This is my 12th and final annual report to securityholders.

Letter from the Managing Director on page 3

Our Retail business Operating Profit was up 8 per cent to $310 million, with comparable Net Operating Income growth of 3.8 per cent.

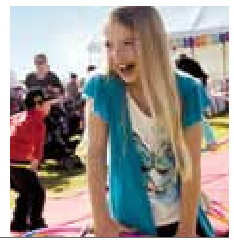
Operational Review on page 4

Positioning for growth – FY13 is a key year in our transition.

Our Strategy on page 5

We identify customer needs to increase satisfaction and wellbeing.

Community on page 6



Stockland

Shareholder Review

2012

60th ANNIVERSARY

1952, the year Stockland was founded, was a time of sporting pride for Australians. Our cricket team secured a test series victory over the West Indies, Jimmy Carruthers became the first Australian to win a world boxing title and our athletes won six gold medals at the Helsinki Olympics.

As these events were unfolding, a young architect named Ervin Graf completed the first residential project for Stocks and Holdings in Sydney's west. This project marked the start of our journey towards becoming one of Australia's largest property companies.

Reflecting on the past 60 years, it is clear that each era has presented its own challenges and opportunities for growth. Our diamond anniversary reminds us that economic cycles have come and gone but Stockland has endured and grown stronger over time. Also clear is the evolution in our products and approach. We remain focused on quality, affordability, family and community, but how these are delivered reflects the innovations that comes with the experience of 60 years at the forefront of the Australian property industry.

First opened in 1972 and completely redeveloped 40 years later, Stockland Merrylands shows the changing face of retail – page 2

Results Year in Review

2012

Underlying Profit[1,2] ($M)

$676.1

FY12	676.1
FY11	726.3
FY10	692.3
FY09	631.4
FY08	674.0

Our Underlying Profit, which reflects the profit we realise through daily business operations, was down 7 per cent on FY11, reflecting the challenging operating environment.

Underlying earnings per security[1] (¢)

29.3

FY12	29.3
FY11	30.5
FY10	29.1
FY09	36.5
FY08	46.2

Our underlying earnings per security was 29.3 cents, down 4 per cent on last year.

Distribution per security (¢)

24.0

FY12	24.0
FY11	23.7
FY10	21.8
FY09	34.0
FY08	46.5

Total distributions for the year were 24.0 cents per security, which represents a total payout of $542 million. The Board's policy is to pay to securityholders the greater of 75–85 per cent of Underlying Profit or 100 per cent of Trust Taxable Income.

Statutory Profit ($M)

$487.0

FY12	487.0
FY11	754.6
FY10	478.4
FY09	(1,801.9)
FY08	704.6

Our Statutory Profit was down 35 per cent, predominately due to unrealised mark to market adjustments on financial instruments.

1 FY11 figures restated to reflect change in accounting for the Retirement Living business. See Financial Report 2012 for details.

2 Underlying Profit is a non-IFRS measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities in a way that reflects the Group's underlying performance. See Financial Report 2012 for details.

Balance Sheet at 30 June 2012

6.0%
Weighted average cost of debt

5.3 years
Weighted average debt maturity

25.8%
Gearing

We continue to manage our business prudently and conservatively, given ongoing uncertainty in global credit markets. Our balance sheet remains strong with relatively low gearing, comfortably within our target range of 20–30 per cent.

Return on equity

8.2%
Return on equity

The way we measure return on equity is set out in our Results Pack found on our website.

REMUNERATION REVIEW

While Stockland's remuneration policies have served us well and proven to be resilient over many years, remuneration practices continually evolve. In mid-2011, the Board undertook a thorough review of our remuneration policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective given the changing shape of Stockland's business priorities and market challenges.

Page 8

We maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency.

Letter from the Chairman on page 3

Highlands Farmers Market, Victoria

1952

Stockland was founded 60 years ago with the vision to not merely achieve growth but to make a worthwhile contribution to the development of our great country

About Stockland

Our business

2012 marks the 60th anniversary of Stockland – a proud milestone in times when stability and longevity are so important.

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 residential communities, retirement living villages, retail, office and industrial assets.

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 gather, to share and to live life.

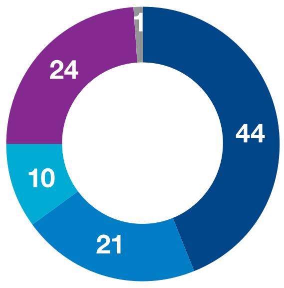
Read more about our story at
www.stocklandbook.com.au

42 shopping centres
Retail portfolio

70 projects
Residential portfolio

7,984 village units
Retirement Living portfolio

34 commercial properties
Office & Industrial portfolio



Business by Assets

Retail	44%
Residential	21%
Retirement Living	10%
Office & Industrial	24%
Apartments & UK	1%
Total Asset Value	**$12.7bn**

Two eras of retail

Stockland Merrylands

Our Merrylands shopping centre shows how much the retail landscape has changed. When it opened in 1972, Stockland Merrylands was one of our first major retail projects. This October we complete a five-year, $400 million redevelopment that will transform the centre and its role in the community.

For 40 years Stockland Merrylands has been a cornerstone of the local community and an important asset for the Group. However, it had come to reflect a bygone era in shopping centre design – an inward-focused box of stores that, while providing a great shopping experience, was cut off from the community.

Our redevelopment has opened the centre up to neighbouring precincts to better integrate it with the community and make Stockland Merrylands a hub for social interaction.

The expanded retail offering will make Merrylands the leading centre in southwest Sydney, with three major leading edge supermarkets, three discount department stores, over 200 speciality stores and a 750 seat food court. The strength of this offering, together with a more integrated community design, are set to make Stockland Merrylands a major asset for the region.

The vision behind this transformation is not ours alone – and this is another way in which the project reflects how far Stockland has come. Community engagement has always been a part of property development, but what we now call community development stretches way beyond planning consultation to ensure our developments and assets help create thriving local communities.

We wanted to share ownership in Merrylands' transformation with the wider community.

We wanted to share ownership in Merrylands' transformation with the wider community. We asked retailers, community groups and local residents for their ideas on how to create the ideal retail experience so that we could deliver an environment, retail mix and amenities that are aligned with community needs. Examples of how Merrylands has been reshaped to incorporate these ideas include a new fashion precinct, a 'my funland' kids play area and a parents' room which has been awarded a 5 Star rating from the Australian Breastfeeding Association.

Customer

Offering customers value and convenience

Our customers, tenants and residents across our three core businesses continue to seek more value and convenience.

Housing affordability has remained a key focus for our Residential business. This year we maintained our strategy of moving increasingly towards smaller lot sizes to maximise affordability. This strategy has enabled us to deliver an improved supply of affordable housing stock over the past year, with a growing proportion of stock under $225,000.

Last year, together with our builder partners, we offered a house and land package priced at less than $300,000 in every state where we operate. Both the Wungong Reach (Western Australia) and North Lakes (Queensland) projects have delivered house and land packages for under $270,000, while the Bower series of homes in the new Queensland community of Bells Reach achieved a starting price of just $205,000.

Within our Retirement Living business we are focused on delivering affordable homes responding to the changing needs of the resident, so they can enjoy living independently in their home and community. This year we have focused our efforts on entry costs and cost of living. Entry price affordability and cost of living are key factors for our residents, most of whom are no longer in the work force. We have an average price of $349,000 across our villages, compared to a national median sale price of $540,000, and over 60 per cent of our Retirement Living villages have a monthly fee that is equal to or less than 25 per cent of the monthly aged pension.

High quality affordable products enhance our market share:

First home buyers

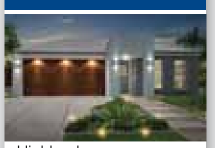
Settlers Hills

3 2 1

$294,970

$36 per week less to buy than rent

Families



Highlands

4 2 2

$344,500

Space for the family for less than the local median house price

Customer insight – a key competitive advantage

Our commitment to our customers is reflected in the products we offer and the way we interact.

We invest in research and training to maintain and improve customer satisfaction.

Stockland Shellharbour

Residential

We use third party research – Stockland Customer Pulse – to interview people who had either enquired about or purchased a home within a Stockland residential community.

93%
rated the customer experience as good, very good or excellent (up from 90 per cent in 2011)

96%
of those who placed a deposit rated the experience around that part of the process as good, very good or excellent (up from 93 per cent)

Retirement Living

In Retirement Living our Residents' Voice survey monitors how our residents feel about life in their Stockland retirement village. Rated on a scale of one to 10, this year our resident satisfaction results were:

97%
of villages had an average satisfaction score of 7 or more

8.4/10
Average satisfaction of village life remained high

Retail

In our Retail business we also conduct an annual customer satisfaction survey, with tenants completing an online survey.

69%
Average satisfaction with Stockland, up from 50 per cent in 2010

3rd
We improved from fifth place in 2010 to third in 2011 when ranked against our competitors on customer satisfaction

3

Stockland has had only three Managing Directors in 60 years.

Letters

From the Chairman

In FY12 Stockland delivered a reasonable, but disappointing result in a very difficult market environment. Underlying Profit was $676.1 million, down 7 per cent on FY11, and Underlying Earnings per security was 29.3 cents, down 4 per cent. Stockland's distribution per security rose 1 per cent to 24.0 cents. Our Statutory Profit was $487.0 million, down 35 per cent on the prior year, due mainly to mark to market valuation adjustments on financial instruments, the majority of which will not be realised if held to maturity.

Reflecting our prudent approach, we maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency. We are managing the pace of our spending on new projects carefully to avoid the need for new equity and continue to pay steady distributions to securityholders in future years out of operating earnings, while maintaining low levels of debt.

We remain focused on improving shareholder returns through active allocation and management of our capital. During the year we made good progress towards our strategic portfolio, reweighting from Office and Industrial to Retail with the sale of $964 million of non-core assets at an average price above book value. We used the proceeds to invest in Retail, Residential and Retirement Living projects that will provide significant future profits and to fund our security buyback.

Under our security buyback program during FY12 we acquired 7.5 per cent of our issued capital. This improved our earnings per security by 1 per cent in FY12 with expected full year impact of over 2 per cent. We will continue the buyback program up to 10 per cent taking into account the progress of our asset sales.

Leadership succession

In July we announced Matthew Quinn's decision to retire as Managing Director of Stockland by February 2013. As only our third Managing Director in 60 years, Matthew has made a transforming contribution to the company. Over more than 11 years at the helm, he has overseen Stockland's growth from $1.7 billion in assets in 2000 to around $12.7 billion today.

While Stockland's performance in the past year has been impacted by extremely challenging market conditions, under Matthew's leadership Stockland has grown to be a market leader in its core businesses. The Board applauds his commitment during the past 12 years and his many achievements.

Matthew will continue to lead the business while the Board undertakes a comprehensive internal and external search to select Stockland's next chief executive. The Board has every confidence that Matthew and our experienced executive team will continue to manage the business well and ensure a smooth transition to new leadership.

Sustainability

Our commitment to sustainability is now well recognised and to demonstrate its integration in our business this year we have brought together our financial and non-financial performance metrics in one document – our Annual Review. I encourage you to read this new report on our website to find out more about how our approach to sustainability is delivering improved returns for investors. To further underscore how central sustainable operations are to Stockland, we have expanded our Sustainability Committee to include all directors from July 2012.

Board and management

I would like to thank my Board and executive colleagues for their engagement and hard work through the past year. One area of special focus for the Board this past year was executive remuneration. During FY12 we conducted a thorough review of our remuneration policies and practices to more closely align executive remuneration with the interests of securityholders and to ensure that our policies reflect best contemporary practice. We made a number of significant changes, which are set out in our Remuneration Report.

Outlook

Clearly we are facing very uncertain times. World economies, particularly in Europe, are likely to remain volatile for some time and, despite the strength of our resources and energy sectors, continue to impact on consumer and business confidence here in Australia. We are experiencing one of the most sluggish housing market recoveries that many seasoned observers can recall after a substantial reduction in RBA interest rates. All indications are that we are in for another tough year if these highly uncertain conditions continue.

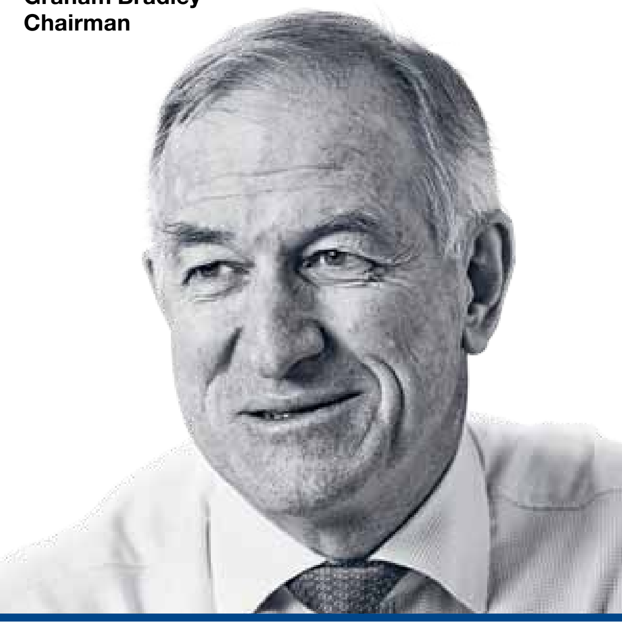
Stockland celebrates the 60th anniversary of its establishment in 2012. Over our 60 year history we have seen cycles come and go. Each has presented its own challenges and opportunities. Today is no different.

We are confident that with our deep understanding of our customers, and innovative approach to creating products that offer value and convenience, our business is well positioned to grow as business conditions improve in FY14 and FY15.

In summary, FY13 will be a year of transition, leading to improved returns in FY14 as our new shopping centre developments begin to yield income and as first sales from new major Residential projects commence. Unless there is continuing weakness in the residential market beyond FY13, we are confident that our earnings per security will grow in FY14. Accordingly, the Board expects to maintain Stockland distribution at not less than 24 cents per security in FY13.

> With a deep understanding of our customers, and our innovative approach to creating products, our business is well positioned to grow

Graham Bradley
Chairman



From the Managing Director

Our strategy of delivering high quality and affordable residential communities, shopping centres and retirement living for middle Australia helped provide resilience in very challenging market conditions last year. We achieved solid results in our Retail and Retirement Living businesses and strong Residential sales volumes in a very soft market.

We managed prudently, sharpened our focus on understanding our customers, delivered innovative products that meet their needs and executed our strategy to position our business for future growth.

Retail

Our Retail business Operating Profit was up 8 per cent to $310 million, with comparable Net Operating Income growth of 3.8 per cent.

This result reflects the success of our strategy to adapt our portfolio to minimise the threat of online shopping. Our focus on creating community hubs weighted towards fresh food and services has seen us achieve solid sales growth. Using detailed research we are creating centres with the right mix of shops to attract and retain customers.

At the same time we have continued to invest in our development pipeline to ensure our centres are more resilient and to grow our returns. We currently have three major projects under construction – Merrylands, Townsville and Shellharbour – each on track to open on time and fully leased.

Office and Industrial

Our Operating Profit for Office and Industrial was down 16 per cent to $219 million reflecting the impact of our asset sales and weakness in the market. Our ongoing reweighting out of Office and Industrial towards higher returning less volatile Retail assets is progressing well, with the sale of $964 million of Office and Industrial assets in FY12 at prices on average slightly above book value. This does, however, create an earnings lag as reinvestment in our Retail pipeline takes two to three years to deliver returns. We will continue to focus on optimising the performance of our remaining assets as we progress our sales program.

Residential

Despite the market being at a deep cyclical low we achieved a record number of settlements in FY12, up 6 per cent to 5,388. However, pressure on our margins impacted on Operating Profit, which fell 15 per cent to $198 million.

Interest rate cuts have not stimulated activity in the way they have traditionally and new home buyers remain cautious. Against this backdrop it is pleasing to see that our target corridor strategy remains very sound with areas where we operate outperforming the broader market in price, and Stockland outperforming within our corridors. This enabled us to hold our prices flat in this difficult market and maintain high market share through our focus on affordability. For the first time, in conjunction with our builder partners, we offered house and land packages below $300,000 in all the states where we operate.

Our Residential business is well placed to achieve strong future growth, currently having 10 of the country's 20 largest projects and with 16 projects due to launch in the next three years, including Marsden Park and East Leppington in New South Wales, Caloundra South in Queensland and Lockerbie in Victoria.

Retirement Living

Our Retirement Living business progressed well in FY12, with operational efficiencies and a record number of sales contributing to an increase in Operating Profit to $36 million, up $20 million from last year. We enter FY13 in a strong position with over 200 reservations on hand and 12 active developments in four states.

Cash returns from this business are growing steadily and we continue to focus on lifting these further through development of new product, increased efficiency in our development process and as village maturity increases. The next five years will see a major shift in the market as population ageing gains momentum. By maintaining a pipeline of new product we will be ready to benefit from the resulting increase in demand.

Financial management

We have continued to manage our business conservatively, given ongoing uncertainty in global credit markets. Our balance sheet remains strong with relatively low gearing of 25.8 per cent, comfortably within our target range of 20 to 30 per cent. We actively managed our debt profile to ensure it remains long-dated and cost effective.

People

I would like to thank all our employees for their efforts during FY12. A high-performing team is critical for business success, particularly in a challenging market where adaptability and hard work are more important than ever.

This year we undertook significant restructuring to help us harness core capabilities that can be applied consistently across the business to deliver communities that integrate our retail, residential and retirement offerings. This has enabled us to remove duplication across our business units and refocus some core functions. While a number of roles were affected, we have sought to minimise the impact through natural attrition and redeployment.

> We have continued to manage our business conservatively and our balance sheet remains strong

The year ahead

FY13 will be a difficult year with ongoing residential market headwinds and the impact of the transition of our business as we position it for growth in FY14 and beyond.

While our Retail and Retirement Living businesses remain well placed to deliver increased returns in FY13, there will be no contribution from UK and Apartments and income from our Office portfolio will be lower due to asset sales. We are also anticipating lower Residential margins due to less sales of high margin lots in Victoria as the market slows, and increased sales of low margin or impaired lots in NSW.

The major uncertainty in our outlook is the state of the residential market. The new housing market remains soft and lower mortgage rates are not yet having the same positive impact as occurred in previous cycles. As a result, the short-term earnings outlook remains uncertain.

Farewell

This is my 12th and final annual report to securityholders. It has been a privilege to lead Stockland and I am very proud of the legacy I will leave behind. Thank you to all our securityholders for your commitment to Stockland. I am confident the Group is in good shape to deliver you growing returns from FY14 as the business completes its transition and market conditions improve.

Matthew Quinn
Managing Director

15

In FY12 on average 15 families moved into a Stockland community every day

Operational Review

Resilience in difficult conditions

John Schroder
Group Executive and CEO, Commercial Property

RETAIL

Net Operating Income (NOI)

$310m

The performance of our Retail centres demonstrates the effectiveness of our focus on creating community hubs with a clear value and convenience offering. This strategy helps insulate us from the threat of online shopping.

We continue to invest in our development pipeline to ensure that our centres are more resilient and to grow our returns. Our three major projects will be unique in their trade areas: Townsville, 40 new retailers for the trade area; Merrylands, the only regional centre with three supermarkets and three discount department stores; and Shellharbour, the only major regional centre servicing the Illawarra.

NOI growth
8%

Comparable NOI growth
3.8%

Comparable moving annual turnover growth
2.9%

Portfolio occupancy
99.4%

Return on Assets
8.0%

Leasing growth and development driving improved Retail NOI

Retail NOI FY11 and FY12

Shopping centre productivity (turnover per sqm)

OFFICE AND INDUSTRIAL

Net Operating Income

$142m
in Office

$77m
in Industrial

We continued to reweight our Commercial Property portfolio with the sale of $964 million of Office and Industrial assets in FY12 at prices on average slightly above book value.

We are focused on optimising the performance of our remaining assets. We have outsourced day-to-day property management to a specialist provider to achieve cost savings, while retaining internal control of strategic asset management to focus on maximising returns.

NOI down
16%

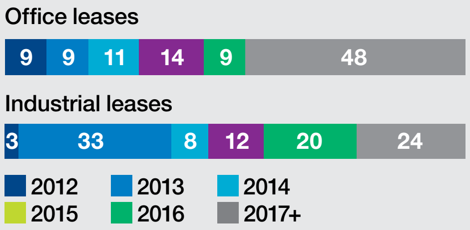
Comparable NOI: Office flat and Industrial up
4%

Portfolio occupancy in Office
94.5%

Industrial
97.3%

Return on Assets
7.8%

Annual lease expiry profile (%)



Mark Hunter
Group Executive and CEO, Residential

RESIDENTIAL COMMUNITIES

Operating Profit (incl. interest in COGS)

$198m

We achieved a record number of settlements in FY12, despite the residential market being at a deep cyclical low, but pressure on our margins impacted our profit result.

Interest rate cuts have not stimulated activity in the way they have in the past and new home buyers remain cautious. Our ability to bring affordable product to the market has been central to maintaining our high market share in our chosen corridors in this challenging environment.

We are well placed to achieve strong future growth with the launch of up to 16 new projects in the next three years including Marsden Park and East Leppington in NSW, Caloundra South in Queensland and Lockerbie in Victoria.

Lots settled, up 6% on FY11
5,388

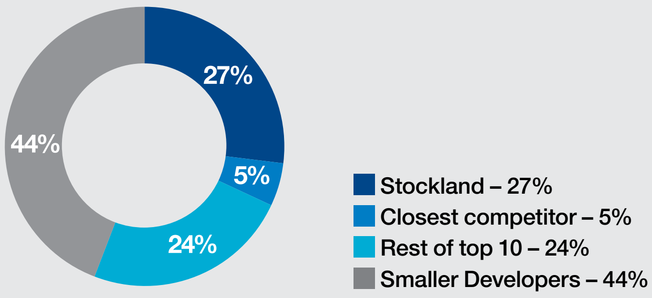
Return on Assets
11.3%

Contracts on hand at 30 June 2012
1,561
around 700 lower than last year

EBIT
$270m

EBIT Margin, at the low end of our target range
25%

Stockland market share in chosen corridors maintained within our target range



Number one masterplanned community in Australia

Our Highlands masterplanned community in Melbourne's northern suburbs showcases our strategy and strengths, bringing residential, retail and retirement living together in a new community informed and inspired by comprehensive community engagement.

Highlands exemplifies Stockland's approach to greenfield development: an integrated project that combines all of the elements necessary for a new community to thrive – elements which are progressively delivered so that from its earliest days it has all the ingredients required for a vibrant community. It's an approach that drives sales rates and prices.

In FY12, as a result, Highlands was the number one project in Australia by sales volumes. Surveys of current residents revealed 83 per cent are highly satisfied living in this community.

When completed Highlands will comprise more than 7,000 homes, retail centres and retirement living.

David Pitman
Group Executive and CEO, Retirement Living

RETIREMENT LIVING

Operating Profit

$36m

Our Retirement Living business progressed well in FY12, achieving operational efficiencies and increased revenue. We enter FY13 in a strong position with over 200 reservations on hand and on track to deliver a record number of sales including over 300 new unit sales, with 12 active developments in four states.

Cash returns from this business are growing steadily (ROA up from 2.9% in FY11) and we continue to focus on lifting these further through development of new product, increased efficiency in our development process and as village maturity increases.

Operating Profit up from FY11
125%

Record number of sales
519
existing units
268
new units

Return on Assets
4.2%

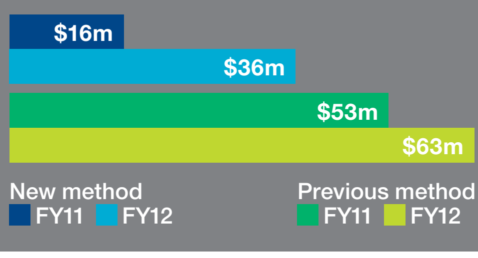
Portfolio occupancy
94%

Focusing Retirement Living on cash returns

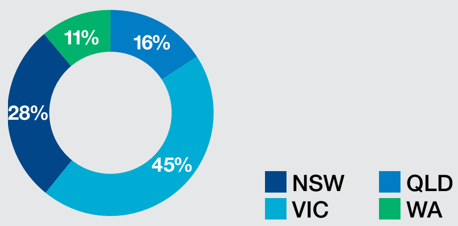
We have simplified Retirement Living accounting. Historically earnings were a combination of cash and accrual/accounting adjustments. Under our new method, Underlying Profit will be closely aligned with cash flows. We have:

- Replaced DMF accrual with actual turnover cash margin
- Removed unsettled development profit
- Community facilities are a fixed asset and costs will be capitalised

Underlying Profit in both methods



Geographically diverse development pipeline



UK AND APARTMENTS

UK: Operating Profit

$17m

Apartments: $ Nil Operating Profit

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

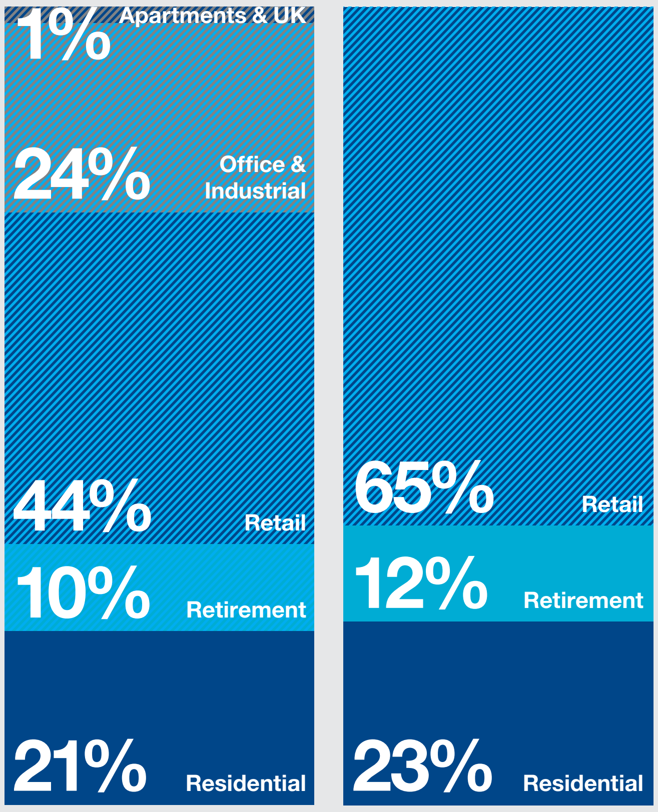
60%

Over 60% of our retail centres have Stockland residential communities or retirement living villages within their trade areas

Strategy

Positioning for growth

Today → Future Direction



How We Achieve It

Respond appropriately to continuing uncertainty and volatility

- Strong balance sheet with low gearing
- Improved capital efficiency
- Streamlined business

Proactively adapting to the changing market

- Creating leading retail centres with a clear value and convenience offering, resilient to online retailing
- Maintaining high residential market share by offering high quality, affordable products
- Providing affordable options for retirees who want to remain active and engaged in the community

Investing for the future

- Recycling capital from non-core assets into Retail, Residential and Retirement Living businesses

Our Advantages

An integrated business sets us up well for the future

Similar customers allows us to share insights across the business and deliver tailored products and services.

Integrated projects are faster to market, have stronger sales rates and higher levels of customer satisfaction.

Common processes across our business means we save costs and increase efficient and effective delivery.

Looking ahead

We will continue to deliver on our strategy, liberating capital from our Office and Industrial assets and reinvesting capital into Retail, Residential and Retirement Living businesses, as market conditions enable us to do this advantageously.

We will continue to focus on unlocking value through development in our Retail business with the next wave of projects. Development approvals have been received for eight projects and we will continue to submit development approvals as opportunities arise over the coming years.

Our Residential strategy remains to deliver affordable, high-quality residential communities for middle Australia. Focusing on large-scale greenfield development with speed to market and targeting high-growth areas for improved market reach. Over the next three years we will launch 16 new projects, including Caloundra South, Lockerbie, East Leppington and Marsden Park.

Retirement Living's growth strategy is supported by a strong development pipeline capability across the next five years. We are on track to deliver 300 new units in FY13 in our Retirement Living business, with 12 developments across four states.

Responding to the challenges and opportunities

We are tackling the challenges of the current market conditions by managing our balance sheet conservatively, reducing our costs and delivering innovative products to meet customer needs.

We have market leading capabilities in the development and management of Retail, Residential and Retirement Living, which places us in a good position to take advantage of opportunities in a changing marketplace.

Short Term
Challenging market conditions

Challenge

Global and domestic economic uncertainty

Response

- Manage prudently and conservatively
- Maintain a **strong balance sheet** with low gearing and tight control of costs
- Restructured to capture synergies and **leverage capabilities**
- Focus on improving **securityholder returns** through active capital management – capital released from non-core asset sales is used to buy back shares, keep debt low and invest in **growing our core businesses**

Challenge

Consumers are more cautious

Response

- Sharpened focus on understanding our customers and maintaining high **customer satisfaction**
- Create leading retail centres with a clear **value and convenience** offering, resilient to online retailing
- Maintain high residential market share by offering **high quality**, affordable product
- Provide **affordable options** for retirees who want to remain active and engaged in the community

Investing for the future →

We are confident Stockland is in good shape to remain resilient in the current challenging environment and well placed to grow as new projects come on line and conditions improve.

We will continue to drive our competitive advantage through our deep understanding of customers and community and leverage our integrated strategy to deliver projects that meet the needs of the changing market.

Long Term
Changing marketplace

Challenge

Technology is changing spending habits in retail

Response

- Continually monitor consumer and market trends and **adapt accordingly**
- Invest in understanding future trends so we can **identify new opportunities**
- Create centres that **exceed expectations** and provide tangible experiences that virtual shopping is unable to match
- Ensure our retail centres become thriving **community hubs** by delivering quality retail and dynamic spaces

Challenge

Consumers expect more from their communities

Response

- Invest in the **early delivery of community facilities** such as schools, shops and playgrounds to enhance satisfaction, pricing and sales rates
- 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** including affordable living, access to employment and education, belonging and identity, health and wellbeing, and governance and engagement

$300,000

Last year we offered a house and land package priced at less than $300,000 in every state where we operate

Community

Measuring our community impact

Highlands, Victoria

Stockland aims to create communities that thrive into the future. To ensure that our projects provide the right elements to sustain vibrant community life we have begun measuring the impact of our community development and giving and volunteering activities.

By measuring, tracking and communicating the social performance or 'liveability' of our residential communities, we can identify our customers' needs and priorities, such as safety or access to education, and use these to deliver outcomes that will increase resident wellbeing – their satisfaction with life in the community and their life in general.

The results of three unique pilot surveys told us satisfaction with living in these communities exceeds 80 per cent and our residents rate their personal wellbeing highly. In fact, wellbeing in our pilot communities is above the Australian average.

Armed with these results we can ensure our future projects deliver what our current and prospective residents need – making a them a more desirable place to live.

In addition to our work on liveability we have invested in a three-year research partnership with the Centre for Social Impact (CSI) that will help us better align our community initiatives and giving and volunteering with our business objectives. This will ensure that the community initiatives we undertake have the most beneficial result for both Stockland and the community.

Creative community engagement

Responding to the needs of the local communities where we have a presence offers us rich opportunities to bring residents and customers into the project planning and design process.

As part of the redevelopment of Stockland Wetherill Park our challenge was to create a retail social hub that provided the community with a safe and inclusive space of which the community could be proud. The project also provided an opportunity for the growth of local enterprise and a platform for people to express their creativity.

Stockland Wetherill Park sits within Fairfield City – home to almost 200,000 people representing 130 nations and using 64 different languages. To create a new space that reflects Fairfield's cultural identity, Stockland worked with Information and Cultural Exchange (ICE) and The Lot to design an innovative community engagement program. Working with them enabled us to tailor our engagement to the local creative community and create a genuine dialogue with local stakeholders.

The project included conversations, workshops and meetings with the local creative community, social enterprises and community organisations to share their ideas for the new space.

Four strong ideas for the community space emerged from our engagement: a retail space (such as a market or retail incubator), a commercial kitchen, a performance and training space, and a studio and workspace. Working with the community we will bring these ideas to life to create a retail community hub for Wetherill Park.

Working with the community, we will bring these ideas to life.

Wetherhill Park, New South Wales

Environment

Improved environmental and cost outcomes

The success of our business depends on the sustainability of the environments, communities and economies in which we operate.

Improved understanding of our environmental risks and impacts informs and benefits all areas of our business, from project design to investment decision making. This includes optimising the performance of our retail centres, retirement living villages and residential communities.

Sustainable planning and design

We have expanded our use of CCAP Precincts, a sustainability design tool for masterplanned communities, to benchmark 12 development projects and create a new process for sustainable community design.

By taking inputs from project plans as well as unique local climate and utility data, we can calculate the sustainability performance of a community and assess future costs and benefits. This enables us to improve sustainability outcomes through design and planning by quantifying the impact of sustainability initiatives. It also means proposed initiatives can be quickly assessed by the project team.

At a project level we can assess the sustainability and financial impacts of key planning decisions across transport and land use, embodied carbon, operational energy and water and stormwater with a clear idea of what best practice looks like and what the outcomes of different scenarios will be.

Efficient operating assets

Energy efficiency remains the most cost effective way for our Commercial Property business to reduce greenhouse gas emissions and deliver a strong return on investment.

In FY09 our Commercial Property business committed to a 20 per cent energy intensity reduction by FY14. Our Office portfolio has continued to deliver energy efficiency through a strong focus on management. Within Retail we have consolidated our FY11 improvement and continued to improve towards our target.

At the end of FY12 we had achieved a 23 per cent reduction for Office and a 6 per cent reduction for Retail against our FY14 target.

Innovative solutions

In the last 12 months we have partnered with innovation leaders CSIRO on research to increase our understanding of the performance and economics of renewable/distributed energy and our technology options for projects.

Our relationship with the CSIRO has resulted in the application of solar installations on a number of our retail projects.

Highlands, Victoria

Electricity consumption intensity of our Office and Retail portfolios (kWh/m²)

Office	
FY12	84.7
FY11	93.1
FY10	104.8
FY09	109.8

Retail	
FY12	75.0
FY11	78.9
FY10	83.0
FY09	80.1

Our total greenhouse gas emissions ($kgCO_2$-e)

Scope 1 & Scope 2 Total	
FY12	144,510,759
FY11	155,742,244
FY10	146,273,971
FY09	145,326,882

Green Star for leadership

In FY12 all three of our businesses were working with the Green Building Council of Australia (GBCA) to improve the sustainability performance of our Retail, Retirement Living and Residential projects. This demonstrates Stockland's commitment to sustainable planning, design and construction.

More Green Star rated retail centres than any other property company in Australia.

Our Retirement Living business worked with the GBCA to create two industry firsts: developing the first custom tool for Green Star rating of an entire Retirement Living village, and piloting the GBCA's public building tool on a Retirement Living community centre. Our Residential business is committed to piloting the new Green Star Communities tool, registering Caloundra South as our first project. And our Retail business has more Green Star rated retail centres than any other Australian property group.

Dow Jones Sustainability Indexes
Member 2011/12

43%

We exceeded our women in management target reaching 43 per cent in FY12. Our new target is 45 per cent by 2017

People

Harnessing our people capabilities

Organisational restructure

Central to the success of our business strategy is our 'One Stockland' approach. This is focused on harnessing core capabilities and leveraging these across our business units so that best practice in Retail, Residential and Retirement Living helps create vibrant communities across Australia.

Earlier this year we reviewed our functions to identify the best structure to efficiently and effectively deliver our strategy. We decided to establish 'centres of expertise' that combine roles and capabilities previously housed within each operating business. This move reinforced our 'One Stockland' approach, while also achieving synergies and cost efficiencies.

Employee engagement

Our employee engagement survey, 'Our Voice', is now in its eighth year. It tells us how well we are performing in areas such as team management and learning and development, and how satisfied our people are with aspects of their employment such as pay and work-life balance. This year our overall employee engagement score was 84 per cent. This places Stockland two points above the norm for Global High Performing Companies.

Diversity

A key focus is increasing women in management roles, where we have a target of 40 per cent by 2015. This year Stockland exceeded that level, climbing from 37 to 43 per cent. We are now targeting 45 per cent by 2017. Our commitment and efforts have been recognised by the Equal Opportunity for Women in the Workplace Agency, which this year named Stockland an Employer of Choice for Women.

Occupational health and safety

This year's 'Our Voice' survey told us that 97 per cent of employees reported that their workplace is a safe place to work. This year there has been a major focus on working to embed our National OH&S Strategy, developed last year in preparation for the introduction of the new Workplace Health and Safety Harmonisation Laws in January 2012. Our strategy provides a framework for a nationally consistent approach.

Employee engagement score

FY12	84%
FY11	84%
FY10	82%
FY09	83%

Overall proportion of women in management

FY12	43%
FY11	37%
FY10	35%
FY09	34%

Flexibility to work smarter

We recognise that personal circumstances may change during the course of employment, so we make it possible for our people to continue to develop a successful career with Stockland while balancing work with family and other personal commitments.

We believe that embracing flexibility enables people to work smarter and is critical to maximising productivity and building a high performance work culture.

This year we supported a report produced by the Diversity Council Australia *Get Flexible: Mainstreaming Flexible Work in Australian Business* examining why it is important and what organisations need to do to mainstream flexibility in the workplace.

Our Flexible Working Policy has a range of options that our employees can take advantage of including flexible starting and finishing times, part-time working, job-share, working from home, extended leave without pay and an option to purchase two additional weeks annual leave.

Ramana James, National Environment Manager and his daughter Marlowe. He took three months off work to take care of his daughter and works four days a week. *Image: Tamara Voninski/Fairfax Syndication*

Board

Board of Directors

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 Chairman on 25 October 2005. He is a member of the Human Resources Committee.

Stockland Board meetings FY12
Attended 11 of 11

Duncan Boyle
BA (Hons), FCII, FAICD

(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He served as Chairman of the Corporate Responsibility and Sustainability Committee since 2010. 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.

Stockland Board meetings FY12
Attended 11 of 11

Carolyn Hewson
B.Ec (Hons), M.A (Ec), FAICD

(Non-Executive)

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

Stockland Board meetings FY12
Attended 11 of 11

Barry Neil
B.Eng (Civil)

(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007. He is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee. He became a member of the Corporate Responsibility and Sustainability Committee in 2009.

Stockland Board meetings FY12
Attended 11 of 11

Matthew Quinn
B.Sc (Hons), ACA, ARCS, FAPI, FRICS

Managing Director

Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. He is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and has been a member of the Corporate Responsibility and Sustainability Committee since 2008.

Stockland Board meetings FY12
Attended 11 of 11

Carol Schwartz
BA, LLB, MBA, FAICD

(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. She was a member of the Stockland Audit Committee until 30 June 2012 and has been a member of the Corporate Responsibility and Sustainability Committees since 2011. Ms Schwartz was appointed as a member of the Risk Committee from 1 July 2012.

Stockland Board meetings FY12
Attended 10 of 11

Peter Scott
B.E (Hons), M.Eng Sc, FIE. Aust, CPEng, MICE

(Non-Executive)

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

Stockland Board meetings FY12
Attended 11 of 11

Terry Williamson
B.Ec, MBA, FCA, FCIS, MACS

(Non-Executive)

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

Stockland Board meetings FY12
Attended 11 of 11

Our revised remuneration policies

2012

The Board views setting remuneration policies as one of its most important responsibilities – ensuring that Stockland's remuneration policies and practices are fair, responsible, competitive and effective.

Our remuneration approach is designed to attract, motivate and retain the best people. Employee remuneration is directly linked to business performance and aligns incentive payments to securityholder interests via business outcomes such as Total Securityholder Return (TSR) and Earnings Per Security (EPS).

Short-term incentives (STIs) awarded in FY12 reflected the Group's reasonable performance in difficult market conditions.

Long-term incentives (LTIs) are aligned to securityholder interests and will only vest if three-year total TSR and stretch EPS hurdles are exceeded. In FY12 no 2009 LTIs were vested.

Given the current challenging business climate, the Board has decided to continue restraint on senior executives' fixed pay with no increase for FY13 which follows no increase in FY12.

The Managing Directors' Fixed Pay has not increased since FY07.

Non-Executive Director remuneration remains at around the median for companies of comparable size and complexity. Accordingly, the Board has decided to make no changes in base Board or Committee fees in FY13.

Executive remuneration review

While Stockland's remuneration policies have served us well and proven to be resilient over many years, remuneration practices continually evolve. In response to this and to investor feedback, the Board undertook a thorough review of our remuneration policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective given the changing shape of Stockland's business priorities and market challenges.

Our review was completed during FY12, with changes applicable for senior executives taking effect from FY12. These include:

- Maximum potential STI reduced from 200% to 125% of Target STI,
- At least one-third of any STI awarded will be in Stockland securities, with half to vest 12 months after award and the remaining 50% to vest 24 months after award provided the Executive's employment continues to the applicable vesting date,
- Total STI pool available for all employees will not exceed 5% of Underlying Profit,
- For new LTI awards, vesting of 50% of LTI awarded will be extended from three to four years (with hurdles based on a three year performance period), and
- Board continues to have discretion to adjust or forfeit unvested LTI and/or deferred STI under certain circumstances.
- The outgoing Managing Director's entitlements on termination were revised and substantially reduced to align with market practice.

Full details of the review's findings, resulting changes and statutory remuneration tables are in our Remuneration Report in the Financial Report 2012.

Executive remuneration outcomes

		Fixed pay[1] (A)	Short-term incentives awarded and received in cash (B)	Short-term and long-term incentives awarded but deferred (C)	Prior years' equity awards realised[2] (D)	Total received in cash or equity (E) = [A+B+D]	Prior years' awards lapsed[3] (F)
Executive director							
Matthew Quinn *Managing Director*	**2012**	**1,900,000**	**665,000**	**0**	**0**	**2,565,000**	**3,880,800**
	2011	1,900,000	2,200,000	1,710,000	1,232,715	5,332,715	1,232,715
Senior executives							
Tim Foster *Chief Financial Officer*	**2012**	**875,000**	**210,000**	**630,000**	**0**	**1,085,000**	**696,080**
	2011	875,000	710,000	612,500	0	1,585,000	–
Mark Hunter *Group Executive and CEO Residential*	**2012**	**800,000**	**220,000**	**590,000**	**0**	**1,020,000**	**1,191,960**
	2011	800,000	740,000	560,000	138,272	1,678,272	138,272
Karyn Munsie *EGM Corporate Affairs* *(ceased employment 1/7/2012)*	**2012**	**394,000**	**90,000**	**300,000**	**0**	**484,000**	**668,360**
	2011	500,000	405,000	350,000	0	905,000	–
David Pitman *Group Executive and CEO Retirement Living*	**2012**	**700,000**	**210,000**	**525,000**	**0**	**910,000**	**1,062,600**
	2011	700,000	570,000	490,000	236,995	1,506,995	236,995
Michael Rosmarin *Group Executive, Strategy and Human Resources*	**2012**	**550,000**	**186,667**	**423,333**	**0**	**736,667**	**–**
	2011	550,000	415,000	385,000	0	965,000	–
John Schroder *Group Executive and CEO Commercial Property*	**2012**	**1,030,000**	**333,333**	**784,667**	**0**	**1,363,333**	**1,635,480**
	2011	1,030,000	955,000	721,000	528,550	2,513,550	528,550

1 Fixed pay includes salary, superannuation and salary sacrificed items.
2 The value shown in FY11 represents the value of LTI realised due to the Company exceeding the applicable performance hurdles.
3 The value shown represents the value of LTI lapsed due to the Company not exceeding the applicable performance hurdles and is based on the closing security price as at 30 June 2012 of $3.08 and as at 30 June 2011 of $3.41 respectively.

Securityholder information

Key dates

17 October 2012
Annual General Meeting, Grand Ballroom, Four Seasons Hotel, 199 George Street, Sydney NSW 2000 at 2.30 pm

18 December 2012
Announcement of estimated dividend/distribution

31 December 2012
Record date

13 February 2013
Half-year result announcement

28 June 2012
Record date

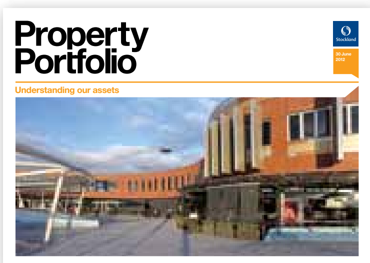
13 August 2013
Full-year result announcement

Your securityholding

We encourage you to change your report distribution preferences to electronic delivery. To change your communications preferences or update any of your personal details, 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 on 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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