Appendix 4D

For the half year ended 31 December 2017
(previous corresponding period being the half year ended 31 December 2016)

Results for announcement to the market

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, and Stockland Trust (ARSN 092 897 348) and its controlled entities on the Australian Stock Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

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

Half year ended 31 December 2017		**$M**
Revenue from ordinary activities	**Up 14.3% to**	**1,337**
Net profit after tax attributable to securityholders	**Down 2.6% to**	**684**
Funds from operations attributable to securityholders	**Up 18.2% to**	**436**

Dividends and distributions

Half year ended 31 December 2017	**Amount per security**	**Franked amount per security**	**Record date**	**Payment date**
Interim dividend/distribution	**13.0 ¢**	**– ¢**	**29 December 2017**	**28 February 2018**

On 21 February 2018 we announced the suspension of the Distribution Reinvestment Plan (DRP) in respect of the half year distribution for the six months ended 31 December 2017.

The proposed DRP issue price of Stockland stapled securities announced on 16 February 2018 of $4.03 is below the Group's net tangible assets per security at 31 December 2017 of $4.18, and significantly below the closing price of $4.74 on 14 December 2017, the day the operation of the DRP was announced.

As a result, the Directors have formed the view that some Stockland securityholders may be disadvantaged if the issue were to proceed.

The Group has sufficient capital to maintain its development and investment activity.

Other information

	31 December 2017	**31 December 2016**
Net tangible assets per security	**$4.18**	**$4.00**

This report is based on the Stockland Interim Financial Report 2018 which has been reviewed.

The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the Stockland Interim Financial Report 2018 that follows.

Creating sustainable communities

INTERIM FINANCIAL REPORT
31 December 2017

Stockland

CONTENTS

KEEPING IT SIMPLE…

The aim of the text in 'Keeping it simple' boxes is to explain more complex sections in plain English.

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

GLOSSARY

A glossary containing acronyms and defined terms is included at the back of this Report.

Letter from our Chairman and Managing Director and CEO

TOM POCKETT
CHAIRMAN

MARK STEINERT
MANAGING DIRECTOR AND CEO

Dear Securityholders

We are pleased to deliver a solid result for the half year ended 31 December 2017 (1H18), reflecting the benefits of our diversified business model.

Our continued focus on community creation and leveraging our diverse sector capability is delivering some of the most liveable, affordable and connected communities in Australia and consistent, growing returns for our securityholders.

For the half year, we generated funds from operations (FFO) of $436 million, an increase of 18.2 per cent on the previous corresponding period.

Our statutory profit was $684 million, slightly down on the previous period, mainly due to lower finance income relative to the prior period.

As indicated previously, the distribution for the half year is 13.0 cents per security, supporting our target full year distribution of 26.5 cents per security, assuming no material change in market conditions.

Our strategy to broaden our customer reach, grow asset returns, improve operational efficiency and maintain capital strength is driving sustainable profit growth, in an environment that has presented challenging conditions for some of our operating sectors.

GROWING ASSET RETURNS AND OUR CUSTOMER BASE

Over the last four years we have built a strong residential business with significantly enhanced returns. We have made considerable progress reshaping the business placing a greater focus on the deep Melbourne and Sydney markets, with particular emphasis on transport and infrastructure corridors. As a result, our Residential business delivered another half year of exceptionally strong returns and settlements.

Our land bank now totals over 85,000 future housing lots nationally and we maintain our focus on delivering some of the most affordable, liveable and desirable new communities in Australia.

Our Logistics and Business Parks business, has also made great progress, delivering strong results and 99 per cent occupancy rate. The value of our Logistics and Business Parks business, has risen around $600 million over the past four years from $1.5 billion to $2.1 billion, and now represents 14 per cent of total Group asset value. We are on track to continue to grow this segment of the Group with $176 million of construction underway and an additional $590 million development pipeline.

The retail environment remains subdued however we have maintained high occupancy in our Retail Town Centre business with an intense focus on upgrading and remixing our centres in line with customer preferences.

We continue to reposition our Retail Town Centre portfolio and have developed and remixed strong performing centres such as Wetherill Park, Sydney and Green Hills stage 1 and 2 in Maitland, New South Wales. Our repositioning of our portfolio continues at 20 centres across the country with a focus on services, casual dining, health and entertainment.

Close to 90 per cent of our Retail Town Centre portfolio comprises centres that lead their catchment area or are mixed use, CBD, or community neighbourhood centres.

We will continue to focus on the creation of dynamic, high quality retail town centres through our $530 million development pipeline. As announced in August 2017, we are aiming to divest $300 million of retail town centres over the next 12 to 18 months, of which approximately $70 million has completed to date.

Our Retirement Living business continues to be supported by the fundamentals of an ageing population, which continues to underpin this business segment. However, sales at both existing villages and new developments over the half have been affected by the increased media attention on the sector, which has influenced customer confidence. Sales over the period were also affected by lower volumes of new development stock due to project timing.

In response to customer preferences we have increased our focus on services, facilities and health and wellbeing. We are proud of our commitment to resident satisfaction and our ability to achieve consistently high levels of satisfaction at our Retirement Living villages across Australia.

CAPITAL STRENGTH

Over the half, we have sustained disciplined capital management and strong underlying cash flows.

We have continued to actively manage our debt program, which has seen us improve our weighted average cost of debt for the period, now down to 5.3 per cent from 5.5 per cent in FY17. Our A-/stable credit rating from Standard & Poor's and A3 credit rating from Moody's were retained and demonstrate the strength of our balance sheet.

We have suspended the distribution reinvestment plan (DRP) for the period, as the DRP price of $4.03 is at a discount to our current net tangible assets of $4.18. The Group has sufficient capital to maintain current development and investment activity and remain within our target gearing range.

OPERATIONAL EXCELLENCE

We remain extremely proud of our leadership and commitment to sustainability. This year we will set a new standard for solar energy in Australian property as we commence the rollout of our $23.5 million solar initiative across 10 of our retail town centres. The initiative will generate strong shared value for both our investors and our communities.

We also continue to invest in technology and innovation, which is critical to maintaining a competitive cost structure, and responding to global trends and the changing preferences of our customers.

OUTLOOK

With a strong balance sheet, good earnings visibility and robust, growing development pipelines, we are well placed to respond to the needs of Australia's growing population.

We expect economic conditions to remain relatively favourable with the economic fundamentals, here in Australia and abroad, remaining positive and interest rates at historically low levels.

Assuming no material change in market conditions, we remain on track to achieve our target FFO growth per security of 5.0 – 6.5 per cent for the full year.

For more detailed insights on our half year performance and outlook we encourage you to visit our investor centre stockland.com.au/investor-centre

TOM POCKETT

MARK STEINERT

Directors' Report

Half year ended 31 December 2017

The Directors of Stockland Corporation Limited (ACN 000 181 733) and the Directors of Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust (ARSN 092 897 348), present their report together with the Financial Report of Stockland and the Financial Report of the Trust for the half year ended 31 December 2017 and the Independent Auditor's Review Report thereon.

The Financial Report of Stockland comprises the consolidated Financial Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities, (collectively referred to as 'Stockland' or 'Group'). The Financial Report of Trust comprises the consolidated Financial Report of the Trust and its controlled entities ('Stockland Trust Group' or 'the Trust').

Operating and Financial Review

About Stockland

Stockland is one of the largest diversified property groups in Australia with more than $17.9 billion of real estate assets. We are Australia's largest community creator and hence we own, manage and develop retail town centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

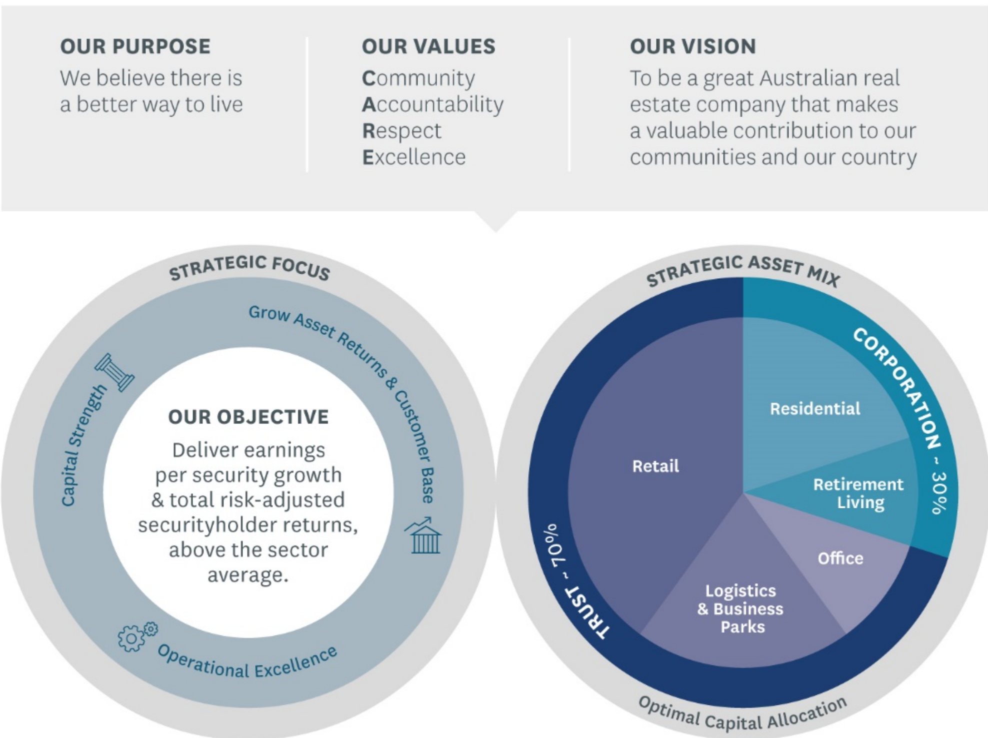
Founded in 1952, today Stockland leverages its diversified model to help create thriving communities with dynamic town centres where people live, shop and work. Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

This approach is underpinned by our purpose – "we believe there is a better way to live" – and is brought to life by our employees who are guided by Stockland's values of Community, Accountability, Respect, and Excellence (CARE).

Our primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality communities and property assets and delivering great customer experiences.

To optimise value to securityholders we are structured as a stapled security: a combination of a share in Stockland Corporation and a unit in Stockland Trust that are together traded as one security on the Australian Securities Exchange. This stapled structure allows Stockland to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

Our strategy



Five year indicative asset mix

We focus on three strategic priorities:

- grow asset returns by providing great customer experiences – actively managing our portfolio and developing new assets
- operational excellence – improving the way we operate across the Group to drive efficiencies, compliance, sustainability and employee engagement
- capital strength – actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

Strategic priorities	
Grow asset returns and our customer base	• Create liveable, affordable and sustainable communities • Develop and manage resilient retail town centres • Active asset management and portfolio optimisation • Accretive development
Operational excellence	• Continuously improve the customer experience • Maintain sustainability leadership • Digitise our business
Capital strength	• Maintain investment grade credit ratings • Gearing within 20 – 30 per cent • Safeguard diverse funding sources • Maintain strong operating cash flow

Risks and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks faced in the business. We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long term value for securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business. More information on Stockland's risk management policy is available at stockland.com.au/corporate-governance.

There are various risks that could impact our business. The nature and potential impact of these risks change over time. For example, future climate change impacts will place greater demands on our assets and communities and influence the actions and behaviours of our stakeholders. Climate change risks and opportunities are reflected in several risks listed below: extreme weather events, changing regulation, and the ability to develop products that meet anticipated future demand. For more information on our climate change action, including governance, strategy, performance and sustainability targets, refer to our response to the Task Force on Climate Related Financial Disclosure's recommendations online at stockland.com.au/corporate-governance.

Our risks include but are not limited to:

	Risk	Our response
Short term – strategy execution	Increased competition and changing market conditions impact our opportunities for growth	Continue to: • maintain a diversified business model at scale in each sector • reinvest in our assets to meet changing customer needs • focus on retaining a strong balance sheet with appropriate gearing • use diverse funding sources • concentrate on efficiency and cost management • maintain a prudent approach to provisioning and forecasting • proactively replenish our land and asset pipelines • maintain discipline and agility in our investment decision making • use a rigorous whole of business approach informed by detailed research to drive our capital allocation process
	Systems enhancements affect business process efficiency	As part of our continued investment in the efficiency of our operations, we have made significant progress on improving the Group's systems capabilities including the successful implementation of Salesforce and SAP SuccessFactors. Deployment of further SAP and Salesforce capabilities will continue during this year. We continue to maintain two-way engagement with employees to enable a smooth transition.

	Risk	Our response
	Housing affordability is increasingly challenging in Australia	Our Residential business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We believe a suite of measures is required to unlock housing supply and address affordability. These include early planning and delivery of infrastructure and simplified development controls to enable housing diversity. Our affordability initiatives have given first home buyers priority to purchase land and get a foothold in the market with around 50 per cent of sales to this segment. We will also continue to: • partner with government and industry to drive solutions • provide a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments • balance the demand from home owners and investors so that our residential communities remain attractive to future buyers
	Extreme weather, security risks and price shocks impact business continuity and community resilience	Continue to: • train our employees and increase their risk awareness • undertake regular scenario testing • engage with peers and across industries • invest in asset upgrades and adapt community design to improve resilience • assess and implement wholesale energy strategies and renewable energy installations
	Change within the retail sector impacts rental growth	The retail landscape is constantly evolving. Within the last 10 years the sector has seen a convergence of technological advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers. We have been proactive and have pre-empted many of the changes. We continue to: • focus on experiential retail, health, services and food catering • redevelop our assets to create diverse, walkable town centres that form the social hub of the community • leverage deep customer insights and analytics to inform our tenant remixing
	Regulatory changes impact our business and customers	Continue to: • engage with industry and government on policy areas including taxation and planning reform • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and prepared for potential regulatory changes
	Continued negative retirement living media coverage impacts sector performance	Continue to: • have an open and respectful approach to our retirement living residents, and remain committed to being transparent and up-front about costs associated with living in our retirement villages • proactively engage with residents to maintain high satisfaction levels and standards of care • focus on health and wellbeing and our approach to care • demonstrate industry leadership and work with our peers to lift industry standards • review product and contract choice to meet changing customer preferences
Longer term – changing marketplace	Ability to develop products that meet anticipated future customer and societal demands	Continue to: • foster a culture of innovation where we remain flexible, and identify and take advantage of opportunities to leverage movements in stakeholder preferences • evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community), Quantium (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources • focus on creating sustainable and liveable communities and assets, resilient to changes in climate • enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing demographics, including an aging population and more socially conscious millennials
	Our ability to harness opportunities arising from digital disruption	Continue to: • identify, develop and integrate technological enhancements across our business, including online residential and retirement living engagement opportunities • support Stockland retail town centres as thriving community hubs by delivering quality services and community spaces that are e-enabled

Risk	Our response
Capital market volatility impacts our ability to access suitable capital	Our long term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. Variable economic activity and changing capitalisation rates may impact the valuation of our assets. So that we are able to continue to raise sufficient capital to fund growth, we will continue to: • focus on retaining a strong balance sheet at appropriate levels of gearing • maintain and increase access to diverse funding sources • maintain our prudent capital management policies
Ability to adapt our operating model to meet the changing nature of the workforce	Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work and encouraging creative and adaptive teamwork. This year we successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working. We will continue to: • encourage flexible work practices supported by our new collaboration platforms • train our senior leaders to be more agile and resilient through programs such as our Stockland Leadership Experience
Increasing expectation on corporates	Community expectations on the social and behavioural operations of a "good corporate" are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues. We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development.

Stockland results and outlook

Key metrics

- Half year distribution was 13.0 cents per security
- Statutory profit was $684 million, down 2.6 per cent on 1H17
- Statutory EPS was 28.3 cents, down 3.4 per cent on 1H17
- Funds from operations (FFO) was $436 million, up 18.2 per cent on 1H17
- FFO per security was 18.0 cents, up 16.9 per cent on 1H17
- Gearing was 23.0 per cent compared to 22.7 per cent in FY17
- Return on equity[1] was 11.7 per cent, excluding workout assets

Stockland has delivered strong profit for the half year ended 31 December 2017, reflecting the benefits of our diversified business model delivering solid results for the Group. Statutory profit for the half was $684 million and the Group generated funds from operations (FFO) of $436 million, an increase of 18.2 per cent on the previous corresponding period.

Our continued focus on community creation and leveraging our diverse sector capability are delivering some of the most liveable, affordable and connected communities in Australia and consistently, growing returns for our securityholders.

This focus continues to generate strong demand across our Residential business; consistent leads for our Retirement Living business; vibrant, resilient Retail Town Centres; and employment hubs in our Logistics and Business Parks.

Our strategy to broaden our customer reach, grow our asset returns, improve operational efficiency and maintain capital strength, is driving sustainable profit growth in an environment that has presented some challenging conditions for some of our operating sectors.

Our Residential business delivered particularly strong returns and settlements across the country. Around half of our residential customers are first home buyers and over 75 per cent are owner occupiers, which places us in a preferred position in the current residential lending and government policy environment.

Our Commercial Property business continues to deliver solid profit, with the Retail Town Centre business seeing sales growth in the second quarter after a flat start to the half and our growing Logistics and Business Parks business with 99 per cent occupancy across the portfolio.

[1] Return on equity accumulates individual business return on assets and incorporates cash interest paid and average drawn debt for the 12 month period ended 31 December 2017. Excludes residential communities workout projects.

The Retirement Living business continues to be supported by the fundamentals of an ageing population, which continues to underpin this business segment. However, sales at both existing villages and new developments over the half have been affected by the increased media attention on the sector, which has influenced customer confidence. Sales over the period were also affected by lower volumes of new development stock due to project timing. Resident satisfaction levels consistently rate above 84 per cent, and in response to customer preferences we have an increased focus on health and wellbeing.

We remain proud of our leadership and commitment to excellence in sustainability. In 2017, we committed to investing in sustainable energy and are proud to be setting a new standard in solar for Australian property. This year we are commencing the rollout of our $23.5 million solar initiative across 10 of our Retail Town Centres, which will help create clean, green energy for our retailers, our customers and the communities we operate in. Investing in technology like solar energy makes good business sense. Our forecast average yield over a 10 year period for the solar project is 11.6 per cent on capital invested, which will generate strong shared value for both our investors and our communities.

In 2017, we were recognised as a global leader in sustainability, including being the only Australian company to be included on the 2017 Climate A list released by CDP[2], and we were named the Global Leader for the Listed Diversified – Office/Retail category in the GRESB (Global Real Estate Sustainability Benchmark) survey. We were also listed on the World Dow Jones Sustainability Index for the 11th consecutive year, after being recognised as the most sustainable real estate company in the world in 2011, 2013, 2015 and 2016.

We continue to invest in technology and innovation, which is critical to maintaining a competitive cost structure, and responding to global trends and the changing preferences of our customers.

Outlook

Our results continue to be driven by our integrated approach to community creation, active asset management, and disciplined approach to capital allocation and management.

We expect economic conditions to remain relatively favourable. The economic fundamentals, in Australia and abroad, remain positive and interest rates are still historically low.

Population growth and associated infrastructure investment are key drivers of all our businesses and with a strong balance sheet, good earnings visibility and robust, growing pipelines we are well placed to respond to the needs of Australia needs over the next decade.

Assuming no material change in market conditions, we remain on track to achieve our target FFO growth per security of 5.0 – 6.5 per cent for the full year, with growth skewed to the first half due to timing of residential settlements, and a full year distribution of 26.5 cents per security, representing growth of 4 per cent and within the target range of 75 – 85 per cent FFO.

[2] Leading sustainability ratings agency, formerly known as the Carbon Disclosure Project.

Funds from operations (FFO)

FFO is our primary reporting measure. FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. It is designed to present the results of the ongoing operating activities of Stockland in a way that reflects our underlying performance. FFO is the basis on which the dividends and distributions are determined.

FFO excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities. Stockland also excludes income tax expenses or benefits that do not represent a cash settlement, due to a build-up of tax losses.

FFO and statutory profit reconciliation

	2017			2016		
Half year ended 31 December	**FFO $M**	**Statutory adjustments $M**	**Statutory results $M**	**FFO $M**	**Statutory adjustments $M**	**Statutory results $M**
Revenue	**1,346**	**(9)**	**1,337**	1,182	(13)	1,169
Cost of property developments sold:						
• land and development	**(595)**	**–**	**(595)**	(556)	–	(556)
• capitalised interest	**(57)**	**–**	**(57)**	(76)	–	(76)
• utilisation of provision for impairment of inventories	**23**	**1**	**24**	96	–	96
Investment property expenses	**(124)**	**(7)**	**(131)**	(117)	(6)	(123)
Share of profits of equity-accounted investments	**15**	**(3)**	**12**	15	29	44
Management, administration, marketing and selling expenses	**(142)**	**–**	**(142)**	(143)	–	(143)
Net change in fair value of investment properties:						
• Commercial Property	**–**	**130**	**130**	–	167	167
• Retirement Living	**6**	**105**	**111**	8	48	56
Net change in fair value of Retirement Living resident obligations	**–**	**(72)**	**(72)**	–	(37)	(37)
Net gain on other financial assets	**–**	**26**	**26**	–	–	–
Net loss on sale of other non-current assets	**–**	**(2)**	**(2)**	–	(2)	(2)
Finance income	**1**	**5**	**6**	2	126	128
Finance expense	**(37)**	**–**	**(37)**	(42)	–	(42)
Profit before income tax	**436**	**174**	**610**	369	312	681
Income tax benefit	**–**	**74**	**74**	–	21	21
Profit for the period	**436**	**248**	**684**	369	333	702
Earnings per security (cents)	**18.0**		**28.3**	15.4		29.3

Strong settlements for our Residential business have contributed to 14 per cent growth in revenue to $1,337 million for the period. FFO growth was strong at 18.2 per cent and statutory profit decreased marginally to $684 million in the half year ended 31 December 2017 primarily due to lower finance income which included a $126 million fair value gain on mark to market of derivatives and financial instruments in 1H17.

The adjustments excluded from FFO include valuation movements on investment property, primarily due to rental growth and capitalisation rate compression across our Logistics and Business Parks, Office portfolios, valuation uplift from our retail town centre redevelopment at Green Hills (NSW), price growth for Retirement Living dwellings and movements in derivative and financial instrument market values compared to book value.

The net gain on other financial assets relates primarily to the gain resulting from the $25 million return of capital received from our investment in BGP Holdings which is excluded from FFO as a one off item.

The net income tax benefit in the current year is due to the recognition of previously unbooked tax losses, resulting in an increase in our deferred tax assets.

Capital management

Financial position

We maintained our focus on prudent balance sheet management, including using diverse funding sources throughout the half year. During the current period Stockland repaid USD 40 million ($61 million) of notes that were issued in the US private placement market. In January 2018 new US private placement notes equivalent to $286 million were issued with tranches of between 10 and 15 years. The new notes were issued at a competitive rate and demonstrate continued strong support from debt investors and acknowledgement of our robust credit profile. Our gearing level increased marginally to 23.0 per cent at 31 December 2017 (June 2017: 22.7 per cent), as continued reinvestment into our businesses during the half year was partially funded by an increase in drawn debt. Gearing remains within our target range of 20 – 30 per cent and we continue to retain our A-/Stable credit rating from S&P and A3 rating from Moody's (equivalent to S&P's A-).

We manage our exposure to financial markets, including movements in foreign exchange rates and interest rates, through the use of derivative financial instruments in order to provide greater certainty over future financing costs, taking advantage in particular of the current historically low interest rate environment. The fixed/hedged ratio represents the proportion of debt that has a fixed interest rate based on drawn debt at 31 December 2017. In line with our expectations, the fixed/hedge ratio was 100 per cent at 31 December 2017 (June 2017: 109 per cent) as we increased our drawn debt position and managed the amount of fixed debt used. The weighted average cost of debt for the period has decreased to 5.3 per cent (June 2017: 5.5 per cent) as we focus on new lower cost debt and older, higher cost hedges continue to expire.

Interest cover has increased to 5.1:1 (June 2017: 4.8:1) due to stronger underlying earnings from the Residential business.

Balance Sheet

	December 2017 $M	June 2017 $M	Change %
Cash and cash equivalents	**174**	238	↓26.9%
Real estate assets[3]:			
• Commercial Property	**10,537**	10,255	↑2.7%
• Residential	**3,373**	2,453	↑37.5%
• Retirement Living	**4,075**	3,848	↑5.9%
Other assets	**708**	701	↑1.0%
Total assets	**18,867**	17,495	
Interest bearing loans and borrowings	**3,794**	3,529	↑7.5%
Retirement Living resident obligations	**2,693**	2,629	↑2.4%
Other liabilities	**2,040**	1,410	↑44.7%
Total liabilities	**8,527**	7,568	
Net assets/total equity	**10,340**	9,927	

The Commercial Property investment portfolio has increased by $282 million to $10,537 million primarily due to net valuation uplift (up $124 million including equity-accounted investments) and capital and development expenditure of $225 million, partially offset by the $69 million disposal of Corrimal (NSW).

The Retail Town Centre portfolio valuation increase was driven by the $47 million revaluation of the development of Green Hills (NSW), which is now more than 75 per cent complete. Some centres declined in value post tenant remixing. Our Logistics and Business Parks and Office portfolios delivered valuation gains of $47 million and $34 million respectively during the period driven by rental growth and continued capitalisation rate compression across several assets. Valuation gains across the portfolio saw our weighted average capitalisation rate reduce marginally from 6.2 per cent to 6.1 per cent.

The increase in capital and development expenditure reflects the continued investment in the Retail Town Centre and Logistics and Business Park development pipeline including the $414 million redevelopment of Green Hills (NSW).

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

Residential assets, which represent mainly land under development, increased to $3,373 million at 31 December 2017 as we successfully re-stocked our portfolio through land acquisitions including land previously acquired on capital efficient terms settled during the period. Furthermore, we made new capital efficient acquisitions through put and call options, whereby an asset is recognised at 31 December 2017 with a corresponding liability included within other liabilities, relating to future payments for this land. We maintained a disciplined approach to development expenditure and finished goods levels remain appropriate. Excluding acquisitions, the underlying asset value of Residential has fallen, because of the significant settlements recorded during the period.

The value of the Retirement Living real estate related assets, net of resident obligations, was $1,382 million, an increase of $163 million from June 2017. This primarily reflects capital expenditure on the development pipeline at Birtinya (Qld), The Residences - Cardinal Freeman (NSW) and Willowdale (NSW), fair value uplift on the Retirement Living portfolio, partly offset by an increase in resident loan obligations created on first sales of development units.

Total debt increased by $265 million to $3,794 million at 31 December 2017 as a result of increased operating activity during the half year funded by the drawing down of bank debt, offset by the maturity of USD 40 million ($61 million) in US Private Placement notes, and includes the fair value movements on the debt.

Cash flows

Half year ended 31 December	2017 $M	2016 $M	Change %
Operating cash flows (excluding payments for land)	**570**	385	↑48.1%
Payments for land	**(392)**	(70)	↑460.0%
Investing cash flows	**(286)**	(174)	↑64.4%
Financing cash flows	**44**	(67)	↑165.7%
Net change in cash and cash equivalents	**(64)**	74	↓186.5%
Cash and cash equivalents at the end of the period	**174**	282	↓38.3%

Net operating cash inflows (excluding payments for land) increased primarily as a result of a $144 million increase in property development sales, driven by an additional 357 residential lots settled compared to the prior corresponding period. In addition, $60 million was received relating to deferred settlements.

Payments for land have increased significantly driven by deferred settlement payments for acquisitions made in previous periods and a number of payments relating to strategic acquisitions during the current period to restock our portfolio, with 7,000 new lots acquired in Sydney and Perth.

Net cash outflows from investing activities have increased significantly against 1H17, driven mainly by development expenditure of $198 million (1H17: $98 million) and capital expenditure of $57 million (1H17: $80 million) across our Commercial Property assets. Similarly, development expenditure and capital expenditure within the Retirement Living business has increased to $67 million (1H17: $53 million) and $24 million (1H17: $7 million) respectively. This is due to the timing and mix of projects this half. On a full year basis investing cash flows are expected to be consistent with prior year.

Net financing cash inflows reflect the net proceeds from borrowings to fund acquisitions and development expenditure, offset by dividends and distributions paid during the period. The improvement is mainly due to the net increase in bank debt drawn.

Equity

Dividend/distribution reinvestment plan (DRP)

On 21 February 2018 we announced the suspension of the Distribution Reinvestment Plan (DRP) in respect of the half year distribution for the six months ended 31 December 2017.

The proposed DRP issue price of Stockland stapled securities announced on 16 February 2018 of $4.03 is below the Group's net tangible assets per security at 31 December 2017 of $4.18, and significantly below the closing price of $4.74 on 14 December 2017, the day the operation of the DRP was announced.

As a result, the Directors have formed the view that some Stockland securityholders may be disadvantaged if the issue were to proceed.

The Group has sufficient capital to maintain its development and investment activity.

Distributions

The dividend and distribution payable for the half year ended 31 December 2017 is 13.0 cents per security, with a forecast full year distribution of 26.5 cents for the year to 30 June 2018, assuming no material change in market conditions. Our distribution policy is to pay the higher of 100 per cent of Trust taxable income or 75 – 85 per cent of FFO.

The distribution for the half year comprises:

Stockland	1H18 Cents	1H17 Cents
Stockland Corporation dividend, fully franked	**–**	–
Trust distribution	**13.0**	12.6
Total dividend/distribution	**13.0**	12.6

Registers closed at 5.00pm on 29 December 2017 to determine entitlement to the interim dividend/distribution, which will be paid on 28 February 2018.

Business unit performance and priorities

Commercial Property

Our Commercial Property business comprises retail town centres, logistics and business parks, and office assets.

We are one of the largest retail property owners, developers and managers in Australia. Our 40 retail town centres accommodate more than 3,500 retailers. The Logistics and Business Parks portfolio comprises 27 properties, with 1.4 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment. The Office portfolio comprises eight assets, mostly in Sydney.

Portfolio at 31 December 2017	Approximate value*
40 retail town centres	$7.2 billion
27 logistics and business parks	$2.1 billion
8 office buildings	$0.9 billion
75 Commercial Property assets	**$10.2 billion**

*Stockland's ownership interest excluding capital works in progress and sundry properties.

	Funds from operations			
Commercial Property ($M, unless otherwise stated)	**1H18**	**1H17**	**Change**	**Comparable growth**
• Retail Town Centres	**209**	**207**	↑1.1%	↑2.7%
• Logistics and Business Parks	**74**	**72**	↑1.9%	↑4.6%
• Office	**26**	**34**	↓23.1%	↓2.8%
Trading profit	**1**	**5**		
Net overheads	**(8)**	**(6)**		
Total Commercial Property	**302**	**312**	↓3.4%	↑2.6%
ROA	**7.7%**	**8.2%**		

Our Commercial Property business continues to deliver solid profit with comparable FFO up 2.6 per cent across the portfolio. We expect our Commercial Property business to maintain moderate growth in returns with comparable FFO growth of 2 – 3 per cent impacted by higher outgoings and non-Sydney office vacancy.

Across our Commercial Property portfolio, revaluations produced a net uplift of $124 million for the half year including good gains from several of our recently redeveloped assets, however we have also seen valuation declines at some retail town centres post tenant remixing.

Retail Town Centres

The retail environment remains subdued, however across our portfolio of retail town centres in 1H18 we have delivered positive FFO growth of 1.1 per cent and maintained high occupancy with an intense focus on upgrading and remixing our centres in line with customer preferences. Overall, we continue to achieve positive growth in rents for both new leases +1.4 per cent and renewals +2.3 per cent, with a strong focus on the sustainability of our tenants' occupancy costs.

The priority of our remixing strategy is to future proof the portfolio through increasing services, lifestyle, health, dining and entertainment uses to address customer demand and increase the resilience of our centres. Close to 90 per cent of our Retail Town Centre portfolio comprises centres that lead their catchment area or are mixed use, CBD, or community neighbourhood centres.

The integration between the digital and the physical remains a priority for our customers and tenants so technology and digital enhancements, along with upgrading wayfinding, carparking, and communal spaces remains a focus not only to ensure a high quality customer experience, but attract a broader range of tenants and partners.

Following a flat start to the half year, retail sales growth for the second quarter improved to 2 per cent, returning the comparable MAT to positive growth. Growth in specialty retail sales of 10.0 per cent in retail services and 2.8 per cent in casual dining and food catering over the half reflects the success of our remixing strategy.

Our focused asset management and development activity continues to ensure our town centres are the heart of their communities. In addition to the $414 million redevelopment nearing completion at Green Hills (NSW) and our extensive pipeline of greenfield town centres in our masterplanned communities business, we currently have 20 smaller upgrade and remixing projects underway or recently completed.

Our holistic approach to community creation is enhancing our reputation for providing high quality communities and customer experiences for our residential and retirement living customers. The early delivery of retail amenities to our customers is key to providing desirable, liveable communities, and enhanced profit returns over the longer term. Our Birtinya town centre is currently under construction within our Oceanside (Qld) masterplanned community and a number of new retail town centres are in planning.

Since the stage two opening of our major Green Hills (NSW) development in November 2017, we have seen record trading and traffic and overwhelmingly positive feedback from customers, tenants and investors. We look forward to the official centre opening on 22 March 2018, followed by the final international mini major and HOYTS theatre complex by the end of June 2018.

Following the sale of the Corrimal (NSW) shopping centre, we continue to take a considered approach to non-core asset disposals and remain focused on introducing third party capital across our assets. This quarter we will place Stockland Highlands on the market and as announced in August 2017 we are aiming to divest $300 million of retail town centres over the next 12 to 18 months, of which approximately $70 million has completed to date.

Retail Town Centre strategic priorities

The Retail Town Centre business maintains its focus on creating market leading town centres, redeveloping our most productive assets to create community and entertainment hubs and maximise trade area market share. We have $537 million at cost, of retail town centre development under construction and a future pipeline of $530 million, targeting incremental IRRs[4] of 9 plus per cent and stabilised FFO yields of 7 plus per cent from this activity.

Our retail town centre mix continues to evolve, underpinned by supermarkets, mini majors, food catering, fast casual dining, speciality food, theatre, targeted apparel, health and retail services.

We will continue to focus on tailoring our offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and invest in industry research and technology to adapt to an evolving retail landscape.

Logistics and Business Parks

Our Logistics and Business Parks business has once again delivered strong results with comparable FFO up 4.6 per cent on the previous corresponding period. We remain on track with our strategy to continue growing this segment, with a target of increasing its weighting within the portfolio to 20 per cent.

Occupancy remains at 99 per cent and we have achieved a number of development milestones including the recent submission of a development application to transform one of our Macquarie Park (NSW) assets into an advanced technology and innovation precinct.

We currently have $176 million of projects under construction and an additional development pipeline of over $590 million targeting 7 per cent yields and focused on the eastern seaboard capital cities. Upgrading existing,

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

well located estates has proven extremely successful with the transformation of our Hendra facility (Qld) – which resulted in a tightening in capitalisation rate from 8.25 to 7.75 per cent – evidence of this strategy. We undertook similar work at our Oakleigh facility (Vic), which resulted in a tightening of capitalisation rates from 9.25 per cent to 6.25 per cent and improved the WALE to 5.3 years.

We have new facilities under construction at Warwick Farm in Sydney (NSW), which is more than two thirds pre-leased to Daikin, Ingleburn and Yennora in Sydney (NSW) and at our masterplanned community, Aura (Qld).

The value of our Logistics and Business Parks business has risen around $600 million over the past four years, from $1.5 billion to $2.1 billion, and now represents 14 per cent of our total Group asset value.

Logistics and Business Parks strategic priorities

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

Office

Comparable FFO for the period was down 2.8 per cent, largely due to higher vacancies in Perth and the ACT, however these assets are progressively being leased. Our Sydney office portfolio, which represents the majority of office assets, performed well this period.

We continue to assess development opportunities for our Sydney assets, a number of which have higher and better use options and will consider divestment opportunities for optimised assets.

Office strategic priorities

In Office we continue to focus on optimising returns. We intend to retain the majority of our residual office portfolio (strongly weighted to Sydney) while we maximise returns and assess development opportunities over time. Joint ventures (or part sales) will also be considered as appropriate.

Residential

Stockland is the largest residential land developer in Australia. The business has 58 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country. We hold 85,000 lots in our portfolio, with a total end value of approximately $22.8 billion[5].

Performance

Residential Communities ($M, unless otherwise stated)	1H18	1H17	Change
Total lots settled (lots)	**3,210**	**2,853**	↑12.5%
Total revenue	**870**	**708**	↑22.9%
• including superlot revenue	**22**	**61**	↓63.4%
EBIT (before interest in COGS)	**232**	**176**	↑32.2%
EBIT margin	**26.7%**	**24.8%**	↑
Operating profit (FFO)	**182**	**100**	↑82.8%
Operating profit margin	**20.9%**	**14.1%**	↓
ROA – total portfolio	**22.5%**	**11.6%**	↓
ROA – core portfolio[6]	**24.7%**	**19.2%**	↑

Our Residential business delivered exceptionally strong returns and settlements over the half. Operating profit grew over 80 per cent to $182 million in 1H18. We settled a record 3,210 lots, up 12.5 per cent on the corresponding period, and achieved a net operating profit margin of 20.9 per cent.

We have intentionally increased our weighting to Sydney and Melbourne housing where the markets continue to be driven by structural undersupply. We expect the Queensland market to benefit from interstate migration and reasonable jobs growth and the Perth market to remain relatively flat in the short term as economic indicators continue to stabilise.

Whilst changed macroprudential measures have seen a moderation in interest levels from offshore buyers and some investors over the past year, interest from owner occupiers and first home buyers has increased, with the

[5] Excluding value on projects identified for disposal and assuming no material change in market conditions.
[6] Core excludes workout projects.

Real Estate Institute of Australia recently announcing that the number of home loans to first home buyers is at its highest level since 2009.

Around half of our residential customers are first home buyers and more than 75 per cent are owner occupiers, which places us in a preferred position in the current residential lending and regulatory environment.

We launched our new project at Mt. Atkinson in Melbourne to record demand and strong pre-sales and we have a further four project launches in the second half of FY18, with initial releases planned for Truganina and Waterlea in Melbourne (Vic), and Paradise Waters in Brisbane (Qld).

In December, we entered a conditional agreement to purchase 184 hectares of land for $398 million in Marsden Park (NSW), the heart of Sydney's strong north west growth centre and adjacent to one of our most successful projects, Elara. We also took a counter-cyclical opportunity to purchase three sites in Perth, on capital efficient terms, for medium to long term development.

More than 95 per cent of our residential business earnings over FY18 – FY20 will be generated by our masterplanned communities, and we continue to progress our disciplined re-entry into the apartment market.

In line with guidance, approximately 6,500 residential settlements are expected for FY18. Operating profit margins are forecast at around 17 per cent in FY18 and for the next two to three years, subject to no material change in market conditions.

Residential strategic priorities

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

(1) reshaping the portfolio – actively manage the portfolio to improve returns and achieve and maintain an optimal pipeline with a preference to acquire land on capital efficient terms.

(2) broaden our market reach – increase revenue by creating a better community value proposition that drives high customer referrals and broaden market reach through a medium density/built form offering.

(3) improving efficiency – continue to manage costs and innovate to improve project delivery.

Retirement Living

Stockland is a top three retirement living operator within Australia, with over 9,600 established units in 65 established villages across five states and the ACT. The portfolio includes a development pipeline of over 3,100 units.

Performance

Retirement Living ($M, unless otherwise stated)	**1H18**	**1H17**	**Change**
EBIT	**19**	**28**	↓30.4%
Operating profit (FFO)	**18**	**26**	↓29.7%
Occupancy	**94.7%**	**94.6%**	↑
Cash ROA	**5.3%**	**6.4%**	↓
Established			
• Established settlements (units)	**272**	**325**	↓16.3%
• Withheld settlements (units)	**23**	**9**	↑
Total sales volumes (units)	**295**	**334**	↓11.7%
Average re-sale price	**$347k**	**$325k**	↑6.8%
Turnover cash margin	**26.2%**	**26.9%**	↓
Reservations on hand (units)	**157**	**184**	↓14.7%
Development			
Average price per unit	**$469k**	**$449k**	↑4.5%
Average margin – excludes DMF	**19.5%**	**18.0%**	↑
Development settlements (units)	**66**	**102**	↓35.3%
Reservations on hand (units)	**87**	**125**	↓30.4%

Operating profit in Retirement Living was $18 million, down 29.7 per cent on the corresponding period. The Retirement Living business continues to be supported by the fundamentals of an ageing population, which continues to underpin this business segment. However, sales at both existing villages and new developments over the half have been affected by the increased media attention on the sector, which has influenced customer confidence. Sales over the period were also affected by lower volumes of new development stock due to project timing. During the half we completed 28 development units, compared to 80 in the prior period, resulting in lower development volumes available for reservation.

The population of over 65s segment is growing at almost twice the rate of the rest of Australia and we expect market demand in this sector to continue to rise as the population ages. Our repositioning strategy and development pipeline reflects the changing preferences of retirees and our new contract choices and product offerings will continue to broaden our customer reach.

At our new Retirement Living developments we continue to see growth in the average price per unit, at 4.5 per cent for the period, reflecting the quality of our villages. Resident satisfaction levels consistently rate above 84 per cent, and in response to customer preferences we have an increased focus on health and wellbeing. We are also partnering with service providers to assist our residents and pursuing development opportunities with aged care providers to deliver on-site continuity of care.

We are looking forward to a number of new development launches this half, including the next stage of our very successful The Residences - Cardinal Freeman project in Sydney (NSW), and have commenced construction of our new village at Newport in Brisbane (Qld). We also entered into a long term development lease at Epping, Sydney, that will ultimately deliver 200 retirement living apartments integrated with 130 aged care units.

We continue to focus on service and facility enhancements and seek opportunities to divest non-core retirement living assets. We expect 1H18 retirement living market conditions to continue into 2H18.

Retirement Living strategic priorities

The business remains focused on being a preferred operator and developer of retirement living villages. The business has a clear strategy to continue to improve its ROA by:

(1) differentiating the customer experience through access to a range of resident care and other services;

(2) actively managing the portfolio; and

(3) growing development volumes.

Directors' Report

Half year ended 31 December 2017

Directors

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

Non-Executive Directors

Mr Tom Pockett	Chairman
Ms Carolyn Hewson	
Mr Barry Neil	
Mr Stephen Newton	
Dr Nora Scheinkestel	
Ms Carol Schwartz	
Mr Andrew Stevens	(appointed 1 July 2017)

Executive Director

Mr Mark Steinert	Managing Director and Chief Executive Officer

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 17 and forms part of the Directors' Report for the half year ended 31 December 2017.

Rounding off

Stockland is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 21 February 2018

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

Half year ended 31 December 2017

Auditor's Independence Declaration

As lead auditor for the review of Stockland Corporation Limited and Stockland Trust for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

S J Hadfield
Partner
PricewaterhouseCoopers

Sydney
21 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au.

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

Half year ended 31 December 2017

		Stockland		Trust	
Half year ended 31 December	**Section**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Revenue	B1	**1,337**	1,169	**385**	383
Cost of property developments sold:					
• land and development		**(595)**	(556)	**–**	–
• capitalised interest		**(57)**	(76)	**–**	–
• utilisation of provision for impairment of inventories		**24**	96	**–**	–
Investment property expenses		**(131)**	(123)	**(125)**	(118)
Share of profits of equity-accounted investments	E1	**12**	44	**12**	44
Management, administration, marketing and selling expenses		**(142)**	(143)	**(17)**	(20)
Net change in fair value of investment properties:					
• Commercial Property	C1b	**130**	167	**103**	132
• Retirement Living	B2c	**111**	56	**–**	–
Net change in fair value of Retirement Living resident obligations	B2c	**(72)**	(37)	**–**	–
Net gain on other financial assets	D3	**26**	–	**–**	–
Net loss on sale of other non-current assets		**(2)**	(2)	**(2)**	–
Finance income	D1	**6**	128	**133**	262
Finance expense	D1	**(37)**	(42)	**(91)**	(96)
Profit before income tax		**610**	681	**398**	587
Income tax benefit	B3a	**74**	21	**–**	–
Profit for the period		**684**	702	**398**	587
Items that are or may be reclassified to profit or loss, net of tax					
Available for sale financial assets – net change in fair value	D3a	**2**	64	**–**	–
Available for sale financial assets – reclassified to profit or loss	D3a	**(17)**	–	**–**	–
Cash flow hedges – net change in fair value of effective portion		**6**	(10)	**6**	(10)
Cash flow hedges – reclassified to profit or loss		**(1)**	(1)	**(1)**	(1)
Other comprehensive income, net of tax		**(10)**	53	**5**	(11)
Total comprehensive income for the period		**674**	755	**403**	576
Basic earnings per security (cents)	F1	**28.3**	29.3	**16.4**	24.5
Diluted earnings per security (cents)	F1	**28.2**	29.2	**16.4**	24.4

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

Consolidated Balance Sheets

As at 31 December 2017

	Section	Stockland 31 December 2017 $M	Stockland 30 June 2017 $M	Trust 31 December 2017 $M	Trust 30 June 2017 $M
Current assets					
Cash and cash equivalents		**174**	238	**81**	117
Trade and other receivables		**87**	139	**23**	22
Inventories	C1a	**887**	756	**–**	–
Other financial assets	D3, D4	**–**	23	**–**	–
Other assets		**113**	96	**87**	71
		1,261	1,252	**191**	210
Non-current assets held for sale	C1d	**–**	71	**–**	69
Total current assets		**1,261**	1,323	**191**	279
Non-current assets					
Trade and other receivables		**80**	83	**3,445**	3,252
Inventories	C1a	**2,507**	1,725	**–**	–
Investment properties – Commercial Property	C1b	**9,647**	9,285	**9,537**	9,186
Investment properties – Retirement Living	C1c	**4,031**	3,824	**–**	–
Equity-accounted investments	E1	**570**	574	**552**	556
Other financial assets	D3, D4	**260**	286	**251**	278
Property, plant and equipment		**53**	51	**–**	–
Intangible assets		**174**	156	**–**	–
Deferred tax assets	B3b	**102**	22	**–**	–
Other assets		**182**	166	**184**	170
Total non-current assets		**17,606**	16,172	**13,969**	13,442
Total assets		**18,867**	17,495	**14,160**	13,721
Current liabilities					
Trade and other payables		**572**	585	**425**	410
Interest-bearing loans and borrowings	D2	**442**	267	**442**	267
Retirement Living resident obligations	C1c	**2,518**	2,444	**–**	–
Development provisions		**487**	319	**–**	–
Other financial liabilities	D4	**81**	38	**81**	38
Other liabilities		**130**	125	**66**	54
Total current liabilities		**4,230**	3,778	**1,014**	769
Non-current liabilities					
Trade and other payables		**201**	10	**–**	–
Interest-bearing loans and borrowings	D2	**3,352**	3,262	**3,352**	3,262
Retirement Living resident obligations	C1c	**175**	185	**–**	–
Development provisions		**375**	109	**–**	–
Other financial liabilities	D4	**167**	203	**167**	203
Other liabilities		**27**	21	**–**	–
Total non-current liabilities		**4,297**	3,790	**3,519**	3,465
Total liabilities		**8,527**	7,568	**4,533**	4,234
Net assets		**10,340**	9,927	**9,627**	9,487
Securityholders' equity					
Issued capital	D5	**8,849**	8,790	**7,537**	7,480
Reserves		**79**	93	**76**	75
Retained earnings/undistributed income		**1,412**	1,044	**2,014**	1,932
Total securityholders' equity		**10,340**	9,927	**9,627**	9,487

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

Consolidated Statements of Changes in Equity

Half year ended 31 December 2017

Attributable to securityholders of Stockland

	Section	Issued capital $M	Reserves: Executive remuneration $M	Reserves: Cash flow hedge $M	Reserves: Fair value $M	Retained earnings $M	Total equity $M
Opening balance as at 1 July 2016		8,681	43	63	20	447	9,254
Profit for the period		–	–	–	–	702	702
Other comprehensive income, net of tax		–	–	(11)	64	–	53
Total comprehensive income for the period		–	–	(11)	64	702	755
Dividends and distributions	D6	–	–	–	–	(303)	(303)
Securities issued under DRP	D5a	63	–	–	–	–	63
Expense relating to Share Plans, net of tax		–	9	–	–	–	9
Acquisition of treasury securities	D5b	(16)	–	–	–	–	(16)
Securities vested under Share Plans	D5b	9	(9)	–	–	–	–
Total of other movements		56	–	–	–	(303)	(247)
Balance as at 31 December 2016		8,737	43	52	84	846	9,762
Opening balance as at 1 July 2017		8,790	40	38	15	1,044	9,927
Profit for the period		**–**	**–**	**–**	**–**	**684**	**684**
Other comprehensive income, net of tax		**–**	**–**	**5**	**(15)**	**–**	**(10)**
Total comprehensive income for the period		**–**	**–**	**5**	**(15)**	**684**	**674**
Dividends and distributions	D6	**–**	**–**	**–**	**–**	**(316)**	**(316)**
Securities issued under DRP	D5a	**67**	**–**	**–**	**–**	**–**	**67**
Expense relating to Share Plans, net of tax		**–**	**8**	**–**	**–**	**–**	**8**
Acquisition of treasury securities	D5b	**(20)**	**–**	**–**	**–**	**–**	**(20)**
Securities vested under Share Plans	D5b	**12**	**(12)**	**–**	**–**	**–**	**–**
Total of other movements		**59**	**(4)**	**–**	**–**	**(316)**	**(261)**
Balance as at 31 December 2017		**8,849**	**36**	**43**	**–**	**1,412**	**10,340**

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

Consolidated Statements of Changes in Equity

Half year ended 31 December 2017

Attributable to securityholders of Trust

	Section	Issued capital $M	Reserves: Executive remuneration $M	Reserves: Cash flow hedge $M	Undistributed income $M	Total equity $M
Opening balance as at 1 July 2016		7,374	40	63	1,575	9,052
Profit for the period		–	–	–	587	587
Other comprehensive income		–	–	(11)	–	(11)
Total comprehensive income for the period		–	–	(11)	587	576
Distributions	D6	–	–	–	(303)	(303)
Securities issued under DRP	D5a	62	–	–	–	62
Expense relating to Share Plans, net of tax		–	9	–	–	9
Acquisition of treasury securities	D5b	(16)	–	–	–	(16)
Securities vested under Share Plans	D5b	9	(9)	–	–	–
Total of other movements		55	–	–	(303)	(248)
Balance as at 31 December 2016		7,429	40	52	1,859	9,380
Opening balance as at 1 July 2017		7,480	37	38	1,932	9,487
Profit for the period		**–**	**–**	**–**	**398**	**398**
Other comprehensive income		**–**	**–**	**5**	**–**	**5**
Total comprehensive income for the period		**–**	**–**	**5**	**398**	**403**
Distributions	D6	**–**	**–**	**–**	**(316)**	**(316)**
Securities issued under DRP	D5a	**64**	**–**	**–**	**–**	**64**
Expense relating to Share Plans, net of tax		**–**	**8**	**–**	**–**	**8**
Acquisition of treasury securities	D5b	**(19)**	**–**	**–**	**–**	**(19)**
Securities vested under Share Plans	D5b	**12**	**(12)**	**–**	**–**	**–**
Total of other movements		**57**	**(4)**	**–**	**(316)**	**(263)**
Balance as at 31 December 2017		**7,537**	**33**	**43**	**2,014**	**9,627**

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

Consolidated Cash Flow Statements

Half year ended 31 December 2017

		Stockland		Trust	
Half year ended 31 December	Section	2017 $M	2016 $M	2017 $M	2016 $M
Cash flows from operating activities					
Cash receipts in the course of operations (including GST)		**1,510**	1,323	**444**	442
Cash payments in the course of operations (including GST)		**(900)**	(924)	**(175)**	(197)
Payments for land		**(392)**	(70)	**–**	–
Distributions received from equity-accounted investments		**16**	17	**16**	17
Receipts from Retirement Living residents		**115**	148	**–**	–
Payments to Retirement Living residents, net of DMF		**(74)**	(78)	**–**	–
Interest received		**1**	1	**128**	135
Interest paid		**(98)**	(102)	**(98)**	(102)
Net cash inflows from operating activities	F2a	**178**	315	**315**	295
Cash flows from investing activities					
Proceeds from sale of investment properties		**77**	74	**68**	72
Payments for and development of investment properties:					
• Commercial Property		**(262)**	(186)	**(280)**	(221)
• Retirement Living		**(96)**	(60)	**–**	–
Payments for plant and equipment and software		**(32)**	(19)	**–**	–
Proceeds from sale of/(capital returns from) investments		**27**	18	**–**	(1)
Payments for investments, including equity-accounted investments		**–**	(1)	**–**	–
Net cash outflows from investing activities		**(286)**	(174)	**(212)**	(150)
Cash flows from financing activities					
Payments for securities under Share Plans	D5b	**(20)**	(16)	**(19)**	(16)
Proceeds from borrowings	F2b	**990**	868	**990**	868
Repayments of borrowings	F2b	**(681)**	(688)	**(681)**	(688)
Loans to related entities		**–**	–	**(184)**	(10)
Dividends and distributions paid (net of DRP)		**(245)**	(231)	**(245)**	(231)
Net cash inflows/(outflows) from financing activities		**44**	(67)	**(139)**	(77)
Net (decrease)/increase in cash and cash equivalents		**(64)**	74	**(36)**	68
Cash and cash equivalents at the beginning of the period		**238**	208	**117**	97
Cash and cash equivalents at the end of the period		**174**	282	**81**	165

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

Consolidated Notes

Half year ended 31 December 2017

Consolidated Notes
Half year ended 31 December 2017

(A) Basis of preparation

IN THIS SECTION

This section sets out the basis upon which the Group's financial statements are prepared as a whole. All specific accounting policies applied by Stockland and the Trust in the interim financial statements are the same as those applied in the annual financial statements as at and for the year ended 30 June 2017.

A glossary containing acronyms and defined terms is included at the back of this Report.

Stockland represents the consolidation of Stockland Corporation Limited and its controlled entities and Stockland Trust and its controlled entities. Stockland Corporation Limited and Stockland Trust are both for-profit entities that were incorporated or formed and are domiciled in Australia.

Stockland is structured as a stapled entity: a combination of a share in Stockland Corporation and a unit in Stockland Trust that are together traded as one security on the Australian Securities Exchange. The constitutions of Stockland Corporation Limited and Stockland Trust provide that, for so long as the two entities remain jointly quoted, the number of shares in Stockland Corporation Limited and the number of units in Stockland Trust shall be equal and that the shareholders and unitholders be identical. Both Stockland Corporation Limited and the Responsible Entity of Stockland Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earlier of either the winding up of Stockland Corporation Limited or Stockland Trust or either entity terminating the stapling arrangement.

The Interim Financial Report as at and for the half year ended 31 December 2017 was authorised for issue by the Directors on 21 February 2018.

(i) Statement of compliance

The Interim Financial Report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Interim Financial Report does not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of Stockland as at and for the year ended 30 June 2017.

(ii) Basis of preparation

As permitted by Class Order 13/1050, issued by ASIC, these financial statements are combined financial statements that present the financial statements and accompanying notes of both Stockland and the Trust.

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

The financial statements have been prepared on a going concern basis using historical cost conventions, except for investment properties (including non-current assets held for sale), derivative financial instruments and certain financial assets and liabilities which are stated at their fair value.

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Interim Financial Report have been rounded to the nearest million dollars, unless otherwise stated.

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

(ii) Basis of preparation (continued)

Stockland and Trust net current asset deficiency position

Stockland and the Trust have a net current asset deficiency at 31 December 2017.

Based on the profits and net cash inflows from operating activities in the period and the forecast for the next 12 months, Stockland and the Trust will be able to pay their debts as and when they become due and payable. Undrawn bank facilities of $420 million (refer to section D2c) are also available should they need to be drawn down.

In relation to Stockland, a number of liabilities are classified as current under Accounting Standards that are not expected to result in actual net cash outflows within the next 12 months (in particular Retirement Living resident obligations). Similarly, some assets held as non-current will generate cash income in the next 12 months (including Retirement Living DMF included within Retirement Living investment properties, development work in progress and vacant stock).

In addition, current inventories are held on the balance sheet at the lower of cost and net realisable value, whereas some of these are expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (December 2017: $2,512 million; June 2017: $2,439 million), approximately 7% of residents are estimated to depart their dwelling each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units, the resident obligations will be repaid from receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as there is no unconditional contractual right to defer settlement for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the corresponding Retirement Living assets are classified as non-current under the Accounting Standards as the majority are not expected to be realised within 12 months.

The deficiency in the Trust primarily arises due to the requirement under the Accounting Standards to classify the ‘at call’ intergroup loan receivable from the Company as a non-current asset.

(iii) Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 30 June 2017.

(iv) New and amended Accounting Standards

The accounting policies applied in these interim financial statements are the same as those applied in the Group’s financial statements as at and for the year ended 30 June 2017.

There have been no new or revised accounting standards or interpretations which are effective from the periods beginning on or after 1 July 2017 that impact the interim financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 31 December 2017. The Group’s assessment of the impact of these new standards and interpretations was disclosed in the 30 June 2017 annual financial statements. At 31 December 2017, there are no significant changes based on the Group’s ongoing assessment.

While the Group does not expect the impact of these changes to be material, it is not practical to disclose the financial impact until the assessment is further advanced. The Group expects to disclose quantitative information in the 30 June 2018 annual financial statements.

(B) Results for the period

IN THIS SECTION

This section explains the results and performance of the Group.

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:

- accounting policies that are relevant for understanding the items recognised in the financial statements; and
- analysis of the result for the period by reference to key areas, including revenue, results by operating segment and taxation.

(B1) Revenue

Revenue recognised in statutory profit during the period is set out below:

	Stockland		Trust	
Half year ended 31 December	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Property development sales	**892**	728	**–**	–
Rent from investment properties	**385**	375	**384**	373
DMF revenue	**52**	50	**–**	–
Other revenue	**8**	16	**1**	10
Total revenue	**1,337**	1,169	**385**	383

Rent from investment properties includes $2 million (December 2016: $3 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 1% (December 2016: 1%) of gross lease income.

(B2) Operating segments

KEEPING IT SIMPLE …

This section shows a reconciliation from FFO to statutory profit. FFO is the Group's key profit measure, which reflects the way the business is managed and how the Executive Director and Executive Committee assess performance.

FFO is a non-IFRS measure that is designed to present, in the opinion of the Chief Operating Decision Makers (CODM), the results from ongoing operating activities in a way that appropriately reflects the Group's underlying performance. FFO is the basis on which dividends and distributions are determined and reflects the way the business is managed and how the CODM assess the performance of the Group. It excludes costs of a capital nature and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. FFO also excludes income tax items that do not represent cash payments. Profit or loss items excluded from FFO are outlined and explained in section B2b.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Executive Director and the Executive Committee, who are the CODM.

Stockland has four reportable segments, as listed below:

- Commercial Property – invests in, develops and manages retail town centre, logistic and business park and office properties;
- Residential – delivers a range of masterplanned and mixed use residential communities in growth areas and townhouses and apartments in general metropolitan areas;
- Retirement Living – designs, develops and manages communities for retirees; and
- Other – dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

(B2) Operating segments (continued)

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

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

(B2a) Funds from operations (FFO)

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

Stockland

Half year ended 31 December 2017	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	438[1]	873	34[2]	1	1,346
Total external segment revenue	**438**	**873**	**34**	**1**	**1,346**
Segment EBIT	275[1,3]	232	18[2]	–	525
Amortisation of lease incentives and fees	36	–	–	–	36
Straight-line rent adjustments	(2)	–	–	–	(2)
Interest expense in cost of sales	(7)	(50)	–	–	(57)
Segment FFO[3]	**302**	**182**	**18**	**–**	**502**
Interest income					1
Interest expense					(37)
Unallocated corporate and other expenses					(30)
FFO for the period					**436**

Half year ended 31 December 2016	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Consolidated $M
External segment revenue	429[1]	712	41[2]	–	1,182
Total external segment revenue	429	712	41	–	1,182
Segment EBIT	280[1, 3]	176	28[2]	–	484
Amortisation of lease incentives and fees	35	–	–	–	35
Straight-line rent adjustments	(3)	–	–	–	(3)
Interest expense in cost of sales	–	(76)	(2)	–	(78)
Segment FFO[3]	312	100	26	–	438
Interest income					2
Interest expense					(42)
Unallocated corporate and other expenses					(29)
FFO for the period					369

1 External segment revenue adds back $29 million (December 2016: $29 million) of amortisation of lease incentives and excludes $2 million (December 2016: $3 million) of straight-line rent adjustments.
2 External segment revenue and segment EBIT exclude $18 million (December 2016: $13 million) of unrealised DMF revenue.
3 Segment FFO includes share of profits from equity-accounted investments of $15 million (December 2016: $15 million) in Commercial Property.

(B2b) Reconciliation of FFO to statutory profit

FFO excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of the Group's core ongoing business activities.

Stockland

Half year ended 31 December	Note	2017 FFO $M	2017 Statutory adjustments $M	2017 Statutory results $M	2016 FFO $M	2016 Statutory adjustments $M	2016 Statutory results $M
Revenue	A, B	**1,346**	**(9)**	**1,337**	1,182	(13)	1,169
Cost of property developments sold:							
• land and development		**(595)**	**–**	**(595)**	(556)	–	(556)
• capitalised interest		**(57)**	**–**	**(57)**	(76)	–	(76)
• utilisation of provision for impairment of inventories		**23**	**1**	**24**	96	–	96
Investment property expenses	C	**(124)**	**(7)**	**(131)**	(117)	(6)	(123)
Share of profits of equity-accounted investments	D	**15**	**(3)**	**12**	15	29	44
Management, administration, marketing and selling expenses		**(142)**	**–**	**(142)**	(143)	–	(143)
Net change in fair value of investment properties:							
• Commercial Property	D	**–**	**130**	**130**	–	167	167
• Retirement Living	E	**6**	**105**	**111**	8	48	56
Net change in fair value of Retirement Living resident obligations	E	**–**	**(72)**	**(72)**	–	(37)	(37)
Net gain on other financial assets		**–**	**26**	**26**	–	–	–
Net loss on sale of other non-current assets		**–**	**(2)**	**(2)**	–	(2)	(2)
Finance income	F	**1**	**5**	**6**	2	126	128
Finance expense	F	**(37)**	**–**	**(37)**	(42)	–	(42)
Profit before income tax		**436**	**174**	**610**	369	312	681
Income tax benefit	G	**–**	**74**	**74**	–	21	21
Profit for the period		**436**	**248**	**684**	369	333	702

Trust

Half year ended 31 December	Note	2017 FFO $M	2017 Statutory adjustments $M	2017 Statutory results $M	2016 FFO $M	2016 Statutory adjustments $M	2016 Statutory results $M
Revenue	B	**412**	**(27)**	**385**	409	(26)	383
Investment property expenses	C	**(119)**	**(6)**	**(125)**	(112)	(6)	(118)
Share of profits of equity-accounted investments	D	**15**	**(3)**	**12**	15	29	44
Management, administration, marketing and selling expenses		**(17)**	**–**	**(17)**	(20)	–	(20)
Net change in fair value of Commercial Property	D	**–**	**103**	**103**	–	132	132
Net loss on other financial assets		**–**	**(2)**	**(2)**	–	–	–
Finance income	F	**128**	**5**	**133**	136	126	262
Finance expense	F	**(91)**	**–**	**(91)**	(96)	–	(96)
Profit before income tax		**328**	**70**	**398**	332	255	587
Income tax benefit/(expense)		**–**	**–**	**–**	–	–	–
Profit for the period		**328**	**70**	**398**	332	255	587

Explanation of statutory adjustments (Stockland and Trust)

A DMF revenue of $18 million (December 2016: $13 million) has been excluded from FFO until it is realised in cash. Refer to section B2c.

B Straight-line rent adjustments $2 million (December 2016: $3 million) are excluded from FFO, offset by amortisation of lease incentives of $29 million (December 2016: $29 million).

C Amortisation of lease fees are excluded from FFO.

D FFO excludes the net change in fair value of Commercial Property investment properties held by Stockland both directly and indirectly through equity-accounted investments. Refer to section C1b for further information on fair value adjustments.

E FFO excludes the unrealised net change in fair value of Retirement Living investment properties. Similarly, the net change in fair value of Retirement Living resident obligations is excluded from FFO. Refer to section C1c for further information on fair value adjustments.

F Net change in fair value of financial instruments and foreign exchange movements, classified as finance income/expense, are excluded from FFO. Refer to section D1.

G FFO excludes income tax expenses or benefits that do not represent a cash settlement.

(B2c) Retirement Living segment result

KEEPING IT SIMPLE …

For most contracts, Retirement Living residents lend Stockland an amount equivalent to the value of the independent living unit (ILU) or serviced apartment (SA) in exchange for a lease to live in the ILU or SA and access to community facilities, which are Stockland owned and maintained. This loan is recorded as a resident obligation liability.

For most contracts, during the resident's tenure, Stockland earns deferred management fees (DMF) revenue which is calculated based on the individual resident contract. The DMF provides customers with the ability to free up equity (usually from the sale of their previous home), giving them extra capital that they can access to fund their retirement lifestyle – it allows them to defer part of the cost of living in one of the Group's retirement village homes. There are various contractual arrangements; however, a standard contract will typically provide for DMF to be earned at a rate of 8% in the first year and 3% in subsequent years, capped at 35%, with Stockland and the resident sharing in any net capital gain when the ILU or SA is re-leased to the next resident.

The DMF on an individual ILU or SA covers, to a significant extent, the resident's share of up-front capital costs of building the common infrastructure of the village, which typically includes amenities such as a pool, bowling green and community hall, and allows the resident to pay for these at the end of their tenancy, instead of the start. DMF revenue is included in the Retirement Living FFO when Stockland receives the accumulated DMF in cash after a resident leaves and either a new resident enters the ILU or SA, or when a unit is withheld for development and there is an approved investment proposal for development in place.

The Retirement Living segment result also includes the settled development margin associated with new villages and village expansions or redevelopments. This margin represents the unit price realised on first lease less the cost of development and is recognised in FFO on settlement of a newly developed unit.

Unrealised fair value gains and losses from revaluations of investment property and resident obligations are excluded from FFO. Refer to section (C1c) for further information on the fair value measurement and valuation technique used for Retirement Living investment properties and resident obligations.

Stockland has other Retirement Living contracts for the age exclusive villages where residents purchase the ILU outright. There is no DMF associated with these sales and the ILU is no longer owned or maintained by Stockland.

Reconciliation of Retirement Living segment results to statutory profit

		2017			2016		
Half year ended 31 December	**Note**	**FFO $M**	**Statutory adjustments $M**	**Statutory results $M**	**FFO $M**	**Statutory adjustments $M**	**Statutory results $M**
Total realised revenue		**34**	**–**	**34**	37	–	37
Net DMF base fees earned, unrealised	A	**–**	**18**	**18**	–	13	13
DMF revenue		**34**	**18**	**52**	37	13	50
Net change in fair value of Retirement Living investment properties:							
• settled development margin		**6**	**–**	**6**	8	–	8
• operating villages and villages under development	B	**–**	**105**	**105**	–	48	48
Total net change in fair value of Retirement Living investment properties		**6**	**105**	**111**	8	48	56
Net change in fair value of commercial investment properties	C	**–**	**4**	**4**	–	–	–
Net change in fair value of Retirement Living resident obligations	B	**–**	**(72)**	**(72)**	–	(37)	(37)
Management, administration, marketing and selling expenses		**(19)**	**–**	**(19)**	(19)	–	(19)
Other net expenses		**(3)**	**–**	**(3)**	–	–	–
Retirement Living profit		**18**	**55**	**73**	26	24	50

Explanation of statutory adjustments

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

B FFO excludes the net change in fair value for operating villages, villages under development and Retirement Living resident obligations. Refer to section C1c.

C The Retirement Living segment includes certain healthcare centres located adjacent to Retirement Living villages held to be rented out under commercial leases.

(B2d) Balance sheet by operating segment

Stockland

31 December 2017	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash and cash equivalents	**–**	**–**	**–**	**–**	**174**	**174**
Real estate related assets[1]	**10,500**	**3,373**	**4,075**	**–**	**37**	**17,985**
Intangible assets	**–**	**–**	**76**	**–**	**98**	**174**
Other financial assets	**–**	**–**	**–**	**–**	**260**	**260**
Other assets	**56**	**76**	**13**	**–**	**129**	**274**
Total assets	**10,556**	**3,449**	**4,164**	**–**	**698**	**18,867**
Liabilities						
Interest-bearing liabilities	**–**	**–**	**–**	**–**	**3,794**	**3,794**
Retirement Living resident obligations	**–**	**–**	**2,693**	**–**	**–**	**2,693**
Other financial liabilities	**–**	**–**	**–**	**–**	**248**	**248**
Other liabilities	**136**	**1,189**	**6**	**–**	**461**	**1,792**
Total liabilities	**136**	**1,189**	**2,699**	**–**	**4,503**	**8,527**
Net assets/(liabilities)	**10,420**	**2,260**	**1,465**	**–**	**(3,805)**	**10,340**
Other items						
Acquisition of investment properties	**7**	**–**	**–**	**–**	**–**	**7**

30 June 2017	Commercial Property $M	Residential $M	Retirement Living $M	Other $M	Unallocated $M	Consolidated $M
Assets						
Cash and cash equivalents	–	–	–	–	238	238
Real estate related assets[1]	10,218	2,453	3,848	–	37	16,556
Intangible assets	–	–	76	–	80	156
Other financial assets	–	–	–	–	309	309
Other assets	42	135	18	–	41	236
Total assets	10,260	2,588	3,942	–	705	17,495
Liabilities						
Interest-bearing liabilities	–	–	–	–	3,529	3,529
Retirement Living resident obligations	–	–	2,629	–	–	2,629
Other financial liabilities	–	–	–	–	241	241
Other liabilities	117	569	15	–	468	1,169
Total liabilities	117	569	2,644	–	4,238	7,568
Net assets/(liabilities)	10,143	2,019	1,298	–	(3,533)	9,927
Other items						
Acquisition of investment properties	20	–	–	–	–	20

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

(B3) Taxation

(B3a) Income tax benefit/(expense)

Half year ended 31 December	Stockland 2017 $M	Stockland 2016 $M
Current tax benefit		
Current tax benefit[1]	–	30
Total current tax benefit	**–**	30
Deferred tax benefit/(expense)		
Tax losses recognised during the period	**139**	49
Tax losses utilised during the period[1]	**(22)**	–
Origination and reversal of temporary differences	**(43)**	(58)
Total deferred tax benefit/(expense)	**74**	(9)
Total income tax benefit	**74**	21

1 There is no current tax expense for the half year ended 31 December 2017 because tax losses of $22 million (net) have been utilised to offset the Group's taxable income for the period.

Reconciliation of statutory profit before income tax to income tax benefit/(expense)

Half year ended 31 December	Stockland 2017 $M	Stockland 2016 $M
Profit before income tax	**610**	681
Less: Trust profit before income tax	**(398)**	(587)
Less: intergroup eliminations	**3**	1
Profit before income tax of Stockland Corporation Group	**215**	95
Prima facie income tax expense calculated at 30%	**(65)**	(29)
Decrease in income tax expense due to:		
Other non-assessable income	–	1
Tax losses recognised during the period	**139**	49
Income tax benefit	**74**	21
Effective tax benefit rate	**34%**	22%
Effective tax (expense) rate (excluding tax losses recognised)	**(30%)**	(30%)

Tax benefit/(expense) relating to items of other comprehensive income

Half year ended 31 December	Stockland 2017 $M	Stockland 2016 $M
Fair value reserve	**(6)**	–
Tax (expense) relating to items of other comprehensive income	**(6)**	–

(B3b) Deferred tax

Recoverability of deferred tax assets

An assessment of the recoverability of the net deferred tax asset has been made to determine if the carrying value should be reduced or more tax losses should be recognised with reference to the latest available profit forecasts, to determine the availability of suitable taxable profits or taxable temporary differences.

The assessment for the current period determined that there is convincing evidence, based upon the profitability of Stockland Corporation Group during the first half and latest available profit forecasts, that $139 million of previously unrecognised tax losses are now fully recoverable; hence, these losses have been recognised as a deferred tax asset.

Following this recognition, Stockland has no unrecognised deferred tax assets in relation to carry forward tax losses as at 31 December 2017 (June 2017: $139 million unrecognised asset relating to $463 million of tax losses).

At each reporting period end, the net deferred tax asset will be assessed for recoverability.

Trust

There are no deferred tax assets or liabilities in the Trust. As the Trust limits its activities to deriving income from renting commercial property, and distributes all of its taxable income each year to its investors, the Trust is not subject to tax. However, all of the annual taxable income is subject to tax in the hands of Stockland's investors.

(C) Operating assets and liabilities

IN THIS SECTION
This section shows the real estate and other operating assets used to generate the Group's trading performance and the liabilities incurred as a result.

(C1) Real estate assets and liabilities

(C1a) Inventories

Each reporting period, key estimates are reviewed including the costs of completion, dates of completion and revenue escalations. As a result of this review, no net impairment provisions have been recognised in profit or loss for the half year ended 31 December 2017 (December 2016: $nil).

The composition of inventories is presented in the table below:

Stockland

	31 December 2017			30 June 2017		
	Current $M	Non-current $M	Total $M	Current $M	Non-current $M	Total $M
Finished development stock held for sale[1]						
• cost of acquisition	**33**	**–**	**33**	40	–	40
• development and other costs	**137**	**–**	**137**	150	–	150
• interest capitalised	**23**	**–**	**23**	25	–	25
• impairment provision	**(1)**	**–**	**(1)**	(1)	–	(1)
Total finished development stock held for sale	**192**	**–**	**192**	214	–	214
Development work in progress						
Residential communities under development:						
• cost of acquisition	**421**	**1,826**	**2,247**	277	1,052	1,329
• development and other costs	**213**	**435**	**648**	204	430	634
• interest capitalised	**66**	**323**	**389**	64	328	392
• impairment provision	**(29)**	**(141)**	**(170)**	(27)	(146)	(173)
Total residential communities under development	**671**	**2,443**	**3,114**	518	1,664	2,182
Apartments:						
• cost of acquisition	**–**	**7**	**7**	–	–	–
• development and other costs	**–**	**8**	**8**	–	7	7
• interest capitalised	**–**	**1**	**1**	–	–	–
• impairment provision	**–**	**–**	**–**	–	–	–
Total apartments	**–**	**16**	**16**	–	7	7
Logistics and business parks projects:						
• cost of acquisition	**7**	**29**	**36**	12	32	44
• development and other costs	**2**	**7**	**9**	26	8	34
• interest capitalised	**1**	**–**	**1**	7	–	7
• impairment provision	**–**	**(9)**	**(9)**	(21)	(9)	(30)
Total logistics and business parks projects	**10**	**27**	**37**	24	31	55
Age exclusive villages:						
• cost of acquisition	**5**	**8**	**13**	–	12	12
• development and other costs	**9**	**12**	**21**	–	10	10
• interest capitalised	**–**	**1**	**1**	–	1	1
• impairment provision	**–**	**–**	**–**	–	–	–
Total age exclusive villages	**14**	**21**	**35**	–	23	23
Total development work in progress	**695**	**2,507**	**3,202**	542	1,725	2,267
Total inventories	**887**	**2,507**	**3,394**	756	1,725	2,481

1 Mainly comprises residential communities. Included within finished development stock held for sale are logistics and business parks of $2 million (June 2017: $5 million). There are no apartments or age exclusive villages included in finished development stock held for sale (June 2017: $nil).

(C1a) Inventories (continued)

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

	Residential communities $M	Apartments $M	Logistics and business parks $M	Total $M
Opening balance as at 1 July 2017	174	–	30	204
Amounts utilised	**(3)**	**–**	**(21)**[1]	**(24)**
Balance as at 31 December 2017	**171**	**–**	**9**	**180**

1 Relates to land sold at Waterside Corporate Park, NSW (first acquired in 2005).

(C1b) Commercial properties

Commercial properties comprise investment interests in land and buildings including integral plant and equipment held for the purpose of producing rental income, capital appreciation, or both.

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

	Stockland		Trust	
	31 December 2017 $M	30 June 2017 $M	31 December 2017 $M	30 June 2017 $M
Retail Town Centres	**7,229**	7,017	**7,173**	6,961
Logistics and Business Parks	**2,091**	2,035	**2,091**	2,035
Office	**906**	868	**902**	865
Retirement Living[1]	**10**	–	**–**	–
Capital works in progress and sundry properties	**308**	312	**233**	238
Book value of commercial properties	**10,544**	10,232	**10,399**	10,099
Less amounts classified as:				
• property, plant and equipment	**(43)**	(43)	**–**	–
• non-current assets held for sale	**–**	(71)	**–**	(69)
• other assets (including lease incentives and fees)	**(237)**	(216)	**(241)**	(223)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**(7)**	(8)	**(7)**	(8)
• other receivables (straight-lining of operating lease rental income)	**(69)**	(67)	**(73)**	(71)
• other receivables (straight-lining of operating lease rental income) attributable to equity-accounted investments	**(12)**	(13)	**(12)**	(13)
Total investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**10,176**	9,814	**10,066**	9,715
Less: Stockland's share of investment properties held by equity-accounted investments	**(529)**	(529)	**(529)**	(529)
Total investment properties	**9,647**	9,285	**9,537**	9,186
Investment property reconciliation				
Direct investments and controlled entities				
Balance at the beginning of the financial period/year	**9,285**	8,800	**9,186**	8,702
Acquisitions	**7**	20	**7**	20
Expenditure capitalised	**225**	335	**241**	357
Transfers to non-current assets held for sale	**–**	(71)	**–**	(69)
Disposals	**–**	(8)	**–**	(8)
Net change in fair value of investment properties	**130**	209	**103**	184
Balance at the end of the financial period/year	**9,647**	9,285	**9,537**	9,186

1 The investment property balance at 31 December 2017 includes $10 million of healthcare centre commercial properties held by the Retirement Living business (June 2017: $nil) to be leased to tenants under commercial leases.

(C1b) Commercial properties (continued)

Stockland	Independent valuation		Independent valuer's cap rate[1] %		Book value $M	
Description	**Date**	**$M**	**31 December 2017**	**30 June 2017**	**31 December 2017**	**30 June 2017**
Retail Town Centres						
Directly owned						
Stockland Shellharbour, Shellharbour NSW[2]	Dec 2017	765	**5.50**	5.50	**775**	758
Stockland Wetherill Park, Western Sydney NSW	Dec 2017	765	**5.25**	5.50	**765**	742
Stockland Green Hills, East Maitland NSW[3]	Dec 2015	354	**5.75**	5.75	**629**	398
Stockland Merrylands, Merrylands NSW	Dec 2017	574	**5.50**	5.50	**574**	555
Stockland Rockhampton, Rockhampton Qld	Dec 2016	419	**5.75**	5.75	**433**	426
Stockland Glendale, Newcastle NSW	Jun 2017	336	**5.75**	5.75	**335**	336
Stockland Point Cook, Point Cook Vic	Dec 2017	252	**6.25**	6.25	**252**	234
Stockland Cairns, Cairns Qld	Jun 2017	211	**6.25**	6.25	**213**	211
Stockland Townsville, Townsville Qld (50%)[1, 3, 4, 5]	Dec 2017	212	**5.75 – 6.50**	6.00 – 6.75	**212**	227
Stockland Burleigh Heads, Burleigh Heads Qld[1, 3]	Jun 2017	185	**6.50 – 7.25**	6.50 – 7.25	**210**	206
Stockland Baldivis, Baldivis WA	Dec 2017	204	**5.88**	6.00	**204**	204
Stockland Hervey Bay, Hervey Bay Qld	Jun 2017	185	**6.25**	6.25	**184**	185
Stockland The Pines, Doncaster East Vic	Jun 2017	182	**6.00**	6.00	**182**	182
Stockland Forster, Forster NSW	Dec 2016	172	**6.25**	6.25	**173**	173
Stockland Balgowlah, Balgowlah NSW	Jun 2017	170	**5.50**	5.50	**169**	170
Stockland Baulkham Hills, Baulkham Hills NSW	Jun 2017	158	**6.00**	6.00	**159**	158
Stockland Wendouree, Wendouree Vic[3]	Dec 2015	148	**6.50**	6.50	**151**	150
Stockland Jesmond, Newcastle NSW	Dec 2017	150	**6.75**	6.25	**150**	168
Stockland Caloundra, Caloundra Qld	Dec 2017	145	**5.75**	5.96	**145**	141
Stockland Bundaberg, Bundaberg Qld	Jun 2016	139	**6.50**	6.50	**144**	143
Stockland Gladstone, Gladstone Qld	Dec 2017	135	**6.75**	6.50	**135**	149
Stockland Nowra, Nowra NSW[5]	Jun 2017	128	**6.00**	6.00	**129**	129
Stockland Cleveland, Cleveland Qld	Dec 2017	118	**6.00**	6.25	**118**	113
Stockland Traralgon, Traralgon Vic	Jun 2017	100	**6.50**	6.50	**101**	100
Stockland Bull Creek, Bull Creek WA	Dec 2017	99	**6.50**	6.25	**99**	107
Stockland Bathurst, Bathurst NSW	Dec 2017	97	**6.75**	6.75	**97**	96
Stockland Wallsend, Wallsend NSW	Dec 2016	79	**6.75**	6.75	**81**	80
Stockland Tooronga, Tooronga Vic	Dec 2016	70	**5.75**	5.75	**71**	71
Shellharbour Retail Park, Shellharbour NSW	Dec 2017	56	**7.00**	7.75	**56**	54
Stockland Harrisdale Complex, Harrisdale WA	Dec 2016	55	**6.25**	6.25	**55**	55
Stockland Cammeray, Cammeray NSW	Dec 2016	49	**6.00**	6.00	**49**	49
Stockland Highlands, Craigieburn Vic	Dec 2016	39	**6.00**	6.00	**39**	39
Stockland Kensington, Kensington Qld[3]	Jun 2017	31	**6.00**	6.00	**31**	31
North Shore Townsville, Townsville Qld	Dec 2016	23	**6.50**	6.50	**23**	23
Stockland Merrylands Court, Merrylands NSW[3, 4]	Dec 2014	10	**7.50**	7.50	**10**	10
Woolworths Toowong, Toowong Qld[3, 4, 6]	Dec 2015	6	**n/a**	n/a	**7**	7
Stockland Townsville Kingsvale Sunvale, Aitkenvale Qld (50%)[5, 7]	Dec 2016	5	**n/a**	n/a	**3**	3
Stockland Corrimal, Corrimal NSW[8]	–	–	**–**	7.00	**–**	69
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec 2017	65	**6.25**	6.25	**65**	67
Total Retail Town Centres[9]					**7,229**	7,017

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

(C1b) Commercial properties (continued)

Stockland	Independent valuation		Independent valuer's cap rate[1] %		Book value $M	
Description	**Date**	**$M**	**31 December 2017**	**30 June 2017**	**31 December 2017**	**30 June 2017**
Logistics and Business Parks						
Directly owned						
Yennora Distribution Centre, Yennora NSW	Dec 2017	400	**6.75**	7.00	**400**	390
Triniti Business Park (previously Triniti Business Campus), North Ryde NSW	Dec 2017	198	**6.50**	7.00	**198**	180
60-66 Waterloo Road, Macquarie Park NSW[1]	Dec 2017	108	**6.25 – 6.75**	6.50 – 7.00	**108**	99
Ingleburn Logistics Park (previously Ingleburn Distribution Centre), Ingleburn NSW[2]	Dec 2016	105	**6.75**	6.75	**104**	105
Hendra Distribution Centre, Brisbane Qld	Jun 2017	93	**7.75**	7.75	**94**	93
Mulgrave Corporate Park (previously Stockland Mulgrave), Mulgrave Vic	Dec 2016	92	**7.00**	7.00	**93**	93
Brooklyn Distribution Centre (previously Brooklyn Estate), Brooklyn Vic	Dec 2017	88	**7.50**	8.00	**88**	82
Port Adelaide Distribution Centre, Port Adelaide SA	Dec 2017	92	**9.25**	9.00	**85**	92
Forrester Distribution Centre, St Marys NSW	Dec 2015	81	**7.25**	7.25	**82**	81
Granville Industrial Estate (previously 9-11a Ferndell Street), Granville NSW[1]	Dec 2017	62	**6.75 – 7.50**	7.25 – 9.00	**62**	56
Oakleigh Industrial Estate (previously 1090-1124 Centre Road), Oakleigh South Vic[2]	Dec 2017	62	**6.25**	6.75	**62**	53
Macquarie Technology Business Park (previously Macquarie Technology Centre), Macquarie Park NSW[1]	Dec 2016	56	**6.75 – 7.75**	6.75 – 7.75	**57**	57
Balcatta Distribution Centre, Balcatta WA[3]	Dec 2016	52	**6.75**	6.75	**54**	52
Altona Distribution Centre (previously Toll Business Park), Altona Vic[1]	Jun 2017	53	**6.25 – 7.25**	6.25 – 7.25	**53**	53
Somerton Distribution Centre (previously 20-50 & 76-82 Fillo Drive and 10 Stubb Street), Somerton Vic[1]	Dec 2016	51	**7.50 – 7.75**	7.50 – 7.75	**53**	52
16 Giffnock Avenue, Macquarie Park NSW	Jun 2017	51	**7.12**	7.12	**51**	51
23 Wonderland Drive, Eastern Creek NSW	Dec 2016	37	**6.75**	6.75	**37**	37
Altona Industrial Estate (previously Altona Distribution Centre), Altona Vic	Jun 2017	36	**7.50**	7.50	**36**	36
72-76 Cherry Lane, Laverton North Vic	Dec 2017	32	**6.50**	7.00	**32**	32
Smeg Distribution Centre (previously 2-8 Baker Street), Botany NSW	Dec 2017	28	**5.50**	6.25	**28**	25
Wetherill Park Distribution Centre (previously 2 Davis Road), Wetherill Park NSW	Jun 2016	26	**7.25**	7.25	**26**	26
Erskine Park, Erskine Park NSW	Dec 2016	22	**6.00**	6.00	**23**	23
Coopers Paddock, Warwick Farm NSW[2, 4]	–	–	**–**	–	**19**	19
40 Scanlon Drive, Epping Vic	Dec 2017	10	**7.00**	7.50	**10**	9
Export Distribution Centre (previously Export Park, 9-13 Viola Place), Brisbane Airport Qld[5]	Jun 2017	6	**10.44**	10.44	**6**	6
M1 Yatala Enterprise Park, Yatala Qld	Jun 2017	6	**n/a**	n/a	**6**	6
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Mar 2017	227	**6.75**	6.75	**227**	227
Total Logistics and Business Parks[6]					**2,091**	2,035

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
3 Independent valuation excludes the adjacent property owned by Stockland.
4 The book value adopted is a result of a Directors' valuation.
5 Property is a leasehold property.
6 Totals may not add due to rounding.

(C1b) Commercial properties (continued)

Stockland	Independent valuation		Independent valuer's cap rate[1] %		Book value $M	
Description	Date	$M	31 December 2017	30 June 2017	31 December 2017	30 June 2017
Office						
Directly owned						
Stockland Piccadilly, 133-145 Castlereagh Street, Sydney NSW (50%)[1, 2, 3, 4, 5]	Jun 2017	280	**5.50 – 6.00**	5.50 – 6.00	**258**	259
Durack Centre, 263 Adelaide Terrace, Perth WA[2]	Jun 2017	106	**8.00**	8.00	**113**	106
601 Pacific Highway, St Leonards NSW	Dec 2017	104	**6.50**	7.00	**104**	95
77 Pacific Highway, North Sydney NSW	Dec 2017	91	**5.75**	6.50	**91**	73
110 Walker Street, North Sydney NSW	Dec 2017	36	**6.25**	7.25	**36**	30
40 Cameron Avenue, Belconnen ACT[2]	Jun 2017	25	**10.50**	10.50	**24**	25
80-88 Jephson Street, Toowong Qld[6, 7]	Jun 2017	17	**8.00**	8.00	**17**	17
23-29 High Street, Toowong Qld[6, 7]	Jun 2017	7	**7.00**	7.00	**7**	7
Owned through equity-accounted investments						
135 King Street, Sydney NSW (50%)[1, 4]	Jun 2017	256	**4.50 – 5.38**	4.50 – 5.38	**255**	256
Total Office[8]					**906**	868

1 A range of cap rates are disclosed for a complex comprising of a number of properties.
2 Property is a leasehold property.
3 Stockland's share of this property is held through a direct interest in the asset.
4 Book value includes the retail component of the property.
5 The book value excludes the revaluation relating to the area occupied by Stockland. This owner-occupied area is classified as property, plant and equipment and is recognised at historical cost.
6 Property is not held by the Trust.
7 Property is currently undergoing redevelopment. An external valuation will be obtained on completion of the redevelopment.
8 Totals may not add due to rounding.

Fair value measurement, valuation techniques and inputs

The techniques used to fair value the Group's commercial properties have not changed since 30 June 2017. For further explanation of the techniques used and inputs applied, refer to the 30 June 2017 annual financial statements.

(C1c) Retirement Living

For information on results of the Retirement Living business, refer to section B2c.

Investment properties

Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long term. Retirement villages comprise ILUs, SAs, community facilities and integral plant and equipment.

Stockland	31 December 2017 $M	30 June 2017 $M
Net investment in Retirement Living		
Operating villages	**3,756**	3,622
Villages under development	**275**	202
Total Retirement Living investment properties	**4,031**	3,824
Existing resident obligations	**(2,681)**	(2,616)
Net carrying value of Retirement Living villages	**1,350**	1,208
Retirement Living net carrying value movement during the period/year		
Balance at the beginning of the financial period/year	**1,208**	1,162
Expenditure capitalised	**110**	162
Realised fair value movements	**6**	28
Cash received on first sales	**(31)**	(146)
Change in fair value of investment properties	**53**	17
Other movements	**4**	(15)
Balance at the end of the financial period/year	**1,350**	1,208

(C1c) Retirement Living (continued)

Fair value measurement, valuation techniques and inputs

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

The techniques used to fair value the Group's Retirement Living assets have not changed since 30 June 2017. For further explanation of the techniques used and inputs applied, refer to the 30 June 2017 annual financial statements.

Resident obligations

Resident obligations represent the net amount owed by Stockland to current and former residents. Resident obligations are non-interest bearing and recognised at fair value.

Current resident obligations

Based on actuarial turnover calculations, approximately 7% of residents are estimated to depart their dwelling each year and therefore it is not expected that the full obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid from receipts from incoming residents.

Accounting Standards require that resident obligations are classified as current, unless Stockland has an unconditional contractual right to defer settlement for at least 12 months, because residents have the right to terminate their occupancy contract with immediate effect.

Non-current resident obligations

The non-current resident obligations relate to certain legacy contracts that give Stockland a right to defer settlement for up to eight years.

	Current $M	Non-current $M	Total $M
31 December 2017			
Existing resident obligations	**2,512**	**169**	**2,681**
Former resident obligations	**6**	**6**	**12**
Total resident obligations	**2,518**	**175**	**2,693**
30 June 2017			
Existing resident obligations	2,439	177	2,616
Former resident obligations	5	8	13
Total resident obligations	2,444	185	2,629

Fair value measurement, valuation techniques and inputs

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

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

	Range of unobservable inputs	
Inputs	**31 December 2017**	**30 June 2017**
Discount rate (p.a.)	12.5 – 14.5% (average: 13.0%)	12.5 – 14.5% (average: 13.0%)
Average 20 year growth rate (p.a.)	3.6%	3.6%
Average length of stay of existing and future residents	10.8 years	10.8 years
Current market value of unit	$0.1 – 2.1 million	$0.1 – 2.1 million
Renovation/reinstatement cost	$4k – 82k	$5k – 80k
Renovation recoupment from residents	0 – 100%	0 – 100%

Both the investment properties and resident obligations are considered to be level 3 in the fair value hierarchy. Refer to section D4.

(C1c) Retirement Living (continued)

Valuation process

Resident obligations are calculated each reporting period based on the initial loan amount paid by the resident adjusted for DMF and their share of capital gains or losses arising on the unit depending on the contract type.

It is impractical to have the resident obligations valued externally, therefore these are valued every six months by the Directors. Key assumptions used in these valuations are externally reviewed and assessed for reasonableness each reporting period.

The techniques used to fair value the Group's resident obligations have not changed since 30 June 2017. For further explanation of the techniques used and inputs applied, refer to the 30 June 2017 financial statements.

Sensitivity information

As the resident obligations are a financial liability, a quantitative sensitivity analysis has been disclosed. Sensitivity of the resident obligations to changes in the assumptions are shown in the table below:

		Increase/(decrease) in resident obligations			
		Increase in input		Decrease in input	
Significant input	Change in assumption	31 December 2017 $M	30 June 2017 $M	31 December 2017 $M	30 June 2017 $M
Current market value	10%	**174**	167	**(174)**	(167)

For most contracts, the resident shares capital gains or losses with Stockland upon exit; therefore, current market value is the only input that significantly impacts the fair value of the resident obligation.

(C1d) Non-current assets held for sale

The following assets have been classified as held for sale:

	Stockland		Trust	
	31 December 2017 $M	30 June 2017 $M	31 December 2017 $M	30 June 2017 $M
Investment properties transferred from Commercial Property	–	71	–	69
Total non-current assets held for sale	–	71	–	69

During the current period, Stockland completed the sale of Corrimal, NSW and certain sundry properties previously classified as non-current assets held for sale at 30 June 2017. In the prior year, these properties were revalued to their expected sale value.

(D) Capital structure and financing costs

IN THIS SECTION

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

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

The Board considers the Group's capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan. During 2017, Stockland's S&P credit rating remained unchanged at A-/Stable. A comparable A3 Moody's credit rating was obtained in August 2017. The Board continued to focus on maintaining the efficiency of the balance sheet.

The Group is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its foreign currency transactions and net assets. In accordance with risk management policies, the Group uses derivative instruments to hedge these underlying exposures.

(D1) Net financing costs

KEEPING IT SIMPLE …

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial assets and liabilities. The presentation of the net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

Mark to market movements reflect the change in value of the Group's derivative instruments between the later of inception or 1 July 2017 and 31 December 2017. The value at period end is not necessarily the same as the value at which they will be settled at maturity.

Net financing costs can be analysed as follows:

	Stockland		Trust	
Half year ended 31 December	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Interest income from related parties	**–**	–	**127**	135
Interest income from other parties	**1**	2	**1**	1
Interest income	**1**	2	**128**	136
Net gain on fair value hedges	**1**	14	**1**	14
Net gain on debt and derivatives	**4**	112	**4**	112
Total net gain on hedges, debt and derivatives	**5**	126	**5**	126
Total finance income	**6**	128	**133**	262
Interest expense relating to interest-bearing financial liabilities	**97**	100	**97**	100
Interest paid or payable on other financial liabilities at amortised cost	**11**	5	**–**	–
Less: interest capitalised to inventories	**(62)**	(57)	**–**	–
Less: interest capitalised to investment properties	**(9)**	(6)	**(6)**	(4)
Interest expense	**37**	42	**91**	96
Total finance expense	**37**	42	**91**	96

The interest expense relating to interest-bearing financial liabilities includes $33 million (December 2016: $41 million) related to interest on financial liabilities carried at amortised cost, and not designated in a fair value hedge relationship.

(D1) Net financing costs (continued)

The table below shows the composition of gains and losses on interest-bearing liabilities, including those eligible and ineligible for hedge accounting:

	Stockland		Trust	
Half year ended 31 December	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Net (loss)/gain on fair value hedges				
Loss on net change in fair value of derivatives	**(37)**	(65)	**(37)**	(65)
Gain on net change in fair value of interest-bearing liabilities	**38**	79	**38**	79
Net gain on fair value hedges	**1**	14	**1**	14
Net gain/(loss) on debt and derivatives				
Gain/(loss) on foreign exchange movements	**6**	(18)	**6**	(18)
(Loss)/gain on fair value movement	**(2)**	130	**(2)**	130
Net gain on debt and derivatives	**4**	112	**4**	112

(D2) Interest-bearing loans and borrowings

KEEPING IT SIMPLE …

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

The interest expense on these instruments is shown in section D1.

Stockland and Trust

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs and subsequently are stated at amortised cost. Any difference between cost and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. However, where an effective fair value hedge is in place, borrowings are carried at fair value and changes in the fair value are recognised in profit or loss.

The table below shows the fair value of each of these instruments. Fair value reflects the principal amount and remaining duration of the notes based on current market interest rates and conditions at balance date.

		Carrying value			
	Section	**Current $M**	**Non-current $M**	**Total $M**	**Fair value $M**
31 December 2017					
Foreign medium term notes	D2a	**442**	**2,295**	**2,737**	**3,005**
Domestic medium term notes	D2b	**–**	**557**	**557**	**601**
Bank facilities	D2c	**–**	**500**	**500**	**500**
Total		**442**	**3,352**	**3,794**	**4,106**
30 June 2017					
Foreign medium term notes	D2a	267	2,575	2,842	3,119
Domestic medium term notes	D2b	–	557	557	608
Bank facilities	D2c	–	130	130	130
Total		267	3,262	3,529	3,857

The difference of $312 million (June 2017: $328 million) between the carrying amount and fair value of the foreign and domestic medium term notes is due to notes being carried at amortised cost under AASB 139 *Financial Instruments: Recognition and Measurement*, while the fair value represents the amount required to replicate at balance date the principal and duration of these notes based on current market interest rates and conditions.

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

(D2a) Foreign medium term notes

US private placements

The Trust has issued fixed coupon notes in the US private placement market. Generally, notes are issued in United States dollars (USD) and converted back to Australian dollars (AUD or $) principal and AUD floating coupons through CCIRS.

In the prior period ended 31 December 2016, the Trust settled new US private placement debt which was transacted in a previous year. The debt was equivalent to $398 million and comprised four tranches denominated in either USD or AUD with terms of between 10 and 15 years. In the prior period, the Trust also repaid USD 66 million ($89 million) of its notes that were issued in the US private placement market and matured in July 2016 and October 2016.

During the current period, the Trust repaid USD 40 million ($61 million) of its notes that were issued in the US private placement market and matured in October 2017.

In December 2017, the Trust contracted for new US private placement debt equivalent to AUD 286 million which comprises five tranches denominated in either USD or AUD. The debt was settled in January 2018 with terms of between 10 and 15 years.

The fair value of the US private placements as at 31 December 2017 is $2,269 million (June 2017: $2,384 million).

Asian and European private placements

The Trust has issued medium term notes into the Asian and European private placement markets with face values of Hong Kong dollars (HKD) 470 million ($62 million), HKD 400 million ($55 million), HKD 540 million ($100 million) and Euros (EUR) 300 million ($433 million).

All notes are issued at a fixed coupon payable in HKD and EUR and converted back to AUD floating coupons through CCIRS.

The fair value of the Asian and European private placements as at 31 December 2017 is $736 million (June 2017: $735 million).

(D2b) Domestic medium term notes

Domestic medium term notes have been issued at either face value, or at a discount or premium to face value and are carried at amortised cost. The discount or premium is amortised to finance costs over the term of the notes. The medium term notes are issued on either fixed or floating interest rate terms.

In the prior period, the Trust repaid $150 million of its medium term domestic notes that matured in July 2016.

The fair value of the notes as at 31 December 2017 is $601 million (June 2017: $608 million).

(D2c) Bank facilities

Stockland and Trust

The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. Details of maturity dates and security for facilities, excluding bank guarantee facilities (refer to section F3), are set out below:

	31 December 2017		30 June 2017	
Maturity date	**Utilised $M**	**Facility limit $M**	**Utilised $M**	**Facility limit $M**
December 2017	**–**	**–**	–	100
July 2018	**–**	**100**	–	100
December 2018	**–**	**200**	–	100
August 2019	**–**	**120**	–	120
January 2020	**–**	**–**	–	250
January 2021	**250**	**250**	–	–
February 2021	**–**	**–**	30	150
November 2021	**–**	**–**	100	100
February 2022	**150**	**150**	–	–
November 2022	**100**	**100**	–	–
	500	**920**	130	920

(D3) Other financial assets and liabilities

KEEPING IT SIMPLE …

Investments in other financial assets are managed in accordance with the Group's documented risk policy. Based on the nature of the asset and its purpose, movements in the fair value of other financial assets are recognised either through profit or loss or other comprehensive income.

(D3a) Return of capital from BGP Holdings Plc (BGP)

BGP is a European (predominantly EUR denominated) real estate investment company. Stockland holds a 12.4% non-transferable, non-tradable investment in BGP. Stockland recognised this as an available for sale investment, in current other financial assets.

In 2017, BGP successfully completed the sale of its underlying property portfolio and advised shareholders of its intention to wind up the BGP group of companies and distribute the proceeds to shareholders.

In November 2017, Stockland received a $25 million return of capital from BGP. No further material distributions are expected from BGP, and the investment is held at $nil.

Stockland has recognised a $25 million gain ($17 million net of tax) in profit or loss, including $23 million ($15 million net of tax) gain previously recognised in equity reserves recycled through profit or loss in the current period.

Reconciliation from opening balance to closing balance for the fair value of the investment in BGP

Stockland	$M
Opening balance as at 1 July 2017	23
Net gain recognised in other comprehensive income	**2**
Return of capital reclassified to profit or loss	**(25)**
Balance as at 31 December 2017	**–**

(D3b) Investments made by Stockland CARE Foundation (CARE Foundation)

The CARE Foundation is a charitable trust set up by Stockland. Under the Accounting Standards, the CARE Foundation is considered a subsidiary of Stockland. Included in other financial assets is $9 million of CARE Foundation investments (June 2017: $8 million). This is comprised of an $8 million initial donation made by Stockland Trust in the prior years which the CARE Foundation has invested to fund its ongoing charitable projects. Investments gains of $1 million, net of donations made to charity partners, have been recognised in profit or loss.

(D4) Fair value hierarchy

KEEPING IT SIMPLE …

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

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

Determination of fair value

The fair value of derivative financial instruments, including domestic and foreign medium term notes, interest rate derivatives and CCIRS, is determined in accordance with generally accepted pricing models by discounting the expected future cash flows using assumptions supported by observable market rates. While certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility and exchange rates) adjusted for specific features of the instruments and debit or credit value adjustments based on the current credit worthiness of Stockland or the derivative counterparty.

The fair value of forward exchange contracts is the quoted market price of the derivative at balance date, being the present value of the quoted forward price. The table overleaf sets out the financial instruments included on the balance sheet at fair value.

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

(D4) Fair value hierarchy (continued)

Stockland

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2017				
Financial assets carried at fair value				
Derivative assets	**–**	**242**	**–**	**242**
Securities in unlisted entities	**–**	**–**	**9**	**9**
Other investments	**9**	**–**	**–**	**9**
Total financial assets carried at fair value	**9**	**242**	**9**	**260**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(248)**	**–**	**(248)**
Retirement Living resident obligations	**–**	**–**	**(2,693)**	**(2,693)**
Total financial liabilities carried at fair value	**–**	**(248)**	**(2,693)**	**(2,941)**
Net position	**9**	**(6)**	**(2,684)**	**(2,681)**
30 June 2017				
Financial assets carried at fair value				
Derivative assets	–	269	–	269
Securities in unlisted entities	–	–	32	32
Other investments	8	–	–	8
Total financial assets carried at fair value	8	269	32	309
Financial liabilities carried at fair value				
Derivative liabilities	–	(241)	–	(241)
Retirement Living resident obligations	–	–	(2,629)	(2,629)
Total financial liabilities carried at fair value	–	(241)	(2,629)	(2,870)
Net position	8	28	(2,597)	(2,561)

Trust

	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
31 December 2017				
Financial assets carried at fair value				
Derivative assets	**–**	**242**	**–**	**242**
Securities in unlisted entities	**–**	**–**	**9**	**9**
Total financial assets carried at fair value	**–**	**242**	**9**	**251**
Financial liabilities carried at fair value				
Derivative liabilities	**–**	**(248)**	**–**	**(248)**
Total financial liabilities carried at fair value	**–**	**(248)**	**–**	**(248)**
Net position	**–**	**(6)**	**9**	**3**
30 June 2017				
Financial assets carried at fair value				
Derivative assets	–	269	–	269
Securities in unlisted entities	–	–	9	9
Total financial assets carried at fair value	–	269	9	278
Financial liabilities carried at fair value				
Derivative liabilities	–	(241)	–	(241)
Total financial liabilities carried at fair value	–	(241)	–	(241)
Net position	–	28	9	37

(D4) Fair value hierarchy (continued)

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

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

Stockland	**Securities in unlisted entities $M**	**Retirement Living resident obligations $M**	**Total $M**
Opening balance as at 1 July 2017	**32**	**(2,629)**	**(2,597)**
Total gains and losses recognised in:			
• profit or loss	**–**	**(23)**	**(23)**
• other comprehensive income	**2**	**–**	**2**
• Cash receipts from incoming residents on turnover	**–**	**(115)**	**(115)**
• Cash payments to outgoing residents on turnover, net of DMF	**–**	**74**	**74**
Return of capital	**(25)**	**–**	**(25)**
Balance as at 31 December 2017	**9**	**(2,693)**	**(2,684)**
Opening balance as at 1 July 2016	36	(2,427)	(2,391)
Total gains and losses recognised in:			
• profit or loss	–	13	13
• other comprehensive income	61	–	61
Cash receipts from incoming residents on turnover	–	(148)	(148)
Cash payments to outgoing residents on turnover, net of DMF	–	78	78
Balance as at 31 December 2016	97	(2,484)	(2,387)

Trust	**Securities in unlisted entities $M**	**Total $M**
Opening balance as at 1 July 2017	**9**	**9**
Total gains and losses recognised in:		
• profit or loss	**–**	**–**
Balance as at 31 December 2017	**9**	**9**
Opening balance as at 1 July 2016	8	8
Total gains and losses recognised in:		
• profit or loss	–	–
Balance as at 31 December 2016	8	8

(D5) Issued capital

KEEPING IT SIMPLE ...

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

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

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

The following table provides details of securities issued by the Group:

	Stockland and Trust		Stockland		Trust	
Details	**Number of securities 31 December 2017**	**Number of securities 30 June 2017**	**31 December 2017 $M**	**30 June 2017 $M**	**31 December 2017 $M**	**30 June 2017 $M**
Ordinary securities on issue						
Issued and fully paid	**2,434,469,276**	2,418,400,142	**8,884**	8,817	**7,571**	7,507
Other equity securities						
Treasury securities	**(8,093,259)**	(6,002,501)	**(35)**	(27)	**(34)**	(27)
Total issued capital	**2,426,376,017**	2,412,397,641	**8,849**	8,790	**7,537**	7,480

(D5a) Ordinary securities

The following table provides details of movements in securities issued:

Details	**Stockland and Trust Number of securities**	**Stockland $M**	**Trust $M**
Movement of securities issued			
Opening balance as at 1 July 2017	**2,418,400,142**	**8,817**	**7,507**
Securities issued under DRP	**16,069,134**	**67**	**64**
Balance as at 31 December 2017	**2,434,469,276**	**8,884**	**7,571**
Opening balance as at 1 July 2016	2,392,042,302	8,696	7,389
Securities issued under DRP	12,995,469	63	62
Balance as at 31 December 2016	2,405,037,771	8,759	7,451

Dividend/distribution reinvestment plan (DRP)

In the current period, Stockland issued 16,069,134 securities under the DRP.

On 21 February 2018 we announced the suspension of the DRP in respect of the half year distribution for the six months ended 31 December 2017.

The proposed DRP issue price of Stockland stapled securities announced on 16 February 2018 of $4.03 is below the Group's net tangible assets per security at 31 December 2017 of $4.18, and significantly below the closing price of $4.74 on 14 December 2017, the day the operation of the DRP was announced.

As a result, the Directors have formed the view that some Stockland securityholders may be disadvantaged if the issue were to proceed.

The Group has sufficient capital to maintain its development and investment activity.

(D5) Issued capital (continued)

(D5b) Other equity securities

Treasury securities

Treasury securities are securities in Stockland that are held by the Stockland Employee Securities Plan Trust. Securities are held until the end of the vesting period affixed to the securities. As the securities are held on behalf of eligible employees, the employees are entitled to the dividends and distributions.

Movement of other equity securities

Details	Stockland and Trust Number of securities	Stockland $M	Trust $M
Opening balance as at 1 July 2017	6,002,501	(27)	(27)
Securities acquired	**4,674,128**	**(20)**	**(19)**
Securities transferred to employees on vesting	**(2,583,370)**	**12**	**12**
Balance as at 31 December 2017	**8,093,259**	**(35)**	**(34)**

Securities acquired

During the period, 4,674,128 securities were acquired on market for the purpose of issuing securities under the Share Plans.

Securities transferred to employees on vesting

During the period, 2,583,370 securities vested and were transferred to employees under the Share Plans.

At 31 December 2017, the Stockland Employee Securities Plan Trust is holding 8,093,259 securities.

(D6) Dividends and distributions

Dividends and distributions recognised in the financial period by the Group are detailed below:

Stockland Corporation

There were no dividends from Stockland Corporation Limited during the current, or previous, financial period.

The dividend franking account balance as at 31 December 2017 is $14 million based on a 30% tax rate (June 2017: $14 million). For the current period, the interim distribution is paid solely out of the Trust and therefore the franking percentage is not relevant.

Stockland Trust

	Cents per security	Total amount $M	Record date	Date of payment
Interim distribution: 31 December 2017	**13.0**	**316**	**29 December 2017**	**28 February 2018**
Interim distribution: 31 December 2016	12.6	303	30 December 2016	28 February 2017

The tax preferred percentage will be determined at year end.

(E) Group structure

IN THIS SECTION

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

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

(E1) Equity-accounted investments

Stockland and the Trust have interests in a number of individually immaterial joint ventures that are accounted for using the equity method. The Group did not have investments in associates at 31 December 2017 or 30 June 2017.

	Stockland		Trust	
	31 December 2017 $M	30 June 2017 $M	31 December 2017 $M	30 June 2017 $M
Aggregate carrying amount of individually immaterial joint ventures	**570**	574	**552**	556

The ownership interest in each of these immaterial entities is presented below:

	Stockland		Trust	
	31 December 2017 %	30 June 2017 %	31 December 2017 %	30 June 2017 %
Investment in joint ventures:				
• Brisbane Casino Towers	**50**	50	**–**	–
• Compam Property Management Pty Limited	**50**	50	**50**	50
• Eagle Street Pier Pty Limited	**50**	50	**–**	–
• Macquarie Park Trust	**51**	51	**51**	51
• Riverton Forum Pty Limited	**50**	50	**50**	50
• The King Trust	**50**	50	**50**	50
• Willeri Drive Trust	**50**	50	**50**	50

	Stockland		Trust	
Half year ended 31 December	2017 $M	2016 $M	2017 $M	2016 $M
Aggregate share of:				
• profit from continuing operations	**12**	44	**12**	44
• other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**12**	44	**12**	44

(F) Other items

IN THIS SECTION

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

(F1) Earnings per security (EPS)

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EPS is the amount of post-tax profit attributable to each security.

Basic EPS is calculated on the Group's statutory profit for the period divided by the weighted average number of securities. Statutory profit is highly variable as it includes unrealised fair value movements in investment properties and financial instruments.

Diluted EPS adjusts the basic EPS for the dilutive effect of any instruments, such as Share Plan rights, that could be converted into securities.

Basic FFO per security is disclosed in the Directors' Report on page 6 and more directly reflects the underlying income performance of the Group.

	Stockland		Trust	
Half year ended 31 December	**2017 cents**	**2016 cents**	**2017 cents**	**2016 cents**
Basic and diluted EPS				
Basic EPS	**28.3**	29.3	**16.4**	24.5
Diluted EPS	**28.2**	29.2	**16.4**	24.4

The calculation of basic EPS has been based on the following profit attributable to ordinary securityholders and weighted average number of ordinary securities outstanding:

Reconciliation of earnings used in calculating EPS

	Stockland		Trust	
Half year ended 31 December	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Basic and diluted earnings				
Profit attributable to securityholders	**684**	702	**398**	587

Weighted average number of securities used as the denominator

	Stockland and Trust	
Half year ended 31 December	**2017 Number of securities**	**2016 Number of securities**
Weighted average number of securities (basic)		
Weighted average number of securities	**2,421,829,448**	2,394,631,719
Weighted average number of securities (diluted)		
Weighted average number of securities (basic)	**2,421,829,448**	2,394,631,719
Effect of rights and securities granted under Share Plans	**7,762,324**	6,169,409
Weighted average number of securities (diluted)	**2,429,591,772**	2,400,801,128

Rights and securities granted under Share Plans are only included in diluted EPS where Stockland is meeting performance hurdles for contingently issuable share based payment rights.

(F2) Notes to Consolidated Cash Flow Statements

(F2a) Reconciliation of profit for the period to net cash inflows from operating activities

	Stockland		Trust	
Half year ended 31 December	2017 $M	2016 $M	2017 $M	2016 $M
Profit for the period	**684**	702	**398**	587
Add/(less) items classified as investing/financing activities:				
Net gain on fair value hedges	**(1)**	(14)	**(1)**	(14)
Net gain on debt and derivatives	**(4)**	(112)	**(4)**	(112)
Interest capitalised to investment properties	**(9)**	(6)	**(6)**	(4)
Net loss on sale of other non-current assets	**2**	2	**2**	–
Net gain on other financial assets	**(26)**	–	**–**	–
Add/(less) non-cash items:				
DMF base fees earned, unrealised	**(18)**	(13)	**–**	–
Depreciation	**9**	7	**–**	–
Straight-line rent adjustments	**(3)**	(3)	**(3)**	(3)
Net change in fair value of investment properties (including equity-accounted investments)	**(214)**	(244)	**(101)**	(161)
Share of profits of equity-accounted investments, net of distributions received	**(3)**	2	**(3)**	2
Equity-settled share based payments	**8**	9	**–**	–
Other items	**4**	(11)	**5**	4
Net cash inflows from operating activities before change in assets and liabilities	**429**	319	**287**	299
Decrease/(increase) in receivables	**49**	1	**(4)**	(5)
Increase in other assets	**(17)**	(23)	**(14)**	(15)
(Increase)/decrease in inventories	**(913)**	26	**–**	–
Increase in deferred tax assets	**(74)**	(29)	**–**	–
Increase in payables and other liabilities	**212**	27	**46**	16
Increase in Retirement Living resident obligations	**64**	57	**–**	–
Increase/(decrease) in other provisions	**428**	(63)	**–**	–
Net cash inflows from operating activities	**178**	315	**315**	295

(F2b) Reconciliation of movement in financial liabilities arising from financing activities

Stockland and Trust

			Non-cash movements		
	Opening balance 1 July $M	Net cash flows $M	Foreign exchange movements $M	Fair value changes $M	Balance 31 December $M
2017					
Interest-bearing loans and borrowings					
Foreign medium term notes	**2,842**	**(61)**	**(6)**	**(38)**	**2,737**
Domestic medium term notes	**557**	**–**	**–**	**–**	**557**
Bank facilities	**130**	**370**	**–**	**–**	**500**
Total	**3,529**	**309**	**(6)**	**(38)**	**3,794**
2016					
Interest-bearing loans and borrowings					
Foreign medium term notes	2,975	310	14	(79)	3,220
Domestic medium term notes	705	(150)	–	1	556
Bank facilities	120	20	–	–	140
Total	3,800	180	14	(78)	3,916

(F3) Contingent liabilities

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

Contingent liabilities at 31 December 2017 comprise bank guarantees, letters of credit and insurance bonds.

	Stockland and Trust	
	31 December 2017 $M	30 June 2017 $M
Guarantees		
Bank guarantees, letters of credit and insurance bonds issued to semi and local government and other authorities against performance contracts, maximum facility $560 million (June 2017: $560 million)	**397**	413

(F4) Commitments

Capital expenditure commitments

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

	Stockland		Trust	
	31 December 2017 $M	30 June 2017 $M	31 December 2017 $M	30 June 2017 $M
Inventory commitments	**355**	301	**–**	–
Investment property commitments	**352**	283	**104**	239
Total capital expenditure commitments	**707**	584	**104**	239

Operating lease commitments

Operating lease commitments not recognised in the financial statements at balance date are as follows:

• within one year	**9**	9	**–**	–
• later than one year but not later than five years	**31**	28	**–**	–
• later than five years	**11**	12	**–**	–
Total operating lease commitments	**51**	49	**–**	–

During the period, $4 million was recognised as an expense in Stockland's profit or loss in respect of operating leases (December 2016: $4 million). No operating lease expense was recognised in the Trust's profit or loss.

(F5) Related party disclosures

There have been no significant changes to the nature of related parties that were disclosed in the 30 June 2017 annual financial statements.

(F6) Events subsequent to the end of the period

Stockland and Trust

Other than disclosed elsewhere in this report, there has not arisen in the interval between the end of the current period and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations, the results of operations, or the state of the affairs in future years of Stockland and the Trust.

Directors' Declaration

Half year ended 31 December 2017

In the opinion of the Directors of Stockland Corporation Limited, 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 of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities (Stockland) and Stockland Trust and its controlled entities (Trust), set out on pages 18 to 50, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of Stockland's and the Trust's financial position as at 31 December 2017 and of their performance, for the period ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 21 February 2018

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

Report on the Half-Year Financial Report

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

- the Consolidated Balance Sheet as at 31 December 2017, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Stockland, being the consolidated stapled entity ("Stockland"). The consolidated stapled entity, as described in Note A to the half-year financial report, comprises Stockland Corporation Limited and the entities it controlled during that half-year, including Stockland Trust and the entities it controlled during that half-year, and
- the Consolidated Balance Sheet as at 31 December 2017, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Stockland Trust Group, being the consolidated entity ("Stockland Trust Group"). The consolidated entity comprises Stockland Trust and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated Stockland and Stockland Trust Group's financial position as at 31 December 2017 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of Stockland and Stockland Trust Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au.
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au.

Independent Auditor’s Review Report`

Independence

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

Conclusion

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

1. giving a true and fair view of the Stockland and Stockland Trust Group’s financial position as at 31 December 2017 and of their performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

S J Hadfield
Partner

N R McConnell
Partner

Sydney
21 February 2018

Glossary

AASBs or Accounting Standards	Australian Accounting Standards as issued by the Australian Accounting Standards Board
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CCIRS	Cross currency interest rate swaps
CODM	Chief Operating Decision Makers as defined by AASB 8 *Operating Segments*
D-Life	Project development lifecycle
DCF	Discounted cash flow
DMF	Deferred management fees earned from residents within the Retirement Living business
DRP	Dividend/distribution reinvestment plan
DSTI	Deferred short term incentives
EBIT	Earnings before interest and tax
EPS	Earnings per security
Executive Committee	Comprises the Executive Director and the Executive team of Stockland
Executive Director	Mark Steinert, the Managing Director and Chief Executive Officer of Stockland
FFO	Funds from operations
GST	Goods and services tax
IFRS	International Financial Reporting Standards as issued by the International Financial Reporting Standards Board
ILU	Independent living unit
IRR	Internal rate of return
KPI	Key performance indicators
LTI	Long term incentives
MAT	Moving annual turnover
NRV	Net realisable value
Report	This Stockland Interim Financial Report 2018
ROA	Return on assets
ROE	Return on equity
SA	Serviced apartment
SCPL	Stockland Capital Partners Limited
SDRT No. 1	Stockland Direct Retail Trust No. 1
Security	An ordinary stapled security in Stockland, comprising of one share in Stockland Corporation and one unit in Stockland Trust
Share plans	Employee share plans which comprise the LTI, DSTI and $1,000 employee plans
Statutory profit	Profit as defined by Accounting Standards
STI	Short term incentives
STML	Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust
Stockland or Group	The consolidation of Stockland Corporation Group and Stockland Trust Group
Stockland Corporation or Company	Stockland Corporation Limited (ACN 000 181 733)
Stockland Corporation Group	Stockland Corporation and its controlled entities
Stockland Trust	Stockland Trust (ARSN 092 897 348)
Stockland Trust Group or Trust	Stockland Trust and its controlled entities
TSR	Total securityholder return
WALE	Weighted average lease expiry

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust
Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity
for Stockland Trust
ARSN 092 897 348

Head Office
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Sydney
Telephone 02 9035 2000

Melbourne
Telephone 03 9095 5000

Brisbane
Telephone 07 3305 8600

Perth
Telephone 08 9368 9222

www.stockland.com.au