

30 June 2007



Australand Half Year Report

07

Financial Performance

Financial Performance For the Half Year Ended:	30 June 2007 \$'m	30 June 2006 \$'m
Revenue	410.1	442.2
Operating expenses	(347.8)	(390.3)
Share of net profits of joint ventures	24.3	14.7
Net gains from fair value adjustments on investment property	56.1	39.1
Profit before income tax	142.7	105.7
Income tax expense	(11.1)	(7.5)
Net profit	131.6	98.2
ASSETS hybrid equity holders (minority interests)	(12.0)	(8.9)
Net profit attributable to stapled security holders	119.6	89.3
Dividends/distributions per stapled security (cents)	8.0	8.0
Basic earnings per stapled security (cents)	12.9	10.3

Financial Position

Financial Position As At:	30 June 2007 \$'m	31 Dec 2006 \$'m
Cash	15.3	9.6
Receivables	237.8	256.9
Inventories	1,341.5	1,350.8
Investment properties under contract for sale	-	150.5
Investment properties	1,615.4	1,452.4
Investments accounted for using the equity method	306.2	217.0
Other assets	41.4	65.3
Total assets	3,557.6	3,502.5
Payables and provisions	236.6	224.1
Interest bearing liabilities	1,457.4	1,400.7
Land vendor liabilities	45.4	122.6
Other liabilities	49.8	43.0
Total liabilities	1,789.2	1,790.4
Net assets	1,768.4	1,712.1
Equity holders of AHL and APT:		
Contributed equity	981.7	980.4
Retained profits	244.9	207.7
Reserves	27.5	18.7
Equity holders of APT4 & APT5	245.6	236.7
Stapled security holders interest in the group	1,499.7	1,443.5
ASSETS hybrid equity	268.7	268.7
Total equity	1,768.4	1,712.1
Net tangible assets per stapled security	\$1.62	\$1.46
Gearing ratio (IBD/Total assets, cash adjusted)	40.7%	39.8%

Australand delivered a net profit after tax and minority interest of \$119.6 million for the half year ended 30 June 2007. This compares to the corresponding 2006 result of \$98.3 million. The key highlights were:

- Increased profit before tax from all operating Divisions:
 - Commercial & Industrial profit of \$24.1 million, up 55% (2006: \$15.6 million);
 - Investment Property profit of \$118.5 million, up 36% (2006: \$86.9 million), including an unrealised revaluation gain of \$56.1 million (2006: \$39.1 million); and
 - Residential profit of \$34.3 million, up 5% (2006: \$32.7 million)
- The profit contribution from the combined Commercial & Industrial and Investment Property Divisions was \$142.6 million, an increase of 39% over the 2006 half year result of \$102.4 million;
- Successful launch of Australand Wholesale Property Fund No. 6 (AWPF6), which has acquired a portfolio of 8 high quality Commercial & Industrial properties from Australand;
- Earnings per stapled security rose 25% to 12.9 cents (2006: 10.3 cents);
- Dividends/Distributions per stapled security were maintained at 8.0 cents for the half year; and
- Net tangible assets per stapled security increased 11% to \$1.62.

Finance

At 30 June 2007, Australand has made progress on the capital management initiatives outlined in the 31 December 2006 results by continuing to actively manage its capital in a geographically diversified way ensuring that sales volumes and profit are sourced from markets that will outperform for the foreseeable future.

Australand's financial strategy during the period has included:

- Investing capital where growth opportunities exist. The sale of properties into AWPF6 has allowed released capital to be successfully recycled into new developments;
- Maintenance of optimal debt levels appropriate to the business. Australand's debt level was similar to that at 31 December 2006 with a gearing rate (interest bearing debt to total assets, cash adjusted) of 40.7% at 30 June 2007 compared to 39.8% six months ago;
- Management of the cost of debt – annual average margins over 90 day bills (including hedging) was 0.22% compared to 0.50% at 31 December 2006.

Review of operations

Commercial & Industrial

Commercial & Industrial achieved a net profit before tax of \$24.1 million, a 55% increase from the corresponding 2006 half year of \$15.6 million. Aggregate sales revenue for the half year was \$243.2 million, which comprised revenue of \$177.4 million from wholly owned projects and \$65.8 million from joint venture projects.

Operational highlights for the June 2007 half year included:

- Buildings with a total net lettable area of 158,000 square metres were delivered, comprising 141,000 square metres of industrial projects and 17,000 square metres of commercial projects;
- Construction in the half year comprised 20 industrial properties and 3 commercial office projects. In addition the Division had 5 active land subdivision projects;
- New pre-commitments for 19 industrial and commercial development projects totalling 305,000 square metres were finalised during the half year;

- Continued expansion of the Division's geographic footprint into the West Australian and South Australian markets with total projects valued at over \$220 million under construction as at the half year;
- Continued expansion of the Division's underlying industrial land bank totalling 4.6 million square metres at 30 June 2007. In addition, the Division has conditional agreements to acquire a further 5.8 million square metres of industrial land.

The following table compares the Commercial & Industrial Division's activity as well as the forward workloads for the 6 months ended 30 June 2007 compared with the 6 months ended 30 June 2006 and 12 months ended 31 December 2006:

	Half Year Ended June 2007	Half Year Ended June 2006	Full Year Ended December 2006
Construction work delivered during period	158,000 sqm	132,000 sqm	301,000 sqm
Pre-committed forward workload at period end	445,000 sqm	281,000 sqm	376,000 sqm

The Commercial & Industrial Division remains on track to deliver another improved performance for the financial year ending 31 December 2007. The Victorian market remains the most active segment nationally for major industrial pre-commitments with our market share continuing to grow. In addition, the Division has increased its number of projects across all other major markets.

Investment property

Investment Property achieved a net profit before tax and including revaluations of \$118.5 million, a 36% increase from the corresponding 2006 half year of \$86.9 million.

The Investment Property Division's result comprises the following:

- Net recurrent income of \$53.5 million, an increase of 12% on the 2006 half year. This was driven by portfolio growth delivered by the Commercial & Industrial Division pipeline, acquisitions and through comparative rental growth across the entire portfolio;
- The profit of \$8.9 million from the sale of assets to AWPf6, primarily 1C Homebush Bay Drive, Rhodes;
- The unrealised net gain from fair value adjustments of \$56.1 million, an increase of 43% on the corresponding 2006 half year of \$39.1 million.

During the half year the assets of the investment portfolio grew approximately 8% from \$1,492 million to \$1,612 million, with the addition of 3 investment properties from the Commercial & Industrial Division pipeline, the opportunistic acquisition of the Crest Hotel and revaluations. The portfolio now totals 50 investment properties, located predominantly along the eastern seaboard.

The portfolio continues to expand via the Commercial & Industrial Division's pipeline of developments whilst rental cash flow, security and lease terms remain above industry benchmarks.

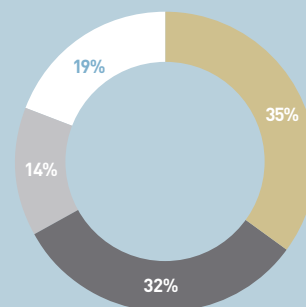
Residential

The Residential Division achieved a net profit before tax of \$34.3 million, a 5% increase from the corresponding 2006 half year of \$32.7 million. The result was a reflection of strong Perth and Melbourne residential markets and an improved Brisbane market. The Sydney market remained subdued, however there are early indications of a rise in consumer sentiment towards property.

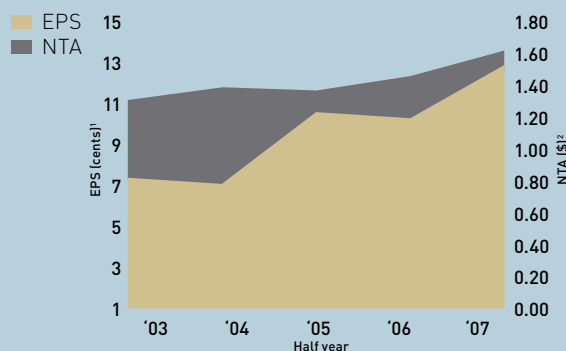
- Diversification strategy is delivering improved performance
- Commercial & Industrial and Investment Property Divisions (excluding revaluation gains) delivered 49% of operating Divisions' PBT
- Residential profit delivered 19% of operating Divisions' PBT

% share of operating division PBT

- Investment property – income
- Investment property – revaluation gains
- Commercial & Industrial
- Residential



Historical EPS & NTA growth



1 Earnings per stapled security including revaluation gains
2 Net tangible assets per stapled security

Pipeline, projects & portfolio expansion

		Change (since Dec 2006)
Commercial & Industrial		
Pre-committed forward workload	445,000sqm	↑ 18%
Investment Property		
Portfolio size	\$1,612m	↑ 8%
Residential		
Future development yield	14,809 lots	↑ 15%

Operational highlights for the June 2007 half year included:

- Strong profit contribution from Western Australia, including the successful launch and land sales from Port Coogee and Bassendean projects;
- Above forecast revenue and profit from Victoria, with land sales exceeding forecast;
- Solid contribution from Queensland, including the successful launch of Stage 2 Burleigh Heads and Carindale apartment projects, and improved land and housing sales in Brisbane;
- Launch of Second Ponds Creek (NSW) with strong land and housing sales.

Coupled with stable interest rates in the first half, consumer confidence increased markedly in the stronger markets, resulting in an increase in selling prices and a reduction in sales incentives. As a consequence, an improvement in margins has begun to flow through to the bottom line and should be maintained in the second half.

The Division successfully increased its exposure into areas where greater returns can be achieved, particularly in Western Australia, which rose from \$225 million capital invested at 31 December 2006 to \$302 million.

Overall in the June half, approximately \$91 million was allocated to the acquisition of new wholly owned and Joint Venture residential development sites yielding around 3,100 lots in Perth and Melbourne.

The following table discloses the longer term yield and sales revenue from projects which are controlled by Australand and its related entities:

Residential Division: Future yields and revenue (existing projects)

	No. of projects	Future Yield			Future Revenue \$'m			Trading life (years)
		Land	Housing	Apartment	Land	Housing	Apartment	
1. Split By State								
NSW	36	225	907	869	84	542	679	Up to 10
VIC	36	3,867	1,268	591	643	497	421	Up to 10
QLD	13	425	645	465	119	411	362	Up to 5
WA	18	3,575	355	1,617	1,055	127	1,261	Up to 10
Total	103	8,092	3,175	3,542	1,901	1,577	2,723	

2. Split between wholly owned and joint venture

Wholly Owned	73	5,652	2,064	2,339	1,423	973	1,817	
Joint Ventures (Australand share)	30	2,440	1,111	1,203	478	604	906	
Total	103	8,092	3,175	3,542	1,901	1,577	2,723	

Note: The above table reflects the number of lots and revenue for joint ventures to the extent of Australand's interest.

AWPF6

Australand successfully established Australand Wholesale Property Fund No. 6 (AWPF6) during the current reporting period. AWPF6 acquired from Australand, a portfolio of 8 high quality Commercial & Industrial properties located in NSW, Victoria and South Australia. The total on completion value of the portfolio will be approximately \$215 million.

As at 30 June 2007, Australand had sold approximately \$90 million of the \$155 million AWPF6 equity on issue (this was achieved within the first 4 weeks of marketing). Therefore, as at 30 June 2007, Australand held a 42% stake in AWPF6. Given ongoing investor interest, Australand intends to ultimately reduce its stake to between 10% and 19.9%. The financial statements included in this report have recognised this transaction on an equity accounting basis.

Board and management

Mr Bob Johnston, previously Global Chief Executive of Bovis Lend Lease, assumed the role of Managing Director and Chief Executive Officer with effect from 1 August 2007, replacing Mr Brendan Crotty who retired from the Group on 29 June 2007. The Board wishes to record its appreciation to Mr Crotty for taking Australand from its listing in 1997, with an initial market capitalisation of \$348 million, to its circa \$2 billion market capitalisation today.

As a result of the realignment of responsibilities in CapitaLand Limited (Australand's majority shareholder), Mr Lui Chong Chee was appointed as Chairman of the Board of Directors on 1 June 2007, replacing Mr Tham Kui Seng. The Board expressed its appreciation to Mr Tham Kui Seng for the significant contribution he has made to the Group throughout his term as Chairman. Mr Tham will remain on the Board as a non-executive director.

In addition, Mr William Beerworth resigned as a non-executive director of the Group on 6 July 2007. Mr Beerworth has been an Australand Board member since March 1997 and brought to the Group many years of experience, particularly in the areas of corporate law and governance. Australand extends its appreciation to Mr Beerworth for his invaluable contribution over the past ten years.

Outlook

The Commercial & Industrial Division is expected to continue to achieve strong underlying growth for the 2007 full year. The significant pipeline will continue to provide high quality Commercial & Industrial properties to the Investment Property Division and to Australand's managed wholesale property funds.

The Investment Property Division is expected to deliver recurrent income similar to last year, and an increase in unrealised revaluation gains. Continuing market rental growth and firming investment property yields during 2007 will underpin the value of the Division's portfolio.

The Residential Division's geographic diversification will enable it to deliver a result similar to 2006, with strong contributions expected from Western Australia and Victoria. Whilst there has been some minor improvement in Sydney's residential market during the first half of 2007, it is expected that this market will remain subdued during the remainder of the year.

Overall, Australand expects to achieve a distributable profit (profit after tax and minority interest but before unrealised revaluation gains) for the 2007 financial year in line with the prior year. This should ensure that profits will support total Dividends/Distributions of 16.5 cents per stapled security for the full year ending 31 December 2007.



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