Appendix 4D

For the half year ended 31 December 2020
(previous corresponding period being the half year ended 31 December 2019)

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 Securities 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 on 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*.

		$M
Revenue from ordinary activities	**Up 1.2% to**	**1,254**
Net profit after tax attributable to securityholders	**Down 30.3% to**	**350**
Funds from operations attributable to securityholders	**Up 0.4% to**	**386**

Dividends and distributions

	Amount per security	**Franked amount per security**	**Record date**	**Payment date**
Interim dividend/distribution	**11.3 ¢**	**– ¢**	**31 December 2020**	**26 February 2021**

Other information

	2020	**2019**
Net tangible assets per security	**$3.78**	$4.12

This report is based on the Stockland Interim Financial Report 2021 which has been reviewed by PwC.

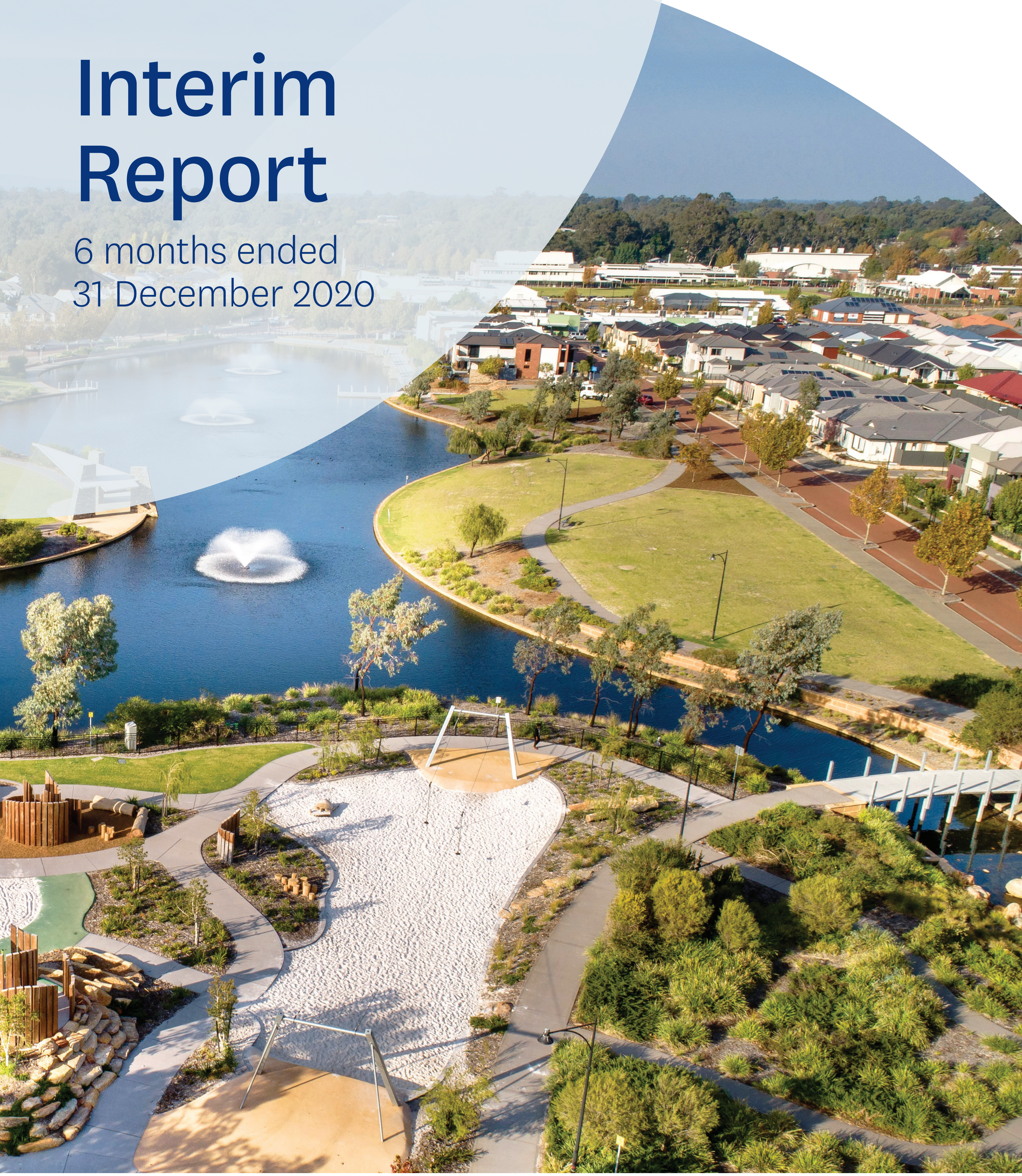
The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the Stockland Interim Financial Report 2021 that follows.

This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

Stockland

Interim Report

6 months ended
31 December 2020



stockland.com.au

We believe there is a better way to live

Welcome to Stockland's 1H21 Interim Report (**Report**)

We acknowledge the Traditional Custodians of the land on which we meet, work and live. We pay our respects to First Nation Elders past, present and emerging and the care they have given this country. Stockland is committed to supporting organisations and individual Aboriginal and Torres Strait Islander people in a culturally appropriate manner.

Stockland's Report is an opportunity for us to demonstrate how we create value for all our stakeholders. It illustrates how we achieve our purpose, 'we believe there is a better way to live', as we help shape communities across Australia.

The Report is a consolidated summary of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities (**Stockland** or **Group**) for the six months ended 31 December 2020 (**1H21**).

Stockland's reporting approach adopts the principles of the International Integrated Reporting Council (**IIRC**) Integrated Reporting (**IR**) Framework to communicate how our strategy, operational and financial performance, and approach to environmental, social, and governance matters creates value for stakeholders over the short, medium and long term.

In addition to complying with our statutory reporting requirements, on an annual basis we respond to the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**).

Corporate reporting suite

The Report is part of our broader corporate reporting suite, including:

Annual Report: features information about our strategy, our integrated financial and non-financial performance, risk management, corporate governance, remuneration and our financial statements

Results Presentations: includes strategic priorities, financial results, operational performance, business unit activities, portfolio metrics and development pipeline, disclosed on a six-monthly basis

Quarterly Updates: summarises operational performance for the first and third quarters of the financial year

Property Portfolio: details on the assets within the Stockland portfolio, published annually

Sustainability Reporting: includes comprehensive Management Approaches, Deep Dives containing our annual performance reports and case studies, and Data Packs across our enduring sustainability themes and material matters, published annually

Corporate Governance Statement: features Stockland's application of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)

Modern Slavery Statement: Stockland's published statement on our actions to assess and address modern slavery risks in our supply chain

Our corporate reporting suite documents are available for download on the Stockland Investor Centre **www.stockland.com.au/investor-centre**

Stockland Interim Report

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 Interim Financial Report of Stockland and the Independent Auditor's Report thereon. The Interim Financial Report of Stockland comprises the consolidated Finacial Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities (collectively referred to as 'Stockland' or 'Group') The Interim Financial Report of Stockland Trust comprises the consolidated Interim Financial Report of the Trust and its controlled entities ('Stockland Trust Group' or 'The Trust'). The Interim Financial Report for 1H21 has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) including the following information:

- Operating and Financial Review on **page 12**
- General information required under the Corporations Act on **page 25**
- Lead Auditor Independence Declaration on **page 26**

1H21 performance

– Diversified business model delivers value
– Residential market rebounds, improved retail sales

Funds from operations[1] (FFO)

$386m

0.4% on 1H20

FFO[1] per security

16.2c

0.6% on 1H20

Distribution per security (DPS)

11.3c

6.6% on 2H20

Statutory profit

$350m

$504m 1H20

Gearing

24.2%

Improved from 25.4% at 30 June 2020

Return on equity[2] (ROE)

11.4%

Down 80 bps on 31 December 2019

Net tangible assets (NTA) per security

$3.78

0.3% on $3.77 at 30 June 2020

Total real estate assets

$14.6bn

At 31 December 2020

1 Funds from operations (FFO) are determined with reference to the PCA guidelines.
2 Return on equity accumulates individual business return on assets and adjusts for cash interest paid and average drawn debt for the 12 month period ended 31 December 2020. Excludes Residential Communities workout projects.

Strong momentum delivering strategic priorities

Increased our capital allocation to Workplace and Logistics

Contracted to acquire over $0.2 billion of new sites.

Continued to remix and rebase core Retail Town Centres

322 leasing deals executed in the half, 114 of which represent new tenant relationships.

13% market share[7] in masterplanned communities, more than 3X our nearest competitor

Reflecting our ability to leverage our competitive strengths in brand, scale and landbank to deliver high quality, affordable product to our customers.

Implemented Core systems

A scalable platform with enterprise wide capability, leveraging SAP and Salesforce, enabling increased compliance, security, a single customer platform, consolidated reporting, integrated business processes and future automation capabilities.

Retirement Living portfolio optimisation

Disposed $89 million of non-core assets.

Established a logistics capital partnership[3] with JP Morgan Asset Management

To drive investment in established assets on the eastern seaboard of more than $1 billion[4] over the next three years.

Success with non-core retail divestments

Settled $402 million[5,6] non-core retail divestments and contracted to sell another non-core Retail Town Centre at Traralgon (VIC) for $85 million, with settlement expected to occur in 2H21.

Investment in data capability and AI

These investments have supported complex decision making to drive operational excellence during the dynamic environment of 2020. Over 40 data sets are now used as part of the Stockland Data platform. Proprietary data driven tools run rapid complex scenario modelling on critical business focus areas.

Land Lease Communities pipeline grew 25% to over 3,000 lots

We commenced construction at two projects with first sales due to launch at Aura (QLD) in March 2021 and Minta (VIC) in June 2021.

Fast-tracked climate action

Accelerated our Net Zero Carbon target by two years to 2028.

3 A special purpose vehicle managed by JP Morgan Asset Management.
4 Subject to the special purpose vehicle obtaining FIRB approval.
5 Includes transactions contracted to sell in FY20 which settled in 1H21.
6 Settlement of The Pines occurred post balance date, on 8 January 2021.
7 National Land Survey, December 2020. Research 4 – market share over the six months to December 2020 (Greater Sydney, Melbourne, Perth and south east Queensland).

Our COVID-19 response

The pandemic continues to have a significant impact across Australia.

Since the COVID-19 pandemic began to unfold in Australia in March 2020 we've continued to monitor the impact across all aspects of our business and adapt to protect our people and business.

Our response

Our response has been guided by advice from the Australian Federal and State governments and the World Health Organisation.

The key guiding principles of our response are based on assessing and managing:

- the wellbeing and safety of our tenants, customers, contractors and our teams
- the impact of the pandemic on our operations across our assets, projects and supply chain
- the financial impacts relating to the pandemic.

Our actions since the start of the pandemic included:

- establishing governance protocols including a pandemic working group and activating our Crisis Management team to support and guide our operational and strategic response
- reviewing business continuity plans to address implications associated with COVID-19
- proactively affecting industry support including HomeBuilder stimulus and implementation of the Federal Government's Commercial Code of Conduct (**Code**) as implemented under state government legislation
- implementing a "Hub and Home" hybrid working model
- issuing hygiene kits comprising adequate equipment to our front line teams and offices
- distributing specific and ongoing communications to our tenants, contractors, suppliers and residents across multiple platforms detailing our response to COVID-19
- activating COVIDSafe operational plans across all assets
- delivering bespoke COVID-19 safety training to all head office based staff
- implementing customer safety initiatives and adopting business unit specific controls across our retirement villages (e.g. closure of communal facilities such as swimming pools, community centres), retail town centres, sales offices, workplace and logistics assets
- increasing our liquidity and implementing initiatives focused on the preservation of cash

Our financial position

On 25 February 2021, we reinstated our funds from operations and distribution guidance for the 12 months to 30 June 2021. We have seen signs of recovery across Australia over the last six months although conditions remain volatile with intermittent outbreaks of COVID-19 transmission. Business and consumer confidence is improving slowly, and growth opportunities are emerging which Stockland is well-positioned to pursue, especially in the restocking of our Residential landbank.

We have focused on providing certainty of funding to continue delivering operational activities and Group priorities, and balance sheet capacity to leverage opportunities arising during this period.

Liquidity - we held $1.9 billion available liquidity at 31 December 2020.

Operational costs - we actively reduced or deferred variable and non-critical expenses which is helping to cover COVID-19 specific costs like additional hygiene measures. This included placing a freeze on remuneration, training and recruitment and other cost saving measures.

We continue to manage and adapt our COVID-19 response in relation to government restrictions and identified outbreaks across different states.

Our people

We are determined to help our people stay healthy, well and productive during these difficult times as well as maintaining and strengthening our strong organisational culture. To support them, we have focused on:

Enabling technology – ongoing availability of Microsoft Teams to all employees.

Communication – regular employee virtual live events held with our Executive Committee providing updates and allowing for strong two-way communication.

Flex in Feb – we annually celebrate 'Flex in Feb' to support our approach to flexible working and balancing the needs of individuals, teams and the organisation to achieve our strategic goals but also improve wellbeing, productivity and collaboration. We know that flexible work means a great deal more than working from home – it is about how, where and when we work.

Leadership – we developed a program called Leading the Recovery, including tools, resources and learning experiences for managers, leaders and employees. We are proud that our leaders have been able to maintain the engagement of our people through this challenging period.

Hub and Home - we believe a hybrid model is the future for where work is done. For Stockland, this is a mix of working in a hub (core office) as well as satellite offices and at home. We firmly believe that our CBD offices play a critical role as centres for collaboration, creativity, innovation and connection and are at the heart of fostering our culture. We are taking a test and learn approach having conducted trials across Stockland over the past six months as leaders worked with their teams to build flexible working plans balancing the needs of the individual, customer, team and Stockland.

Our customers

Keeping our customers safe and supporting the resilience of our tenants is critical to our success. During the pandemic we have focused on the following:

Leading practice safety management - We have implemented leading practice safety management and hygiene standards across the business. We have made a range of process changes across our assets to deliver this outcome including the implementation of social distancing protocols, appointment-only visits to residential sales centres where appropriate, comprehensive safety and visitor protocols for our retirement living communities and expanded cleaning programs for our Retail Town Centres.

Tenant support - We have made significant progress providing tenant support and negotiated with Commercial Property tenants affected by the COVID-19 pandemic following the principles set out in the Code which was issued in April 2020 and progressively implemented through state legislation.

We continue to work closely with our tenants as legislation implemented by different states to give effect to the Commercial Code of Conduct comes to the end of its operation.

Customer experience - Our Retail Town Centres remained open during government restrictions, demonstrating our commitment to the safe provision of essential goods and services to Australian communities. 99.6% of stores are currently open and trading.

To help ease the impact of restrictions and provide a safe buying experience we expanded our existing digital sales capabilities and omni-channel retail shopping experiences to our customers.

Our communities

We continue to provide support wherever we can to maintain the benefits of community connection, along with staying safe including providing free space for temporary COVID-19 testing centres in several of our Retail Town Centres.

Our Stockland CARE Foundation partners, R U OK?, Redkite and ReachOut, along with our national community partners, have helped to deliver community support through mental and physical health and wellbeing programs across Australia.

- Jamie's Ministry of Food has provided online cooking classes to our retirement village residents
- Live Life Get Active has provided access to online fitness training, and virtual coaching, helping our residents stay as healthy as possible.

Our supply chain

We increased communication with our suppliers continually assessing supply chains for potential disruption. We have also assessed where the pandemic could increase the vulnerability of supply chain workers providing services under difficult working conditions. We continue to reinforce our requirement to comply with Stockland's subcontracting standards and Supplier Code of Conduct.

Letter from the Chairman and Managing Director and CEO

Dear Securityholders

As we deliver this year's Interim Report, the 2020 global pandemic continues to have a significant impact across Australia – on the economy, our way of life and how companies do business.

The protective measures put in place by Stockland at the start of the pandemic have served the business and its stakeholders well over the first half of FY21. Our focus on customer service, as well as the diversified nature of the Group's business, have demonstrated a high degree of resilience in this challenging environment and this is reflected in our strong interim result.

Despite the continued impact of COVID-19, our 1H21 funds from operations (**FFO**) has exceeded that of the prior corresponding period, a period not impacted by the global pandemic. This demonstrates both the effectiveness of Stockland's long-term diversified strategy, and the commitment of our people to the wellbeing of our residents, customers, and communities.

Group profit improves

Our 1H21 result delivered FFO of $386 million up 0.4% and FFO per security of 16.2 cents, 0.6% stronger than the first half of FY20. The key drivers of this result included strong residential settlements up 43.7%, improved Retail Town Centre trading and rent collection and resilience in Retirement Living, Workplace and Logistics. We are pleased to report, that by the end of the half, both the number of stores trading and foot traffic in our Retail Town Centres are nearing pre-COVID-19 levels.

Statutory net profit of $350 million includes net positive Commercial Property valuations and external revaluations of the entire Retail Town Centre portfolio. This result demonstrates the quality of our diversified core assets, the positive impact of our remixing strategy across our investment property portfolio and our commitment to maintaining a stakeholder-centric business model.

Mindful of the importance of distributions to many of our securityholders, and supported by improvement of our balance sheet strength, we have declared a 1H21 distribution per security of 11.3 cents, up 6.6% on the second half distribution in FY20 and fully covered by operating cash flow. For the full year, we expect the distribution to be in line with our target payout ratio of 75% to 85% of FFO[1].

Proactive pandemic response

Our proactive response to the pandemic continued in 1H21, with the health and safety of our employees, customers, tenants, and contractors remaining a key priority. We are pleased to report that there have been minimal COVID-19 health-related issues across our business. We have engaged in a transparent and timely manner with health authorities to maintain the confidence of our stakeholders and to safely operate our retail assets, residential sales offices, logistics and workplace properties and retirement villages.

In 2020, we took several measures to reduce operational and overhead costs to minimise the negative impact of COVID-19 on our profitability. As this impact eases, we have successfully balanced prudent cost control with the continued focus on delivering operational activities and strategic priorities.

Strategy focus

We have made strong progress on strategy execution while navigating an uncertain environment. We continue to focus on the reweighting of our capital allocation with the disposal of non-core Retail Town Centres and Retirement Living villages to improve portfolio quality and growth prospects as we reinvest in our development pipeline for Workplace and Logistics. In our Communities business we have focused on restocking our land bank in a capital efficient way and we have commenced development of our first two Land Lease Communities in Queensland and Victoria. Our Communities business maintained its market share of 13%, more than three times our nearest competitor, as we continued to deliver some of the most affordable and liveable communities in Australia. Prudent management of both balance sheet and risk combine to support growth, maintain lower gearing, provide ample liquidity, and strong operating cash flows.

COVID-19 has created opportunities for the acceleration of important trends. In particular, those relating to the enhancement of the quality of the customer experience, the digitisation and use of data across the whole organisation

1 Due to gaining more certainty around our business performance and market conditions, guidance has been re-established. All forward-looking statements are subject to the continuation of positive trends in rental collection and residential settlements and no material change in market conditions; including the level of COVID-19 transmission, the impact of restrictions including state border closures and other impacts from COVID-19 on the economy, broader community and business performance.

to increase efficiency, and the proactive delivery of sustainability initiatives which impact the way we live, work and shop. Collectively these trends can deliver long term strategic value for companies like Stockland who focus on them, as well as contributing to near term measures which will help deal with the global climate crisis. We continue to adapt our approach to deliver on our strategic priorities and create exceptional experiences for our customers. A summary of the application of the Commercial Code of Conduct provided to our tenants during the half year is outlined later in this Interim Report.

Commercial property

Our Commercial Property business delivered a 1H21 FFO result of $286 million, down 7.2% on the prior corresponding period, mainly due to the mandated rent abatements and rent deferrals for eligible tenants affected by COVID-19 under the Commercial Code of Conduct as implemented under state legislation. While we have seen significant improvement in market conditions, including a return to close to pre-pandemic store openings and foot traffic levels, some of our rental income, attributable to a small number of retail small to medium enterprises (**SMEs**) remains under pressure. We are proactively seeking to resolve these outstanding challenges and work with tenants to support them operate sustainable businesses.

The first half saw a very positive change in Commercial Property rent cash collections. By 31 January 2021, we had collected 90% of the billings during the half, compared to 61% at 30 June 2020. Abatements provided for tenants have halved from $29 million to $11 million and our credit loss provisioning as a percentage of billings has fallen to 3%, compared to 16% at 30 June 2020. We have seen this improving trend continue into 2021, particularly in our Retail Town Centres as trade activity returns close to pre-COVID-19 levels. A growing return-to-work trend is also reinvigorating Workplace assets. Noting the expected credit loss (**ECL**) booked in 1H21, Stockland still intends to enforce its legal rights to rent collection under its lease agreements.

Across the Retail portfolio, 100% of properties were externally valued, realising a 1.7% devaluation of $104 million. In the Logistics portfolio 67%[2] of properties were externally valued, realising a 5.5% increment of $157 million. The Workplace portfolio had 70%[2] of its properties externally valued, realising a 2.7% decrement of $28 million. Across the Commercial Property portfolio, 77% of assets had no movement in capitalisation rates, 21%[2] of assets experienced capitalisation rate compression and the remaining 2% experiencing some softening.

We have continued to actively reweight the Commercial Property portfolio to balance our exposure between Retail, Workplace, and Logistics asset classes to maximise risk adjusted returns, and improve longer term income growth. During the half, $402 million of non-core retail property divestments were settled[3] and Traralgon (VIC) was contracted to sell for $85 million at book value consistent with our strategy. We are reinvesting the disposal proceeds into our $5.9 billion[4] Workplace and Logistics development pipeline, with $185 million was reinvested back into investment properties. This reinvestment strategy is adding to the resilience of our recurring income.

In December 2020, a capital partnership[5] was established with JP Morgan Asset Management to invest in more than $1 billion[6] of logistics assets on the eastern seaboard over the next three years. Stockland will operate and manage the assets and will receive fees for these services.

The impact of COVID-19 restrictions during the pandemic and the resulting shift to flexible work arrangements has generated significant discussion about the future of the workplace and the long term implications for our Workplace developments. Stockland is closely assessing these trends as we plan for the delivery of our $2.6 billion Workplace development pipeline. We are confident our diversified property experience will allow us to deliver leading workplace buildings including contactless building access and lift systems, higher quality filtration systems, more fresh air and access to outdoor areas and a focus on mixed use spaces versatile for remote and flexible working. Obtaining relevant development application approvals is accretive to the value of our Workplace portfolio and we will manage risk by seeking significant pre commitments before project commencement and entering into capital partnerships.

Our existing Workplace assets are well-located, provide competitive rents and the weighted average lease expiry of 2.8 years reflects the optionality to develop. They also have strong rental collection and low outstanding debt levels, both of which are close to pre-pandemic levels.

Communities

Our Residential business delivered FFO of $136 million, up 1.8% on the prior corresponding period, despite the 1H20 result including the revenue recognised from the capital partnering transaction at Aura (QLD).

We remain Australia's leading developer of residential masterplanned communities maintaining our 13% market share, more than three times our nearest competitor. Shifting customer preferences and a desire to live in affordable, connected, and lower density communities aligned with our strengths. With an extensive network

[2] By value.
[3] Settlement of The Pines occurred post balance date, on 8 January 2021.
[4] Expected incremental development spend, excluding land cost and subject to planning approvals at 25 February 2021.
[5] A special purpose vehicle managed by JP Morgan Asset Management.
[6] Subject to the special purpose vehicle obtaining FIRB approval.

of activated projects, inventory available for sale, and a range of sought-after product types at a variety of price points, we capitalised on the strength of the residential market, settling 3,101 lots, a 43.7% increase on the prior corresponding period.

Supportive market conditions including low interest rates, good credit availability, government stimulus measures including HomeBuilder and JobKeeper, and limited land supply will collectively drive sales momentum and price growth over 2021. While COVID-19-related government stimulus measures will come to an end, we believe this upcycle is likely to continue for some time supported by the roll out of vaccines across the globe, supportive economic metrics, a recommencement of global travel and international migration, and a large number of Australians who have returned to Australia from overseas to live for the foreseeable future.

Settlement volumes were skewed in the first half to Queensland, Victoria and Western Australia, and the average operating profit margin remained stable at 17.4%. Sales activity was equally strong with 3,835 deposits, 53.5% higher than the previous corresponding period.

We welcomed the Federal Government's announcement of the extension of the HomeBuilder program in November 2020. This has provided Stockland with the opportunity to generate an additional $1.5 billion of construction spend across the house and land market.

Our Retirement Living business continued to operate safely through the COVID-19 government restrictions and resident satisfaction has remained high. The increase in demand for the support and wellbeing a retirement community provides, has driven established sales 6.3% higher than 1H20. Development settlements were down 31.2% as our development focus shifts away from deferred management fee (**DMF**) based villages to Land Lease Communities. FFO of $36 million was more than double the result from last period, mainly due to the recognition of DMF from the sale of four non-core villages. In FY20, profits from asset sales was recognised in the second half of the financial year (2H20) and not in the prior corresponding period of 1H20.

A fair valuation decrement of $40 million in the Retirement Living investment property portfolio was predominantly due to a reduction in growth rates.

Over time we will continue to divest non-core villages and reshape our DMF portfolio. We are also focusing on accelerating the development of our Land Lease pipeline. We remain open to opportunities to capital partner the Retirement Living business with institutional interest in the sector increasing.

Capital management

At 31 December 2020 gearing improved to 24.2%, (25.4% at 30 June 2020), demonstrating prudent capital management and a strong cash generating development business. We maintain a disciplined approach to our balance sheet, including a strong focus on cash flows, diversification of debt sources and high levels of liquidity and seeking to lower our cost of debt.

At period end, strong liquidity of $1.9 billion was maintained, providing funding certainty and the confidence to pursue restocking and growth opportunities that have emerged. We have made land acquisition payments of $104 million, 88% of which were on capital efficient terms aligning the payment for the land closer to its delivery to the end customer.

Sustainability

During the period, Stockland was once again recognised by the Dow Jones Sustainability Index (**DJSI**) as a global leader in real estate. We were also recognised by other leading global sustainable investment indices and benchmarks including The Global ESG Benchmark for Real Assets (**GRESB**) and MSCI.

Our consistent achievement of top rankings over an extended period demonstrates our ability to evolve our approach to environment, social, governance, and emerging issues in a rapidly changing world.

We have tackled systemic risk such as COVID-19 and climate change head on and continue to focus on our global leadership position in sustainability. We have also focused on long standing societal challenges such as social exclusion, inequality, and modern slavery.

We recently committed to a portfolio wide 2028 net zero emissions target and revised our Sustainability strategy with meaningful three year targets as part of a 10 year plan. Our revised 2030 Sustainability strategy will continue to focus on delivering business outcomes that drive long-term, shared value, including our focus on climate change and the transition to a low-carbon economy.

As investors focus on the efficacy of Environmental, Social and Governance (**ESG**) strategies, the expectation on public companies to adhere to sustainability best practice across all these three measures will continue to intensify. We are proud to be a recognised global sustainability leader and believe this focus, and the market recognition for it, is pivotal to delivering long-term, durable benefits for all Stockland stakeholders.

Community and customers

Our focus on employee and community wellbeing is vital. We have partnered with the Stockland CARE Foundation partners R U OK?, Redkite and ReachOut, to provide support and communicate the importance of mental health. The pandemic highlighted the importance of customer-centric innovation and the power of a digital strategy. The implemented Core system is a scalable platform with enterprise wide capability, leveraging SAP and Salesforce, enabling increased compliance, security, a single customer platform, consolidated reporting and leading edge integrated business processes and future automation capabilities.

Our purpose; *we believe there is a better way to live*, positions us well to join with other Australian companies in helping to eliminate the negative impacts this pandemic has had on the wellbeing of the Australian economy and its people by delivering vibrant, connected, safe and liveable communities.

Governance and leadership

In November 2020 we were pleased to announce Laurence Brindle's appointment to the Board. His appointment is part of our ongoing Board succession program which focuses on complementing and strengthening the Board's experience and expertise. Laurence will offer himself for election by securityholders at the 2021 Annual General Meetings.

Stockland Chairman, Tom Pockett said "In this reporting period, change also extended to the Group's leadership, with Managing Director and Chief Executive Officer, Mark Steinert, announcing in June 2020 his decision to retire once his replacement could be found. In late November 2020, the Board appointed Tarun Gupta as Stockland's next Managing Director and Chief Executive Officer.

"Tarun will join Stockland on 1 June 2021, succeeding Mark who has been Managing Director and Chief Executive Officer since 2013. Tarun has deep commercial experience and a proven track record in leading and managing large property operations, including communities development, retirement living, commercial property and investment management. He is highly regarded in the industry and has a strong reputation among property investors having held a wide range of senior roles during his 26 years at Lendlease, including, most recently, as the Group Chief Financial Officer.

"While Mark will remain in his position until Tarun commences, this will be his last report to investors. As Managing Director and Chief Executive Officer Mark has overseen the development of Australia's leading residential business, reshaped and expanded our Workplace and Logistics portfolio and significantly repositioned our Retail Town Centre business and reduced costs. Mark has fostered a strong executive team, advanced our development and digital capabilities and solidified Stockland's position as a diverse employer of choice and a global leader in sustainability. We wish him well for the future and thank him for his commitment to Stockland," said Mr Pockett.

Tom Pockett, Chairman and Mark Steinert, Managing Director and CEO

Outlook

We have seen signs of recovery across Australia over the last six months although conditions remain volatile with intermittent outbreaks of community transmission. Business and consumer confidence is growing, and growth opportunities are emerging which Stockland is well-positioned to pursue, especially in the restocking of the Communities landbank.

We are committed to the continued execution of our strategy and we have confidence in the management and governance structures we have in place to respond to the current challenges while balancing this with the long term interests of our securityholders and the community.

Due to gaining more certainty around our business performance and market conditions, guidance is re-established. We are targeting FY21 FFO per security in the range of 32.5 cents to 33.1 cents. This includes an expectation that the Communities business will deliver over 6,000 Residential settlements for the full year at an average operating profit margin of around 19% and Commercial Property rental income receipts will continue to follow current trends. The distribution per security for the full year is expected to be at the lower end of our target payout ratio of 75% to 85% of FFO. All forward-looking statements are subject to the continuation of positive trends in rental collection and residential settlements and no material change in market conditions; including the level of COVID-19 transmission, the impact of restrictions including state border closures and other impacts from COVID-19 on the economy, the broader community and business performance.

Thank you to our Board colleagues and the executive team for their leadership during these challenging times and to our people for their commitment to Stockland and our purpose, *'we believe there is a better way to live'*.

Tom Pockett
Chairman

Mark Steinert
Managing Director and CEO

Our business and strategy

Stockland, one of the largest diversified property groups in Australia, owns, develops and manages a portfolio of Residential and Retirement communities, Retail Town Centres and Workplace and Logistics assets valued at $14.6 billion.

Founded in 1952, today Stockland leverages its diversified model to help create sustainable communities where people live, shop and work.

Our structure

Stockland is a listed company on the Australian Securities Exchange (**ASX**). To optimise value to our securityholders we are structured as a stapled security. A Stockland stapled security (ASX:SGP) represents one ordinary share in Stockland Corporation Limited and one ordinary unit in Stockland Trust. This allows us to efficiently undertake property investment, property management and property development activities.

Our vision, purpose and values

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 strategy

Our strategy is to leverage the benefits of our diversified portfolio and maximise returns by developing sustainable Communities, owning and managing leading Retail Town Centres, and growing our Workplace and Logistics portfolio. We achieve this by focusing on our three enduring pillars: grow asset returns, capital management and operational excellence.

OUR PILLARS

Grow asset returns

Grow returns in our core businesses by creating liveable, affordable and connected communities, future proofing our Retail Town Centres and Retirement Living villages, and up-weighting our Workplace and Logistics portfolio.

Capital management

Actively manage our balance sheet to maintain diverse funding sources and efficient cost of capital.

Operational excellence

Improve the way we operate to drive efficiencies, compliance, sustainability and employee engagement.

Commercial Property

Statutory net profit for the Group of $350 million includes net positive Commercial Property valuations and external revaluations of the entire Retail Town Centre portfolio. This result demonstrates the quality of our diversified core assets, the positive impact of our remixing strategy across our investment property portfolio and our commitment to maintaining a stakeholder-centric business model.

We have continued to engage with our Commercial Property tenants affected by the COVID-19 pandemic on a case by case basis, to provide appropriate levels of rental support under the Commercial Code of Conduct. We have finalised 86% of tenant rental negotiations by number of tenants[2] seeking support, with unresolved arrangements representing less than 5% of monthly billings.

Aligned to our strategic priority to reweight our portfolio, over the last three years more than $1 billion non-core Retail Town Centre assets have been divested and we more than doubled our Workplace and Logistics development pipeline to $5.9 billion.

CAPITAL ALLOCATION AT 31 DECEMBER 2020

Retail Town Centres - 39%

Workplace - 7%

Logistics - 24%

RETAIL TOWN CENTRES

Our Retail Town Centres have been impacted by the COVID-19 pandemic, although visitations and trading performance have recovered well since the easing of Government restrictions, comparable FFO was down 9.9%[1].

Our portfolio weighting to non-metropolitan, convenience based retail with relatively high exposure to low and non discretionary categories has delivered solid retail sales performance for the half. Total sales for the comparable portfolio in 1H21 increased by 2.6% to 1H20, due to stronger 2Q21 sales of 4.6%.

Despite the challenging market conditions, our portfolio of valued retailers continued to grow throughout the half, with 322 leasing deals executed, 114 of which represented new tenant relationships.

These new tenant relationships and experiential offerings reflect our remixing strategy which is centred around building a balanced retail offering curated to the needs of the local community. We will continue to create differentiated customer offerings through the innovative use of technology, digital, enhanced data capability and relationships.

While we always strive to create vibrant environments at our Retail Town Centres, safety is our first priority. All Stockland centres continue to operate under COVIDSafe Plans that support the safety and wellbeing of our customers, tenants and teams.

[1] $8m net abatements expense and net release of $1m for ECL.

WORKPLACE

Our Workplace portfolio maintained high occupancy across the portfolio at 93.2% and delivered comparable FFO growth of 1.0%. Average rental growth of 12.4% was achieved on the 2,797 square metres leased during the half.

With only a small number of tenant deals captured under the Code, the Workplace portfolio has less than 5% outstanding rental arrears at 31 December 2020.

Capital allocation to the Workplace portfolio continues to increase with the acquisition of 122 Walker Street, North Sydney (NSW) completed in July 2020 and a current development pipeline of $2.6 billion. We continue to carefully assess market conditions and shifting trends in work practices before commencing new projects. We will also explore opportunities for capital partnering.

Planning work requiring minimal capital in the near term is progressing well on our two major projects. The Stage 1 Planning Proposal for Piccadilly, Sydney (NSW) was lodged in August 2020 and a Development Application was lodged in January 2021 for the redevelopment of our Walker Street site.

LOGISTICS

Our Logistics key operating and financial metrics demonstrate the strength and quality of the portfolio. Comparable FFO growth was 1.3%.

Occupancy remains high across the logistics portfolio at 96.3%, while leasing demand and tenant enquiry have remained strong with 182,019 square metres leased in the half. The small number of rental support deals captured under the Code have been concluded and outstanding rental arrears are below 2% at 31 December 2020.

Our capital allocation to the Logistics portfolio continues to increase, with a portfolio weighting of 24%[1] and a development pipeline of $3.3 billion. During the half, we entered into two fund-through developments in Melbourne, Victoria, at a cost of $108 million (land and development) and a forecast average yield of 5.6%, acquired a 10.3 hectare development site in Leppington (NSW) for $42 million and completed the acquisition of a 21 hectare site in Willawong (QLD) in a joint venture with FIFE Group.

Stage 1- Building A of the M_Park, Macquarie Park (NSW) development, is contracted to commence construction in March 2021. Reflecting the quality of the development and tenant demand from technology and health sectors, terms have been agreed for 60% of Stage 1.

Yennora Distribution Centre, NSW

[1] Reflects portfolio weighting at 31 December 2020.

Communities

RESIDENTIAL

Size and quality of our ~81,000 lot landbank is difficult to replicate with geographic spread in key growth corridors of which 86% is skewed to the eastern seaboard.

Our Residential business reported FFO of $136 million, growth of 1.8% on prior corresponding period despite the revenue recognised from the capital partnering transaction at Aura (QLD) in 1H20. Average operating profit margins were stable at 17.4%.

Our Residential business delivered strong settlement volumes of 3,101, up 43.7% on 1H20. These results were achieved by record low interest rates, government stimulus and shifting customer preference towards low density housing.

During the half enquiries significantly increased, including a COVID-19 post-restriction surge in interest in Victoria. This has translated into net deposits of 3,835, the strongest half year result in four years.

The strength of January 2021 enquiry and sales indicates the continued demand for masterplanned communities beyond the HomeBuilder stimulus.

We have seen solid price growth across New South Wales and South East Queensland, and flat pricing in Victoria and Western Australia. We continue to be Australia's leading residential communities business with 13% market share, more than three times our nearest competitor. This reflects our ability to leverage our competitive strengths in brand, scale and landbank, and to deliver high quality affordable product to our customers.

HIGHLIGHTS

- Settlement volumes of 3,101, up 43.7% on 1H20
- Australia's leading residential communities business with 13% market share, more than three times our nearest competitor
- Accelerated our digital capability program to drive improved customer experience and increased lead conversion

During 1H21 we completed early cycle restocking with five new projects[2] adding around 9,200 lots to our landbank across South-East Queensland, Sydney and Melbourne. We have also capitalised on the strong demand during the half increasing production by 1,800 lots.

We have enhanced our digital capability to drive increased customer experience and lead conversion. In October 2020, we launched an upgrade of our product visualisation and interactive website experiences. This upgrade has led to an 83% improvement in lead conversion from website traffic year on year.

With continuing momentum and market fundamentals remaining supportive of masterplanned communities we are on track to deliver over 6,000 settlements in FY21, at an operating profit margin of around 19%, driven by greater settlement volumes in high margin Sydney projects in the second half.

[2] Includes acquisitions and exchange of contracts subject to planning and other approvals and one acquisition subject to finalisation of due diligence.

RETIREMENT LIVING

Our Retirement Living business delivered FFO of $36 million, an increase of $19 million on 1H20, reflecting higher established sales and accrued deferred management fee **(DMF)** release associated with non-core village disposals. Development settlements were down 31.2% as our development focus shifts away from DMF based villages to Land Lease Communities. We expect full year FFO to reflect a skew to the first half of FY21.

The strong result was driven by the continued shift in customer preferences to community based living that provides both safety and support, and our portfolio optimisation with $89 million non-core asset disposals. We expect sales to increase over time, supported by customer preferences and the continued growth in this demographic. Through the restrictions imposed during the pandemic, our business continued to operate safely and resident satisfaction has remained high.

We continue to enhance our customer value proposition around wellbeing, through the creation of an ecosystem that delivers emotional, physical and cognitive support across the entire customer journey. We expect such initiatives to continue to improve customer satisfaction, drive future settlements and returns.

Over time we will divest additional non-core villages and accelerate the development of our Land Lease Communities pipeline. We remain open to opportunities to capital partner the Retirement Living business with insitutional interest in the sector increasing.

Our Land Lease Communities development pipeline has now grown to over 3,000 lots, up 25% since 30 June 2020. Our first communities have commenced construction with first sales due to launch at Aura (QLD) in March 2021 and Minta (VIC) in June 2021. We have established a dedicated delivery team to continue to focus on growing this part of our business.

HIGHLIGHTS

- Disposed four non-core villages for $89 million
- Grew Land Lease Communities pipeline by 25% to over 3,000 lots; our first two projects have commenced construction with first sales due to launch at Aura (QLD) in March 2021 and Minta (VIC) in June 2021

Key priorities

- Improve returns from the established retirement village portfolio
- Enhance customer experience and satisfaction
- Scale up Land Lease Communities
- Improve the quality of our portfolio

Artist impression of Aura, QLD

Capital management

S&P credit rating

A-/Stable

Moody's credit rating

A3/Stable

Gearing

24.2%

Improved from 25.4% at 30 June 2020

Weighted average cost of debt (WACD)

3.7%

Expected 3.7% WACD in FY21

Weighted average debt maturity

5.6 years

FY21 distribution target payout ratio

75% to 85%

Of FFO

Capital allocation

Real estate asset	Capital allocation[1,2]		
	31 Dec 13	31 Dec 20	Target
Communities	29%	30%	~33%
Workplace and Logistics	21%	31%	~33%
Retail Town Centres	49%	39%	~33%

1 Includes WIP and sundry properties.
2 Excludes UK and apartments, representing 1% at 31 December 2013.

Stockland has a strong financial position, supported by investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively which have been maintained during the COVID-19 pandemic.

At 31 December 2020, gearing improved to 24.2%, well within our target range of 20% to 30%, demonstrating prudent cash management and a strong development business with high velocity of cash. We maintain a disciplined approach to our balance sheet, including a strong focus on cash flows, diversification of debt sources, high levels of liquidity and we continue to source lower cost debt.

We continue to actively manage our debt portfolio with a weighted average cost of debt of 3.7% per annum and weighted average debt maturity of 5.6 years. We have reported strong operating cashflow and capital management metrics, including free cashflow, covenant headroom and a reduction in our 1H21 debt costs.

The Group's available liquidity was $1.9 billion at 31 December 2020, reflecting strong operating cash flows and actions undertaken in response to the COVID-19 pandemic.

We ended the half with $493 million net operating cash flow, exceeding our 2H20 distribution payment of $253 million and reflecting strong residential settlements offset by increased development expenditure to accelerate demand driven by the government's HomeBuilder program.

Measures to limit expenditure during the pandemic continued, and we were able to refocus cash as restrictions eased enabling increased business activity.

In the half year we made land acquisition payments of $104 million, 88% of which were on capital efficient terms aligning the payment for the land closer to its delivery to the end customer.

We closely manage our capital to ensure we have the optimal allocation across our diversified portfolio. We continue to actively reweight the portfolio to target a balanced strategic allocation to Communities, Workplace and Logistics and Retail Town Centres.

To drive growth in our business and deliver on our strategic priorities, we are actively progressing joint ventures and capital partnering opportunities across all sectors.

We have continued to take a prudent approach in our consideration of the impact of the ongoing COVID-19 pandemic and Commercial Code of Conduct. Our accounting recognition is in line with the Australian Securities and Investments Commission (**ASIC**) guidelines and reflects $11 million in tenant abatements including deals agreed and estimates for deals yet to be completed for 1H21, and a $16 million expected credit loss provision against 1H21 billings. Noting the ECL booked, Stockland still intends to enforce its legal rights to rent collection under its lease agreements.

The ECL has been determined utilising a framework to assess and address credit risk across our Commercial Property portfolio. The framework evaluates the risk of default on an individual tenant basis, by considering various factors such as the category and performance of tenants, along with trends in collections.

Net tangible assets

	31 December 2020 $M	30 June 2020 $M	Change %
Cash and cash equivalents	**434**	443	(2.2)%
Real estate assets			
• Commercial Property	**10,054**	10,140	(0.8)%
• Residential	**3,243**	3,395	(4.5)%
• Retirement Living	**1,155**	1,287	(10.2)%
• Other assets	**129**	130	(0.9)%
Retirement Living gross up	**2,446**	2,682	(8.8)%
Other financial assets	**394**	749	(47.4)%
Other assets	**374**	235	58.2%
Total tangible assets	**18,229**	19,061	(4.4)%
Borrowings	**4,410**	5,022	(12.2)%
Retirement Living resident obligations	**2,458**	2,695	(8.8)%
Other financial liabilities	**359**	313	14.9%
Other liabilities	**1,984**	2,051	(3.3)%
Total liabilities	**9,211**	10,081	(8.6)%
Net tangible assets	**9,018**	8,980	0.3%
Number of securities on issue	**2,387,081,662**	2,384,351,503	
NTA per security	**3.78**	3.77	0.3%

Operational excellence

DIGITAL, DATA, AND TECHNOLOGY

Enhanced digital customer experiences

Stockland has accelerated the delivery of more immersive digital customer experiences that enable customers to continue to move forward in their purchase journeys with confidence.

By leveraging customer insights, marketing and digital capability, a series of enhanced product visualisation and other interactive experiences were delivered across our website platforms. Enhanced web experiences in Communities has resulted in a 16% increase in customer engagement, 30% additional website traffic and an increase in lead conversions of 83%.

In December 2020, Stockland launched "Dreamcatcher", an industry first digital experience. Dreamcatcher allows potential new customers to discover their personalised housing style preferences and receive inspiration from recognised style influencers and enabling Stockland to capture additional enquiry from customers in the early stage of their home buying journey.

An innovative online Community Hub was also created for our Retail Town Centre business aimed at continuing to improving customer connection and support underlying sales drivers. This initiative created strong customer engagement with video content reaching over 1.5 million combined views.

+83%

Residential lead conversions via digital in 1H21

Using data and artificial intelligence (AI) as a strategic advantage

Our data analytics and AI capabilities supported dynamic changes and scenario planning particularly through 2020.

Unique industry data sets are used as part of the Stockland Data platform. Data driven tools enabled teams to run rapid complex scenario modelling on critical business focus areas. Examples include AI driven recommendation engines to assist leasing negotiations which balanced individual tenancy churn risk and abatement cost. In addition to lead scoring algorithms, real time AI segmentation tools were used to predict customer's next property purchase.

Stockland's bespoke dynamic customer segmentation models also enabled Retail Town Centre and Communities teams to rapidly assess changes in customer patterns, particularly among high value customer segments.

To further enhance our enterprise data capability as a strategic priority, Stockland's new innovation investment vehicle (LAB-52) made a strategic investment in long-term data partner, *smrtr*.

Technology

In August 2020, we implemented an end-to-end enterprise platform, Core, leveraging SAP and Salesforce. Aligned to our strategy we continue to drive digital and data initiatives to underpin customer centric innovation and operational excellence. This real estate solution was delivered during the pandemic, with stabilisation a key focus in FY21 as this capability supports the continued acceleration of digital and data capabilities across Stockland.

PEOPLE AND CULTURE

Strengthening Stockland

Integral to the execution of our strategy is continuing to strengthen our culture, mindsets and capabilities. We have remained aligned and focused during the disruption of the COVID-19 pandemic and progressed our integrated program of work across leadership, structure, capability, processes and systems while continuing to support our leaders in building their resilience and sense of wellbeing.

As part of our ongoing strategic focus on developing new capabilities, we now have learning resources linked to our capability architecture and assigned to roles. This enables the strengthening of capability across all employee groups, which enhances our ability to deliver on our strategic priorities and develop our growth-oriented culture.

We believe a hybrid model is the future for where work is done. For Stockland, this is a mix of working in a hub (core office) as well as satellite offices and at home. We firmly believe that our CBD offices play a critical role as centres for collaboration, creativity, innovation and connection and are at the heart of fostering our culture. We are taking a test and learn approach having conducted trials across Stockland over the past six months as leaders worked with their teams to build flexible working plans balancing the needs of the individual, customer, team and Stockland.

Our annual Flex in Feb initiative supports our approach to flexible working and balancing the needs of individuals, teams and the organisation to achieve our strategic goals but also improve wellbeing, productivity and collaboration. We know that flexible work means a great deal more than working from home – it is about how, where and when we work, and continuing to recognise that our offices are critical for nuturing our culture.

GRAND CONNECTION (AFR) TOP 100 2021:

As well as focussing on the development of our senior leaders we are also strengthening our approach to developing our talent pipelines at all levels of the organisation. We are particularly proud to have recently received the followings awards:

Category winner: Most Popular Property, Infrastructure & Logistics Employer

#19 in the Grad Australia Top 100 2021

Category winner: Most Popular Construction & Property Services Employer

#57 in the overall Top 100

SUSTAINABILITY LEADERSHIP

Shaping tomorrow by acting today

To build on our decade of sustainability leadership, in 2021 we will launch our new 2030 Sustainability Strategy. A commitment to the delivery of this strategy will benefit all our stakeholders through long term value creation. Our goals address the sustainable development challenges that will be key to our success as a creator of affordable, sustainable and liveable communities across Australia.

FAST-TRACKED CLIMATE ACTION

2028 Net Zero Carbon target accelerated by two years

We are advancing our climate change action, and ahead of our strategy launch, we have announced the bring forward of our net zero carbon target by two years to 2028 and expanded its coverage to include our whole portfolio (including residential development emissions). This is a significant step forward as we progressively drive high energy efficiency, grow our on-site solar capacity, electrify our portfolio, and continue to test, invest in and advance alternative strategies as technology evolves.

The Clean Energy Finance Corporation continues to support our net zero commitment as well as the launch of our Carbon Neutral Homes pilot in December 2020. The program will provide critical information about energy consumption and what it takes to make residential property carbon neutral. This will help accelerate change across the sector.

In August 2020, we published our first Modern Slavery Statement. We are conscious that COVID-19 has impacted many of our supply chain partners and we continue to closely monitor these relationships.

Risk management

We adopt a rigorous approach to understanding and proactively managing the material risks and opportunities we face in our business. We recognise that making business decisions which involve calculated risks, and managing these risks within sensible tolerances is fundamental to creating long term value for securityholders and meeting the expectations of our stakeholders.

Our risk appetite is the degree to which we are prepared to accept risk in pursuit of our strategic priorities. The Board has determined that Stockland will maintain a balanced risk profile so that we remain a sustainable business and an attractive investment proposition, in both the short and long term.

RISKS AND OPPORTUNITIES

Ongoing impact of the COVID-19 pandemic on our business

The impact of the COVID-19 pandemic on the economy since early March 2020 has presented challenges across most areas of our business. We have tackled these COVID-19 challenges proactively and our response to the pandemic to date has included:

- proactive engagement with industry bodies and government to implement effective containment strategies to enable the continued safe operation of our properties within government guidelines
- a focus on the safety and wellbeing of our employees, tenants, customers and suppliers through the implementation of best practice safety management, hygiene standards and COVIDSafe plans.
- proactive engagement with SME tenants to provide a range of supportive measures, acknowledging the Commercial Code of Conduct
- our strong liquidity position and the continued maintenance of our investment grade credit ratings
- reduction or deferment of variable and non-critical expenses and implemented cost saving initiatives in recruitment, training, employee leave and remuneration.

Our ability to deliver on strategic priorities in challenging market conditions

We remain cautious about the shape and speed of the recovery of the market after the COVID-19 pandemic. We will continue to monitor the impact of COVID-19 and its implications for our strategy and business.

We will continue to carefully assess market conditions in the delivery of our strategic priorities:

- maintain the appropriate strategic asset weighting to drive resilience and enduring growth
- increase access to capital via partnerships to fuel growth
- invest in and deepen our peoples' capabilities
- reposition our core Retail Town Centre portfolio and execute Workplace developments to create the workspaces of the future
- leverage our strong foundations in Communities and accelerate Land Lease
- accelerate and scale innovative digital and data customer offerings to drive growth.

Our ability to provide environments that support the health, safety and wellbeing of our employees, tenants, residents, customers and suppliers

The health and wellbeing of our people, suppliers and customers has always been and continues to be our priority. Health and safety incidents, including security threats can have long term impacts on our stakeholders.

We are committed to delivering communities and assets where our employees, tenants, residents, customers and suppliers always feel safe. We will continue to:

- foster a culture where health, safety and wellbeing are core values and continuous improvement of our safety performance is part of our normal business practice
- reinforce safe operations and messages to our employees, tenants, residents, customers and suppliers as we continue to focus on suppressing the transmission of COVID-19
- extend our focus on mental health and wellbeing including through our CARE Foundation collaborative partnership with ReachOut, R U OK? and RedKite
- evolve our 'Sights on Safety' contractors, consultants and supplier engagement which has assisted in reducing incidents in key focus areas on our projects
- train our employees and increase their risk awareness including undertaking regular scenario testing relevant to our business and operations.

Climate change may have adverse effects on our business

Physical and transitional climate change risks have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our customers and communities.

We are committed to creating climate resilient assets that operate with minimal disruption in the event of increased climate events, as well as building strong communities that are equipped to adapt to long-term climate change risks and opportunities.

To do this, we will continue to:

- assess our portfolio for climate and community resilience and implement action plans
- embed climate resilience within our standard asset risk assessment
- invest in asset upgrades and adapt community designs
- work with our communities to build awareness of climate risks including cyclone and bushfire risk to provide safe environments for people in and around our assets
- assess and implement wholesale energy strategies and renewable energy installations, to provide alternative sources of energy to mitigate the risk of price shocks
- actively manage our corporate insurance program to provide adequate protection against insurable risks and
- continue to incorporate scenario analysis into our climate risk process to understand how physical and transition climate-related risks and opportunities may evolve over time.

We have brought forward our net zero carbon commitment by two years to 2028 and expanded its coverage to include our whole portfolio (including residential development emissions). To achieve this target, we will progressively drive high energy efficiency, grow our on-site solar capacity, electrify our portfolio, and continue to test and invest in alternative strategies as technology evolves. In 2021, we will launch our 2030 Sustainability Strategy which reflects our continued commitment to creating climate resilient assets and communities.

Our ability to dispose of non-core assets

We adopt a disciplined approach to the disposal program for non-core assets across the Stockland portfolio. Our Investment Review Group continues to oversee and review our investment decisions and activities including in relation to detailed due diligence and the assessment of market fundamentals, and confirms alignment to Group strategy so that disposals are made in the best long term interests of our securityholders.

Change within the retail sector impacts rental growth

The retail landscape has undergone significant structural change and continues to see a convergence of technological advances, e-commerce, and changes in underlying consumer behaviour. The COVID-19 pandemic has placed significant pressure on the retail sector with an associated impact on our rental income.

We have been proactive in our retail strategy and will continue to:

- rebase rents to sustainable levels
- evolve our pandemic response plans and operations at our centres to manage and promote social distancing and good hygiene practices
- remix our tenancies with a focus on experiential retail, technology, health, services, and food catering
- apply our placemaking strategy across our assets to create convenient, curated communities that form the social hub
- leverage deep customer insights and analytics to inform our tenant remixing and
- dispose non-core retail assets and reinvest capital into our Workplace and Logistics development pipeline.

Information and technology system continuity and cyber security breaches impact our business

Our business leverages IT systems, networks, and data to operate efficiently. Managing potential IT system failures and cyber security breaches is a focus area to help us manage the risk of loss of sensitive information, operational disruption, reputation damage, and fines and penalties.

As part of our focus on operational efficiency, we continue to improve our systems and capabilities. We launched our end-to-end Core system technology platform in August 2020. Together with our existing Salesforce and SAP SuccessFactors systems, this new SAP platform provides a Group-wide single source of truth and is a technology backbone focused on intergrated processes, collaboration and policy compliance.

Technology safety is integral to our overall working environment and there are measures in place in order to protect our business and employees from cyber security related threats, including:

- providing employees with a digitally safe working environment both in the office and for remote working
- protecting systems, networks and end-point devices
- putting policies in place on how to safely access and manage data, for both employees and third parties
- mandatory training for all employees to identify and manage potential threats and
- vulnerability testing of key systems and simulated cyber attacks to identify potential gaps and improvement areas.

Regulatory and policy changes impact our business and customers

Failure to anticipate and respond to regulatory and policy change could have an adverse effect on our ability to conduct business. During COVID-19, there has been rapid and widespread regulatory changes that we have navigated.

We will continue to:

- implement forward-looking practices to remain well positioned for regulatory change – in 1H21 we have focused on enhancing and updating a number of key policy and governance matters including our compliance framework, conflict of interest policy, fraud, bribery and corruption prevent policy, and delegation of authority framework
- engage with industry and government on policy areas including taxation and planning reform
- focus our development activity in areas where governments support growth and
- carry out mandatory training for all employees in relation to the compliance areas and obligations relevant to our business.

Our ability to adapt to new ways of working and maintain a strong corporate culture

The ability to attract, engage and retain our employees is critical to our ongoing success. Physical and organisational boundaries have become increasingly blurred as new technology enables greater workplace flexibility and new ways of working. We continue to leverage our strong culture as we navigate these new ways of working and become an even more sustainable business. Our culture continues to be a strong mitigant for compliance risk.

We had already provided the majority of our employees with technology devices and applications that increased their mobility and flexibility prior to the onset of the COVID-19 pandemic. This was instrumental in the smooth transition to remote working and increased employee engagement during the COVID-19 government restrictions.

We continue to focus on how we support employees by:

- maintaining a focus on fostering a strong and constructive culture to deliver value to all stakeholders
- encouraging ongoing or new flexible work practices supported by our collaboration platforms
- training our senior leaders to be more agile and resilient through Stockland leadership programs
- enhancing our communication approach to our team members across Stockland and
- continuing to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths.

To support the smooth transition to the new Managing Director and CEO, we have a strong focus on our executives and senior leaders providing visible leadership, collaboration and regular communication as they steer the business through the COVID-19 recovery period, mixing working in a hub as well as satellite offices and at home, and execute our strategic priorities.

Our ability to anticipate changing customer and community expectations to meet future demand

We will continue to:

- foster a culture of innovation to 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) and other data sources
- create sustainable and liveable communities and assets, resilient to changes in climate and
- enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing socio-demographics, including an ageing population and more socially conscious millennials.

Differences between community and customer expectations or beliefs and our current or planned actions could harm our reputation and business

Standards for interaction with customers and the community have been under intense scrutiny in Australia for some time. It is important that we engage with our customers in an ethical and considered manner.

At Stockland, we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and the implementation of a customer feedback framework with reporting through to our Board and Committees. There are consequences for poor behaviour that does not reflect Stockland's values including potentially remuneration and employment impacts.

Capital market volatility impacts our ability to transact and access suitable capital

A strong balance sheet is important so that we can drive growth in our business and deliver on our strategic priorities, and access broad sources of capital. Acknowledging the impact COVID-19 has had on financial markets we will continue to:

- allocate capital strategically across our diversified portfolio in response to changing markets
- progress capital partnering opportunities across all sectors
- retain a strong balance sheet at appropriate levels of gearing within our target range of between 20% to 30%
- access diverse funding sources across global capital markets on competitive terms and tenors
- maintain our disciplined and prudent capital management approach
- retain investment grade ratings across multiple credit agencies to demonstrate our strong credit value proposition and
- engage with existing and potential debt and equity investors to regularly update them about the business.

Housing affordability continues to impact the dynamics of the Australian housing market

To help address affordability we will continue to:

- partner with government and industry to drive solutions including innovative construction processes to lower costs
- proactively engage with industry bodies and governments in implementing support measures for the housing and construction sector including the HomeBuilder stimulus grant
- provide a broad mix of value for money, quality housing options including house and land packages, completed housing, medium density, and apartments and
- balance the demand from owner occupiers and investors so that our residential communities remain attractive to future buyers.

Governance

At Stockland, we understand that resilient companies have dynamic leadership teams and a culture that enables their business to adapt quickly and efficiently. The effectiveness of boards and management teams are increasingly judged on their agility in successfully navigating cyclical and structural change and in managing risk in a measured and visible way.

We continue to foster a corporate culture that is dynamic, forward looking and open to change. We have been bold in the pace and implementation of corporate strategy, in developing the capability of our leadership teams and in organising our structure to meet the challenges of this ever-changing world.

In mid November 2020, we were pleased to announce that Laurence Brindle had been appointed to the Board. His appointment is part of our ongoing Board succession program which focuses on complementing and strengthening the Board's experience and expertise. Laurence has extensive experience in the property sector, funds management, finance and investment, both in his executive career and more recently as a non-executive director. Laurence's executive career included 21 years with Queensland Investment Corporation (**QIC**) where he served in various senior positions including a long term member of QIC's Investment Strategy Committee and Head of Global Real Estate where he was responsible for a $9 billion portfolio. Laurence is currently the Chairman of both National Storage REIT (ASX:NSR) and Waypoint REIT (ASX:WPR). He is a former chairman of the Shopping Centre Council of Australia and has previously been a director of Westfield Retail Trust and Scentre Group. As required by the Stockland Constitution, Laurence will offer himself for election by securityholders at the 2021 Annual General Meeting.

GENERAL INFORMATION

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 Melinda Conrad	
Ms Kate McKenzie	
Mr Barry Neil	
Mr Stephen Newton	
Ms Christine O'Reilly	
Mr Andrew Stevens	
Mr Laurence Brindle	(appointed 16 November 2020)

Executive Director	
Mr Mark Steinert	Managing Director and Chief Executive Officer

Lead Auditor's Independence Declaration under *section 307C of the Corporations Act 2001 (Cth)*

The external auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the six months ended 31 December 2020.

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 Directors' Report and the Financial Report have been rounded to the nearest million dollars, unless otherwise stated.

Auditor's Independence Declaration

As lead auditor for the review of Stockland Corporation Limited and Stockland Trust for the half-year ended 31 December 2020, 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.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
25 February 2021

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Interim financial report 31 December 2020

Elara, NSW

Consolidated statement of comprehensive income

Half year ended 31 December		Stockland		Trust	
$M	Note	2020	2019	2020	2019
Revenue	1	**1,254**	1,239	**376**	386
Cost of property developments sold:					
• land and development		**(542)**	(523)	**–**	–
• capitalised interest		**(36)**	(74)	**–**	–
• utilisation of provision for impairment of inventories	6	**2**	15	**–**	–
Investment property expenses		**(124)**	(121)	**(127)**	(126)
Share of profits of equity-accounted investments	16	**5**	60	**5**	60
Management, administration, marketing and selling expenses		**(156)**	(156)	**(18)**	(21)
Impairment loss on trade and other receivables	9	**(7)**	–	**(7)**	1
Net change in fair value of investment properties:					
• Commercial Property	7	**29**	153	**30**	154
• Retirement Living	8	**(37)**	(39)	**–**	–
Net change in fair value of Retirement Living resident obligations	8	**(3)**	15	**–**	–
Impairment of Retirement Living goodwill		**–**	(21)	**–**	–
Net impairment of inventories	6	**(5)**	–	**–**	–
Net gain/(loss) on other financial assets		**1**	(1)	**–**	(2)
Net (loss)/gain on sale of other non-current assets		**(15)**	11	**–**	11
Finance income		**1**	1	**92**	122
Finance expense		**(45)**	(49)	**(75)**	(92)
Net (loss)/gain on financial instruments		**(10)**	6	**(10)**	6
Profit before tax		**312**	516	**266**	499
Income tax benefit/(expense)		**38**	(12)	**–**	–
Profit after tax		**350**	504	**266**	499
Items that are or may be reclassified to profit or loss, net of tax					
Cash flow hedges – net change in fair value of effective portion		**(93)**	(10)	**(93)**	(10)
Cash flow hedges – reclassified to profit or loss		**57**	–	**57**	–
Other comprehensive loss		**(36)**	(10)	**(36)**	(10)
Total comprehensive income		**314**	494	**230**	489
Basic earnings per security (cents)	3	**14.7**	21.2	**11.2**	21.0
Diluted earnings per security (cents)	3	**14.7**	21.2	**11.2**	21.0

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at $M	Note	Stockland 31 December 2020	Stockland 30 June 2020	Trust 31 December 2020	Trust 30 June 2020
Cash and cash equivalents		**434**	443	**299**	359
Receivables	9	**88**	117	**44**	30
Inventories	6	**901**	690	**–**	–
Other financial assets	14	**116**	15	**116**	15
Other assets		**99**	101	**86**	92
		1,638	1,366	**545**	496
Non-current assets held for sale	12	**245**	469	**245**	469
Current assets		**1,883**	1,835	**790**	965
Receivables	9	**221**	117	**3,019**	3,084
Inventories	6	**2,477**	2,840	**–**	–
Investment properties – Commercial Property	7	**9,035**	8,890	**9,054**	8,921
Investment properties – Retirement Living	8	**3,578**	3,936	**–**	–
Equity-accounted investments	16	**371**	354	**378**	361
Other financial assets	14	**278**	734	**267**	724
Property, plant and equipment		**142**	153	**–**	–
Intangible assets		**183**	170	**–**	–
Deferred tax assets		**32**	–	**–**	–
Other assets		**212**	202	**147**	186
Non-current assets		**16,529**	17,396	**12,865**	13,276
Assets		**18,412**	19,231	**13,655**	14,241
Payables	10	**608**	593	**366**	378
Borrowings	13	**732**	272	**732**	272
Retirement Living resident obligations	8	**2,386**	2,594	**–**	–
Development provisions	6	**296**	328	**47**	38
Other financial liabilities	14	**2**	–	**2**	–
Other liabilities	11	**118**	59	**29**	16
Current liabilities		**4,142**	3,846	**1,176**	704
Payables	10	**307**	183	**–**	–
Borrowings	13	**3,678**	4,750	**3,678**	4,750
Retirement Living resident obligations	8	**72**	101	**–**	–
Development provisions	6	**170**	501	**151**	148
Other financial liabilities	14	**357**	313	**357**	313
Deferred tax liabilities		**–**	7	**–**	–
Other liabilities	11	**485**	380	**28**	28
Non-current liabilities		**5,069**	6,235	**4,214**	5,239
Liabilities		**9,211**	10,081	**5,390**	5,943
Net assets		**9,201**	9,150	**8,265**	8,298
Issued capital		**8,661**	8,656	**7,363**	7,358
Reserves		**(26)**	8	**(28)**	6
Retained earnings/undistributed income		**566**	486	**930**	934
Securityholders' equity		**9,201**	9,150	**8,265**	8,298

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to securityholders of Stockland

$M	Note	Issued capital	Reserves: Security based payments	Reserves: Cash flow hedges	Retained earnings	Equity
Balance at 30 June 2019		8,657	37	54	1,080	9,828
Adoption of new accounting standards		–	–	–	(7)	(7)
Balance at 1 July 2019		8,657	37	54	1,073	9,821
Profit for the period		–	–	–	504	504
Other comprehensive loss, net of tax		–	–	(10)	–	(10)
Total comprehensive (loss)/income		–	–	(10)	504	494
Dividends and distributions	4	–	–	–	(321)	(321)
Security based payment expense		–	6	–	–	6
Acquisition of treasury securities		(12)	–	–	–	(12)
Securities vested under Security Plans		12	(12)	–	–	–
Securities lapsed under Security Plans		–	(1)	–	1	–
Other movements		–	(7)	–	(320)	(327)
Balance at 31 December 2019		**8,657**	**30**	**44**	**1,257**	**9,988**
Balance at 1 July 2020		8,656	35	(27)	486	9,150
Profit for the period		**–**	**–**	**–**	**350**	**350**
Other comprehensive loss, net of tax		**–**	**–**	**(36)**	**–**	**(36)**
Total comprehensive (loss)/income		**–**	**–**	**(36)**	**350**	**314**
Dividends and distributions	4	**–**	**–**	**–**	**(270)**	**(270)**
Security based payment expense		**–**	**8**	**–**	**–**	**8**
Acquisition of treasury securities		**(1)**	**–**	**–**	**–**	**(1)**
Securities vested under Security Plans		**6**	**(6)**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**–**	**–**	**–**	**–**
Other movements		**5**	**2**	**–**	**(270)**	**(263)**
Balance at 31 December 2020		**8,661**	**37**	**(63)**	**566**	**9,201**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to securityholders of Trust

			Reserves			
$M	Note	Issued capital	Security based payments	Cash flow hedges	Undistributed income	Equity
Balance at 30 June 2019		7,359	34	54	1,575	9,022
Adoption of new accounting standards		–	–	–	(6)	(6)
Balance at 1 July 2019		7,359	34	54	1,569	9,016
Profit for the period		–	–	–	499	499
Other comprehensive loss, net of tax		–	–	(10)	–	(10)
Total comprehensive (loss)/income		–	–	(10)	499	489
Dividends and distributions	4	–	–	–	(321)	(321)
Security based payment expense		–	6	–	–	6
Acquisition of treasury securities		(11)	–	–	–	(11)
Securities vested under Security Plans		11	(11)	–	–	–
Securities lapsed under Security Plans		–	(1)	–	1	–
Other movements		–	(6)	–	(320)	(326)
Balance at 31 December 2019		**7,359**	**28**	**44**	**1,748**	**9,179**
Balance at 1 July 2020		7,358	33	(27)	934	8,298
Profit for the period		**–**	**–**	**–**	**266**	**266**
Other comprehensive loss, net of tax		**–**	**–**	**(36)**	**–**	**(36)**
Total comprehensive (loss)/income		**–**	**–**	**(36)**	**266**	**230**
Dividends and distributions	4	**–**	**–**	**–**	**(270)**	**(270)**
Security based payment expense		**–**	**8**	**–**	**–**	**8**
Acquisition of treasury securities		**(1)**	**–**	**–**	**–**	**(1)**
Securities vested under Security Plans		**6**	**(6)**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**–**	**–**	**–**	**–**
Other movements		**5**	**2**	**–**	**(270)**	**(263)**
Balance at 31 December 2020		**7,363**	**35**	**(63)**	**930**	**8,265**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

Half year ended 31 December	Stockland		Trust	
$M	2020	2019	2020	2019
Receipts in the course of operations (including GST)	**1,379**	1,365	**465**	455
Payments in the course of operations (including GST)	**(802)**	(805)	**(197)**	(210)
Payments for land	**(104)**	(123)	**–**	–
Distributions received from equity-accounted investments	**9**	14	**9**	14
Receipts from Retirement Living residents	**148**	163	**–**	–
Payments to Retirement Living residents, net of DMF	**(61)**	(72)	**–**	–
Interest received	**1**	1	**90**	122
Interest paid	**(77)**	(97)	**(77)**	(96)
Net cash flows from operating activities	**493**	446	**290**	285
Proceeds from sale of investment properties	**333**	331	**308**	331
Payments for and development of investment properties:				
• Commercial Property	**(190)**	(548)	**(190)**	(558)
• Retirement Living	**(27)**	(31)	**–**	–
Payments for plant and equipment and software	**(26)**	(119)	**–**	–
Proceeds from sale of/capital returns from investments	**–**	331	**–**	331
Payments for investments (including equity-accounted)	**(40)**	(8)	**(21)**	(8)
Loans to other parties	**(37)**	–	**(12)**	–
Distributions received from other entities	**–**	1	**–**	1
Loans from/(to) related entities	**–**	–	**80**	(31)
Net cash flows from investing activities	**13**	(43)	**165**	66
Payments for treasury securities under Security Plans	**(1)**	(12)	**(1)**	(11)
Proceeds from borrowings	**100**	744	**100**	744
Repayments of borrowings	**(361)**	(691)	**(361)**	(691)
Payments for derivatives and financial instruments	**–**	(3)	**–**	(3)
Dividends and distributions paid	**(253)**	(336)	**(253)**	(336)
Net cash flows from financing activities	**(515)**	(298)	**(515)**	(297)
Net movement in cash and cash equivalents	**(9)**	105	**(60)**	54
Cash and cash equivalents at the beginning of the period	**443**	140	**359**	63
Cash and cash equivalents at the end of the period	**434**	245	**299**	117

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the interim financial report

Basis of preparation

IN THIS SECTION

This section sets out the basis upon which Stockland's interim financial report is prepared as a whole. Specific accounting policies are described in the section to which they relate.

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

STAPLING ARRANGEMENT

Stockland represents the consolidation of Stockland Corporation Limited (Corporation) and Stockland Trust (Trust) and their respective controlled entities. Stockland Corporation Limited and Stockland Trust were both incorporated or formed and are domiciled in Australia.

Stockland is structured as a stapled entity: a combination of a share in Stockland Corporation Limited and a unit in Stockland Trust that are together traded as one security on the ASX. 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.

As permitted by Class Order 13/1050, issued by ASIC, this financial report is a combined financial report that presents the financial statements and accompanying notes of both Stockland and the Trust as at and for the half year ended 31 December 2020.

STATEMENT OF COMPLIANCE

This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. It does not include all of the notes normally included in the annual financial report, and should be read in conjunction with the annual financial report of Stockland as at and for the year ended 30 June 2020.

All specific accounting policies applied by Stockland and the Trust in the interim financial report are the same as those applied in the annual financial report as at and for the year ended 30 June 2020, with the exception of amended interpretations commencing 1 July 2020, which have been adopted where applicable. The financial position as at 31 December 2020 and the performance for the period ended on that date have not been impacted by the adoption of these interpretations. Refer to note 21 for further details of the interpretations adopted in the period.

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 Stockland and Stockland Trust's subsidiaries.

Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

NET CURRENT ASSET DEFICIENCY POSITION

Stockland and the Trust generated positive cash flows from operations of $493 million and $290 million respectively during the half year. Undrawn bank facilities of $1,575 million (refer to note 13) are also available should they need to be drawn. In addition, Stockland and the Trust have successfully refinanced external borrowings and raised new external debt when required. Based on the cash flow forecast for the next 12 months and a detailed assessment of the current economic and operating environment, Stockland and the Trust will be able to pay their debts as and when they become due and payable. Stockland also has a robust capital management framework and ample capital headroom, allowing flexibility in foreseeable business environments.

COVID-19 has presented challenges to Stockland's business. Stockland has managed these proactively and taken measures to protect its capital position. Importantly, Stockland has been able to maintain increased levels of liquidity through additional unsecured bank debt facilities and the issuance of both short-term and long-term debt since February 2020 totalling $790 million. This has also allowed the business to continue the acquisition of new opportunities and the delivery of its development pipeline, further demonstrating the strength and discipline of Stockland's capital management strategy. Management has considered several different outcomes using scenario analysis including different speeds of recovery from the COVID-19 crisis and, after applying a range of robust assumptions, the integrity of Stockland's solvency remains intact under all tested scenarios. Furthermore, Stockland has met all terms of its debt covenants during the period and is expected to maintain sufficient headroom under all of the scenarios tested. Accordingly, the financial statements have been prepared on a going concern basis.

Stockland has a prima facie net current asset deficiency of $2,259 million at 31 December 2020 (30 June 2020: $2,011 million). The Trust has a prima facie net current asset deficiency of $386 million (30 June 2020: $261 million surplus). A detailed explanation is set out below:

Stockland

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, residential development work in progress and Retirement Living vacant stock).

Furthermore, current inventories are held on the balance sheet at the lower of cost and net realisable value (NRV), whereas most of these are expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (31 December 2020: $2,378 million; 30 June 2020: $2,587 million), approximately 8% (30 June 2020: 8%) 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 Stockland does not hold an 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.

Trust

The net current asset deficiency in the Trust primarily arises due to the intergroup loan receivable which is classified as a non-current asset.

ROUNDING

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

Results for the period

IN THIS SECTION

This section explains the results and performance of Stockland.

It 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 Stockland, including:

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

1. REVENUE

Half year ended $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland	Trust
31 December 2020							
Property development sales[1,2]	**781**	**16**	**797**	**–**	**–**	**797**	**–**
Outgoings recoveries[3]	**–**	**–**	**–**	**39**	**–**	**39**	**38**
Revenue from contracts with customers	**781**	**16**	**797**	**39**	**–**	**836**	**38**
Rental income[4]	**–**	**3**	**3**	**332**	**–**	**335**	**335**
DMF revenue[4]	**–**	**70**	**70**	**–**	**–**	**70**	**–**
Other revenue	**6**	**–**	**6**	**6**	**1**	**13**	**3**
Statutory revenue	**787**	**89**	**876**	**377**	**1**	**1,254**	**376**
Amortisation of lease incentives	**–**	**–**	**–**	**37**	**–**	**37**	**37**
Straight-line rent	**–**	**–**	**–**	**1**	**–**	**1**	**1**
Unrealised DMF revenue[4]	**–**	**(20)**	**(20)**	**–**	**–**	**(20)**	**–**
Segment revenue	**787**	**69**	**856**	**415**	**1**	**1,272**	**414**
31 December 2019							
Property development sales[1,2]	779	19	798	–	–	798	–
Outgoings recoveries[3]	–	–	–	38	–	38	38
Revenue from contracts with customers	779	19	798	38	–	836	38
Rental income[4]	–	1	1	345	–	346	347
DMF revenue[4]	–	41	41	–	–	41	–
Other revenue	11	1	12	3	1	16	1
Statutory revenue	790	62	852	386	1	1,239	386
Amortisation of lease incentives	–	–	–	36	–	36	36
Straight-line rent	–	–	–	(1)	–	(1)	(1)
Unrealised DMF revenue[4]	–	(16)	(16)	–	–	(16)	–
Segment revenue	790	46	836	421	1	1,258	421

1 Property development sales revenue is recognised under AASB 15 Revenue from Contracts with Customers at a point in time when control of the asset passes to the customer. Refer to note 1A for further details of revenue from property development sales by state.

2 Property development sales in the prior period include the revenue recognised from the capital partnering transaction at Aura, QLD.

3 Revenue related to outgoings recoveries is recognised under AASB 15 over time in the accounting period in which the performance obligations are met.

4 Commercial Property rental income and Retirement Living DMF revenue continue to meet the definition of a lease arrangement. Therefore, they fall outside the scope of AASB 15 and are accounted for in accordance with AASB 16 Leases.

Rent from investment properties includes $1 million (2019: $1 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 0.4% (2019: 0.4%) of gross lease income.

1A. Breakdown of revenue from property development sales

Residential revenue from property development sales by major product and geographical area is disaggregated as follows:

Half year ended $M	NSW	QLD	VIC	WA	Residential
31 December 2020					
Residential communities	**79**	**189**	**281**	**128**	**677**
Townhomes	**29**	**29**	**45**	**1**	**104**
Apartments	**–**	**–**	**–**	**–**	**–**
Property development sales	**108**	**218**	**326**	**129**	**781**
31 December 2019					
Residential communities	114	308	165	70	657
Townhomes	23	37	57	5	122
Apartments	–	–	–	–	–
Property development sales	137	345	222	75	779

2. OPERATING SEGMENTS

STOCKLAND

Stockland has four reportable segments, as listed below:

- Commercial Property – invests in, develops and manages Retail Town Centres and Workplace and Logistics properties;
- Residential – delivers a range of masterplanned and mixed use residential communities in growth areas, and townhomes and apartments in general metropolitan areas;
- Retirement Living – invests in, designs, develops, manages and sells communities for over 55s and 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.

Together, Residential and Retirement Living represent Stockland's Communities business.

Measurement of segment results

FFO is a non-IFRS measure that is designed to present, in the opinion of the Chief Operating Decision Maker (CODM), the results from ongoing operating activities in a way that appropriately reflects Stockland's underlying performance. FFO is the primary basis on which dividends and distributions are determined, and together with expected capital returns and AFFO impacts, reflects the way the business is managed and how the CODM assesses the performance of Stockland. 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 result in a cash flow.

A reconciliation from FFO to profit after tax is presented in note 2A.

AFFO is an alternative, secondary, non-IFRS measure used by the CODM to assist in the assessment of the underlying performance of Stockland. AFFO is calculated by deducting maintenance capital expenditure, incentives and leasing costs from FFO.

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

TRUST

The Trust has one reportable segment in which it operates, being Commercial Property. Therefore, no separate segment note has been prepared. The CODM monitors the performance of the Trust in a manner consistent with that of the financial report. Refer to the consolidated statement of comprehensive income for the segment financial performance and the consolidated balance sheet for the assets and liabilities.

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

2A. Reconciliation of FFO to profit after tax

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

Half year ended 31 December $M	2020	2019
FFO	**386**	384
Adjust for:		
Amortisation of lease incentives	**(37)**	(36)
Amortisation of lease fees	**(6)**	(7)
Straight-line rent	**(1)**	1
Net unrealised change in fair value of Commercial Property investment properties[1]	**24**	198
Net unrealised change in fair value of Retirement Living investment properties	**(42)**	(48)
Net unrealised change in fair value of Retirement Living obligations	**(3)**	15
Unrealised DMF revenue	**20**	16
Net (loss)/gain on financial instruments	**(10)**	6
Net gain/(loss) on other financial assets	**1**	(1)
Net (loss)/gain on sale of other non-current assets	**(15)**	11
Net impairment of inventories	**(5)**	–
Impairment of Retirement Living goodwill[2]	**–**	(21)
Restructuring cost[3]	**–**	(2)
Income tax non-cash	**38**	(12)
Profit after tax	**350**	504

1 Includes Stockland's share of revaluation relating to properties held through joint ventures (2020: $5 million loss; 2019: $45 million gain) and fair value unwinding of ground leases recognised under AASB 16 (2020: $0.4 million; 2019: $1 million).

2 Write-down of goodwill associated with historic Retirement Living acquisitions.

3 Restructuring cost associated with reorganisation during the prior period to improve operational efficiencies and position the business for sustainable growth in the future.

2B. FFO and AFFO

The contribution of each reportable segment to FFO and AFFO is summarised as follows:

Half year ended $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland
31 December 2020						
Segment revenue[1,2]	**787**	**69**	**856**	**415**	**1**	**1,272**
Segment EBIT[1,2]	**172**	**38**	**210**	**280**	**–**	**490**
Amortisation of lease fees	**–**	**–**	**–**	**6**	**–**	**6**
Interest expense in cost of sales[3]	**(36)**	**(2)**	**(38)**	**–**	**–**	**(38)**
Segment FFO[4,5]	**136**	**36**	**172**	**286**	**–**	**458**
Finance income						**1**
Finance expense						**(45)**
Unallocated corporate and other expenses						**(28)**
FFO						**386**
Maintenance capital expenditure[6]						**(19)**
Incentives and leasing costs[7]						**(30)**
AFFO						**337**
31 December 2019						
Segment revenue[1,2]	790	46	836	421	1	1,258
Segment EBIT[1,2]	208	20	228	301	–	529
Amortisation of lease fees	–	–	–	7	–	7
Interest expense in cost of sales[3]	(74)	(3)	(77)	–	–	(77)
Segment FFO[4,5]	134	17	151	308	–	459
Finance income						1
Finance expense						(49)
Unallocated corporate and other expenses						(27)
FFO						384
Maintenance capital expenditure[6]						(13)
Incentives and leasing costs[7]						(33)
AFFO						338

1 Commercial Property segment revenue and EBIT adds back $37 million (2019: $36 million) of amortisation of lease incentives and excludes $1 million (2019: $1 million) of straight-line rent adjustments.
2 Retirement Living segment revenue and EBIT exclude $20 million (2019: $16 million) of unrealised DMF revenue.
3 $2 million (2019: $3 million) interest expense in Retirement Living is contained in the fair value adjustment of investment properties.
4 Commercial Property segment FFO includes share of profits from equity-accounted investments of $10 million (2019: $14 million).
5 Residential segment FFO in prior period includes profit recognised from the capital partnering transaction at Aura, QLD.
6 Maintenance capital expenditure includes $3 million (2019: $2 million) of Retirement Living maintenance capital expenditure.
7 Expenditure incurred on incentives and leasing costs during the period excluding assets under construction.

2C. Balance sheet by operating segment

As at $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Unallocated	Stockland
31 December 2020						
Real estate related assets[1,2]	**3,243**	**3,601**	**6,844**	**10,054**	**129**	**17,027**
Other assets	**137**	**75**	**212**	**49**	**1,124**	**1,385**
Assets	**3,380**	**3,676**	**7,056**	**10,103**	**1,253**	**18,412**
Retirement Living resident obligations	**–**	**2,458**	**2,458**	**–**	**–**	**2,458**
Borrowings	**–**	**–**	**–**	**–**	**4,410**	**4,410**
Other liabilities	**1,262**	**(1)**	**1,261**	**382**	**700**	**2,343**
Liabilities	**1,262**	**2,457**	**3,719**	**382**	**5,110**	**9,211**
Net assets/(liabilities)	**2,118**	**1,219**	**3,337**	**9,721**	**(3,857)**	**9,201**
30 June 2020						
Real estate related assets[1,2]	3,395	3,969	7,364	10,140	130	17,634
Other assets	114	11	125	51	1,421	1,597
Assets	3,509	3,980	7,489	10,191	1,551	19,231
Retirement Living resident obligations	–	2,695	2,695	–	–	2,695
Borrowings	–	–	–	–	5,022	5,022
Other liabilities	1,292	10	1,302	333	729	2,364
Liabilities	1,292	2,705	3,997	333	5,751	10,081
Net assets/(liabilities)	2,217	1,275	3,492	9,858	(4,200)	9,150

1 Includes non-current assets held for sale, inventories, investment properties, equity-accounted investments and certain other assets.
2 Includes equity-accounted investments of $371 million (30 June 2020: $354 million) in Commercial Property.

3. EPS

KEEPING IT SIMPLE

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

Basic EPS is calculated as statutory profit for the period divided by the weighted average number of securities outstanding. This 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 Security Plan rights, that could be converted into securities.

Basic FFO per security is disclosed in the Directors' report and more directly reflects underlying income performance of the portfolio.

3A. Basic and diluted EPS

Half year ended 31 December	Stockland		Trust	
cents	2020	2019	2020	2019
Basic EPS	**14.7**	21.2	**11.2**	21.0
Diluted EPS	**14.7**	21.2	**11.2**	21.0

3B. Earnings used in calculating EPS

Half year ended 31 December	Stockland		Trust	
$M	2020	2019	2020	2019
Profit after tax attributable to securityholders	**350**	504	**266**	499

3C. Weighted average number of securities used as the denominator

	Stockland and Trust	
As at 31 December	2020	2019
Weighted average number of securities used in calculating basic EPS	**2,381,894,816**	2,378,255,593
Effect of rights and securities granted under Security Plans	**3,678,101**	2,406,795
Weighted average number of securities in calculating diluted EPS	**2,385,572,917**	2,380,662,388

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

4. DIVIDENDS AND DISTRIBUTIONS

STOCKLAND CORPORATION LIMITED

There were no dividends from Stockland Corporation Limited during the current, or previous financial period. The dividend franking account balance as at 31 December 2020 is $14 million based on a 30% tax rate (30 June 2020: $14 million).

STOCKLAND TRUST

For the current period, the interim distribution is paid solely out of the Trust and therefore the franking percentage is not relevant.

	Date of payment		Cents per security		Total amount ($M)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interim distribution	**26 February 2021**	28 February 2020	**11.3**	13.5	**270**	321

BASIS FOR DISTRIBUTION

Stockland's distribution policy is to pay the higher of 100% of Trust taxable income or 75% to 85% of FFO on an annual basis over time. The payout ratio for the current and comparative periods is summarised as follows:

Half year ended 31 December $M	2020	2019
FFO per security[1]	**16.2**	16.1
Distribution per security	**11.3**	13.5
Payout ratio	**70%**	84%

1 FFO is a non-IFRS measure. A reconciliation from FFO to statutory profit after tax is presented in note 2A.

5. INCOME TAX

Income tax is recognised in profit or less except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Income tax is calculated at the applicable corporate tax rate of 30% and comprises both current and deferred tax.

STOCKLAND CORPORATION GROUP

Stockland Corporation Group's income tax benefit for the current period includes the recognition of previously unrecognised deferred tax relating to the increase in cost base of three recently developed retirement living villages. The effective tax rate in the prior period was higher than the statutory rate of 30% due to the incremental impairment of Retirement Living goodwill of $21 million, which was not tax deductible.

STOCKLAND TRUST

Under current Australian income tax legislation, Stockland Trust and its sub-trusts are not liable for income tax on their taxable income (including any assessable component of capital gains), provided that the unitholders are attributed the taxable income of the Trust. Securityholders are liable to pay tax at their effective tax rate on the amounts attributed.

Operating assets and liabilities

IN THIS SECTION

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

6. INVENTORIES

KEEPING IT SIMPLE

A Whole of Life (WOL) methodology is applied to calculate the margin percentage over the life of each project. All costs, including those costs spent to date and those forecast in the future, are allocated proportionally in line with net revenue for each lot to achieve a WOL margin percentage. The WOL margin percentage, and therefore allocation of costs, can change over the life of the project as revenue and cost forecasts are updated.

The determination of the WOL margin percentage requires significant judgement in estimating future revenues and costs and can change over the life of the project, as revenue and cost forecasts are updated. The WOL margin percentages are regularly reviewed and updated in project forecasts across the reporting period to ensure these estimates reflect market conditions through the cycle.

As at	Stockland					
	31 December 2020			30 June 2020		
$M	Current	Non-current	Total	Current	Non-current	Total
Completed inventory						
Cost of acquisition	**132**	**–**	**132**	85	–	85
Development and other costs	**274**	**–**	**274**	224	–	224
Interest capitalised	**15**	**–**	**15**	23	–	23
Impairment provision	**(3)**	**–**	**(3)**	(5)	–	(5)
Completed inventory[1]	**418**	**–**	**418**	327	–	327
Development work in progress						
Cost of acquisition	**287**	**1,649**	**1,936**	212	1,988	2,200
Development and other costs	**118**	**420**	**538**	81	444	525
Interest capitalised	**45**	**285**	**330**	30	302	332
Impairment provision	**(25)**	**(93)**	**(118)**	(8)	(105)	(113)
Residential communities	**425**	**2,261**	**2,686**	315	2,629	2,944
Cost of acquisition	**–**	**127**	**127**	–	127	127
Development and other costs	**–**	**13**	**13**	–	9	9
Interest capitalised	**–**	**3**	**3**	–	3	3
Apartments	**–**	**143**	**143**	–	139	139
Cost of acquisition	**51**	**67**	**118**	24	71	95
Development and other costs	**10**	**–**	**10**	3	–	3
Interest capitalised	**2**	**–**	**2**	3	–	3
Impairment provision	**(9)**	**–**	**(9)**	–	(9)	(9)
Logistics	**54**	**67**	**121**	30	62	92
Cost of acquisition	**1**	**2**	**3**	3	2	5
Development and other costs	**2**	**4**	**6**	14	8	22
Interest capitalised	**1**	**–**	**1**	1	–	1
Aspire villages	**4**	**6**	**10**	18	10	28
Development work in progress	**483**	**2,477**	**2,960**	363	2,840	3,203
Inventories	**901**	**2,477**	**3,378**	690	2,840	3,530

1 Mainly comprises residential communities. Includes Aspire villages of $13 million (30 June 2020: $6 million). No logistics or apartments are included in completed inventory in the current or prior period.

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

$M	Residential communities	Apartments	Logistics	Aspire villages	Total
Balance at 1 July 2020	118	–	9	–	127
Amounts utilised	**(2)**	**–**	**–**	**–**	**(2)**
Reversal of provisions previously recorded	**(7)**	**–**	**–**	**–**	**(7)**
Additional provisions created	**12**	**–**	**–**	**–**	**12**
Balance at 31 December 2020	**121**	**–**	**9**	**–**	**130**

Properties held for development and resale are stated at the lower of cost and NRV. Management undertook an extensive impairment review of all development projects taking into account the impacts of COVID-19. Based on information available at 31 December 2020 and the information arising since that date about conditions at that date, the Directors have determined that the inventory balances reported are held at the lower of cost or NRV. To address any further uncertainty in NRV in the current environment between the date of the impairment assessments and signing of this report, the Directors reviewed market dynamics and project performance on an ongoing basis to ensure that the inventory balance remains recoverable through sale. However, new information regarding the impact of the COVID-19 pandemic and the pace of economic recovery may still come to light after the date of signing of this report.

To illustrate the exposure of inventory to impairment as a result of changes in the economic environment, a sensitivity analysis over the key drivers of recoverability most affected by the COVID-19 uncertainty has been prepared across all inventory projects. An extended economic slowdown may lower demand for purchases in the near-term, leading to slower sales rates and reduced pricing. However, government stimulus such as the Federal Government's HomeBuilder grant program, has continued to buoy demand for Stockland's products in most markets in the first half of FY21. The eligibility period for the HomeBuilder grant expires in March 2021, although other state and territory government stimulus measures including first home buyers grants and various concessions continue to be provided. Additionally, Stockland has a range of options available including altering the product mix, the timing of production and the release of lots for sale, which it can use to preserve margins and mitigate the risk of future impairments. While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the reported NRV of inventory and they do not represent management's estimate at 31 December 2020.

Stockland	Sales price	Average 3 year price growth[1]	1 year sales rate
$M	5% Decrease	0%	25% reduction
Additional impairment charge on inventories	(40)	(70)	–

1 The average 3 year price growth underpinning the 31 December 2020 impairment assessment is 3.1%.

Key inputs used to assess impairment of inventories are:

Item	Description
Sales rates	Assumptions on the number of lot sales expected to be achieved each month.
Current sales price	Sales prices are generally reviewed semi-annually by the sales and development teams in light of internal benchmarking and market performance and are approved by the General Manager Communities Sales and CEO Communities.
Revenue escalation rates	The annual growth rate of a lot is expected to increase in value until point of sale.
Costs to complete	The cost expected to be incurred to bring remaining lots to practical completion, including rectification provisions and other costs.
Cost escalation rates	The annual increase in base costs applied up to the period in which the costs are incurred.
Financing costs	Assumptions on the annual interest rates underpinning future finance costs capitalised to the cost of inventories.
Selling costs	The costs expected to be incurred to complete the sale of inventories.

DEVELOPMENT COST PROVISIONS

As at	31 December 2020			30 June 2020		
$M	Current	Non-current	Total	Current	Non-current	Total
Development cost provisions[1]	296	170	466	328	501	829

1 Includes $198 million (30 June 2020: $186 million) provisions relating to Commercial Property investment property assets.

	$M
Balance at 1 July 2020	829
Additional provisions	264
Amounts utilised	(291)
Amounts derecognised[1]	(336)
Balance at 31 December 2020	**466**

1 Derecognition of Marsden Park land option following mutual agreement on 12 August 2020 to end Stockland's obligations under the original agreement. Exclusive negotiations to agree new terms continue at reporting date.

The development cost provisions reflect obligations as at 31 December 2020 that arose as a result of past events. This balance includes deferred land options, and cost to complete provisions for both active and traded out projects. They are determined by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

7. COMMERCIAL PROPERTY

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Retail Town Centres	**5,599**	5,910	**5,541**	5,853
Logistics	**3,003**	2,859	**3,003**	2,859
Workplace	**1,064**	1,084	**1,103**	1,130
Retirement Living[1]	**44**	33	**–**	–
Capital works in progress and sundry properties	**396**	307	**340**	252
Book value of commercial property	**10,106**	10,193	**9,987**	10,094
Less amounts classified as:				
• cost to complete provision	**(20)**	(19)	**(20)**	(19)
• property, plant and equipment	**(129)**	(130)	**–**	–
• non-current assets held for sale	**(245)**	(469)	**(245)**	(469)
• other assets (including lease incentives and fees)	**(218)**	(256)	**(214)**	(255)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**–**	(1)	**–**	(1)
• other receivables (straight-lining of rental income)	**(71)**	(69)	**(68)**	(70)
• other receivables (straight-lining of rental income) attributable to equity-accounted investments	**(4)**	(7)	**(4)**	(7)
Investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**9,419**	9,242	**9,436**	9,273
Less: Stockland's share of investment properties held by equity-accounted investments	**(384)**	(352)	**(382)**	(352)
Investment properties	**9,035**	8,890	**9,054**	8,921
Net carrying value movements				
Balance at 1 July	**8,890**	9,145	**8,921**	9,076
Acquisitions	**55**	613	**55**	613
Expenditure capitalised	**146**	246	**133**	359
Transfers to non-current assets held for sale	**(84)**	(469)	**(84)**	(469)
Movement in ground leases of investment properties	**–**	27	**–**	27
Transfers to inventories	**–**	–	**–**	–
Disposals	**(1)**	(176)	**(1)**	(176)
Net change in fair value	**29**	(496)	**30**	(509)
Balance at the end of the period	**9,035**	8,890	**9,054**	8,921

1 The investment property balance at 31 December 2020 comprises $44 million of healthcare and childcare centre properties held by the Retirement Living business (30 June 2020: $33 million) to be leased to tenants under commercial leases.

RETAIL TOWN CENTRES

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Directly owned						
Stockland Green Hills, East Maitland NSW	Dec-20	750	**5.75**	5.75	**750**	754
Stockland Wetherill Park, Western Sydney NSW	Dec-20	640	**5.50**	5.50	**640**	648
Stockland Shellharbour, Shellharbour NSW[1]	Dec-20	602	**5.75**	5.75	**602**	620
Stockland Merrylands, Merrylands NSW	Dec-20	510	**5.75**	5.75	**510**	513
Stockland Rockhampton, Rockhampton QLD	Dec-20	363	**6.00**	6.00	**363**	351
Stockland Glendale, Newcastle NSW	Dec-20	277	**6.25**	6.25	**277**	290
Stockland Point Cook, Point Cook VIC	Dec-20	210	**6.75**	6.75	**210**	210
Stockland Baldivis, Baldivis WA	Dec-20	182	**6.50**	6.50	**182**	182
Stockland Burleigh Heads, Burleigh Heads QLD[2]	Dec-20	182	**6.75 - 7.00**	6.75	**182**	179
Stockland Forster, Forster NSW	Dec-20	174	**6.50**	6.50	**174**	178
Stockland Hervey Bay, Hervey Bay QLD	Dec-20	165	**7.00**	7.00	**165**	165
Stockland Wendouree, Wendouree VIC	Dec-20	160	**6.75**	6.75	**160**	158
Stockland Townsville, Townsville QLD (50%)[2,3]	Dec-20	156	**6.25 – 6.75**	6.00 – 6.75	**156**	165
Stockland The Pines, Doncaster East VIC[4]	n/a	n/a	**n/a**	n/a	**150**	147
Stockland Cairns, Cairns QLD	Dec-20	146	**6.75**	6.75	**146**	162
Stockland Balgowlah, Balgowlah NSW	Dec-20	142	**6.00**	6.00	**142**	145
Stockland Bundaberg, Bundaberg QLD	Dec-20	130	**6.75**	6.75	**130**	137
Stockland Gladstone, Gladstone QLD[1,2]	Dec-20	130	**6.75 – 7.00**	6.75 – 7.00	**130**	127
Stockland Nowra, Nowra NSW	Dec-20	103	**6.75**	6.75	**103**	107
Stockland Traralgon, Traralgon VIC[4]	n/a	n/a	**n/a**	7.5	**83**	83
Stockland Birtinya, Birtinya QLD[2]	Dec-20	75	**5.75 – 6.25**	5.75 – 6.25	**75**	71
Shellharbour Retail Park, Shellharbour NSW	Dec-20	70	**7.00**	7.00	**70**	68
Stockland Bull Creek, Bull Creek WA	Dec-20	61	**6.75**	6.75	**61**	67
Stockland Harrisdale Complex, Harrisdale WA	Dec-20	58	**6.50**	6.50	**58**	57
Stockland Baringa, Baringa QLD	Dec-20	29	**6.00**	6.00	**29**	22
Stockland Townsville Kingsvale Sunvale, Aitkenvale QLD (50%)[3,5]	Dec-20	2	**n/a**	n/a	**2**	2
Stockland Baulkham Hills, Baulkham Hills NSW[6]	n/a	n/a	**n/a**	n/a	**–**	140
Stockland Caloundra, Caloundra QLD[6]	n/a	n/a	**n/a**	n/a	**–**	93
North Shore Townsville, Townsville QLD[6]	n/a	n/a	**n/a**	n/a	**–**	15
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec-20	49	**6.75**	6.75	**49**	54
Retail Town Centres[7]					**5,599**	5,910

1 Independent valuation excludes the adjacent property owned by Stockland.
2 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
3 Stockland's share of this property is held through a direct interest in the asset.
4 Asset held for sale at period end.
5 Independent valuation based on 100% ownership.
6 Property was sold during the period.
7 Totals may not add due to rounding.

LOGISTICS

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Directly owned						
Yennora Distribution Centre, Yennora NSW	Dec-20	588	**5.00**	5.50	**588**	524
Triniti Business Park, North Ryde NSW	Jun-20	232	**5.75**	5.75	**232**	233
Ingleburn Logistics Park, Ingleburn NSW	Dec-20	210	**5.00**	5.25	**210**	201
Brooklyn Distribution Centre, Brooklyn VIC	Dec-20	145	**5.50**	5.75	**145**	135
Hendra Distribution Centre, Brisbane QLD	Dec-20	131	**6.00**	6.75	**131**	114
60–66 Waterloo Road, Macquarie Park NSW[1]	Jun-20	129	**5.88 – 6.00**	5.88 – 6.00	**129**	130
Coopers Paddock, Warwick Farm NSW	Dec-20	126	**4.50**	5.00	**126**	113
Mulgrave Corporate Park, Mulgrave VIC	Jun-20	98	**6.75**	6.75	**98**	98
Willawong Industrial Estate, QLD	Dec-20	94	**6.00**	6.00	**94**	65
Forrester Distribution Centre, St Marys NSW	Dec-20	88	**5.75**	6.25	**88**	78
Carole Park, Carole Park QLD[1]	Dec-20	87	**5.00 – 6.00**	5.25 – 6.00	**87**	75
Granville Industrial Estate, Granville NSW[1]	Dec-20	86	**5.50**	5.75 – 6.00	**86**	81
Somerton Distribution Centre, Somerton VIC[1]	Dec-20	79	**5.75 – 6.00**	6.25 – 6.50	**79**	65
Oakleigh Industrial Estate, Oakleigh South VIC	Dec-20	73	**5.50**	5.75	**73**	70
16 Giffnock Avenue, Macquarie Park NSW	Jun-20	69	**6.00**	6.00	**69**	69
Macquarie Technology Business Park, Macquarie Park NSW	Jun-20	61	**n/a**	n/a	**61**	61
23 Wonderland Drive, Eastern Creek NSW	Dec-20	57	**4.75**	5.00	**57**	55
Altona Industrial Estate, Altona VIC	Dec-20	53	**5.75**	6.00	**53**	51
M1 Yatala Enterprise Park, Yatala QLD	Dec-20	51	**6.00**	6.25	**51**	48
KeyWest Distribution Centre, Truganina VIC	Dec-20	50	**4.75**	5.13	**50**	46
Altona Distribution Centre, Altona VIC[1]	Jun-20	46	**5.75**	5.75 – 6.00	**46**	43
72–76 Cherry Lane, Laverton North VIC	Dec-20	40	**5.50**	6.25	**40**	34
Wetherill Park Distribution Centre, Wetherill Park NSW	Dec-20	39	**5.50**	5.75	**39**	37
Smeg Distribution Centre, Botany NSW	Jun-20	36	**n/a**	4.75	**36**	36
Erskine Park, Erskine Park NSW	Dec-20	32	**4.50**	4.75	**32**	30
Richlands, Richlands QLD	Dec-20	14	**6.25**	6.50	**14**	14
Balcatta Distribution Centre, Balcatta WA[2]	n/a	n/a	**n/a**	n/a	**–**	64
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)[3]	Mar-20	292	**5.00**	5.00	**292**	292
Logistics[4]					**3,003**	2,859

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property was sold during the period.
3 The external valuation obtained in March 2020 was reassessed in June 2020 by the same valuer, reconfirming the valuation. This valuation continues to be adopted by the Directors as at 31 December 2020.
4 Totals may not add due to rounding.

WORKPLACE

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Directly owned						
Stockland Piccadilly, 133–145 Castlereagh Street, Sydney NSW[1,2,3,4]	Dec-20	673	**5.25 – 5.75**	5.25 – 5.75	**633**	651
601 Pacific Highway, St Leonards NSW	Jun-20	125	**n/a**	6.00	**125**	125
Durack Centre, 263 Adelaide Terrace, Perth WA[1,2]	Dec-20	88	**8.75 – 9.00**	8.75 – 9.00	**115**	118
118 Walker Street, North Sydney NSW	Jun-20	91	**n/a**	n/a	**91**	91
110 Walker Street, North Sydney NSW	Jun-20	62	**n/a**	n/a	**62**	62
122 Walker Street, North Sydney NSW	Jun-20	38	**n/a**	n/a	**38**	37
Workplace[5]					**1,064**	1,084

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property is a leasehold property.
3 Book value includes the retail component of the property.
4 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.
5 Totals may not add due to rounding.

7A. Fair value measurement, valuation techniques and inputs

The adopted valuations (both internal and external) for investment properties in the Retail Town Centres, Workplace and Logistics portfolios are a combination of the valuations determined using the discounted cash flow (DCF) method, the income capitalisation method and the direct comparison method.

The techniques used to fair value Stockland's commercial properties have not changed since 30 June 2020. For further explanation of the techniques used and inputs applied, refer to the 30 June 2020 annual financial report. The following significant unobservable inputs are used to measure the fair value of the investment properties:

Class of property	Fair value hierarchy	Valuation technique	Inputs used to measure	31 December 2020	30 June 2020
Retail Town Centres	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$188 – 690	\$185 – 714
			10 year average specialty market rental growth	1.89 – 3.03%	2.17 – 2.85%
			Adopted capitalisation rate	5.5 – 7.0%	5.5 – 7.5%
			Adopted terminal yield	5.75 – 7.25%	5.75 – 7.75%
			Adopted discount rate	6.75 – 7.75%	6.5 – 8.0%
Workplace	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$372 – 924	\$399 – 922
			10 year average market rental growth	2.70 – 3.81%	2.78 – 3.82%
			Adopted capitalisation rate	5.25 – 9.00%	5.25 – 9.00%
			Adopted terminal yield	5.50 – 10.25%	5.63 – 10.16%
			Adopted discount rate	6.13 – 7.50%	6.25 – 7.41%
Logistics	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	\$68 – 484	\$69 – 484
			10 year average market rental growth	2.53 – 3.71%	1.77 – 3.71%
			Adopted capitalisation rate	4.50 - 6.75%	4.75 – 6.75%
			Adopted terminal yield	4.50 - 7.25%	5.0 – 7.25%
			Adopted discount rate	6.00 - 6.75%	6.75 – 7.75%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	\$425	\$105 – 280
			Adopted capitalisation rate	5.25%	5.25 – 6.0%

In light of the continued uncertainty in investment property markets created by COVID-19, Stockland independently valued 100% of the Retail Town Centres property portfolio, 70% of the Workplace property portfolio, 67% of Logistics property portfolio and 100% of the sundry properties portfolio as at 31 December 2020. Across the portfolio, valuers adopted a range of adjustments to reflect the short-term impact of the current situation. These adjustments, which were made based on property-specific factors and considered each property's tenancy mix, included increases in vacancy periods, increases in operating costs, reductions in revenues for lease abatements, reductions in renewal assumptions on expiry, and reductions in retail rental growth rates, when compared to pre-COVID-19 levels. Generally, the external experts applied these adjustments over a forward-looking period of six months to two years, with an assumed return to long-term averages after that point.

While the above short-term impacts have been factored into valuations, most external valuers have indicated that their valuations are subject to material uncertainty on a forward-looking basis. They have certified that their valuations were appropriate on the valuation date of 31 December 2020, but do state that due to the current market uncertainty the valuations may change materially after that date as new information comes to light.

Based on available information at 31 December 2020 and information arising since that date about conditions at that date, the Directors have determined that all relevant information has been incorporated into the reported valuations. To address the material uncertainty raised by the external valuation experts between the date of valuation and the date of signing of this report, the Directors have reviewed relevant market information on an ongoing basis, ensuring that the Commercial Property balances reported represent the fair value of the properties at 31 December 2020.

To illustrate the exposure of the carrying value of Commercial Property at 31 December 2020 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared over the key drivers most affected by the current uncertainty. Commercial Property valuations remain subject to market-based assumptions on discount rates, capitalisation rates, market rents and incentives. Given the reduced volume of retail and workplace sector transactions during COVID-19, the volatility in markets and the lower level of certainty than normal around economic recovery, it is possible that there will be movements in these key inputs after 31 December 2020. Further, the future operating income of each asset will be affected by the speed of economic recovery and changes in how businesses and individuals interact with the Group's Commercial Property assets. While it is unlikely that these reported drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the reported fair value and they do not represent management's estimate at 31 December 2020.

Stockland	Capitalisation rate		Discount rate		Net operating income	
$M	0.25% Decrease	0.25% Increase	0.25% Decrease	0.25% Increase	5% Decrease	5% Increase
Fair value gain/(loss) on						
• Retail Town Centres	**248**	**(229)**	**98**	**(96)**	**294**	**(294)**
• Logistics	**153**	**(140)**	**57**	**(56)**	**158**	**(158)**
• Workplace	**39**	**(36)**	**17**	**(16)**	**47**	**(47)**
Commercial Property	**440**	**(405)**	**172**	**(168)**	**499**	**(499)**

8. RETIREMENT LIVING

KEEPING IT SIMPLE

Stockland offers a range of independent living retirement products to meet the needs of its customers. Customers have a choice of dwelling type and contractual arrangement, depending on their individual preferences, personal circumstances, and the services and support that they require.

DEFERRED MANAGEMENT FEE (DMF) CONTRACTS

The DMF model contracts allow residents to access the full lifestyle offering of a village today and pay for this when they leave the village. Each state and territory has extensive laws and regulations which are designed to protect resident interests, which Stockland complies with. DMF contracts are generally affordable as they sell at a lower price than the non-retirement freehold properties in the area.

Retirement Living residents lend Stockland an amount equivalent to the value of the dwelling in exchange for a lease to reside in the village and to access community facilities, which are Stockland owned and maintained, for as long as the resident wants. Stockland records this loan as a resident obligation liability.

During the resident's tenure, Stockland earns DMF revenue which is calculated based on the individual resident contract and depends on the dwelling type, location and specific terms within the agreement. The contract will specify the DMF rate charged each year, and the maximum DMF that will be charged across the life of the 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.

The DMF for an individual resident contract covers the right to reside in the dwelling and 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 centre, and allows the resident to pay for these at the end of their tenancy, instead of the start. DMF revenue is included in Retirement Living FFO only when Stockland receives the accumulated DMF in cash after a resident leaves and either a new resident enters the dwelling, or when it is withheld under an approved investment proposal for redevelopment. The accrued portion of DMF revenue forms part of statutory profit only and not FFO.

The contracts determine how Stockland and the resident will share any net capital gain or loss when the dwelling is re-leased to the next resident and this can range from 0% to 100%. For the majority of existing contracts, the capital gain or loss and refurbishment costs are shared equally.

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 or losses from revaluations of investment property and resident obligations are excluded from FFO.

Contract choices under DMF

Stockland continues to improve its customer offerings with Benefits Plus home care partnerships and up-front contract choices, 'Capital Share' and 'Peace of Mind'.

The Capital Share contract offers the resident the opportunity to offset DMF by receiving 50% of any capital gain earned after deducting 50% of any capital expenditure, when the home is resold or after a maximum of 18 months from when the resident leaves the village. In the event of a capital loss, the resident's exit repayment is reduced by 50% of the loss arising. DMF is calculated at 5% per annum, capped at 35%.

The Peace of Mind contract offers certainty by ensuring the residents know what the exit repayment will be when they leave the village. It also guarantees that they will be repaid after a maximum of six months from their departure even if their unit has not yet been resold. DMF is calculated at 5% per annum, capped at 25%, and there are no capital expenditure deductions or share in capital gains or losses.

ASPIRE VILLAGES

Aspire villages grant freehold title. Under the agreements, residents purchase their dwelling outright. There is no DMF associated with these sales as the dwelling is no longer owned or maintained by Stockland. Common areas and facilities are owned under a community title managed by a body corporate which is funded by resident contributions. Stockland recognises profit based on property development sales revenue net of associated cost of property developments sold.

LAND LEASE COMMUNITIES (LLC)

Stockland is developing a portfolio of LLC to further broaden its product offering. LLC, commonly referred to as manufactured, mobile or relocatable homes, are typically built on site and are engineered to be relocated. Residents pay an initial purchase price for the home and also ongoing site rental costs (without departure costs), and are entitled to the total capital gain or loss upon sale of the relocatable home. Stockland will operate and retain ownership of the land and common amenity at each community. LLC broadens the customer reach of Stockland's existing communities offering an affordable product to a growing demographic. It provides a potential for improved sales revenue and attractive rental yield while maintaining ownership of the underlying land.

8A. Net carrying value

As at	Stockland	
$M	31 December 2020	30 June 2020
Operating villages	**3,378**	3,717
Villages under development	**200**	219
Retirement Living investment properties	**3,578**	3,936
Existing resident obligations	**(2,446)**	(2,682)
Net carrying value of Retirement Living villages	**1,132**	1,254
Net carrying value movement during the period		
Balance at 1 July	**1,254**	1,405
Expenditure capitalised	**38**	58
Cash received on first sales	**(40)**	(131)
Realised investment properties fair value movements	**5**	14
Unrealised investment properties fair value movements[1]	**(42)**	(152)
Unrealised Retirement Living resident obligations fair value movements	**(3)**	22
Other movements[2]	**(80)**	38
Balance at the end of the period	**1,132**	1,254

1 Includes a $1 million fair value gain on discounting of vacant stock not expected to settle within the next 12 months, with a $23 million discount applied at 31 December 2020 compared to a $24 million discount at 30 June 2020 (30 June 2020: $24 million loss).

2 Includes the impact of villages disposed on 18 December 2020.

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.

DISPOSALS

During the period, Stockland disposed of four villages located in Victoria for a combined total proceeds of $89 million, payable over two instalments in FY21 and FY22.

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 Stockland's Retirement Living assets have not changed since 30 June 2020. For further explanation of the techniques used and inputs applied, refer to the 30 June 2020 annual financial report.

The following significant unobservable inputs are used to measure the fair value of the investment properties:

Inputs used to measure fair value	31 December 2020	30 June 2020
Discount rate[1]	**12.50 – 15.75% (average: 13.2%)**	12.50 – 15.75% (average: 13.2%)
Average 20 year growth rate[2]	**3.00%**	3.20%
Average length of stay of existing and future residents	**11 years**	11 years
Current market value of unit	**$0.1 – 2.2 million**	$0.1 – 2.2 million
Renovation/reinstatement cost	**$4 – 88 thousand**	$4 – 88 thousand
Renovation recoupment	**0 – 100%**	0 – 100%

1 Discount rate includes a premium to allow for future village-wide capital expenditure.

2 This is the average of the 20 year growth rates adopted across the portfolio. The maximum growth rate adopted is capped at 4%.

COVID-19 created a level of uncertainty in relation to the inputs underpinning the Retirement Living investment property valuation. Demand for the Retirement Living offering may fluctuate in the short-term depending on the wider macroeconomic environment; however Stockland expects demand to be strong in the long-term given the growth in Australia's aged population.

The Directors have determined, based on the available information at 31 December 2020 and the information arising since that date about conditions at that date, that all relevant information has been incorporated into the reported valuations.

To illustrate the exposure of the carrying value of Retirement Living investment properties at 31 December 2020 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared across all Retirement Living assets over the key drivers most affected by the COVID-19 uncertainty. While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the fair value and they do not represent management's estimate at 31 December 2020.

Stockland	Current market value		Discount rate		Average 3 year price growth[1]
$M	**5% Decrease**	**5% Increase**	**0.25% Decrease**	**0.25% Increase**	**0%**
Fair value gain/(loss) on Retirement Living investment property	**(51)**	**51**	**23**	**(22)**	**(68)**

1 The average 3 year price growth rate underpinning the 31 December 2020 valuation is 2.5%.

RESIDENT OBLIGATIONS

Resident obligations represent the net amount owed by Stockland to existing and former residents. Resident obligations are non-interest bearing and net movements are recognised at fair value through profit or loss as the Retirement Living portfolio is measured and assessed by Stockland on a net basis.

CURRENT RESIDENT OBLIGATIONS

Based on actuarial turnover calculations, approximately 8% (30 June 2020: 8%) 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.

However, resident obligations are classified as current under the Accounting Standards as Stockland does not hold an unconditional contractual right to defer settlement of the obligation for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect).

NON-CURRENT RESIDENT OBLIGATIONS

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

	Stockland					
As at	**31 December 2020**			**30 June 2020**		
$M	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Existing resident obligations	**2,378**	**68**	**2,446**	2,587	95	2,682
Former resident obligations	**8**	**4**	**12**	7	6	13
Resident obligations	**2,386**	**72**	**2,458**	2,594	101	2,695

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 net 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.

Inputs used in relation to the resident obligations are identical to those used for investment properties. Refer to the previous page for a detailed description of the inputs used. Both the investment properties and resident obligations are considered to be Level 3 in the fair value hierarchy.

The following table shows a reconciliation from the opening to the closing Retirement Living resident obligation balances:

As at $M	Stockland 31 December 2020	 30 June 2020
Opening balance	**(2,695)**	**(2,597)**
Realised movement recognised in profit or loss	**327**	**67**
Unrealised movement recognised in profit or loss	**(3)**	**22**
Cash receipts from incoming residents on turnover	**(148)**	**(332)**
Cash payments to outgoing residents on turnover, net of DMF	**61**	**145**
Closing balance	**(2,458)**	**(2,695)**

VALUATION PROCESS

It is impractical to have the resident obligations valued externally and therefore these are valued every six months by the Directors. For the majority of existing contracts, the resident shares net 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. The market values are externally reviewed and assessed for reasonableness each reporting period as part of the Retirement Living investment property valuations.

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 current market value assumption is shown below:

As at		Increase/(decrease) in resident obligations ($M)			
		Increase in input		Decrease in input	
Significant input	Change in assumption	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Current market value	10%	**147**	170	**(147)**	(170)

9. RECEIVABLES

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Trade receivables[1]	**91**	115	**56**	32
Allowance for expected credit loss	**(31)**	(22)	**(29)**	(20)
Net current trade receivables	**60**	93	**27**	12
Straight-lining of rental income	**12**	8	**12**	9
Other receivables	**23**	21	**12**	14
Allowance for expected credit loss	**(7)**	(5)	**(7)**	(5)
Current receivables	**88**	117	**44**	30
Trade receivables[1]	**5**	27	**5**	27
Allowance for expected credit loss	**(1)**	(13)	**(1)**	(13)
Net non-current trade receivables	**4**	14	**4**	14
Straight-lining of rental income	**59**	61	**56**	61
Other receivables	**158**	42	**50**	11
Receivables due from related companies	**–**	–	**2,916**	3,005
Allowance for expected credit loss	**–**	–	**(7)**	(7)
Non-current receivables	**221**	117	**3,019**	3,084

1 Lease receivables from tenants total $61 million, of which $5 million is classified as non-current.

The loss allowances for trade receivables and the intergroup loan as at 31 December 2020 reconcile to the opening loss allowances as follows:

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Opening balance	**40**	2	**45**	10
Provision raised during the period relating to				
• rent abatements	**13**	29	**13**	29
• credit risk	**18**	40	**18**	38
Provision release during the period	**(24)**	–	**(24)**	(1)
Bad debts written off in the period	**(8)**	(31)	**(8)**	(31)
Closing balance	**39**	40	**44**	45

Expected credit losses

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance under the Expected Credit Loss (ECL) model. The ECL model has not materially changed since 30 June 2020. For further explanation of the ECL approach, refer to the 30 June 2020 annual financial report.

TRADE RECEIVABLES FROM TENANTS

The Federal Government introduced a Commercial Code of Conduct[1] (Code) in April 2020 which requires, among other things, that businesses share the economic impacts arising from COVID-19 which has been given effect by state and territory legislation. As a result, Stockland has deferred rent payments from some tenants for a period of up to two years. Stockland continues to hold discussions with tenants that come under the Code. Terms are negotiated on a lease-by-lease basis for tenants that come under the Code. In addition, Stockland has undertaken negotiations with tenants who are not covered by the Code but have experienced significant financial hardship. The various state and territory regimes implementing the Code will all have concluded operation by the end of April 2021.

Stockland has applied a matrix approach in assessing the credit risk of trade receivables from tenants, incorporating the latest available information to 31 December 2020, including trends in billings and collections, and the performance of tenants. For further explanation of the matrix approach taken by Stockland, refer to the 30 June 2020 annual financial report.

The table below sets out the lease receivables position by risk category as at 31 December 2020:

	Stockland and Trust				
$M	Low	Medium	High	Specific	Total
Lease receivables at 31 December 2020	**6**	**8**	**33**	**14**	**61**
ECL provision on lease receivables					**(30)**
Lease receivables net of provision					**31**

10. PAYABLES

As at		Stockland		Trust	
$M	Note	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Trade payables and accruals		**247**	262	**95**	91
Land purchases		**101**	70	**–**	35
Distributions payable	4	**270**	253	**270**	253
GST (receivable)/payable		**(10)**	8	**1**	(1)
Current payables		**608**	593	**366**	378
Other payables		**1**	1	**–**	–
Land purchases		**306**	182	**–**	–
Non-current payables		**307**	183	**–**	–

[1] National Cabinet Mandatory Code of Conduct - SME Commercial Leasing Principles During COVID-19.

Trade and other payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

The carrying values of payables at balance date represent a reasonable approximation of their fair value.

11. OTHER LIABILITIES

During the period, as part of its normal restocking process, Stockland acquired land on deferred terms from a vendor who subsequently entered into a reverse factoring arrangement with a financier in order to receive its aggregated deferred payments early. To comply with an IFRIC agenda decision published on 14 December 2020, all future amounts payable under this arrangement have been recognised on the balance sheet within other liabilities rather than trade payables as is traditionally the case for land creditor transactions.

During the prior financial year, Stockland acquired a separate parcel of land from another vendor that entered into a similar arrangement. All future amounts due in respect of that transaction have been reclassified from payables to other liabilities as well, and as a result comparative figures have been restated to ensure consistency of presentation throughout the financial report.

12. NON–CURRENT ASSETS HELD FOR SALE

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Investment properties transferred from Commercial Property	**245**	469	**245**	469
Non–current assets held for sale	**245**	469	**245**	469

The following investment properties were held for sale at 31 December 2020:

- Stockland The Pines, Doncaster East VIC
- Stockland Traralgon, Traralgon VIC
- Sundry properties at Balcatta WA and Caloundra QLD

During the current period, Stockland completed the sale of the following properties, which were classified as non-current assets held for sale at 30 June 2020:

- Balcatta Distribution Centre, Balcatta WA
- North Shore Townsville, Townsville QLD
- Stockland Baulkham Hills, Baulkham Hills NSW
- Stockland Caloundra, Caloundra QLD

Capital structure

IN THIS SECTION

This section outlines how Stockland manages its capital structure and related financing costs, including its liquidity and access to global capital markets.

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

The Board considers Stockland'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. The Board continues to monitor Stockland's capital structure through its gearing ratio and maintains a capital structure to minimise the overall cost of capital. Stockland has a stated target gearing ratio range of 20% to 30% and credit ratings of A-/stable and A3/stable from S&P and Moody's respectively.

In addition, Stockland is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its transactions, assets and liabilities denominated in foreign currencies. In accordance with risk management policies, Stockland uses derivatives to appropriately hedge these underlying exposures.

In respect of COVID-19, the potential impact of the pandemic on the Group's financing agreements has been assessed and the Group continues to meet both the general and financial undertakings required under the documentation. Management does not foresee that any COVID-19 related amendments will be required to the Group's financing documentation. Furthermore, there has been no change in the Group's hedging policy as a result of COVID-19, with the resulting derivative portfolios operating as expected and in line with market movements.

13. BORROWINGS

KEEPING IT SIMPLE

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

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 amortised cost and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. However, where a qualifying fair value hedge is in place, borrowings are stated at the carrying amount adjusted for changes in fair value of the hedged risk. The changes are recognised in profit or loss.

The table below shows the fair value of each of these instruments measured at Level 2 in the fair value hierarchy. Fair value reflects the principal amount and remaining duration of these notes based on current market interest rates and conditions at balance date. Stockland has complied with all covenants throughout the period ended 31 December 2020 and up to the date of authorisation of these accounts.

		Stockland and Trust							
As at		**31 December 2020**				**30 June 2020**			
$M	**Note**	**Current**	**Non-current**	**Carrying value**	**Fair value**	**Current**	**Non-current**	**Carrying value**	**Fair value**
Offshore medium term notes	13A	**732**	**3,154**	**3,886**	**4,202**	102	4,227	4,329	4,715
Domestic medium term notes and commercial paper	13B	**-**	**449**	**449**	**465**	170	448	618	641
Bank facilities	13C	**-**	**75**	**75**	**75**	–	75	75	75
Borrowings		**732**	**3,678**	**4,410**	**4,742**	272	4,750	5,022	5,431

The difference of $332 million (30 June 2020: $409 million) between the carrying amount and fair value of the offshore medium term notes, commercial paper and domestic medium term notes is due to notes being carried at amortised cost under AASB 9 *Financial Instruments.*

13A. Offshore medium term notes

US PRIVATE PLACEMENTS

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

During the period, the Trust repaid USD70 million ($90 million) of its notes that were issued in the US private placement market and matured in July 2020.

The fair value of the US private placements as at 31 December 2020 is $2,541 million (30 June 2020: $2,953 million).

ASIAN AND EUROPEAN MEDIUM TERM NOTES

The Trust has issued medium term notes into the Asian and European capital markets. All notes are issued at a fixed coupon payable in either HKD or EUR and converted back to AUD floating coupons through CCIRS.

The fair value of the European medium term notes as at 31 December 2020 is $1,661 million (30 June 2020: $1,762 million).

13B. Domestic medium term notes and commercial paper

Domestic medium term notes and commercial paper have been issued at either face value or at a discount to face value and are carried at amortised cost. The discount or premium is amortised to finance costs over the term of the notes. During the period, the Trust repaid $10 million net of its commercial paper.

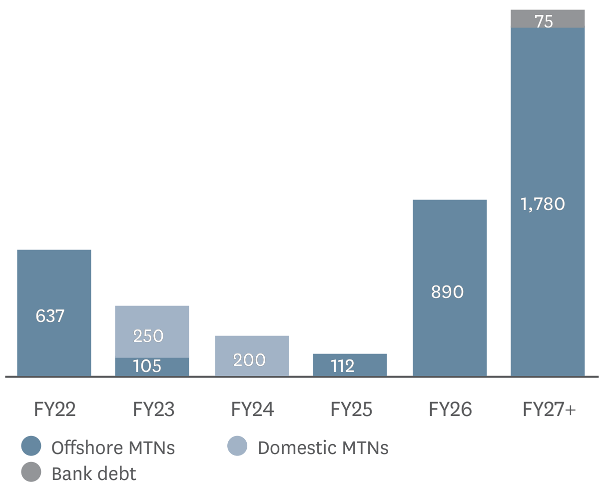
The medium term notes are issued on either fixed or floating interest rate terms.

13C. Bank facilities

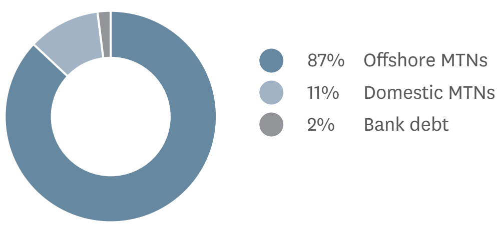
The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. As at 31 December 2020, Stockland and the Trust have undrawn bank facilities of $1,575 million (30 June 2020: $1,575 million) of which $800 million is due to expire within 12 months of balance sheet date.

The composition and maturity profile for the Group's drawn debt of $4.05 billion is shown below at face value:

Drawn debt maturity profile[1]



Drawn debt composition %[1]



1 Face value in AUD at 31 December 2020 after the effect of the CCIRS.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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. Stockland generally uses external valuations based on market inputs or market values (e.g. external share prices). The different valuation methods are called hierarchies and are described below:

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

There were no transfers between levels during the period.

The fair value of financial instruments, including offshore 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 derviatives 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 creditworthiness of Stockland or the derivative counterparty.

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

	Stockland							
As at	**31 December 2020**				**30 June 2020**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	**383**	–	**383**	–	739	–	739
Securities in unlisted entities	–	–	–	–	–	–	–	–
Other investments	**11**	–	–	**11**	10	–	–	10
Financial assets carried at fair value	**11**	**383**	–	**394**	10	739	–	749
Offshore MTNs[1]	–	**(3,479)**	–	**(3,479)**	–	(3,873)	–	(3,873)
Derivative liabilities	–	**(359)**	–	**(359)**	–	(313)	–	(313)
Retirement Living resident obligations	–	–	**(2,458)**	**(2,458)**	–	–	(2,695)	(2,695)
Financial liabilities carried at fair value	–	**(3,838)**	**(2,458)**	**(6,296)**	–	(4,186)	(2,695)	(6,881)
Net position	**11**	**(3,455)**	**(2,458)**	**(5,902)**	10	(3,447)	(2,695)	(6,132)

1 Offshore MTNs not in an accounting hedge relationship are carried at amortised cost. This table only reflects offshore MTNs carried at fair value according to its hedge designation.

	Trust							
As at	**31 December 2020**				**30 June 2020**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	**383**	–	**383**	–	739	–	739
Securities in unlisted entities	–	–	–	–	–	–	–	–
Financial assets carried at fair value	–	**383**	–	**383**	–	739	–	739
Offshore MTNs[1]	–	**(3,479)**	–	**(3,479)**	–	(3,873)	–	(3,873)
Derivative liabilities	–	**(359)**	–	**(359)**	–	(313)	–	(313)
Financial liabilities carried at fair value	–	**(3,838)**	–	**(3,838)**	–	(4,186)	–	(4,186)
Net position	–	**(3,455)**	–	**(3,455)**	–	(3,447)	–	(3,447)

1 Offshore MTNs not in an accounting hedge relationship are carried at amortised cost. This table only reflects offshore MTNs carried at fair value according to its hedge designation.

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

15. ISSUED CAPITAL

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This note explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The movements in equity of Stockland and the balances are presented in the consolidated statement of changes in equity.

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

For so long as Stockland remains jointly quoted, the number of shares in Stockland Corporation Limited and the number of units in Stockland Trust shall be equal and the securityholders and unitholders shall be identical.

15A. Movements in ordinary securities

	Stockland and Trust		Stockland		Trust	
	Number of securities		$M		$M	
Half year ended 31 December	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Opening balance	**2,384,351,503**	2,384,351,503	**8,692**	8,692	**7,393**	7,393
Securities issued during the period	**2,730,159**	–	**–**	–	**–**	–
Closing balance[1]	**2,387,081,662**	2,384,351,503	**8,692**	8,692	**7,393**	7,393

1 The issued capital balance is presented net of treasury securities of $31 million.

On 27 August 2020, Stockland issued 576,983 fully paid ordinary stapled securities pursuant to the vesting of performance rights under Stockland's long term incentive plan.

On 6 October 2020, Stockland issued a further:

- 330,638 fully paid ordinary stapled securities pursuant to Stockland's Tax Exempt Employee Security Plan ($1,000 Plan) to eligible employees; and
- 1,822,538 fully paid ordinary stapled securities pursuant to vesting of performance rights under Stockland's deferred short term incentive plan.

Other items

IN THIS SECTION

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

16. EQUITY–ACCOUNTED INVESTMENTS

Stockland has interests in a number of individually immaterial joint ventures that are accounted for using the equity method:

Half year ended 31 December	Stockland		Trust	
$M	2020	2019	2020	2019
Aggregate share of:				
• profit from continuing operations	5	60	5	60
• other comprehensive income	–	–	–	–
Total comprehensive income	5	60	5	60

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Aggregate carrying amount of individually immaterial joint ventures	371	354	378	361

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

	Stockland		Trust	
As at %	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Brisbane Casino Towers	50	50	–	–
Compam Property Management Pty Limited[1]	100	100	100	100
Eagle Street Pier Pty Limited[2]	–	50	–	–
Fife Kemps Creek Trust	50	50	50	50
Macquarie Park Trust	51	51	51	51
Riverton Forum Pty Limited	50	50	50	50
Stockland Fife Willawong Trust	50	50	50	50
Willeri Drive Trust[3]	50	50	50	50

1 Compam Property Management Pty Limited was the manager for The King Trust. Under the contract of sale for The King Trust, Stockland took full ownership of this entity. The entity is now dormant.
2 This entity was deregistered on 19 August 2020.
3 Owner of Stockland Riverton, Riverton WA.

17. COMMITMENTS

Commitments for acquisition of land and future development costs not recognised on balance sheet at reporting date are as follows:

As at	Stockland		Trust	
$M	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Inventories	**396**	374	**–**	–
Investment properties	**113**	109	**86**	65
Capital expenditure commitments	**509**	483	**86**	65

18. CONTINGENT LIABILITIES

KEEPING IT SIMPLE

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 2020 comprise bank guarantees, letters of credit, property indemnities and insurance bonds:

	Stockland and Trust	
As at $M	31 December 2020	30 June 2020
Bank guarantees, letters of credit, property indemnities and insurance bonds issued to local government and other authorities against performance contracts, maximum facility $680 million (30 June 2020: $680 million)	**450**	419

19. RELATED PARTY DISCLOSURES

There have been no significant changes to the nature of related parties that were disclosed in the 30 June 2020 annual financial report.

20. EVENTS SUBSEQUENT TO THE END OF THE PERIOD

Subsequent to the end of the period, Stockland The Pines, Doncaster East VIC was sold for a gross consideration[1] of $155 million.

Other than disclosed in this note or elsewhere in this report, there has not arisen in the interval between the end of the current reporting 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.

[1] Gross consideration is consideration before completion adjustments such as committed capital expenditure, incentives, rental guarantees and/or net working capital.

21. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

21A. New and amended Accounting Standards adopted

AASB 2018-6 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DEFINITION OF A BUSINESS

Stockland has adopted AASB 2018–6 *Amendments to Australian Accounting Standards – Definition Of Business* from 1 July 2020. The amendment provides more clarity on the definition of a business. An assessment has been performed on the revised definition which determined that there is no impact on Stockland's financial results or position on adoption.

AASB 2018-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DEFINITION OF MATERIAL

Stockland has adopted AASB 2018–7 *Amendments to Australian Accounting Standards – Definition Of Material* from 1 July 2020, which provides more clarity on the definition of material and aligns the definition across accounting standards. Stockland has assessed the revised definition and determined that there is no impact on adoption.

AASB 2019–1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – REFERENCES TO THE CONCEPTUAL FRAMEWORK

Stockland has adopted AASB 2019–1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* from 1 July 2020. Key changes include revising the definitions of an asset and a liability. Stockland has assessed the revised definitions and has determined that there is no material impact from the changes in the definitions. Stockland has also assessed the other changes to the Conceptual Framework and determined no impact on adoption.

21B. Accounting standards issued but not yet in effect

A number of accounting standards have been issued but are not yet in effect for the current reporting period. Stockland has not elected to early adopt any accounting standards during the period.

IAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

IAS 1 *Classification of Liabilities as Current or Non–current* provides clarity on the classification of liabilities as either current or non–current. The amendment requires a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. Stockland has yet to assess the implications of this amendment upon adoption.

Directors' declaration

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):

1. the financial report and notes of the consolidated stapled entity, comprising Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities, (Stockland) and Stockland Trust and its controlled entities (the Trust), set out on pages 28 to 63, 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 2020 and of their performance for the period ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. 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, 25 February 2021

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

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Stockland, being the consolidated stapled entity ("Stockland"). The consolidated stapled entity, as described in the Basis of Preparation note to the interim financial report, comprises Stockland Corporation Limited and the entities it controlled during the half-year, including Stockland Trust and the entities it controlled during the half-year. The interim financial report comprises the Consolidated Balance Sheet as at 31 December 2020, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim financial report of Stockland and Stockland Trust Group does not comply 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 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

We are independent of the Stockland and Stockland Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the interim financial report

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

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Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Stockland and Stockland Trust Group's financial position as at 31 December 2020 and of 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*.

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

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
25 February 2021

Glossary

AASBs or Accounting Standards	Australian Accounting Standards as issued by the Australian Accounting Standards Board
AFFO	Adjusted FFO
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
Aspire villages	Non–DMF product and a purpose–built neighbourhood exclusively for people aged over 55 years
ASX	Australian Securities Exchange
CCIRS	Cross currency interest rate swaps
CODM	Chief Operating Decision Maker as defined by AASB 8 *Operating Segments*
DCF	Discounted cash flow
D-Life	Project development lifecycle
DMF	Deferred management fee earned from residents within the Retirement Living business
DRP	Dividend/distribution reinvestment plan
DSTI	Deferred STI
EBIT	Earnings before interest and tax
EPS	Earnings per security
Executive Director	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 Report 2020
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
Securities Plans	Employee securities 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

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