About this report

Welcome to Stockland's Annual Review 2012 – our first to combine financial, social and environmental performance.

This initiative follows our selection earlier this year for an international pilot on integrated company reporting led by the International Integrated Reporting Committee (IIRC). Throughout the year we have participated in discussions with global reporting leaders, learning from their experiences, and conducted a review of our own stakeholder reporting framework.

The introduction of this Annual Review is a key outcome of that process. Another change is transitioning our more in-depth sustainability reporting to online only, rather than the previous printed report.

Our full reporting suite for 2012:

- **Annual Review** – focusing on strategy, corporate governance, and our financial, social and environmental performance.
- **Shareholder Review** – a concise version of the Annual Review sent to all securityholders.
- **Financial Report** – a detailed account of our FY12 financial performance.
- **Property Portfolio** – details on each of the assets within our portfolio, updated every six months.
- **Sustainability performance (online only)** – in-depth annual sustainability performance, including detailed discussion on our material issues, data sets and case studies.

Copies of all reports are available online at **www.stockland.com.au/reports/2012**

2012 is just the first step. We will continue our involvement in the IIRC pilot during FY13, review the outcome of this first integrated report and over the coming years seek to further enhance the transparency and accessibility of our stakeholder reporting.

Feedback

We welcome your questions and value your feedback about our new reporting approach. Please contact us at **reporting@stockland.com.au**

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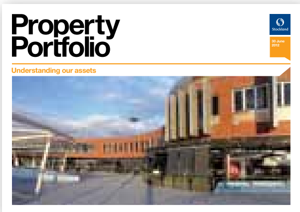

Visit **www.stockland.com.au/sustainability** to view our full Sustainability Performance.

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**

Letter 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. This report provides details on 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.

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

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.

Graham Bradley
Chairman

Letter 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.

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

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

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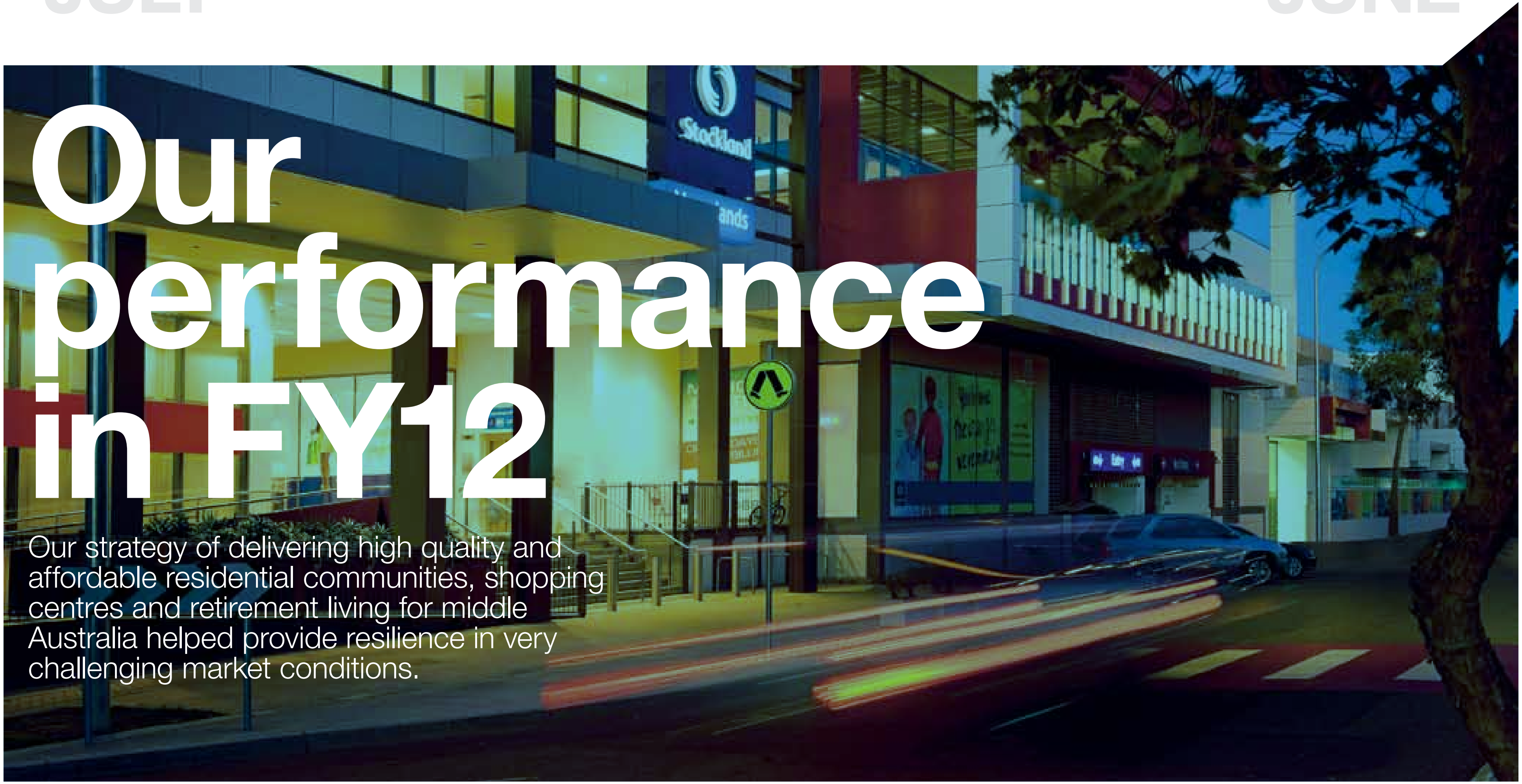
JULY

Awarded Global Real Estate Super Sector Leader on DJSI World Sustainability Index

Named Employer of Choice for Women for a third year

Achieved Australia's first 6 Star NABERS Energy Retail rating

JUNE



Our performance in FY12

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.

Key financial results

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.

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.

We continue to manage our business prudently and conservatively, given ongoing uncertainty in global credit markets.

Balance sheet (as at 30 June 2012)

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.

6.0%
Weighted average cost of debt

5.3 years
Weighted average debt maturity

25.8%
Gearing

Return on equity

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

8.2%
Return on equity

For more detailed information on our financial performance please see our **Financial Report 2012**.

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.

Key sustainability results

Our sustainability results reflect our non-financial performance. Focusing on the challenge and opportunity areas that are key to our ongoing success.

PEOPLE pg 32

Employee engagement

84%

Maintained our employee engagement score – 84 per cent – two points above Global High Performing Companies.

Diversity and flexibility

Overall proportion of women in management (%)

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

* Note: Our five year target is now 45 per cent of women in management roles by FY17.

CUSTOMER pg 26

Affordable products

<$300,000

All states where we operate offer a house and land package under $300,000.

Customer satisfaction

Residential

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

97%

of villages had an average satisfaction score of 7 or more.

Retail

69%

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

Innovative products

$205,000

House and land package offered at Bells Reach.

Launched 'My Stockland' retail centre smartphone app.

CLIMATE AND OUR ENVIRONMENT pg 42

Reducing our impact

Office greenhouse gas intensity ($kgCO_2$-e/m^2)

FY12	77.3
FY11	85.1
FY10	97.0
FY09	103.8

Target is 20 per cent reduction by FY14

Retail greenhouse gas intensity ($kgCO_2$-e/m^2)

FY12	69.2
FY11	73.0
FY10	76.0
FY09	74.6

Target is 20 per cent reduction by FY14

Sustainable and resilient assets and communities

6 Star

Achieved Australia's first 6 star 'market leading performance' NABERS Energy shopping centre.

Zero emissions

Launched a low-carbon, zero operating emissions sustainability hub at our Selandra Rise community.

Green Star

Caloundra South registered for Green Star communities pilot.

COMMUNITY pg 37

Liveable communities

Above Australian average

Successfully launched our Liveability pilot survey in three communities – satisfaction exceeds 80 per cent and our residents rate their personal wellbeing above the Australian average.

Measuring our impact

$2.9m

Social Return on Investment calculations tell us a typical Stockland retirement village contributes $2.9 million of value to residents, family and the local community every year.

Community involvement

10,627 hours

Over 700 employees participated in team volunteering, with over 10,627 hours of employee time contributed to community activities.

Dow Jones Sustainability Indexes Member 2011/12

GLOBAL100

FTSE4Good

EOWA Employer of Choice for Women