Deferred Management Fees (“DMF”) accrued, relating to current residents, is disclosed as an offset against the Retirement Living Resident Obligation in the Balance Sheet to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

2 Accounting estimates and assumptions

The preparation of the consolidated Interim Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated Interim Financial Statements the significant judgements made by the Directors in applying Stockland's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Report of Stockland as at and for the year ended 30 June 2010. Due to the change in market conditions since 30 June 2010, certain assumptions underlying management's estimates of fair value have changed which have been detailed below.

Key sources of estimation uncertainty

Assumptions underlying management's estimates of fair value

- (i) *Investment property including properties classified as held for sale (excluding Retirement Living community assets)*

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 weighted average capitalisation rates for Commercial Property assets by category are as follows:

- Retail assets – 7.3% (30 June 2010: 7.4%);
- Office assets – 7.8% (30 June 2010: 7.9%); and
- Industrial assets – 8.5% (30 June 2010: 8.6%).

The lease vacancy rates for Commercial Property assets by category are as follows:

- Retail assets – 0.4% (30 June 2010: 0.5%);
- Office assets – 8.3% (30 June 2010: 8.1%); and
- Industrial assets – 1.8% (30 June 2010: 4.9%).

The weighted average lease term for Commercial Property assets by category are as follows:

- Retail assets (speciality shops) – 3.0 years (30 June 2010: 3.3 years);
- Retail assets (majors) – 7.9 years (30 June 2010: 8.1 years);
- Office assets – 4.2 years (30 June 2010: 4.6 years); and
- Industrial assets – 3.6 years (30 June 2010: 3.4 years).

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

2 Accounting estimates and assumptions (continued)

Key sources of estimation uncertainty (continued)

Assumptions underlying management's estimates of fair value (continued)

(ii) *Retirement Living community assets*

In determining the fair value of Retirement Living community assets, discounting of future cash flows to their present value have been used. This approach requires assumptions and judgements in relation to Retirement Living community assets including assumptions relating to forecast period of occupancy of residents, estimates of future capital expenditure, contract terms between Stockland and the residents of the Retirement Living community asset, discount rates and long-term property growth rates.

The discount rates applied during the period range from 12.5% to 15.5% (2009: 12.55%) depending on factors including village location, size, and quality of community centre.

The property growth rates range from 2.0% to 5.0% per annum (2009: 3.7%) depending on factors including location and condition.

The range in discount and growth rates applied during the period reflects the diverse portfolio of Retirement Living community assets acquired from Aevum during the period.

Where possible, these valuations are regularly compared to transactions reported in the market and underlying data.

(iii) *Business combinations*

In determining the provisional Aevum acquisition balance sheet, a number of significant judgements were made. These judgements largely related to the application of Stockland accounting policies over Retirement Living community assets and are included in Note 2 (ii) Retirement Living community assets above. Refer also to Note 4.

3 Operating segments

Stockland has four reportable segments, as listed below. These segments offer different products and services and are managed separately. The following are each of Stockland's reportable segments:

- Residential – delivers a range of master planned and mixed use residential communities and apartments in growth areas;
- Retirement Living communities – designs, develops and manages lifestyle communities for retirees (including Aevum);
- Commercial Property – invests in retail, office and industrial properties; and
- UK – asset manager of retail, office and mixed use properties.

Other includes Responsible Entity fees relating to the Trust management and dividends/distributions from strategic investments.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)

Notes to the Consolidated Interim Financial Statements

For the half year ended 31 December 2010

3 Operating segments (continued)

31 December 2010	Residential \$M	Retirement Living communities \$M	Commercial Property \$M	UK \$M	Other \$M	Elimination \$M	Consolidated \$M
External segment revenue	743.9	39.1 ²	355.5	44.0	11.1 ⁸	-	1,193.6
Inter-segment revenue	-	-	-	-	5.3	(5.3)	-
Reclassification of Retirement Living segment revenue to fair value adjustment of investment properties as required by Accounting Standards	-	(38.2) ³	-	-	-	-	(38.2)
Total segment revenue	743.9	0.9	355.5	44.0	16.4	(5.3)	1,155.4
Segment result before interest, share of profit of investments accounted for using the equity method (and other certain items below)	187.7	23.1	228.3	(1.3)	11.1	-	448.9
Interest expense included in cost of sales	(55.5)	(0.6)	(1.1)	-	-	-	(57.2)
Share of profit of investments accounted for using the equity method (excluding certain items below) ¹	-	-	36.2	0.6	-	-	36.8
Segment profit (before certain items below)	132.2	22.5⁴	263.4	(0.7)	11.1	-	428.5
Interest income							18.6
Net borrowing costs							(23.8)
Unallocated corporate and other income and expenses							(30.4)
Underlying profit before income tax expense⁶							392.9
Fair value adjustment of investment properties	-	3.1 ⁵	41.9	-	-	-	45.0
Share of fair value adjustment of investment properties in associates and joint ventures ¹	-	-	0.6	0.4	-	-	1.0
Provision for write-down of inventories	-	-	-	(6.8)	-	-	(6.8)
Write back of excess inventory provision	3.1	-	-	0.2	-	-	3.3
Impairment of other investments	-	-	-	(0.8)	-	-	(0.8)
Net loss on sale of other non-current assets	-	-	(0.8)	(0.1)	-	-	(0.9)
							433.7
Net gain from fair value adjustment of other financial assets							194.6
Net realised loss on other financial instruments							(174.1)
Net unrealised loss on financial instruments and foreign exchange							9.5
Acquisition and integration costs of business combinations							(18.1)
Non cash adjustment to cost of sales ⁷							7.0
Profit before income tax expense							452.6
Income tax expense							(27.5)
Profit for the half year							425.1
	-	-	36.8	1.0	-	-	37.8

¹ Total share of profit on investments accounted for using the equity method

² Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$10.9 million), deferred management fee ("DMF") accrued during the year in accordance with the terms of the existing resident contracts (\$27.3 million) and other income (\$0.9 million). Refer to Note 22.

³ Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$10.9 million) and DMF accrued during the year in accordance with the terms of the existing resident contracts (\$27.3 million). Refer to Note 22. This adjustment arises as these balances are included in net profit from fair value adjustment of investment properties rather than total revenue in the Statement of Comprehensive Income in accordance with Accounting Standards.

⁴ Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$10.9 million), DMF accrued during the year in accordance with the terms of the existing resident contracts (\$27.3 million), other income (\$0.9 million) less operating expenses (\$16.6 million). Refer to Note 22.

⁵ Includes fair value increment of DMF not included in segment profit (\$2.8 million gain), net loss from fair value adjustment of undeveloped Retirement Living investment properties (\$Nil), capital growth of operational Retirement Living communities (\$34.1 million gain) and existing Retirement Living resident obligations fair value movement (\$33.8 million loss). Refer to Note 22.

⁶ Underlying profit of \$380.3 million as outlined on page 2 is stated after tax expense of \$12.6 million.

⁷ A proportion of the profit on sale of property development sold during the period has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost, which was below fair value, prior to the commencement of the development.

⁸ Includes \$10.2 million dividends and distributions received from investments in listed entities.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

3 Operating segments (continued)

31 December 2009	Residential \$M	Retirement Living communities \$M	Commercial Property \$M	UK \$M	Other \$M	Elimination \$M	Consolidated \$M
External segment revenue	586.9	33.3 ²	331.8	10.3	10.2 ⁷	-	972.5
Inter-segment revenue	-	-	-	-	4.4	(4.4)	-
Unallocated revenue	-	-	-	-	-	-	2.2
Reclassification of Retirement Living communities segment revenue to fair value adjustment of investment properties as required by Accounting Standards	-	(32.6) ³	-	-	-	-	(32.6)
Total segment revenue	586.9	0.7	331.8	10.3	14.6	(4.4)	942.1
Segment result before interest, share of profit of investments accounted for using the equity method (and other certain items below)	130.2	20.9	221.7	0.7	10.1	(3.6)	380.0
Interest expense included in cost of sales	(40.0)	-	-	-	-	-	(40.0)
Share of profit of investments accounted for using the equity method (excluding certain items below) ¹	-	-	33.9	1.0	-	-	34.9
Segment profit (before certain items below)	90.2	20.9⁴	255.6	1.7	10.1	(3.6)	374.9
Interest income							16.7
Net borrowing costs							(20.7)
Unallocated corporate other income and expenses							(32.5)
Underlying profit before non-controlling interest and income tax expense⁶							338.4
Fair value adjustment of investment properties	-	(25.2) ⁵	(287.2)	-	-	-	(312.4)
Share of fair value adjustment of investment properties in associates and joint ventures ¹	-	-	(43.2)	(0.8)	-	-	(44.0)
Provision for write-down of inventories	-	-	(4.2)	-	-	-	(4.2)
Net loss on sale of other non-current assets	-	-	(14.3)	-	(0.1)	-	(14.4)
							(36.6)
Net gain from fair value adjustment of other financial assets							115.1
Net gain on financial instruments and foreign exchange							144.0
Profit before income tax expense							222.5
Income tax expense							(8.8)
Profit for the half year							213.7
	-	-	(9.3)	(0.2)	-	-	(9.1)

¹ Total share of loss on investments accounted for using the equity method

² Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$17.9 million), deferred management fee ("DMF") accrued during the year in accordance with the terms of the existing resident contracts (\$14.7 million) and other income (\$0.7 million). Refer to Note 22.

³ Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$17.9 million) and DMF accrued during the year in accordance with the terms of the existing resident contracts (\$14.7 million). Refer to Note 22. This adjustment arises as these balances are included in net loss from fair value adjustment of investment properties rather than total revenue in the Statement of Comprehensive Income in accordance with Accounting Standards. Refer to Note 22.

⁴ Includes revaluation during development/redevelopment and upon contract conversion of Retirement Living communities (\$17.9 million), DMF accrued during the year in accordance with the terms of the existing resident contracts (\$14.7 million), other income (\$0.7 million) less operating expenses (\$12.4 million). Refer to Note 22.

⁵ Includes fair value increment of DMF not included in segment profit (\$5.9 million), Net loss from fair value adjustment of undeveloped Retirement Living investment properties (\$31.1 million), Capital growth of operational Retirement Living communities (\$20.2 million gain) and existing Retirement Living resident obligations fair value movement (\$20.2 million loss). Refer to Note 22.

⁶ Underlying profit of \$334.6 million as outlined on page 2 is stated after tax expense of \$3.8 million.

⁷ Includes \$9.1 million dividends and distributions received from investments in listed entities.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

4 Business combinations and disposals

Acquisition of Aevum Limited

During the period, Stockland announced an all-cash offer to purchase the entire share capital of Aevum Limited ("Aevum") (the "Offer"), a listed company based in Australia specialising in retirement living and aged care. As a result of the Offer, Stockland obtained control of Aevum effective 31 October 2010. At 31 December 2010, Stockland had a total ownership interest of 100%. Stockland acquired Aevum to increase its market share in the Retirement Living sector in line with its growth strategy.

The amounts provisionally recognised as at the acquisition date for each major class of identifiable assets and liabilities of Aevum Limited were:

	Provisional fair value recognised on acquisition \$M
Assets	
Cash and cash equivalents	15.5
Trade and other receivables	2.0
Property, plant and equipment	87.4
Investment properties	934.1
	1,039.0
Liabilities	
Trade and other payables	8.6
Resident loans and accommodation bonds	575.2
Provisions	2.8
Other liabilities	4.8
Interest bearing loans and borrowings	125.0
Deferred tax liabilities	12.8
	729.2
Provisional fair value of identifiable net assets	309.8
Non-controlling interest at fair value ¹	(39.2)
Goodwill on acquisition	5.1
	275.7
Acquisition-date fair value of consideration	
Cash paid ²	225.6
Fair value of initial interest ³	50.1
Purchase consideration	275.7
The cash outflow on acquisition:	
Net cash acquired	15.5
Cash paid	(225.6)
	(210.1)

¹ The non-controlling interest on acquisition was 12.4%. The profit for the period attributable to the non-controlling interest is insignificant and has not been separately recognised in the Interim Financial Report.

² Net cash paid in the cash flow statement includes the cash paid as part of the takeover offer of \$225.6 million, cash paid to acquire the pre takeover interest of \$15.6 million and the cash paid to acquire the non-controlling interest of \$39.2 million, less the \$15.5 million in cash acquired.

³ Represents the acquisition date fair value of Aevum shares held prior to Stockland's offer to acquire Aevum.

The fair values ascribed to the assets and liabilities assumed at acquisition are considered provisional as at 31 December 2010, due to the close proximity of the acquisition to the period end.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

4 Business combinations and disposals (continued)

Acquisition of Aevum Limited (continued)

From the date of acquisition, Aevum has contributed \$4.0 million to the operating profit of Stockland. It is impracticable to determine the revenue and profit impact on the statement of comprehensive income had the combination taken place at the beginning of the period due to inconsistencies in accounting policies prior to the acquisition.

The transaction and integration costs of \$18.1 million have been expensed and are included in Management, administration, marketing and selling expenses in the Statement of Comprehensive Income.

There were no acquisitions or disposals of businesses during the previous half year.

	Half year ended	
	2010	2009
	\$M	\$M
<hr/>		
5 Finance income and expense		
Interest income	18.6	16.7
Net gain on fair value movement of hedged items and financial instruments treated as fair value hedges ¹	3.0	19.4
Net realised foreign exchange gain	1.2	-
Net unrealised foreign exchange gain	117.6	54.4
Finance income	140.4	90.5
<hr/>		
Interest expense relating to interest-bearing financial liabilities ²	86.6	75.6
Interest paid or payable on other financial liabilities at amortised cost	6.4	7.0
Less interest capitalised to property developments in inventories	(65.9)	(56.3)
Less interest capitalised to investment properties	(3.3)	(5.6)
Net borrowing costs	23.8	20.7
<hr/>		
Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules	112.4	30.6
Net realised foreign exchange loss	-	1.5
Finance expense	136.2	52.8
<hr/>		
Capitalised finance costs to external parties included in cost of property developments sold	57.2	40.0
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¹ The net gain from hedged items and financial instruments treated as fair value hedges includes a loss arising on the fair value movement of the derivatives of \$199.6 million (2009: \$142.3 million) and a gain arising on the fair value movement of the interest-bearing liabilities of \$202.6 million (2009: \$161.7 million).

² Of this amount \$51.4 million (2009: \$40.0 million) relates to interest-bearing financial liabilities at amortised cost.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

6 Earnings per security

		Half year ended	
	Notes	2010	2009
		Cents	Cents
Basic earnings per security	(a)	17.9	9.0
Diluted earnings per security	(a)	17.7	8.9
Basic Underlying earnings per security	(b)	16.0	14.1
Diluted Underlying earnings per security	(b)	15.8	13.9

(a) Earnings per security

Basic earnings per security is calculated by dividing profit attributable to securityholders of Stockland by the weighted average number of ordinary securities outstanding during the half year. Diluted earnings per security is calculated by dividing the profit attributable to securityholders (after adding back the after-tax effect of interest on share-based payments) by the weighted average number of ordinary securities outstanding during the half year after adjusting for the effect of dilutive securities granted under share plans accounted for as options and rights granted under employee share plans.

The following reflects the income and securities data used in the basic and diluted earnings per security computations.

	Half year ended	
	2010	2009
	\$M	\$M
Basic earnings		
Profit for the half year attributable to securityholders of Stockland	425.1	213.7
Diluted earnings reconciliation		
Profit for the half year attributable to securityholders of Stockland	425.1	213.7
After-tax effect of interest expense related to share-based payments	-	-
Diluted profit attributable to securityholders	425.1	213.7
	2010	2009
	No.	No.
Weighted average number of securities (basic)		
Weighted average number of securities as at 31 December	2,381,039,759	2,379,976,438
Weighted average number of securities (diluted)		
Weighted average number of securities (basic) as at 31 December	2,381,039,759	2,379,976,438
Effect of rights and securities granted under share plans accounted for as options	25,507,535	20,165,787
Weighted average number of securities (diluted) as at 31 December	2,406,547,294	2,400,142,225

As at 31 December 2010, all Performance Rights Plan ("PRP") rights were dilutive. In addition 1,612,333 Executive Share Scheme ("ESS") securities were not dilutive and therefore excluded from the calculation. There were no Incentive Security Plan ("ISP") securities outstanding as at 31 December 2010.

As at 31 December 2009, 2,671,333 PRP rights, ISP and ESS securities were not dilutive and therefore excluded from the above calculation.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

6 Earnings per security (continued)

(b) Earnings per security calculated on Underlying profit

The following table provides information to securityholders that reconciles Underlying profit to statutory profit. Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying profit.

The following reflects the income and securities data used in calculating the basic and diluted Underlying earnings per security:

		Half year ended	
	Notes	2010	2009
		\$M	\$M
Underlying profit, net of tax		380.3	334.6
Certain significant items:			
<i>Provision for write-down of inventories</i>			
Provision for write-down of inventories – Australia, net of tax		-	(2.9)
Provision for write-down of inventories – UK, net of tax		(6.8)	-
Write back of excess inventory provision – Australia, net of tax		2.1	-
Write back of excess inventory provision – UK, net of tax		0.2	-
<i>Fair value adjustment of investment properties</i>			
Net gain/(loss) from fair value adjustment of investment properties (excluding Retirement Living communities), net of tax ¹		41.9	(280.4)
Share of net gain/(loss) from fair value adjustment of investment properties in associates and joint ventures		1.0	(44.0)
Capital growth of operational Retirement Living communities, net of tax	22	23.9	14.1
Net fair value movement of deferred management fee contracts, net of tax	22	1.9	4.1
Net loss from fair value adjustment of undeveloped Retirement Living communities, net of tax	22	-	(21.8)
Existing Retirement Living resident obligations fair value movement, net of tax	22	(23.6)	(14.1)
<i>Fair value adjustment of other financial assets, impairment and net loss on sale of other non-current assets</i>			
Net gain from fair value adjustment of other financial assets, net of tax		31.8	94.1
Net loss on sale of other non-current assets, net of tax		(0.8)	(14.4)
Impairment of other investments		(0.8)	-
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net loss on fair value movement of financial instruments that do not qualify as effective under hedge accounting rules, net of tax	5	(116.4)	(30.6)
Net gain from hedged items and financial instruments treated as fair value hedges	5	3.0	19.4
Net gain on other financial instruments that do not qualify as effective under hedge accounting rules	16	-	102.3
Net loss on exit of exposure to GPT	16	(24.9)	-
Net realised foreign exchange gain/(loss), net of tax	5	0.9	(1.1)
Net unrealised foreign exchange gain	5	117.6	54.4
<i>Other</i>			
Non cash adjustment to cost of sales ²		7.0	-
Acquisition and integration costs of business combinations, net of tax		(13.2)	-
Profit for the half year attributable to securityholders of Stockland		425.1	213.7

¹ The net gain/(loss) from fair value adjustment of investment properties (excluding Retirement Living communities) includes a tax benefit of \$Nil (2009: \$6.8 million).

² A proportion of the profit on sale of property development sold during the period has been eliminated from Underlying profit, given the profit from the development benefited from the carrying value of the property being held at depreciated cost, which was below fair value, prior to the commencement of the development.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

6 Earnings per security (continued)

(b) Earnings per security calculated on Underlying profit (continued)

	Half year ended	
	2010	2009
	\$M	\$M
<hr/>		
Basic Underlying earnings		
Underlying profit	380.3	334.6
<hr/>		
Diluted Underlying earnings reconciliation		
Underlying profit	380.3	334.6
After tax effect of interest expense related to share-based payments	-	-
Diluted Underlying profit	380.3	334.6
<hr/>		
	2010	2009
	No.	No.
<hr/>		
Weighted average number of securities (basic)		
Weighted average number of securities as at 31 December	2,381,039,759	2,379,976,438
<hr/>		
Weighted average number of securities (diluted)		
Weighted average number of securities (basic) as at 31 December	2,381,039,759	2,379,976,438
Effect of rights and securities granted under share plans accounted for as options	25,507,535	20,165,787
Weighted average number of securities (diluted) as at 31 December	2,406,547,294	2,400,142,225
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Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
7 Current assets – Inventories		
Land and property held for resale^{1,4}		
- cost of acquisition	95.3	65.6
- development and other costs ²	249.9	168.9
- interest capitalised ³	40.4	26.7
	385.6	261.2
Development work in progress¹		
Residential communities under development ⁵		
- cost of acquisition	224.8	221.9
- development and other costs ²	150.9	138.9
- interest capitalised ³	85.1	87.2
	460.8	448.0
Apartments		
- cost of acquisition	40.4	71.2
- development and other costs ²	53.4	178.3
- interest capitalised ³	3.2	30.2
	97.0	279.7
Retail projects ⁴		
- cost of acquisition	53.7	22.1
- development and other costs ²	1.7	3.9
- interest capitalised ³	0.3	-
	55.7	26.0
Office and Industrial projects ⁴		
- cost of acquisition	25.5	36.2
- development and other costs ²	46.3	46.1
- interest capitalised ³	4.5	4.7
	76.3	87.0
	1,075.4	1,101.9

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 5.2% to 5.5% during the half year ended 31 December 2010 (30 June 2010: 4.5% to 5.3%).

⁴ Included in these balances are the following amounts relating to Stockland UK: \$16.8m (30 June 2010: \$Nil) of land and property held for resale, \$55.7 million (30 June 2010: \$26.0 million) of Retail projects and \$63.1 million (30 June 2010: \$60.8 million) of Office and Industrial projects.

⁵ Residential communities under development include land which is legally owned by Stockland, however Stockland Residential Estates Equity Fund No. 1 ("SREEF No. 1") has an interest in a number of development projects. SREEF No. 1 has a 50% interest in the development rights in stages 2-5 of the Vertu Private Estate Project, a 50% interest in the development rights of stages 4, 6, 7 & 9 of the Boardwalk Project, a 50% interest in the development rights of all stages of the Hundred Hills Project, a 80% interest in the development rights of all stages of the Freshwater Project and a 50% interest in the development rights of the Newbury Village stage of the Highlands Project. Only Stockland's interest is recognised in this Interim Financial Report. A value of \$1.3 million (30 June 2010: \$1.6 million) of the Vertu Private Estate Project, \$1.4 million (30 June 2010: \$2.9 million) of the Boardwalk Project, \$8.3 million (30 June 2010: \$8.8 million) of the Hundred Hills Project, \$3.7 million (30 June 2010: \$2.3 million) of the Freshwater Project and \$Nil (30 June 2010: \$8.2 million) of the Highlands Project has been recognised as current assets – inventories by Stockland in this Interim Financial Report.

Residential communities under development also includes land which is legally owned by Stockland, however an external party has a 50% interest in the development project. Only Stockland's interest is recognised in this Interim Financial Report. A value of \$6.3 million (30 June 2010: \$2.0 million) in respect of this project has been recognised as current assets – inventories by Stockland in this Interim Financial Report.

During the current period, Stockland recognised a provision of \$6.8 million (twelve months to 30 June 2010: \$7.8 million) to write down current inventories on hand to net realisable value. The current provision recognised during the period relates to the UK inventory only. The total provision for write-down of inventories is separately disclosed in the Statement of Comprehensive Income. The total provision remaining at the balance sheet date is \$128.7 million (30 June 2010: \$128.8 million), of which \$53.2 million (30 June 2010: \$14.9 million) relates to the UK business.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
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8 Current assets – Other financial assets

Securities in listed entity ¹	-	219.2
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¹ On 27 October 2010, Stockland exited its 13.1% exposure to GPT Group (“GPT”) by extinguishing the off-balance sheet equity derivative structure. As a result, the investment balance and the associated liability (refer to Note 16) qualified for derecognition under Australian Accounting Standards. Refer to Note 16 for further information regarding Stockland’s exit of its exposure to GPT.

The prior period balance related to an investment in GPT which, although legally sold, did not qualify for derecognition under Australian Accounting Standards as a result of an ongoing exposure to movements in the GPT share price that were provided by certain equity derivative contracts. In the prior period, this asset was included within the “Other” operating segment. Refer to Note 16 for details in relation to the associated liability recognised in the prior period

9 Non-current assets held for sale

Stockland Lilydale, Lilydale VIC ¹	28.2	-
3676 Ipswich Road, Wacol QLD ¹	21.0	-
Undeveloped retirement living sites ²	9.8	10.3
333 Kent Street, Sydney NSW ³	-	36.8
	59.0	47.1

¹ These commercial properties are presented as held for sale in view of the intention of management to sell these properties during the period ending 31 December 2011.

² These undeveloped retirement living sites are presented as held for sale in view of the intention of management to sell these assets during the period ending 30 June 2011.

³ This commercial property was disposed of during the period.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
10 Non-current assets – Inventories		
Development work in progress¹		
Residential communities under development ⁵		
- cost of acquisition	1,009.7	892.4
- development and other costs ²	251.2	237.7
- interest capitalised ³	313.7	297.9
	1,574.6	1,428.0
Apartments		
- cost of acquisition	31.5	47.3
- development and other costs ²	23.4	20.0
- interest capitalised ³	11.0	11.5
	65.9	78.8
Retail projects ⁴		
- cost of acquisition	1.0	63.9
- development and other costs ²	0.5	4.2
- interest capitalised ³	-	0.7
	1.5	68.8
Office and Industrial projects ⁴		
- cost of acquisition	61.5	76.2
- development and other costs ²	14.5	47.1
- interest capitalised ³	5.1	5.9
	81.1	129.2
	1,723.1	1,704.8

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 5.2% to 5.5% during the half year ended 31 December 2010 (30 June 2010: 4.5% to 5.3%).

⁴ Included in these balances are the following amounts relating to Stockland UK: \$1.0 million (30 June 2010: \$68.3 million) of Retail projects and \$26.9 million (30 June 2010: \$81.7 million) of Office and Industrial projects.

⁵ Residential communities under development include land which is legally owned by Stockland, however SREEF No. 1 has an interest in a number of development projects. SREEF No. 1 has a 50% interest in the development rights in stages 2-5 of the Vertu Private Estate Project, a 50% interest in the development rights of stages 4, 6, 7 & 9 of the Boardwalk Project, a 50% interest in the development rights of all stages of the Hundred Hills Project, a 80% interest in the development rights of all stages of the Freshwater Project. Only Stockland's interest is recognised in this Interim Financial Report. A value of \$3.1 million (30 June 2010: \$3.3 million) of the Hundred Hills Project and \$Nil (30 June 2010: \$4.0 million) of the Freshwater Project has been recognised as non-current assets – inventories by Stockland in this Interim Financial Report.

Residential communities under development also includes land which is legally owned by Stockland, however an external party has a 50% interest in the development project. Only Stockland's interest is recognised in this Interim Financial Report. A value of \$38.7 million (30 June 2010: \$39.7 million) in respect of this project has been recognised as non-current assets – inventories by Stockland in this Interim Financial Report.

During the current period Stockland recognised a provision of \$Nil (twelve months to 30 June 2010: \$Nil) to write down non-current inventories on hand to net realisable value. The total provision for write-down of inventories is separately disclosed in the Statement of Comprehensive Income. Refer to Note 3 for the split of the provision between the Australian and UK business. The total provision remaining at balance sheet date is \$247.9 million (30 June 2010: \$281.0 million), of which \$17.2 million (30 June 2010: \$65.5 million) relates to the UK business.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

11 Non-current assets – Investment properties

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 31 Dec 2010 ¹ \$M	Book value 30 June 2010 ¹ \$M
Retail							
Stockland Rockhampton, Rockhampton QLD	Jun 2003	132.6	251.0	Dec 2010	340.0	340.0	303.7
Stockland Wetherill Park, Western Sydney NSW	Aug 1983	12.0	111.2	Dec 2010	328.6	328.6	325.3
Stockland Shellharbour, Shellharbour NSW ⁵	Jun 2003	140.2	158.0	Dec 2009	265.0	271.4	265.5
Stockland Merrylands, Western Sydney NSW ⁵	Sep 1982	18.0	214.4	Dec 2006	151.0	265.1	259.6
Stockland Green Hills, East Maitland NSW	Dec 2000	51.7	116.3	Dec 2009	247.6	248.9	248.3
Stockland Glendale, Newcastle NSW	Mar 1996	50.6	86.0	Dec 2009	227.6	228.3	228.1
Stockland Cairns, Cairns QLD	Jun 1992	47.8	165.4	Dec 2010	204.0	204.0	197.1
Stockland Townsville, Townsville QLD ⁵	Jun 1987	27.7	102.2	Jun 2010	200.0	200.1	200.0
Stockland Bay Village, Bateau Bay NSW	Oct 2000	63.9	112.0	Dec 2010	162.0	162.0	168.9
Stockland Burleigh Heads, Burleigh Heads QLD	Aug 2003	82.4	115.6	Jun 2010	137.0	137.2	137.0
Stockland The Pines, Doncaster East VIC	Nov 2004	122.5	127.0	Jun 2010	136.5	136.9	136.5
Stockland Forster, Forster NSW	Jul 2003/ May 2010	53.9	113.2	Dec 2010	129.0	129.0	128.9
Stockland Jesmond, Newcastle NSW	Feb 1984	9.2	42.9	Dec 2010	118.5	118.5	117.1
Stockland Balgowlah, Balgowlah NSW	Jun 2009/ Nov 2009	135.4	135.4	Jun 2010	113.0	112.8	113.0
Stockland Baulkham Hills, Baulkham Hills NSW	Sep 1982	15.5	85.1	Dec 2010	106.0	106.0	99.0
Stockland Caloundra, Caloundra QLD ¹⁰	Jun 2003/ Dec 2009	64.4	69.6	Dec 2010	98.8	98.8	95.3
Stockland Wendouree, Wendouree VIC	Jun 2003	42.0	64.9	Dec 2009	98.0	98.2	98.1
Stockland Gladstone, Gladstone QLD	Oct 2000	52.2	60.7	Dec 2009	93.0	96.0	95.9
Stockland Bull Creek, Bull Creek WA	Jun 2003	53.0	54.9	Dec 2009	76.0	78.1	76.4
Stockland Nowra, Nowra NSW	Jun 2003	49.7	61.8	Dec 2009	76.3	77.3	76.8
Stockland Traralgon, Traralgon VIC	Jun 2003	44.0	47.8	Dec 2010	76.5	76.5	73.5
Stockland Cleveland, Cleveland QLD	Oct 2002	63.3	69.7	Dec 2009	75.5	76.4	75.9
Stockland Bathurst, Bathurst NSW	Jun 2003	40.4	55.5	Dec 2009	73.8	74.7	74.6
Stockland Corrimall, Corrimall NSW	Jun 2003	36.5	39.3	Dec 2009	59.2	59.7	59.4
Stockland Wallsend, Wallsend NSW	Sep 2007	56.2	62.4	Dec 2010	51.0	51.0	49.0
Stockland Tooronga, Tooronga VIC ¹²	Aug 2010	44.4	44.5	Dec 2010	47.8	47.8	-
Stockland Riverton, Riverton WA (50%) ³	Aug 2006	35.0	52.6	Jun 2010	47.0	47.0	47.0
Shellharbour Retail Park, Shellharbour NSW	Jun 2003	33.5	34.6	Dec 2009	43.5	43.5	43.5
Stockland Baldavis, Baldavis WA	Aug 2006	5.6	30.9	Dec 2009	39.9	40.0	40.0
Stockland Cammeray, Cammeray NSW	Dec 2008	46.2	54.8	Dec 2010	29.8	29.8	29.3

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

11 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 31 Dec 2010 ¹ \$M	Book value 30 June 2010 ¹ \$M
Retail (continued)							
Stockland Jimboomba Village Shopping Centre, Jimboomba QLD (50%)	Jan 2007	24.8	25.2	Dec 2009	17.5	17.6	17.6
Stockland Burleigh Central, Burleigh Heads QLD	Aug 2003	14.8	15.1	Jun 2010	15.0	15.0	15.0
Adelaide Street Plaza, Fremantle WA	Dec 2009	16.8	17.8	Jun 2010	13.3	13.4	13.3
Woolworths Toowong, Toowong QLD	Oct 2000	4.8	4.9	Dec 2010	13.2	13.2	13.2
Stockland Vincentia Shopping Centre, Vincentia NSW	Jan 2007	13.7	15.1	Dec 2009	11.0	11.0	11.0
Stockland Merrylands Court, Merrylands NSW	Dec 2002	15.8	17.6	Dec 2009	9.0	8.9	9.0
Townsville Kingsvale & Sunvale, Townsville QLD	Aug 2007	13.1	18.2	Dec 2010	4.7	4.7	5.3
Stockland Lilydale, Lilydale VIC ⁶	Sep 2007	29.4	34.0	Dec 2009	26.0	-	26.2
Retail total						4,067.4	3,973.3
Office							
Piccadilly Complex, 133-145 Castlereagh Street, Sydney NSW ^{4,7}	Oct 2000	210.1	254.0	Dec 2010	348.2	348.2	333.8
Waterfront Place, Eagle Street, Brisbane QLD (50%) ³	Feb 2004	151.6	159.0	Jun 2010	219.0	216.4	219.0
Riverside Plaza, 452 Flinders Street, Melbourne VIC	Oct 2000	124.5	134.3	Dec 2010	169.0	169.0	159.7
Colonial Centre, 52 Martin Place, Sydney NSW (50%) ^{3,7}	Jun 2003	173.8	176.5	Dec 2009	167.5	167.4	167.6
9 Castlereagh Street, Sydney NSW	Mar 2008	202.6	207.9	Dec 2009	157.0	160.4	159.9
Trinity Business Campus, North Ryde NSW	Jun 2001	16.0	151.7	Dec 2009	156.2	157.4	156.3
Durack Centre, 263 Adelaide Terrace, Perth WA ⁷	Oct 2006	49.1	106.2	Dec 2010	140.5	140.5	133.4
135 King Street, Sydney NSW (50%) ^{3,4}	Jun 2003	96.5	109.1	Dec 2010	137.5	137.5	133.0
Exchange Plaza, 2 The Esplanade, Perth WA (50%) ^{3,7}	Jun 2003	67.8	71.2	Jun 2010	136.3	136.9	136.3
BankWest Tower, 108 St Georges Terrace, Perth WA (50%)	Apr 2007	139.0	149.0	Dec 2009	127.5	129.8	128.3
Optus Centre, Macquarie Park, NSW (31%) ³	Jul 2000	68.7	105.7	Jun 2010	114.7	115.1	114.7
601 Pacific Highway, St Leonards NSW	Jun 2003	61.1	64.7	Dec 2009	71.0	71.4	71.2
60-66 Waterloo Road, Macquarie Park NSW	Oct 2000	20.8	51.9	Jun 2010	69.8	69.1	69.8
78 Waterloo Road, Macquarie Park NSW	Aug 2007	12.0	76.3	Dec 2010	63.5	63.5	63.2
175-181 Castlereagh Street, Sydney NSW	Sep 1982	18.0	36.0	Dec 2009	53.0	54.2	53.9
77 Pacific Highway, North Sydney NSW	Jan 2000	25.9	54.6	Dec 2009	53.0	52.6	53.0
7 Macquarie Place, Sydney NSW (50%) ³	Jun 2003	48.1	49.6	Dec 2010	52.5	52.5	48.2
45 St Georges Terrace, Perth WA	Mar 2007	57.2	60.8	Jun 2010	51.0	51.1	51.0
40 Cameron Avenue, Belconnen ACT ⁷	Feb 2007/ Nov 2009	56.8	61.4	Jun 2010	45.0	45.2	45.0

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

11 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 31 Dec 2010 ¹ \$M	Book value 30 June 2010 ¹ \$M
Office (continued)							
Macquarie Technology Centre, Macquarie Park NSW	Oct 2000	36.5	39.8	Dec 2009	35.2	37.8	36.8
Garden Square, Mt Gravatt QLD	Feb 2007	57.0	62.4	Dec 2010	37.6	37.6	37.3
Myuna Complex, Canberra ACT ⁷	Oct 2000/ Aug 2003	43.1	51.1	Jun 2010	47.1	35.0	47.1
16 Giffnock Avenue, Macquarie Park NSW	Jul 2000	25.7	29.1	Dec 2009	32.0	32.3	32.3
150 Charlotte Street, Brisbane QLD	Jan 2006	45.0	47.2	Dec 2009	30.0	29.9	29.9
255-267 St Georges Terrace, Perth WA	Jul 2007	26.1	27.8	Dec 2010	23.5	23.5	22.8
110 Walker Street, North Sydney NSW	Oct 2000	22.7	24.2	Dec 2009	23.0	23.0	23.1
118-120 Pacific Highway, St Leonards NSW	Oct 2000	19.1	21.5	Dec 2010	20.0	20.0	22.5
80-88 Jephson Street, Toowong QLD	Jun 2006	23.9	24.5	Jun 2010	17.5	17.6	17.5
23 High St, Toowong QLD	Jan 2008	7.8	8.3	Dec 2009	4.2	4.2	4.2
27-29 High Street, Toowong QLD	Jul 2006	4.5	4.8	Dec 2009	3.5	3.6	3.6
72 Christie Street, St Leonards NSW ⁸	Jun 2003	46.0	-	-	-	-	60.0
1 Havelock Street, West Perth WA ⁸	Apr 2007	28.8	-	-	-	-	31.2
Office total						2,602.7	2,665.6
Industrial							
Yennora Distribution Centre, Yennora NSW	Jul 2000	141.9	236.7	Jun 2010	330.1	335.2	330.1
Defence National Storage and Distribution Centre, Moorebank NSW (55%) ³	Dec 2007	165.6	166.3	Jun 2010	130.6	130.7	130.6
Port Adelaide Distribution Centre, Port Adelaide SA	Jul 2000	42.9	46.9	Dec 2010	82.4	82.4	77.1
Hendra Distribution Centre, Brisbane QLD	Jul 2000	41.7	48.2	Dec 2010	81.5	81.5	80.5
Brooklyn Estate, Brooklyn VIC	Jun 2003	52.4	62.5	Dec 2009	72.0	75.8	73.9
9-11a Ferndell Street, Granville NSW	Apr 2003/ Jun 2003	47.3	52.8	Dec 2010	44.9	44.9	48.0
1090-1124 Centre Road, Oakleigh VIC	Feb 2007	42.6	50.9	Jun 2010	32.5	32.9	32.5
20-50 Fillo Drive & 10 Stubb Street, Somerton VIC	Sep 2006	43.1	46.9	Dec 2009	30.5	31.1	31.1
Altona Distribution Centre, Altona VIC	Jul 2000	19.0	22.0	Dec 2009	19.9	20.5	20.0
11-25 Toll Drive, Altona North VIC	Sep 2006	21.4	22.6	Dec 2009	17.3	17.4	17.4
2 Davis Road, Wetherill Park NSW	Apr 2003	15.6	15.9	Dec 2009	16.2	16.3	16.3
56-60 Toll Drive, Altona North VIC	Sep 2006	18.8	19.9	Dec 2009	14.2	15.0	14.5
32-54 Toll Drive, Altona VIC	Sep 2006	18.1	19.6	Dec 2010	15.0	15.0	14.1
76-82 Fillo Drive, Somerton VIC	Jul 2006	15.8	16.9	Dec 2009	13.7	13.7	13.7
Export Park, 9-13 Viola Place, Brisbane Airport QLD ⁷	Nov 2007	15.0	16.0	Dec 2009	11.3	11.4	11.3
M1 Yatala Enterprise Park, Yatala QLD	Nov 2006	20.0	26.7	Dec 2009	10.3	10.7	10.5

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

11 Non-current assets – Investment properties (continued)

Description	Acquisition date	Original purchase price \$M	Cost including additions \$M	Independent valuation date	Independent valuation \$M	Book value 31 Dec 2010 ¹ \$M	Book value 30 June 2010 ¹ \$M
Industrial (continued)							
40 Scanlon Drive, Epping VIC	Sep 2007	1.8	8.8	Dec 2009	6.7	6.8	6.8
3676 Ipswich Road Wacol QLD ^{6,11}	Aug 2006	23.1	53.8	Dec 2009	29.8	-	29.9
Prestons Industrial Estate, Prestons NSW ⁸	May 2005	21.6	-	Dec 2009	-	-	16.4
Industrial total						941.3	974.7
Commercial Property total						7,611.4	7,613.6
Retirement Living community assets total⁹						2,824.7	1,512.4
Other - Capital works in progress and sundry properties						246.5	196.5
Total investment properties (including amounts classified in other assets, receivables and property, plant and equipment)						10,682.6	9,322.5
Less amounts classified as:							
- Property, plant and equipment						(83.3)	(83.3)
- Other assets (including lease incentives)						(135.2)	(120.7)
- Other assets (including lease incentives) attributable to investments accounted for using the equity method						(16.9)	(15.7)
- Other receivables (straight-lining of operating lease rental income)						(29.0)	(27.1)
- Other receivables (straight-lining of operating lease rental income) attributable to investments accounted for using the equity method						(10.9)	(10.3)
Total investment properties (including share of investment property held by associates and joint ventures)						10,407.3	9,065.4

¹ Book value includes capital expenditure incurred and amortisation since latest independent valuation.

² This property was acquired during the half year.

³ Property held by associates and joint venture entities.

⁴ Includes Retail.

⁵ Capital works are in progress. Fair value as at 31 December 2010 has been assessed by the Directors after consideration of the latest valuation and capital works incurred to 31 December 2010. An independent valuation of the property will be undertaken upon completion of the works.

⁶ Included in non-current assets held for sale.

⁷ This property is a leasehold property.

⁸ This property was disposed of during the half year.

⁹ Refer to Note 22 for details.

¹⁰ This property was previously disclosed as two separate properties: Stockland Caloundra and Stockland South.

¹¹ Part of this property was transferred to non-current assets held for sale during the period with the residual being transferred to sundry properties.

¹² This property was transferred from inventories during the period.

Directors' valuations have been undertaken as at 31 December 2010 for all properties (including properties classified as held for sale) when determining fair value. In arriving at fair value, the Directors consider the discounted cash flows of the investment property based on estimates of future cash flows; other contracts and recent prices for similar properties; and capitalised income projections based on the property's net market income. In addition, independent valuations are performed at regular intervals appropriate to the nature of the investment property and movement in market values. These valuations are also considered by the Directors when determining fair value.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
11 Non-current assets – Investment properties (continued)		
Reconciliation of ownership		
Net consolidated investment properties ¹	8,934.0	7,883.5
Accrued DMF offset in resident obligations ²	497.7	211.8
Gross consolidated investment properties	9,431.7	8,095.3
Stockland's share of investment properties held by associates and joint venture entities	975.6	970.1
Total interest in investment properties	10,407.3	9,065.4

Reconciliation – Gross consolidated investment properties³

Direct investments and controlled entities

Carrying amount at the beginning of the financial period	8,095.3	8,084.1
Application of amendment to AASB 140 effective 1 July 2009	-	125.9
Acquisitions	5.7	82.1
Acquisitions through business combination ⁴	1,204.6	-
Expenditure capitalised	132.8	305.7
Transfers to assets classified as held for sale, net	(161.7)	(274.4)
Transfers from inventories	44.4	18.4
Net gain/(loss) from fair value adjustment of investment properties ⁵	117.0	(232.9)
Deferred management fees collected on Retirement Living community contracts	(6.4)	(13.6)
Carrying amount at the end of the financial period	9,431.7	8,095.3

¹ Net of accrued DMF offset against the Retirement Living Resident Obligation in the Balance Sheet. Refer to Note 22.

² A change in classification has been made in the current period whereby DMF, relating to current residents, accrued is disclosed as an offset against the Retirement Living Resident Obligation in the Balance Sheet to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification. Refer to Note 22.

³ Current period represents movements during the six month period to 31 December 2010. Prior period represents movements during the twelve months to 30 June 2010.

⁴ This balance includes the Retirement Living communities acquired through business combination of \$934.1 million and the accrued DMF of \$270.5 million. The accrued DMF is included as an offset to the Retirement Living Resident Obligation in the acquisition Balance Sheet.

⁵ Includes net gain from fair value adjustment of Retirement Living communities of \$75.1 million (30 June 2010: \$101.2 million).

12 Non-current assets – Other financial assets

Investments in other entities

Units in unlisted entities	33.8	32.5
Securities in listed entities	148.3	137.6
	182.1	170.1

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

13 Non-current assets – Property, plant and equipment

	Consolidated				
	Aged Care Properties \$M	Retirement Living communities \$M	Leasehold improvements \$M	Plant and equipment \$M	Total \$M
Cost¹					
Balance as at 1 July 2009	-	125.9	8.2	152.2	286.3
Transfer to investment properties due to amendment to AASB 140	-	(125.9)	-	-	(125.9)
Additions	-	-	0.2	3.1	3.3
Disposals	-	-	-	(5.6)	(5.6)
Effects of movement in exchange rates	-	-	-	(0.4)	(0.4)
Balance as at 30 June 2010	-	-	8.4	149.3	157.7
Balance as at 1 July 2010	-	-	8.4	149.3	157.7
Acquisition through business combination	82.1	-	-	5.3	87.4
Additions	-	-	0.4	2.7	3.1
Disposals	-	-	-	(5.7)	(5.7)
Effect of movement in exchange rates	-	-	-	(0.4)	(0.4)
Balance as at 31 December 2010	82.1	-	8.8	151.2	242.1
Depreciation and impairment losses					
Balance as at 1 July 2009	-	-	3.1	23.8	26.9
Depreciation charge for the year	-	-	1.1	12.2	13.3
Disposals	-	-	-	(5.6)	(5.6)
Effect of movement in exchange rates	-	-	-	(0.3)	(0.3)
Balance as at 30 June 2010	-	-	4.2	30.1	34.3
Balance as at 1 July 2010	-	-	4.2	30.1	34.3
Depreciation charge for the half year	-	-	0.6	6.1	6.7
Disposals	-	-	-	(5.6)	(5.6)
Effect of movement in exchange rates	-	-	-	(0.3)	(0.3)
Balance as at 31 December 2010	-	-	4.8	30.3	35.1
Carrying amounts					
As at 1 July 2009	-	125.9	5.1	128.4	259.4
As at 30 June 2010	-	-	4.2	119.2	123.4
As at 1 July 2010	-	-	4.2	119.2	123.4
As at 31 December 2010	82.1	-	4.0	120.9	207.0

¹ Current period represents movements during the six month period to 31 December 2010. Prior period represents movements during the twelve months to 30 June 2010.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
14 Current liabilities – Interest-bearing loans and borrowings		
Unsecured		
Domestic medium term notes	91.0	253.7
Foreign medium term notes	21.2	-
	112.2	253.7
Secured		
Bank facilities	0.3	0.4
	112.5	254.1

Details of the domestic medium term notes and bank facilities are set out in Note 17.

15 Current and Non Current Liabilities – Retirement Living resident obligations

Current liabilities – Retirement Living resident obligations

Existing resident obligations ^{1, 2}	1,198.4	514.6
Ex-resident obligations	7.6	5.8
	1,206.0	520.4
Aged care accommodation bonds ³	50.3	-
	1,256.3	520.4

Non-current liabilities – Retirement Living resident obligations

Existing resident obligations ²	232.9	351.4
Ex-resident obligations	24.4	26.6
	257.3	378.0

¹ The balance consists of obligations under exit fee contracts. These obligations are classified as current liabilities because Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident turnover date.

² There is no anticipated net cash outflow impact on the business as the existing resident obligations are expected to be covered by receipts from incoming residents.

³ The balance consists of existing resident accommodation bonds associated with Stockland's aged care facilities. The accommodation bonds are classified as current liabilities because Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident vacates.

Existing Retirement Living resident obligations represent the ingoing payment made by the resident together with their entitlement to any increase in the value of the property on leaving the Retirement Living community ("turnover") in accordance with their residency contract, less DMF accrued. The value of the obligation is calculated using the value of the underlying property at each balance date. Refer to Note 22.

Retirement Living ex-resident obligations represent resident obligations under deferred repayment contracts, where the right to defer settlement for a maximum of eight years after the resident turnover date has been enacted.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

		31 December 2010 \$M	30 June 2010 \$M
	Note		
16 Current and Non-current liabilities – Other liabilities			
Current liabilities – Other liabilities			
Dividends and distributions payable ¹	20	276.3	257.1
Liability in respect of transfer of investment and equity derivative contracts ²		-	252.0
Derivatives that do not qualify as effective under hedge accounting rules		2.8	1.5
Derivatives that do qualify as effective under hedge accounting rules		10.7	-
Rents in advance		20.5	18.0
Other		14.9	6.1
		325.2	534.7

¹ Distributions disclosed in Note 20 include \$0.1 million (31 Dec 2009: \$0.3 million) in relation to distributions payable on ESS and ISP units not vested or refinanced.

² On 27 October 2010, Stockland exited its 13.1% exposure to GPT by extinguishing the off-balance sheet equity derivative structure. As a result, the liability in respect of investment and equity derivative contracts is \$Nil for the half year ended 31 December 2010.

Of the prior period balance of \$252.0 million, \$368.4 million related to cash received on transfer of an investment which did not qualify for derecognition under Accounting Standards. The balance was offset by \$81.3 million of cash on deposit with the counterparty of the associated equity derivative contracts. The remaining balance of \$35.1 million asset related to the fair value of a number of equity derivative contracts held over the underlying investment.

Non-current liabilities – Other liabilities

Derivatives that do qualify as effective under hedge accounting rules		335.1	172.2
Derivatives that do not qualify as effective under hedge accounting rules		301.7	226.9
Other liabilities		5.1	14.9
		641.9	414.0

Equity derivative contracts

From time to time Stockland uses other derivative financial instruments to diversify and/or assist in the management of strategic investments. In prior years, Stockland entered into a series of equity derivative contracts, under two forms of instrument, which provided an exposure to the movement in the GPT security price. One form of derivative contract is net cash settled and the other form of instrument can be net cash settled or physically settled with the delivery of GPT securities at the option of Stockland. All equity derivative contracts were due to expire in May 2010.

On 9 February 2010, with the agreement of Stockland and its counterparty, the maturity date of all the equity derivative contracts was extended to expire in May 2011. As part of the arrangement, Stockland was required to provide a certain level of credit support (permitted to be cash and/or bank guarantee) to the counterparty. Where cash is provided as credit support, the amount on deposit is netted against the obligation to the counterparty recognised on the Balance Sheet.

These derivatives were recorded on the Balance Sheet at fair value in accordance with AASB 9 “Financial Instruments” with movements in the fair value of these instruments recognised in the Statement of Comprehensive Income. These instruments were not designated as hedges for accounting purposes.

On 27 October 2010, Stockland exited its 13.1% exposure to GPT by extinguishing the off-balance sheet equity derivative structure. In closing out the derivatives with the counter-party, Stockland was required to cash settle the difference between entry price and exit price. This led to an incremental net cash outflow of \$135.3 million offset by the return of \$47.3 million in cash on deposit with the counterparty which resulted in a net cash payment of \$88.0 million.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

16 Current and Non-current liabilities – Other liabilities (continued)

Equity derivative contracts (continued)

The net impact to the Statement of Comprehensive Income for the current half year was a loss of \$24.9 million comprising of a \$174.1 million loss relating to the mark-to-market difference between the exit price and the market price of GPT securities at 30 June 2010 of \$2.81 (including transaction costs) and \$149.2 million gain in derecognising the investment in GPT securities and the associated liability that previously did not qualify for derecognition under Australian Accounting Standards. This \$24.9 million loss has been recorded in the Statement of Comprehensive Income as \$174.1 million in net (loss)/gain on other financial instruments that do not qualify as effective under hedge accounting rules and \$149.2 million in net gain from fair value adjustment of other financial assets.

As at 31 December 2010, Stockland has no exposure to GPT securities (30 June 2010: 243 million securities or 13.1% of the issued securities of GPT). The prior period's exposure to GPT was through these now extinguished equity derivative contracts and other financial assets (included in current assets – other financial assets in the prior period).

	31 December 2010 \$M	30 June 2010 \$M
17 Non-current liabilities – Interest-bearing loans and borrowings		
Unsecured		
Domestic medium term notes	688.7	448.8
Foreign medium term notes ¹	1,776.8	2,121.0
	2,465.5	2,569.8
Secured		
Bank facilities	4.1	5.6
	2,469.6	2,575.4

¹ The above movement in foreign medium term notes is due to the change in fair value recorded in accordance with AASB 139. No foreign medium term notes were repurchased/issued during the period.

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

Facility 31 December 2010 \$M	Facility 30 June 2010 \$M			Utilised at 31 December 2010 \$M	Utilised at 30 June 2010 \$M
-	200.0	Unsecured	November 2010	-	-
-	200.0	Unsecured	February 2011	-	-
-	600.0	Unsecured	July 2011	-	-
-	200.0	Unsecured	August 2011	-	-
6.0	6.0	Secured	November 2014	4.4¹	6.0¹
275.0	-	Unsecured	November 2014	-	-
300.0	-	Unsecured	November 2015	-	-
175.0	-	Unsecured	December 2015	-	-
756.0²	1,206.0²			4.4¹	6.0¹

¹ Of this balance, \$0.3 million (30 June 2010: \$0.4 million) is included in Note 14.

² Includes bank guarantee facility of \$275.0 million (30 June 2010: \$795.0 million).

Interest rate swaps

As part of its ongoing management of interest rate risk, during the half year Stockland restructured, terminated and entered into a number of interest rate swaps at nil cost (31 December 2009: \$110.0 million). The fair value of the new swaps at 31 December 2010 is \$4.9 million included in non-current assets – other assets and \$33.0 million included in non-current liabilities – other liabilities.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

17 Non-current liabilities – Interest-bearing loans and borrowings (continued)

Domestic medium term notes

During the half year, Stockland repurchased medium term notes from the domestic private placement market. The total face value of these notes was \$230.6 million comprising of \$164.1 million and \$66.5 million due to mature in June 2011 and May 2013 respectively. Stockland also issued \$150.0 million and \$160.0 million in the domestic private placement market which mature in July 2016 and November 2020 respectively.

	31 December 2010 \$M	30 June 2010 \$M
Maturity date		
June 2011	91.5	255.6
May 2013	83.5	150.0
February 2015	300.0	300.0
July 2016	150.0	-
November 2020	160.0	-
Total	785.0	705.6
Less: attributable transaction costs	(5.3)	(3.1)
Total Balance Sheet carrying amount at amortised cost	779.7	702.5

18 Issued capital

	Number of securities		31 December 2010 \$M	30 June 2010 \$M
	31 December 2010	30 June 2010		
Ordinary Securities - Issued and fully paid	2,381,424,384	2,380,297,384	8,504.0	8,500.4

The following table provides details of movements in the consolidated entity's issued securities.

Date	Details	Number of securities	Issue price	\$M
Movement of securities issued				
1 July 2009	Opening balance	2,379,317,384		8,497.4
1 July 2009	Less: transaction costs from June 2009 placement			(0.4)
31 December 2009	Issued securities which have either matured, been sold or forfeited and sold under share plans	980,000	-	2.9
31 December 2009	Balance	2,380,297,384		8,499.9
30 June 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	131,000	-	0.5
1 July 2010	Balance	2,380,428,384		8,500.4
31 December 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	996,000	-	3.6
31 December 2010	Closing balance	2,381,424,384		8,504.0

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

18 Issued capital (continued)

The following table provides details of equity instruments granted pursuant to Stockland share plans accounted for as options¹

Date	Details	Number of securities
1 July 2009	Balance	3,719,333
31 December 2009	Issued securities which have either matured, been sold or forfeited and sold under share plans	(980,000)
31 December 2009	Balance	2,739,333
30 June 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	(131,000)
1 July 2010	Balance	2,608,333
31 December 2010	Issued securities which have either matured, been sold or forfeited and sold under share plans	(996,000)
31 December 2010	Balance	1,612,333
31 December 2010	Issued capital	2,381,424,384
	Issued capital issued on ASX²	2,383,036,717

¹ Under AASB 2, the Executive Share Scheme and the Incentive Share Plan equity instruments are required to be accounted for as options. Refer accounting policy in Note 1(ee)(vi) to the Annual Financial Report of Stockland as at and for the year ended 30 June 2010. The value of the securities granted under these share plans represents the fair value of those shares at grant date calculated using either the Black Scholes option pricing model or a Monte-Carlo Simulation which takes into account the terms and conditions upon which the shares were granted. The fair value is expensed in the Statement of Comprehensive Income when granted over the vesting period, with a corresponding increase in the Executive remuneration reserve. Refer to Note 19.

² Represents the aggregate of issued capital and securities accounted for as options.

Terms and conditions of securities

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.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	31 December 2009 \$M
19 Reserves		
Realised capital profits reserve	-	-
Executive remuneration reserve	23.1	17.0
Cash flow hedge reserve	8.7	15.6
Unrealised financial instruments reserve	-	(404.7)
Foreign currency translation reserve	(54.7)	(16.7)
Financial assets revaluation reserve	0.5	0.5
	(22.4)	(388.3)
Movements in reserves		
<i>Realised capital profits reserve</i>		
Balance at the beginning of the financial period	-	(78.8)
Transfer to retained earnings	-	78.8
Balance at the end of the financial period	-	-
<i>Executive remuneration reserve</i>		
Balance at the beginning of the financial period	22.5	15.0
Expense relating to rights and securities granted under share plans	6.8	6.3
Vested securities purchased on-market	(5.6)	(2.9)
Securities exercised under share plans transferred to retained earnings	(0.6)	(1.4)
Balance at the end of the financial period	23.1	17.0
<i>Cash flow hedge reserve</i>		
Balance at the beginning of the financial period	16.6	23.1
Effective portion of changes in fair value of cash flow hedges during the period	(14.1)	(6.9)
Change in fair value of cash flow hedges transferred to the Statement of Comprehensive Income	6.2	(0.6)
Balance at the end of the financial period	8.7	15.6
<i>Unrealised financial instruments reserve</i>		
Balance at the beginning of the financial period	(403.6)	(515.7)
Net change in fair value of financial instruments transferred to retained earnings	403.6 ¹	111.0
Balance at the end of the financial period	-	(404.7)
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the financial period	(13.0)	(16.0)
Net exchange differences on translation of foreign controlled entity	(41.7)	(0.7)
Balance at the end of the financial period	(54.7)	(16.7)
<i>Financial assets revaluation reserve</i>		
Balance at the beginning of the financial period	0.5	0.5
Change in fair value of other financial assets	-	-
Balance at the end of the financial period	0.5	0.5

¹ The unrealised financial instruments reserve was historically used to transfer unrealised gains and losses on financial instruments which have been recorded in the Statement of Comprehensive Income to reserves until such time as they are realised. The reserve is no longer utilised effective 1 July 2010 with the balance transferred to retained earnings.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

20 Dividends and distributions

Dividends and distributions recognised in the half year by the Company and the Trust are detailed below.

Interim	Cents per unit/share	Total amount \$M	Date of payment	Tax rate for franking credit %	Percentage franked %	Tax preferred %
31 December 2010						
Corporation dividend	-	-	28 February 2011	-	-	-
Trust distribution	11.8 ¹	281.2		-	-	-
Total	11.8 ¹	281.2				

31 December 2009

Corporation dividend	-	-	26 February 2010	-	-	-
Trust distribution	10.8	257.4		-	-	30.6
Total	10.8	257.4				

¹ Amount includes estimated interim distribution of 11.6 cents per unit (\$276.4 million) as announced on 17 December 2010 and a further 0.2 cents per unit (\$4.8 million) following approval on 8 February 2011.

The following table reconciles the total dividends and distributions paid and payable to the amounts reported in the Statement of Changes in Equity:

	Half year ended	
	2010 \$M	2009 \$M
Total dividends and distributions payable in relation to current period	281.2	257.4
Total dividends and distributions paid in relation to previous period	4.8	-
Less:		
Adjustment to interim distribution ¹	(4.8)	-
Dividends and distributions relating to share-based payment loans	(0.1)	(0.3)
Dividends and distributions payable to securityholders as per Statement of Changes in Equity	281.1	257.1

¹ Change to the interim distribution approved on 8 February 2011, not accrued at 31 December 2010.

The final dividends and distributions for the six months to 30 June 2010, which were recognised during the previous financial year and paid by the Company and Trust during the current period are detailed below.

	Cents per unit/share	Total amount \$M	Date of payment	Tax rate for franking credit %	Percentage franked %	Tax preferred %
Final						
30 June 2010						
Corporation dividend	-	-	31 August 2010	-	-	-
Trust distribution	11.0 ¹	262.1		-	-	30.6
Total	11.0 ¹	262.1				
30 June 2009						
Corporation dividend	0.1	2.4	31 August 2009	30.0	100	-
Trust distribution	16.9	401.7	31 August 2009	-	-	31.9
Total	17.0	404.1				

¹ Amount includes estimated final distribution of 10.8 cents per unit (\$257.3 million) announced on 17 June 2010 and a further 0.2 cents per unit (\$4.8 million) following the introduction of a revised distribution policy as announced on 11 August 2010.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	31 December 2010 \$M	30 June 2010 \$M
21 Commitments		
Inventories commitments		
Commitments for the acquisition of development land and future development costs not recognised in the Financial Statements at balance date:		
Within one year	289.8	234.5
Later than one year but not later than five years	1.4	1.9
	291.2	236.4
Capital expenditure commitments		
Commitments for the acquisition and development of properties and capital expenditure not recognised in the Financial Statements at balance date:		
Within one year	254.6	107.6
Operating lease commitments		
Commitments for the operating lease expenditure not recognised in the Financial Statements at balance date:		
Within one year	4.1	4.5
Later than one year but not later than five years	6.2	7.4
Later than five years	57.4	67.0
	67.7	78.9
Non-cancellable operating lease receivable from investment property tenants		
Non-cancellable operating lease commitment receivable not recognised in the Financial Statements at balance date:		
Within one year	575.2	576.3
Later than one year but not later than five years	1,477.4	1,500.6
Later than five years	742.8	770.2
	2,795.4	2,847.1
Annual rent receivable by Stockland under current leases from tenants is from property held by the Commercial Property business.		
Exchange Plaza, Perth WA		
There is a contractual commitment for ground rent on Exchange Plaza of 10% p.a. (the Trust's share 5% p.a.) of the net income of the leased premises for each lease year, or \$0.8 million (the Trust's share: \$0.4 million), whichever is greater. This commitment expires in 2122.		

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

22 Retirement Living Communities

Stockland owns 58 Retirement Living communities (30 June 2010: 28 Retirement Living communities). During the half year ended 31 December 2010, Stockland acquired Aevum Limited resulting in an additional 30 villages. Refer to Note 4 for additional information.

The contracts entered into between Stockland and the resident, entitle Stockland to resident Deferred Management Fee ("DMF") which is linked to the value of the resident's unit or apartment and their period of occupancy. On leaving the Retirement Living community ("turnover"), residents are entitled to receive their ingoing payment plus their entitlement to any increase in the value of the property attributable to the resident on turnover in accordance with the resident contract, less DMF accrued. The timing for settlement of this obligation upon turnover depends on whether the contract is an exit fee or deferred repayment contract.

Under an exit fee contract, Stockland does not have an unconditional right to defer settlement greater than twelve months after the resident turnover date.

Under a deferred repayment contract, the terms of the contract allow Stockland to defer settlement for a maximum of eight years after the resident turnover date based upon the resident's tenure period. In the event the loan is settled early the nominal value of the obligation is discounted at a rate in accordance with the contract for a maximum of eight years.

No interest is payable to the residents on these obligations.

Accounting standards require the amounts payable under resident loan/lease or loan and repurchase agreements to be recorded as a liability and the capital value of the Retirement Living communities to be recorded on the Balance Sheet as part of the fair value of the investment property.

The following tables represent the net investment by Stockland in Retirement Living communities:

	Notes	31 December 2010 \$M	30 June 2010 \$M
Fair value of DMF contracts			
Established villages		670.2	319.3
Villages under development		10.0	6.1
		680.2	325.4
Capital value of Retirement Living communities			
Occupied dwellings		1,929.0	1,077.8
Vacant dwellings		61.8	8.7
Villages under development		153.7	100.5
		2,144.5	1,187.0
Total gross Retirement Living community asset value	11	2,824.7	1,512.4
Accrued DMF offset against resident obligations	11	(497.7)	(211.8)
Total net Retirement Living community asset value		2,327.0	1,300.6
Existing Retirement Living resident obligations			
Gross existing resident loans		(1,929.0)	(1,077.8)
Accrued DMF offset against resident obligations	11	497.7	211.8
		(1,431.3)	(866.0)
Net investment in Retirement Living communities		895.7	434.6

A change in classification has been made in the current period whereby DMF accrued, relating to current residents, is disclosed as an offset against the Retirement Living Resident Obligation to more closely reflect the underlying resident agreements. The comparative balance has been restated accordingly with no impact on net assets or net profit as a result of this reclassification.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	Half year ended	
	2010	2009
	\$M	\$M
22 Retirement Living Communities (continued)		
The contribution of operational Retirement Living communities to the Statement of Comprehensive Income includes the following:		
Net gain from fair value adjustment of operational Retirement Living communities		
– Capital growth of operational Retirement Living communities	34.1	20.2
– Fair value movement of DMF contracts ¹	30.1	20.6
– Revaluation during development/redevelopment and upon contract conversion of Retirement Living communities	10.9	17.9
	75.1²	58.7 ²
Existing Retirement Living resident obligations fair value movement	(33.8)	(20.2)
Net fair value movement from operational Retirement Living communities ³	41.3	38.5

¹ Of the \$30.1 million (2009: \$20.6 million), an amount of \$27.3 million (2009: \$14.7 million) is included in Underlying profit representing the DMF accrued during the year in accordance with the terms of existing resident contracts. The balance of \$2.8 million (\$1.9 million after tax) (2009: gain of \$5.9 million, \$4.1 million after tax) is included in the reconciliation from Underlying profit to statutory profit.

² The net gain from fair value adjustment of investment properties in the Statement of Comprehensive Income of \$75.1 million (2009: \$27.6 million) relating to Retirement Living communities includes the above gain of \$75.1 million (2009: \$58.7 million) offset by the net loss from fair value adjustment of undeveloped Retirement Living communities of \$Nil (2009: \$31.1 million loss) disclosed separately in the reconciliation of Underlying profit to statutory profit.

³ This balance excludes net loss from fair value adjustment of undeveloped Retirement Living communities of \$Nil (2009: \$31.1 million loss, \$21.8 million loss after tax) disclosed separately in the reconciliation of Underlying profit to statutory profit.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

	Half year ended	
	2010	2009
	\$M	\$M
23 Notes to the Cash Flow Statement		
Reconciliation of profit to net cash inflow from/ (utilised in) operating activities:		
Profit	425.1	213.7
Add/(less) items classified as investing/financing activities:		
Unwinding of present value of Retirement Living obligation	0.7	0.7
Net gain on fair value movement of hedged items and financial instruments treated as fair value hedges	(3.0)	(19.4)
Net loss/(gain) on fair value movement of other financial instruments	174.1	(102.3)
Net loss on fair value movement of financial instruments	112.4	30.6
Net loss on sale of other non-current assets	0.9	14.4
Interest capitalised to investment properties	(3.3)	(5.6)
Medium term note interest capitalised	0.1	1.1
Dividend and distributions income	(9.4)	(9.1)
Net gain from fair value adjustment of other financial assets	(194.6)	(115.1)
Add/(less) non-cash items:		
Fair value adjustment for investment properties (including associates and joint ventures)	(83.2)	330.4
Net unrealised foreign exchange gain	(117.6)	(54.4)
Net realised foreign exchange (gain)/loss	(1.2)	1.5
Depreciation	6.7	7.4
Impairment of other assets	0.8	-
Provision for write-down of inventories	6.8	4.2
Straight-line rent adjustment	(1.7)	(0.5)
Share of loss of investments accounted for using the equity method	(0.5)	(1.0)
Equity-settled share-based payments	6.8	6.4
Release of tax provisions	(0.2)	(0.8)
Other items	2.4	3.3
Net cash inflow from operating activities before change in assets and liabilities	322.1	305.5
Decrease/(increase) in receivables	7.7	(54.5)
(Increase)/decrease in other assets	(49.5)	17.4
Increase in prepayments	(9.5)	(6.6)
Decrease in inventories	58.3	86.1
Increase/(decrease) in payables and other liabilities	23.4	(6.8)
(Decrease)/increase in income tax payable	(0.2)	0.1
Increase in deferred taxes payable	0.8	9.6
Decrease in employee benefits	-	(1.6)
Increase/(decrease) in other provisions	9.1	(7.0)
Net cash inflow from operating activities	362.2	342.2

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Notes to the Consolidated Interim Financial Statements
For the half year ended 31 December 2010

24 Related party disclosures

Arrangements with related parties continue to be in place. There were no significant arrangements during the half year of a nature other than those disclosed in the Financial Report of Stockland as at and for the year ended 30 June 2010.

25 Events subsequent to the end of the half year

There has not arisen in the interval between the end of the current half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of Stockland, to affect significantly the operations of Stockland, the results of those operations, or the state of the affairs of Stockland in future financial years.

The Directors have considered the impact of the January 2011 floods and the February 2011 cyclone on Stockland's operations and assets in the Queensland, New South Wales and Victoria regions. The operations of some retail and office assets were temporarily interrupted but the impact of this is not material to Stockland.

Stockland Corporation Limited and its controlled entities (including Stockland Trust)
Directors' Declaration
For the half year ended 31 December 2010

- 1 In the opinion of the Directors of Stockland Corporation Limited ("the Company"), and the Directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as "the Directors"):
 - (a) the Financial Statements and notes set out on pages 7 to 41, are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.
 - (b) The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
- 2 There are reasonable grounds to believe that Stockland will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director

Dated at Sydney, 9 February 2011



Independent auditor's review report to the stapled security holders of Stockland

Stockland comprises the consolidation of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities, which form the consolidated entity ("Stockland" or "the consolidated entity").

We have reviewed the accompanying half-year financial report of Stockland, which comprises the consolidated interim balance sheet as at 31 December 2010, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and consolidated interim cash flow statement for the half-year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Stockland, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Andrew Dickinson
Partner

Sydney

9 February 2011