Appendix 4D – Half Year Report

Stockland Consolidated Group

For the half year ended 31 December 2012

Stapling arrangement

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited (ABN 43 000 181 733) and its controlled entities ("the Corporation"), and Stockland Trust (ARSN 092 897 348) and its controlled entities ("the Trust") on the Australian Stock Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

The Financial Report has been prepared based upon a business combination of the parent entity, Stockland Corporation Limited, and Stockland Trust and their controlled entities, in accordance with AASB 3 "Business Combinations".

Details of reporting periods

Current:	31 December 2012
Previous corresponding:	31 December 2011

Results for announcement to the market

				$M
Revenue and other income[1]	**Down**	**19.5%**	**to**	**916.0**
Statutory loss after income tax benefit attributable to securityholders of Stockland	**Down**	**148%**	**to**	**(147.1)**
Underlying Profit after income tax benefit[2]	**Down**	**25.5%**	**to**	**255.0**

Distributions	**Amount per Ordinary Stapled Security**	**Total distribution payable**	**Franked amount per Security**
Interim distribution	12.0¢	$264.3 M	-¢
Previous corresponding period	12.0¢	$278.0 M	-¢
Record date for determining entitlements to the distribution		5.00pm, 31 December 2012	
Distribution payment date		28 February 2013	
The Dividend and Distribution Reinvestment Plan is not operational for this distribution.			

[1] Refer to page 8 for the reconciliation of revenue and other income

[2] Refer page 2 of the Stockland Consolidated Group Interim Financial Report for the reconciliation between Underlying Profit and statutory profit. The basis of determining Underlying Profit for the Retirement Living business has been amended from previous periods to be more closely aligned to realised cash profits. As a result, the 31 December 2011 comparative Underlying Profit has been restated from $350.8 million to $342.3 million.

STOCKLAND ANNOUNCES HALF-YEAR RESULTS

Stockland today reported its results for the half year to 31 December 2012. Underlying Profit[1] was $255 million, down 26% on the previous corresponding period, reflecting persistent challenging conditions in the new housing market, the impact of asset sales and a change in approach to capitalised interest.

Statutory Loss for the first half was $147 million, down 148%, largely due to an impairment of the residential book including a number of non-core residential projects that have been identified for wholesale disposal, and unrealised fair value changes to other assets.

Stockland's first half distribution is 12 cents per security and the group confirmed its full year distribution will be 24 cents per security. Underlying EPS was 11.6 cents, down 20% from 14.5 cents in the first half of FY12.

Stockland Managing Director and CEO Mark Steinert said: "Stockland's disappointing first half result reflected the difficult operating conditions we faced and the impact of the group's portfolio transition.

"In this challenging environment we remain focused on optimising our performance and positioning the business for future growth.

"To support this we've made some difficult decisions that will help strengthen the business for more stable long-term returns.

"Firstly, having completed the detailed review of capitalised interest we announced late last year, we have changed the way we apply capitalised interest on our residential projects, effective 1 July 2012. We will now allocate a share of incurred and future interest to each lot sold rather than just a share of interest incurred to date. While this will negatively impact our Underlying Profit in the medium term, it will ultimately ensure our residential projects deliver more consistent returns over time.

"We have also now conducted our regular residential portfolio review and have identified 13 residential projects that do not meet our hurdles and have impaired them for wholesale disposal rather than continuing to develop them out. I am confident this is the right thing to do to ensure our capital is put to best use, given expected returns and the additional $500 million of expenditure required over a number of years to trade them out.

"In addition, we have reviewed the balance of our portfolio against more conservative assumptions about the future performance of the housing market, resulting in the impairment of seven trading residential communities, which we believe is prudent in the current environment. The total residential impairment represents 9% of total lots owned and under option and reduced Net Tangible Assets by 14 cents per security."

Commenting on the first half result, Mr Steinert, who commenced in his role on 14 January 2013, said: "The team has managed the business well given the conditions, maintaining a conservative balance sheet, tightly managing capital and focusing on meeting the needs of customers who continue to be cautious.

"The new housing market remains very soft and this has significantly impacted our Residential business result. It is a credit to the team that they achieved 2,085 lot settlements in these conditions, only 6% below 1H12.

1. Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Underlying Profit is the basis on which distributions are determined. Refer to the Interim Statutory Accounts for the complete definition

"Pleasingly our Retail business, which represents around 60% of our earnings, performed well despite the challenging consumer environment. On a comparable basis the Commercial Property business achieved a solid result with Net Operating Income[2] up 3.2% on 1H12, although the overall result was down as we work through the lag in earnings created by the sale of non-core assets and timing of retail redevelopments.

"Our Retirement Living business delivered a solid operating result, despite feeling some impact from the soft housing market, with a record number of new units sold."

FINANCIAL MANAGEMENT

Gearing: 27.6%
Weighted average debt maturity: 5.2 years

Stockland CFO Tim Foster noted that the group had continued its prudent approach to managing the balance sheet and while gearing was higher, due to lower operating cashflow from Residential, it remained within the target range.

"We have also continued to manage our overheads tightly, achieving a reduction of 8%, and have improved capital efficiency through a focus on reducing the amount of finished goods we have on hand and improving our development processes including how we stage delivery and production times," Mr Foster said.

Mr Foster said Stockland was also assessing the allocation of capital between the Trust and Corporation following the recent Residential impairments.

"While overall the group's capital position remains strong, following these impairments we will need to move capital between the Trust and Corporation. We anticipate we will ask for securityholder support at our AGM to reallocate around $500 million of capital from the Trust to the Corporation to better position the Corporation for future growth."

Buyback
Stockland will cease its on-market security buyback effective immediately. In the current environment, it is deemed a better use of capital to invest in the core businesses and is consistent with the slow-down of the commercial property asset sales program while the strategic review is completed.

OPERATING RESULTS

Residential

EBIT: $76 million, Operating Profit: $28 million

In our Residential business our EBIT margin was down from 27% to 19% as we saw a peak in settlements from lower margin projects in NSW and a reduced contribution from higher margin Victorian projects. In addition to this, the soft market meant there was no price growth to offset normal increases in costs.

Operating profit in the half was also impacted by the change to how we apply capitalised interest which resulted in more interest being expensed in the period. This is non-cash and will reverse over time.

We continue to actively manage the business through the down cycle with the delivery of affordable products that meet our customers' needs and capital management improvements, including now having around 29% of total lots owned and under option on capital-efficient terms (compared to around 15% in

[2] Post-AIFRS

2009) and reducing aged inventory. Pleasingly, core residential projects, while impacted by weak markets, are typically outselling competitor projects.

Portfolio review
We undertook a rigorous review of our residential portfolio, applying more conservative assumptions about the future performance of the housing market. As a result we have recognised an impairment on seven trading residential communities totalling $53 million and two apartments projects totalling $7 million.

In addition, we determined that 13 non-core residential projects, one apartments project and two industrial land parcels are now more suited to wholesale disposal rather than long-term trade out and will require an impairment of $234 million, $3 million and $9 million respectively. We do not capitalise interest on inactive projects and as such we have stopped capitalising interest from 1 January 2013 on those projects where active development has ceased.

The residential communities projects we have impaired represent 9% of our total lots owned and under option, and the majority were acquired in 2003/4. These projects, which are predominantly lifestyle projects, are non-core and would not pass the acquisition filters we have had in place since 2009. We're confident in the future strength of our core portfolio with projects launching in FY14/15 set to deliver a significantly higher EBIT margin than those we are finishing or disposing.

Commercial Property

Retail Net Operating Income*[2] (NOI)*: $159 million

Our Retail business achieved sales growth in a challenging environment demonstrating the resilience of our portfolio. Total Moving Annual Turnover at 31 December 2012 was up 4.7% and NOI was up 5%. Our strategy is to create in each trade area the number one centre or the number two centre with a clear point of difference, and this continues to prove effective. We maintained high occupancy at 99.4% and increased tenant retention on lease expiry to 78%. During the first half we opened two major redevelopments at Merrylands in Sydney and Townsville in Far North Queensland, significantly improving their quality and position in their trade areas.

Office Net Operating Income*[2]*: $60 million

We have made good progress in our office portfolio achieving improved occupancy and weighted average lease expiry. While our overall NOI reflected the reduced number of assets in the portfolio, on a comparable basis we achieved solid NOI growth of 6.2% in the first half. We continue to actively manage the portfolio, executing 33,000 sqm of leases in the first half and improving occupancy and the lease expiry profile.

Industrial Net Operating Income*[2]*: $32 million

Industrial NOI was down in the first half due to one asset sale and re-letting activity, particularly at Yennora. Re-letting is progressing well with 127,000 sqm of leases executed in the half and more in negotiation. This will improve occupancy and profit from our Industrial portfolio in FY14.

[2] Post-AIFRS

Retirement Living

Operating Profit: $12 million

Our Retirement Living business achieved a solid first half profit underpinned by strong growth in new unit settlements and steady established unit settlements. The development pipeline is progressing well, with new initiatives such as the project home builder partnership strategy improving both product quality and construction efficiency, as demonstrated at the very successful stage one launch at Selandra Rise in Victoria.

As at 31 December 2012 the net accumulated Deferred Management Fee (DMF) revaluation gain on our retirement village portfolio was $177 million. The DMF asset declined over the six months by $69 million, due to a reduction in unit prices and changes to forecast growth in unit prices for the remainder of FY13 and FY14, reflecting the soft housing market conditions.

OUTLOOK

FY13 remains challenging with any recovery in the detached new housing market likely to be patchy and slow, and as the business continues to experience the earnings lag created by previous asset sales and the timing of retail redevelopments.

In our Residential business we expect to see the usual skew in volumes to the second half and a smaller proportion of low margin NSW settlements. Market conditions however, are expected to remain challenging with ongoing weakness in Victoria and uncertainty in Queensland where we will watch closely to monitor any impact on already weak consumer sentiment following the recent floods.

Our Retail and Retirement Living businesses remain well placed to deliver full year returns above the prior year, while income from our Office and Industrial portfolios will be lower due to asset disposals. The performance of our business will also be impacted by our decision to dispose of a number of non-core residential projects resulting in the interest on those projects being expensed rather than capitalised.

As previously indicated, FY13 is expected to be a low point in earnings. Before taking into account the change to capitalised interest and the more conservative housing market growth forecasts, the group was on track to achieve its previous guidance of EPS at the lower end of 10-15% below FY12. Following the changes we have announced, we now expect FY13 EPS will be 20-25% lower than FY12, with the change to capitalised interest being the main driver.

We remain confident earnings will begin to improve from FY14 as we see the benefit of major new retail and residential projects coming on line. For this reason the Board has reaffirmed the FY13 distribution of 24 cents per security, notwithstanding the impact of the changes we have announced today.

Mr Steinert said Stockland is committed to delivering sustainable growing shareholder returns over time and his key priority over the coming months is completing a detailed strategic review of the business.

“Today we’ve announced some important steps that will help strengthen the business for the future. We are now focusing on completing a detailed review of the business to ensure we maximise shareholder returns within an acceptable level of risk. This involves reviewing our assets and capabilities, and our capital management and capital partnering opportunities, with a continuing commitment to sustainability and employee engagement. During this review period we will slow down the commercial property asset sales program to maintain flexibility. We expect to provide an update on our strategic review at our third quarter investor briefing in May.”

Stockland’s first half FY13 results presentation will be webcast via www.stockland.com.au on Wednesday 13 February 2013 at 11.30am (AEDST).

KEY METRICS

	1H13		1H12
Statutory (Loss) / Profit	($147.1m)	▼ 148%	$307.6m
Statutory Earnings per Security	(6.7 cents)	▼ 151%	13.1 cents
Underlying Profit[1]	$255.0m[2]	▼ 26%	$342.3m[3]
Underlying Earnings per Security	11.6 cents	▼ 20%	14.5 cents[4]
Distribution per Security	12.0 cents	-	12.0 cents
Net Tangible Assets per Security	$3.49	▼ 5%	$3.69
Gearing (D/TTA)	27.6%		23.0%
Return on Equity[5]	7.5%		8.2%

1. Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance. Underlying Profit is the basis on which distributions are determined. Refer to the Interim Statutory Accounts for the complete definition
2. The basis for determining the capitalised interest release to the income statement for the Residential Business has been amended from previous periods due to a change in estimates. This change has been applied prospectively from 1 July 2012 impacting 1H13 by $17m. For comparison purposes, a $13m expense would have been incurred if this change had been applied from 1 July 2011 (not included in 1H results shown above)
3. The basis for determining Underlying Profit for the Retirement Living business has been amended from previous periods to be more closely aligned to realised cash profits. The change in recognition basis has been applied retrospectively. As a result, the 1H12 Underlying Profit has been reduced by $12m
4. 1H12 EPS would be 14.9 cents, using the previous method for Retirement Living accounting
5. Return on Equity is a measure that accumulates individual business Return on Assets and incorporates the cash interest paid and average drawn debt for the period, 1H13 represents rolling 12 months to 31 December 2012; the comparative represents the rolling 12 months to 30 June 2012

RATIOS

	December 2012	December 2011[1]
(a) (Loss)/profit before tax attributable to securityholders of Stockland/revenue and other income[3]	**(21.9%)**	26.2%
Underlying Profit[2] before tax attributable to securityholders of Stockland/revenue and other income[2]	**27.5%**	33.4%
(b) (Loss)/profit after tax attributable to securityholders of Stockland/issued capital	**(1.8%)**	3.7%
Underlying Profit[2] after tax attributable to securityholders of Stockland/issued capital	**3.2%**	4.1%

	December 2012	December 2011
(b) Net Tangible Assets ("NTA") per security		
NTA backing per security	**$3.49**	$3.69

[1] Accounting for Retirement Living has been amended from previous periods to be more closely aligned to realised cash profits. This has had the impact of decreasing revenue by $12.1 million and Underlying Profit from $350.8 million to $342.3 million. Refer to Note 18(d) of the Stockland Consolidated Group Annual Report for further information on the change in accounting.

Unrealised/realised gains on fair value and foreign exchange movements on financial instruments have been included on a net basis to reflect the current period financial statements presentation. This has been amended from previous periods where gains were shown gross. This had the impact of decreasing revenue by $2.1 million. Refer to Note 5 of the Stockland Consolidated Group Interim Report for further information.

[2] Refer page 2 of Stockland Consolidated Group Interim Report for reconciliation between Underlying Profit and Statutory profit.

[3] Revenue and other income as set out on page 8 excluding net gain from fair value adjustment of investment properties, (Commercial Property); Existing Retirement Living resident obligations fair value movement; and DMF base fees earned (unrealised).

RECONCILIATION OF REVENUE AND OTHER INCOME

Revenue and Other Income – as extracted from the Consolidated Statement of Comprehensive Income

	2012	2011[1]
	$M	$M
Property development sales	**411.1**	573.8
Rent from investment properties	**335.0**	334.3
Deferred Management Fees from Retirement Living	**23.8**	27.1
Dividend and distribution income	**0.5**	2.8
Other revenue	**21.5**	25.1
Total revenue	**791.9**	963.1
Interest income from other parties	**3.8**	5.0
Net gain from fair value adjustments:		
- Commercial Property	**45.6**	65.6
- Retirement Living Settled development margin	**8.8**	7.1
Existing Retirement Living resident obligations fair value movement	**45.5**	26.6
Share of profits of investments accounted for using the equity method[2]	**20.4**	51.9
Net gain on sale of non-current assets[3]	**-**	18.9
Total revenue and other income	**916.0**	1,138.2

1. Accounting for Retirement Living has been amended from previous periods to be more closely aligned to realised cash profits. This has had the impact of decreasing revenue by $12.1 million and Underlying Profit from $354.4 million to $342.3 million. Refer to Note 18(d) of the Stockland Consolidated Group Annual Report for further information on the change in accounting.

   Unrealised/realised gains on fair value and foreign exchange movements on financial instruments have been included on a net basis. This has been amended from previous periods where gains were shown gross to reflect the current year financial statements presentation. This had the impact of decreasing revenue by $2.1 million.

2. Balance for the current half year excludes the share of the fair value adjustment of investment properties within investments accounted for using the equity method as they are losses for the half year ($11.1 million).

3. Balances are losses for the half year ended 31 December 2012 and are therefore excluded from the calculation of revenue and other income.

ASSOCIATES AND JOINT VENTURE ENTITIES

	Ownership interest		Share of net profit	
	31 Dec 2012 %	31 Dec 2011 %	**31 Dec 2012 $M**	31 Dec 2011 $M
Investments in associates				
Moorebank Industrial Property Trust[1,2]	**-**	55.0	**-**	**4.2**
Macquarie Park Trust	31.0	31.0	**4.3**	**4.3**
Hammersmith Grove Limited Partnership[2]	**-**	30.0	**-**	**0.6**
Tyburn Stockland No.2 LP[3]	**-**	30.0	**-**	**-**
Tyburn Stockland No.3 LP[3]	**-**	30.0	**-**	**-**
Halladale Nelson Limited Partnership[4]	**-**	9.0	**-**	**-**
CReAM Trust and subsidiary limited partnerships[4]	**-**	10.0	**-**	**-**
Capita Portfolio Limited Partnership[3]	**-**	30.0	**-**	**-**
			4.3	**9.1**
Investments in joint venture entities				
SDOT Sub Trust No.1	**50.0**	**50.0**	**9.2**	**9.9**
Martin Place Property Trust[2]	**-**	**-**	**-**	**4.6**
Esplanade Property Trust[2]	**-**	**-**	**-**	**5.1**
The King Trust	**50.0**	**50.0**	**(7.4)**	**4.2**
M Property Trust[2]	**-**	**50.0**	**-**	**1.4**
Willeri Drive Trust	**50.0**	**50.0**	**2.2**	**9.8**
Stockland Ormeau Trust	**50.0**	**50.0**	**0.1**	**0.6**
Eagle Street Pier Pty Limited	**50.0**	**50.0**	**0.7**	**0.4**
Compam Property Management Pty Limited	**-**	**50.0**	**-**	**-**
Martin Place Management Limited[2]	**-**	**-**	**-**	**-**
Subiaco Joint Venture	**-**	**33.3**	**-**	**-**
Stockland Ventures Limited[3]	**-**	**50.0**	**-**	**6.8**
Stockland Anglo Ventures Limited[3]	**-**	**50.0**	**-**	**-**
Stockland Muir Limited	**50.0**	**50.0**	**0.2**	**-**
Halladale Opportunity Fund Limited Partnership[3]	**-**	**50.0**	**-**	**-**
			5.0	**42.8**
			9.3	**51.9**

1 During the time Stockland owned an interest in the Moorebank Industrial Property Trust ("MIPT"), Stockland had significant influence over MIPT, but not control due to Stockland having less than half the voting rights.

2 Stockland sold its share in this investment during the year ended 30 June 2012.

3 As at 31 December 2012, this investment is in liquidation.

4 Stockland has significant influence over the operating decisions of these associates due to a combination of its role as asset manager, presence on advisory committees and participation in general partners. Equity accounting has ceased as the carrying value is $Nil.

COMPLIANCE STATEMENT

- The Interim Report is a general purpose financial report which has been drawn up for the purposes of fulfilling the requirements of the Australian Securities Exchange and Corporations Act 2001. The Interim Financial Report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.
- This report presents fairly the matters disclosed.
- This report is based on the reviewed Interim Financial Report.
- Stockland has a formally constituted Audit Committee.

Mark Steinert
Managing Director

Dated at Sydney, 13 February 2013