Responding to challenges and opportunities.
Read more on page 4

Letter from the Managing Director and CEO.
Review on page 5

This year we maintained our strategy of offering a mix of smaller lot and home sizes to maximise affordability for our customers.
Review on page 6

Developing and managing sustainable and efficient assets creates value for our customers.
Find out more on page 7

Stockland

Shareholder Review 2013

Willowdale, NSW
Site of our future Willowdale community in Sydney's south west. More on page 2.

Results Year in Review

2013

Underlying Profit* ($M)

$494.8

FY13	494.8
FY12	676.1
FY11	752.4
FY10	692.3
FY09	631.4

Underlying Profit was $494.8 million, down 27 per cent from FY12. This result reflects soft housing market conditions, the impact of asset sales in the current and prior year, and adoption of a more conservative approach to capitalisation of interest.

Statutory Profit ($M)

$104.6

FY13	104.6
FY12	487.0
FY11	754.6
FY10	478.4
FY09	(1,801.9)

The decline in statutory profit was primarily driven by an impairment charge on Residential inventory of $354.8 million as a result of the prolonged market downturn and more conservative assumptions.

Balance sheet at 30 June 2013

22.7%
Gearing

5.4 years
Weighted average debt maturity

6.2%
Weighted average cost of debt

The Group maintained its strong focus on prudent balance sheet management and retained its A-/Stable credit rating. Gearing was down following effective cash management in difficult trading conditions and a $400 million equity raising in May 2013.

Underlying earnings per security (¢)

22.4

FY13	22.4
FY12	29.3
FY11	31.6
FY10	29.1
FY09	36.5

Our underlying earnings per security was 22.4 cents, down 24 per cent from FY12.

Distribution per security (¢)

24.0

FY13	24.0
FY12	24.0
FY11	23.7
FY10	21.8
FY09	34.0

The distribution for the year was 24.0 cents, consistent with FY12. We remain confident earnings will begin to improve from FY14 and for this reason distributions are above our target 75-85 per cent payout ratio.

6.0%
Return on equity

Return on Equity is a measure that combines individual business Return on Assets including the cash interest paid and the average drawn debt for the period.

For Stockland, the past year was one of transition. We reviewed and redirected our strategy for future growth to better build on our key strengths, but also to retain the ability to respond to market opportunities with greater agility and discipline.

Letter from the Chairman
Read more on page 4

* Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of Stockland in a way that appropriately reflects its underlying performance.

Housing affordability has remained a key focus for our Residential and Retirement Living businesses.

About Stockland

Our business

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.

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – owning, developing and managing a large portfolio of shopping centres, office and industrial assets, residential communities, and retirement villages.

Today the company's vision is to be a great Australian property company that delivers value to all its stakeholders. Stockland's primary objective is to deliver earnings per share (EPS) growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust (A-REIT) index average, by creating quality property assets and delivering value for our customers.

We recognise our responsibilities to the environment and are a leader in sustainable business practices. With the benefit of our diverse property skills, we connect different types of properties in shared locations, to create places that inspire people to meet, to share, to live life, and create communities.

Welcome to Willowdale: the good-natured place to live

Willowdale at Denham Court in Sydney's South West is the latest and largest residential development we've ever undertaken in New South Wales. Spanning 350 hectares of former grazing land, the new community will ultimately yield more than 3,000 new homes.

We acquired the land on capital-efficient terms less than four years ago and achieved rezoning in line with the NSW State Government's agenda to unlock more affordable housing that's well-connected to upgraded road infrastructure and the soon-to-be-completed Leppington train station.

Willowdale comes to market at a time of record low interest rates and just as the cost of renting approaches parity with the repayment costs associated with buying your own home. Lots at Willowdale will range in size from 300 sqm to 600 sqm, with land prices starting at around $200,000.

We received more than 1,000 pre-registrations from potential customers before the project was officially launched on 17 August 2013, and the first lots released sold out within hours. Interested customers have included a diverse mix of first home buyers, upgraders, downsizers and investors with single purchasers, couples and family groups all well represented.

Willowdale will feature an abundance of green, open spaces with 25 hectares of parks and playing fields (equivalent to 13 full size football fields) and kilometres of walking tracks and cycle paths.

- 41 shopping centres
- 65 residential communities
- 62 retirement living villages
- 13 industrial properties
- 16 office buildings

Proposed capital reallocation from Trust to Corporation

Stockland Group is structured as a stapled security. The Trust owns our investment assets and the Corporation undertakes development. Securityholders own both a unit in the Trust and a share in the Corporation.

Overall, the Group's capital position remains strong, however, a number of factors, including impairments, made in our Residential business have impacted the Corporation and it is now deficient in assets.

We seek securityholder support to reallocate up to $510 million of capital from the Trust to the Corporation at the Annual General Meeting. This will create a foundation for the Corporation to deliver sustainable long-term growth into the future.

Securityholders are not required to contribute to the capital reallocation – it is simply an internal movement of capital within the Group and does not change the overall capital of the Group.

Full details are provided in the **Notice of Meeting.**

Operational Review

Andrew Whitson
Group Executive and CEO, Residential

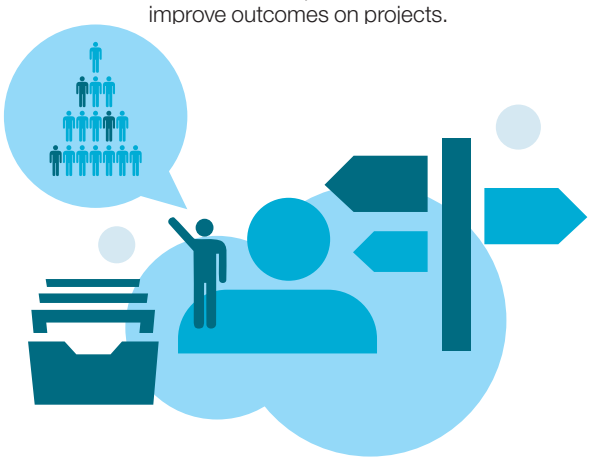
RESIDENTIAL

Operating Profit

$60m

In FY13 our Residential business was significantly impacted by market softness which affected both volume and prices. The profit also reflected the shift in sales mix with a lower proportion coming from higher margin projects in Victoria. Profit was also affected by a change in approach to capitalised interest.

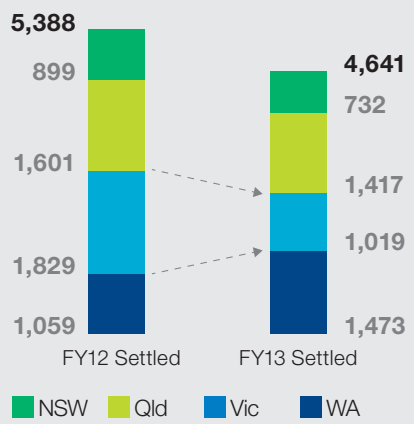
We actively managed through the period, reducing finished goods by 50 per cent, ensuring a good mix of affordable products and accelerating the sale of impaired lots to release capital for reinvestment. To improve efficiency, the business was restructured and has identified opportunities to leverage the Group Project Management and Procurement capabilities, to reduce costs and improve outcomes on projects.



We plan to make the portfolio more resilient and profitable in the future by focusing on:

- Reshaping the portfolio — accelerate the launch of new projects to create greater geographic diversity and scale; actively manage the portfolio to improve returns; right size the land bank; and retain preference to acquire land on capital efficient terms
- Improving efficiency — continue to tightly manage costs
- Delivering revenue growth — increase revenue by creating a better community value proposition that drives high customer referrals; and broaden market reach through medium density offering

Lots settled by location (lots). Fewer sales in Victoria where margins are higher.



Lots settled
4,641
down 14% on FY12

EBIT
$182m

EBIT Margin
19.9%

Return on Assets
5.5%

Return on Assets ('core' projects)
8.7%

June '13 contracts on hand 1,946
↑25%
on same time last year

Capitalised interest changes

Having completed the detailed review, we changed the way we apply capitalised interest on our Residential projects, effective 1 July 2012. We now allocate a share of both incurred and estimated future interest to each lot sold rather than just a share of actual interest incurred. While this will negatively impact our Underlying Profit in the medium term it will ultimately ensure our Residential projects deliver more consistent returns over time.

Project impairments

We conduct regular six-monthly reviews of our Residential portfolio carrying values. Our review in late 2012 indicated that of our total of 70 Residential projects, 21 were affected by changed market conditions and, as a result, no longer met our development return hurdles and required impairment. Of these projects, 14 were earmarked for wholesale disposal when market conditions are advantageous, while we have determined to develop the remaining seven projects as the best way to maximise the cash released.

We have created a clear classification within the portfolio of 'core' and 'workout' (impaired) projects. The business has a clear focus on driving strong returns from our 'core' projects and accelerating the completion or disposal of 'workout' projects.

Technology is changing spending habits and the way we do business. We continue to carefully monitor consumer and market trends.

Operational Review

John Schroder
Group Executive and CEO, Commercial Property

RETAIL

Net Operating Income (NOI)

$324m

Despite subdued market conditions, we achieved solid sales growth with NOI increasing 5 per cent. Our comparable NOI, which measures the growth in operating income on like-for-like assets, was up 2.6 per cent, demonstrating the resilient nature of the assets in our portfolio. We also benefited from higher income from our recently completed developments.

We made significant progress on our redevelopment pipeline with the official openings of centres at Merrylands, Townsville, and the grand opening of Myer at Stockland Shellharbour. Work has commenced on our $116 million redevelopment at Hervey Bay.

We will continue to focus on developing our most productive assets to maximise trade area share and create community and entertainment hubs. A further 14 projects, representing $1.5 billion of investment, are planned over the next five to six years.

NOI
↑5%

Comparable NOI
↑2.6%

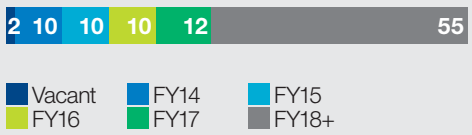
Return on Assets
8.1%

Portfolio occupancy remains high at
99.4%

Weighted Average Lease Expiry
6.4 years

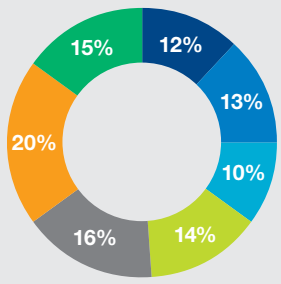
Total moving annual turnover sales approaching $6 billion

Lease expiry profile (%)*



* Includes newly constructed space and vacant space held for developments

Strong diversity in rental income (gross rent); more than half from value and convenience shopping



- DDS and Department Stores
- Supermarkets
- Mini Majors
- Specialty Food/Food Catering
- Retail Services, Reporting and Non-Reporting
- Apparel and Jewellery
- Other Retail

Stockland Shellharbour

Stockland Shellharbour is the new fashion capital in the Illawarra region. The centre has rapidly become the fashion, food and entertainment destination and is a magnet attracting customers from Miranda to Canberra and as far south as Moruya

Our new innovative approach to creating a market-leading shopping centre, combining the power of large collections of data with local knowledge, has helped us achieve this great result.

Analysis provided by Quantium, using millions of customer transactions, has allowed us to comprehensively define our trade area, track shopping behaviour, better understand customer demand, and improve our retail mix.

INDUSTRIAL

Net Operating Income

$63m

Industrial NOI decreased 18 per cent from FY12 mainly due to FY12 asset sales and lease expiries. Leases were executed on 288,000 sqm of space during the year positioning the portfolio well for the future. We are committed to growing our Industrial portfolio over time and improving the performance of our assets. We have recently appointed a new General Manager Industrial and are assessing growth opportunities both within our existing portfolio and externally.

NOI
↓18%

Comparable NOI
↓10.9%

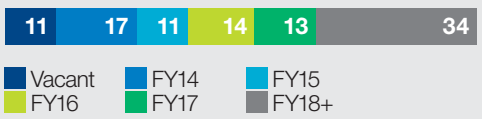
Portfolio occupancy
89.1%

Weighted Average Lease Expiry
3.3 years

Return on Assets
9.0%

Leases were executed on **288,000 sqm** positioning the portfolio well for the future.

Lease expiry profile (%)



OFFICE

Net Operating Income

$119m

We have made good progress optimising the performance of our assets and will continue to focus on this to maximise returns from our portfolio. Total NOI was down compared to FY12 reflecting our strategy of divesting non-core office assets that do not meet our risk/return hurdles. The business will retain a tactical exposure to Office although we will continue to lower our total weighting. We will also explore value-creating opportunities in our portfolio.

NOI
↓16%

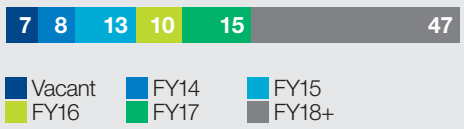
Comparable NOI
↑1.8%

Portfolio occupancy
96%

Weighted Average Lease Expiry
4.6 years

Return on Assets
8.3%

Lease expiry profile (%)*



* Represents full portfolio, including assets under development in FY13

Stephen Bull
Group Executive and CEO, Retirement Living

RETIREMENT LIVING

Operating Profit

$38m

Our Retirement Living business continues to deliver its growth strategy with a solid result despite the soft residential market. Operating Profit and return on assets increased reflecting a record number of new and established settlements.

We have a strong development pipeline, are driving resident referrals for more cost-effective sales, and improving the efficiency of our processes, such as reducing the time it takes to refurbish and sell vacant homes. Resident satisfaction ratings are consistently high and the business continues to use the feedback received to improve its offering.

The business has a clear strategy to achieve a target return on assets of 8.0 per cent by FY18 focusing on improving returns by managing costs, differentiating the customer experience and growing development volumes.

Operating Profit
↑6%

Record number of settlements:
547 **existing units**
304 **new units**

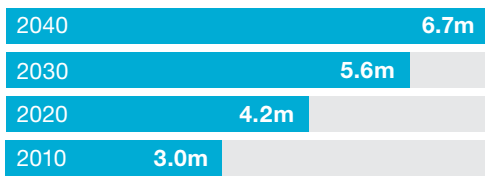
Return on Assets
4.5%

Portfolio occupancy
94%

Record number of new and established settlements

Demand for retirement living remains strong

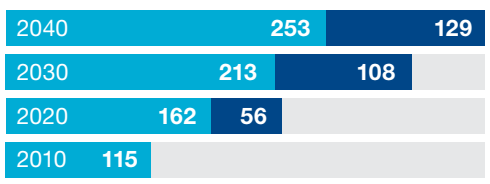
Australian population aged 65 or older (Millions of people)*



* ABS population projections

6.7m
Projected population of over 65s in 2040

Demand for retirement units (Thousands of units)*



At 8% take up
Baseline demand at current 5% take up

* Potential national penetration by 2025 estimated by the RVA in submission to Productivity Commission, August 2011.

UK/APARTMENTS

Our wind down of these businesses is on track and no further meaningful profit contribution is expected from UK and Apartments.

We maintained our strong balance sheet and A-/Stable credit rating.

Letters

From the Chairman

Dear Securityholders,

For Stockland, the past year was one of transition. In January, we appointed our new Managing Director and CEO Mark Steinert following the retirement of our long-serving Managing Director Matthew Quinn. We have refreshed our senior executive team with new appointments from both within and outside the Company. We reviewed and redirected our strategy for future growth to better build on our key strengths, but also to retain the ability to respond to market opportunities with greater agility and discipline. We rebased our Residential business by adopting more conservative project valuations and revised our approach to capitalised interest to make our projects more financially robust. We raised $400 million in equity capital to help fund our accretive development pipeline and build our Industrial asset portfolio while maintaining low gearing to reduce the volatility of future earnings.

The Board is confident that we have in place the right plan to improve returns for securityholders as the property market recovers, and the right leadership team to achieve that plan.

Our FY13 results

As previously reported, our results in FY13 were disappointing, largely reflecting the prolonged downturn in the Australian residential land market and related impairments. While earnings in our Residential business were hit hard, our Commercial Property and Retirement Living businesses performed well in difficult market conditions. In FY13 we substantially completed three major shopping centre projects – Merrylands, Shellharbour and Townsville – in which we have invested some $900 million over the past two to three years.

Our Underlying Profit in FY13 was $494.8 million, down from $676.1 million in FY12. Underlying earnings per share was 22.4 cents, 24 per cent lower than in FY12.

Our statutory profit in FY13 fell by $382 million from FY12 to $104.6 million, largely due to impairment in the value of a number of residential land holdings of $355 million. The majority of the impaired projects were acquired prior to the Global Financial Crisis, and many were "lifestyle projects" for which the market has declined steeply in recent years. We plan to work out or sell these impaired projects as soon as market conditions permit to return cash to reinvest for stronger returns in other areas.

Distributions

Despite reduced earnings in FY13, our strong balance sheet enabled us to deliver on our commitment to maintain full-year distributions at the FY12 level of 24 cents per security even though this payout ratio was above our target range. It is our intention to again hold our distribution at 24 cents in FY14, in the absence of a major market downturn, and this is a mark of the Board's confidence that our earnings should improve steadily.

We maintained our prudent balance sheet management in FY13, retained our A-/stable credit rating and reduced our gearing to 22.7 per cent as at 30 June 2013. While the Group's overall financial position is strong, the recent Residential impairment provisions make it sensible to move up to $510 million of capital from the Stockland Trust to the Corporation to better position our development businesses for future growth. We will seek securityholder approval for this at the October AGM.

Our new team

Our new CEO, Mark Steinert, commenced in January 2013. Mark has 25 years of experience in property and financial services, and came with a strong reputation for his analytical and strategic approach, together with his experience in fostering an engaging work environment for employees.

We have made a number of further changes to our senior management team to give us the right mix of skills and experience to lead the business in the years to come. Pleasingly, two of these senior appointments were made from within the Group (Andrew Whitson – Residential, and Stephen Bull – Retirement Living) reflecting the success of our talent development and succession planning. Simon Shakesheff – Strategy and Stakeholder Relations, and Tiernan O'Rourke – Chief Financial Officer, bring to us valuable expertise from other organisations.

Responsible remuneration

We continued our policy of recent years of executive remuneration restraint, and for the second successive year senior executive pay was unchanged in FY13. We have also awarded no pay rises in FY14 except where there has been a change of responsibilities. Total annual bonuses paid across the Group were significantly down on prior years, demonstrating a clear alignment between performance and reward. In line with our new policies, a third of annual bonuses for senior executives was awarded in Stockland securities with deferred vesting. No senior executives earned any long-term incentive vesting in FY13 as the relevant performance hurdles were not met.

The Board is confident that we have in place the right plan to improve returns for securityholders as the property market recovers

Our commitment to sustainability

Stockland has embedded sustainability in all aspects of our business over many years. Both our employees and the Board take great pride in working for a Group with a deep commitment to being a diverse, socially concerned and environmentally responsible organisation.

In FY13, Stockland again achieved international recognition for its leadership in sustainable management with our continued listing on several global indexes, including being ranked second globally for real estate companies on the RobecoSAM Index (formerly DJSI).

In conclusion

I conclude by thanking my Board colleagues, especially the Chairs of our committees, for their dedication and hard work during a year which presented many challenges. On behalf of all securityholders, I would also like to thank our dedicated employees for their steadfast commitment during a year of change, challenge and achievement.

I look forward to reporting Stockland's progress to you at the AGM in October.

Graham Bradley AM
Chairman

Strategy

Responding to the challenges and opportunities

We are actively ensuring that decisions made to improve performance in the short term also consider the long-term sustainability of our business and communities in which we operate.

Short Term
Challenging market conditions

Challenge
Ongoing global and domestic economic uncertainty

Our response
- Focus on efficiency and cost management. Achieved ~10% reduction in overheads over two years. Expect overheads to reduce by a further ~10% in FY14
- Maintain a strong balance sheet with low gearing and tight control of costs
- Maintain a desirable work environment. Focus on employee engagement and those elements that drive employee retention and productivity

Challenge
Consumers remain cautious

Our response
- Provide affordable options for first home buyers through to retirees
- Sharpened our focus on understanding our customers and maintaining high customer satisfaction
- Create leading retail centres with a clear value and convenience offering with strong diversity in rental income

Longer Term
Changing marketplace

Challenge
The regulatory environment is constantly evolving

Our response
- Develop where governments support growth
- Remain flexible and open to opportunities to take advantage of shifts in stakeholder preferences
- Continue to focus on good practice to remain well positioned to respond to regulatory change
- Engage with regulators and standard setters on good practice

Challenge
Technology is changing spending habits and business processes

Our response
- Continually monitor consumer and market trends
- Create centres that provide tangible experiences that virtual shopping is unable to match
- Foster a culture of innovation to ensure we identify and take advantage of new opportunities
- Dedicated focus on continual improvement of systems and processes with the appointment of new Chief Operating Officer

Challenge
Consumers have higher expectations of companies and their products

Our response
- Continue to evolve our market-leading research in areas such as product innovation and customer insights
- Focus on elements that create liveable and sustainable communities and assets
- Ensure our retail centres are thriving community hubs by delivering quality retail and dynamic spaces
- Foster a culture of high transparency, trust and accountability

5%
increase in net operating income in our portfolio of shopping centres.

Letters

From the Managing Director

It was a great privilege to be invited by the Board last December to lead the management team at Stockland, a company I have respected and followed closely for over 20 years.

Since joining Stockland in January 2013 I have visited dozens of our assets and the people who operate them. I have not been disappointed: I have seen what sets our business apart – quality assets, a strong and ethical corporate culture and people with a passion for creating great places to live, shop and work.

Clearly the business has faced performance headwinds in recent years. I am, however, confident that we have re-established strong foundations from which to deliver growing and predictable returns for our securityholders.

> I have seen what sets our business apart—quality assets, a strong and ethical corporate culture, and people with a passion for creating great places to live, shop and work

Clear direction

A key task in my first six months was to conduct a detailed strategic review and to put our revised plan quickly into action. In defining our strategy we set a clear objective in relation to our securityholders: to deliver earnings per share growth and total risk-adjusted returns above our sector.

To achieve this we have identified optimal target weightings for each asset class in our portfolio to guide our allocation of capital within a disciplined risk/return framework. We are executing plans to maximise returns from our existing assets and we have restructured the business to improve our efficiency. Unchanged in the strategy is a firm commitment to prudently managing our balance sheet, retaining our A-/Stable credit rating and managing our gearing within our target range, ensuring we are able to fund our growth plans.

Commercial Property

Our Commercial Property business, which accounts for around 70 per cent of our assets, continues to deliver a solid and reliable stream of recurring income for the Group. Overall, our Commercial Property profit in FY13 was lower than the previous year, reflecting our strategy of divesting non-core, mainly Office, assets that do not meet our risk/return hurdles.

Retail: We achieved a five per cent increase in net operating income in our portfolio of shopping centres. This reflected the contribution of newly developed centres and demonstrated the particularly resilient nature of the assets in our portfolio which tend to have a relatively high proportion of non-discretionary and service-based retailers and have sustainable tenant occupancy costs.

We are strongly committed to continuing to grow our Retail business through the redevelopment of centres in our portfolio which are well-suited to being upgraded and expanded. We opened stages at three major redevelopments in FY13 and have commenced our next project at Hervey Bay in Queensland.

Office: By tightly managing our Office assets we lifted our comparable net operating income, which measures like-for-like assets, by two per cent and improved occupancy and weighted average lease expiry.

Our strategy is to maintain a tactical exposure to Office, optimising the performance of our assets to maximise returns, lowering our total weighting to Office when we view market conditions as being right.

Industrial: Net operating income in our Industrial business decreased 18 per cent from the previous year, mainly due to asset sales in FY12 and a high number of leases expiring in FY13. Pleasingly we executed leases on 288,000 sqm of space during the year, positioning the portfolio for income growth in FY14.

Our strategic review confirmed that Industrial assets are an important part of our diversified portfolio and accordingly we intend to grow our exposure to this sector over time. We are optimising the performance of our existing assets and assessing growth opportunities within and outside our existing portfolio.

Residential

The performance of the Residential business was significantly impacted by market softness which affected both volume and prices and required impairment of non-core holdings. The profit decline in FY13 also reflected the shift in sales mix, with a lower proportion coming from higher margin projects in Victoria, and the adoption of a more conservative approach to interest capitalisation, a change which should deliver more consistent returns over time. Overall, Residential Operating Profit declined from $198 million in FY12 to $60 million in FY13. The change in interest approach accounted for $34 million of the decrease.

We have begun to execute a plan to make our portfolio more resilient and profitable in the future by reshaping our portfolio, improving capital and operating efficiency and growing revenue. We are already accelerating the sale of impaired projects and bringing higher margin projects to market. We have restructured our business to reduce costs and identified opportunities to apply our Group Project Management and Procurement capabilities to greater advantage. We have also identified projects in our portfolio where we can increase revenue and broaden market reach by expanding our medium density offering.

Retirement Living

We have a clear strategy to continue to grow returns in the Retirement Living business by improving scale and efficiency. Our ability to grow is largely in our control, with a strong development pipeline at sites we already own, efficiency improvements well in train, and a commitment to maintain consistently high customer satisfaction.

The Retirement Living business continues to deliver against its strategy with a solid result despite the soft residential market. Operating profit was up six per cent on the previous year and return on assets also rose, thanks to a record number of settlements.

Outlook

Having assessed the business and put our revised strategy into action, I am confident we will see a steady improvement in Stockland's earnings from FY14 as new Retail, Residential and Retirement Living projects begin to contribute, and as recent Industrial letting, rental growth and cost reduction initiatives begin to come through.

However, improvement in Residential earnings will likely be constrained as we continue to trade through impaired and low margin projects. It will also take some time to see the full benefits of our new strategic priorities, particularly in Industrial and medium density housing development.

We are targeting FY14 earnings per share of four to six per cent above FY13, assuming there is no material decline in market conditions.

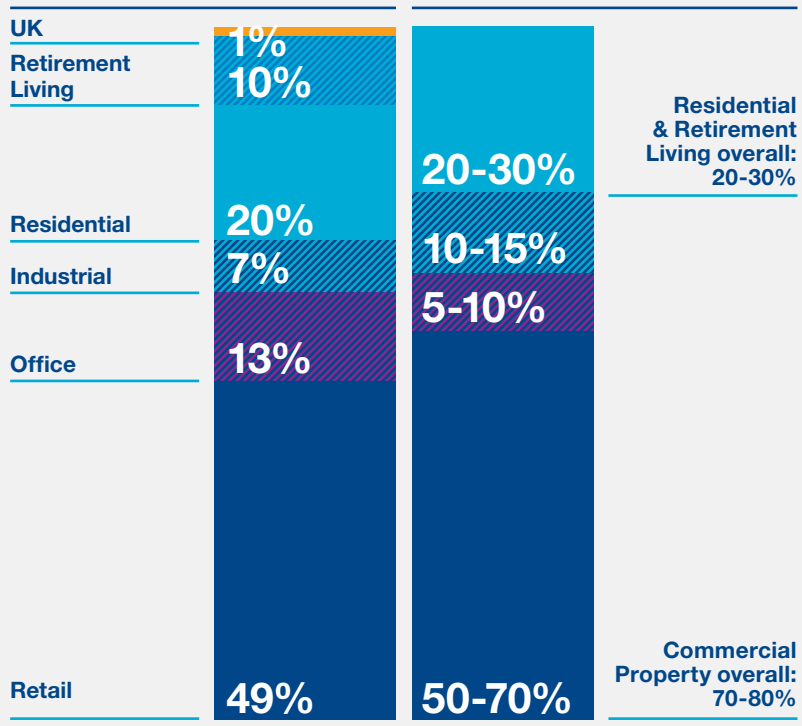
I am confident that the strategic direction we have set, the new leadership appointments we have made and the actions we have taken this year will position us well to deliver sustainable, competitive and growing returns into the future.

Mark Steinert
Managing Director and CEO

Strategy

Deliver value to all our stakeholders

Our primary objective is to deliver earnings per share 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 our customers.



Maintain a strong diverse portfolio to deliver reliable growth

How we achieve it

- Leverage our **core competencies** in asset management and development to drive value.
- Maintain a **strong balance sheet** with agile capital allocation within a disciplined risk/return framework.
- Focus on **cost and efficiency.**
- Leverage our **strong customer and community value proposition,** delivering products that exceed customer expectations – affordability, value and convenience – a better way to live.
- Maintain a **desirable, engaged and productive workplace.**

Our priorities

- Improve profitability of the Residential business.
- Improve Retirement Living return on assets.
- Grow Commercial Property through development and acquisition.
- Reduce overheads and improve organisational efficiency.
- Strengthen the Corporation through capital reallocation.

Sustainable performance

Our strategy clearly articulates our short-term priorities for the Group. Underpinning this is the awareness that decisions made to improve our short-term performance also consider the long-term sustainability of our business and the communities in which we operate.

For our Retail business, it is about creating community and entertainment hubs, building and maintaining strong retailer relationships and investing in industry leading research to adapt to an evolving retail landscape. For our Industrial and Office portfolio, we are focusing on tenant satisfaction and delivering high performing assets.

The development of our Residential and Retirement Living communities accentuates community creation elements to ensure we increase resident satisfaction and wellbeing, drive referrals, and deliver sustainable margins over time. Our focus on the delivery of medium density and affordable homes reflects our commitment to the ongoing evolution of our product to meet current and future customer needs.

82%
rated the customer experience as very good or excellent in our residential Customer Pulse survey.

Customer

Meeting customer demand for quality and affordability

We pride ourselves on our deep understanding of customer needs and our responsiveness, both of which enable us to meet and exceed customer expectations. This year we have focused on satisfaction, affordability, value and convenience.

Housing affordability has remained a key focus for our Residential and Retirement Living businesses, with domestic and international economic pressures continuing to weigh heavily on the Australian housing market.

This year our Residential business maintained its strategy of offering a mix of smaller lot and home sizes to maximise affordability. This strategy has helped us deliver an improved supply of affordable housing stock over the past year, with growth in the supply of lots under $200,000 rising from 36 per cent in FY11 to 43 per cent in FY13. The table to the right offers a breakdown of our lot supply over the past three years.

Entry price affordability and living costs are important for our retirement living residents, most of whom are no longer in the workforce. The value of their current dwelling is a key indicator of what they can afford and our price points for the most part sit well below the national median house price. We have an average price of $345,000 across our portfolio, compared to a national median house sale price of $564,000.

We are able to influence two types of living costs for our residents: fees they pay for ongoing management of the village via the levy, and utility charges (particularly energy) for operating their homes. Over 65 per cent of our villages have a monthly base fee that is equal to or less than 25 per cent of the monthly aged pension.

For our retail tenants we have focused on driving value through improved processes. We have created a virtual customer and asset directory for iPads, eliminating the need for retailers to physically travel to our shopping centres. We can even issue an offer to lease on the spot. Our updated Retail Guidelines, due to launch in FY14, will facilitate improvements in the overall efficiency, time periods and quality/compliance outcomes of our tenants' fit-out works, reducing lease agreement to operating periods for tenancies and allowing us and our tenants to earn income earlier.

Improved supply of affordable product

Lot supply (Under 450m²)

Residential lot supply price points (Under $200,000)

Customer satisfaction

Customer satisfaction is a key priority for our business. 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.

Retail

We conducted our third annual customer satisfaction tracking survey with our retail tenants. Our satisfaction result improved, although we fell short of the 75 per cent satisfaction target made in FY12.

71%
Weighted customer satisfaction score* (up from 69 per cent)

2nd
Relative competitor position (up from 3rd place)

*Weighted metric across four key satisfaction attributes

Residential

Each year we use third party research to measure our 'Customer Pulse', which enables us to better understand the needs of our current and potential customers.

5,000
telephone interviews with people who had either enquired about or purchased a home within a Stockland residential community

82%
rated the customer experience as very good or excellent (up from 78 per cent in FY12)

Retirement Living

To monitor how our customers feel about life in their Stockland retirement village each year we conduct a satisfaction survey called 'Residents' Voice'.

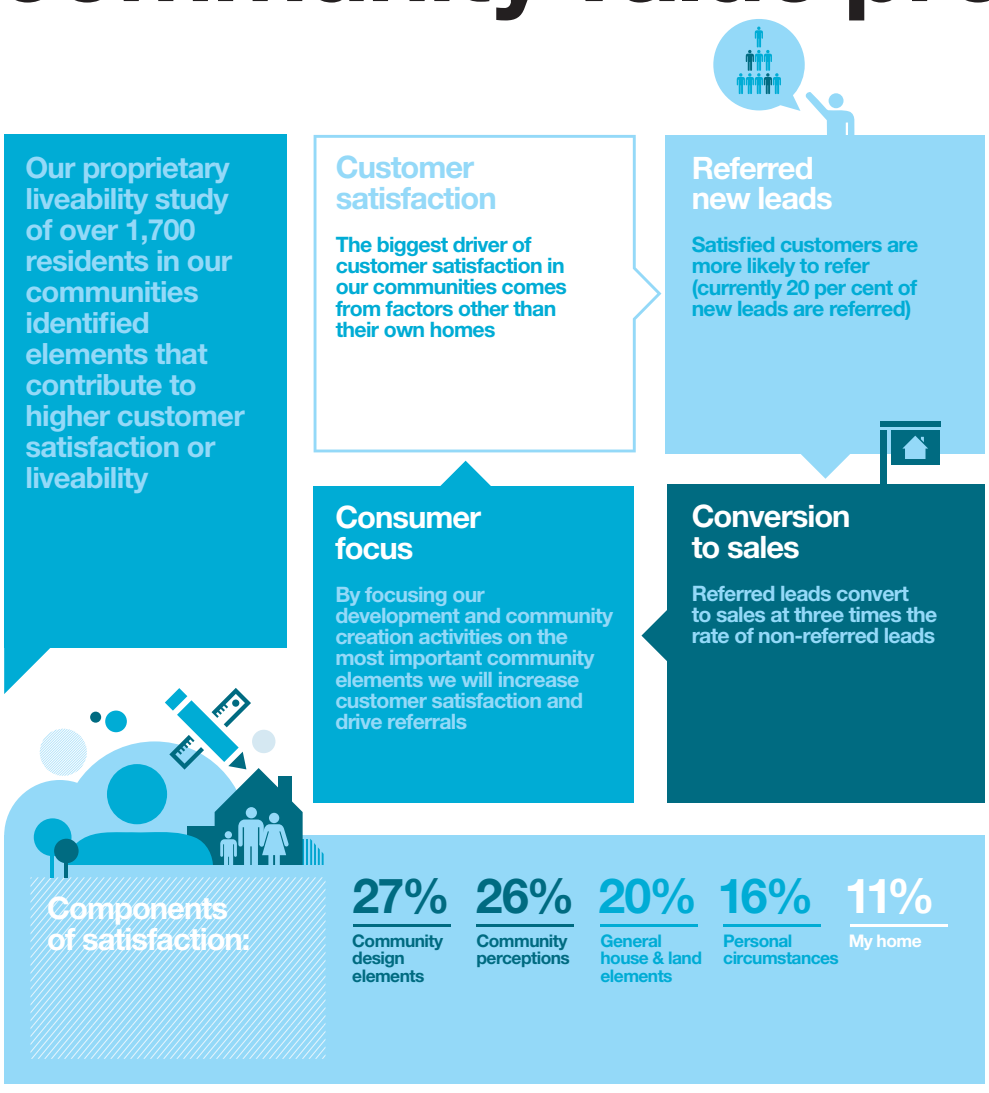
8.51
Average overall satisfaction score out of 10 (up from 8.38)

99%
Villages with average satisfaction score of 7 out of 10 or more (up from 97 per cent)

For more information please read our **Annual Review 2013.**

Community

Leveraging our strong community value proposition



Through a considered approach to design, project management and asset operations we are able to optimise the role we play in developing and sustaining liveable communities. Early delivery of both built infrastructure and social initiatives for residents is key to creating liveable communities as it encourages community engagement and social cohesion.

One of our key focus areas is the health and wellbeing of our communities, ensuring we are assisting our communities to have access to fresh and healthy food and to participate in active living practices. Residents within our communities place high value on parks, open spaces and recreation infrastructure.

Access to quality education is a key driver for satisfaction and contributes to uplift in sales. Our focus on lifelong learning looks at enhancing the quality of training and employment opportunities in our communities. These are delivered through key partnerships and initiatives with several not for profit groups, schools and TAFEs across Australia.

Our third area of focus is creating a 'sense of belonging and vitality' in our communities. Our research indicates that our customers desire greater community connection. We seek to foster self-sustaining social cohesion in our communities. Our partners such as Men's Shed, Over 50s, Multicultural Enterprises Australia, Renew Australia, Community Connections and many other local organisations help us achieve this.

parkrun Australia

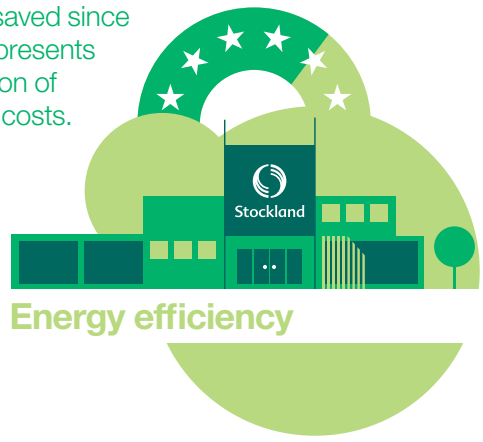
This year we launched a national partnership with parkrun Australia – a unique, community-run program that provides free, weekly running events for people of all abilities, ages and fitness levels. Our partnership works to unite communities in a free, healthy and regular program.

North Lakes, Qld

Our national partnership with parkrun Australia is taking our communities by storm, with new events being kicked off all around the country. The partnership aligns with our community development strategy of creating sustainable and vibrant communities that promote a healthy and social lifestyle.

The program allows everyone the opportunity to go at their own pace – run, walk or jog. parkrun is self-sustaining. Each run is timed by local volunteers under the leadership of an Event Director. Participants can track their progress and fitness online, and motivate each other through parkrun Facebook sites.

Energy saved since 2006 represents $35 million of avoided costs.



Sustainable development and management

Improving efficiency and sustainability of our assets

Investment

All energy efficiency projects target a 12 per cent internal rate of return

Cost savings

The energy saved since 2006 represents an operational saving of avoided costs of over **$35 million**

Return on investment

Energy efficiency related capital projects contribute to cost savings, where every dollar invested has contributed to $2 in cost savings

Environment

Since 2006 our investment in energy efficiency programs has reduced our greenhouse gas emissions by over 55,000 tonnes or the equivalent of turning off one of our larger shopping centres* for 10 years

Customer

We pass through savings in outgoings to our tenants. In FY13 our tenants will benefit by over **$4.0 million**

This information has been independently assured by Net Balance
*Stockland Townsville

Developing and managing sustainable and efficient assets has become one of our core competencies: identifying opportunities for innovation and efficiency gains. We have a strong commitment to benchmarking our performance and use environmental rating tools across our assets and developments.

So much so that it has become part of the way we develop all of our Commercial Property assets. We require all our shopping centre developments to achieve a minimum of 4 stars certification for 'Design' and 'As Built' ratings. We currently have the highest number of Green Star rated shopping centres in Australia. We have an impressive list of Green Star ratings across multiple asset types.

This year we achieved Australia's first Green Star rating for a Retirement Village community centre, extending our expertise in green building to our Retirement Living business. We also participated in the development and beta testing of Green Star Performance with Stockland Green Hills being nominated for involvement in the Pilot rating. The Green Star Performance tool will help to more effectively benchmark and monitor the operating performance of our retail assets.

We are piloting the Green Star Communities tool and have recently committed to being a Green Star 2014 Thought Leader and are excited by the opportunity to support the GBCA in the update of the Green Star rating tools.

Retirement villages unlock their green potential

Sustainable design can have a significant impact on the costs associated with running homes and community facilities and can improve affordability for our residents. Our Affinity Village Clubhouse in Western Australia is a great example of this.

This year Affinity Village Clubhouse achieved the first public building Green Star rating in Australia. We anticipate the annual running costs of the building will be $30,00–40,000 pa lower – a saving passed on to our residents.

Some of the initiatives that helped secure the rating include water efficient taps and fittings, extensive recycling facilities, encompassing recycled materials, energy efficient windows, lots of natural light and cyclist-friendly amenities. Embracing innovation was a key to success. The Clubhouse will include recharge points for electric cars, and innovative solar heating and heat capture technology in the community centre's swimming pool will reduce energy use.

The centre not only embraces sustainable design but will also include its own town hall, a doctor's room, a nursing station, a salon, a mail and media room, a gym, a billiard room, bar, cafe, internal swimming pool, a bowling green and a library with computer facilities. The Clubhouse is seen as an extension of the living room for our residents and a place where you can be involved, or simply be around the 'buzz'.

For more information on environment and people metrics, visit our website **www.stockland.com.au/sustainability**

Our people

Maintaining high employee engagement

In response to a challenging market environment, we restructured the business to better adapt to the new economic realities. The restructure was focused on cost and efficiency management to position the business for sustained growth and profitability.

The restructure involved the centralisation of support functions (including Human Resources, Marketing and Finance) and a delayering of management. Centralising these functions enables us to better leverage expertise across the organisation to promote greater performance and consistency.

In 2013 we undertook our ninth annual "Our Voice" employee engagement survey. Our engagement score of 80 per cent remains above the Australian National Norm (although it was 4 per cent lower than FY12) with 96 per cent of respondents indicating that they are willing to go beyond what is required to help Stockland succeed.

Employees told us that corporate responsibility and sustainability remain important; they have pride in the contribution Stockland makes to the community and society and our role as an environmentally responsible organisation.

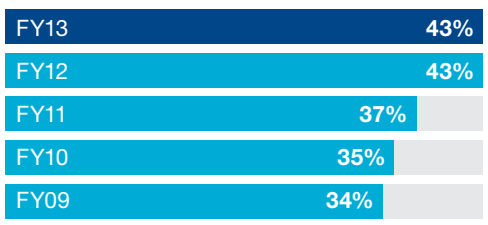
Diversity, inclusion and workplace flexibility remain key drivers of employee engagement. We continue to create a more diverse and inclusive workplace. It is encouraging to note the large proportion of employees who perceive the working environment to be accepting of differences with regard to gender, age, cultural background and/or lifestyle and working style.

We are committed to gender equity, with a target of 45 per cent of women in management by 2017. We are progressing well towards this target and are currently at 42.7 per cent. Our commitment and efforts have been recognised by the Equal Opportunity for Women in the Workplace Agency, which named us Employer of Choice for Women.

In FY13, we maintained positive work health and safety results: 97 per cent of employees believe their area is a safe place to work (9 per cent higher than the national norm). We remain committed to providing a safe and healthy workplace for everyone who works with us or attends our workplace.

Employee engagement score (%)

Overall proportion of women in management



Students go behind the scenes — Stockland Inspirations

A structured Stockland-specific work experience program has been developed called 'Stockland Inspirations'. The program is based on the principle that education and training for young people is a collective responsibility. We are one of a select group of companies piloting it this year through the Partnership Brokers platform in South East Queensland and New South Wales.

Key benefits for us include the promotion of the property industry and our business as an employer of choice, supporting learning opportunities that contribute to skills and knowledge of the future workforce, and building strong relationships in the communities in which we operate.

The program is based on the principle that education and training for young people is a collective responsibility.

Stockland Shellharbour, NSW

Students will benefit from career exploration across key Stockland business streams, providing them with aspirations and direction for their future. It also enables teaching staff to gain industry currency and professional development. The program also provides a great opportunity to involve some of Stockland's stakeholders – such as builders, consultants, contractors and retailers – to showcase careers within their industries.

Key activities include general information sessions about Stockland and the property development industry, case study development to fit into aligned curriculum areas, 'behind the scenes' visits to Stockland retail centres, residential developments and retirement villages, job shadowing and sharing of Stockland employees' career path stories with students.

Our Board of Directors

1

Carol Schwartz
BA, LLB, MBA, FAICD
(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. Ms Schwartz serves on the Risk Committee and was a member of the Stockland Audit.

2

Mark Steinert
B Prop Res Mgt (Valuation)
G Dip App Fin (Sec Inst), AAPI, FFIN
Managing Director
(appointed 29 January 2013)

Mr Steinert was appointed Managing Director and CEO of Stockland on 29 January 2013. Mr Steinert is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds.

3

Terry Williamson
BEc, MBA, FCA, FCIS, MACS
(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. Mr Williamson is Chair of the Stockland Audit Committee, the Stockland Capital Partners Audit and Risk Committee and Stockland Capital Partners Financial Services Compliance Committee.

4

Carolyn Hewson
BEc (Hons), MA (Ec), FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. Ms Hewson is Chair of the Risk Committee and a member of the Human Resources Committee.

5

Graham Bradley
BA, LLB (Hons 1), LLM, FAICD
Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Non-Executive Chairman on 25 October 2005. Mr Bradley is a member of the Human Resources Committee and was appointed Chairman of the Sustainability Committee on 1 July 2012.

6

Barry Neil
BEng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee.

7

Peter Scott
BE (Hons), MEng Sc, FIE Aust, CPEng, MICE
(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. Mr Scott is Chairman of the Human Resources Committee and a member of the Risk Committee.

8

Duncan Boyle
BA (Hons), FCII, FAICD
(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. Mr Boyle served as Chairman of the Sustainability Committee until 30 June 2012. Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Matthew Quinn retired 11 January 2013. Mr Quinn was a member of the Stockland Board and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds up to his retirement.

Executive remuneration outcomes

Executives received a mix of remuneration during FY13 including Fixed Pay, short term incentive (STI) awarded as cash and as deferred securities which may vest one or two years later subject to continued employment, and a long term incentive (LTI) which may vest three and four years later subject to performance hurdles and continued employment.

The table below sets out the actual remuneration received (in both cash and value of Stockland securities) in respect of the FY13 year for each of our senior executives. It also shows the amount of awards which lapsed or were forfeited.

		Fixed pay[1] $	STI awarded and received as cash $	Total Cash payments in relation to financial year $	Previous years' Deferred STI which were realised[3] $	Previous years' LTI which were realised LTI $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert *Managing Director and CEO*	**2013**	**690,410**	**207,500[2]**	**897,910**	**–**	**–**	**–**
	2012	–	–	–	–	–	–
Senior Executives							
Tim Foster *Chief Financial Officer*	**2013**	**875,000**	**163,333**	**1,038,333**	**56,989**	**–**	**2,540,400**
	2012	875,000	210,000	1,085,000	–	–	696,080
Mark Hunter *Group Executive and CEO, Residential*	**2013**	**800,000**	**–**	**800,000**	**119,405**	**–**	**3,476,520**
	2012	800,000	220,000	1,020,000	–	–	1,191,960
David Pitman *Group Executive and CEO, Retirement Living*	**2013**	**700,000**	**210,000**	**910,000**	**56,989**	**–**	**3,045,000**
	2012	700,000	210,000	910,000	–	–	1,062,600
Michael Rosmarin *Group Executive, Strategy and Human Resources*	**2013**	**550,000**	**176,667**	**726,667**	**50,657**	**–**	**741,240**
	2012	550,000	186,667	736,667	–	–	–
John Schroder *Group Executive and CEO, Commercial Property*	**2013**	**1,030,000**	**403,333**	**1,433,333**	**90,458**	**–**	**1,510,320**
	2012	1,030,000	333,333	1,363,333	–	–	1,635,480
Former Executives							
Matthew Quinn *Former Managing Director*	**2013**	**1,308,316**	**650,000**	**1,958,316**	**–**	**–**	**3,580,920**
	2012	1,900,000	665,000	2,565,000	–	–	3,880,800

NOTE: Termination benefits for Mark Hunter, Tim Foster and Matthew Quinn can be found in the Remuneration Report.

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 FY13 using the 30 June 2013 closing security price of $3.48. No LTI vested during FY13 or in FY12.

4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY13 values are based on the closing 30 June 2013 security price of $3.48 (FY12: $3.08).

For more details please see our Remuneration Report in the **Financial Report 2013.**

Securityholder information

Key dates

29 October 2013
Annual General Meeting, Four Seasons Hotel, 199 George Street, Sydney NSW 2000 at 2.30pm

18 December 2013
Announcement of estimated dividend/ distribution for the half year

31 December 2013
Record date

12 February 2014
Half-year result announcement

30 June 2014
Record date

18 August 2014
Full-year result announcement

Your securityholding

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

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**.

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T: (61 2) 9035 2000

Corporation/ Responsible Entity

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Stockland Trust Management Limited
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AFSL 241190

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