



Australand Property Group

Australand Property Group comprises the parent entity, Australand Holdings Limited (ABN 12 008 443 696), Australand Property Trust (ARSN 106 680 424), Australand Property Trust No.4 (ARSN 108 254 413) and Australand Property Trust No.5 (ARSN 108 254 771) and their respective controlled entities.

Appendix 4D and Financial Report for the half year ended 30 June 2014



**AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information		June 2014 \$'000
Revenue and other income	Down 15% to	332,084
Net profit attributable to stapled securityholders	Up 49% to	131,545
Operating profit after tax ¹	Up 30% to	80,846

Dividends/Distributions	Total Dividends/ Distributions	Distribution per unit	Dividend per share	Franked amount per share
Interim distribution - June 2014 half year (payable on 6 August 2014)	12.75 cents	12.75 cents	-	-
Total	12.75 cents	12.75 cents	-	-

The Record Date for determining entitlements to the interim distribution was 5.00pm, 30 June 2014.

EXPLANATION OF RESULTS

Please refer to the attached commentary for further explanation of the results.

¹ Operating profit after tax reflects the Group's statutory result as adjusted to reflect the Directors' assessment of the ongoing business activities of Australand, in accordance with AICD/Finsia principles for reporting underlying profit. This measure of profit is in line with Funds From Operations (FFO) as defined within the Property Council of Australia's guidelines issued in June 2013. Operating profit after tax excludes investment property revaluation gains, gains/(losses) on derivative financial instruments, corporate activity expenses and other one-off items.

This half year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half year financial report in accordance with the *Corporations Act 2001*. This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 31 December 2013 and any public announcements made by Australand during the period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The non-IFRS information contained within this half year financial report is disclosed in accordance with ASIC regulatory guidelines.



**AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014**

OPERATING AND FINANCIAL REVIEW

FINANCIAL RESULTS

The Group's statutory profit after tax for the half year ended 30 June 2014 was \$131.5 million (HY13: \$88.4m) and the Group's operating profit after tax was \$80.8 million (HY13: \$62.4m).

The following table summarises the reconciling items between the Group's statutory profit and operating profit after tax¹.

	June 2014 \$'000	June 2013 \$'000
Operating profit after tax	80,846	62,357
Investment property revaluation gains	75,710	17,204
(Losses)/gains on derivative financial instruments	(18,054)	9,666
Corporate activity expenses	(574)	(812)
Settlement of ATO dispute	(6,383)	-
Statutory profit attributable to stapled securityholders	131,545	88,415

Key aspects of the Group's performance

- Investment Property operating earnings before interest and tax ('EBIT') of \$97.8 million (HY13: \$96.2m);
- Commercial & Industrial operating EBIT of \$8.2 million (HY13: \$9.9m); and
- Residential operating EBIT of \$30.7 million (HY13: \$22.3m).

Key financial metrics

- Earnings per stapled security on statutory profit after tax of 22.7 cents (HY13: 15.3 cents);
- Earnings per stapled security on operating profit after tax of 14.0 cents (HY13: 10.8 cents);
- Distributions per stapled security of 12.75 cents (HY13: 10.5 cents); and
- Net tangible assets per stapled security of \$3.68 as at 30 June 2014 (31 December 2013: \$3.56).

¹ The operating profit included in the table above has not been subject to specific review procedures by the auditor.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATIONAL OVERVIEW

Investment Property

The Investment Property division achieved an operating EBIT result of \$97.8 million (HY13: \$96.2m) before net property revaluation gains of \$75.7 million (HY13: \$17.2m) for the half year. The division achieved comparable rental growth of approximately 3.2% and completed 114,000 sqm of leasing activity. Portfolio occupancy was 94.3% and the portfolio's weighted average lease expiry was 5.3 years (by income) as at 30 June 2014. During the half year, the division sold and settled the School Street, Spring Hill, QLD property for \$6.9 million. In addition, contracts were unconditionally exchanged on the Civic Tower, Goulburn Street, Sydney property for net consideration of \$65.0 million with settlement anticipated in July 2014. Both properties were disposed of for amounts slightly higher than their respective book values. The entire Investment Property portfolio was revalued independently as at 30 June 2014, resulting in a net revaluation gain of \$75.7 million.

Commercial & Industrial

The Commercial & Industrial division achieved an operating EBIT result of \$8.2 million for the half year (HY13: \$9.9m). Aggregate sales revenue for the half year was \$59.2 million (HY13: \$108.2m). Buildings with a total net lettable area of 63,500 sqm were delivered along with land sales of 89,000 sqm. Major projects contributing to the result included Kuehne & Nagel for 20,500 sqm at Eastern Creek in NSW, Goodyear for 24,150 sqm at Westpark in VIC, and Rinnai for 14,800 sqm at Keysborough in VIC.

Residential

The Residential division achieved an operating EBIT result of \$30.7 million for the half year (HY13: \$22.3m). Aggregate sales revenue for the half year was \$185.0 million (HY13: \$191.8m). Sales activity remains strong with the division holding 2,170 contracts on hand as at 30 June 2014 (Dec 13: 1,823 contracts on hand). Major projects contributing to the half year result included:

- Greenhills Beach in NSW with 14 lots sold;
- Croydon in VIC with 86 lots sold¹;
- Greenvale in VIC with 74 lots sold;
- Clyde North in VIC with 118 lots sold¹;
- Parkville in VIC with 48 lots sold¹; and
- Port Coogee in WA with 19 lots sold.

¹ Figures include 100% of Joint Arrangements ('JA') and PDAs.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Corporate Activity

On 19 March 2014, the Group's major securityholder CapitaLand Limited announced the sale of its remaining Australand stapled securities, representing approximately 39.1% of stapled securities on issue. On 21 March 2014, Stockland Corporation Limited announced it had obtained a 19.9% interest in Australand comprising a 15.7% direct holding and a 4.2% indirect interest.

On 23 April 2014, the Group announced it had received an unsolicited, indicative, non binding and incomplete proposal from Stockland to acquire the outstanding stapled securities in the Group at a merger ratio of 1.111 Stockland securities for every Australand stapled security. This implied an offer price of \$4.20 at the time and was rejected by the Australand Board as not being compelling nor did it provide sufficient consideration for a change of control.

On 28 May 2014, Stockland provided the Group with an increased and final non binding and incomplete all scrip proposal of 1.124 Stockland securities for every Australand stapled security, an implied price of \$4.35 per Australand stapled security. On 30 May 2014, the Board determined to provide Stockland with access to due diligence material subject to appropriate confidentiality arrangements being agreed.

On 4 June 2014, the Group received a conditional proposal from Singapore listed Frasers Centrepoint Limited ('Frasers') to acquire 100% of Australand's stapled securities via an off-market takeover offer for cash consideration of \$4.48 per Australand stapled security (the 'Offer').

In addition, Australand securityholders will be entitled to a distribution which represents the expected second half 2014 distribution of 12.75 cents per stapled security pro-rated for the period from 1 July 2014 until the earlier of the Offer becoming unconditional and 31 December 2014. This equates to approximately 2.1 cents per stapled security per month.

Following a four week period of exclusive due diligence, Frasers and Australand signed a Bid Implementation Agreement on 1 July 2014. The Bidder's Statement in relation to the Offer has been sent by Frasers to Australand securityholders and the Offer opened on 7 July 2014.

The Group's Target's Statement has been released to the ASX and will be mailed to Australand securityholders on 22 July 2014. The Target's Statement includes a report from the Independent Expert concluding that the Offer is fair and reasonable. The Australand Directors unanimously recommend that securityholders accept the Offer, in the absence of a superior proposal. The Offer is scheduled to close on 7 August 2014, unless extended.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Settlement of Dispute with the Australian Taxation Office ('ATO')

During the period the Group agreed to pay the ATO approximately \$6.4 million to resolve a dispute over whether the receipt of inter-entity fees by APT during the 2007 and 2008 tax years caused APT to be a trading trust under Division 6C of the Income Tax Assessment Act. The settlement deed was executed on 10 July 2014.

Group Outlook

On 30 May 2014, the Group advised the market that it had completed a review of its operating earnings outlook and provided the following guidance:

- Earnings per security for 2014 are expected to increase by 20-25% on 2013;
- In addition, assuming the current strength in the residential market is maintained, earnings per security are expected to grow by 10-15% per annum from 2014 to the end of calendar year 2016.

Should the conditions of the Frasers' Offer to acquire the Group not be met and the Offer subsequently lapses, the Group expects to deliver earnings per security growth in line with the guidance above. Frasers however, has indicated that should its offer become unconditional and it gains control of more than 50% of Australand securities, then it plans to conduct a review of Australand's corporate structure, assets and operations. Accordingly, the above guidance may change.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

DIRECTORS' REPORT

Directors

The following persons were directors of the Boards of Australand Holdings Limited, Australand Property Limited and Australand Investments Limited during the half year ended 30 June 2014 and up to the date of this report:

Paul Dean **Isherwood**, AO (appointed as Independent Chairman on 19 March 2014)

Robert William **Johnston** (Managing Director)

Beth May **Laughton**

Olivier **Lim** (resigned as Chairman and Director on 19 March 2014)

Lui Chong Chee (resigned on 18 June 2014)

Nancy Jane **Milne**, OAM

Stephen Eric **Newton**

Robert Edward **Prosser**

Dividends/Distributions

Distributions paid or declared by Australand Property Trust, Australand Property Trust No.4 and Australand Property Trust No.5 to securityholders since the end of the previous financial year were:

Type	Payment per stapled security	Total amount \$'000	Date of payment
Final - 2013	11.0 cents	63,616	7 February 2014
Interim - 2014	12.75 cents	73,821	6 August 2014

Review of operations and results

Refer to the 'operating and financial review' section on pages 3 - 6 for further explanation of the results.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts

Australand is an entity of the kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and consolidated financial report. Amounts in the directors' report and consolidated financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Bob Johnston".

Bob Johnston
Managing Director

Sydney, 21 July 2014



Auditor's Independence Declaration

As lead auditor for the review of Australand Holdings Limited for the half-year ended 30 June 2014, 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 Australand Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Reilly' in a cursive script.

J Reilly
Partner
PricewaterhouseCoopers

Sydney
21 July 2014

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AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

Consolidated income statement
For the half year ended 30 June 2014

	Notes	June 2014 \$'000	June 2013 \$'000
Revenue from continuing operations	2	332,084	391,510
Cost of properties sold		(148,566)	(208,061)
Share of net profits of joint ventures and associates accounted for using the equity method		4,414	2,929
Investment property expenses		(22,077)	(21,911)
Management and administration expenses		(36,773)	(35,990)
Depreciation		(2,515)	(2,604)
Finance costs	3(c)(iii)	(38,043)	(21,795)
Other expenses		(23,870)	(21,167)
Amortisation of lease incentives		(2,876)	(2,048)
Net gains from fair value adjustments on investment property		79,901	18,238
Profit before income tax		141,679	99,101
Income tax expense		-	-
Net profit		141,679	99,101
Net profit attributable to ASSETS hybrid equity holders (non- controlling interest)		(10,134)	(10,686)
Net profit attributable to stapled securityholders of Australand		131,545	88,415
Attributable to:			
Equity holders of AHL and APT		97,817	70,509
Equity holders of other stapled entities (non-controlling interest):			
- Australand Property Trust No. 4 (APT4)		24,705	12,591
- Australand Property Trust No. 5 (APT5)		9,023	5,315
Net profit attributable to stapled securityholders of Australand		131,545	88,415
Earnings per stapled security for profit attributable to ordinary equity holders of AHL and APT:			
Basic and diluted earnings per stapled security (parent entity)	4	16.9 cents	12.2 cents
Basic and diluted earnings per stapled security	4	22.7 cents	15.3 cents

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



**AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014**

**Consolidated statement of comprehensive income
For the half year ended 30 June 2014**

	June 2014 \$'000	June 2013 \$'000
Net profit	<u>141,679</u>	<u>99,101</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Changes in the fair value of cash flow hedges	-	20,824
Cash flow hedge reserves transferred to the income statement	10,723	-
Share of associate and joint venture changes in the fair value of cash flow hedges	-	76
Other comprehensive income for the half year	<u>10,723</u>	<u>20,900</u>
Total comprehensive income for the half year	<u>152,402</u>	<u>120,001</u>
Total comprehensive income for the half year is attributable to:		
Equity holders of AHL and APT	108,540	91,409
Equity holders of other stapled entities (non-controlling interest):		
- Australand Property Trust No. 4 (APT4)	24,705	12,591
- Australand Property Trust No. 5 (APT5)	9,023	5,315
Other non-controlling interests (ASSETS)	10,134	10,686
	<u>152,402</u>	<u>120,001</u>

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



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

Consolidated balance sheet
As at 30 June 2014

	Note	June 2014 \$'000	Dec 2013 \$'000
Current assets			
Cash and cash equivalents		115,911	87,964
Receivables		74,721	111,067
Inventories		303,565	270,240
Other assets		8,861	5,556
		<u>503,058</u>	<u>474,827</u>
Investment property held for sale		65,000	-
Total current assets		<u>568,058</u>	<u>474,827</u>
Non-current assets			
Receivables		53,071	57,137
Inventories		928,445	705,954
Investments accounted for using the equity method		83,670	80,799
Investment properties		2,416,377	2,387,883
Derivative financial instruments		32,758	41,382
Plant and equipment		28,504	29,357
Deferred tax assets		30,212	30,212
Other assets		1,521	3,351
Total non-current assets		<u>3,574,558</u>	<u>3,336,075</u>
Total assets		<u>4,142,616</u>	<u>3,810,902</u>
Current liabilities			
Payables		120,295	124,328
Borrowings		387,636	252,609
Derivative financial instruments		-	26,774
Provisions		95,892	95,427
Land vendor liabilities		18,893	18,224
Total current liabilities		<u>622,716</u>	<u>517,362</u>
Non-current liabilities			
Borrowings		1,000,865	895,348
Derivative financial instruments		4,079	57,041
Provisions		6,131	6,046
Land vendor liabilities		112,348	7,299
Total non-current liabilities		<u>1,123,423</u>	<u>965,734</u>
Total liabilities		<u>1,746,139</u>	<u>1,483,096</u>
Net assets		<u>2,396,477</u>	<u>2,327,806</u>
Equity			
Equity holders of AHL and APT:			
Contributed equity		1,747,149	1,745,150
Reserves		(43,091)	(51,469)
Accumulated losses		(48,786)	(90,624)
		<u>1,655,272</u>	<u>1,603,057</u>
Equity holders of APT4 and APT5 (non-controlling interest)		472,547	456,088
Stapled securityholders interest in the Group	6	<u>2,127,819</u>	<u>2,059,145</u>
ASSETS hybrid equity		268,658	268,658
Total equity		<u>2,396,477</u>	<u>2,327,806</u>

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



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

Consolidated statement of cash flows
For the half year ended 30 June 2014

	June 2014 \$'000	June 2013 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	370,311	393,004
Payments to suppliers and employees (inclusive of goods and services tax)	(348,780)	(318,356)
Interest received	886	847
Interest paid	(37,861)	(51,475)
Income tax paid	-	-
	<u>(15,444)</u>	<u>24,020</u>
Distributions received from joint ventures	-	483
Distributions received from associates	2,935	4,423
Payment for land acquisitions	(29,127)	(31,008)
Net cash (outflows)/inflow from operating activities	<u>(41,636)</u>	<u>(2,082)</u>
Cash flows from investing activities		
Net investment in joint ventures	6,668	11,304
Net investment in associate	(5,265)	(6,489)
Proceeds from sale of investment properties	6,780	72,030
Payments for development and acquisition of investment properties	(23,506)	(42,481)
Payments for plant and equipment	(1,662)	(406)
Net cash (outflow)/inflow from investing activities	<u>(16,985)</u>	<u>33,958</u>
Cash flows from financing activities		
Proceeds from borrowings	527,351	165,367
Repayment of borrowings	(280,000)	(105,000)
Dividends and trust distributions paid	(63,616)	(63,453)
Distributions to non-controlling interests (ASSETS)	(10,123)	(10,888)
Payments on termination of derivative financial instruments	(87,044)	-
Net cash outflow from financing activities	<u>86,568</u>	<u>(13,974)</u>
Net increase in cash	27,947	17,902
Cash at the beginning of the half year	<u>87,964</u>	<u>92,222</u>
Cash at the end of the half year	<u>115,911</u>	<u>110,124</u>

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



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

Consolidated statement of changes in equity
For the half year ended 30 June 2014

Consolidated	Attributable to owners of Australand Holdings Limited				Non-controlling interest* \$000's	Total equity \$000's
	Contributed equity \$000's	Reserves \$000's	Accumulated losses \$000's	Total \$000's		
Balance at 1 January 2014	1,745,150	(51,469)	(90,624)	1,603,057	724,749	2,327,806
Total comprehensive income for the half year attributable to:						
AHL and APT (parent)	-	10,723	97,817	108,540	-	108,540
APT4 and APT5 (non-controlling interest)	-	-	-	-	33,728	33,728
Other non-controlling interest	-	-	-	-	10,134	10,134
Total comprehensive income for the half year	-	10,723	97,817	108,540	43,862	152,402
Represented by:						
Profit for the half year	-	-	97,817	97,817	43,862	141,679
Other comprehensive income	-	10,723	-	10,723	-	10,723
Total comprehensive income for the half year	-	10,723	97,817	108,540	43,862	152,402
Transactions with equity holders:						
Contributions of equity, net of transaction costs	1,999	-	-	1,999	569	2,568
Security based payments	-	(2,345)	-	(2,345)	-	(2,345)
Dividends and distributions provided for or paid (Note 5)	-	-	(55,979)	(55,979)	(17,842)	(73,821)
Distributions provided for or paid to ASSETS hybrid equity holders (non-controlling interest)	-	-	-	-	(10,134)	(10,134)
	1,999	(2,345)	(55,979)	(56,325)	(27,407)	(83,732)
Balance at 30 June 2014	1,747,149	(43,091)	(48,786)	1,655,272	741,205	2,396,477
Balance at 1 January 2013	1,741,986	(80,405)	(86,809)	1,574,772	709,054	2,283,826
Total comprehensive income for the half year attributable to:						
AHL and APT (parent)	-	20,900	70,509	91,409	-	91,409
APT4 and APT5 (non-controlling interest)	-	-	-	-	17,906	17,906
ASSETS (other non-controlling interest)	-	-	-	-	10,686	10,686
Total comprehensive income for the half year	-	20,900	70,509	91,409	28,592	120,001
Represented by:						
Profit for the half year	-	-	70,509	70,509	28,592	99,101
Other comprehensive income	-	20,900	-	20,900	-	20,900
Total comprehensive income for the half year	-	20,900	70,509	91,409	28,592	120,001
Transactions with equity holders:						
Contributions of equity, net of transaction costs	3,164	-	-	3,164	885	4,049
Security based payments	-	(3,451)	-	(3,451)	-	(3,451)
Dividends and distributions provided for or paid (Note 5)	-	-	(48,579)	(48,579)	(12,145)	(60,724)
Distributions provided for or paid to ASSETS hybrid equity holders (non-controlling interest)	-	-	-	-	(10,686)	(10,686)
	3,164	(3,451)	(48,579)	(48,866)	(21,946)	(70,812)
Balance at 30 June 2013	1,745,150	(62,956)	(64,880)	1,617,314	715,704	2,333,018

*Non-controlling interest includes Australand Property Trust No. 4, Australand Property Trust No. 5 and ASSETS.

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



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

Notes to the financial statements

1. Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Australand's half year financial report represents the consolidated half year financial report of Australand Holdings Limited and its controlled entities.

This condensed financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Australand during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Prior period reclassifications have been made where it improves comparability of amounts from period to period. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

Refinancing

The Group had an excess of current liabilities over current assets at 30 June 2014 of \$54,658,000 (31 December 2013: \$42,535,000). This excess of current liabilities was primarily due to a \$304 million tranche of the Group's corporate debt facilities maturing in January 2015, which is expected to either be renewed or refinanced prior to the maturity date. The Group had access to cash and undrawn facilities of \$423 million as at 30 June 2014, which will enable it to pay its debts when they are due.

2. Revenue

	June 2014 \$'000	June 2013 \$'000
Sales revenue		
Property development sales	178,860	236,428
Rent from investment properties	116,651	116,156
	295,511	352,584
Other revenue		
Interest received or receivable	886	847
Management fees from joint arrangements	7,119	9,139
Other income from joint arrangements	12,782	9,852
Other income from development activities	11,987	13,164
Sundry income	3,799	5,924
	36,573	38,926
Revenue from continuing operations	332,084	391,510



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

3. Segment information

The consolidated entity operates wholly within Australia and is organised into Residential, Commercial & Industrial and Investment Property divisions.

(a) Segment result

June 2014

Operating Segment Summary (\$'000)	Residential	Commercial & Industrial	Total Developer	Investment Property	Corporate	Consolidated
Revenue	184,950	59,199	244,149	116,765	4,269	365,183
Less: Property development sales revenue from joint ventures	(33,099)	-	(33,099)	-	-	(33,099)
Segment Revenue	151,851	59,199	211,050	116,765	4,269	332,084
Segment result before interest and equity accounted results	28,227	8,206	36,433	94,554	-	130,987
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	2,507	-	2,507	3,221	-	5,728
Unallocated corporate costs	-	-	-	-	(8,582)	(8,582)
Earnings Before Interest and Tax	30,734	8,206	38,940	97,775	(8,582)	128,133
Capitalised interest in cost of goods sold & other interest						(38,039)
Interest income						886
Operating Profit Before Tax						90,980
Income tax expense on operating activities						-
Net profit attributable to ASSETS hybrid equity holders (non-controlling interest)						(10,134)
Net Operating Profit After Tax¹						80,846
Revaluation gains on investment properties held ²						77,966
Revaluation gains on investment properties under construction ³						620
Amortisation of lease incentives						(2,876)
Losses on derivative financial instruments ⁴						(18,054)
Corporate activity expenses						(574)
Settlement of ATO dispute						(6,383)
Net Profit Attributable to stapled securityholders of Australand						131,545

¹ Net Operating Profit After Tax reflects the Group's statutory result adjusted to reflect its operating performance after finance costs and taxes. This measure of profit is in line with Funds From Operations (FFO) as defined within the Property Council of Australia's guidelines.

² Includes \$1,314,000 relating to share of joint venture and associate's revaluation losses.

³ The revaluation gains on investment properties under construction are included in the return on average capital employed calculation for the Commercial & Industrial division.

⁴ The amount above includes \$10,723,000 transferred from the cash flow hedge reserve to the income statement (refer to note 7).



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

3. Segment information (continued)

June 2013

Operating Segment Summary (\$'000)	Residential	Commercial & Industrial	Total Developer	Investment Property	Corporate	Consolidated
Revenue	191,789	108,156	299,945	120,799	4,328	425,072
Less: Property development sales revenue from joint ventures	(26,911)	(6,651)	(33,562)	-	-	(33,562)
Segment Revenue	164,878	101,505	266,383	120,799	4,328	391,510
Segment result before interest and equity accounted results	24,753	9,692	34,445	92,044	-	126,489
Share of net profits of associates and joint ventures accounted for using the equity method	(2,406)	214	(2,192)	4,107	-	1,915
Unallocated corporate costs	-	-	-	-	(9,362)	(9,362)
Earnings Before Interest and Tax	22,347	9,906	32,253	96,151	(9,362)	119,042
Capitalised interest in cost of goods sold & other interest						(46,846)
Interest income						847
Operating Profit Before Tax						73,043
Income tax expense on operating activities						-
Net profit attributable to ASSETS hybrid equity holders (non-controlling interest)						(10,686)
Net Operating Profit After Tax¹						62,357
Revaluation gains on investment properties held ²						16,560
Revaluation gains on investment properties under construction ³						2,692
Amortisation of lease incentive						(2,048)
Interest rate derivative gain						9,666
Corporate activity expenses						(812)
Net Profit Attributable to stapled securityholders of Australand						88,415

¹ Net Operating Profit After Tax reflects the Group's statutory result adjusted to reflect its operating performance after finance costs and taxes. This measure of profit is in line with Funds From Operations (FFO) as defined within the Property Council of Australia's guidelines.

² Includes \$1,014,000 relating to share of joint venture and associate's revaluation gains.

³ The revaluation gains on investment properties under construction are included in the return on average capital employed calculation for the Commercial & Industrial division.



**AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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3. Segment information (continued)

(b) Segment balance sheet

June 2014

Operating Segment Summary (\$'000)	Residential	Commercial & Industrial	Total Developer	Investment Property	Corporate	Consolidated
Total segment assets ¹	1,088,887	292,677	1,381,564	2,609,002	152,050	4,142,616
Total segment borrowings	776,595	197,599	974,194	414,307	-	1,388,501
Total liabilities	974,402	212,036	1,186,438	531,301	28,400	1,746,139
Investments in associate and joint venture entities	(2,640) ²	5,951	3,311	80,359	-	83,670

December 2013

Operating Segment Summary (\$'000)	Residential	Commercial & Industrial	Total Developer	Investment Property	Corporate	Consolidated
Total segment assets ¹	866,066	304,395	1,170,461	2,531,031	109,410	3,810,902
Total segment borrowings	600,951	206,719	807,670	340,287	-	1,147,957
Total liabilities	699,600	223,808	923,408	529,504	30,184	1,483,096
Investments in associate and joint venture entities	(7,268) ²	5,493	(1,775)	82,574	-	80,799

¹Total segment assets include investments in associates and joint ventures.

²Includes deferred income associated with the establishment of joint ventures.

(c) Other Segment Information

	June 2014 \$'000	June 2013 \$'000
(i) Depreciation expense (Corporate)	(2,515)	(2,604)
(ii) Share of net profits of joint ventures and associates		
Share of operating profits (segment note)	5,728	1,915
Share of property revaluations (losses)/gains	(1,314)	1,014
Share of net profits of associates and joint ventures accounted for using the equity method (income statement)	4,414	2,929
(iii) Finance costs		
Capitalised interest in cost of goods sold and other interest (segment note)	38,039	46,846
Interest previously capitalised expensed in cost of properties sold	(18,050)	(15,385)
Losses/(gains) on derivative financial instruments ¹	18,054	(9,666)
Finance costs (income statement)	38,043	21,795

¹ The amount above includes \$10,723,000 transferred from the cash flow hedge reserve to the income statement (refer to note 7).



**AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014**

4. Earnings per stapled security

	June 2014	June 2013
(i) Basic and diluted earnings per stapled security	22.7 cents	15.3 cents
(ii) Basic and diluted earnings per stapled security (parent entity)	16.9 cents	12.2 cents

(a) Reconciliation of earnings used in calculating earnings per stapled security

Consolidated	\$'000	\$'000
(i) Basic and diluted earnings per stapled security		
Net profit after tax	131,545	88,415
Earnings used in calculating basic earnings per stapled security	131,545	88,415

Parent Entity*

(ii) Basic and diluted earnings per stapled security

Net profit after tax	97,817	70,509
Earnings used in calculating basic earnings per stapled security	97,817	70,509

* For the purpose of earnings per stapled security, the parent entity is defined as AHL and APT.

(b) Weighted average number of stapled securities used

	No. of stapled securities	No. of stapled securities
Weighted average number of ordinary securities used as the denominator in calculating basic and diluted earnings per stapled security	578,747,562	577,810,203

5. Distributions

Distributions recognised in the current period by AHL, APT, APT4 and APT5 are:

June 2014	Payment per Share/Unit	Total Amount \$'000	Date of Payment	Tax Rate for Franking Credit or Tax Deferred %	Percentage Franked %
Units					
Interim distribution	12.75 cents	73,821	6 August 2014	-	-
Total distribution	12.75 cents	73,821			

No distributions paid or declared contained any conduit foreign income component.

No dividends were paid in relation to the ordinary shares in the half year ended 30 June 2014.

The Australand Dividend/Distribution Reinvestment Plan (DRP) is currently suspended.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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5. Distributions (continued)

June 2013	Payment per Share/Unit	Total Amount \$'000	Date of Payment	Tax Rate for Franking Credit or Tax Deferred %	Percentage Franked %
Units					
Interim distribution	10.5 cents	60,724	7 August 2013	-	-
Total distribution	10.5 cents	60,724			

Franking credits	June 2014 \$'000	June 2013 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (HY13: 30%)	58,519	58,519

Franking credits are available at the 30% corporate tax rate after allowing for tax payable in respect of the current period's profit, payment of proposed dividends and receipt of dividends. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The above amounts represent the balances of the franking accounts as at the end of the financial period, adjusted for:

- (a) franking credits that will arise from the payment of any tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that may be prevented from being distributed in subsequent financial years.

6. Equity

Australand is a stapled entity in which the securityholders hold direct interests and an equal number of securities in each of AHL, APT, APT4 and APT5 (collectively Australand Property Group).

AHL is identified as the acquirer of APT and the parent and the results and net assets of AHL and APT are combined when presenting the consolidated financial statements.

However, as the stapling of APT4 and APT5 occurred after the introduction of IFRS, APT has been identified as the acquirer and the results and equity of APT4 and APT5 are presented as non-controlling interest in the consolidated financial statements on the basis that neither APT nor AHL has obtained an ownership interest as a result of the stapling.

All benefits and risks of ownership and operations of APT, APT4 and APT5 flow through to the consolidated result of AHL and its controlled entities and form part of the profit attributable to stapled securityholders. Accordingly, whilst the results and equity of APT4 and APT5 are disclosed as non-controlling interest, the stapled securityholders of AHL and APT are the same as the stapled securityholders of APT4 and APT5.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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6. Equity (continued)

Redemption of Cross Holdings

The constitutions of APT4 and APT5 were amended during the period, with the approval of securityholders, to facilitate the redemption of units in APT4 held by AHL and units in APT5 held by AHL and APT ('Cross Holdings').

The Cross Holdings were not components of Australand stapled securities or quoted on the ASX. The Cross Holdings were redeemed during the period for an amount equal to the net asset value backing per unit (as at 31 December 2013). There has been no change to the number of stapled securities on issue as a result of the redemption and, as the Cross Holdings were wholly owned by AHL and APT, the redemption has not impacted the net tangible asset backing of Australand's stapled securities.

	Notes	June 2014 \$'000	December 2013 \$'000
Capital and reserves attributable to stapled securityholders as:			
<i>Equity holders of AHL and APT</i>			
Contributed equity		1,747,149	1,745,150
Reserves	6(a)	(43,091)	(51,469)
Accumulated losses	6(b)	(48,786)	(90,624)
Parent interest		1,655,272	1,603,057
 <i>Equity holders of other stapled entities – APT4 and APT5 (non-controlling interest)</i>			
Contributed equity		381,313	380,740
Reserves	6(a)	(10,601)	(10,601)
Retained profits	6(b)	101,835	85,949
Equity holders of other stapled entities – APT4 and APT5 (non-controlling interest)		472,547	456,088
Stapled securityholders interest in the Group		2,127,819	2,059,145
 (a) Reserves			
<i>Hedging reserve</i>			
Hedging reserve (cash flow hedges) – AHL and APT	(i)	(44,956)	(55,679)
 <i>Security-based payments reserve</i>			
Security-based payments reserve – AHL	(ii)	1,865	4,210
		(43,091)	(51,469)
 <i>Capital redemption reserve</i>			
Capital redemption reserve – APT4 and APT5	(iii)	(10,601)	(10,601)
Total reserves – stapled securityholders		(53,692)	(62,070)



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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6. Equity (continued)

	June 2014 \$'000	December 2013 \$'000
Movements in above stapled securityholders reserves comprise (December comparatives are full year movements):		
<i>(i) Hedging reserve – cash flow hedges</i>		
Opening balance	(55,679)	(87,895)
Share of changes in the fair value of cash flow hedges of associates	-	151
Changes in fair value of cash flow hedges	-	32,065
Transferred to the income statement (refer to note 7)	10,723	-
Closing balance	<u>(44,956)</u>	<u>(55,679)</u>
<i>(ii) Security-based payments reserve</i>		
Opening balance	4,210	7,490
Payment to satisfy vested PRP entitlements	-	(140)
Securities issued to satisfy vested PRP entitlements	(2,568)	(4,049)
Expense relating to share based payments	223	909
Closing balance	<u>1,865</u>	<u>4,210</u>
<i>(iii) Capital redemption reserve</i>		
Opening and closing balance	<u>(10,601)</u>	<u>(10,601)</u>
(b) Retained earnings/(accumulated losses)		
<i>Equity holders of AHL and APT</i>	<u>(48,786)</u>	<u>(90,624)</u>
<i>Other stapled entities:</i>		
- Australand Property Trust No. 4	85,824	71,783
- Australand Property Trust No. 5	16,011	14,166
	<u>101,835</u>	<u>85,949</u>
Stapled securityholders interest in retained earnings/(accumulated losses)	<u>53,049</u>	<u>(4,675)</u>
<i>Movements in above total stapled securityholders interests in retained earnings/(accumulated losses):</i>		
Opening balance	(4,675)	(15,667)
Net profit attributable to the stapled securityholders of Australand	131,545	135,332
Dividends/distributions	(73,821)	(124,340)
Closing balance	<u>53,049</u>	<u>(4,675)</u>



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

6. Equity (continued)

(c) Nature and purpose of reserves

(i) *Hedging reserve – cash flow hedges*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

(ii) *Security-based payments reserve*

The security-based payments reserve is used to recognise the fair value of options or performance rights granted.

(iii) *Capital redemption reserve*

The capital redemption reserve arises in APT4 and APT5 as a result of the redemption of units upon stapling with AHL and APT.

(d) Movements in contributed equity

	2014 No. of stapled securities	2013 No. of stapled securities	2014 \$'000	2013 \$'000
At 1 January	578,324,670	576,846,597	2,125,890	2,121,841
Securities issued during the period	659,858	1,478,073	2,568	4,049
At 30 June	578,984,528	578,324,670	2,128,458	2,125,890

7. Fair Value Measurement of Financial Instruments

(a) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement purposes. The Group uses a variety of methods to calculate the value of financial instruments and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate derivatives is calculated as the present value of the estimated future cash flows. The carrying value of trade and other receivables (less impairment provisions), payables and financial liabilities is a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(b) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* (AASB 13) requires disclosure of fair values, for each of the following measurement categories:

- (i) where the fair value is measured using quoted prices (unadjusted in active markets for identical assets or liabilities (level 1));
- (ii) where the fair value is measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) where the fair value is measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of the Group's derivatives as at 30 June 2014 is a net asset of \$28.7 million (31 December 2013: net liability of \$42.4 million). These are classified as level 2 financial instruments. The carrying values of the Group's financial assets and financial liabilities approximate their fair values.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

7. Fair Value Measurement of Financial Instruments (continued)

The Group ceased to apply hedge accounting on its interest rate derivatives from 1 January 2014. As a result, and in line with the Group's accounting policy, any cumulative gain or loss existing in reserves at 1 January 2014 is transferred to the income statement over the remaining period to maturity of the interest rate derivatives (HY14: \$10.7 million).

8. Contingencies

Details and estimated maximum amounts of contingent liabilities (for which no amounts are recognised in the financial statements) are as follows:

- (a) The Group has given indemnities for land development contract performance in the form of bank guarantees and insurance bonds.

	June 2014 \$'000	December 2013 \$'000
Performance bank guarantees outstanding	44,695	63,448
Financial bank guarantees outstanding	1,144	1,198
Insurance bonds outstanding	50,173	53,478
	96,012	118,124

The Group has also provided commercial guarantees and indemnities in relation to its joint arrangements. At 30 June 2014 the Group's share of financial and performance guarantees were \$19,057,000 (December 2013: \$17,580,000) and \$nil (December 2013: \$nil), respectively.

- (b) In the ordinary course of business, the Group provides rental guarantees to tenants and owners of various commercial, industrial and residential buildings, which the Group is developing or has completed. These arrangements require the Group to guarantee the rental income of these properties for certain periods of time.

Based on the current lease commitments, as at the date of this report, adequate allowance has been made in the financial statements for these potential obligations.

- (c) In the ordinary course of business, the Group becomes involved in litigation, some of which falls within the Group's insurance arrangements. Whilst the outcomes are uncertain, these contingent liabilities are not considered to be material to the Group.



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES HALF YEAR REPORT: 30 JUNE 2014

9. Events occurring after the balance sheet date

During the period the Group agreed to pay the ATO approximately \$6.4 million to resolve a dispute over whether the receipt of inter-entity fees by APT during the 2007 and 2008 tax years caused APT to be a trading trust under Division 6C of the Income Tax Assessment Act. The settlement deed was executed on 10 July 2014.

On 1 July 2014, Frasers Amethyst Pte Ltd, a wholly owned subsidiary of Singapore listed Frasers Centrepoint Limited ("Frasers") made an off market takeover offer to acquire all of Australand Property Group's stapled securities for cash consideration of \$4.48 per stapled security (the 'Offer').

Frasers' Bidder's Statement in relation to the Offer has been sent to Australand securityholders and the Offer opened on 7 July 2014. Australand's Target's Statement was released to the ASX on 14 July 2014 and will be mailed to Australand securityholders on 22 July 2014. The Target's Statement includes a report from the Independent Expert concluding that the Offer is fair and reasonable. The Australand Directors unanimously recommend that Australand securityholders accept the Offer, in the absence of a superior proposal. The Offer is scheduled to close on 7 August 2014, unless extended.

Other than the above, there have been no significant events or transactions that have arisen since 30 June 2014 which, in the opinion of the directors, would affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

10. Other information

(a) Changes in control over entities having a material effect

There were no changes in the control of any entities which would have a material effect on the current period.

(b) Details of aggregate share of profits of associates and joint venture entities:

	June 2014 \$'000	June 2013 \$'000
Revenues	37,078	44,515
Expenses	(32,664)	(41,586)
Profit	4,414	2,929

(c) Material interests in entities which are not controlled entities:

Equity accounted joint venture and associated entities Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to profit/(loss) before income tax	
	Current period %	Previous period %	June 2014 \$'000	June 2013 \$'000
Australand Logistics JV	19.9	19.9	1,907	2,167
Australand Residential Trust	50	50	2,263	(2,142)
Australand Retail Trust	-	50	-	143
Australand Wholesale Property Fund No. 6	-	28	-	2,810
CIP ALZ (MA) Trust	50	50	-	214
Croydon Development Trust	50	50	323	(126)
Total			4,493	3,066
Other			(79)	(137)
Total			4,414	2,929



AUSTRALAND HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
HALF YEAR REPORT: 30 JUNE 2014

Directors' declaration

For the half year ended 30 June 2014

In the directors' opinion:

- (a) the financial statements for Australand Holdings Limited and its controlled entities for the half year ended 30 June 2014 and notes to the financial statements set out on pages 9 to 24 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that Australand Holdings Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Bob Johnston
Managing Director

Sydney, 21 July 2014



Independent auditor's review report to the members of Australand Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australand Holdings Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and the consolidated income statement, 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, selected explanatory notes and the directors' declaration for Australand Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australand Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Reilly' in a cursive script.

J Reilly
Partner

Sydney
21 July 2014