Your place, our focus

Shareholder Review
2014

Communities are made up of people from diverse backgrounds, brought together by a connection to the place they share.

A place that suits you, and suits your needs.
A place where you feel a sense of belonging.
A place where you feel a sense of ownership.
A place where you can be yourself and create the life you want.
A place we make, but you make your own.
Stockland. It's your place.

Our Brightwater community on Queensland's Sunshine Coast

Results
Year in Review

2014

Underlying profit ($m)

$555

FY14	555
FY13	495
FY12	676
FY11	726
FY10	692

Underlying profit was $555 million, up 12.2% on FY13. This solid performance reflected our focus on successfully implementing our growth strategy, as well as positive residential market conditions.

Underlying earnings per security (¢)

24.0

FY14	24.0
FY13	22.4
FY12	29.3
FY11	30.5
FY10	29.1

Our underlying earnings per security was 24.0 cents, up 7.1% on FY13.

Funds from operations per security (¢)

24.8

Funds from operations (FFO) per security was 24.8 cents, up 16.4% on FY13.

What is funds from operations? Funds from operations (FFO) is a key performance measure determined with reference to the Property Council of Australia's voluntary disclosure guidelines, to help investors and analysts compare Australian real estate groups. Underlying profit is calculated by adjusting for: amortisation of fitout incentives, amortisation of rent-free incentives, and straight-line rent.

Statutory profit ($m)

$527

FY14	527
FY13	105
FY12	487
FY11	755
FY10	478

Statutory profit in FY14 was primarily driven by positive underlying profit, and a favourable movement in the values of Commercial Property investment properties.

Distribution per security (¢)

24.0

FY14	24.0
FY13	24.0
FY12	24.0
FY11	23.7
FY10	21.8

The distribution for the year was steady at 24 cents per security, in line with underlying earnings. We remain confident earnings will continue to improve and for this reason distributions are above our target 75–85% payout ratio.

Net tangible assets per security ($)

$3.53

FY14	3.53
FY13	3.50
FY12	3.68
FY11	3.65
FY10	3.59

Our NTA per security has increased to $3.53, representing our total assets minus liabilities and intangible assets.

The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

Graham Bradley AM
Chairman
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Our **Business**

40	21	63	63	10
Shopping Centres	Logistic Centres & Business Parks	Residential Communities	Retirement Living Villages	Office Buildings
$5.5 billion approx value	$1.6 billion approx value	$20.4 billion approx end value	$1.5 billion approx end value	$1.0 billion approx value

Stockland is the largest diversified property group in Australia.

We own, manage and develop a growing portfolio of shopping centres, logistics centres, business parks, residential communities, retirement living villages, and office assets.

Stockland was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Today we leverage our diversified model, to create thriving places where people live, shop and work.

Our approach is underpinned by the Group's purpose "we believe there is a better way to live". This is brought to life by our 1,440 employees who are guided by Stockland's values of community, accountability, respect, and excellence (CARE).

As a responsible listed entity, Stockland's primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average by creating quality property assets and delivering value for its customers.

To provide the greatest value to securityholders Stockland is structured as a stapled security; a combination of a unit in a trust and a share in a company that are traded together on the Australian Securities Exchange. This allows the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation).

Our Strategy

Delivering **Value**

OUR PURPOSE
We believe there is a better way to live

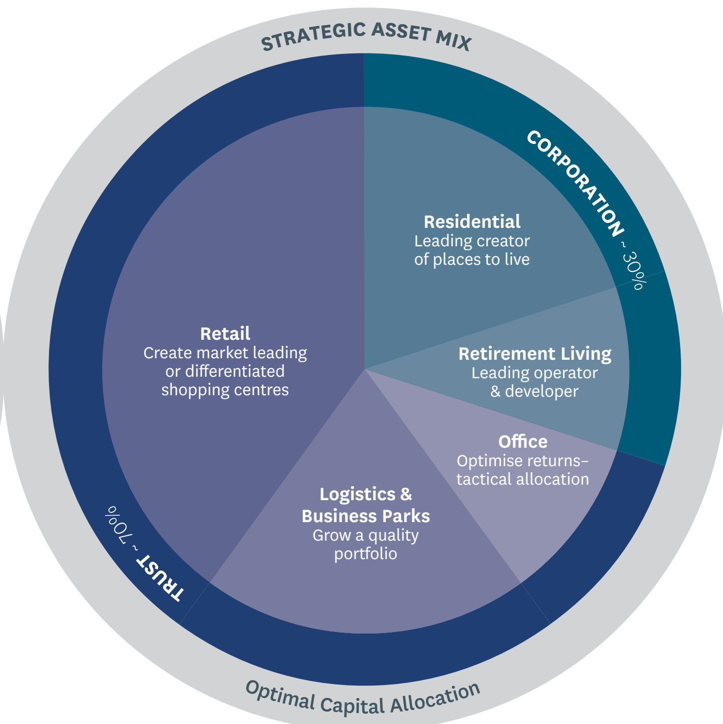
OUR VALUES
Community
Accountability
Respect
Excellence

OUR VISION
To be a great Australian property company that delivers value to all our stakeholders

Our Group strategy has three focus areas:

- Growing our assets and customer base – driving returns in our core businesses by implementing business unit strategies
- Capital strength – actively managing our balance sheet to support sustainable growth
- Operational excellence – improving the way we operate across the Group to drive efficiency and effectiveness

We leverage our strong asset mix by taking an integrated approach: allocating capital across the portfolio for optimal returns, ensuring business is undertaken with a customer focus, and collaborating across business units to utilise systems, skills and knowledge to deliver strong business and community outcomes.



Five year indicative asset mix

Responding to our challenges and opportunities

We adopt a rigorous approach to assessing and addressing risk.

There are various risks that could impact our strategy and outlook and the nature and potential impact of these risks change over time.

Managing risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business.

Here is a summary of our key risks and our response:

SHORT TERM – strategy execution

Risk: Consumers remain cautious and focused on cost of living

Our Response
Continue to:
- provide affordable and accessible product options
- enhance customer satisfaction and customer insights
- deliver leading or differentiated retail centres with a focus on value, convenience and community engagement.

Risk: Out-dated systems affect timeliness and accuracy of information and decision-making

Our Response
Enhance decision-making tools, including the development of the new TRAC (time, revenue and cost) proprietary application to manage projects, inventory and financial feasibility, launching in late calendar 2014

Continue to:
- execute the IT strategy with a focus on long-term strategic investment

Risk: Prolonged economic downturn creates challenging operating conditions

Our Response
Established an Investment Review Group, led by the Chief Investment Officer, to enhance investment decision discipline and capital allocation

Continue to:
- focus on retaining a strong balance street with low gearing
- concentrate on efficiency and cost management
- leverage a diversity of funding sources

LONGER TERM – changing marketplace

Risk: Technology impacts spending habits and lifestyles, reducing demand for our traditional products

Our Response
Continue to:
- evolve Stockland's market leading customer insights, such as Stockland Exchange (Stockland's online research community)
- foster a culture of innovation to ensure we identify and take advantage of new opportunities
- ensure Stockland retail centres are thriving community hubs by delivering quality retail and community spaces
- develop innovative products based on customer insights

Risk: Regulatory changes impact business

Our Response
Continue to:
- develop in areas where governments support growth
- focus on good practice to remain well positioned in the market and engage with regulators and standards setters on good practice

Risk: Greater demand from customers for transparency and sustainable products

Our Response
- Remain flexible and open to opportunities to take advantage of shifts in stakeholder preferences
- Focus on elements that create sustainable and liveable communities and assets
- Foster a culture of high transparency, trust and accountability, including high quality sustainability reporting

Letter from **the Chairman**

Dear Securityholders,

I am pleased to report strong profit growth in FY14. Underlying earnings grew by 12.2% to $555 million and underlying earnings per security was up 7.1% on FY13. Statutory profit was $527 million, significantly higher than last year.

These results reflect the good progress we have made under Mark Steinert's leadership with all three of our major businesses – Commercial, Residential and Retirement Living – contributing positively to our improved results. The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

Our results were buoyed by improved profits from our Residential business where we achieved a 12.5% increase in lot sales and ended the year with a record number of contracts in hand. Our Retail business also achieved solid gains with the settling in of major developments at Shellharbour and Townsville, and completion of our Hervey Bay Stage 1 development. We made good progress towards growing our Logistics and Business Parks division and made further progress towards improved operating results in our Retirement Living division.

DISTRIBUTION

As promised, distribution per security was 24 cents. I am pleased that in FY14 our earnings were in line with distributions. In FY15 we expect to maintain our distribution at 24 cents per security and to make further progress towards our target payout ratio.

I thank securityholders who participated in our distribution reinvestment plan which operated for both the first and second half distributions in FY14. We had solid uptake from investors, generating over $160 million of capital that will help fund our developments.

EXECUTIVE AND BOARD CHANGES

During the year we welcomed our new Chief Financial Officer, Tiernan O'Rourke, to the Executive Committee and in August 2014 welcomed Katherine Grace, our newly appointed Group Counsel and Company Secretary, and Darren Rehn, Chief Investment Officer, to the executive team. I would like to express our thanks to Phillip Hepburn, our Company Secretary for the past 13 years, for his dedicated service.

Tom Pockett, former long-serving Chief Financial Officer of Woolworths, joined the Board in September 2014. Tom brings to the Board his deep experience as a senior finance executive, as well as extensive experience in the retailing sector, supply chain logistics, and property developments and management.

SUSTAINABILITY LEADERSHIP

We at Stockland have a strong commitment to delivering sustainable business outcomes for all of our stakeholders. Both our employees and the Board take great pride in working for a group that looks beyond short term profits to take account of the broader community and environmental impacts of our business. Our achievements were recognised by several awards this year, including being named Most Sustainable Property Company by the World S&P Dow Jones Sustainability Index.

The Group has now established a solid platform for future growth, supported by a considered strategy and an executive team focused on delivering sustainable returns for securityholders.

We are also committed to better business reporting. This year we took steps to streamline our annual financial reporting in an effort to make our reporting less complex and more accessible. We welcome your feedback on our new reporting format so we can continue to improve.

REMUNERATION

Reflecting on our continued prudent approach to executive remuneration, no increases were made to fixed pay for the Managing Director or Senior Executives in 2014 and there was no increase in the fees paid to Non-Executive Directors. The fixed pay for new Senior Executives appointed during FY14 was also lower than for previous incumbents.

Total annual incentive awards increased this year in line with our improved profit performance. Changes introduced in the last two years, however, meant that two-fifths of the increased awards in FY14 were made in Stockland securities with vesting deferred to future years.

CONCLUSION

In closing I would like to thank all Stockland employees and my fellow Board members for a year of dedication and achievement. The Board is confident that Stockland is well-positioned to create sustainable earnings growth into the future.

Graham Bradley AM
Chairman

Go online to hear from our Chairman
www.stockland.com.au/corporatereporting2014

Letter from **the Managing Director & CEO**

Dear Securityholders,

This has been a year of solid performance from our business with a strong underlying profit result of $555 million, up 12.2% on the prior year.

We commenced the year with a clear objective: to deliver earnings per security growth and total risk-adjusted securityholder returns above the sector average. We have made progress on our objective by focusing on three strategic focus areas: growing our assets and customer base, capital strength and operational excellence.

Our strong result demonstrates our approach is working and we are now well-positioned to deliver sustainable profit growth into the future. In this letter I provide a brief summary of the progress on our strategic focus areas.

GROW OUR ASSETS AND CUSTOMER BASE

Our Commercial Property business, which accounts for around 70% of our assets, achieved a solid result with funds from operations (FFO) up 5.1% to $542 million, and operating profit growth on the previous year of 3.0% to $497 million.

Retail FFO was up 9.9% on the prior year, reflecting a strong contribution from recently redeveloped centres, our leasing capability, and our ability to meet changing market conditions. Comparable FFO, which measures like-for-like centres, was up 3.9%.

The first stage of our Stockland Hervey Bay redevelopment opened in July with an overwhelming response from local shoppers. Our $460 million of redevelopments underway continue to progress well and are expected to deliver project incremental internal rates of return of 12–14%. In FY15 I look forward to the progressive opening of our Stockland Wetherill Park and Stockland Baldivis shopping centres.

During the year we also made significant progress establishing Logistics and Business Parks as a core business growing our portfolio by over $270 million. We optimised the performance of the existing portfolio through active leasing, while pursuing growth through acquisition and development resulting in a year on year improvement in FFO of 6.9%.

Our Office FFO was 16.5% lower than the prior year, reflecting asset sales and soft market conditions. We will continue to selectively down-weight this portfolio.

Our Residential business grew strongly in FY14. Operating profit up 57.2% on the prior year, with core projects performing well, capitalising on strong market conditions.

Our new projects are experiencing very strong demand and are contributing to substantial improvements in our margins and volumes. In addition to our Willowdale (Sydney) and Calleya (Perth) projects, Elara, in Sydney's north west, has now also launched and will contribute its first settlements in FY15.

As part of our growth strategy we acquired 2,300 lots adjoining our successful residential projects with expected returns at or above our hurdle rates. We also made good progress establishing our strategy to reach new customers with medium density products and completed homes and this will see us commence work on 550 new homes in FY15.

Our Retirement Living business achieved strong comparable operating profit growth, up 13.8% on the prior year. During the year we also established a strategic partnership with Opal Aged Care. Opal acquired our four aged care facilities and we will work with them to extend this continuum of care offering at other villages in our portfolio.

We have undertaken a detailed and thorough review of the entire Retirement Living business and are confident we are now well placed to sustainably grow our profits. We have reduced our return on asset target to 7.0–7.5% by FY19 and expect to progressively grow towards this each year.

CAPITAL STRENGTH

Capital strength has remained a strategic focus area and during the year we established an Investment Review Group to ensure a disciplined approach to capital allocation.

I am confident in the strategy that we have set for the business and confident that we have the right team in place to deliver our objective of sustainable earnings growth above the sector average.

We maintained our strong balance sheet and A-/stable credit rating and our gearing remains at 25%, comfortably within our target range of 20–30%.

During FY14 we established three new capital partnerships and will continue to pursue opportunities to recycle capital. We also acquired a 19.9% strategic stake in Australand. Subsequent to period end, we agreed to sell our Australand securities to Fraser Centrepoint Limited, resulting in a capital profit of circa $80 million that we will prudently reinvest in our growth strategy.

In particular, we will accelerate our expansion into medium density residential and mixed use development, grow our Logistics and Business Parks capabilities, invest in our communities and our people, and accelerate planned system and process enhancements.

OPERATIONAL EXCELLENCE

Improving the way we operate to drive efficiencies and effectiveness has also remained a key focus area. Throughout the year we built on our efficiency improvements, achieving an 8% comparable reduction in total overheads. Initiatives such as an integrated approach to marketing campaigns has lowered costs while improving their effectiveness. Overheads will increase modestly in FY15 as the business continues to grow.

Our people remain highly engaged and are delivering exceptional outcomes across the business including the delivery of Australia's first Green Star Retirement Living Village and recognition as a leader in procurement at the World Procurement Excellence Awards.

OUTLOOK

The outlook for global economic growth has generally improved over the last 12 months, but is unlikely to return to trend levels in the near term.

Assuming residential market conditions remain reasonable, we would expect to achieve settlements at the upper end of our through-the-cycle target range in FY15. Commercial Property is well placed to achieve 2–3% comparable net operating income growth and we should see a steady improvement in Retirement Living unit turnovers. Overall we are targeting earnings per share growth of 6.0-7.5% in FY15, assuming no material change in market conditions.

I am confident in the strategy that we have set for the business and confident that we have the right team in place to deliver our objective of sustainable earnings growth above the sector average.

Mark Steinert
Managing Director and CEO

Go online to hear from our Managing Director & CEO
www.stockland.com.au/corporatereporting2014

RETAIL
Creating market leading or differentiated centres

Funds from operations

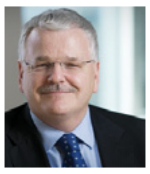
$369m

↑9.9% on FY13

Lease expiry profile (%)*

Vacant	FY15	FY16	FY17	FY18	FY19+
2	9	11	11	11	56

* Includes non-comparable development gross lettable area



John Schroder
Group Executive and CEO, Commercial Property

We continued to deliver solid results due to our development and leasing capability and our ability to meet changing market conditions.

Retail FFO was up 9.9% and underlying profit up 7.5% on the prior year, reflecting a strong contribution from recently redeveloped centres and the benefits of our active remixing of tenants within existing centres. Comparable FFO, which compares like-for-like centres, was up 3.9%.

Retail sales have improved over the year. Despite some uncertainty around the Federal budget, and warmer winter weather, we have seen a steady improvement in sales results with the strongest specialty sales growth achieved in the June quarter.

We continued to deliver solid results due to our development and leasing capability and our ability to meet changing market conditions. Occupancy remains very high at 99.6% and the business achieved 734 lease deals for the year, 6.7% more than the previous year. Our commitment to delivering excellent service and outcomes for tenants has underpinned our success.

The $463 million of redevelopments underway continue to progress well and are expected to deliver an average project incremental internal rate of return (IRR) of 12-14%. The first stage of the Stockland Hervey Bay redevelopment opened in July 2014 with an overwhelming response from local shoppers. The Stockland Wetherill Park redevelopment is on track to open progressively from the end of 2014 and the Stockland Baldivis expansion is scheduled to open in mid-2015.

Strategic priorities

We remain focused on creating market leading or differentiated centres, redeveloping our most productive assets to create community and entertainment hubs and maximise trade area share. Further projects, representing $700 million of investment, with an average project incremental IRR of 12-14%, are planned over the next five years.

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

STOCKLAND HERVEY BAY

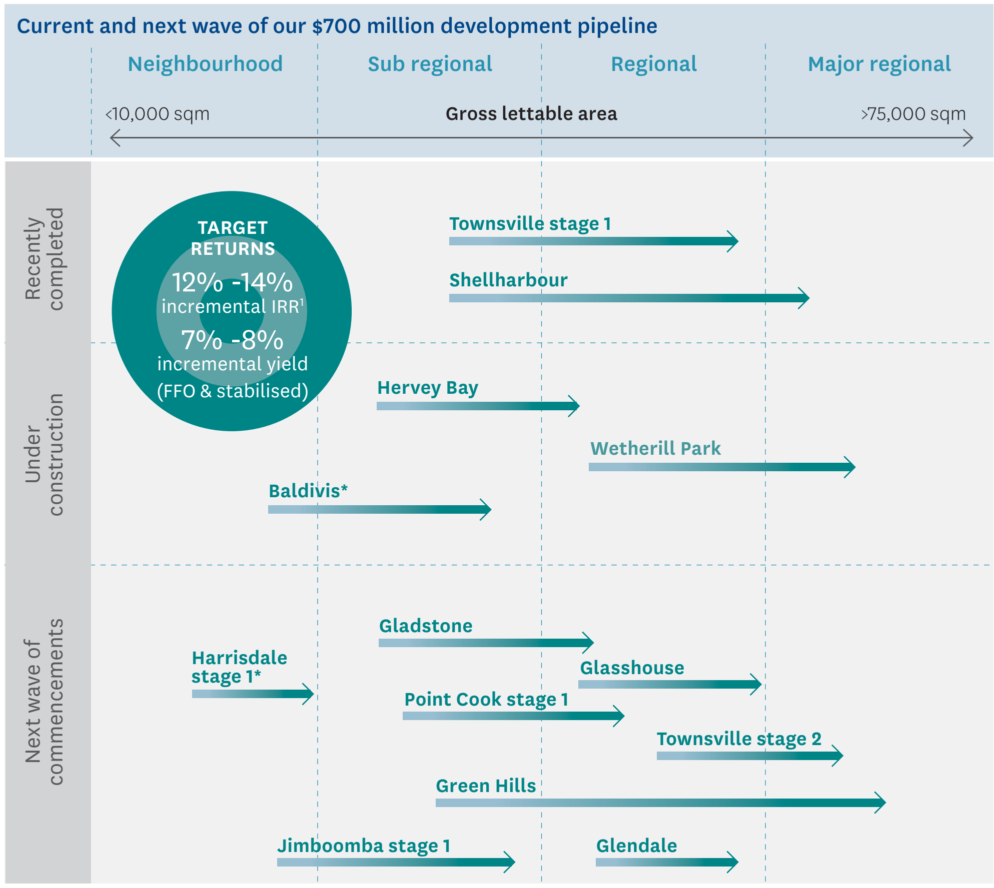
The $125 million redevelopment of Stockland Hervey Bay is a landmark development for the Fraser Coast, Qld and is set to become the premier shopping destination in the trade area.

In early July we completed the first stage of this redevelopment, welcoming more than 135,000 customers through the doors in the first ten days.

When the redevelopment is completed later this year, Stockland Hervey Bay will feature more than 110 retailers and will be the biggest shopping centre between Maroochydore and Rockhampton.

The completed redevelopment will more than double the size of the centre from 15,600 sqm to more than 36,000 sqm. The design and retail mix reflect the unique coastal lifestyle of Hervey Bay with inclusions such as a 500-seat indoor and outdoor café-style dining precinct.

The redevelopment has so far generated around 650 new local jobs during the 18-month construction project and in perpetuity through the creation of new retail, customer service and hospitality positions. The project is targeting a project incremental IRR of ~12.5% and stabilised incremental FFO yield of 7.5%.



1. Unlevered 10 year IRR on incremental development from completion.
* Centre developed on acquired land as part of Residential Community activity.

LOGISTICS AND BUSINESS PARKS
Growing a quality portfolio

Funds from operations

$108m

↑6.9% on FY13

Lease expiry profile (%)

Vacant	FY15	FY16	FY17	FY18	FY19+
4	10	14	14	10	48

Forrester Distribution Centre, Sydney

Development and upgrading:

- Completed stage one upgrade works at Port Adelaide; commenced stage one at Yennora
- $125m development pipeline to FY19. Target 7-8% FFO incremental development yields, and project incremental IRRs of 9.5-11%

Acquired $274m of assets at an average yield of 7.7%[1]

- Forrester Distribution Centre, Sydney
- Balcatta Distribution Centre, Perth
- Ingleburn Distribution Centre, Sydney
- Created a joint venture at Optus Centre

1. Initial FFO yield – excludes development land

During FY14 we made significant progress establishing Logistics and Business Parks as a core business. We have been focused on optimising the performance of the existing portfolio through active leasing, while pursuing growth through acquisition and development.

This resulted in a year on year improvement in FFO of 6.9% and underlying profit up 5.5%. Weighted average lease expiry increased significantly to 4.9 years (3.9 years in FY13) and occupancy lifted to 96.4%.

We have made significant progress improving the performance of our existing assets and growing the portfolio with $274 million of new assets added over the last 12 months. The team has worked diligently to improve the performance of the portfolio, executing leases over 350,000 sqm of space and identifying opportunities to upgrade assets to meet tenant demand.

Strategic priorities

We are focused on growing a quality portfolio of logistics centres and business parks. We are focused on leveraging our existing assets and land, strong tenant relationships and asset management skills to become a scale player in this sector.

OFFICE
Optimising returns

Funds from operations

$85m

↓16.5% on FY13

Lease expiry profile (%)

Vacant	FY15	FY16	FY17	FY18	FY19+
10	10	9	5	17	49

Office FFO was 16.5% lower and underlying profit 20.3% lower than the prior year, reflecting the impact on earnings from over $200 million in asset sales and soft market conditions. We have been selectively down-weighting in office and the portfolio now represents 8% of assets.

Weighted average lease expiry improved marginally to 4.5 years and occupancy was 90.3%. Leases were executed for 40,000 sqm during the year.

Strategic priorities

We will continue to focus on optimising returns from the portfolio while being tactical in our level of exposure to this sector. We will also consider joint ventures (or part sales) as appropriate.

RESIDENTIAL
Leading creator of places to live

Andrew Whitson
Group Executive and CEO, Residential

Operating profit
$95m
↑57.2% on FY13

Our core projects performed well, capitalising on strong market conditions.

Our Residential business is growing strongly with operating profit up 57.2% on the prior year. The team achieved 5,219 lot settlements for the year and started FY15 with a record 3,185 contracts on hand.

Our core projects performed well, capitalising on strong market conditions. Our new residential projects are experiencing strong demand and contributing to substantial improvements in margins and volumes. In addition to Willowdale in Sydney and Calleya in Perth, Elara, in Sydney's north west, has now also launched and will contribute its first settlements in FY15.

All the states we operate in are experiencing generally positive housing market conditions, although some regional areas are more challenged. Demand in Sydney remains very strong with relatively low supply impacting affordability in the established housing market. In Victoria the market is steady with good demand balanced by higher competition. The outlook in Queensland is particularly strong, underpinned by positive economic indicators and a slower start to the housing market recovery. As we have previously noted, while Western Australia has moderated from historically high levels, demand remains above the long-term average.

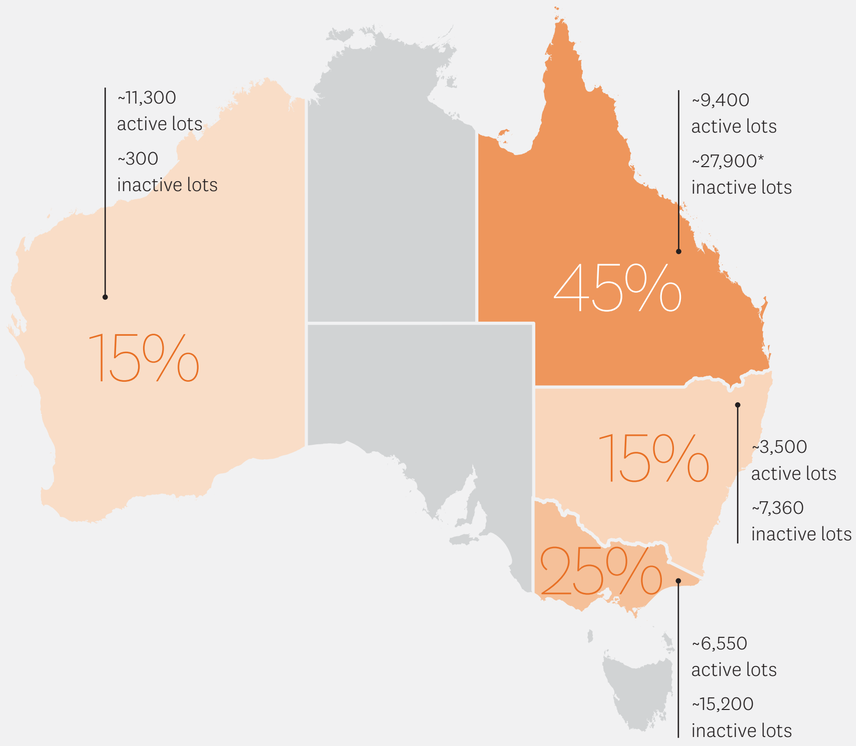
We are making good progress on our strategy to reach new customers with medium density products and completed homes. We launched our first townhouses at Highlands in Victoria and released our first completed homes in Queensland. We are now implementing plans to expand these initiatives in FY15 when we expect to commence construction of 550 new dwellings.

Strategic priorities

We continue to improve the resilience and profitability of the portfolio by focusing on:

- Reshaping and actively managing the portfolio — improve returns; right size the land bank; and retain our preference to acquire land on capital efficient terms. We continue to work through our low margin and impaired stock.
- Improving efficiency — continue to tightly manage costs. Project management has been embedded into the business, driving cost savings.
- Delivering revenue growth — increase revenue by creating a community value proposition that drives high customer referrals; and broaden market reach through a medium density/built form offering. Our medium density and completed homes strategies are underway.

STRONG PORTFOLIO OF ACTIVE AND FUTURE RESIDENTIAL COMMUNITIES (% OF PORTFOLIO)



* 20,000 represents approximate number of Caloundra South dwellings.

Elara, our new masterplan community in Sydney's north-west

CARDINAL FREEMAN RETIREMENT VILLAGE

In the established suburb of Ashfield in Sydney's inner west, the $160 million redevelopment of Cardinal Freeman Retirement Village will redefine retirement living.

Once completed, the new-look village will feature 240 new independent living apartments, a new clubhouse, a central village green, restoration of heritage-listed Glentworth House and Gardens, and a 133-bed aged care facility. The new apartment buildings will be a mix of four and five storeys.

The project is targeting a project incremental IRR of more than 15% and is our first redevelopment of an existing village.

Cardinal Freeman – artist impression

RETIREMENT LIVING
Leading operator and developer

Stephen Bull
Group Executive and CEO, Retirement Living

We have consistently high resident satisfaction in our existing villages and a development pipeline for future growth.

Operating profit
$40m
↑13.8% on FY13

Strong Retirement Living development pipeline

		Settlements timeframe			
		FY15	FY16	FY17	FY18+
Completed (FY14)	Farrington Grove (Area 1), Qld	•			
	Tarneit Skies, Vic	•			
Under Construction	North Lakes, Qld	•			
	Arilla, Vic	•	•		
	Fig Tree, Qld	•	•		
	Macarthur Gardens, NSW	•	•		
	Highlands, Vic	•	•	•	
	Selandra Rise, Vic	•	•	•	•
	Affinity, WA	•	•	•	•
	Mernda, Vic	•	•	•	•
	Cardinal Freeman, NSW		•	•	•
To start within 18 months	Golden Ponds, NSW	•	•	•	
	Farrington Grove (Areas 2 & 3), Qld		•	•	•
	Waratah Highlands (Stages 8-11), NSW		•	•	•
	Highlands Extension, Vic		•	•	•
	Willowdale, NSW		•	•	•

Retirement Living achieved strong comparable operating profit growth of 13.8% on FY13 (excluding Aged Care). Established unit turnover increased 18.3% on the previous year to 647 units.

We have consistently high resident satisfaction in our villages and a strong development pipeline for future growth (see table). This ensures that we are well-placed to grow this business organically, particularly as the number of older Australians increases.

During FY14 the new Retirement Living management team undertook a complete review of the business applying more conservative and asset-specific assumptions. This resulted in a $50 million reduction in the fair value of the Retirement Living investment properties and a $23 million impairment to the carrying value of Retirement Living goodwill.

During the year we established a strategic partnership with Opal Aged Care. Opal has acquired Stockland's four aged care facilities.

We will work with Opal to extend this continuum of care offering at other villages in the portfolio.

We will continue to take an active approach to managing the portfolio, recycling capital to optimise returns. Each of our current and future developments is expected to deliver an average project incremental IRR of 15-20%.

Strategic priorities

We are focused on being the preferred operator and developer of Retirement Living villages. We have a clear strategy to continue to improve return on assets by managing costs and differentiating the customer experience. Our strong development pipeline will drive returns for the business into the future.

Capital **Strength**

S&P rating

A-/stable

Gearing

25%

Weighted average debt maturity

5.2 years

Weighted average cost of debt

6.3%

Actively managing our balance sheet

FY14 progress

- ✓ Maintained a strong balance sheet and credit rating
- ✓ Active capital recycling program
- ✓ Capital partnering progress
- ✓ Established the Investment Review Group

Our Balance Sheet

$ million	June 2014	June 2013	Change
Cash	231	227	1.8% ↑
Real estate assets			
• Commercial Property	8,363	7,866	6.3% ↑
• Residential	2,325	2,311	0.6% ↑
• Retirement Living	2,860	2,897	1.3% ↓
• Other	994	697	76.4% ↑
Other assets	127	72	42.6% ↑
Total assets	**14,900**	**14,070**	
Interest bearing loans and borrowings	3,118	2,461	26.7% ↑
Resident loan obligations	1,865	1,774	5.1% ↑
Other liabilities	1,619	1,640	1.3% ↓
Total liabilities	**6,602**	**5,875**	
Net assets/total equity	**8,298**	**8,195**	

Capital strength has remained a key strategic pillar for Stockland. The Group has maintained its strong balance sheet and A-/stable credit rating. At 25.0%, our gearing remains comfortably within our target range of 20-30% and we have diverse and long-dated debt, which supports the business's growth strategy.

As part of our ongoing commitment to active capital management, the Group will maintain balanced and diverse funding sources and continue to review our interest rate hedging in line with prudent risk management.

During FY14 we established three new capital partnerships at Optus Centre, Piccadilly Complex and 135 King St and Glasshouse office/retail complex in Sydney, and will continue to pursue opportunities to recycle capital to fund our strategy.

Sound investment decisions

This year we established an Investment Review Group (IRG) to support disciplined and responsible investment decisions.

Through the IRG all significant investment or divestment decisions are reviewed by key functions to ensure they deliver the desired risk-adjusted returns.

The IRG is led by our Chief Investment Officer, and participants include financial control, treasury, operational risk, stakeholder relations, taxation, market research and strategy.

Left: Investing in $30m redevelopment of retail space in Sydney's Pitt St Mall with ICPF, our joint venture partner, at Glasshouse and 135 King St

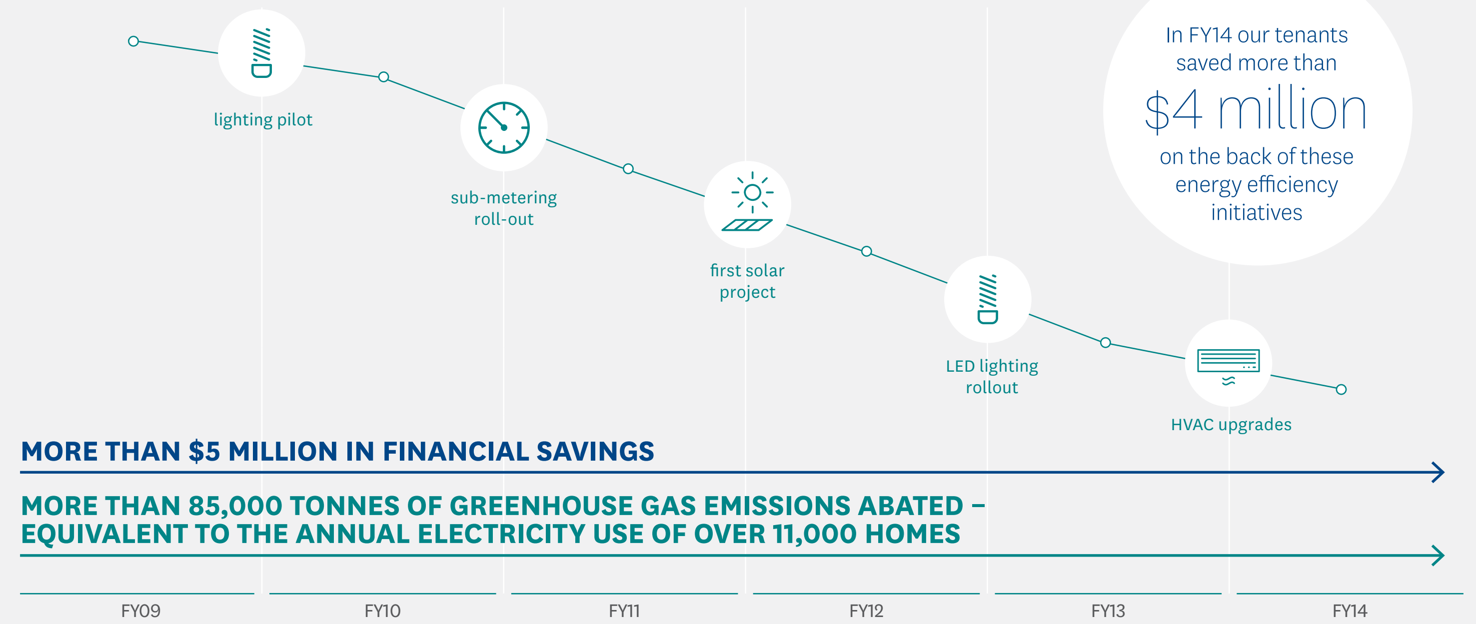
Operational **Excellence**

Improving the way we operate across the business to drive efficiencies and effectiveness

FY14 progress

- ✓ 8% comparable reduction in total overheads
- ✓ Awarded real estate sector leader on World S&P Dow Jones Sustainability Index 2013-14
- ✓ Global High Performing Employee engagement score of 85%
- ✓ Achieved our 5 year greenhouse gas target

Energy efficiency target results in over $5 million of savings in our Commercial Property portfolio



A focus on operational excellence gives the business and our employees the space to innovate, turn risk into opportunity, build solutions and deliver better outcomes for our customers and ultimately our securityholders.

Throughout the year we built on our efficiency improvements, achieving an 8% comparable reduction in total overheads. Initiatives such as an integrated approach to marketing campaigns and project management have lowered costs while improving their effectiveness. Overheads will increase modestly in FY15 as the business grows.

Our people remain highly engaged and are delivering exceptional outcomes across the business including the delivery of Australia's first Green Star Retirement Living Village, recognition as a leader in procurement at the World Procurement Excellence Awards, and reaching our five year sustainability target of 20% emissions intensity reduction in our Commercial Property business.

Target achieved

Over the past five years we have saved over $5 million and abated more than 85,000 tonnes of greenhouse gas emissions. This year alone our tenants will save over $4 million dollars in energy bills as a result of energy efficiency improvements across our Commercial Property assets.

To reflect our long-term commitment to sustainability and operational efficiency, in FY09 our Commercial Property business publically announced a target of reducing our emissions and energy intensity by 20 per cent by FY14. In that period, through operational excellence on the part of our asset managers and targeted investments in sub-metering, new equipment, LED lighting, and alternative energy solutions, we have achieved our target. These initiatives are implemented based on meeting total return hurdles and payback periods.

To continue to encourage our managers to seek innovative operations and design solutions, we have extended our commitment, targeting a further 10% reduction in emissions and energy intensity by FY17.

World Procurement Excellence

Over more than a four year period we have successfully internalised the Project Management and Direct Procurement functions, creating an industry leading model that has reduced project spend variability in the range of $50 to $120 million.

In 2010, in anticipation of our pipeline of large commercial developments in the range of $100 to $250 million, we undertook a strategic review of our procurement practices, which revealed the need to internalise procurement.

The four year transformation resulted in measurable decreases in project volatility and risk exposure, improved asset management, increased competitiveness and produced industry leading practices and sustainability outcomes.

This year the project was recognised at the Procurement Leaders Awards in London, making the shortlist for the prestigious 'Excellence Award' alongside leading multinational companies.

Grow our **Assets and Customer Base**

Driving returns in our core businesses by implementing business unit strategies

FY14 progress

- ✓ Medium Density and Completed Homes programs extend our customer reach
- ✓ Acquired 2,300 lots adjoining successful residential projects
- ✓ $463 million of retail development underway creating high performing shopping centres
- ✓ Acquired $274 million of Logistics and Business Park assets at accretive 7.7% yield
- ✓ Nine Retirement Living developments underway including our $160 million development at Cardinal Freeman

The operational review on pages 4 and 5 demonstrates how each business area is implementing its strategy to grow our assets and customer base. This year we have focused on extending our customer reach with new residential housing products and acquiring land adjoining our successful residential projects. We are growing our high-performing shopping centres through redevelopment, active remixing and acquiring logistics and business park assets to grow our portfolio. We are also continuing to develop and operate outstanding retirement living communities.

GROWING OUR RETAIL ASSET THROUGH REDEVELOPMENT

The $330 million redevelopment of Stockland Shellharbour shopping centre is a strong example of executing our strategy to create a market leading centre that resulted in value creation for securityholders.

Our revaluation of the centre has realised an uplift of $76 million to $680 million. The redevelopment met our target project incremental IRR of 14% and a yield of 7.5%.

Key to this success was the pre development analysis that was done to define our trade area, track shopping behaviour, better understand customer demand, and improve our retail mix. This has resulted in a more than 40% increase in shopper numbers, with the centre capturing an extra 2.2 million shoppers since May 2012.

The centre is now the only major regional shopping centre located within the trade area, now including Myer, Coles, Kmart, Target, Woolworths, 17 mini majors and 254 specialties.

Stockland Shellharbour has rapidly become a fashion, food and entertainment destination in the Illawara region.

BROADENING OUR REACH WITH MEDIUM DENSITY AND COMPLETED HOMES

Currently 85% of residential sales in Australia are established homes. This year we have developed a comprehensive strategy to broaden our market reach to access the established homes market and complement our leading land sales model.

Our strategy focuses on medium density, the development of townhouses and apartments, and offering 'completed homes'. These new ready-made homes will appeal to buyers who want to skip the building process and purchase the finished product. It also gives us the flexibility to accelerate development in our communities and development in areas with demand for small housing products.

We have identified a medium density development pipeline within our projects of 1,200 dwellings that we will bring to market over the next five years.

Our Sovereign Pocket community in Queensland is the first community to offer 'completed homes', selling quality, affordable homes from $350,000. We are targeting 280 home starts in FY15, across four states.

Understanding our customers' changing needs allows us to develop products and services that exceed their expectations and maximise their satisfaction.

We know satisfaction encourages referrals, promotes retention and drives growth. We track customer satisfaction across our business units to ensure we meet and exceed customer expectations. We set high targets for customer satisfaction across our businesses. The FY14 customer satisfaction results from our key customers are below.

Understanding and anticipating customer trends is also a critical part of our business success. Our Stockland Exchange online research community and National Liveability Index are two ways that we are expanding our research reach and customer understanding

14
families move into a Stockland community every day

10,000
retirees call a Stockland retirement living village home

385,000
customers visit a Stockland shopping centre every day

CUSTOMER SATISFACTION SCORECARD

RETAIL TENANTS

Achieved overall satisfaction of

80%

Up 5% on FY13.
Target was 75% overall satisfaction.

No.1

Our retail tenants rated us equal number one on service and satisfaction.

This result was independently confirmed through Monash University's independent 'TenSat' survey.

SHOPPERS

Achieved Mystery Shopper satisfaction of

93%

Target was 90% Mystery Shopping satisfaction.

VILLAGE RESIDENTS

Overall satisfaction in our villages out of 10 of

8.5

Target was 8.5 overall satisfaction out of 10.

RESIDENTIAL CUSTOMERS

Achieved average customer satisfaction score across lead and newly depositing customers of

78%

Target was 80% sales experience satisfaction from lead and newly depositing customers.

STOCKLAND NATIONAL LIVEABILITY INDEX

After comprehensive research in FY13 to establish our proprietary National Liveability Index, we have developed a new process for collecting liveability data across our residential communities on an annual basis.

This is a powerful community development tool that can be used for better, more localised decision-making around planning, design and engagement across the liveability themes of affordability, prosperity, education, connectivity, wellbeing, and sense of belonging.

OUR CUSTOMER RESEARCH AND INSIGHTS COMMUNITY

www.stocklandexchange.com.au

This year our in-house research team launched Stockland Exchange, our own online community providing opportunities for our customers to share their thoughts and help us design shopping centres and communities that thrive.

The questions we ask are about our members' daily lives. We know from experience that our customers care deeply about how they can contribute to creating better places to shop, work and live. By engaging in meaningful conversations and conducting long-term and interactive studies, Stockland Exchange can help us get to the heart of how our customers think and feel.

Stockland Exchange also provides a platform to share relevant marketing offers or test campaigns to gain quick relevant feedback from our customers.

Earlier this year we used Stockland Exchange to survey customers who purchased lots, or were interested in purchasing, at our Willowdale community in Sydney to help inform the design of the community's 2.5 hectare park.

Share your thoughts

Our Board of Directors

Our Board takes its governance responsibilities very seriously and has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. Go online to read more on our corporate governance and Directors' Report.

New Board Director – Tom Pockett

Tom Pockett joined the Stockland Board on 1 September 2014. Prior to his appointment to the Stockland Board, Mr Pockett served as Chief Financial Officer (CFO) of Woolworths from 2002 and was appointed a Director of Woolworths in 2006. He retired from Woolworths on 1 July 2014.

From left to right: **Carol Schwartz** (non-executive), **Mark Steinert**, Managing Director, **Terry Williamson** (non-executive), **Caroline Hewson** (non-executive), **Graham Bradley**, Chairman (non-executive), **Barry Neil** (non-executive), **Peter Scott** (non-executive), **Duncan Boyle** (non-executive)

KEY DATES

28 October 2014
Annual General Meeting

The Menzies Hotel, 14 Carrington Street, Sydney NSW 2000 at 2.30pm

18 December 2014
Announcement of estimated dividend/distribution

31 December 2014
Record date

11 February 2015
Half-year result announcement

30 June 2015
Record date

18 August 2015
Full-year result announcement

YOUR SECURITYHOLDING

If you would like to update your personal details or change the way you receive communications from Stockland please contact Computershare. Computershare will also be able to provide you with information on your holding.

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 4, 60 Carrington Street
Sydney NSW 2000

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Toll free: 1800 804 985
E: stockland@computershare.com.au

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Corporation/ Responsible Entity

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

Further information

For more information about Stockland including the latest financial information, announcements, property news and corporate governance information visit our website at **www.stockland.com.au**

GO ELECTRONIC FOR CONVENIENCE AND SPEED

Did you know you can opt to receive all or part of your securityholder communication electronically. You can change your communication preferences at any time by logging into www.investorcentre.com/ecomms or by contacting Computershare on 1800 804 985.

EXECUTIVE REMUNERATION OUTCOMES

The Stockland Board uses a Corporate Balanced Scorecard to set financial and non-financial Key Performance Indicators that are aligned to overall business strategy.

The table below outlines the cash remuneration that was received in relation to FY14. This includes Fixed Pay and the non-deferred portion of any FY14 Short Term Incentive (STI). The table also includes the value of a portion of the deferred STI award from FY13 which vested during FY14. No previous years' Long Term Incentives vested during FY14.

Please see our Financial Report for more information on our remuneration practices.

		Fixed pay[1] $	STI awarded and received as cash $	Total cash payments in relation to financial year $	Previous years' Deferred STI which was realised[3] $	Previous years' LTI which was realised $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert (commenced January 2013) *Managing Director and CEO*	**2014**	**1,500,000**	**750,000[2]**	**2,250,000**	**113,393**	**–**	**–**
	2013	690,410	207,500[2]	897,910	–	–	–
Senior Executives							
Stephen Bull *(commenced July 2013) Group Executive and CEO, Retirement Living*	**2014**	**650,000**	**373,333**	**1,023,333**	**–**	**–**	**529,822**
	2013	–	–	–	–	–	–
Tiernan O'Rourke (commenced October 2013) *Chief Financial Officer*	**2014**	**619,452**	**330,374**	**949,826**	**–**	**–**	**–**
	2013	–	–	–	–	–	–
Michael Rosmarin *Group Executive and Chief Operating Officer*	**2014**	**600,000**	**320,000**	**920,000**	**104,752**	**–**	**884,640**
	2013	550,000	176,667	726,667	50,657	–	741,240
John Schroder *Group Executive and CEO, Commercial Property*	**2014**	**1,050,000**	**620,000**	**1,670,000**	**211,063**	**–**	**1,652,880**
	2013	1,030,000	403,333	1,433,333	90,458	–	1,510,320
Simon Shakesheff (commenced July 2013) *Group Executive, Strategy and Stakeholder Relations*	**2014**	**518,356**	**276,457**	**794,813**	**–**	**–**	**–**
	2013	–	–	–	–	–	–
Andrew Whitson *(commenced July 2013) Group Executive and CEO, Residential*	**2014**	**700,000**	**420,000**	**1,120,000**	**–**	**–**	**519,121**
	2013	–	–	–	–	–	–
Former Executives							
Tim Foster *Former Chief Financial Officer*	**2014**	**294,863**	**–**	**294,863**	**152,797**		**1,404,560**
	2013	875,000	163,333	1,038,333	56,989	–	2,540,400
David Pitman *Former Group Executive and CEO, Retirement Living*	**2014**	**151,507**	**–**	**151,507**	**–**	**–**	**–**
	2013	700,000	210,000	910,000	56,989	–	3,045,000

1 Fixed Pay includes salary, superannuation and salary sacrificed items.

2 For Mark Steinert this is 50% (two-thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one-third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.

3 This represents the value of all prior years' deferred STI which vested during FY14 using the 30 June 2014 closing security price of $3.88. No LTI vested during FY14 or FY13.

4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY14 values are based on the closing 30 June 2014 security price of $3.88 (FY13: $3.48).

KEY FINANCIAL PERFORMANCE MEASURES

The key financial performance measures over the last five years are set out below.

	FY10	FY11	FY12	FY13	FY14
Underlying profit ($m)	692.3	726.3	676.1	494.8	555.4
Net tangible assets per security ($)	3.59	3.65	3.68	3.50	3.53
Security price as at 30 June ($)	3.72	3.41	3.08	3.48	3.88
Dividends/distributions per security (¢)	21.8	23.7	24 .0	24.0	24.0
Underlying earnings per security (¢)	29.1	30.5	29.3	22.4	24.0
Stockland TSR – 1 year (%)	22.5	(5.3)	0.5	17.5	20.5
A-REIT 200 TSR (exc SGP) – 1 year (%)	20.4	4.4	9.9	24.8	11.3

GLOBAL SUSTAINABILITY LEADERSHIP AWARDS

In 2013-14 Stockland was awarded

- Most Sustainable Real Estate Company in the World by S&P Dow Jones Sustainability Indexes
- Global 100 Most Sustainable Corporations at the World Economic Forum in Davos, Switzerland

ROBECOSAM Sustainability Award Industry Leader 2014

GLOBAL100

Go online to access our Annual Review and detailed financial and sustainability reporting

Designed and produced by Designworks.

Stockland

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