

ERVIN GRAF
A PROUD HISTORY
1952

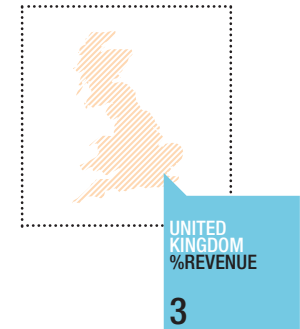
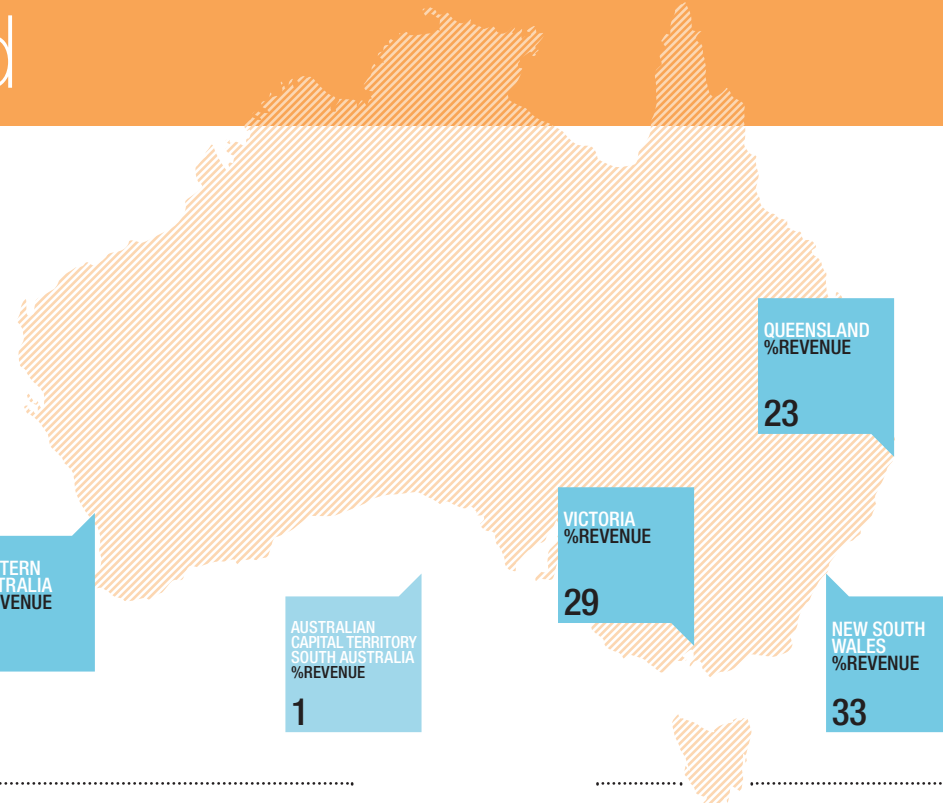


About Stockland

We have a long and proud history of creating places that meet the needs of our customers and communities.

Ervin Graf founded Stockland in 1952 with the 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 us grow to become one of Australia’s leading listed diversified property groups – developing and managing a large portfolio of residential communities, retirement living villages, retail, office and industrial assets.



Our business

COMMERCIAL PROPERTY
RETAIL
We are one of the largest retail property owners, managers and developers in Australia. Our portfolio comprises 42 retail centres valued at approximately \$4.6 billion. We accommodate more than 2,600 tenants, generating over \$5.2 billion in retail sales.

OFFICE
Our office portfolio is comprised of 28 properties valued at \$2.5 billion. We are focused on maximising investment returns across the portfolio.

INDUSTRIAL
Our industrial portfolio is valued at \$1.0 billion, with 15 properties strategically positioned in key locations for logistics, infrastructure and employment.

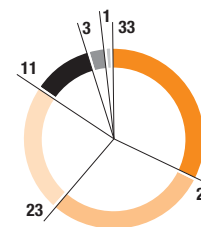
RESIDENTIAL COMMUNITIES
We are a leading residential developer in Australia, focused on delivering a range of masterplanned and mixed-use communities in growth areas across the country. We have 90,200 lots and projects with an estimated total end value of approximately \$24.2 billion.

APARTMENTS
In June 2009 we announced that we will trade-out of our existing apartments projects. We have a range of quality apartment projects in high profile locations across Australia, with an estimated remaining end market value of approximately \$0.5 billion.

RETIREMENT LIVING
We are a top three retirement living operator within Australia, with 7,535 established units across five states. Our portfolio includes a short-medium term development pipeline of over 3,413 units.

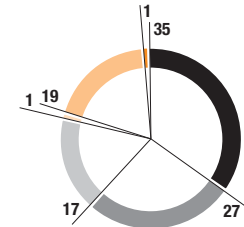
STOCKLAND UK
Our UK business has a portfolio spanning retail, office and mixed-use projects. In August 2009 we announced an orderly withdrawal from the UK market, and we will sell assets over the next two to three years.

BUSINESS BY GEOGRAPHY REVENUE %



NEW SOUTH WALES	33
VICTORIA	29
QUEENSLAND	23
WESTERN AUSTRALIA	11
UNITED KINGDOM	3
AUSTRALIAN CAPITAL TERRITORY & SOUTH AUSTRALIA	1

BUSINESS BY ASSETS ASSET VALUE %



COMMERCIAL PROPERTY	
RETAIL	35
OFFICE & INDUSTRIAL	27
RESIDENTIAL	
COMMUNITIES	17
APARTMENTS	1
RETIREMENT LIVING	19
UK	1

ABOUT STOCKLAND **OUR STRATEGY**

Our strategy

We are focused on leveraging our diversified business model to deliver growth via our 3-R strategy: Residential, Retirement Living and Retail.

In our Residential business we are focused on our market-leading position by increasing our footprint in higher population and employment growth areas. We are increasingly using feedback from our customer insights research to develop quality products and respond to the needs of our customers.

Our Retirement Living business will capitalise and serve the needs of older Australians. We have a substantial development pipeline and there are acquisition and consolidation opportunities. Our aim to double the size of the business was realised with the acquisition of Aevum in late 2010.

In Retail we will continue to develop the business by enhancing the existing retail assets to improve their quality and position in the market.

In delivering our 3-R strategy we achieve competitive advantage through our customers, products and communities. These focus areas are discussed in detail through this report in our work on customer engagement, housing affordability and community development. It is also through these focus areas that our social and environmental sustainability goals are embedded into our group strategy.

WHAT WE AIM FOR	HOW WE DO IT	OUR COMPETITIVE ADVANTAGES
To be a trusted partner with government to deliver vibrant and sustainable communities, retail centres and social hubs	Create market leading capabilities for the development and management of residential communities, retirement villages and retail centres across Australia	Faster speed to market by building trust with key approval authorities and other stakeholders
To deliver our customers a <i>better way to live</i>	Where possible, to bring all three businesses together in major projects under the one brand	Higher Residential and Retirement Living sales rates and prices by putting infrastructure on the ground ahead of our competitors
To be Australia's pre-eminent greenfield community developer	Work with government to facilitate the provision of early infrastructure (transport, education, jobs) to embed community well-being	Higher occupancy in our retail centres through our focus on day-to-day convenience and by not over-building

Delivering on our growth strategy

In FY11 we continued to execute our 3-R growth strategy focused on Retail, Retirement Living and Residential development.

RESIDENTIAL	RETIREMENT LIVING	RETAIL
We entered three new growth corridors in Residential, acquiring projects with an end value of \$4.8 billion on capital efficient terms.	We diversified geographically and established a national platform by entering WA, SA and ACT markets. We now have critical mass in Vic, NSW and Qld. Through the acquisition of Aevum and three RVG villages we are now achieving economies of scale.	We continued to re-weight the Commercial Property portfolio towards high quality retail assets with the acquisition of Hervey Bay and Point Cook shopping centres. Both centres are well located in strong growing markets and can be expanded over time. Our retail development pipeline to improve existing centres is on schedule and budget. As at 1 July we had disposed of a further \$380 million of generally smaller and management-intensive office and industrial assets.

ABOUT STOCKLAND **OUR VALUE CHAIN**

Our value chain

We own, manage and develop property and operate across most parts of the property value chain. However, we engage others to carry out building works, deliver services such as security and cleaning and provide audit and consultancy advice.

Our primary areas of direct activity

Owner

We own shopping centres, office buildings, industrial sites and retirement villages. We manage the acquisition process and are responsible for protecting and enhancing the long-term value of our assets. As a building owner, we have the capacity to make investment decisions that impact the performance of these assets over time.

Asset and property manager

We also manage shopping centres, office buildings, industrial sites and retirement living villages. We manage the large majority of the assets we own, including retirement villages, following the acquisition of Aevum, as well as those assets that are held in our unlisted property funds. This gives us significant influence over the performance of these assets.

Developer

We develop projects nationally, including residential communities and new and substantially refurbished retail, office and industrial projects. As a developer, we have significant capacity to shape environmental and social outcomes. However, our capacity to direct supply chain decisions, such as the selection of building materials, suppliers and construction waste management service providers, can be limited in some instances as we are not a principal contractor (builder).

For the purposes of reporting energy and greenhouse gas emissions under the Federal Government's *National Greenhouse and Energy Reporting Act*, we are considered to have operational control of our residential developments. We have commenced reporting on the energy and greenhouse gas emissions from those sites in this report.

Our areas of influence

Fund manager

We act as an unlisted property fund manager for a small number of retail and office assets and residential sites. Typically, the fund manager has some scope to influence social and environmental performance through directing the property manager. As we are generally both the fund manager and the property and asset manager, we are able to exercise a reasonable level of control over the environmental performance of these assets.

Design

Our involvement in the design process is largely limited to design management. Generally, we engage design consultants such as planners, architects and engineers to provide detailed solutions and documentation. In setting project briefs and managing the design process through Design and Development Managers, we can greatly influence design solutions for communities and buildings, and their social and environmental impact.

Builder (principal contractor)

Over the past year we have not taken on the role of builder. We engage contractors who are equipped to deliver this service and manage the associated risks. Through our Development and Project Managers however, we have the opportunity to define and clearly set expectations with our builders, particularly in terms of labour conditions for construction workers, including health and safety, as well as environmental management.

Commercial office leasing

Commercial leasing is undertaken by contractors. Consequently, this limits our capacity to influence our prospective tenants' perception of the value of energy efficiency and high environmental performance.

In 2011

We are responsible for protecting and enhancing the long-term value of our assets

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Upstream products, including building materials

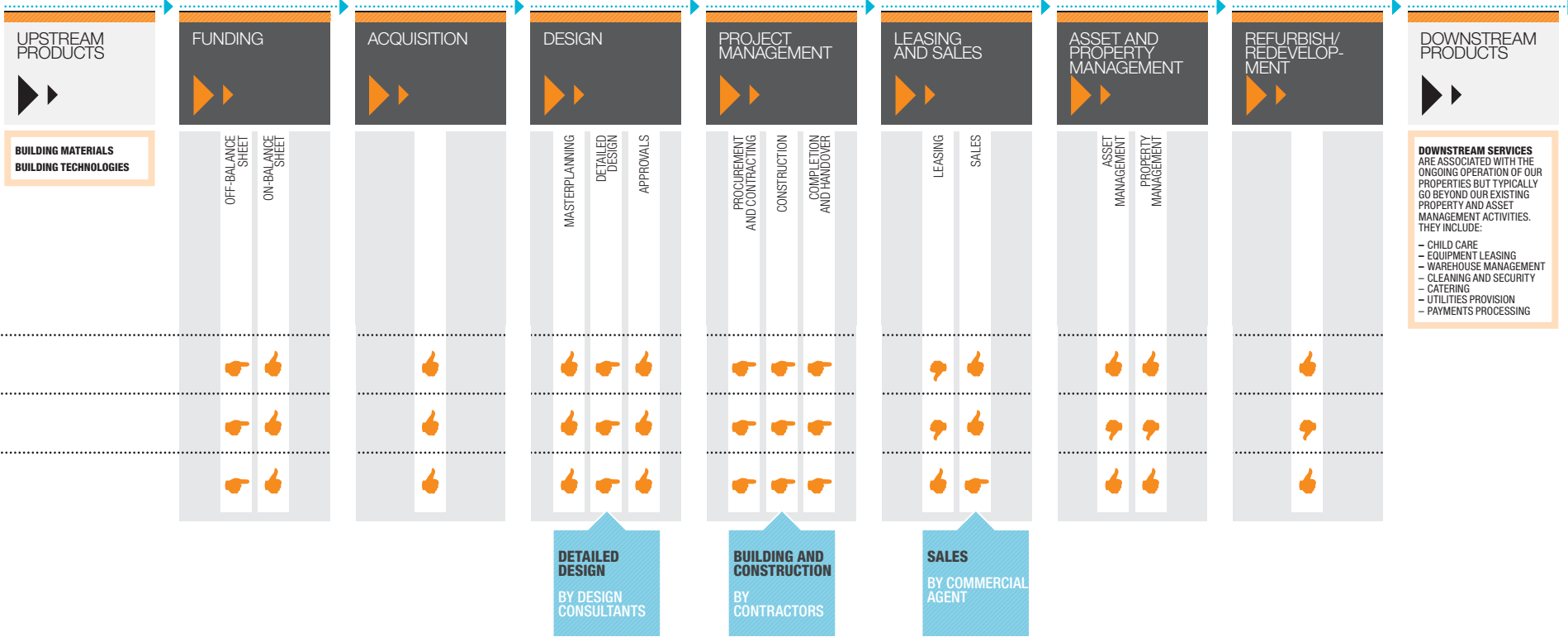
Many upstream products such as building materials are generally selected by our builders. This can limit our ability to direct the selection of environmentally and socially appropriate materials. We can guide the performance attributes of building materials by setting clear briefs and highlighting the value we place on sustainability performance. Our commitment to using Green Star rating tools aids this influence.

Downstream services, including cleaning and security

We have some capacity to influence the sustainability performance of our service providers, such as cleaning and security providers. In particular, we have made clear our expectations to our service contractors through contracts and services level agreements that they provide their workers with fair working conditions. We also have the capacity to audit our suppliers' performance against agreed principles and contract terms.

Value chain

THIS DIAGRAM DEMONSTRATES WHAT WE CONTROL AND INFLUENCE ACROSS THE VALUE CHAIN. WE ARE NOT A BUILDER.



YES. CURRENTLY UNDERTAKEN BY STOCKLAND
NO. NOT CURRENTLY UNDERTAKEN BY STOCKLAND
COORDINATED BY STOCKLAND OR SOMETIMES UNDERTAKEN BY STOCKLAND

ABOUT STOCKLAND **GOVERNANCE****Governance**

The Board takes its governance responsibilities seriously and believes it has the necessary mix of experience and skills to oversee the high standards of corporate governance, integrity and accountability required of a professional and ethical organisation. Details of our corporate governance policies and practices are outlined in our Financial Report 2011.

The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council. Our key policies and the charters for Board Committees can be found on our website www.stockland.com.au.

Risk management

Risk management involves continuously identifying, evaluating and monitoring exposures. Risks can be managed by introducing policies, procedures and work practices. We believe, however, that sustained risk management requires a risk-aware culture where risk management is embedded into the daily management and operation of our organisation.

In FY11, we have strengthened our focus on risk management at the Board level by creating a new Risk Committee to monitor risks across our business and our financial operations. The Risk Committee's charter encompasses a review of risk management issues previously the responsibility of the Treasury Committee (including funding, liquidity, interest rate and counter-party risks), the CR&S Committee (health and safety risks) and project and operational risks.

In FY11 we deepened our risk management culture by facilitating a series of Risk Masterclass sessions to business leaders across the organisation. We believe we can further improve our culture of risk awareness through sharing best practice and risk management expectations with middle management.

Group Risk also facilitated an increased organisational risk focus by actively supporting the identification of material risks to business operations and developing key financial metrics for use in investment decisions.

During the year we have increased the visibility of our existing Fraud and Whistleblowing policies by creating a module for inclusion within our mandatory compliance training. In addition, a Fraud workshop was conducted for key teams in the organisation. We have introduced an anonymous Tell Me function on our intranet encouraging employees to speak up on suspected fraudulent or corrupt practices.

Over the past 12 months, our Group Risk and Sustainability teams have actively collaborated to consider the impact of non-financial risks to inform strategic decisions.

In FY12, the Group Risk and Sustainability teams will continue to work closely together to further embed risk awareness of non-financial risks across the organisation.

In 2011

We believe sustained risk management requires a risk-aware culture where risk management is embedded into the daily management and operation of our organisation

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Key financial results

UNDERLYING PROFIT	\$M
FY11	752.4
FY10	692.3
FY09	631.4
FY08	674.0
FY07	611.0

Underlying Profit

We achieved an 8.7 per cent increase in Underlying Profit. This reflects the profit we realise through our daily business operations. The result is underpinned by growth in each of our three core businesses and a particularly strong performance from Residential Communities.

UNDERLYING EARNINGS PER SECURITY	¢
FY11	31.6
FY10	29.1
FY09	36.5
FY08	46.2
FY07	44.0

Earnings per security

Our underlying earnings per security was 31.6 cents, up 8.6 per cent on last year.

DIVIDEND AND DISTRIBUTION PER SECURITY	¢
FY11	23.7
FY10	21.8
FY09	34.0
FY08	46.5
FY07	44.3

Dividend and distribution per security

Total distributions for the year were 23.7 cents per security, which represents a total payout of \$564.8 million. The Board's policy is to pay to securityholders the greater of 75 per cent of Underlying Profit or Trust Taxable Income.

STATUTORY PROFIT	\$M
FY11	754.6
FY10	478.4
FY09	(1,801.9)
FY08	704.6
FY07	1,716.3

Statutory Profit

Our Statutory Profit takes into account fair value changes of our investment properties and other significant items set out fully in the Financial Report. The improvement of 57.7 per cent reflects increased operating returns and more stable investment property values.

WEIGHTED
AVERAGE COST
OF DEBT FY11
%

5.7

WEIGHTED
AVERAGE DEBT
MATURITY
YRS

5.9

GEARING
%

22

Balance sheet

We maintained a conservative balance sheet with gearing below our target range of 25 to 35 per cent, but up from 18 per cent last year. This gearing level is conservative given the challenges faced by global financial markets.