



Shareholder Review 2009

30 JUNE 2009

ABOUT THIS REVIEW

Inside this Shareholder Review you'll find detailed information about the performance of each of our businesses, our environmental and social progress and our plans for the future. Our detailed Financial Report, Corporate Responsibility and Sustainability Report and Property Portfolio are available at www.stockland.com.au.

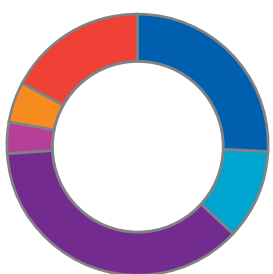


OUR BUSINESS

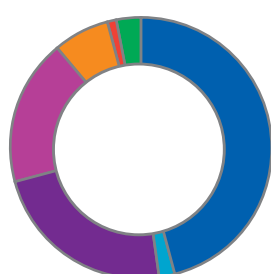
Stockland is one of Australia's leading diversified property groups – actively managing a portfolio of properties across different asset classes and locations. We seek to achieve the optimum balance between risk and return on assets comprising office buildings, shopping centres, industrial hubs, residential communities, apartments and retirement living – and often various mixed-use combinations of these.

Like all companies, our business is affected by economic conditions, but our diversification means our exposure to particular asset types and locations is spread. We are also able to allocate our resources to suit the conditions of the day. We have weathered the global financial crisis relatively well – and that reflects our active portfolio management across our diversified business.

Business by asset



Business by geography



Cover image: Trinity Business Park, North Ryde NSW

KEY FINANCIAL RESULTS

Underlying profit

FY09	\$631.4m
FY08	\$674.0m
FY07	\$611.0m
FY06	\$553.7m
FY05	\$502.7m

STATUTORY LOSS

\$1,801.9m

Underlying profit is our preferred measure of performance as it reflects the profit we achieve through our daily business operations. Our statutory result takes into account inventory impairments, fair value changes of our investment properties and other significant items set out fully in the Directors' Report.

Earnings per security

FY09	38.8c
FY08	46.2c
FY07	44.0c
FY06	41.5c
FY05	39.1c

The fall in our underlying earnings per security reflects a drop in underlying profit as well as dilution from the equity we issued. (In our statutory accounts we have reported underlying earnings per security of 36.5 cents – adjusting the number of securities in accordance with the requirements of accounting standards following the recent equity raising.)

Dividend and distribution per security

FY09	34.0c
FY08	46.5c
FY07	44.3c
FY06	41.4c
FY05	38.9c

Following a Board review, in April we announced that we have adopted a more conservative distribution policy. From 2010, Stockland will distribute the greater of our trust taxable income or 80 per cent of our adjusted funds from operations.

Balance sheet

WEIGHTED AVERAGE DEBT MATURITY

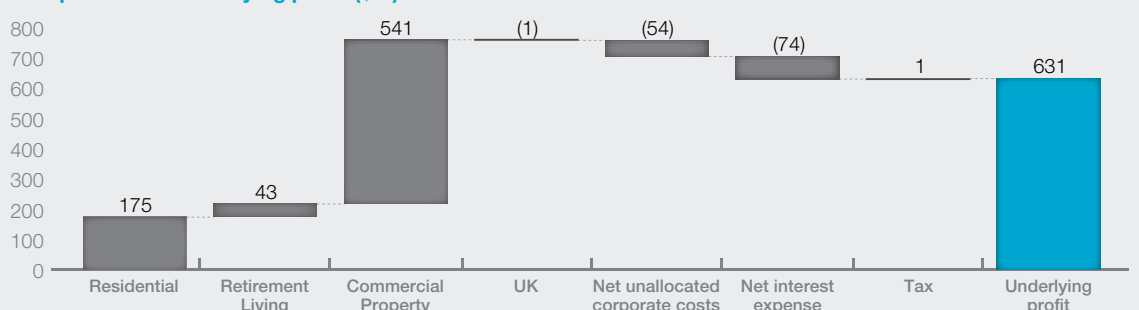
6.6 YEARS

GEARING

16%

Our balance sheet is strong with conservative gearing of 16 per cent, measured as the ratio of net debt (total debt less cash) to total tangible assets. We have \$1.2 billion cash on deposit and \$1.3 billion available undrawn committed debt facilities.

Composition of underlying profit (\$m)



This graph demonstrates how each of our operating businesses contributed to our underlying profit. More details about the performance of each of our operating businesses can be found on page 4.

review



THE QUALITY OF STOCKLAND'S ASSET PORTFOLIO WILL CONTINUE TO UNDERPIN OUR PERFORMANCE AS AUSTRALIA MOVES CLOSER TO ECONOMIC RECOVERY.

GRAHAM BRADLEY
CHAIRMAN

OUR RESULTS

Helped by our quick response to difficult market conditions, our underlying profit for FY09 was \$631.4 million, down six per cent from \$674.0 million last year. In the circumstances, this was a creditable result. Underlying profit measures profit from ongoing operations adjusted for non-recurring and significant items such as inventory impairments, goodwill impairments, investment property revaluations and other non-cash accounting items charged to our income statement.

It is disappointing, however, to report substantial impairments of our Residential Communities and Apartment inventories and our UK property portfolio during the past year – impairments totalling \$461.9 million after tax – resulting from declining valuations and changed market outlook.

Our statutory net result was a loss of \$1,801.9 million. This result takes into account inventory impairments, the substantial but unrealised decrease in the value of our investment properties of \$1,126.1 million and other significant items fully set out in the Directors' Report.

DISTRIBUTION POLICY

Our underlying profit per security* in FY09 was 38.8 cents. The Group has declared a final distribution and dividend of 17.0 cents, bringing total distributions and dividends for the year to 34.0 cents per security.

Following a Board review, in April we announced that we have adopted a more conservative distribution policy. From FY10, Stockland will distribute the greater of our trust taxable income or 80 per cent of our adjusted funds from operations.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Despite the difficulties of the past year, the Group remains steadfastly committed to meeting the highest standards of governance, corporate responsibility and sustainability. In 2008, we were one of the first major property groups to discontinue all political donations at all levels of government. We have continued to strive for leadership in our sustainability policies, and to balance environmental, social and economic outcomes in all our projects. Our leadership was recognised, once again, by our inclusion in the Dow Jones Sustainability Index which recognises corporate leaders in sustainability around the world.

BOARD AND MANAGEMENT

I would like to thank my Board colleagues for their hard work during FY09 in overseeing so closely the company's strategic decisions. The Board and its committees met more than 40 times over the year. In December, Lyn Gearing retired from the Board, and we thank her for her contribution. In March, Carolyn Hewson joined the Board, bringing to us a wealth of experience in the financial sector and as a public company director. We look forward to her contribution.

On behalf of all securityholders, I would like to thank our Managing Director, Matthew Quinn, and his executive team for their dedication this year. It has been a tough year for all our employees, and their efforts have been greatly appreciated.

THE YEAR AHEAD

As I write this report in August 2009, there are encouraging signs pointing to economic recovery. Financial markets have stabilised, world equity markets have rebounded and consumer confidence has lifted strongly. It looks like Australia may emerge more quickly from the recessionary cycle than many expected.

The property sector, however, remains fragile. Office vacancies are rising and we expect a further decline in commercial property values in FY10. While residential sales in Australia have been recovering, it is not yet clear that this will be sustained.

The Board believes, however, that the quality of Stockland's asset portfolio has been clearly demonstrated during the downturn of the past two years and this will continue to underpin our performance as Australia moves closer to economic recovery.

GRAHAM BRADLEY
CHAIRMAN

* Before accounting adjustment



Ervin Graf, 1952

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

OUR STORY

Ervin Graf founded Stockland 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 – developing and managing a large portfolio of residential community, apartment, retirement living, retail, office and industrial assets.

With the benefit of our diverse property skills, we connect together different types of properties in shared locations, to create places that inspire people to gather, to share and to live life.

We recognise our responsibilities to the environment and strive to be a leader in sustainable business practices. Our positive and adaptable team shares Ervin's vision of making a worthwhile contribution to our community.

We work hard, we expect a lot of one another, and we seek true work-life balance. For over half a century, we've worked hard to grow our diverse portfolio of assets and projects while maintaining a conservative balance sheet. It's proven to be a sound approach and we're now one of Australia's largest diversified property groups and a top 50 ASX-listed company.

WHEN I REPORTED TO YOU IN AUGUST last year, it was clear the outlook for the property sector was challenging. Accordingly, we prepared Stockland for a downturn. We streamlined our organisation, sold non-core properties, and husbanded our capital resources with care. Nothing we did, however, could insulate us from the financial crisis that occurred.

As this global financial crisis spilt over to world economies, we saw steep falls in share markets, rising unemployment and a sharp downturn in consumer confidence. These economic conditions endured through most of FY09. Property values around the world were inevitably pulled down by these factors, with the value of quality commercial property in Australia falling 20-30 per cent. Stockland's results for FY09 must be viewed against the backdrop of these extraordinary events.

OUR RESPONSE

Stockland's management responded decisively to the market conditions that emerged last year. We moved fast to adjust our residential projects to offer more affordable house sites to appeal to first home buyers. We did well; we sold more lots in FY09 than we did in FY08, and we ended the year with more residential contracts on hand than ever before. We continued to dispose of non-core commercial property – with sales totalling \$592 million during the past year. We reduced our operating costs by managing discretionary spending tightly, reducing full-time headcount by 11 per cent and maintaining for a second year our freeze on executive remuneration.

We also undertook capital raisings to strengthen our balance sheet and be prepared should attractive acquisition opportunities emerge. In all, we raised about \$2.7 billion through new share issues and placements during FY09.

FIVE YEAR PERFORMANCE HISTORY – YEAR TO 30 JUNE 2009

	FY09	FY08	FY07	FY06	FY05	FY04 ³	5 Year Compound Annual Growth %
Underlying profit (\$M) ¹	631.4	674.0	611.0	553.7	502.7	455.5	6.7
Net tangible assets per security (\$)	3.61	5.46	5.33	4.54	4.00	3.76	(0.8)
Security price as at 30 June (\$)	3.21	5.39	8.15	7.02	5.52	5.18	(9.1)
Dividends/distributions per security (cents)	34.0	46.5	44.3	41.5	38.9	37.0	(1.7)
Underlying Earnings Per Security (EPS) (cents) ¹	36.5	46.2 ⁴	44.0	41.5	39.1/39.8 ³	37.8	(0.7)
EPS actual growth (%)	(21.0)	5.0	6.0				n/a
EPS Target growth (%) ²	1.0	5.0	4.1	5.1	–	–	n/a

¹ Underlying profit reflects statutory profit as adjusted in order to present a figure which reflects the Directors' assessment of the result for the ongoing business activities of Stockland.

² EPS target growth quoted here are those set by the Board annually in relation to the LTI program.

³ These numbers were prepared under Australian Accounting Standards applicable prior to the transition to the Australian equivalents of International Financial Reporting Standards.

⁴ The prior year EPS stated above has not been adjusted in accordance with AASB 133 "Earnings per Share" as this is the EPS measure that has been used to determine vesting of the FY07 PRP and ISP grants.



WHILE OUR RESULTS CLEARLY SHOW THE IMPACT OF FALLING ASSET PRICES AND TRADING CONDITIONS, WE ENDED THE YEAR WITH OUR OPERATING BUSINESS IN GOOD SHAPE.

Matthew Quinn

MATTHEW QUINN
MANAGING DIRECTOR

IT GOES WITHOUT SAYING that last year presented challenges for businesses around the globe, and Stockland was not immune from this. While our results clearly show the impact of falling asset prices and tough trading conditions, I'm pleased to report that we ended the year in a very strong financial position and with our key operating businesses in good shape. In this review I'd like to provide you with the background behind the numbers and our plans for the future.

RESIDENTIAL

Our Residential Communities business delivered an operating profit of \$184 million, down 33 per cent from last year. We had a slow first half reflecting the very soft market conditions following a period of rising interest rates, and although the second half was much better it didn't bridge the gap. Slightly higher sales volumes for the year were offset by lower average prices as we reconfigured our product to capitalise on the strong first homeowner segment. Our revenue was down as a result, but we did achieve a pleasing margin of 21 per cent.

Our Apartments business did not perform well recording an operating loss of \$9 million. This business faces the challenge of being capital intensive and it has historically produced returns below our hurdle rates. This is partly due to our poor execution and partly a reflection of the significant barriers to development that various levels of government place against urban consolidation. We have therefore decided to finish the projects underway and then review the viability of projects not yet commenced. We will only proceed with development if we can achieve the required returns and capital is available – if not we'll sell the sites.

Impairment

We conducted a thorough review of our Residential Communities and Apartments inventory carrying values in light of the market downturn, unfortunately resulting in pre-tax impairment of \$425 million. The problems occurred in two sections of our business – NSW where the market was particularly soft and projects pitched at the high end of the market where prices have fallen. While this is very disappointing and had a substantial impact on our headline profit, we have been thorough in our approach and we expect no further impairments unless market conditions materially deteriorate.

RETIREMENT LIVING

Retirement Living continued to perform well delivering an operating profit of \$43 million, consistent with last year. In order to provide a stronger focus on this business we have recently restructured our reporting lines to create a separate Retirement Living business unit. This will improve our focus on providing high quality villages to cater for the growing ageing demographic and provide greater transparency and accountability for the business. Our new villages under development are selling well and we will accelerate growth of this business over the next year.

COMMERCIAL PROPERTY

Our Commercial Property business performed well delivering an operating profit of \$541 million, and comparable income growth of a healthy 5.9 per cent. Our retail assets performed better than expected and vacancies have not materially increased. Our strong focus on leasing and risk management in our office and industrial portfolio means we are in good shape to get through this challenging cycle, with minimal expiry risk in FY10.

As expected there were significant downward revaluations in our Commercial Property portfolio and we expect further softening in FY10 before the market stabilises.

UK

UK market conditions are still tough and our business achieved a break even operating result. We also had significant impairment of inventory values and goodwill.

We will not invest material new capital in the UK as we move towards an orderly sell down of our remaining properties over the next two to three years. Following this, our strategy is to remain solely Australia-focused.

STRATEGY AND GROWTH

We continue to focus on managing, leasing and developing our diverse property portfolio for the best returns. This year we have achieved cost and operational efficiencies through new management structures and enhanced customer insight capability.

Growing our business is high on our agenda but in assessing this we will always put strategy first and opportunity second. We will pursue a disciplined assessment of opportunities that enhance value for our securityholders, are in line with strategy, and maintain our strong capital position.

ORGANISATIONAL WELLBEING

Our people, led by a strong executive team, faced the year's challenges head on and we maintained high employee engagement as measured by our annual employee survey. We made some substantial structural changes in our business and this resulted in significant impacts on our workforce. I thank all of our employees for their continued hard work and enthusiasm during this time.

OUTLOOK

Our balance sheet and operating businesses are in good shape. Our gearing is a low 16.0 per cent with a weighted average debt maturity of 6.6 years. Our Residential Communities business finished the year stronger than it started, with a record level of contracts on hand, Retirement Living is poised for growth, and Commercial Property has managed lease expiries for the year ahead, significantly reducing the risk of increases in vacancy rates.

While we remain cautious about the economic outlook, we're confident we've taken the right steps to get our business in a strong position to face ongoing challenges and capitalise on opportunities in line with our strategy.

MATTHEW QUINN
MANAGING DIRECTOR

QUESTIONS AND ANSWERS



WHY HAVE YOU CHANGED YOUR DISTRIBUTION POLICY AND HOW WILL THIS AFFECT MY DIVIDENDS?

We are committed to taking a conservative approach to distributions and so reviewed our policy to ensure we deliver returns appropriate to our earnings. This approach is sustainable for Stockland and our securityholders and is the best way to provide steady growth over time.

In light of this we have adopted a policy that aligns distributions with funds generated from operations. From FY10 Stockland will pay out the greater of our trust taxable income or 80 per cent of our adjusted funds from operations.

WHY HAS STOCKLAND TAKEN STAKES IN SEVERAL OTHER COMPANIES? WHAT ARE YOU PLANNING TO DO WITH THESE?

We have taken stakes in three companies:

- GPT – a large property company with a focus on owning and managing commercial property
- FKP – a leading retirement operator in Queensland
- Aevum – a leading retirement operator in New South Wales

These stakes provide strategic option value for future growth. No corporate transactions will be contemplated unless they clearly show value enhancement for Stockland's securityholders.

WHAT ARE YOU DOING TO ADDRESS THE CHALLENGES YOUR BUSINESS FACES?

We're continuing to focus on our key strengths of asset management, development and customer insight. We have realigned our business structure to improve efficiency and reduce costs and have deferred capital expenditure until conditions improve.

We have also capitalised on momentum in the housing market and with our increased market share we anticipate good results from this business in FY10.

During the year we undertook a number of capital management initiatives to strengthen our balance sheet raising new equity of \$2.7 billion, renegotiating debt facilities and selling non-core assets. We will maintain our conservative approach to capital management.

IS STOCKLAND EXITING THE UK?

In light of the changed market conditions, we have decided to embark on an orderly sale of assets over the next two to three years. In the meantime, we will complete projects underway and manage our assets tightly to maximise returns. We anticipate a break even result from this business during this period.



Gowanbrae retirement village, VIC

Overview

WE ENTER THIS FINANCIAL YEAR with record residential contracts on hand, good profits from Retirement Living and a strong lease expiry profile in our Commercial Property business.

RESIDENTIAL
OPERATING
PROFIT

\$175M

RESIDENTIAL

Communities

- Strong net margin of 21.1%
- 4,303 lots settled and record contracts on hand to settle in FY10

Despite the overall decrease in Australian residential building approvals, Residential Communities single lot sales were up three per cent in FY09 reflecting Stockland's ability to quickly adapt its product mix to suit changing market dynamics and increase its market share. Clearing of aged inventory, the delivery of a more affordable product mix and price discounting at certain Sydney and Perth projects resulted in a reduction in the average sales price. However, cost efficiencies and price growth in Melbourne resulted in better than expected margins.

Apartments

- 175 units settled
- Construction of current projects on track with a good level of pre-sales

The performance of the Apartments business was once again disappointing. Results are being improved in this business through a range of measures including the realignment of several projects to better meet market demand. Planning approvals will continue to be obtained for projects yet to start, but development will only commence if appropriate returns can be achieved. If not, sites will be sold in an orderly fashion over the next two to three years. The business is expected to be profitable in FY10 based on settlements from projects due for completion this financial year.

Inventory impairment

A full review of Residential inventory carrying values and Apartments projects resulted in pre-tax impairment of \$425 million against seven of 66 Residential Communities projects and six of nine Apartments projects. These impairments related primarily to projects in NSW, where the market was particularly poor, and those at the high end of the market where prices have fallen. No further impairments are expected unless market conditions materially deteriorate.

RETIREMENT
OPERATING
PROFIT

\$43M

RETIREMENT LIVING

- 163 new units sold
- 217 existing units settled
- High portfolio occupancy of 99%
- 4% average price growth from existing villages

This business continues to perform well, with good sales and price growth. Retirement Living has recently been organised as a separate business unit to give it greater focus and accountability. This move reflects Stockland's strategic commitment to growing this business both organically and through acquisition, providing high quality villages to cater for the growing ageing demographic.

COMMERCIAL
OPERATING
PROFIT

\$541M

COMMERCIAL PROPERTY

Retail

- Comparable net rental income growth of 6.8%
- High portfolio occupancy of over 99%
- Specialty occupancy costs 12.8% of sales

Retail sales held up better than expected in FY09 and the business performed well. Vacancies have not materially increased, however rental growth has slowed.

Office and Industrial

- Comparable net rental income growth of 5.7% in Office and 4.2% in Industrial
- High portfolio occupancy of over 97% in Office and 96% in Industrial

Increases in direct vacancy and sub-lease space continue to put downward pressure on rents, but Stockland has actively managed its lease expiry profile to minimise downside income risk in FY10.

Revaluations

93 per cent of our assets were independently valued at 30 June 2009 (the remaining seven per cent are under development) with a total fall in values of \$1.1 billion.

UK

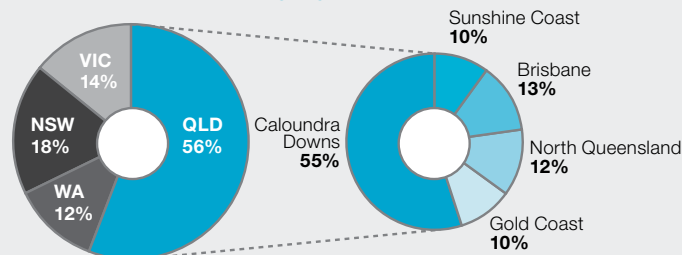
- Operating loss \$0.7 million
- Pre-tax inventory impairment in FY09 of \$186 million

Market conditions in the UK remain difficult, but the property futures market is pricing in a modest recovery in FY10. In light of the changed market conditions, Stockland has decided to embark on an orderly sale of assets over the next two to three years. In the meantime, the Group will complete projects underway and manage its assets tightly to maximise returns.

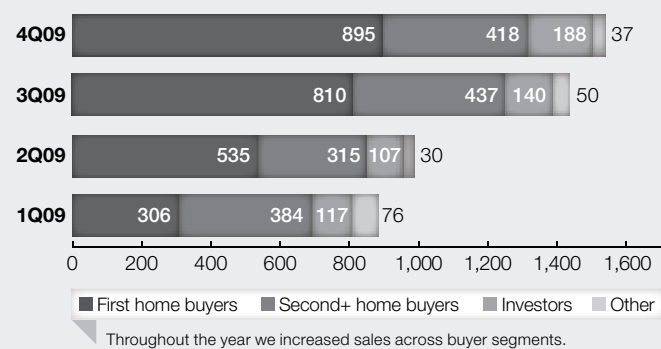


Lakewood, NSW

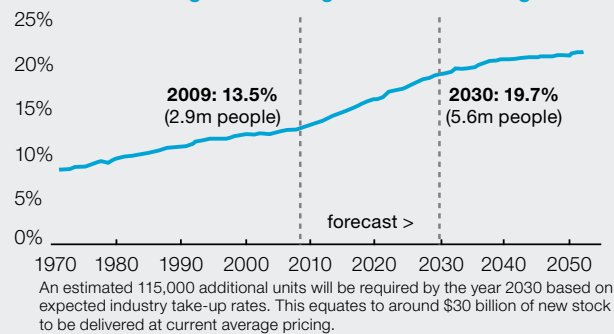
Residential Communities geographic mix



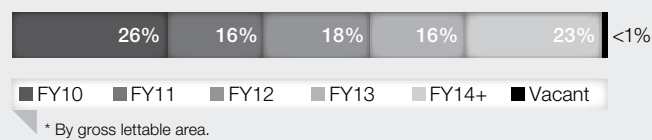
Residential Communities buyer composition (no. of sales)



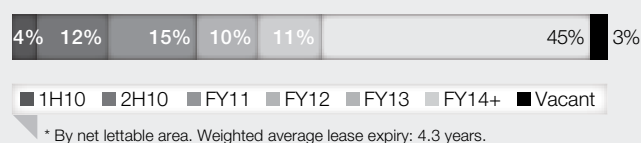
Retirement Living – Percentage of Australians aged 65+



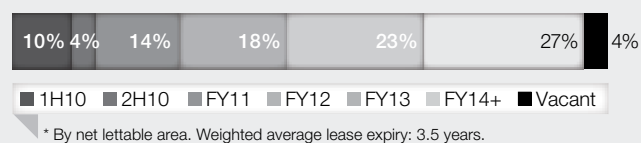
Retail specialty shop lease expiry profile*



Office lease expiry profile*



Industrial lease expiry profile*



The Village in Balgowlah combines residential and retail elements in an innovatively designed project.

THE VILLAGE – A WINNING MIX

An exciting new development in Sydney's north is demonstrating what can be achieved when the know-how gained across our diverse portfolio is put to use on a mixed-use development. Stockland acquired the site in Balgowlah in 2002 with a bold vision. We knew that our expertise in residential and retail projects would enable us to create something special that would meet the needs of the community.

Delivering a project of this complexity requires a high level of commitment to getting it right for the community. There are many elements to consider ranging from retail and residential needs to sustainability attributes, public art, public spaces, and car parking. All of these things impact on the end result for residents, tenants and the broader community. We've gone to a great deal of effort to develop a site that can become the heart of the Balgowlah community. We have residential experts and retail experts – a team of people who understand that the only way to deliver the best solution is to work cooperatively.

The Village features a large public plaza and provides easy access to all the surrounding streets. It incorporates 246 apartments, 25 townhouses and a shopping centre with 60 specialty stores and a Coles supermarket.

strategy

IN LIGHT OF RECENT ECONOMIC EVENTS we have revisited our strategy to ensure it reflects the current environment. Many elements remain unchanged. At its heart, our strategy is about maintaining a solid focus on property fundamentals – property management, leasing and developing across a diverse range of asset types. This has not changed.

We continue to focus on active asset management, conservative balance sheet management, and maintaining our commitment to developing a high performance culture with skilled and motivated employees.

We will also maintain our efforts to achieve cost and operational efficiencies, through having the best organisational structures in place and enhanced customer insight capabilities.

STRATEGIC WEIGHTINGS

Our stapled structure combines Trust and Development activities to provide a mix of stable recurring income and growth. We consistently derive 60-80% of our income from our recurring business and 20-40% from our trading business.

This has remained unchanged for many years as we're confident it provides the right balance of risk and return with exposure to both stable Trust returns and higher growth development income. Our intention is to continue with a model that provides growth as well as annuity-type income, and we will assess all opportunities in line with these strategic weightings.

CROSS-BUSINESS ACTIVITIES

We will continue to use our capabilities across our diverse businesses to maximise the value of each asset and to ensure the entire portfolio provides a balance of short-term and long-term returns.

We will use our knowledge and experience to determine at any given time whether a piece of land bought with a residential community development in mind might not be better utilised to develop a retirement village, or whether an office development should also include retail space. We will also assess whether to retain an asset as it is – with a steady income stream – or develop it for greater potential returns in the long-term. This cross-business view enables us to ensure our business is more than the sum of the separate parts.



CR&S Committee (left to right): Graham Bradley, Matthew Quinn, Nicholas Greiner and Barry Neil

CR&S is about creating long-term value for our investors by dealing with risk and realising opportunities.

OUR CORPORATE RESPONSIBILITY AND SUSTAINABILITY (CR&S) STRATEGY

We take the view that doing the right thing as a property manager, owner and developer is about dealing with risk, seeking opportunities and creating long-term value for our investors. It's about balancing the needs and interests of our stakeholders.

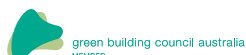
This year our areas of focus have been employee engagement, embedding CR&S in the business, the health and safety of our people and contractors, and energy efficiency and climate change.

How we are addressing these issues is detailed in our 2009 CR&S Report assured to AA1000As and attaining the Global Reporting Initiative application level of B+.

The full 2009 CR&S Report can be viewed at www.stockland.com.au. We look forward to hearing your thoughts at sustainability@stockland.com.au



Banarra Sustainability Assurance and Advice was engaged to assure and verify Stockland's 2009 Corporate Responsibility and Sustainability (CR&S) Report.



We regularly seek feedback from customers and are focused on incorporating their feedback into our product design and service offerings.



Daniel and Michelle Belanji purchased their new home at Stockland's Freshwater community in Griffin, QLD

FIRST HOME BUYERS – A NEW START

Stockland's Freshwater community at Griffin north of Brisbane, is part of a new affordability initiative that offers buyers the option of a two-bedroom home and land package priced around \$300,000. The product offering is in response to Stockland research that shows buyers are changing their expectations about the size of their first home to get a start in the property market.

Daniel and Michelle Belanji, pictured, are currently renting but have been saving and are now able to build their first home at Freshwater.

Daniel is looking forward to breaking out of the rental cycle and starting to pay off his first home. "We will be paying about the same amount each month as we are now paying in rent, if not less," he said. "We would have been stuck renting and paying off someone else's house."

Since its launch in October last year, Freshwater has proven incredibly popular with new home buyers who like the community's sense of privacy and security as well as its handy access to both Brisbane and the Sunshine Coast.

Plans have also been put in place for a village shopping precinct, day care centre and primary school on the community's western border.

customers

WE HAVE A DIVERSE RANGE OF CUSTOMERS, including commercial tenants, shoppers in our retail centres and purchasers of our residential and retirement properties.

We regularly seek feedback from customers about their priorities through surveys and research, and we are focused on incorporating their feedback into our product design and service offerings.

HOUSING AFFORDABILITY

A key emerging issue for our residential customers is housing affordability. Across FY08 our typical product attracted a land price of \$240,000. Modelling suggested that 78 per cent of the market would face financial difficulty in purchasing this product.

In the past year we identified two areas where we have scope to make improvements to affordability. The first was introducing villa allotments – creating detached lots under 300 square metres. The second was to change the mix of our existing range of product types, placing greater concentration on more affordable land types, essentially those lots under \$200,000.

Our ability to understand the impact of reduced housing affordability on housing demand, and to quickly respond with product and operational changes, has strongly contributed to our market performance over the past year.

In FY09 we have increased our market share to nine per cent. In particular, we have extended our reach into the first home buyer market.

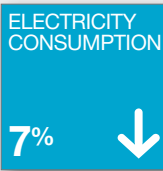
CUSTOMER SATISFACTION

Our Residential Communities business conducts a weekly tracking study called Stockland Customer Pulse. Feedback to date has indicated that 96 per cent of our buyers rate the overall sales experience with Stockland as good to excellent. One of the most important aspects we measure is the proportion of lead customers and deposit customers that are first home buyers, second/ subsequent home buyers and investors. This helps the business understand recent trends and helps foresee the likely customer mix six months ahead.

In our retail business customer feedback is sought from a mystery shopper program which rates Stockland centres' quality of customer service, cleanliness of facilities, employee presentation and availability of service professionals. In FY09 there was an eight per cent improvement in scores across these measures. This information is used to improve our services so that Stockland shopping centres meet the needs of the local community.

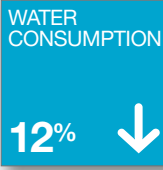


Trigeneration Plant at the Stockland head office Sydney, NSW



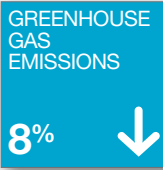
Purchased electricity (kWh)	
FY09	130,513,735
FY08	140,815,946
FY07	148,540,858
FY06	147,562,013

Base-building electricity for office, industrial and retail assets and corporate tenancies.



Water consumption (kL)	
FY09	1,298,733
FY08	1,472,267
FY07	1,636,695
FY06	1,558,708

Water consumption of office, industrial and retail assets.



Greenhouse gas emissions (kgCO ₂)	
FY09	122,109,162
FY08	132,439,692
FY07	139,385,591
FY06	139,279,841

This report uses the Australian Government's Department of Climate Change NGA Factors Workbook (November 2008) to calculate Scope 1 and Scope 2 emissions.

CLIMATE CHANGE

UNDERSTANDING RISKS helps to ensure we develop, own and manage buildings and communities able to withstand the future effects of climate change. The Intergovernmental Panel on Climate Change's (IPCC) Fourth Assessment report predicted that likely impacts on property include increased warmer days, heavy precipitation events and incidence of extreme high sea level. Should these predictions be realised they will place greater demand on the built environment.

We are working to prioritise emerging risks, particularly in relation to flooding, storm surge and sea level rise; and increased threat of bushfire. Already we take into consideration flooding and fire risks in the planning stages of development. We are now undertaking research to develop minimum performance requirements in response to climate change risks.

BIODIVERSITY

In 2009 we undertook a review of our Residential Communities and Retirement Living businesses and identified that 22 per cent of communities have threatened species located on or near the community. In response to this all communities have implemented biodiversity management plans. Detailed mapping of threatened and endangered species on all projects will be undertaken in 2010.

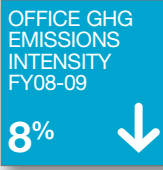
ENERGY EFFICIENCY

The major contributor to Stockland's carbon footprint is energy used in our office, industrial and retail properties. In response to the Federal Government's Energy Efficiency Opportunities Act, we have undertaken energy-efficiency assessments across these properties.

The National Australian Built Environmental Rating System (NABERS), measures our office buildings' environmental performance during operation. We achieved a portfolio average NABERS Energy rating of 3.4 stars for the 2008 calendar year. This was an improvement from the previous year when we received an average rating of 2.9 stars.

Energy efficiency performance in retail centres is measured through monthly energy usage reports. Following energy audits on 19 centres we have made changes which will lead to an estimated reduction of eight per cent of our total base building energy use. The changes primarily involved the installation and retrofitting of energy-efficient lighting in car parks and mall areas. We are committed to a minimum NABERS Energy rating of 4.5 stars and a Green Star rating for new office buildings. Energy-efficient plant and equipment is now included in all new buildings and major refurbishments.

environment



Office greenhouse gas (GHG) emissions intensity (kgCO ₂ /m ²)	
FY09	103.8
FY08	113.3
FY07	127.8
FY06	136.6

GHG emissions for office assets divided by the leased floor area of these assets.



Retail greenhouse gas (GHG) emissions intensity (kgCO ₂ /m ²)	
FY09	74.5
FY08	77.2
FY07	82.2
FY06	88.6

GHG emissions for retail assets divided by the leased floor area of these assets.



North Shore Biodiversity, Townsville QLD

PRESERVING AND RESTORING BIODIVERSITY AT NORTH SHORE

North Queensland's largest masterplanned community, Stockland's North Shore incorporates plans for more than 5,200 homes across more than 1,000 hectares of land. The new community will include schools, a shopping centre, commercial space, community facilities and extensive natural bushland. North Shore is located alongside the Bohle River on land previously used for grazing.

The site is an important habitat for the endangered Black Throated Finch. During the planning phase we considered how best to protect the habitat of this species, manage stormwater runoff in a way that enhances the water quality of the receiving ecosystems, regenerate degraded grazing property and enhance the site's natural biodiversity.

We implemented a range of initiatives including:

- Rehabilitation of all eroded areas of the site and preventative works to stop further erosion
- Construction of a \$20 million best practice stormwater treatment system which will improve stormwater future runoff quality to a level that will be better than what previously left the site when it was a grazing property
- Committed \$50,000 per annum for five years to establish the Black Throated Finch Trust to research and conserve the species

The outcome of these initiatives was the rehabilitation of over 40 hectares of native bushland adjacent to the Bohle River, making it a suitable habitat for native flora and fauna.

Our stakeholders, including residents, community groups, council and prospective buyers have responded positively to the project to date. This is evidenced by the achievement of 265 sales at a time when the land sales market in Townsville has halved.

We aim to create sustainable and vibrant communities that thrive long after we have completed the development phase.



Stockland volunteers at Centipede child care centre, Glebe NSW

UNDERSTANDING OUR STAKEHOLDERS

BALANCING THE NEEDS of stakeholders is fundamental to the success of our business.

OUR KEY STAKEHOLDERS ARE:

- Employees
- Government and regulators
- Securityholders and the investment community
- Customers
- Suppliers
- Communities

We are working to embed a measurable and proactive stakeholder engagement framework into our daily operations. This year we have field tested our stakeholder engagement template to ensure a consistent and strategic approach across our projects.

This template ensures stakeholders are listed in priority order, with a focused plan for proactive engagement with each group that clearly identifies primary issues or concerns throughout the stages of a project. The plans address the particular social, political, economic and environmental concerns of the local and broader community that a project may affect.

CREATING SUSTAINABLE COMMUNITIES

We aim to create sustainable and vibrant communities that thrive long after we have finished development. To support this aim, we have designed a series of Community Development Guidelines for our Residential Communities business.

The guidelines detail best practice consultation methods and will be rolled out across all Residential Communities projects over the course of 2009-10.

They outline a simple process for projects to undertake a needs assessment of the local area, compile a community profile, and inform partnerships with key community groups. This will enable us to provide better outcomes for existing and future residents.

COMMUNITY INVESTMENT

Stockland's community investment program has been developed by our employees and is an important way for us to support their interests, as well as contribute to local communities.



Our Giving and Volunteering program includes employee donations to charitable organisations dollar matched by Stockland and participation of employees in volunteering activities.

Almost half of our employees have volunteered more than 3,500 hours in community activities over the past year. This activity has included 24 per cent of our employees mentoring students from 28 priority-funded schools in Australia through our partnership with the Australian Business and Community Network (ABCN).

community

our people

MAINAINING HIGH LEVELS OF EMPLOYEE ENGAGEMENT, embedding sustainability and ensuring the health and safety of our employees enables us to operate effectively and to continue to attract and retain talent.

EMPLOYEE ENGAGEMENT

In FY09, our employee engagement score was 82 per cent, which is above the Global High Performing Companies Norm as measured by Towers Perrin-ISR.

Our high employee engagement score is particularly encouraging in light of the uncertainty of the economic climate at the time of the survey. This is a credit to our culture, which has enabled us to maintain an engaged and loyal workforce despite the need to downsize. The survey also found that 90 per cent of respondents are proud of our contribution to the community and 81 per cent feel there are sufficient opportunities to receive training to improve skills.

EMPLOYEE ENGAGEMENT

82%

Employee engagement

FY09	80%	82%
FY08	81%	83%
FY07	80%	85%

More than 90% of Stockland employees participate in an annual survey enabling us to benchmark ourselves against high performing companies.
 — Global High Performing Companies Norm.

LOST TIME INJURY RATE

2.6

Lost time injury rate

FY09	2.6
FY08	2.9
FY07	5.2

Number of injuries per million person hours worked.

DIVERSITY AND FLEXIBILITY

We value diversity, aiming to create a vibrant and inclusive workforce, reflective of the communities in which we operate. Whilst committed to promoting all dimensions of diversity, our focus to date has been on gender equity, disability and Indigenous Australians.

Our commitment to diversity has been strengthened by accommodating the Diversity Council of Australia (DCA) in our head office, providing workstations and IT facilities free of charge. DCA is an independent, not-for-profit diversity adviser to businesses in Australia. This arrangement provides us with the opportunity to collaborate with the DCA on ways that we can enhance diversity within our workplace.

CAPABILITY DEVELOPMENT

Our capability development strategy this year responded to the economic environment and needs of the business. This included building internal training capability, encouraging on-the-job development and developing cost-effective training.

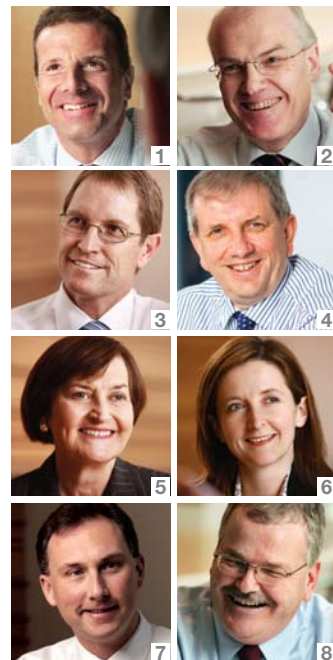
We provided around three training days per employee in the reporting period and continue to budget 2.5 per cent of payroll for training annually. We have focused on delivering management programs to build capability and ultimately, reduce turnover.

EMPLOYEE HEALTH AND SAFETY

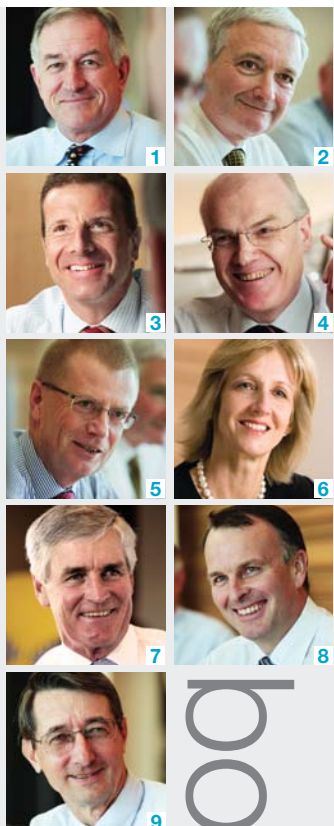
In FY09 we experienced no serious employee injuries and our employee lost time injury frequency rate of 2.6 was lower than our target of 4.0. Our target rate for FY10 is 2.0.

We launched an incident reporting and investigation system (IRIS) in January 2009. IRIS is a customised web-based system that facilitates reporting of incidents and provides an efficient method of recording, reporting and retrieving incidents as well as improved analysis of incident characteristics.

EXECUTIVE TEAM



Matthew Quinn (1)
Managing Director
Hugh Thorburn (2)
Finance Director
Mark Hunter (3)
CEO – Residential
Ken Lindsay (4)
MD – Stockland UK
Rilla Moore (5)
EGM – Human Resources
Karyn Munsie (6)
EGM – Corporate Affairs
David Pitman (7)
CEO – Retirement Living & Head of Group Strategy
John Schroder (8)
CEO – Commercial Property



board

THE STOCKLAND BOARD takes its governance responsibilities very seriously and believes we have the necessary mix of experience and skills to deliver a high standard of integrity and accountability. While we have many formal corporate governance policies and practices in place, we also maintain a high level of informal engagement through additional meetings, site tours, briefing papers and discussions.

GRAHAM BRADLEY (1) BA, LLB (HONS 1), LL.M, 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 Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited, Po Valley Energy Limited and Boart Longyear Limited. Mr Bradley has been a Director of Singapore Telecommunications Limited since March 2004 and was a Director of MBF Australia Limited from November 2003 to November 2007. He was also a Director and Chairman of Film Finance Australia Limited from January 2004 to June 2008. Mr Bradley was the Managing Director of Perpetual Limited for 8 years until September 2003 and was the National Managing Partner of Blake Dawson and a Principal of McKinsey & Company prior to that. Mr Bradley is a member of the Human Resources and Corporate Responsibility and Sustainability Committees.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 18

NICHOLAS GREINER (2) B.EC (HONS), MBA Deputy Chairman (Non-Executive)

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He was a member of the NSW Parliament from 1980 to 1992 and Premier and Treasurer for the last 5 years of that period. Prior to entering Parliament and after a distinguished academic career, he held executive positions in the United States of America and in Australia. He is currently Chairman of Bradken Limited, Biflenger Berger Australia, QBE Lenders Mortgage Insurance Ltd, Citigroup Australia, Deputy Chairman of CHAMP Private Equity and a Director of various private groups. Mr Greiner is Chair of the Corporate Responsibility and Sustainability Committee.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 14

MATTHEW QUINN (3) B.SC (HONS), ACA, ARCS, FAPI, FRICS Managing Director

Mr Quinn has an extensive background in commercial, retail, industrial, and residential property investment and development. He began his career in the United Kingdom as a Chartered Accountant and moved to Australia in 1987 with Price Waterhouse. In 1988 he joined the Rockingham Park Group, a substantial Western Australian private property group. Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. Mr Quinn held the position of National President of the Property Council of Australia from March 2003 until March 2005. He is a Fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors. He was appointed Chairman of Australian Business and Community Network Limited in November 2007.

Mr Quinn is a member of the Corporate Responsibility and Sustainability Committee and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 18

HUGH THORBURN (4) B.COMM, FCA Finance Director

Mr Thorburn was appointed to the Board as Finance Director on 1 July 2004, having been Chief Financial Officer since his commencement at Stockland on 16 February 2004. He is a Chartered Accountant and has held a number of senior financial and general management roles in Australian companies. Mr Thorburn is a member of the Treasury Policy Committee.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 17

DUNCAN BOYLE (5) BA (HONS), FCII, FAICD (Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He has 35 years experience as a Senior Executive and Director within the insurance industry in Australia, New Zealand and the United Kingdom. Mr Boyle is a Director of QBE Insurance Group Limited, Clayton Utz and O'Connell Street Associates Pty Limited. Mr Boyle is a member of the Stockland Audit and Risk and Treasury Policy Committees.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 18

CAROLYN HEWSON (6) B.EC (HONS), M.A. EC. (Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over 25 years experience in the financial sector, with extensive

financial markets, risk management and investment management expertise. Ms Hewson is a non-executive Director of Westpac and BT Investment Management, and previously served as a Director on the Boards of AMP, CSR, South Australia Water and the Economic Development Board of South Australia. She has Board or advisory roles with the Australian Charities Fund, the Neurosurgical Research Foundation of Australia and Nanosonics Limited. Ms Hewson is a member of the Stockland Audit and Risk and Human Resources Committees.

Stockland Board Meetings FY09
Board meetings held: 6
Meetings attended: 6

BARRY NEIL (7) B.ENG (CIVIL) (Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over 36 years experience in property, both in Australia and overseas. He is a Director of Dymocks Book Arcade Pty Limited and was previously Director of Property for Woolworths Limited. He also served as Chief Executive Officer, Investment Division (1999 to 2004), and Executive Director (1987 to 2004) of Mirvac Limited. Mr Neil is a member of the Corporate Responsibility and Sustainability Committee.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 16

PETER SCOTT (8) 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 Sinclair Knight Merz Holdings Limited and was appointed a Director of Perpetual Limited on 31 July 2005.

Mr Scott is a Director of Pilotlight, a non-profit making organisation and O'Connell Street Associates Pty Limited. He was appointed to the Advisory Board of Laing O'Rourke Australia in August 2008 and was on the Advisory Board of Jones Lang LaSalle Australia until his resignation on 31 December 2008. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until January 2005. Prior to this, he held a number of senior positions with Lend Lease, following a successful career as a consulting engineer in Australia and overseas. Mr Scott is Chairman of the Human Resources Committee and Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 17

TERRY WILLIAMSON (9) B.EC, MBA, FCA, FCIS, MACS (Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is a Director of Avant Insurance Limited, ING Australia Limited and a member of the University of Sydney Faculty of Economics and Business Studies Advisory Board. Mr Williamson was previously the Chief Financial Officer of Bankers Trust Australia Limited/ BT Financial Group Pty Limited from 1997 to 2002 and prior to that was a partner of Price Waterhouse for 17 years. Mr Williamson is Chair of the Stockland and Stockland Capital Partners Audit and Risk Committees, the Treasury Policy Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Stockland Board Meetings FY09
Board meetings held: 18
Meetings attended: 17

STOCKLAND'S REMUNERATION APPROACH is designed to attract, motivate, reward and retain the best people. Employee remuneration is linked to performance and aligns annual incentive payments to securityholder interests via business outcomes such as total securityholder returns, profit growth and stakeholder engagement.

Setting executive remuneration policies is viewed by the Board as one of its most important responsibilities. The Board has thoroughly reviewed Stockland's remuneration framework for FY10 and found it to be robust across the business cycle. For the second year in a row Board fees and senior executive salaries have been frozen.

NON-EXECUTIVE DIRECTORS REMUNERATION	Board and committee fees	Superannuation	Total remuneration
NON-EXECUTIVE DIRECTORS			
MR GRAHAM BRADLEY			
2009	365,250	32,873	398,123
2008	365,250	32,873	398,123
MR NICHOLAS GREINER			
2009	232,500	20,925	253,425
2008	232,500	20,925	253,425
MR DUNCAN BOYLE			
2009	166,351	14,972	181,323
2008	143,599	12,924	156,523
MR BRUCE CORLETT (retired October 2008)			
2009	55,512	4,546	60,058
2008	166,350	14,972	181,322
MS LYN GEARING (resigned December 2008)			
2009	95,450	8,591	104,041
2008	235,900	21,231	257,131
MS CAROLYN HEWSON (appointed March 2009)			
2009	57,300	5,157	62,457
2008	–	–	–
MR BARRY NEIL			
2009	150,500	13,545	164,045
2008	131,832	11,865	143,697
MR PETER SCOTT			
2009	188,119	16,931	205,050
2008	200,000	18,000	218,000
MR TERRY WILLIAMSON			
2009	209,700	18,873	228,573
2008	207,150	18,644	225,794

EXECUTIVE REMUNERATION	Fixed pay	Short-term incentives	Superannuation	Share-based payments and other long-term benefits	Termination benefits	Total remuneration
EXECUTIVE DIRECTORS						
MR MATTHEW QUINN						
2009	1,808,073	1,235,000	13,745	324,861	–	3,381,679
2008	1,914,824	1,700,000	13,129	1,519,966	–	5,147,919
MR HUGH THORBURN						
2009	1,022,635	550,000	13,795	115,605	–	1,702,035
2008	1,005,316	825,000	13,078	642,669	–	2,486,063
SENIOR EXECUTIVES						
MR DENIS HICKEY (left July 2009)						
2009	1,104,529	470,000	13,745	202,373	1,070,000	2,860,647
2008	1,157,766	875,000	13,129	507,121	–	2,553,016
MR JOHN SCHRODER						
2009	1,034,531	536,000	13,745	91,522	–	1,675,798
2008	1,006,574	875,000	13,129	417,578	–	2,312,281
MR KEN LINDSAY						
2009	681,052	325,146	129,842	117,248	–	1,253,288
2008	570,837	572,242	100,603	257,627	–	1,501,310
MS RILLA MOORE						
2009	433,503	220,000	13,745	102,100	–	769,348
2008	461,100	350,000	13,129	206,388	–	1,030,617
MR DAVID PITMAN						
2009	454,138	183,000	13,745	86,187	–	737,070
2008	489,880	300,000	13,129	98,513	–	901,522
MS KARYN MUNSIE (commenced September 2008)						
2009	296,155	110,000	11,102	–	–	417,257
2008	–	–	–	–	–	–
MS JOHANNA KEATING (left December 2008)						
2009	173,317	–	6,495	54,684	380,000	614,496
2008	396,600	210,000	13,129	157,592	–	777,321

This is an excerpt from the Remuneration Report contained in the FY09 Financial Report available online at www.stockland.com.au.



www.stockland.com.au

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FOR MORE INFORMATION ABOUT STOCKLAND or your securityholding please visit the Stockland website or contact Computershare.

STOCKLAND WEBSITE
www.stockland.com.au

The Stockland site contains a variety of investor information, including market presentations, financial results, property news, announcements to the Australian Securities Exchange (ASX), and the latest Shareholder Review and interim reports.

REGISTRY
Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland. Contact Computershare on 1800 804 985 for:

- change of address details;
- request to receive communications online;
- request to have payments made directly to a bank account;
- provision of tax file numbers; or
- general queries about your securityholding.

ANNUAL GENERAL MEETING
Will be held at Four Seasons Hotel, 199 George Street, Sydney NSW at 2.30pm on Tuesday 20 October 2009.

DISTRIBUTION PERIODS
1 July – 31 December 2009
1 January – 30 June 2010

RECORD DATES
31 December 2009
30 June 2010

DISTRIBUTION BANKING OR MAILING DATES
26 February 2010
31 August 2010

DIRECTORY
HEAD OFFICE
Level 25, 133 Castlereagh Street, Sydney NSW 2000

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Melbourne	Telephone	+61 (0)3 9095 5000
Brisbane	Telephone	+61 (0)7 3305 8600
Perth	Telephone	+61 (0)8 9368 9222
United Kingdom	Telephone	+44 (0)845 070 4633

Corporation/Responsible Entity	Directors <i>Non-Executive</i>
Stockland Corporation Limited ACN 000 181 733	Graham Bradley – Chairman Nicholas Greiner – Deputy Chairman
Stockland Trust Management Limited ACN 001 900 741 AFSL 241190	Duncan Boyle Carolyn Hewson Barry Neil Peter Scott Terry Williamson
Level 25 133 Castlereagh Street Sydney NSW 2000 Toll free 1800 251 813 Telephone 02 9035 2000	<i>Executive</i> Matthew Quinn – Managing Director Hugh Thorburn – Finance Director
Custodian	<i>Company Secretaries</i>
Trust Company Limited ACN 004 027 749 35 Clarence Street, Sydney NSW 2000	Phillip Hepburn Derwyn Williams
Bankers	Unit/Share Registry
Commonwealth Bank of Australia Westpac Banking Corporation Limited Australia and New Zealand Banking Corporation	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street, Sydney NSW 2000 Toll free (within Australia) 1800 804 985 Telephone (outside Australia) +61 3 9415 4000 Email stockland@computershare.com.au
Auditor KPMG	
Quoted Securities SGP ordinary units/shares	



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