Appendix 4D

For the half year ended 31 December 2021
(previous corresponding period being the half year ended 31 December 2020)

Results for announcement to the market

		$M
Revenue from continuing operations	**Up 0.5% to**	**1,188**
Revenue from discontinued operations	**n/a**	**64**
Net profit after tax from continuing operations attributable to securityholders	**Up 149.1% to**	**837**
Net profit after tax from discontinued operations attributable to securityholders	**n/a**	**13**
Funds from operations attributable to securityholders	**Down 9.3% to**	**350**

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*.

Dividends and distributions

	Amount per security	Franked amount per security	Record date	Payment date
Interim dividend/distribution	**12.0 ¢**	**– ¢**	**31 December 2021**	**28 February 2022**

Other information

	31 December 2021	30 June 2021
Net tangible assets per security	**$4.23**	$3.98

Stockland did not lose control over any entity in the period. Stockland gained control over the following entities in the period:

Name of Entity	Date of change in control
Halcyon Constructions (QLD) Pty Ltd	17 August 2021
Halcyon Resales Unit Trust	17 August 2021
Halcyon TF Pty Ltd	17 August 2021

This report is based on the Stockland Interim Financial Report 2022 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 2022 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 2021

stockland.com.au

We believe there is a better way to live

Welcome to Stockland's 1H22 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 2021 (**1H22**).

Corporate reporting suite

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

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**).

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

ESG Reporting Suite: includes our ESG Management Approaches, ESG Data Pack and ESG Review 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 operations and 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 Financial Report of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities (collectively referred to as 'Stockland' or 'Group') The Interim 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 1H22 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**

1H22 performance

– Delivering on our strategic priorities
– Generating sustainable long-term growth

Funds from operations[1] (FFO)

$350m

(9.3)% on 1H21

FFO[1] per security

14.7c

(9.3)% on 1H21

Distribution per security (DPS)

12.0c

82% payout ratio

Statutory profit

$850m

$339m[2] in 1H21

Gearing

23.3%

Slight increase from 21.4% at 30 June 2021

Available liquidity[3]

$1.3bn

Net tangible assets per security

$4.23

6.3%[4] on 30 June 2021

Total real estate assets

$16.4bn

At 31 December 2021[5]

All relevant Group financials in this Report include Retirement Living, which is classified as a discontinued operation.

1 Funds from operations (FFO) are determined with reference to the PCA guidelines.
2 Reflects restated accounts and impact of the change in accounting treatment per IFRIC on SaaS costs.
3 Cash and undrawn facilities.
4 Compared with 30 June 2021 NTA per security of $3.98.
5 Net of RLRO.

Stockland Interim Report
1H22 performance
Our COVID-19 response
Chairman and CEO letter
Strategy and performance
Risk management and governance
Interim financial report 31 December 2021
Glossary

Executing our strategy

Strategic repositioning well underway

With early progress on new capital partnerships, a strong balance sheet and reshaping of the portfolio supporting delivery on Stockland's purpose "*we believe there is a better way to live*".

Attracted high-quality capital with key partnerships

With Mitsubishi Estate Asia and Ivanhoé Cambridge to facilitate pipeline execution in residential and commercial property and generate ongoing development margin and high-quality recurring income.

Extended Masterplanned Communities Leadership

Strength of demand for Masterplanned Communities resulting in 3,815 net sales and contracts on hand of 6,436, up 30 per cent vs FY21.

Successful sale of the Retirement Living portfolio

Retirement Living divestment simplifies Stockland's business and frees up capital and resources to pursue growth opportunities underpinned by long-term major trends.

Accelerated delivery of $9.1 billion[6] Workplace & Logistics development pipeline

Logistics development roll-out doubled to ~$400 million per annum.

Industry recognition for Innovation and our Brand

Recognition for innovation excellence and leadership with four industry awards and our commitment to customer centricity as the 10th strongest brand in Australia[7].

Scaling Land Lease Communities at pace

Total portfolio grew to ~9,000 home sites[8], as capital partnership with Mitsubishi Estate Asia accelerates development and platform growth.

Strengthened commitment to accelerate our climate action

Signatory to the United Nations Race to Zero - Business Ambition for 1.5 degrees with a commitment to measure and reduce our Scope 3 emissions.

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6 Forecast end value on completion.
7 10th strongest brand in Australia, 2022 Brand Finance Australia 100 ranking. Improvement of +32 places in comparison with 2021.
8 Includes future development pipeline.

Our COVID-19 response

The COVID-19 pandemic continues to impact Australians.

We are very proud of our people who have continued to manage the operations of our business and support our residents, customers and communities as they continue to live, work and play.

As always, the safety of our people, customers, contractors, tenants and our assets remain a priority.

Our response

We continue to be 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.

We continue to evolve our response to COVID-19 by applying the experiences and lessons learned since March 2020. Our pandemic working group and crisis management team have continued to support and guide our operational and strategic response, including the following actions:

- we have continued to expand digital online experiences for residential, retirement living and land lease customers to undertake their end-to-end sales journey in a safe and convenient manner
- we have continued to proactively engage and support our retail tenants, including ongoing engagement as the Commercial Code of Conduct was extended in different jurisdictions
- we evolved our "Hub and Home" hybrid working model for our teams and maintained ongoing communications to our tenants, contractors, suppliers, customers and residents across multiple platforms detailing our response to COVID-19
- we supported our employees who tested positive for COVID-19 with wellbeing activities, leave arrangements and additional online check-ins.

Our financial position

On 23 February 2022 we provided the market with an update on our funds from operations and distribution guidance for the 12 months ending 30 June 2022.

Australia continues to adapt to new health requirements and while business and consumer confidence has been impacted by the Omicron variant we remain optimistic about Australia's future and growth opportunities

We have a strong balance sheet with gearing at the lower end of our target range (20% to 30%), reflecting our disciplined approach to capital management and allowing capacity to pursue opportunities as they arise.

We continue to hold a strong liquidity position with $1.3 billion available at 31 December 2021.

Across our debt book we have hedging in place of 73 per cent[1], protecting us from any potential adverse interest rate moves, while allowing for participation in upside from the continuation of lower interest rates.

Our people

The health and wellbeing of our people remains a priority during these uncertain times as well as maintaining a strong organisational culture. To support them, we have focused on:

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

The Care Foundation – during Mental Health Month in October, we collaborated with our national CARE Foundation partners Redkite, ReachOut and R U OK?, to provide a webinar hosted by media identity Adam Spencer. This webinar discussed helpful tips on coping through challenging times and was attended by Stockland employees, along with the broader community. We facilitated an employee webinar specifically focused on providing practical tips on how to deal with change and uncertainty for parents and carers through our partnership with ReachOut.

[1] 12 month rolling average.

Future of work including Hub and Home – we believe a hybrid model is the future - in how, where and when we work. For Stockland, this means a mix of working in a hub (core office) as well as satellite offices and at home. This model has been highly effective during the pandemic in responding to local restrictions. Pleasingly, employee engagement and wellbeing have remained high with employee engagement at >80 per cent, above the Australian National Norm, further evidence that our flexible model is making a difference. That said, our people are looking forward to returning to the office in the coming months.

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.

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 – at all times we have prioritised the safety of our stakeholders, including customers, residents and tenants. We continue to follow public health requirements including increased cleaning programs and visible health and safety signage. Across our Town Centre business we implemented our COVIDSafe operational plans. In our Residential Communities business we moved to virtual sales appointments and specifically in our Retirement Living business we supported our residents with comprehensive COVIDSafe operational plans that included visitor protocols.

Tenant support – we worked with tenants on a case-by-case basis to provide support packages and provided relief to qualifying tenants under the extension of the Commercial Code of Conduct in various jurisdictions.

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 Town Centres remained open during government restrictions, demonstrating our commitment to the safe provision of essential goods and services to Australian 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.

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. We introduced digital online experiences for residential, retirement living and land lease customers to undertake their end-to-end sales journey in a safe and convenient manner.

Stockland Listens – as part of our commitment to customer centricity, we invested in a customer immersion program called 'Stockland Listens'. This interactive program allows our staff and customers to engage in virtual immersion sessions where customers share their experiences, and staff from across the organisation can engage directly to ask questions and learn from customer experience. The program has been very successful with a total of over 2000 virtual participants joining the sessions in 1H22.

Our communities

We continue to work with our Stockland CARE Foundation and national community partners to help them deliver community support through mental and physical health and wellbeing programs across Australia throughout this pandemic.

Through CARE Foundation partners, ReachOut and R U OK?, we offered practical tips and advice on mental wellbeing to our communities.

During Mental Health month in October 2021 we facilitated a webinar, hosted by media identity, Adam Spencer, with all of our CARE Foundation partners on coping through difficult times. We worked closely with R U OK? to launch their first national campaign aimed at senior Australian's called 'Your Natter Matters'. This campaign encourages Australians over the age of 65 to connect with their friends, family and neighbours and lend their support during difficult times.

Our supply chain

As Australia learns to live with COVID-19, we have experienced impacts to staffing levels as people are required to follow isolation orders. We also have worked with our suppliers to navigate any broader supply chain impacts from the disruption caused by COVID-19 on our residential developments, including product delays and shortages, through alternative arrangements and increased communication with our suppliers. We will continue to engage with our suppliers and focus on the effective management of our supply chain.

Letter from the Chairman and Managing Director and CEO

Dear Securityholders

In 2022, we are proud to be celebrating Stockland's 70th anniversary. It is a celebration of both our legacy as a great Australian company and our continued vision to create a better way to live for our customers and communities.

As we deliver this year's Interim Report, the outbreak of new COVID-19 variants continues to significantly impact the Australian economy, our way of life, and how companies do business.

Our interim results are a testament to the high degree of resilience and dedication our people have shown in this challenging environment, as well as the priority we give to ensuring the safety of our people, communities and customers.

The first half of FY22 was particularly significant given we announced our new strategic priorities in November 2021. These strategic priorities will enable us to build on Stockland's strong platform for growth and deliver on our purpose.

Our strategic priorities

Our November 2021 Strategy Update set out the four pillars of our strategic priorities:

- reshape our portfolio
- accelerate our development pipeline
- scale capital partnerships
- generate sustainable long-term growth.

Our strategic priorities are designed to build on Stockland's strong foundation as a leading creator and curator of connected communities, by capitalising on major trends in the market including urban renewal, growth in institutional capital, digital acceleration and ESG momentum.

Executing on these strategic priorities will reweight our business towards higher returning sectors and leverage third party capital to create recurring income streams and drive higher return on capital, while maintaining a strong balance sheet.

We are pleased to report that we are making good progress in delivering on our strategic priorities. Of note has been:

- divestment of our Retirement Living portfolio to EQT Infrastructure - dynamically reshaping our portfolio and enabling us to focus on higher growth strategic initiatives
- Stockland Residential Rental Partnership with Mitsubishi Estate Asia - bringing forward the realisation of the upside embedded in our land bank, generating new, high quality income streams and providing a platform for us to grow our land lease footprint materially
- M_Park (NSW) - partnering with Ivanhoé Cambridge to deliver Australia's leading life sciences and technology precinct while generating cash-backed development earnings and ongoing fee streams
- Western Sydney University - long term partnership established to deliver a mixed use precinct at Western Sydney University's Penrith campus
- accelerated delivery of our $9.1 billion[1] Workplace and Logistics pipeline, with $1.6 billion[1] already under active development. We now expect to deliver ~$400 million per annum of Logistics developments over the next five years. Within our Workplace pipeline Stage 1 at M_Park (NSW) is well underway and we are progressing our next wave of projects with the Development Approval process underway for our $1.2 billion project at Affinity Place, North Sydney (NSW)
- continued growth in our Communities business with our Residental landbank expanding to ~82,000 lots and our Land Lease Communities portfolio to ~9,000 home sites.

We continue to deliver on our strategic priorities, while prudently managing capital to maintain ample liquidity, gearing within our target range, and robust operating cash flows.

We welcome Mitsubishi Estate Asia and Ivanhoé Cambridge to our third party capital platform, and look forward to long-term, rewarding relationships with both of these leading, globally recognised partners.

Proactive pandemic response

The pandemic continues to introduce new challenges and we have proactively responded to ensure the health and wellbeing of our employees, customers, residents and tenants. Our experience over the past two years has helped us evolve our contingency planning and we are well positioned to respond to future disruption.

Our focus on customer and community wellbeing is essential. Our purpose, we believe there is a better way to live, positions us well to join businesses across Australia to manage the impact of COVID-19 on the Australian economy

[1] Forecast end value on completion.

and its people by delivering vibrant, connected, safe and liveable communities.

Group profit

Our statutory profit of $850 million is up 150.7 per cent from $339 million[2] in 1H21, due partly to the revaluation of our high quality investment property portfolio.

FFO in 1H22 of $350 million and FFO per security of 14.7 cents, were both down 9.3 per cent on 1H21. As outlined in the guidance provided to investors in August 2021, we expect profit to be skewed to 2H in FY22, in part reflecting:

- timing of Communities settlements
- contracted Retirement Living non-core village disposal profits (due in 2H22)
- COVID-19 related rental impacts that totaled $19 million more in 1H22 than in 1H21.

This is a solid result in the context of the challenging operating conditions we continued to experience during 1H22, demonstrating the quality of our diversified core assets, the positive impact of our remixing strategy across our Town Centre portfolio and our proven capability to pro-actively manage a changing commercial environment. These positive factors combined to deliver growth in our net tangible asset backing from $3.98 per security at 30 June 2021 to $4.23 per security in 1H22, a 6.3 per cent increase.

We have declared a 1H22 distribution per security of 12.0 cents, up 6.2 per cent on the first half distribution in 1H21. For the full year, we expect distribution to be in line with our target range of 75% to 85% of FFO.

Commercial Property

The solid operating metrics of our Commercial Property portfolio demonstrate the quality and resilience of our core asset base across Town Centres, Logistics and Workplace.

Our Commercial Property business delivered a 1H22 FFO result of $278 million. Underlying comparable FFO growth was up 2.3 per cent on the prior corresponding period excluding abatements and expected credit losses (**ECL**). The result reflects strong Logistics trading profits and base rents, and includes a rent collection rate of 97.5 per cent[3] across the Commercial Property portfolio.

Retail sales performance in the states less affected by COVID-19 was particularly strong, with MAT growth of 5.3 per cent in QLD and WA. Despite trading restrictions in place in NSW and VIC in the first quarter of FY22, we saw growth in moving annual turnover, including a 2.9 per cent[4] comparable growth in specialty retail.

Across the Commercial Property portfolio, we saw a net valuation increase of $543 million to $10.5 billion, with 88 per cent[5] of assets independently revalued. Our Town Centres, Logistics and Workplace portfolios realised value increments of 4.6 per cent ($252 million), 10.6 per cent ($262 million) and 1.5 per cent ($29 million) respectively. All three Commercial Property portfolios experienced capitalisation rate compression.

In line with our strategic priorities, we have continued to actively reshape the Commercial Property portfolio. We are leveraging our multi-sector capabilities to refocus the portfolio towards non-discretionary Town Centres, Workplace, and Logistics asset classes and to optimise our landbank with mixed use and site densification opportunities.

During the half, we executed on $310 million of non-core retail property divestments. We are reinvesting the disposal proceeds to accelerate the execution of our $9.1 billion[6] Workplace and Logistics development pipeline.

This reinvestment strategy adds to the resilience of our longer-term recurring income.

We have accelerated the development of our $3.2 billion[6] Logistics development pipeline by:

- increasing our forecast development roll-out to ~$400 million per annum
- lodging five development applications in the six months to 31 December 2021, representing $370 million[6] in end value
- acquiring the Padstow (NSW) site with future development potential for a ~$280 million end value asset.

These actions support our plan to activate 50 per cent of our existing Logistics pipeline within the next three years.

In February 2022, we established a capital partnership with Ivanhoé Cambridge to acquire a 49% interest in the M_Park Trust. Stage 1 of our flagship M_Park development, with the potential to accelerate Stage 2 over time. The partnership will provide FFO accretion over coming years and will generate high quality recurring management income.

Our well-located pipeline and community creation capabilities provide a clear point of difference as we are focused on developing the sustainable and innovative workplaces of the future including progressing projects like Affinity Place, North Sydney (NSW) and Piccadilly, Sydney (NSW).

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2 Reflects restated accounts and impact of the change in accounting treatment per IFRIC on SaaS costs.
3 Rent collection rates across the Commercial Property portfolio up to 31 January 2022 on December year-to-date billings. Includes all provisioned COVID-19 abatements.
4 Comparable basket of assets as per SCCA guidelines, which excludes assets which have been redeveloped within the past 24 months.
5 By value.
6 Forecast end value on completion.

Communities

The strong demand for our masterplanned communities underscores our position as Australia's leading creator of residential communities with a market share of more than three times our nearest competitor, and our large scale ~82,000 lot landbank located within key growth corridors.

Our Residential business delivered FFO of $122 million, 10.3 per cent below the prior corresponding period with 1H22 settlements of 2,329 reflecting a development timing skew to 2H22.

Demand for our masterplanned communities remains strong with reported net sales of 3,815, in line with the strength of 1H21 volumes that were supported by HomeBuilder stimulus. The momentum in sales has driven an increase in contracts on hand to 6,436, some 30 per cent above FY21 with ~14 per cent higher price points on average providing good forward earnings visibility.

Operating profit margins of 18.2 per cent have improved, reflecting sustained price growth and greater contributions from higher margin NSW settlements. The result demonstrates our ability to leverage our market leading brand and capitalise on the appeal of our well located landbank in undersupplied markets.

We continue to experience production challenges due to supply chain disruption and labour shortages associated with COVID-19. To mitigate these challenges we have implemented early procurement and alternative product selection where possible, and we are working collaboratively with our contractor partners to bring forward construction starts to de-risk programme completions. The net impact will see a slight reduction in our full year settlement expectations to around 6,000, however we are still on track to meet our FFO target due to higher margins.

Our Land Lease Communities business continues to grow strongly, underpinned by outperformance of Halycon since acquiring the platform in August 2021. Over the period we recorded 212 net sales and price growth of ~12 per cent, both ahead of expectations which positions the business to generate strong operating profit margin performance in FY22.

The post-1H22 announcement of our new Stockland Residential Rental partnership with Mitsubishi Estate Asia reflects the quality of our development pipeline. The partnership is a significant opportunity to further scale our platform towards a market leading position, creating ongoing development margins and high-quality recurring income. The completion of the transaction remains subject to FIRB approval.

Our Retirement Living business continued to operate safely through the COVID-19 government restrictions. Established settlements increased by 13.5 per cent on 1H21, with sales rates rebounding strongly in the second quarter in line with easing of restrictions, demonstrating the demand for support and wellbeing that community living provides. FFO of $17 million was impacted by reduced development settlements and non-core village disposal timing for the period, although FY22 FFO will reflect a material increase on FY21 with disposal profits due in 2H22.

In February 2022, we announced the divestment of our Retirement Living portfolio to EQT Infrastructure, subject to FIRB approval. The disposal price of $987 million represents a ~1.9 per cent discount to December 2021 book value and reflects strong investor demand for quality retirement platforms. The transaction will simplify our Communities business and enable us to progress our strategic growth priorities and solidify our position as Australia's leading residential developer.

We have an accomplished and dedicated team in our Retirement Living business, who will transfer to EQT Infrastructure at the completion of the transaction. They continue to be focused on providing the best possible care and resident experience across the portfolio.

Capital management

At 31 December 2021 gearing was 23.3 per cent, at the low end of our 20-30% target range. On a proforma basis, we expect completion of our Retirement Living divestment, the successful establishment of Stockland Residential Rental Partnership and the capital partnering at M_Park (NSW) to result in a ~7 per cent reduction to gearing, placing us in a strong balance sheet position and providing funding flexibility with proforma liquidity of $2.5 billion as we progress our $37 billion[1] development pipeline.

Cash and undrawn facilities totalling $1.3 billion at 31 December 2021 will be supplemented by a further $1.2 billion upon receipt of proceeds from the sale of our Retirement Living portfolio, the establishment of the Stockland Residential Rental Partnership and the capital partnering at M_Park (NSW).

At 31 December 2021, the Fixed Hedge ratio was 73 per cent on a 12-month rolling average.

With gearing sitting below our target range (on a proforma basis), high levels of liquidity and a prudent approach to interest rate hedging, we are well positioned in an environment of increasing interest rate volatility.

[1] Total development pipeline, includes projects in early planning stages, project with planning approval and projects under construction.

ESG leadership

We are proud to report that Stockland's ESG leadership position was reaffirmed within the half. The Group retained its top 5 ranking on the Dow Jones Sustainability Index, which has been held for over a decade. We also received top ratings on leading global ESG benchmarks GRESB and MSCI.

As identified in our November strategy update, ESG awareness and stakeholder expectations are growing and we are committed to elevating our ESG leadership position.

In 1H22 we strengthened our commitment to climate action joining with leading companies from around the world in the United Nations Race to Zero - Business Ambition for 1.5 degrees, made good progress on our 2028 Net Zero Carbon target and achieved the first Australian Green Star Home certification. Stockland also appointed its first Indigenous Engagement Manager who will embed and extend our indigenous engagement across the business.

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.

Governance and leadership

At Stockland we take our governance responsibilities very seriously and we believe we have the right mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation.

We have a refreshed leadership team which is guiding the Group through these challenging times and are actively seeking opportunities that align with our new strategic direction.

As highlighted at our November 2021 Strategy Update, we have made a number of significant appointments this year. Among these new appointments, we are delighted to have appointed Alison Harrop as Chief Financial Officer, Justin Louis as Chief Investment Officer as well as a number of senior management appointments from both internal and external talent to ensure we have the capabilities to execute on our new strategic priorities.

Outlook

We remain optimistic about Australia's ability to adapt to COVID-19 market conditions.

While conditions remain volatile, our close relationships with our customers, and at every stage of our value chain, provides us with good visibility for the second half of FY22.

Tom Pockett and Tarun Gupta

We are well positioned to leverage the continuing elevated residential demand, strong embedded margins and solid retail performance from our resilient core portfolio.

We will focus on progressing our strategic priorities, supported by our disciplined management of capital release and redeployment into identified growth opportunities. We have identified opportunities for Stockland across both existing assets and new origination, which we are well-positioned to pursue alone or together with our capital partners.

The solid operational performance delivered over the first half of FY22 positions us well for a stronger second half Funds From Operations contribution. We are tightening our guidance range and expect the distribution per security for FY22 to be within our target payout ratio of 75-85% of FFO.

Our revised guidance is predicated on the following business assumptions:

- Residential settlements of approximately 6,000 lots
- Residential operating profit margin above 18 per cent
- Land lease communities delivering approximately 220 – 240 sites in FY22
- Rent collection trends continuing at current levels.

We are committed to actively pursuing our new strategy and have already delivered on key outcomes. The management and governance structures in place are robust and we are well equipped to respond to challenges while prioritising the long-term interests of our securityholders and the community.

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

Tom Pockett
Chairman

Tarun Gupta
Managing Director and CEO

Our business and strategy

Stockland is a leading creator and curator of connected communities.

We are focused on leveraging our end-to-end, multi-sector capabilities to develop, fund, own, operate and manage our $16.4 billion residential and commercial property assets.

Founded in 1952, today Stockland leverages its diversified model to help create sustainable and thriving communities.

Our strategy

Our renewed strategy builds on Stockland's strengths as a leading creator and curator of connected communities.

Our strategy is underpinned by structural growth trends, including: urbanisation and urban renewal, growth in institutional capital, digital acceleration, and ESG momentum.

Our strategy is to reweight our business toward higher returning sectors in which we have a competitive advantage and to leverage third party capital to create new, recurring income streams, and drive higher return on capital while maintaining strong capital discipline. We achieve this by focusing on four strategic priorities: the dynamic reshaping of our portfolio, the acceleration of our development pipeline, scaling our capital partnership platform, and delivering sustainable long-term growth.

Our structure

Stockland is a list 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 on ordinary unit in Stockland Trust. This allows us to efficiently undertake property investment, property management and property development activities.

Our purpose, vision and values

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

This approach is supported by our vision to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

OUR STRATEGIC PRIORITIES

Dynamically reshape portfolio

Grow to become Australia's leading residential owner and developer. Extend our Residential leadership, scale our Workplace & Logistics portfolio and reduce our exposure to Retail and Retirement Living.

Accelerate delivery in our core business

Accelerate delivery of our $37 billion secured development pipeline and optimize land bank to highest value value opportunities and leverage cross sector capabilities to generate mixed-use opportunities.

Scale capital partnerships

Attract high quality institutional partnerships, improve return on capital, generate new sources of recurring fees and grow funds under management.

Sustainable long term growth

Grow high quality recurring income while maintaining a strong balance sheet.

Commercial Property

The solid operating metrics of our Commercial Property portfolio demonstrate the quality and resilience of our core assets across Town Centres, Logistics and Workplace, as well as our proven capability to pro-actively manage a changing commercial environment. The result demonstrates the progress against our strategic priorities to reshape our portfolio and accelerate the delivery of our development pipeline.

Our Commercial property business reported FFO of $278 million, corresponding to an underlying comparable growth of 2.3 per cent[1] on 1H21 excluding provisional abatements and expected credit losses. The solid underlying FFO result includes trading projects achieving margins of ~28 per cent, and 5.1 per cent higher base rents on new leases across the Logistics portfolio. This was offset by non-core Retail disposals. A rent collection rate of 97.5 per cent[2] was achieved across the commercial property portfolio.

We have continued to engage with our Commercial Property tenants affected by the COVID-19 pandemic on a case by case basis.

STRATEGIC HIGHLIGHTS

- Executed on $310 million non-core asset disposals in the Town Centre portfolio
- Accelerated delivery of logistics pipeline with the doubling of the Group's development rollout to ~$400 million per annum
- Post-1H22 strategic progress with attraction of high quality partner for Stage 1 of flagship development M_Park (NSW)
- Resilience of the Commercial Property portfolio as reflected by $543 million valuation increase

TOWN CENTRES

The performance of our Town Centres highlights the resilience our portfolio despite the continued impact of extensive COVID-19 related trade restrictions in New South Wales and Victoria over the first quarter.

Continued signs of growing tenant confidence and high rent collection and occupancy levels, at 96.5[2] per cent and 99.1 per cent respectively, showcase the quality of the core portfolio. Total MAT growth was 0.6 per cent as trade restriction impacts in New South Wales and Victoria were offset by a 5.3 per cent growth in Queensland and Western Australia.

This solid sales performance reflects our active remixing strategy in recent years, with our portfolio weighted to non-metropolitan, convenience based retail with relatively high exposure to low and non-discretionary categories.

This is evidenced by essentials retail category MAT growth of 4.2 per cent, accounting for 75 per cent of the Town Centre portfolio sales.

Despite the challenging market conditions, our portfolio of valued retailers continued to grow throughout the half, with 313 leasing deals executed and over 50,000 square metres leased.

We continue to prioritise the safety and wellbeing for our customers, tenants and teams, including through the creation of differentiated customer offerings with the innovative use of technology, digital, enhanced data capability and relationships.

1 Excluding the impacts of COVID-19 abatements and ECL.
2 Includes all provisioned COVID-19 abatements.

WORKPLACE

Our Workplace portfolio provides a strong platform for future growth. The portfolio reported a positive comparable FFO growth of 1.9 per cent[1] despite disruption by pandemic-related restrictions. Strong portfolio occupancy at 90.6 per cent and resilient rental collection at 98.9 per cent[2].

Signs of tenant market recovery are present as businesses pivot to prepare for future workplace needs. The recovery in tenant sentiment is reflected in our positive rental growth across 20,253 square metres[3] of negotiated leases during the half.

Capital allocation to the Workplace portfolio continues to increase as we focus on creating the next-generation workplaces in our $5.9 billion[4] development pipeline.

Our progress in attracting capital partners is underscored by our newly established capital partnership with Ivanhoé Cambridge for Stage 1 of our M_Park (NSW) development.

Planning work is progressing well on our three major projects. The development approval process for the redevelopment of Piccadilly (NSW) is well-progressed, while the approval process for the development of Affinity Place (NSW) is underway.

We will continue to leverage our attractive pipeline and development capabilities to establish capital partnerships across core, opportunistic and mixed-use plays. We will also remain vigilant for landbank repositioning opportunities provided by structural shifts in the industry.

Mulgrave Corporate Park, VIC

1 Excludes COVID-19 abatements.
2 Includes all provisioned COVID-19 abatements.
3 Reflects executed leases and leases under heads of agreement at 31 December 2021.
4 Forecast end value of completion.

LOGISTICS

Our key operating and financial metrics demonstrates the attractiveness of our high quality Logistics portfolio. 1H22 FFO was $87 million and comparable FFO growth was 3.7 per cent[5], includes trading projects achieving margins of ~28 per cent and 4.1 per cent[6] average rent growth on new leases and renewals.

The elevated investment demand for quality logistics assets is evidenced by the margins achieved on trading projects.

Occupancy and rent collection remains high across the logistics portfolio at 99.9 per cent and 99.6 per cent[7] respectively. We have experienced elevated leasing demand and tenant enquiries as tenants invest in supply chain improvements, with + 300,000[8] square metres leased in 1H22.

Capital allocation to the Logistics portfolio continues to increase as we target a 50 per cent activation of our existing $3.2 billion development pipeline within the next three years. To support our pipeline acceleration, we have doubled our delivery speed to ~$400 million per annum (up from ~$150 million per annum).

During the half, we lodged five development applications with an aggregate $370 million in forecast end value on completion across 150,000 square metres.

We also secured a site with future development potential in the Padstow (NSW) area for a ~$280 million end value asset.

Coopers Paddock, NSW

[5] Excludes COVID-19 abatements.
[6] Excluding a single deal at Yennora Distribution Centre (NSW), rebased to market rent.
[7] Includes all provisioned COVID-19 abatements.
[8] Reflects executed leases and leases under heads of agreement as at 31 December 2021.

Communities

RESIDENTIAL

The strong demand for our Masterplanned Communities underscores our position as Australia's leading residential business with market share of more than three times our nearest competitor and unique ~82,000 lot landbank in key growth corridors.

Our Residential business reported FFO of $122 million, and delivered 2,329 settlements over the period. The result was in line with expectations, with FY22 FFO to be skewed to the second half due to settlement timing.

This result demonstrates the strength of customer demand for our high quality masterplanned Communities.

Over 1H22 we delivered an operating profit margin of 18.2 per cent, a result supported by our strong brand, our extensive network of activated projects, inventory available for sale and our location in the attractive, undersupplied Eastern seaboard markets.

Demand for our Masterplanned Communities was strong with net sales of 3,815 and enquiries remain elevated as customers continue to demand open space living in an undersupplied market.

Continued price growth is expected to sustain FY22 operating profit margins above 18 per cent. However, the impact of COVID-19 supply chain disruption and wet weather delays in South East Queensland has resulted in the moderation of FY22 settlement expectations to ~6,000.

Overall, our FY22 FFO expectations remain on track with lower settlement volumes to be offset by the increase in operating profit margins.

STRATEGIC HIGHLIGHTS

- Strong net sales of 3,815 in 1H22, in line with elevated 1H21 volumes during HomeBuilder
- Contracts on hand of 6,436, up 30 per cent on FY21 and at ~14 per cent higher average pricing to FY21 settlements

Artist impression of Dinosaur Park, VIC

LAND LEASE COMMUNITIES

Our Land Lease Communities reported net sales of 212 and ~12 per cent price growth, ahead of our expectations at the time of the Halcyon acquisition in August 2021.

In 1H22 we delivered 98 settlements and $4 million of recurring income reflects the part period contribution of Halcyon. The business is performing ahead of expectations and we expect strong operating profit performance in FY22.

The integration of the strategically significant acquisition of the Halcyon platform is progressing well and providing strong synergy benefits.

The impact of South East Queensland wet weather delays and COVID-19 supply chain disruption, will likely see the deferral of approximately 60 - 80 settlements into FY23. The impact on FFO is expected to be partially offset by strong margins over the period due to price growth.

The partnership with Mitsubishi Estate Asia, announced in February 2022, will facilitate a faster pace of growth in our ~9,000 portfolio and the platform provided by our Land Lease Communities.

STRATEGIC HIGHLIGHTS

- Post-1H22 strategic progress with Stockland Residential Rental Partnership and Retirement Living divestment

RETIREMENT LIVING

Our Retirement Living business continued to operate safely through the COVID-19 government restrictions. In 1H22 we delivered FFO of $17 million, reflecting timing of non-core village disposals in 1H22 compared to the prior corresponding period. We expect full year FFO to reflect a skew to the second half of FY22 as a result of material village disposal profits due in 2H22.

Established settlements increased by 13.5 per cent on 1H21, with sales volumes rebounding strongly in 2Q22 in line with easing restrictions.

The rebound in sales reflects continued demand for the support and wellbeing a retirement community provides.

In February 2022, we announced the divestment of our Retirement Living portfolio to EQT Infrastructure, subject to FIRB approval. The disposal price of $987 million represents a ~1.9 per cent discount to December 2021 book value and reflects strong investor demand for quality retirement living platforms. The transaction will simplify our Communities business and enable us to progress our strategic growth priorities and solidify our position as Australia's leading residential developer.

We have an accomplished and dedicated team in our Retirement Living business, who will transfer to EQT Infrastructure at the completion of the transaction. They continue to be focused on providing the best possible care and resident experience across the portfolio.

Capital management

S&P credit rating

A-/Stable

Moody's credit rating

A3/Stable

Gearing

23.3%

Slight increase from 21.4% at 30 June 2021

Weighted average cost of debt (WACD)

3.6%

Expected 3.5% WACD in FY22

Weighted average debt maturity

5.2 years

FY22 distribution target payout ratio

75% to 85%

Of FFO

Stockland Harrisdale, WA

Net tangible assets

	31 December 2021[1] $M	30 June 2021 $M	Change %
Cash and cash equivalents	**277**	1,162	(76.2)%
Real estate assets			
• Commercial Property	**10,921**	10,351	5.5%
• Residential	**3,518**	3,216	9.4%
• Land Lease Communities	**785**	47	1574.4%
• Retirement Living	**1,050**	1,064	(1.5)%
• Other assets	**137**	129	6.3%
Retirement Living gross up	**2,621**	2,506	4.6%
Other financial assets	**284**	367	(22.6)%
Other assets	**355**	386	(8.0)%
Total tangible assets	**19,948**	19,228	3.7%
Borrowings	**4,439**	4,754	(6.6)%
Retirement Living resident obligations	**2,628**	2,512	4.6%
Other financial liabilities	**167**	263	(36.5)%
Other liabilities	**2,622**	2,192	19.6%
Total liabilities	**9,856**	9,721	1.4%
Net tangible assets	**10,092**	9,507	6.1%
Number of securities on issue	**2,387,171,662**	2,387,171,662	
NTA per security	**4.23**	3.98	6.3%

1 Balances before classification of discontinued operations to Disposal Group assets held for sale.

Stockland has a strong financial position, with a balance sheet positioned to drive future growth.

At 31 December 2021, the Group's gearing was 23.3 per cent, well within our target range of 20 to 30 per cent, demonstrating our ongoing disciplined approach to capital allocation.

Our debt portfolio has a weighted average cost of debt of 3.6 per cent per annum and a weighted average debt maturity of 5.2 years, and we continue to access global debt capital markets, which is supported by investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively. Importantly, we have a well weighted debt maturity profile and significant covenant headroom under our debt facilities.

The Group's available liquidity was $1.3 billion at 31 December 2021. This strong liquidity position, together with our ongoing discipline around cashflows, has positioned us well to deliver our strategic growth priorities.

We ended the half with $172 million net operating cash flow, positioning us for future growth with an increase in land acquisitions to $268 million in the period, 84 per cent of which were on capital efficient terms aligning the payment for the land closer to its delivery to the end customer.

We continue actively manage our capital to ensure we have the optimal allocation across our diversified portfolio. Consistent with prior periods, we have $310 million of divestments in non-core assets in the period, recycling this capital across our portfolio and towards our target weightings for each business sector.

This, together with the capital partnering opportunities that exist across our business, will continue to drive growth in our business and help us deliver on our strategic priorities.

Innovation, People and ESG

DIGITAL AND INNOVATION

Digital acceleration continues to change the shape of real estate and our focus on innovation is demonstrated through strong outcomes in 1H22.

With our commitment to customer centricity, we have continued to support our customers with digital customer experiences to support their end-to-end journey across our residential communities, retirement living, land lease communities and enabled new digital and data capabilities supporting our tenants and shoppers.

Dreamcatcher, a digital inspirational experience for residential customers, continues to assist our customers in guiding their design choices. In 1H22, we have seen strong engagement with Dreamcatcher, with customers who enquire spending on average 50 minutes on the platform. In addition, we also launched our Land Lease Home Visualiser supporting our growing land lease communities.

We have also received industry recognition across a number of areas reflecting our focus. Aura (QLD), our leading masterplanned community was recognised as the best masterplanned community in Queensland and we were also awarded the PCA Innovation & Excellence award for our usage of Bindimaps in a number of our retail town centres. We are also proud to see that our brand was recognised as the 10th strongest brand in January 2022 through the annual Brand Finance survey.

Throughout the lockdown our people have also continued to innovate and embrace technologies as part of new ways of working. Fostering our commitment to innovation in H122, we held a showcase to our Board of innovative products and services, customer experiences and new ways of working using data. As we accelerate the delivery in our core business in line with our strategy, we will continue to leverage leading edge technologies to innovate how we work, design our communities and create new sustainable offerings in line with our purpose.

INDUSTRY RECOGNITION FOR INNOVATION

Recognised for four awards for innovation leadership and excellence

PEOPLE AND CULTURE

Our strong culture and deep pools of talent underpin our conviction in our new strategy.

Integral to the execution of this strategy are the plans we have to continue to build on these strengths; evolving our culture, extending our existing capabilities and establishing new; capabilities, mindsets, ways of working and processes.

In addition we are very focussed on solving for the rapidly changing world of work including; establishing productive and engaging hybrid ways of working, continuing to support the wellbeing and resilience of our team, and building the new skillsets e.g. data and digital, and the new mindsets, e.g. a lifelong approach to learning that our people need to flourish in the future of work.

We believe a hybrid model is the future for where, when and how work is done. For Stockland, this is a highly curated yet flexible approach that includes a range of work patterns, a mix of working in our offices, other assets, third spaces and home, leveraging a range of existing and emerging technologies. We empower our people to work with our leaders to design the right approach for each individual and team and hold our leaders to account to deliver.

We firmly believe that our CBD offices play a critical role as centres for collaboration, creativity, innovation, learning and connection and are at the heart of fostering our culture. Further we believe that our cities are powerful drivers of our economy and our society and are excited to play our role in re-invigorating them in a post pandemic world.

ESG LEADERSHIP

Stockland has retained its ESG leadership position across leading global ESG benchmarks the Dow Jones Sustainability Index, GRESB (formerly the Global Real Estate Sustainability Benchmark) and MSCI.

Awareness and stakeholder expectations for the effective management of environmental, social and governance (ESG) matters are growing. We are committed leading the sector in ESG and elevating our ESG leadership position as a value creator for the business.

In October 2021, we strengthened our commitment to leadership joining with leading global companies in the United Nations Race to Zero - Business Ambition for 1.5 degrees and joined the domestic investors on the Climate League 2030 to show a united push toward a low carbon future. We are making good progress on our 2028 Net Zero Carbon commitment with approximately 2.2 megawatts of rooftop solar PV to be installed across the portfolio in FY22. This will result in close to a third of our Commercial Property electricity consumption being sourced from onsite solar.

Our projects continue to lift industry sustainability benchmarks with our 6 Star Green Star Waterlea community in Victoria, extending its leadership by achieving Australia's first Green Star Home certification. This certification is the beginning of a new generation of healthy, resilient and carbon positive homes that can be delivery at scale. Our M_Park (NSW), project also features a target of 6 Star "World Leadership" Green Star Rating and achieving a Climate Active carbon neutral certification.

GLOBAL SUSTAINABILITY LEADER IN REAL ESTATE

Recognised by the Dow Jones Sustainability Index (DJSI)

STRATEGIC HIGHLIGHTS

- Our Natural Solar offering has been extended to almost 40,000 homes across 30 Stockland communities to help reduce our Scope 3 emissions while enabling our customers to enjoy the benefits (which include reduced living expenses) of home solar and battery solutions. We've also made the program available to Stockland employees.
- Affordability – delivering affordable apartment homes at our Waterlea community in partnership with Housing First and Knox City Council. We also have a strategic relationship with Common Equity Housing Limited (CEHL) at our Orion community and have made further plans with HousingFirst to extend their program at Haven.
- Rolled out BindiMaps across further Retail centres – now 5 in total –to help improve the shopping experience for those with vision impairments. This led to being awarded the PEXA Award for Project Innovation at the PCA's Innovation and Excellence Awards inlate 2021
- Partnered with The Gidget Foundation –a pre-and post-natal care service for expecting and new parents –to offer support services at Stockland Merrylands and Stockland Shellharbour. We are embarking on a national roll out of up to 16 sites across Stockland locations.

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.

Stockland's risk appetite is the degree to which we are prepared to accept risk in pursuit of our strategic priorities. We continuously engage with our stakeholders and use these views, together with research and evidence, to maintain a register of the material risks and opportunities that influence our ability to deliver on our vision and purpose. The Board adopts a balanced risk profile to maintain a sustainable business and ensure we remain an attractive investment proposition over the long term.

We also recognise the importance of building and fostering a risk aware culture so that every individual takes responsibility for risks and controls in their area of authority. We have a Stockland Code of Conduct that applies to all employees and provides clear guidance on how we expect our people to accept, engage and respond to each other and our stakeholders.

RISKS AND OPPORTUNITIES

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. The COVID-19 pandemic has readjusted business and personal priorities and changed how we work and accelerated the adoption of new technology enabling greater workplace flexibility and new ways of working.

We believe we have a strong culture, and we will use this to mitigate compliance risk and the challenges posed by the new ways of working. Our culture will continue to be a strong mitigant for compliance risk.

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;
- adopting a 'Hub and Home' model, a mix of working in a hub (asset, office or local workplace) as well as at home (or remote location). This allows all employees to work flexibly, be productive, collaborative and supports their wellbeing;
- training our senior leaders to be more agile and resilient through Stockland leadership programs;
- communicating regularly with all our people across Stockland;
- continuing to invest in new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths; and
- supporting Employee Advocacy Groups focused on enhancing diversity, inclusion, flexibility and wellbeing.

To support the smooth transition of our new Managing Director and CEO, we heightened our focus on visible leadership from our executives and senior leaders, collaboration and regular communication as they steer the business through COVID-19 and execute our strategic priorities.

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.
- deliver liveable communities for our residents, customers, and tenants, with a focus on embedding health safety and wellbeing into the design and operation of our assets.

Our ability to respond to global political conditions that lead to economic uncertainty or volatility

Global political conditions that impact the global economy have led to and may continue to result in extended periods of increased political and economic uncertainty and volatility in the global financial markets, which could adversely affect our business. This includes uncertainty surrounding policy decisions regarding the COVID-19 pandemic (including cross-border people movement, migration and export controls), trade tensions, climate change and technology and data.

We will continue to closely monitor political and economic risks and opportunities and continue enhancing our enterprise resilience.

We adopt a Group-wide strategic approach to managing our procurement and supply chain activities. Our Supply Chain Framework continues to support us in managing our suppliers and addressing supply chain risks as they arise.

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.

Our 2030 Sustainability Strategy features our goal to advance climate actions that continue to address our impact on the climate and develops resilience to a changing environment. To do this we have prioritised achieving net zero carbon by 2028, embedding asset and community scale resilience of our portfolio and working toward a net zero water future.

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 cybersecurity breaches is a focus area to ensure we manage the risk of loss of sensitive information, operational disruption, reputational damage, fines and penalties. We also use technology and data to create a leading edge and differentiated customer offering through innovation and partnerships.

Technology and data security are 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
- embedding policies to safely control, access and manage data and privacy, 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
- 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 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. In addition, we will:

- dynamically reshape portfolio towards sectors supported by long term trends
- accelerate delivery in our core business
- scale institutional capital partnerships in each sector
- rigorous execution focus and pace while building enterprise capabilities and
- maintain strong financial position and capital discipline

Our ability to anticipate and respond to changing consumer preferences for our products and services

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
- 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 and
- continue to optimise our portfolio to meet changing conditions and customer and stakeholder preferences.

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

Standards for interaction with customer 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. We have developed a framework to guide our people in making ethical decisions.

At Stockland, we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and introduction of the 'Stockland Listens' initiative which connects our people to our customers to listen and learn from their experience. In addition, we have implemented a customer feedback framework with reporting through to our Board and Committees. There are consequences for behaviours that do not reflect Stockland's values including potential remuneration and employment impacts

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

We will continue to drive growth in our business and deliver on our strategic priorities by:

- allocating capital strategically across our diversified portfolio in response to changing markets
- progressing capital partnering opportunities across all sectors
- acquiring new assets on capital efficient terms
- retain a strong balance sheet at appropriate levels of gearing within our target range of between 20 per cent to 30 per cent
- 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;
- 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

Our diverse board, with members drawn from right across the Australian business landscape, ensures and brings insight and expertise from a broad range of sectors and industries. It is this diversity of experience and skill that provides Stockland with a team that is able to provide advice and guidance on significant structural and strategic changes.

Stockland takes seriously its responsibility to its securityholders, employees, customers and tenants to identify and manage risk appropriately with rigorous processes in place around governance. The Board regularly considers succession planning to ensure it maintains diversity of opinion and experience.

Adam Tindall was appointed to the Board on 1 July, 2021. Mr Tindall has over 30 years' experience in investment management and real estate. Mr Tindall was the Chief Executive, AMP Capital from 2015-2020 where he led a global leading investment manager overseeing funds and separate accounts for clients across a range of asset classes including real estate, infrastructure, equities, fixed income and multi-asset capabilities. Mr Tindall's prior roles at AMP Capital includes Director and Chief Investment Officer for Property, leading a team managing a $19 billion portfolio of real estate investments on behalf of domestic and international institutional investors. Prior to 2009 Mr Tindall held senior leadership roles at Macquarie Capital and Lendlease.

Mr Tindall holds a Bachelor of Engineering (Civil) (Honours) and is a Fellow of the Australian Institute of Company Directors. Mr Tindall is a member of the Audit Committee and the Sustainability Committee.

Mr Tindall does not have any other Directorships of listed entities.

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 Adam Tindall	(Appointed 1 July 2021)
Mr Stephen Newton	
Ms Christine O'Reilly	
Mr Andrew Stevens	
Mr Laurence Brindle	
Mr Barry Neil	(Retired 19 October 2021)

Executive Director	
Mr Tarun Gupta	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 2021.

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.

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Auditor's Independence Declaration

As lead auditor for the review of Stockland Corporation Limited and Stockland Trust for the half-year ended 31 December 2021, 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.

JReilly

Jane Reilly
Partner
PricewaterhouseCoopers

Sydney
23 February 2022

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Interim financial report 31 December 2021

Elara, NSW

Consolidated statement of comprehensive income

Half year ended 31 December		Stockland		Trust	
$M	Note	2021	(Restated) 2020[1]	2021	2020
Revenue	1	**1,188**	1,182	**346**	376
Cost of property developments sold:					
• land and development		**(572)**	(542)	**–**	–
• capitalised interest		**(29)**	(36)	**–**	–
• utilisation of provision for impairment of inventories	6	**–**	2	**–**	–
Investment property expenses		**(110)**	(118)	**(113)**	(127)
Share of profits of equity-accounted investments	17	**25**	5	**25**	5
Management, administration, marketing and selling expenses		**(181)**	(157)	**(20)**	(18)
Impairment loss on trade and other receivables	9	**(29)**	(7)	**(29)**	(7)
Net change in fair value of investment properties:					
• Commercial Property	7	**538**	29	**521**	30
Net impairment of inventories	6	**–**	(5)	**–**	–
Net gain on other financial assets		**1**	1	**–**	–
Net gain on sale of other non-current assets		**8**	-	**7**	–
Finance income		**2**	1	**88**	92
Finance expense		**(39)**	(45)	**(72)**	(75)
Net gain/(loss) on financial instruments		**75**	(10)	**75**	(10)
Transaction costs		**(27)**	-	**–**	–
Profit before tax		**850**	300	**828**	266
Income tax (expense)/benefit		**(13)**	36	**–**	–
Profit from continuing operations		**837**	336	**828**	266
Profit from discontinued operation net of income tax	12C	**13**	3	**–**	–
Profit after tax attributable to securityholders of Stockland		**850**	339	**828**	266
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		**(7)**	(93)	**(7)**	(93)
Cash flow hedges – reclassified to profit or loss		**27**	57	**27**	57
Other comprehensive income/(loss)		**20**	(36)	**20**	(36)
Total comprehensive income		**870**	303	**848**	230
Basic earnings per security (cents)	3	**35.7**	14.2	**34.7**	11.2
Diluted earnings per security (cents)	3	**35.5**	14.2	**34.6**	11.2
Continuing operations					
Basic earnings per security (cents)	12C	**35.1**	14.1	**34.7**	11.2
Diluted earnings per security (cents)	12C	**35.0**	14.1	**34.6**	11.2

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

1 Comparative information throughout the financial report has been restated for IFRIC agenda decision, "Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)". Refer to note 22 for details of the impact of this accounting policy change. December 2020 results have been restated for discontinued operation during the period. Refer to note 12C 'Discontinued operation held for sale' for further details.

Consolidated balance sheet

As at		Stockland		Trust	
$M	Note	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Cash and cash equivalents		**259**	1,162	**99**	1,039
Receivables	9	**124**	130	**13**	16
Inventories	6	**1,076**	866	**7**	–
Other financial assets	14	**28**	124	**28**	124
Other assets		**159**	91	**105**	86
Disposal group and non-current assets held for sale	12	**4,133**	166	**211**	166
Current assets		**5,779**	2,539	**463**	1,431
Receivables	9	**140**	172	**3,250**	2,762
Inventories	6	**2,620**	2,502	**–**	–
Investment properties – Commercial Property	7	**9,911**	9,337	**9,903**	9,352
Investment properties – Land Lease Communities	8	**435**	39	**–**	–
Investment properties – Retirement Living	8	**–**	3,561	**–**	–
Equity-accounted investments	17	**409**	392	**416**	399
Other financial assets	14	**256**	243	**242**	228
Property, plant and equipment		**193**	143	**–**	–
Intangible assets		**68**	77	**–**	–
Deferred tax assets		**31**	49	**–**	–
Other assets		**174**	251	**152**	176
Non-current assets		**14,237**	16,766	**13,963**	12,917
Assets		**20,016**	19,305	**14,426**	14,348
Payables	10	**1,090**	685	**362**	429
Borrowings	13	**780**	760	**780**	760
Retirement Living resident obligations	8	**3**	2,448	**–**	–
Development provisions	6	**275**	443	**31**	25
Other financial liabilities	14	**1**	3	**1**	3
Other liabilities	11	**136**	129	**20**	26
Disposal group liabilities held for sale	12	**2,707**	–	**–**	–
Current liabilities		**4,992**	4,468	**1,194**	1,243
Payables	10	**202**	227	**–**	–
Borrowings	13	**3,659**	3,994	**3,659**	3,994
Retirement Living resident obligations	8	**4**	64	**–**	–
Development provisions	6	**332**	172	**154**	152
Other financial liabilities	14	**166**	260	**166**	260
Other liabilities	11	**501**	536	**26**	26
Non-current liabilities		**4,864**	5,253	**4,005**	4,432
Liabilities		**9,856**	9,721	**5,199**	5,675
Net assets		**10,160**	9,584	**9,227**	8,673
Issued capital		**8,656**	8,663	**7,358**	7,365
Reserves		**5**	(14)	**4**	(15)
Retained earnings/undistributed income		**1,499**	935	**1,865**	1,323
Securityholders' equity		**10,160**	9,584	**9,227**	8,673

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

			Reserves			
$M	Note	Issued capital	Security based payments	Cash flow hedges	Retained earnings	Equity
Balance at 30 June 2020		8,656	35	(27)	486	9,150
Adjustment on change in accounting policy	22	–	–	–	(69)	(69)
Restated balance at 1 July 2020		8,656	35	(27)	417	9,081
Profit for the period (restated)	22	–	–	–	339	339
Other comprehensive loss, net of tax		–	–	(36)	–	(36)
Total comprehensive (loss)/income		–	–	(36)	339	303
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)	–	–	–
Other movements		5	2	–	(270)	(263)
Balance at 31 December 2020		**8,661**	**37**	**(63)**	**486**	**9,121**
Balance at 1 July 2021		8,663	35	(49)	935	9,584
Profit for the period		–	–	–	**850**	**850**
Other comprehensive loss, net of tax		–	–	**20**	–	**20**
Total comprehensive income		–	–	**20**	**850**	**870**
Dividends and distributions	4	–	–	–	**(286)**	**(286)**
Security based payment expense		–	**8**	–	–	**8**
Acquisition of treasury securities		**(16)**	–	–	–	**(16)**
Securities vested under Security Plans		**9**	**(9)**	–	–	–
Other movements		**(7)**	**(1)**	–	**(286)**	**(294)**
Balance at 31 December 2021		**8,656**	**34**	**(29)**	**1,499**	**10,160**

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

$M	Note	Issued capital	Reserves: Security based payments	Reserves: Cash flow hedges	Undistributed income	Equity
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)	–	–	–
Other movements		5	2	–	(270)	(263)
Balance at 31 December 2020		**7,363**	**35**	**(63)**	**930**	**8,265**
Balance at 1 July 2021		7,365	34	(49)	1,323	8,673
Profit for the period		**–**	**–**	**–**	**828**	**828**
Other comprehensive loss, net of tax		**–**	**–**	**20**		**20**
Total comprehensive income		**–**	**–**	**20**	**828**	**848**
Dividends and distributions	4	**–**	**–**	**–**	**(286)**	**(286)**
Security based payment expense		**–**	**7**	**–**	**–**	**7**
Acquisition of treasury securities		**(15)**	**–**	**–**	**–**	**(15)**
Securities vested under Security Plans		**8**	**(8)**	**–**	**–**	**–**
Other movements		**(7)**	**(1)**	**–**	**(286)**	**(294)**
Balance at 31 December 2021		**7,358**	**33**	**(29)**	**1,865**	**9,227**

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	2021[1]	(Restated) 2020[1]	2021	2020
Receipts in the course of operations (including GST)	**1,307**	1,379	**409**	465
Payments in the course of operations (including GST)	**(877)**	(820)	**(212)**	(197)
Payments for land	**(268)**	(104)	**–**	–
Distributions received from equity-accounted investments	**13**	9	**13**	9
Receipts from Retirement Living residents	**154**	148	**–**	–
Payments to Retirement Living residents, net of DMF	**(79)**	(61)	**–**	–
Interest received	**1**	1	**87**	90
Interest paid	**(79)**	(77)	**(79)**	(77)
Net cash flows from operating activities	**172**	475	**218**	290
Proceeds from sale of investment properties	**172**	333	**169**	308
Payments for and development of investment properties:				
• Commercial Property	**(260)**	(190)	**(257)**	(190)
• Land Lease Communities	**(13)**		**–**	–
• Retirement Living	**(26)**	(27)	**–**	–
Payments for plant, equipment and software	**(26)**	(8)	**–**	–
Payments for investments (including equity-accounted)	**(4)**	(40)	**(4)**	(21)
Loans to other parties	**–**	(37)	**–**	(12)
Loans (to)/from related entities	**–**	–	**(499)**	80
Payments to acquire a business	**(332)**	–	**–**	–
Net cash flows from investing activities	**(489)**	31	**(591)**	165
Payments for treasury securities under Security Plans	**(16)**	(1)	**(15)**	(1)
Proceeds from borrowings	**754**	100	**754**	100
Repayments of borrowings	**(989)**	(361)	**(989)**	(361)
Dividends and distributions paid	**(317)**	(253)	**(317)**	(253)
Net cash flows from financing activities	**(568)**	(515)	**(567)**	(515)
Net movement in cash and cash equivalents	**(885)**	(9)	**(940)**	(60)
Cash and cash equivalents at the beginning of the period	**1,162**	443	**1,039**	359
Cash and cash equivalents at the end of the period[2]	**277**	434	**99**	299

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

1 Balances include cash flows relating to both continuing and discontinued operations. Net cash flows relating to discontinued operation has been disclosed in note 12C 'Discontinued operation held for sale'.

2 $18 million of cash and cash equivalents has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

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 2021.

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 2021.

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 2021, with the exception of amended interpretations commencing 1 July 2021, which have been adopted where applicable. The financial position as at 31 December 2021 and the performance for the period ended on that date have not been impacted by the adoption of these interpretations. Refer to note 23 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 POSITION

Stockland and the Trust generated positive cash flows from continuing operations of $89 million and $218 million respectively during the half year. Undrawn bank facilities of $1,140 million, of which $640 million expires after December 2022 (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 which reflects an 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 available liquidity, allowing flexibility in foreseeable business environments. Accordingly, the financial statements have been prepared on a going concern basis.

Stockland has a prima facie net current asset surplus of $787 million at 31 December 2021 (30 June 2021: $1,929 million deficiency). The prima facie net current asset deficiency for continuing operations and excluding assets, liabilities and disposal group held for sale is $639 million. The Trust has a prima facie net current asset deficiency of $731 million (30 June 2021: $188 million surplus). A detailed explanation is set out below.

Stockland

In relation to Stockland, a number of liabilities were classified as current under Accounting Standards that were 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 were to generate cash income in the next 12 months (including Retirement Living DMF included within Retirement Living investment properties and Retirement Living vacant stock).

These assets and liabilities that are part of the Retirement Living business, together with a number of other non-current assets and liabilities, have been classified as held for sale at 31 December 2021 and are expected to result in net cash inflows within the next 12 months.

In the short term, the net cash inflows arising from the sale of the held for sale assets and liabilities will be held as cash, or used to repay borrowings, thereby providing Stockland with additional liquidity to meet the prima facie net current asset deficiency excluding discontinued operations held for sale of $639 million.

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

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.

CHANGE IN ACCOUNTING POLICIES AND NEW AND AMENDED ACCOUNTING STANDARDS

In accordance with an IFRS Interpretations Committee (IFRIC) agenda decision published on 27 April 2021 in relation to accounting for Software-as-a-Service (SaaS) arrangements, Stockland retrospectively implemented this guidance as a change in accounting policy. Refer to note 22 for the impact of this policy change on the 31 December 2021 interim report and its comparatives.

Stockland's financial position as at 31 December 2021 and its performance for the year ended on that date have not been impacted as a result of the adoption of new and amended Accounting Standards and Interpretations effective for annual reporting periods beginning on or after 1 July 2021. Refer to note 23 for further details.

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	Land Lease Communities	Retirement Living[1]	Communities subtotal	Commercial Property	Other	Stockland	Trust
31 December 2021								
Property development sales[2]	**669**	**51**	**–**	**720**	**98**	**–**	**818**	**–**
Outgoings recoveries[3]	**–**	**–**	**–**	**–**	**34**	**–**	**34**	**34**
Revenue from contracts with customers	**669**	**51**	**–**	**720**	**132**	**–**	**852**	**34**
Rental income[4]	**1**	**6**	**5**	**12**	**308**	**–**	**320**	**310**
DMF revenue[4]	**–**	**–**	**61**	**61**	**–**	**–**	**61**	**–**
Other revenue	**9**	**1**	**–**	**10**	**8**	**1**	**19**	**2**
Statutory revenue[5]	**679**	**58**	**66**	**803**	**448**	**1**	**1,252**	**346**
Amortisation of lease incentives	**–**	**–**	**–**	**–**	**40**	**–**	**40**	**40**
Straight-line rent	**–**	**–**	**–**	**–**	**3**	**–**	**3**	**3**
Unrealised DMF revenue[4]	**–**	**–**	**(28)**	**(28)**	**–**	**–**	**(28)**	**–**
Segment revenue	**679**	**58**	**38**	**775**	**491**	**1**	**1,267**	**389**
31 December 2020								
Property development sales[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[6]	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

1 The revenue of the Retirement Living business, excluding Aspire villages and sundry assets, for the current period and prior comparative period are shown as 'Discontinued Operation' in the Statement of Comprehensive Income.
2 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.
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 and Land Lease Communities 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.
5 Includes the results of discontinued operation during the period. Refer to note 12C 'Discontinued operation held for sale' for further details.
6 Includes the results of an operation that was discontinued during the current period. Refer to note 12C 'Discontinued operation held for sale' for further details.

Rent from investment properties includes $3 million (2020: $1 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 0.8% (2020: 0.4%) of gross lease income.

1A. Breakdown of property from Residential property development sales

Revenue from residential property development sales by major product and geographical area is disaggregated as follows:

Half year ended $M	NSW	QLD	VIC	WA	Residential
31 December 2021					
Residential communities	**122**	**140**	**244**	**58**	**564**
Townhomes	**16**	**15**	**71**	**3**	**105**
Property development sales	**138**	**155**	**315**	**61**	**669**
31 December 2020					
Residential communities	79	189	281	128	677
Townhomes	29	29	45	1	104
Property development sales	108	218	326	129	781

2. OPERATING SEGMENTS

STOCKLAND

Stockland has five reportable segments, as listed below:

- Commercial Property – invests in, develops and manages Retail Town Centres, 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;
- Land Lease Communities (LLC) - invests in, designs, develops, manages and delivers communities for over 50s;
- Retirement Living – invests in, designs, develops, manages and delivers 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, Land Lease Communities 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 certain items which are non-cash, unrealised or 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	2021	(Restated) 2020
FFO[1]	**350**	386
Adjust for:		
Amortisation of lease incentives	**(40)**	(37)
Amortisation of lease fees	**(7)**	(6)
Straight-line rent	**(3)**	(1)
Net unrealised change in fair value of Commercial Property investment properties[2]	**551**	24
Net unrealised change in fair value of Retirement Living investment properties	**50**	(42)
Net unrealised change in fair value of Retirement Living obligations	**(79)**	(3)
Unrealised DMF revenue	**28**	20
Net gain/(loss) on financial instruments	**75**	(10)
Net gain on other financial assets	**1**	1
Net gain/(loss) on sale of other non-current assets	**8**	(15)
Net impairment of inventories	**–**	(5)
Income tax non-cash	**(19)**	38
Other one-off costs[3]	**(65)**	(11)
Profit after tax	**850**	339

1 Includes the results of discontinued operation during the period. Refer to note 12C 'Discontinued operation held for sale' for further details.
2 Includes Stockland's share of revaluation relating to properties held through joint ventures (31 December 2021: $13 million gain; 31 December 2020: $5 million loss) and fair value unwinding of ground leases recognised under AASB 16 (31 December 2021: $0.4 million; 31 December 2020: $0.4 million).
3 One-off costs include transaction costs relating to the acquisition of Halcyon's land lease communities business, restructuring costs and provisions for expected onerous contract costs. To be classified as a one-off, these costs were assessed to be highly unlikely to reoccur in future years.

2B. FFO and AFFO

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

Half year ended $M	Residential	Land Lease Communities	Retirement Living[1]	Communities subtotal	Commercial Property	Other	Stockland
31 December 2021							
Segment revenue[2,3]	**679**	**58**	**38**	**775**	**491**	**1**	**1,267**
Segment EBIT[2,3]	**147**	**6**	**18**	**171**	**273**	**–**	**444**
Amortisation of lease fees	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Interest expense in cost of sales[4]	**(25)**	**(1)**	**(1)**	**(27)**	**(2)**	**–**	**(29)**
Segment FFO[5]	**122**	**5**	**17**	**144**	**278**	**–**	**422**
Finance income	**–**						**2**
Finance expense							**(39)**
Unallocated corporate and other expenses							**(35)**
FFO[6]							**350**
Maintenance capital expenditure[7]							**(18)**
Incentives and leasing costs[8]							**(39)**
AFFO[6]							**293**
31 December 2020							
Segment revenue[2,3]	787	–	69	856	415	1	1,272
Segment EBIT[2,3]	172	–	38	210	280	–	490
Amortisation of lease fees	–	–	–	–	6	–	6
Interest expense in cost of sales[4]	(36)	–	(2)	(38)	–	–	(38)
Segment FFO[5]	136	–	36	172	286	–	458
Finance income							1
Finance expense							(45)
Unallocated corporate and other expenses							(28)
FFO[9]							386
Maintenance capital expenditure[7]							(19)
Incentives and leasing costs[8]							(30)
AFFO[9]							337

1 The results of the Retirement Living business, excluding Aspire villages and sundry assets, for the current period and prior comparative period are shown as 'Discontinued Operation' in the Statement of Comprehensive Income.
2 Commercial Property segment revenue and EBIT adds back $40 million (31 December 2020: $37 million) of amortisation of lease incentives and excludes $3 million (31 December 2020: $1 million) of straight-line rent adjustments.
3 Retirement Living segment revenue and EBIT exclude $28 million (31 December 2020: $20 million) of unrealised DMF revenue.
4 $1 million (31 December 2020: $2 million) interest expense in Retirement Living is contained in the fair value adjustment of investment properties.
5 Commercial Property segment FFO includes share of profits from equity-accounted investments of $11 million (31 December 2020: $10 million).
6 Includes the results of discontinued operation during the period. Refer to note 12C 'Discontinued operation held for sale' for further details.
7 Maintenance capital expenditure includes $2 million (31 December 2020: $3 million) of Retirement Living maintenance capital expenditure.
8 Expenditure incurred on incentives and leasing costs during the period excluding assets under construction.
9 Includes the results of an operation that was discontinued during the current period. Refer to note 12C 'Discontinued operation held for sale' for further details.

2C. Balance sheet by operating segment

As at $M	Residential	Land Lease Communities	Retirement Living[1]	Communities subtotal	Commercial Property	Unallocated	Stockland
31 December 2021							
Real estate related assets[2,3]	**3,518**	**785**	**3,671**	**7,974**	**10,921**	**137**	**19,032**
Other assets	**142**	**85**	**73**	**300**	**75**	**609**	**984**
Assets	**3,660**	**870**	**3,744**	**8,274**	**10,996**	**746**	**20,016**
Real estate related liabilities[2,3]	**–**	**28**	**–**	**28**	**–**	**–**	**28**
Retirement Living resident obligations	**–**	**–**	**2,628**	**2,628**	**–**	**–**	**2,628**
Borrowings	**–**	**–**	**–**	**–**	**–**	**4,439**	**4,439**
Other liabilities	**1,612**	**49**	**93**	**1,754**	**415**	**592**	**2,761**
Liabilities	**1,612**	**77**	**2,721**	**4,410**	**415**	**5,031**	**9,856**
Net assets/(liabilities)	**2,048**	**793**	**1,023**	**3,864**	**10,581**	**(4,285)**	**10,160**
30 June 2021							
Real estate related assets[2,3]	3,216	47	3,570	6,833	10,351	129	17,313
Other assets[4]	192	–	79	271	72	1,649	1,992
Assets	3,408	47	3,649	7,104	10,423	1,778	19,305
Retirement Living resident obligations	–	–	2,512	2,512	–	–	2,512
Borrowings	–	–	–	–	–	4,754	4,754
Other liabilities	1,461	–	80	1,541	403	511	2,455
Liabilities	1,461	–	2,592	4,053	403	5,265	9,721
Net assets/(liabilities)	1,947	47	1,057	3,051	10,020	(3,487)	9,584

1 The balances of the Retirement Living segment for the current period are shown as 'disposal group held for sale' in the Balance Sheet.
2 Includes non-current assets held for sale, inventories, investment properties, equity-accounted investments and certain other assets.
3 Includes equity-accounted investments of $409 million (30 June 2021: $392 million) in Commercial Property.
4 Other assets in the prior year have been restated as a result of a retrospective change in accounting policy following an IFRIC agenda decision on accounting for SaaS arrangements published on 27 April 2021. Refer to note 22 for further detail on the impact of this change in accounting policy.

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 (WANOS) 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 the underlying income performance of the portfolio.

Half year ended 31 December	Stockland		Trust	
	2021	(Restated) 2020	2021	2020
Profit after tax attributable to shareholders ($M)	**850**	339	**828**	266
WANOS used in calculating basic EPS	**2,383,690,922**	2,381,894,816	**2,383,690,922**	2,381,894,816
Basic EPS (cents)[1]	**35.7**	14.2	**34.7**	11.2
Effect of rights and securities granted under Security Plans[2]	**8,456,906**	3,678,101	**8,456,906**	3,678,101
WANOS used in calculating diluted EPS	**2,392,147,828**	2,385,572,917	**2,392,147,828**	2,385,572,917
Diluted EPS (cents)[1]	**35.5**	14.2	**34.6**	11.2

1 Balance includes both continuing and discontinued operations. Earnings per security for continuing and discontinued operations have been separately disclosed in note 12C 'Discontinued operation held for sale'.

2 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 2021 is $14 million based on a 30% tax rate (30 June 2021: $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 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interim distribution	**28 February 2022**	26 February 2021	**12.0**	11.3	**286**	270

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	2021	2020
FFO per security[1]	**14.7**	16.2
Distribution per security	**12.0**	11.3
Payout ratio	**82%**	70%

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

5. EVENTS SUBSEQUENT TO THE END OF THE PERIOD

On 23 February 2022, the Group announced that it entered into a binding agreement whereby Ivanhoé Cambridge will acquire a 49.0% interest in The M_Park Trust (TMPT). Ivanhoé Cambridge will initially invest in M Park Stage One at Macquarie Park, Sydney on a fund through basis in TMPT, and Stockland will earn investment management, development management and property management fees. The agreement is conditional on Ivanhoé Cambridge receiving Foreign Investment Review Board (FIRB) approval. At 31 December 2021, 49.0% of the carrying value is recognised in assets held for sale (refer to note 12A).

On 23 February 2022, the Group announced it entered into a binding agreement with Mitsubishi Estate Asia (MEA) to establish the Stockland Residential Rental Partnership (SRRP), a long term partnership to develop and own land lease communities. The initial portfolio will comprise six land lease communities currently in development. These include four communities acquired as part of the Halcyon acquisition and two Stockland communities, and their associated assets and liabilities. Stockland will transfer a 49.9% interest in SRRP to MEA. Under the agreement, Stockland will develop, lease and manage the properties on behalf of SRRP in exchange for management and development fees. The agreement is conditional on MEA receiving FIRB approval. At 31 December 2021, 49.9% of the carrying value of the assets and liabilities relating to the properties is recognised in disposal groups held for sale (refer to note 12B).

On 23 February 2022, the Group announced that it had entered into a binding Sale and Purchase Agreement with EQT Infrastructure (EQT), whereby EQT will acquire ownership of Stockland's Retirement Living business for approximately $987 million. The disposal price is materially in line with Stockland's book value for the business. To facilitate an effective transfer of ownership, Stockland will continue to provide administrative support for several months post settlement of the transaction under a Transitional Services Agreement. The Sale and Purchase Agreement is conditional on EQT receiving FIRB approval. At 31 December 2021, the Retirement Living business was recognised as a discontinued operation held for sale (refer to note 12C).

Other than disclosed in this note or elsewhere in this report, no transaction or event of a material or unusual nature has arisen in the interval between the end of the current reporting period and the date of this report, that, in the opinion of the Directors, is highly probable to significantly affect the operations, the results of operations, or the state of affairs of Stockland and the Trust in future years.

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 2021			30 June 2021		
$M	Current	Non-current	Total	Current	Non-current	Total
Completed inventory						
Cost of acquisition	**117**	**–**	**117**	158	–	158
Development and other costs	**144**	**–**	**144**	140	–	140
Interest capitalised	**1**	**–**	**1**	7	–	7
Completed inventory[1]	**262**	**–**	**262**	305	–	305
Development work in progress						
Cost of acquisition	**404**	**1,931**	**2,335**	260	1,775	2,035
Development and other costs	**225**	**378**	**603**	142	379	521
Interest capitalised	**49**	**273**	**322**	48	264	312
Impairment provision	**(16)**	**(72)**	**(88)**	(15)	(73)	(88)
Residential communities	**662**	**2,510**	**3,172**	435	2,345	2,780
Cost of acquisition	**–**	**76**	**76**	–	122	122
Development and other costs	**–**	**11**	**11**	–	17	17
Interest capitalised	**–**	**2**	**2**	–	3	3
Apartments	**–**	**89**	**89**	–	142	142
Cost of acquisition	**58**	**13**	**71**	–	–	–
Development and other costs	**10**	**8**	**18**	2	6	8
Interest capitalised	**1**	**-**	**1**	–	–	–
Land Lease communities	**69**	**21**	**90**	2	6	8
Cost of acquisition	**52**	**-**	**52**	99	7	106
Development and other costs	**27**	**–**	**27**	19	2	21
Interest capitalised	**4**	**–**	**4**	6	–	6
Logistics	**83**	**–**	**83**	124	9	133
Development work in progress	**814**	**2,620**	**3,434**	561	2,502	3,063
Inventories	**1,076**	**2,620**	**3,696**	866	2,502	3,368

1 Comprises residential communities (30 June 2021: included $7 million of Aspire villages). No apartments or logistics projects 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	Total
Balance at 1 July 2021	88	88
Amounts utilised	–	–
Reversal of provisions previously recorded	–	–
Additional provisions created	–	–
Balance at 31 December 2021	**88**	**88**

Properties held for development and resale are stated at the lower of cost and NRV. Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development activities are expensed. Inventory is classified as current if it is completed or work in progress expected to be settled within 12 months, otherwise it is classified as non-current.

Management undertook an impairment review of all development projects, taking into account the current economic and operating environment, including impacts of COVID-19. Based on information available at 31 December 2021 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.

The sensitivity of key inventory recoverability drivers to the evolving economic and operating conditions has been analysed across all inventory projects. In addition, government stimulus and production options continue to be available to Stockland to 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 2021.

Stockland	Sales price	Average 3 year price growth[1]	1 year sales rate
$M	**5% Decrease**	**0%**	**25% reduction**
Additional impairment charge on inventories	**(14)**	**(77)**	**(1)**

1 The average 3 year price growth underpinning the 31 December 2021 impairment assessment is 3.8%.

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 2021			30 June 2021		
$M	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Development cost provisions[1]	**275**	**332**	**607**	443	172	615

1 Includes $188 million (30 June 2021: $177 million) provisions relating to Commercial Property investment property assets.

	$M
Balance at 1 July 2021	615
Additional provisions	**58**
Amounts utilised	**(28)**
Classified as disposal group held for sale	**(38)**
Balance at 31 December 2021	**607**

The development cost provisions reflect obligations as at 31 December 2021 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 INVESTMENT PROPERTY

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Retail Town Centres	**5,550**	5,421	**5,485**	5,369
Logistics	**2,870**	2,466	**2,870**	2,466
Workplace	**2,111**	1,994	**2,150**	2,033
Social infrastructure[1]	**67**	51	**–**	–
Capital works in progress and sundry properties	**415**	449	**359**	392
Book value of commercial property	**11,013**	10,381	**10,864**	10,260
Less amounts classified as:				
• cost to complete provision	**(15)**	(13)	**(15)**	(13)
• property, plant and equipment	**(126)**	(129)	**–**	–
• non-current assets held for sale	**(210)**	(166)	**(211)**	(166)
• other assets (including lease incentives and fees)	**(242)**	(250)	**(236)**	(246)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**(5)**	(2)	**(5)**	(2)
• other receivables (straight-lining of rental income)	**(65)**	(72)	**(62)**	(69)
• other receivables (straight-lining of rental income) attributable to equity-accounted investments	**(5)**	(3)	**(5)**	(3)
Investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**10,345**	9,746	**10,330**	9,761
Less: Stockland's share of investment properties held by equity-accounted investments	**(434)**	(409)	**(427)**	(409)
Investment properties	**9,911**	9,337	**9,903**	9,352
Net carrying value movements				
Balance at 1 July	**9,337**	8,890	**9,352**	8,921
Acquisitions	**144**	67	**144**	67
Expenditure capitalised	**98**	213	**92**	211
Transfers to non-current assets held for sale	**(203)**	(153)	**(203)**	(153)
Movement in ground leases of investment properties	**–**	(1)	**–**	(1)
Disposals	**(3)**	(96)	**(3)**	(96)
Net change in fair value	**538**	417	**521**	403
Balance at the end of the period	**9,911**	9,337	**9,903**	9,352

1 The investment property balance at 31 December 2021 comprises $67 million of social infrastructure properties (previously referred to as healthcare and childcare centres) held by the Retirement Living business (30 June 2021: $51 million) to be leased to tenants under commercial leases.

7A. Fair value measurement, valuation techniques and inputs

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

The techniques used to fair value Stockland's commercial properties have not changed since 30 June 2021. For further explanation of the techniques used and inputs applied, refer to the 30 June 2021 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 2021	30 June 2021
Retail Town Centres	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$192 - $677	$185 - $696
			10 year average specialty market rental growth	2.45 - 3.18%	2.28 - 3.02%
			Adopted capitalisation rate	5.25 - 6.75%	5.50 - 7.00%
			Adopted terminal yield	5.50 - 7.00%	5.75 - 7.25%
			Adopted discount rate	5.75 - 7.75%	6.75 - 7.75%
Logistics	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$75 - $188	$75 - $187
			10 year average market rental growth	2.87 - 3.57%	2.67 - 3.55%
			Adopted capitalisation rate	3.38 - 4.75%	3.75 - 5.50%
			Adopted terminal yield	3.63 - 5.25%	4.00 - 5.75%
			Adopted discount rate	5.25 - 6.00%	5.50 - 6.25%
Workplace	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$334 - $924	$352 - $902
			10 year average market rental growth	2.92 - 3.80%	2.77 - 3.99%
			Adopted capitalisation rate	4.88 - 8.25%	5.00 - 8.00%
			Adopted terminal yield	5.13 - 8.50%	5.25 - 8.25%
			Adopted discount rate	5.88 - 8.50%	6.00 - 8.25%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	$84 - $490	$100 - $489
			Adopted capitalisation rate	3.75 - 5.25%	4.50 - 5.75%

In light of the continued uncertainty in investment property markets created by COVID-19, Stockland ensured all Retail assets were externally valued during the previous financial year ended 30 June 2021. At 31 December 2021, in line with internal tolerance checks, 99% of the Retail Town Centres property portfolio, 48% of the Workplace property portfolio, 95% of the Logistics property portfolio and 36% of the sundry properties portfolio were independently valued. 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 short-term impacts have been factored into valuations, certain external valuers have indicated that a small number of their Retail Town Centre valuations are subject to material uncertainty on a forward-looking basis.

Based on available information at 31 December 2021 and information arising since that date about both conditions at that date, and the economic and operating conditions evolving since, the Directors have determined that all relevant and available information has been incorporated into the reported valuations.

In addition, using this information, the sensitivity of key drivers to further fair value movements has been analysed across the carrying value of Commercial Property at 31 December 2021. Commercial Property valuations remain subject to market-based assumptions on discount rates, capitalisation rates, market rents and incentives. 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 2021.

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	258	(236)	105	(103)	(290)	290
• Logistics	198	(174)	59	(58)	(153)	153
• Workplace	93	(85)	35	(35)	(101)	101
Commercial Property	**549**	**(495)**	**199**	**(196)**	**(544)**	**544**

8. COMMUNITIES INVESTMENT PROPERTY

LAND LEASE COMMUNITIES (LLC)

Stockland owns, operates and develops a portfolio of Land Lease Communities. LLC are an over-50s affordable lifestyle residential offering, where residents pay an initial purchase price for the home and ongoing site rental costs (without departure costs), and are entitled to the total capital gain or loss upon sale of the home. Stockland operates and retains ownership of the land on which the homes sit and the common amenity at each community, while the homes, which are built on site, are engineered to be relocatable and remain the property of the Residents.

The costs to build the homes, along with the allocation of some project-wide costs attributable to the homes, are recognised within inventory and allocated to cost of sales using the WOL methodology described in note 6.

The land retained by Stockland at each community is recognised at fair value within investment property. Any change in the fair value of the land on initial settlement of the homes is recognised as a net change in fair value of investment properties and is included in FFO. Any subsequent changes in fair value are excluded from FFO.

The clubhouse facilities are recognised at cost as property, plant and equipment, and are depreciated over the asset's expected useful life. An element of revenue received on the sale of each home is deemed to be earned in the provision of access to these facilities and is deferred and amortised over the same expected useful life.

Halcyon acquisition

On 17 August 2021, Stockland acquired control of 100% of Halcyon's land lease communities business, which includes six established communities with a further four under development and three in planning. Refer to note 21 for acquisition-related disclosures.

RETIREMENT LIVING

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

DMF 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 that 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 desires. 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. 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 development. 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

'Capital Share' contracts offer the resident the opportunity to offset DMF by receiving 50% of any capital gain earned net of 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%.

'Peace of Mind' contracts offer certainty by ensuring residents know what the exit repayment will be when they leave a 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.

8A. Net carrying value

NET CARRYING VALUE LAND LEASE COMMUNITIES INVESTMENT PROPERTIES

As at	Stockland	
$M	31 December 2021	30 June 2021
Established communities	**257**	–
Communities under development	**178**	39
Net carrying value of LLC investment properties	**435**	39
Net carrying value movement during the period		
Balance at 1 July	**39**	–
Acquisitions	**502**	36
Expenditure capitalised	**27**	3
Transfers to disposal group assets held for sale	**(133)**	–
Balance at the end of the period	**435**	39

NET CARRYING VALUE RETIREMENT LIVING ASSETS

As at	Stockland	
$M	31 December 2021	30 June 2021
Operating villages	**3,564**	3,438
Villages under development	**95**	123
Retirement Living investment properties[1]	**3,659**	3,561
Existing resident obligations[2]	**(2,621)**	(2,506)
Net carrying value of Retirement Living villages	**1,038**	1,055
Net carrying value movement during the period		
Balance at 1 July	**1,055**	1,254
Expenditure capitalised	**26**	42
Cash received on first sales	**(33)**	(86)
Realised investment properties fair value movements	**3**	13
Unrealised investment properties fair value movements[3]	**50**	(74)
Unrealised Retirement Living resident obligations fair value movements	**(79)**	(18)
Other movements	**16**	(76)
Balance at the end of the period	**1,038**	1,055

1 $3,659 million of Retirement Living investment property has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

2 $2,621 million of existing resident obligations has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

3 Includes a $21 million fair value loss (30 June 2021: $11 million gain) on discounting of vacant stock not expected to settle within the next 12 months, with a $34 million discount applied at 31 December 2021 compared to a $13 million discount at 30 June 2021.

Investment properties

Communities investment properties comprise LLC (includes established communities, communities under development and communities in planning) and retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. LLC comprise the fair value of the land component retained by Stockland at each community. Retirement villages comprise independent living units (ILU), serviced apartments (SA), community facilities and integral plant and equipment.

FAIR VALUE MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

The fair value of LLC investment properties (including communities under development) are a combination of the valuations determined using the discounted cash flow (DCF) method, the income capitalisation method, and the direct comparison method where relevant. 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 Communities assets have not changed since 30 June 2021. For further explanation of the techniques used and inputs applied, refer to the 30 June 2021 annual financial report.

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

LLC investment property significant unobservable inputs

Inputs used to measure fair value	31 December 2021
Capitalisation rate	**4.75%**
Terminal yield	**5.25%**
Discount rate	**6.00%**

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

Retirement Living investment property significant unobservable inputs

Inputs used to measure fair value	31 December 2021	30 June 2021
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%**	3.00%
Average length of stay of existing and future residents	**11 years**	11 years
Current market value of unit	**$0.1 - 2.4 million**	$0.1 - 2.3 million
Renovation/reinstatement cost	**$3 - 108 thousand**	$6 - 90 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 valuations. 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 and trends seen between COVID-19 lockdowns.

The Directors have determined, based on the available information at 31 December 2021 and the information arising since that date about conditions at that date, that all relevant information has been incorporated into the reported valuations.

In addition, the sensitivity of key drivers to further fair value movements as a result of the evolving economic and operating conditions has been analysed across the carrying value of LLC and Retirement Living investment properties at 31 December 2021. 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 2021.

LLC sensitivities information

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 Land Lease communities investment property	10	(9)	4	(3)	(9)	9

Retirement Living sensitivies information

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	(64)	65	23	(23)	(97)

1 The average 3 year price growth rate underpinning the 31 December 2021 valuation is 3%.

8B. Retirement Living 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 2021: 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 of the obligation for up to eight years.

	Stockland					
As at	**31 December 2021**			**30 June 2021**		
$M	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Existing resident obligations	**2,564**	**57**	**2,621**	2,446	60	2,506
Former resident obligations	**3**	**4**	**7**	2	4	6
Resident obligations[1]	**2,567**	**61**	**2,628**	2,448	64	2,512

1 $2,621 million of existing resident obligations has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

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 inputs in the fair value hierarchy.

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

As at	**Stockland**	
$M	**31 December 2021**	**30 June 2021**
Opening balance	**(2,512)**	(2,695)
Realised movement recognised in profit or loss	**39**	358
Unrealised movement recognised in profit or loss	**(79)**	(18)
Cash receipts from incoming residents on turnover	**(155)**	(326)
Cash payments to outgoing residents on turnover, net of DMF	**79**	169
Closing balance[1]	**(2,628)**	(2,512)

1 $2,621 million of resident obligations has been classified as disposal group assets held for sale at 31 December 2021. Refer to Note 12C 'Discontinued operation held for sale' for further detail.

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 2021	30 June 2021	31 December 2021	30 June 2021
Current market value	10%	**152**	147	**(152)**	(147)

9. RECEIVABLES

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Trade receivables[1]	**54**	65	**15**	25
Allowance for expected credit loss	**(16)**	(21)	**(15)**	(20)
Net current trade receivables	**38**	44	**–**	5
Other receivables	**85**	88	**10**	14
Allowance for expected credit loss	**(7)**	(7)	**(7)**	(7)
Net other receivables	**78**	81	**3**	7
Straight-lining of rental income	**10**	5	**10**	4
Current receivables[2]	**126**	130	**13**	16
Trade receivables	**–**	1	**–**	1
Allowance for expected credit loss	**–**	–	**–**	–
Net non-current trade receivables	**–**	1	**–**	1
Straight-lining of rental income	**55**	67	**52**	65
Other receivables	**85**	104	**–**	56
Receivables due from related companies	**–**	–	**3,205**	2,647
Allowance for expected credit loss	**–**	–	**(7)**	(7)
Non-current receivables	**140**	172	**3,250**	2,762

1 Lease receivables from tenants total $19 million (30 June 2021: $26 million), of which $0 million (30 June 2021: $1 million) is classified as non-current.
2 $2 million of current receivables has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

The loss allowances for trade receivables and the intergroup loan as at 31 December 2021 reconcile to the opening loss allowances as follows:

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Opening ECL balance	**28**	40	**34**	45
Provision raised during the period	**42**	26	**42**	26
Provision release during the period	**(13)**	(34)	**(13)**	(33)
Bad debts written off in the period[1]	**(34)**	(4)	**(34)**	(4)
Closing balance	**23**	28	**29**	34

1 Rent abatements driven by COVID-19 of $29 million were also expensed in the current period (30 June 2021: $20 million).

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 2021. For further explanation of the ECL approach, refer to the 30 June 2021 annual financial report.

TRADE RECEIVABLES FROM TENANTS

Prior to the outbreak of COVID-19, Stockland did not have a material tenant receivable balance as most tenants paid rent monthly in advance within a short timeframe from billing date. In response to the operational and liquidity pressures faced by tenants as a result of COVID-19, the Federal Government introduced a Commercial Code of Conduct[1] (Code) in April 2020 which required, among other things, that businesses proportionately share the economic impacts arising from COVID-19, and was given effect by state and territory legislation.

On 28 July 2021, the Victorian Government announced a reintroduction of the Commercial Tenancies Relief Scheme. Regulations detailing the eligibility criteria for the Victorian Scheme were released on 25 August 2021 and similarly requires financial relief in the form of a proportionate reduction in rent.

On 13 August 2021, the *Retail and Other Commercial Leases (COVID-19) Amendment Regulation 2021* (Amendment) was legislated in New South Wales which extended the requirements of the Code for eligible tenants from 13 July 2021 to 13 January 2022. On 15 January 2022 rental relief was extended a further two months until 13 March 2022.

On 1 February 2022, the Victorian Government's *Commercial Tenancy Relief Scheme Regulations 2022 (2022 Regulations)* came into effect in response to the ongoing impact of COVID-19 and extended the entitlement to rent relief and related protections for eligible tenants from 16 January 2022 to 15 March 2022. The 2022 Regulations will apply to leases in effect on 16 January 2022 and to eligible tenants with a turnover of less than $10 million in the 2020/2021 financial year and a demonstrated decline in turnover of 30% or more.

The Group assessed the impact of the extension of this legislation on expected credit loss provisioning and determined that no changes in approach from 30 June 2021 were required. Terms will continue to be negotiated on a lease-by-lease basis for tenants that fall under the Code. In addition, negotiations have continued with tenants who are not covered by the Code but have experienced significant financial hardship.

Stockland has applied a matrix approach in assessing the credit risk of trade receivables from tenants, incorporating the latest available information to 31 December 2021, 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 2021 annual financial report.

The table below sets out the lease receivables position by risk category as at 31 December 2021:

	Stockland and Trust				
$M	**Low**	**Medium**	**High**	**Specific**	**Total**
Lease receivables at 31 December 2021	–	–	5	14	19
ECL provision on lease receivables					(15)
Lease receivables net of provision					**4**

10. PAYABLES

As at		Stockland		Trust	
$M	**Note**	**31 December 2021**	**30 June 2021**	**31 December 2021**	**30 June 2021**
Trade payables and accruals		**284**	305	**79**	109
Land purchases		**565**	52	**–**	–
Distributions payable	4	**286**	318	**286**	318
GST (receivable)/payable		**(43)**	10	**(3)**	2
Current payables[1]		**1,092**	685	**362**	429
Other payables		**5**	4	**–**	–
Land purchases		**197**	223	**–**	–
Non-current payables		**202**	227	**–**	–

1 $2 million of current payables has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

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

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

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

11. OTHER LIABILITIES

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Land purchases	**48**	49	**–**	–
Other	**88**	80	**20**	26
Current other liabilities[1]	**136**	129	**20**	26
Land purchases	**449**	484	**–**	–
Other	**52**	52	**26**	26
Non-current other liabilities	**501**	536	**26**	26

1 $18 million of other liabilities has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

LAND PURCHASES

As part of its normal restocking process, Stockland acquires land on deferred terms from vendors who enter into reverse factoring arrangements with a financier in order to receive their aggregated deferred payments early. All future amounts payable under these arrangements have been recognised on the balance sheet within other liabilities rather than trade payables as is traditionally the case for land creditor transactions.

12. DISCONTINUED OPERATIONS, DISPOSAL GROUPS AND ASSETS HELD FOR SALE

12A. Non-current assets held for sale

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Non-current investment properties held for sale	**210**	166	**211**	166
Non-current assets held for sale	**210**	166	**211**	166

The following investment properties were held for sale at 31 December 2021:

- Stockland Cairns, Cairns QLD
- Sundry properties at Caloundra QLD and Bundaberg QLD
- 49% of The M_Park Trust, which holds the M_Park technology development at Macquarie Park, NSW

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 2021:

- Stockland Bundaberg, Bundaberg QLD
- Nathan Street, Townsville QLD
- Residual land at Balcatta Distribution Centre, Balcatta WA

12B. Disposal group held for sale

As at	Stockland	
$M	31 December 2021	30 June 2021
Disposal group assets held for sale	**226**	–
Disposal group liabilities held for sale	**(28)**	–
Disposal group held for sale	**198**	**–**

On 23 February 2022, the Group announced it entered into a binding agreement with Mitsubishi Estate Asia (MEA) to establish the Stockland Residential Rental Partnership (SRRP), a long term partnership to develop and own land lease communities. The initial portfolio will comprise six land lease communities currently in development. For more details on the transaction, refer to note 5. Following the transaction, SRRP will be accounted for as an equity-accounted investment, and 49.9% of the assets and liabilities relating to SRRP have therefore been accounted for as a disposal group classified as held for sale at 31 December 2021. Of the six properties forming the disposal group, three will be transferred to SRRP on settlement, with the remaining three properties transferred to SRRP in the following months. Payment will be received on transfer of each property.

The major classes of assets and liabilities classified as disposal group held for sale are as follows:

As at	Stockland	
$M	31 December 2021	30 June 2021
Inventories	**74**	**–**
Property, plant and equipment	**19**	–
Investment properties – Land Lease Communities	**133**	–
Assets	**226**	**–**
Payables	**28**	–
Liabilities	**28**	**–**

12C. Discontinued operation held for sale

KEEPING IT SIMPLE

Discontinued operations relate to a component of the Group including its corresponding assets and liabilities that have been classified as held for sale and represent a separate major line of business or geographical area of operation. The group of assets and their corresponding liabilities (together referred to as a 'disposal group'), may only be classified as held for sale once the following criteria are met:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use; and
- The sale must be highly probable.

A disposal group is measured at the lower of its carrying amount and fair value. Where fair value is lower than the carrying amount, the difference is recognised as an impairment loss within the Statement of Comprehensive Income. The results of discontinued operations are presented separately in the Statement of Comprehensive Income. Comparatives have also been re-presented for the Statement of Comprehensive Income and corresponding notes to separately disclose the results of the discontinued operations from continuing operations.

On 23 February 2022, the Group entered into an agreement with EQT Infrastructure (EQT) whereby EQT will acquire ownership of Stockland's Retirement Living business for approximately $987 million. The associated assets and liabilities are consequently presented as a discontinued operation held for sale in the financial statements. Financial information relating to the discontinued operation for the period to 31 December 2021 is set out below. The disposal entries for this transaction have not been recognised at 31 December 2021. The final accounting for the disposal is subject to the completion of the transaction. These activities are expected to be completed by 30 June 2022.

The financial performance of the discontinued operation, representing the Retirement Living business to be sold, for the current and prior period are as follows:

Results of discontinued operations[1]	Stockland	
$M	2021	2020
Revenue	**64**	72
Investment property expenses	**(5)**	(6)
Management, administration, marketing and selling expenses	**(14)**	(14)
Net change in fair value of investment properties	**53**	(37)
Net change in fair value of resident obligations	**(79)**	(3)
Net gain/(loss) on sale of non-current assets	**-**	(15)
Profit/(loss) before tax	**19**	(3)
Income tax (expense)/benefit	**(6)**	6
Profit after tax from discontinued operation	**13**	3

1 Excludes the results of Aspire villages and sundry assets not included in the transaction.

Stockland is expected to have sufficient carried forward tax losses to offset the expected capital gains tax on the sale of the Retirement Living business.

	Stockland					
Half year ended 31 December	2021			2020		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit after tax attributable to securityholders ($M)	**837**	**13**	**850**	336	3	339
Basic EPS (cents)	**35.1**	**0.6**	**35.7**	14.1	0.1	14.2
Diluted EPS (cents)	**35.0**	**0.6**	**35.5**	14.1	0.1	14.2

The cash flow information of the discontinued operation, representing the Retirement Living business to be sold, for the current and prior period are as follows:

Cash flows of discontinued operations	Stockland	
$M	2021	2020
Net cash inflow from operating activities	**83**	63
Net cash (outflow)/inflow from investing activities	**(23)**	5
Net cash provided by discontinued operation	**60**	68

The carrying amounts of the major classes of assets and liabilities held for sale, representing the Retirement Living business to be sold, are as follows:

Discontinued operation assets and liabilities classified as held for sale	Stockland	
$M	31 December 2021	30 June 2021[1]
Cash and cash equivalents	**18**	–
Receivables	**2**	–
Other assets	**2**	–
Current assets	**22**	–
Inventories	**16**	–
Investment properties – Retirement Living	**3,659**	–
Non-current assets	**3,675**	–
Assets	**3,697**	–
Payables	**2**	–
Retirement Living resident obligations	**2,564**	–
Development provisions	**38**	–
Other liabilities	**18**	–
Current liabilities	**2,622**	–
Retirement Living resident obligations	**57**	–
Non-current liabilities	**57**	–
Liabilities	**2,679**	–
Net assets[2]	**1,018**	–

1 Stockland had no assets and liabilities of discontinued operations recorded as held for sale at 30 June 2021.
2 Includes assets not included in the agreement to sell but expected to be sold separately within 12 months.

Capital structure

IN THIS SECTION

This section outlines how Stockland manages the market, credit and liquidity risk associated with its capital structure and related financing costs.

Capital management

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.

Stockland's capital structure is monitored through its gearing ratio and the Board 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.

Financial risk

Financial risk and capital management is carried out by a central treasury department. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rates, liquidity, foreign exchange and credit risks, use of derivatives and investing excess liquidity. The Audit Committee assists the Board in monitoring the implementation of these treasury policies.

Borrowings

The Trust borrows money from financial institutions and debt investors globally in the form of bonds, bank debt and other financial instruments. As a result, 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.

The Group continues to meet both the general and financial undertakings required under its financing arrangements, including in the current COVID-19 affected environment. Furthermore, there has been no change in the Group's hedging policy with the resulting derivative portfolios operating as expected and in line with market movements.

13. BORROWINGS

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs and subsequently 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 2021 and up to the date of authorisation of these accounts.

		Stockland and Trust							
As at		**31 December 2021**				**30 June 2021**			
$M	**Note**	**Current**	**Non-current**	**Carrying value**	**Fair value**	**Current**	**Non-current**	**Carrying value**	**Fair value**
Offshore medium term notes	13A	**156**	**3,087**	**3,243**	**3,364**	760	3,172	3,932	4,013
Domestic medium term notes and commercial paper	13B	**514**	**497**	**1,011**	**1,034**	–	747	747	780
Bank facilities	13C	**110**	**75**	**185**	**185**	–	75	75	75
Borrowings		**780**	**3,659**	**4,439**	**4,583**	760	3,994	4,754	4,868

The difference of $144 million (30 June 2021: $114 million) between the carrying amount and fair value of the offshore medium term notes (MTNs), commercial paper and domestic MTNs is due to notes being carried at amortised cost under AASB 9 *Financial Instruments*.

13A. Offshore medium term notes

The Trust has issued fixed coupon notes in the US private placement market and under its Euro MTN program in Europe and Asia. These notes have been issued in USD, EUR and HKD and converted back to Australian dollars (AUD or $) principal and AUD floating coupons through CCIRS.

As at 31 December 2021, the fair value of the US private placements and Eurpoean and Asian MTNs is $ 2,174 million (30 June 2021: $2,363 million) and $1,190 million (30 June 2021: $1,650 million) respectively.

13B. Domestic medium term notes and commercial paper

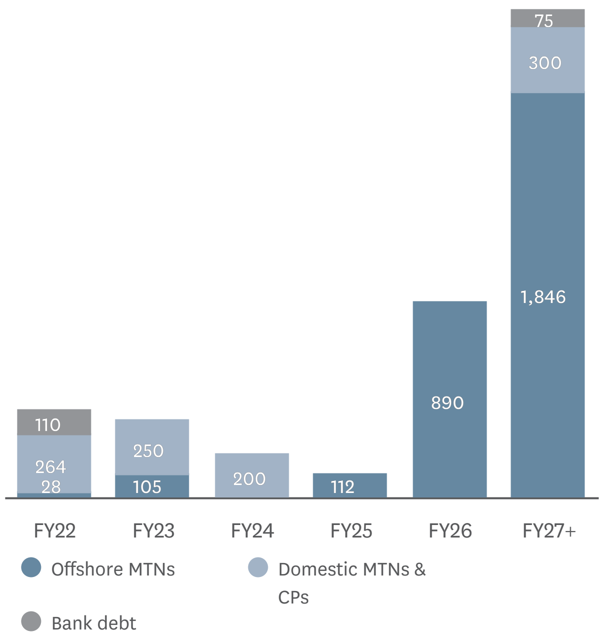
Domestic MTNs and commercial paper have been issued at either face value or at a discount to face value and are carried at amortised cost. The discount or premium is amortised to finance costs over the term of the notes. The MTNs are issued on either fixed or floating interest rate terms.

13C. Bank facilities

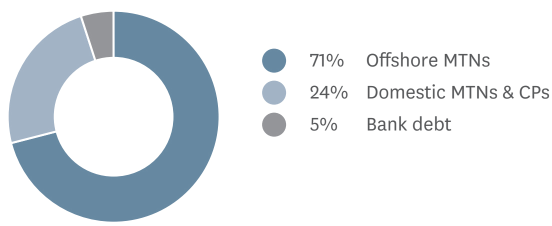
The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. As at 31 December 2021, Stockland and the Trust have undrawn bank facilities of $1,140 million (30 June 2021: $1,150 million) of which $500 million is due to expire within 12 months of balance sheet date.

The composition and maturity profile for the Group's drawn debt of $4.2 billion is shown below at face value:

Drawn debt maturity profile[1]



Drawn debt composition %[1]



1 Face value in AUD at 31 December 2021 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.

DETERMINATION OF FAIR VALUE

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

The following table sets out the financial instruments included on the balance sheet at fair value:

	Stockland							
As at	**31 December 2021**				**30 June 2021**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	269	–	269	–	352	–	352
Other investments	15	–	–	15	15	–	–	15
Financial assets carried at fair value	**15**	**269**	**–**	**284**	15	352	–	367
Offshore MTNs[1]	–	(2,826)	–	(2,826)	–	(3,521)	–	(3,521)
Derivative liabilities	–	(167)	–	(167)	–	(263)	–	(263)
Retirement Living resident obligations	–	–	(2,628)	(2,628)[2]	–	–	(2,512)	(2,512)
Financial liabilities carried at fair value	**–**	**(2,993)**	**(2,628)**	**(5,621)**	–	(3,784)	(2,512)	(6,296)
Net position	**15**	**(2,724)**	**(2,628)**	**(5,337)**	15	(3,432)	(2,512)	(5,929)

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.
2 $2,621 million of existing resident obligations has been classified as disposal group assets held for sale at 31 December 2021. Refer to note 12C 'Discontinued operation held for sale' for further detail.

	Trust							
As at	**31 December 2021**				**30 June 2021**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	270	–	270	–	352	–	352
Financial assets carried at fair value	**–**	**270**	**–**	**270**	–	352	–	352
Offshore MTNs[1]	–	(2,826)	–	(2,826)	–	(3,521)	–	(3,521)
Derivative liabilities	–	(167)	–	(167)	–	(263)	–	(263)
Financial liabilities carried at fair value	**–**	**(2,993)**	**–**	**(2,993)**	–	(3,784)	–	(3,784)
Net position	**–**	**(2,723)**	**–**	**(2,723)**	–	(3,432)	–	(3,432)

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

KEEPING IT SIMPLE

This note explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The balances and movements in equity of Stockland 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Opening balance	**2,387,171,662**	2,384,351,503	**8,692**	8,692	**7,393**	7,393
Securities issued during the period	**–**	2,730,159	**–**	–	**–**	–
Closing balance[1]	**2,387,171,662**	2,387,081,662	**8,692**	8,692	**7,393**	7,393

1 The issued capital balance in the consolidated balance sheet is presented net of treasury securities of $36 million.

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. INCOME TAX

Income tax is recognised in profit or loss 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 effective tax rate in the current period is higher than the statutory rate of 30%. This is largely due to the tax treatment of stamp duty costs associated with the acquisition of the Halcyon land lease community assets during the period.

In relation to the sale of the Retirement Living business, Stockland is expected to have sufficient carried forward tax losses to offset the expected capital gains tax on the transaction.

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.

17. EQUITY-ACCOUNTED INVESTMENTS

Stockland has interests in a number of individually immaterial joint ventures that are accounted for using the equity method. The accounting for equity-accounted investments has not materially changed since 30 June 2021.

Half year ended 31 December	Stockland		Trust	
$M	2021	2020	2021	2020
Aggregate share of:				
• profit from continuing operations	**25**	5	**25**	5
• other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**25**	5	**25**	5

As at	Stockland		Trust	
$M	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Aggregate carrying amount of individually immaterial joint ventures	**409**	392	**416**	399

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

	Stockland		Trust	
As at %	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Brisbane Casino Towers	**50**	50	**–**	–
Fife Kemps Creek Trust	**50**	50	**50**	50
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
Sequoia Victoria Trust	**50**	50	**50**	50
Stockland Fife Willawong Trust	**50**	50	**50**	50
Willeri Drive Trust[1]	**50**	50	**50**	50

1 Owner of Stockland Riverton, Riverton WA.

18. 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 2021	30 June 2021	31 December 2021	30 June 2021
Inventories	**389**	508	**–**	–
Investment properties	**264**	79	**259**	63
Capital expenditure commitments	**653**	587	**259**	63

19. 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 2021 comprise bank guarantees, letters of credit, property indemnities and insurance bonds:

	Stockland and Trust	
As at $M	**31 December 2021**	**30 June 2021**
Bank guarantees, letters of credit, property indemnities and insurance bonds issued to local government and other authorities against performance contracts, maximum facility $1,325 million (30 June 2021: $1,225 million)	**570**	444

20. RELATED PARTY DISCLOSURES

There have been no significant changes to the nature of the related parties that were disclosed in the 30 June 2021 annual financial report.

21. BUSINESS COMBINATIONS

On 17 August 2021, Stockland acquired Halcyon Group's Land Lease Communities (LLC) business based in Queensland. Stockland acquired Halcyon to expand its existing LLC portfolio and customer base. The acquisition has been accounted for using the acquisition method. The interim consolidated financial statements include the results of Halcyon for the period from the acquisition date to 31 December 2021. The fair values of the identifiable assets and liabilities of Halcyon as at the date of acquisition were:

Fair value recognised on acquisition	$M
Receivables and other assets	1
Property, plant and equipment	52
Communities investment property	182
Communities under development	320
Inventories	130
Assets	**685**
Creditors and other current liabilities	(46)
Deferred revenue liability	(12)
Liabilities	**(58)**
Total	**627**
Total consideration	627
Goodwill recognised on acquisition	**–**

Net cash flow	$M
Total cash consideration paid up to 31 December 2021	305
Less: cash and cash equivalents acquired	–
Net cash outflow in the period	**305**

Total consideration can be summarised as follows:

Payment	Payment date	$M
Tranche 1	August 2021	302
Tranche 2	October 2021	3
Tranche 3	February 2022[1]	12
Tranche 4	July 2022[2]	310
Total		**627**

1 Payment made subsequent to 31 December 2021.
2 Contracted payment date.

No goodwill was recorded on acquisition as the fair value of the purchase consideration is materially the same as the net acquisition date amounts of the identifiable assets and liabilities acquired. Transaction costs of $27m were expensed in the period.

From the date of acquisition, Halcyon has contributed $52.4m of revenue and $3.3m to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the financial year, revenue from continuing operations would have been $63.3m and the profit before tax from continuing operations for the period would have been $3.8m.

22. CHANGE IN ACCOUNTING POLICY

An IFRIC agenda decision issued in April 2021 clarified the accounting treatment of configuration and customisation costs in SaaS arrangements. The decision requires costs to be recognised as an intangible asset if the activities create an intangible asset that meets the recognition criteria and that the entity controls. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the supplier of the SaaS application to significantly customise the software for Stockland, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the SaaS arrangement.

These changes were adopted in the 30 June 2021 annual financial report. The tables below show how historical financial information in the 31 December 2021 comparative periods have been restated to account for the impact of the change in accounting policy:

As at $M	Stockland 31 December 2020	 Net Asset Increase/ (Decrease)	 (Restated) 31 December 2020
Consolidated balance sheet extract			
Intangible assets	183	(113)	70
Deferred tax asset	32	33	65
Net assets	9,201	(80)	9,121
Retained earnings[1]	566	(80)	486
Securityholders' equity	9,201	(80)	9,121

1 1 July 2020 opening retained earnings impact of $69 million.

Half year ended 31 December $M	Stockland 2020	 Profit Increase/ (Decrease)	 (Restated) 2020
Consolidated statement of comprehensive income extract			
Management, administration, marketing and selling expenses	(156)	(15)	(171)
Profit/loss before tax	312	(15)	297
Tax	38	4	42
Profit/(loss) after tax	350	(11)	339
Total comprehensive income/(loss)	314	(11)	303
Basic income/(loss) per security (cents)	14.7	(0.5)	14.2
Diluted income/(loss) per security (cents)	14.7	(0.5)	14.2

Half year ended 31 December $M	Stockland 2020	 Increase/ (Decrease)	 (Restated) 2020
Consolidated statement of cash flows			
Payments in the course of operations (including GST)	(802)	(18)	(820)
Net cash flows from operating activities	493	(18)	475
Payments for plant and equipment and software	(26)	18	(8)
Net cash flows from investing activities	13	18	31

23. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

23A. New and amended Accounting Standards adopted

AASB 2020-8 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - INTEREST RATE BENCHMARK REFORM PHASE 2

AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2* amends a number of existing Accounting Standards to introduce practical expedients in relation to accounting for the modification of financial contracts and/or leases if a change results directly from IBOR reform. IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. Amendments also allow a series of exemptions from the regular hedge accounting rules and introduce additional disclosure requirements.

The amendment was required to be adopted for annual reporting periods beginning on or after 1 January 2021. Stockland did not have any financial contracts or leases referencing IBOR or IBOR-derived rates and has therefore adopted the amendments in the current period with no impact.

23B. 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.

AASB 2020-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

AASB 2020-1 *Amendments to Australian Accounting Standards – 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. The amendment is effective for annual reporting periods beginning on or after 1 January 2023, as revised in AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*. Stockland has assessed the revised definition and does not currently expect any material impact on adoption.

AASB 2020-3 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - ANNUAL IMPROVEMENTS 2018-2020 AND OTHER AMENDMENTS

AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments* sets out a number of amendments to existing Accounting Standards. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Stockland has assessed the amendments and does not currently expect any material impact on adoption.

AASB 2021-2 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DISCLOSURE OF ACCOUNTING POLICIES AND DEFINITION OF ACCOUNTING ESTIMATES

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* updates the concept of materiality in the context of financial statement disclosures and the level of disclosure required as a result of changes in accounting policies and estimates. The amendment is effective for annual reporting periods beginning on or after 1 January 2023. Stockland is yet to assess the implications of this amendment upon adoption.

AASB 2021-5 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* modifies AASB 112 *Income Taxes* to clarify the treatment of deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. The amendment is effective for annual reporting periods beginning on or after 1 January 2023. Stockland is 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 and Stockland Trust and its controlled entities (Stockland), and Stockland Trust and its controlled entities (the Trust), set out on pages 27 to 66, 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 2021 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

Tarun Gupta
Managing Director and CEO

Dated at Sydney, 23 February 2022

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 ("Stockland Trust Group"). The interim financial report comprises the Consolidated Balance Sheet as at 31 December 2021, 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 2021 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the interim financial report

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity of Stockland Trust (collectively referred to as "the directors"), are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 responsibilities 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 2021 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

Jane Reilly
Partner

Sydney
23 February 2022

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 2021
ROA	Return on assets
ROE	Return on equity
ROIC	Return on invested capital
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

Important Notice
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