THE OBSERVATORY, QLD

Stockland

Shareholder Review 2010

30 JUNE 2010

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Annual letters to shareholders

From the Chairman and Managing Director – page 5.

Operational review

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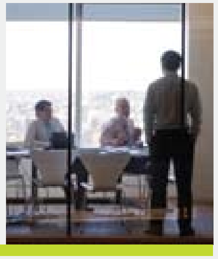
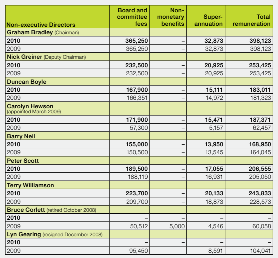


Strategy

Find out about our 3-R growth strategy: Residential, Retirement Living and Retail development – page 9.

Community and environment

Gain insight into how we contribute to the communities in which we operate and our environmental initiatives – page 11.



Remuneration report

Learn more about our approach to remuneration and view the latest salary information – page 15.

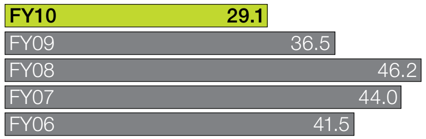
Key financial results

Underlying Profit ($m)[1]

STATUTORY PROFIT
$478.4m

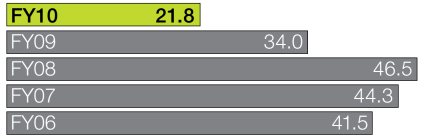
We achieved a 9.6 per cent increase in Underlying Profit. This is the profit we achieved through our daily business operations. Our Statutory Profit of $478.4 million takes into account fair value changes of our investment properties and other significant items set out fully in the Financial Report.

Underlying earnings per security (cents)



Our underlying earnings per security was 29.1 cents, down 20 per cent on last year due mainly to our higher number of shares on issue following our capital raising in FY09.

Dividend and distribution per security (cents)



Total distributions for the year were 21.8 cents per security, which represents a total payout of $520 million. This year and going forward we will pay out the greater of 75 per cent of Underlying Profit or Trust Taxable Income.

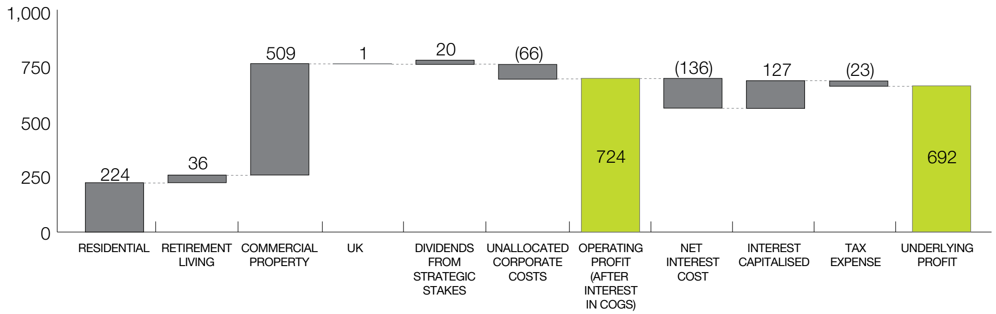
Balance sheet

WEIGHTED AVERAGE DEBT MATURITY
6.2 years

GEARING
18%

We have maintained our strong balance sheet with conservative gearing below our target range of 25 to 35 per cent. We have $1.9 billion of cash and undrawn facilities to fund our growth strategy and an estimated $830 million of net cash flow to come from the wind-down of Apartments and our UK business over the next two to three years.

Composition of Underlying Profit ($m)[1]



Five year performance history – year to 30 June 2010

	FY05	FY06	FY07	FY08	FY09	FY10	5 year compound annual growth %
Underlying Profit ($m)[1]	502.7	553.7	611.0	674.0	631.4	**692.3**	6.6
Net tangible assets per security ($)	4.00	4.54	5.33	5.46	3.61	**3.59**	(2.1)
Security price as at 30 June ($)	5.52	7.02	8.15	5.39	3.21	**3.72**	(7.6)
Dividends/distributions per security (cents)	38.9	41.5	44.3	46.5	34.0	**21.8**	(10.9)
Underlying EPS (cents)[1]	39.1	41.5	44.0	46.2	36.5	**29.1**	(5.7)
EPS target growth (%)[2]	–	–	4.1	5.0	2.5	**(21.1)**	n/a
EPS actual growth (%)	–	–	6.0	5.0	(21.0)	**(20.3)**	n/a

1 Underlying Profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of Stockland, in accordance with the AICD/Finsia principles for reporting Underlying Profit.
2 EPS target growth quoted here are those set by the Board annually in relation to the LTI program.

The big picture

We finish the year in a strong position with a clear growth strategy, good earnings momentum and a solid balance sheet.

GOWANBRAE VILLAGE, VIC

ERVIN GRAF, 1952

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

Ervin Graf founded Stockland in 1952 with 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 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 are striving to become a leader in sustainable business practices.

Our positive and adaptable team shares Graf'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 a sound approach and we're now Australia's largest diversified property group and a top 50 ASX-listed company.

About Stockland

Stockland is Australia's leading diversified property group listed on the Australian Securities Exchange. We have three operating businesses, Commercial Property, Residential Communities and Retirement Living.

Business by assets (asset value)

Commercial Property
Retail 36%
Office & Industrial 29%
Residential
Communities 18%
Apartments 3%
Retirement Living 12%
UK 2%

Business by geography (revenue)

Queensland 33%
New South Wales 32%
Victoria 18%
Western Australia 13%
United Kingdom 3%
Australian Capital Territory 1%

Questions & answers

What is Stockland's distribution policy?
The Board's policy is to pay securityholders a high proportion of our earnings each year, while retaining some to fund future growth.

This year and going forward we will pay out the greater of 75 per cent of Underlying Profit or Trust Taxable Income. This policy results in a slightly higher distribution this year than the forecast we provided, based on our previous policy of paying 80 per cent of Adjusted Funds from Operations (AFFO).

Why have you changed your policy?
We believe that a distribution policy based on Underlying Profit is the most appropriate approach since AFFO is not widely or consistently used in the Australian property sector.

What is the final dividend/distribution?
Our underlying earnings per security in FY10 is 29.1 cents, down 20 per cent on last year, due mainly to our higher number of shares on issue following our capital raising in FY09. Total distributions for the year are 21.8 cents per security, a total payout of $520 million.

Stockland plans to grow its business by focusing on Retail, Retirement Living and Residential. What does this mean for Office and Industrial?
We are focused on having the right balance of recurring income (60 to 80 per cent) and trading income (20 to 40 per cent). Recurring income is generated through rent from our retail, office and industrial assets. The combination of our internal capabilities and the nature of the market mean that retail assets provide us with higher returns and less volatility through changing market cycles. As a result, we will continue to sell non-core office and industrial assets and invest this money in our extensive retail development pipeline.

What are you planning to do with your investments in FKP and GPT?
Stockland holds stakes in GPT, FKP and Aevum which were acquired to provide optionality to diversify and grow our core businesses. Any potential growth opportunities are assessed in the context of our long-term strategic weightings, which provide a mix of stable, reliable income and growth. Any merger or acquisition activity in respect of these stakes will only be contemplated if it can secure high quality assets that fit with Stockland's business unit strategies and enhance securityholder returns.

What are the main threats to the Residential business?
Following a rapid recovery in 2009, the residential market is now coming under pressure with recent interest rate rises impacting affordability. Further increases in bank variable mortgage rates remain the most significant threat to a sustained recovery. Our ability to offer a variety of value for money products that cater to a range of buyer segments provides flexibility to meet this challenge.

What is your outlook for the business?
The hard work of the last two years is paying off and our business enters FY11 in a strong position, well prepared for any further market volatility. While we will maintain our conservative and disciplined approach to capital management, we are also looking to capitalise on growth opportunities. We expect to achieve EPS growth of 7 per cent in FY11 compared with our FY10 result.

SETTLERS HILLS IS A VIBRANT MASTERPLANNED COMMUNITY WITH A STOCKLAND SHOPPING CENTRE, TWO SCHOOLS, 18 PARKS AND ALL IN A CONVENIENT LOCATION NEAR THE BEACH.

Chairman's letter

DURING THE PAST YEAR WE HAVE CONSOLIDATED OUR POSITION ACROSS OUR KEY BUSINESSES, AND ACHIEVED GOOD GROWTH MOMENTUM IN OUR RESIDENTIAL BUSINESS.

I am pleased to report that Stockland has delivered solid results for the 2010 financial year (FY10) with a 9.6 per cent improvement in Underlying Profit despite the continuation of unsettled economic conditions.

During the past year we have consolidated our position across our key businesses, and achieved good growth momentum in our Residential business, having used the economic downturn of FY08-09 to strengthen our capabilities in our three key areas of strategic growth – Residential, Retirement Living and Retail.

Our results

The Group delivered an Underlying Profit of $692 million in FY10. This result reflects solid performance across most of our businesses and a particularly strong result for our Residential business which achieved record lot sales in FY10.

Underlying Profit is the most meaningful indicator of our performance, as it measures profit from ongoing operations adjusted for non-recurring and significant items, such as investment property revaluations.

Our Statutory Profit was $478 million, well above last year's Statutory Loss of $1.8 billion.

Our long-standing policy of conservative balance sheet management continues to serve us well through this market cycle. We have maintained low gearing and a good level of cash reserves in FY10 which will position us well for future growth opportunities. Our gearing at 30 June 2010 was a low 18 per cent, measured as the ratio of net debt to total tangible assets (net of cash on deposit). This is below our target range of 25 to 35 per cent, but we will progressively move towards our target range as we fund Residential, Retirement Living and Retail developments and growth opportunities.

Dividend/distribution

Our underlying earnings per security in FY10 was 29.1 cents, down 20 per cent on last year due mainly to higher shares on issue following our capital raising in FY09. Total distributions for the year are 21.8 cents per security, a total payout of $520 million.

The Board's policy is to pay to securityholders a high proportion of our earnings each year, while retaining some to fund future growth. This year we will pay out the greater of 75 per cent of Underlying Profit or Trust Taxable Income. This new distribution policy results in a slightly higher distribution this year than the forecast we provided, based on our previous policy of paying 80 per cent of Adjusted Funds from Operations (AFFO). We believe that a distribution policy based on Underlying Profit is the most appropriate approach for the future since AFFO is not widely or consistently used in the Australian property sector.

Corporate responsibility and sustainability

We have long recognised the importance of sustainability to our long-term success. FY10 was no exception, as we continued to embed sustainability principles and practices into our everyday business operations.

Pleasingly, once again this year our sustainable practices achieved wide domestic and international recognition, as did many of our projects. Worthy of special note are:

- Ethical Investor Sustainable Company of the Year
- Member (Property), Dow Jones Sustainability Index World 2009-10
- Urban Development Institute of Australia National Award for Excellence for our South Beach Estate in Western Australia
- Several awards for our new 6-Star Green Star office building 2 Victoria Avenue, Western Australia.

Board and management

I would like to thank my Board colleagues for their high level of engagement and hard work throughout the year. Special mention should be made of the significant contribution of our Deputy Chairman Nick Greiner during his 18 years on the Board. Mr Greiner retires at our AGM in October and leaves with the gratitude and best wishes of the entire Company. We should also acknowledge the contribution of Finance Director Hugh Thorburn, who retired from the Board in February 2010.

We welcomed our newest director Carol Schwartz on 1 July 2010. Ms Schwartz has extensive property and retailing experience and we look forward to her future contribution.

I also thank our Managing Director, Matthew Quinn, his executive colleagues and all of our employees for their strong contribution and many achievements during the past year.

There has been much public focus on governance issues this past year and your Board has closely monitored developments in this area. We aim to be leaders in good corporate governance and I am pleased to note that our practices are well in line with best practice and often reflect early adoption of new guidelines. In particular I would like to mention our strong commitment to gender diversity.

Stockland has for many years had a policy of actively encouraging gender diversity at all levels in the organisation. For example, not only have the last two appointments to the Board been women, but several years ago we set targets to increase the proportion of women in management to 35 per cent. In FY10 we exceeded this goal, and we have now set a new five-year target of 40 per cent.

Outlook

While the Australian economy continues to outperform other developed nations, we remain cautious about the year ahead. Positive domestic signs including employment growth and rising consumer confidence are tempered by concerns about interest rates, weak economic conditions in the USA and Europe and ongoing financial market fragility. I am confident, however, that our operating businesses are in a strong competitive position. Our disciplined approach to balance sheet management and our skilled and committed team, mean that we are well placed to deliver superior returns into the future.

Graham Bradley
Chairman

Managing Director's letter

WE HAVE A CLEAR GROWTH STRATEGY, GOOD EARNINGS MOMENTUM AND A STRONG BALANCE SHEET, MEANING WE ARE WELL PLACED TO COPE WITH ANY FURTHER MARKET VOLATILITY AND TO CAPITALISE ON OPPORTUNITIES THAT ARISE.

Our business performed well in FY10 achieving a significant improvement in Underlying Profit in line with the guidance we provided.

Our efforts to build on our core property strengths and refine our strategic approach during the downturn served us well. We delivered consistent growth in our operating businesses and are now well positioned for the future.

Residential

A strong focus on improving our customer insight and product innovation in our Residential Communities business saw us increase sales in all market segments. We achieved record lot settlements and a strong Operating Profit of $213 million. The ability to respond quickly and adapt our product offering, as more second home buyers and investors entered the market, helped us achieve this result and sees us enter FY11 with record contracts on hand.

In our Apartments business our trade-out of existing projects and disposal of undeveloped sites is progressing well and the cash generated by this process is being reinvested in our Residential Communities land bank.

Retirement Living

Retirement Living continued to perform well, achieving an Operating Profit of $36 million, reflecting a good increase in settlement volumes, solid price growth and stable overheads.

Our established villages performed well, with 97 per cent occupancy, and demand at our new villages is strong, with the first stage of our releases at North Lakes in Queensland and Highlands in Victoria quickly selling out.

Retirement Living remains one of our key growth businesses, with a $1.1 billion development pipeline, including six villages already underway, set to deliver good organic growth over coming years.

Commercial Property

Despite persistently difficult market conditions, our Commercial Property business delivered a steady performance, achieving Net Operating Income of $534 million. This result was a slight fall on the prior year due to the sale of $770 million of non-core assets over the last two years, which meant we had a smaller portfolio from which to derive income. The funds we raised from these sales are being redeployed into our substantial retail development pipeline, which will ultimately deliver better long-term returns.

In our Retail business we maintained virtually full occupancy across the portfolio and good rental growth. Occupancy levels were good in Office and Industrial, with 97 per cent occupancy in Office, excluding the spaces we're refurbishing, and 95 per cent in Industrial. In this business we have focused on our lease expiries and have successfully reduced the risk of significant vacancy increases in FY11 and FY12.

Strategy

We have a clear focus on delivering growth through our 3-R strategy: Residential Communities, Retirement Living and Retail development.

In our Residential Communities business we aim to extend our market-leading position by using geographic and product diversity to further grow our market share.

Our Retirement Living business is focused on growing by harnessing our strengths in customer focus, product development and community building. Our development pipeline will double the size of the business, giving us greater scale and a national presence.

In our Retail business we will enhance the quality of our assets to create shopping centres that are leaders in their trade areas. This development program is already progressing well, with the completion of two centres last year, three due for completion in FY11 and six more to follow.

People

Our strong management team and skilled employees have been integral to us delivering on our strategy over the last 12 months. We have worked hard to ensure we have the right capabilities to grow our business. Our focus on learning and development was recognised in this year's annual employee survey, with employees rating our programs well above the global high performing norm and we again achieved a strong employee engagement score of 82 per cent.

Also, our commitment to gender diversity and flexible work practices is delivering business benefits, with the proportion of employees returning from parental leave increasing from 69 per cent to 82 per cent during FY10 resulting in improved productivity.

In July, Michael Rosmarin joined our executive team as the Executive General Manager of Human Resources. Michael replaces Rilla Moore who retires in September. I would like to take this opportunity to thank Rilla for her contribution over the last six years at Stockland.

The year ahead

The hard work of the last two years is paying off and we enter FY11 in a strong position. While we will maintain our conservative and disciplined approach to capital management, we are also looking to maximise growth opportunities. We have a clear growth strategy, good earnings momentum and a strong balance sheet, meaning we are well placed to cope with any further market volatility and to capitalise on opportunities that arise.

Matthew Quinn
Managing Director

Operational review

An overview and financial summary of our three businesses, Commercial Property, Residential and Retirement Living.

BRIGHTWATER, QLD

Commercial Property

delivered a solid performance in a difficult environment.

COMMERCIAL NET OPERATING INCOME

$534.0m

Commercial Property

Through good asset and lease management our Commercial Property business delivered a solid performance in a difficult environment. Due to the sale of non-core assets our stable income stream decreased by 1.4 per cent. The money from the sale of these assets is being reinvested in Retail development. We expect that in two to three years we will start to see the income from these investments.

Retail

- Comparable net rental income growth of 4%
- High portfolio occupancy of over 99%

Strong population growth and our quality retail space underpinned good growth in retail rents. We have progressed well with our growth plans, and two projects (Balgowlah and Riverton) were completed this year and we have five underway.

Office and Industrial

- High portfolio occupancy of 97% in Office and 95% in Industrial
- 260,000m² of Office and Industrial space leased in FY10

Our occupancy rates over the last 12 months remained high at 97 per cent and through effectively managing our lease expiries we have low rent risk in the next two years.

MERRYLANDS, NSW

RETAIL OPERATING PROFIT

$266.0m

Retail lease expiry profile

Vacant	1%	FY13	12%
FY11	10%	FY14	10%
FY12	12%	FY15+	55%

OFFICE OPERATING PROFIT

$193.0m

Office lease expiry profile

Vacant	8%	FY13	9%
FY11	8%	FY14	11%
FY12	13%	FY15+	51%

Weighted average lease expiry 4.6 years

INDUSTRIAL OPERATING PROFIT

$75.0m

Industrial lease expiry profile

Vacant	5%	FY13	34%
FY11	17%	FY14	3%
FY12	7%	FY15+	34%

Weighted average lease expiry 3.4 years

UK

- Operating profit $1.2 million

We continue to wind down our UK business and have made some good progress this year selling $40 million of assets. We're very conscious of the economic conditions in the UK and the challenges that are faced there, and remain focused on reducing our exposure to this market by an orderly work-out.

The **Residential** business achieved record lot sales and strong net margin.

RESIDENTIAL OPERATING PROFIT

$213.0m

Residential

- Operating profit $213 million, up 16%
- Record lots settled, up 22%
- Strong net margin of 27%

The Residential business performed well with record lot sales and a 12 per cent increase in the average sale price per square metre. We demonstrated our ability to quickly adapt our product to the changing demands of customers, as more second home buyers and investors entered the market.

Following a rapid recovery in 2009, the residential market is now coming under pressure with recent interest rate rises impacting affordability. Further increases in bank variable mortgage rates remain the most significant threat to a sustained recovery.

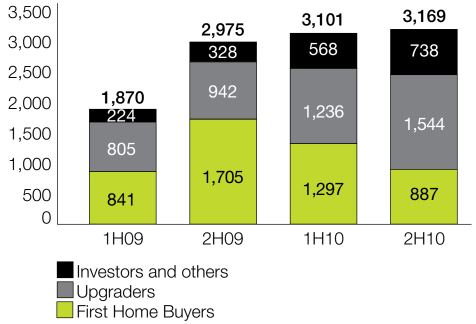
Our ability to offer a variety of value for money products that cater to a range of buyer segments provides flexibility to meet this challenge.

We continued our withdrawal from the Apartments business and in FY10, 315 apartments were settled. The revenue of $278 million from the sale of apartments is being reinvested in the Residential land bank to grow this business.


LAKEWOOD, NSW

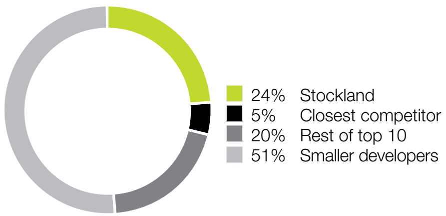
We remain focused on growing our Residential business and to do this we need to acquire more land. We are progressing well and have already acquired seven residential land sites in FY10/FY11 for a total of $380 million. These projects will deliver around 10,000 lots and we expect to settle the first lots in FY11.

Buyer composition (no. of deposits)



In the second half of FY10 we saw more second home buyers and investors enter the market.

Market share in areas where we operate



We are the clear market leader with the top two selling projects in Australia in FY10 (Highlands and North Lakes).


FIGTREE, QLD

Retirement Living performed well with strong demand at all villages.

RETIREMENT LIVING OPERATING PROFIT

$36.0m

Retirement Living

- Operating profit up 13%
- High portfolio occupancy of 97%
- 253 existing units and 177 new units settled

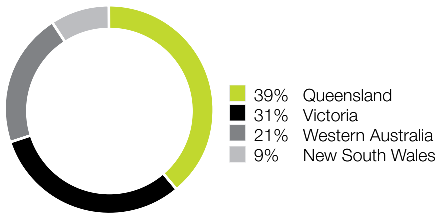
Retirement Living performed well, with strong demand at all villages.

New villages, North Lakes and Highlands sold out in the first release and our established villages had 97 per cent occupancy.

Our focus is on growing the Retirement Living business to build scale. To grow this business we have a development pipeline of $1.1 billion, with six projects currently under construction.

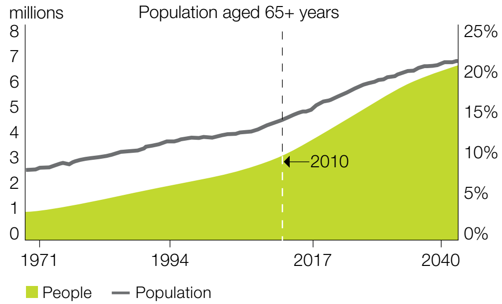
We are also looking to build the business by acquiring mature projects. This will give us the right balance between recurring and development income.

Development pipeline (% of units)



To grow this business we have a development pipeline of $1.1 billion with six projects currently under construction.

Growth of >65 year old demographic is an opportunity



Our focus is on growing the Retirement Living business to build scale. We are in a good position to capitalise on the ageing population trend by providing good quality residential product.

Strategy

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

RETAIL	RETIREMENT LIVING	RESIDENTIAL
Strategy Extensive $2.5b retail development pipeline, enhancing asset size, quality and trade area positioning	**Strategy** Increase market share and returns through development of new villages and acquisition of portfolios	**Strategy** Grow market share through geographic and product diversity
Execution Major developments at Merrylands, Rockhampton and Townsville	**Execution** Development pipeline of circa 2,900 Independent Living Units	**Execution** 9,690 lots acquired in FY10/11 at a total cost of $380m

Fully funded growth – strong capital position and cash for reinvestment from asset sales
Integrated platform enhances community creation capability – now a key government requirement
Disciplined assessment of opportunities within strategic weightings of 60-80% recurring/20-40% trading (FY10 Actual: 72% recurring/28% trading)

Through our 3-R growth strategy we will increase both our recurring income (earnings generated through rent) and our trading income (earnings generated through development) while maintaining our target weightings.

In our **Residential** business we are focused on extending our market leading position by increasing our footprint in population and employment growth areas. We will use our customer insight to develop quality products and respond to the changing needs of our customers.

Our **Retirement Living** business will capitalise on the ageing demographic. We have a substantial development pipeline and there are acquisition and consolidation opportunities. We aim to double the size of the business which will provide us with scale and a national platform.

In **Retail** we will continue to enhance our existing retail assets to improve their quality and position in the market.

This growth strategy will be undertaken with a continued focus on prudent capital management.

Sustainability

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

North Shore – bringing forward development

North Shore is a masterplanned community located 12 kilometres north-west of Townsville in a key growth corridor. When complete, North Shore will house over 15,000 people across 1,000 hectares of land. The community will include parklands, four schools and a town centre with a 40,000m² Stockland shopping centre.

Demonstrating the strength of our mixed-use business model, we made the decision to bring forward development of the shopping centre and began construction in early 2010.

Typically, when a residential community is developed, the shopping centre is only established once the population reaches a critical mass. At North Shore we are opening the shopping centre early so that new residents have a local town centre. The response has been very positive and Residential lot sales have increased substantially as a result.

This is just one example of where we are able to use our diverse business model to generate additional sales in our Residential business and improve engagement with customers.

NORTH SHORE, QLD

HIGHLANDS, VIC

Customers

Good customer insight helps us improve our product and service offering and respond to market needs quickly.

We have many different customers:

- Retail, office and industrial tenants
- Retail shoppers
- Residents in our communities and apartments
- Retirement village residents.

Residential

Our deep understanding of the customer journey provides us with good competitive advantage, opportunities for product innovation and efficiencies.

Through market research, we are able to forecast the customer sales mix in the months ahead. In FY10 we were able to predict the shift in purchasers from First Home Buyers to investors and upgraders. We quickly adapted our product offering to meet their needs.

We also measure customers' feelings towards the sales experience on an ongoing basis and refine any areas for improvement. The results have been very positive, with 95 per cent of buyers rating the experience as good to excellent in FY10.

Retirement Living

Deciding to move into a retirement community is a very emotional journey for our customers. It can take anywhere from three weeks to three years. Understanding the customer journey helps us meet the needs of our customers.

An annual Residents' Voice Survey provides residents at our retirement villages with an opportunity to tell us how they feel about life in a Stockland village.

Results of the survey show that the residents are largely satisfied:

- 91 per cent are happy with their community centres
- 75 per cent feel their quality of life has improved since moving into their village
- 63 per cent wish they had moved sooner.

We use the results of these surveys to improve our processes and facilities.

Commercial Property

With a goal of exceeding customer service expectations we undertook research with our Commercial Property tenants in FY10. Major retail tenants participated in detailed interviews with Stockland senior executives, and focus groups were held with our national specialty retailers.

This research gives us an understanding of why retailers choose to partner with a given company when setting up a retail business. The research also provides a benchmark for measuring and monitoring customer satisfaction.

Retail shopper customer satisfaction improved by 7.2 per cent in FY10. A mystery shopper program was used to measure satisfaction and focused on performance in customer interaction, centre facilities, common areas and casual leasing.

Tackling the challenge of housing affordability

Providing affordable housing remains a key challenge in our Residential business. Federal and State housing stimulus measures in late 2008 to early 2009 were responsible for driving strong first home buyer demand, but to maintain this sales momentum, we needed to continue to service the demands of this market segment once stimulus measures had been removed.

To help address this issue, we launched an initiative to develop house and land packages at an affordable price in our Highlands residential community in Melbourne's North.

To make new home buying easier for those starting out, we worked with builder, Henley Properties Group, to develop a range of affordable fixed price house and land packages.

Targeting the under $300,000 price point required innovation. An 8.5 metre by 25 metre lot was launched and the new product proved immensely popular with all available lots and packages selling out within days of launching.

RENEE DRAKE AND HER BROTHER LACHLAN BOUGHT A HOME IN **HIGHLANDS, CRAIGIEBURN VIC** FOR $292,000. 'WE HAD A RIGID BUDGET AND WERE NOT PREPARED TO GO OVER $300,000.'

Community

Our mixed-use business model means that we are in a good position to positively impact the communities where we have residential, retail or retirement properties.

NORTH LAKES, QLD

We work with key stakeholders throughout development and beyond. One area that we are particularly focused on in our business is community development.

We aim to create vibrant communities that thrive long after we have completed development and in order to achieve this, we understand that a focus on social sustainability needs to be integrated into the way we do business. We work with key stakeholders throughout the process to ensure we meet local community needs.

We have found that a sense of community is an important purchase driver for our customers. In our Retirement Living business, community is rated as one of the key reasons for selecting a village. For our retail centres, working with stakeholders to contribute to the local area is vital, as often the shopping centre is the hub of the community.

Last year we launched a Community Development Toolkit in our Residential business which provides us with a consistent and comprehensive approach to community development.

The toolkit highlights the key elements of each community and enables individual properties to create initiatives that contribute to:

- Community life
- Safety
- Community access and support
- Learning
- Economic vitality and information technology
- Governance
- Environmental sustainability
- Leisure and recreation
- Arts and culture
- Health and wellbeing.

We are already seeing the benefits of this approach in our residential business and will be launching the toolkit in Commercial Property in the next year.

HOURS VOLUNTEERED IN THE COMMUNITY

11,995

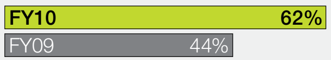
Employee giving and volunteering

Employees are able to contribute to the community through our Workplace Giving and Volunteering program. Stockland dollar matches employee donations to charities and supports employees in volunteering activities.

Over half of our employees volunteered in community activities over the past year.

This includes mentoring students from priority funded schools in Australia and team volunteering activities.

Percentage of employees that volunteered during Stockland time



‘Stockmotion’ program at Rockhampton

Teenagers and shopping centres go hand in hand. Usually the relationship is a positive one, but occasionally there can be difficulties. Our Rockhampton shopping centre was fast becoming a hang out zone for unruly behaviour.

To address this, our centre team worked quickly and in partnership with the local police, council representatives, local schools, the community and youth groups to address safety and behaviour concerns affecting the whole of the Rockhampton community. Stockland has created ‘Stockmotion’ – a stop motion training program to engage teenagers in a positive way in our shopping centre and in the community.

Working with the Rockhampton safety committee, the program will train groups of teenagers on how to make stop-animation films over a ten week period. At the end of the program there will be a community screening of the films at the local cinema and prizes will be awarded to the winning team. Industry professionals will talk to the teenagers about how to make a career in animation and film, and further education courses will be highlighted to the participants. We see this as a way of not only engaging teenagers around a positive activity, but also as a way to provide them with skills they may not have had access to previously.

STOCKLAND ROCKHAMPTON HAS RECENTLY BEEN REDEVELOPED AND NOW HAS THE LARGEST RETAIL OFFERING IN THE REGION.

Environment

At Stockland we have been on the front foot in understanding our impact and mitigating risks associated with climate change.

Increasing scrutiny from our customers, along with regulation, means that this is an essential part of doing business.

Over the past 12 months we have focused on:
- Mitigating and adapting to perceived climate change risk
- Minimising emissions
- Improving energy efficiency
- Managing our use of, and impact on, natural resources
- Improving eco-efficiency in water, biodiversity, waste and materials.

In our **Commercial Property** business we have continued to actively manage our carbon footprint under difficult economic conditions. Since FY06 we have reduced emissions in our Office portfolio by 29 per cent, our Retail portfolio by 14 per cent and are targeting a further reduction of 20 per cent by FY14. We have grown our capability in achieving lower carbon performance across our existing and new buildings.

Using the NABERS Energy rating tool to benchmark building performance, action plans have been developed to improve energy efficiency through capital investment in high efficiency chillers, building management systems, lighting controls and variable speed drives. We have increased our NABERS rating from 2.5 stars to 3.6 stars since FY06 and are targeting a rating of 4.5 stars by FY14.

In our **Residential** business we have focused on water efficiency through good urban design. We also worked closely with our partner builders to create more energy efficient homes in our communities.

In **Retirement Living**, we recognise that reducing energy is a good way to help our residents save money. Over the last year we introduced solar energy through roof-mounted photovoltaic cells. An overwhelming number of residents have participated in this program, at no cost to them. Over 70 per cent of independent living units in our villages now generate renewable energy, helping to cut electricity costs for our residents.

Stockland Forster leads the way in sustainable shopping

Stockland Forster, on the NSW mid-north coast, is a good demonstration of our ability to innovate to improve energy efficiency. Redeveloped in 2007, the shopping centre is our first naturally ventilated centre.

High-level louvres draw hot air up and out of the centre and cool the building without the need for any mechanical cooling.

Individual tenancies have been designed to use split ducted air conditioning which services them exclusively and allows tenants to set temperatures to their needs.

In addition to efficiencies in cooling, the centre is also designed to rely heavily on natural daylight rather than artificial lighting. Photosensors recognise when light levels decrease in the centre and adjust artificial lighting accordingly.

As a result of all these energy saving initiatives, Stockland Forster has achieved Australia's first 5 Star Retail NABERS Energy rating awarded by the Department of Environment, Climate Change and Water.

OFFICE GHG EMISSIONS INTENSITY FY06-10

29% ↓

Office greenhouse gas (GHG) emissions intensity (kgCO_2/m²)

FY10	97.0
FY09	103.8
FY08	113.3
FY07	127.8
FY06	136.6

The reduction of 29 per cent reflects our continued focus on improved energy efficiency across our office portfolio.

RETAIL GHG EMISSIONS INTENSITY FY06-10

14% ↓

Retail greenhouse gas (GHG) emissions intensity (kgCO_2/m²)

FY10	76.0
FY09	74.5
FY08	77.2
FY07	82.2
FY06	88.6

This increase was the result of our new centres using energy intensive lighting in speciality stores and extended trading hours in some Qld and WA centres. We will look to address these issues over the coming year.

GREENHOUSE GAS EMISSIONS FY06-10

8% ↓

Greenhouse gas emissions (GHG) (kgCO_2)

FY10	127,536,877
FY09	123,016,882
FY08	132,439,692
FY07	139,385,591
FY06	139,279,841

Our absolute GHG emissions for FY10 increased, reflecting the energy intensity of our retail assets and the opening of newly developed assets. (Excludes Residential and Retirement Living).

AVERAGE NABERS OFFICE ENERGY RATING

3.6 stars ↑

Average NABERS Office Energy rating

FY10	3.6
FY09	3.4
FY08	2.9
FY07	2.9
FY06	2.5

Quoted average NABERS Energy Rating is ex-Green Power. NABERS ratings for office assets can be found in the CR&S Report found on the Stockland website. (Excludes Residential and Retirement Living).

WATER CONSUMPTION FY06-10

11% ↓

Water consumption (kL)

FY10	1,382,681
FY09	1,298,733
FY08	1,472,267
FY07	1,636,695
FY06	1,558,708

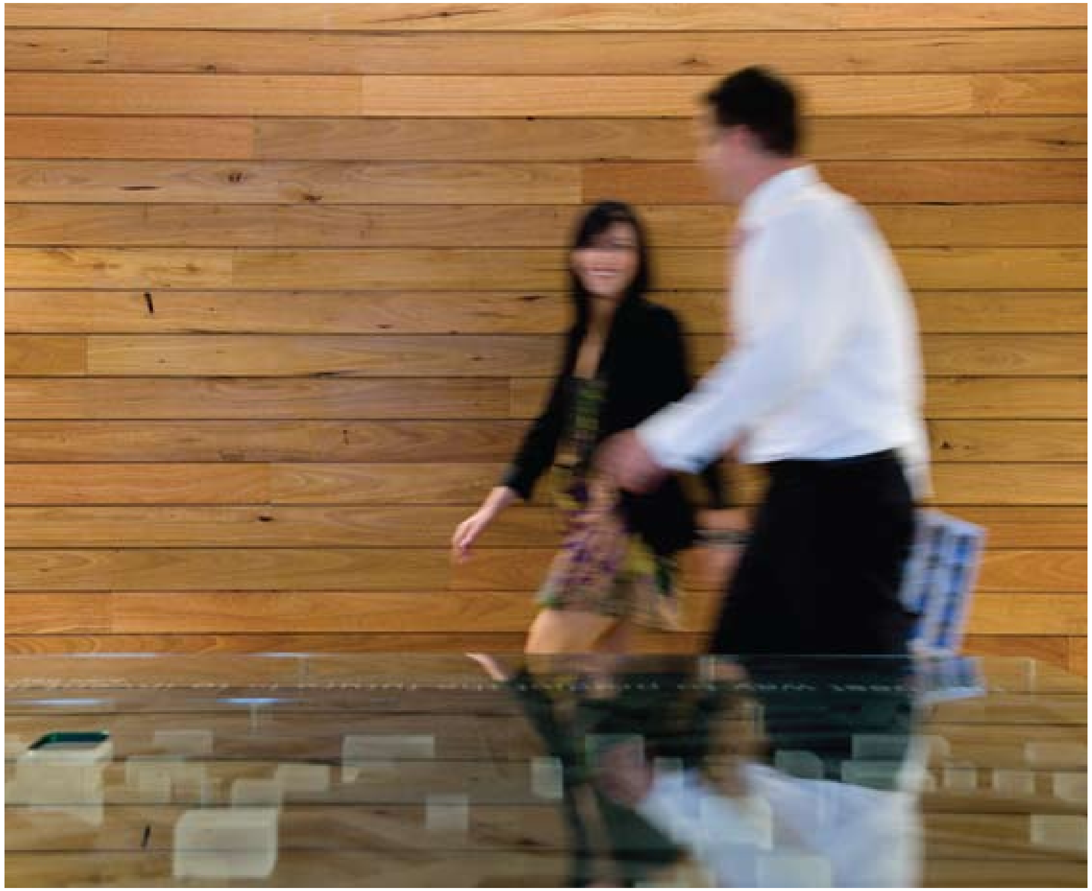
This result reflects the increase in water intensity of our retail assets and the opening of newly developed assets. (Excludes Residential and Retirement Living).

Executive team

Matthew Quinn (1), Managing Director
Tim Foster (2), Chief Financial Officer
Mark Hunter (3), CEO – Residential
Karyn Munsie (4), EGM – Corporate Affairs
David Pitman (5), CEO – Retirement Living and Head of Group Strategy
Michael Rosmarin (6), EGM – Human Resources
John Schroder (7), CEO – Commercial Property

Our people

Maintaining employee engagement and providing opportunities for employees to develop in a safe working environment is critical to our success as an organisation.



Employee engagement

We aim to foster a work environment that attracts, develops and retains talented individuals.

One of the key measures from our annual 'Our Voice' survey is employee engagement. Despite the difficult economic conditions faced over the last two years, we maintained a high employee engagement score of 82 per cent which positions us well in comparison to global high performing companies.

Building capability

We have increased our training days and spend per person to support career and professional development and further develop capability to deliver our growth strategy.

Diversity

We value diversity and aim to create a vibrant and inclusive workforce, reflective of the communities in which we operate. Building a more inclusive workforce facilitates greater diversity of thought, more informed decision-making and ultimately better business outcomes.

Diversity forms an integral part of our people strategy and in the past year our focus has been on enhancing gender diversity, workplace flexibility and disability inclusiveness. We are pleased that over the past few years we have significantly increased the number of women in management to 35 per cent and the number of employees returning from maternity leave to 82 per cent.

Health, safety and environment

We continue to focus on the safety and wellbeing of our employees. We have improved our systems and procedures and introduced induction programs for employees. In 2010, 97 per cent of our employees reported that their work area was a safe place to work.

EMPLOYEE ENGAGEMENT

82%

Employee engagement

FY10	**82%**
FY09	82%
FY08	83%

Board

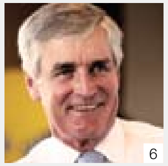

1


2


3


4


5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7


8


9

The Stockland Board is closely involved in the strategic decisions of the business.

We take our governance responsibilities very seriously and believe 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

BA, LLB (Hons 1), LLM, FAICD Age 61

Chairman

Non-Executive (1)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is President of the Business Council of Australia, Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited and Po Valley Energy Limited (appointed as a Director September 2004). Mr Bradley has been a Director of Singapore Telecommunications Limited since March 2004. He was also Chairman of Boart Longyear Limited from February 2007 to August 2010, Director of MBF Australia Limited from November 2003 to November 2007 and 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 eight 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 FY10

Board meetings held: 11
Meetings attended: 11

Nicholas Greiner

B.Ec (Hons), MBA Age 63

Deputy Chairman

Non-Executive (2)

Mr Greiner has been Deputy Chairman of the Board since his appointment in September 1992. He was a member of the New South Wales Parliament from 1980 to 1992 and Premier and Treasurer for the last five 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, Valemus (formerly Bilfinger 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 FY10

Board meetings held: 11
Meetings attended: 9

Matthew Quinn

B.Sc (Hons), ACA, ARCS, FAPI, FRICS Age 48

Managing Director (3)

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, a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

Stockland Board Meetings FY10

Board meetings held: 11
Meetings attended: 11

Duncan Boyle

BA (Hons), FCII, FAICD Age 58

Non-Executive (4)

Mr Boyle was appointed to the Board on 7 August 2007. He has over 36 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 Committees.

Stockland Board Meetings FY10

Board meetings held: 11
Meetings attended: 11

Carolyn Hewson

B.Ec (Hons), Ec., FAICD Age 54

Non-Executive (5)

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 Banking Corporation, BT Investment Management and BHP Billiton, and previously served as a Director on the Boards of the Australian Gas Light Company, AGL Energy Limited, AMP, CSR Limited, South Australia Water and the Economic Development Board of South Australia. Ms Hewson is a member of the Stockland Audit and Risk and Human Resources Committees.

Stockland Board Meetings FY10

Board meetings held: 11
Meetings attended: 11

Barry Neil

B.Eng (Civil) Age 61

Non-Executive (6)

Mr Neil was appointed to the Board on 23 October 2007 and has over 37 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 FY10

Board meetings held: 11
Meetings attended: 11

Carol Schwartz

BA, LLB, MBA, FAICD Age 54

Non-Executive (7)

Ms Schwartz was appointed to the Board on 1 July 2010. She has extensive experience in business, property and community organisations and is Executive Chairman of Qualitas Property Partners and on the Board of a number of organisations including Yarra Capital Partners, The Sydney Institute and the City of Melbourne's Enterprise Melbourne Advisory Board. Her other appointments include Executive in Residence at Melbourne Business School and Chairman of Our Community. Ms Schwartz is a past National President of the Property Council of Australia. She has also previously been Chairman of Industry Superannuation Property Trust, Executive Director of Highpoint Property Group and a Director of OPSM Group Limited. She has served on a number of government boards including Melbourne's Dockland's Authority and the Victorian Growth Areas Authority Task Force.

Stockland Board Meetings FY10

Board meetings held: n/a
Meetings attended: n/a

Peter Scott

B.E (Hons), M.Eng Sc, FIE. Aust, CPEng, MICE Age 56

Non-Executive (8)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of Sinclair Knight Merz Holdings Limited and Chairman-elect of Perpetual Limited where he was appointed a Director on 31 July 2005. Mr Scott is a Director of Pilotlight, a non-profit organisation and O'Connell Street Associates Pty Limited. He was appointed to the Advisory Board of Laing O'Rourke Australia in 2008. Mr Scott was the Chief Executive Officer of MLC and Executive General Manager, Wealth Management of National Australia Bank until 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 FY10

Board meetings held: 11
Meetings attended: 11

Terry Williamson

B.Ec, MBA, FCA, FCIS, MACS Age 62

Non-Executive (9)

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 the Chief Financial Officer of Bankers Trust Australia Limited/BT Financial Group Pty Limited 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 Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Stockland Board Meetings FY10

Board meetings held: 11
Meetings attended: 11

Remuneration

Stockland's remuneration approach is designed to attract, motivate and retain the best people.

In the current market environment, and throughout the business cycle, the Board is committed to ensuring that all remuneration decisions and payments are fair, market competitive and not excessive.

Employee remuneration is linked to performance, and aligns incentive payments to securityholder interests via business outcomes such as total securityholder returns and profit growth.

We have once again made the decision to continue restraint on executive remuneration and we have only granted increases where an individual's responsibilities have materially changed.

Non-executive Directors	Board and committee fees	Non-monetary benefits	Super-annuation	Total remuneration
Graham Bradley Chairman				
2010	**365,250**	**–**	**32,873**	**398,123**
2009	365,250	–	32,873	398,123
Nick Greiner Deputy Chairman				
2010	**232,500**	**–**	**20,925**	**253,425**
2009	232,500	–	20,925	253,425
Duncan Boyle				
2010	**167,900**	**–**	**15,111**	**183,011**
2009	166,351	–	14,972	181,323
Carolyn Hewson (appointed March 2009)				
2010	**171,900**	**–**	**15,471**	**187,371**
2009	57,300	–	5,157	62,457
Barry Neil				
2010	**155,000**	**–**	**13,950**	**168,950**
2009	150,500	–	13,545	164,045
Peter Scott				
2010	**189,500**	**–**	**17,055**	**206,555**
2009	188,119	–	16,931	205,050
Terry Williamson				
2010	**223,700**	**–**	**20,133**	**243,833**
2009	209,700	–	18,873	228,573

This is an extract from the Remuneration Report contained in the FY10 Financial Report available online at www.stockland.com.au.

Executive remuneration	Fixed pay	Short-term incentives	Super-annuation	Share-based payments and other long-term benefits	Termination benefits	Total remuneration
EXECUTIVE DIRECTOR						
Matthew Quinn Managing Director						
2010	**1,829,752**	**1,750,000**	**14,461**	**1,141,253**	**–**	**4,735,466**
2009	1,808,073	1,235,000	13,745	324,861	–	3,381,679
SENIOR EXECUTIVES						
John Schroder CEO – Commercial Property						
2010	**1,019,338**	**850,000**	**14,461**	**433,070**	**–**	**2,316,869**
2009	1,034,531	536,000	13,745	91,522	–	1,675,798
Mark Hunter CEO – Residential (Commenced role July 2009)						
2010	**758,047**	**646,000**	**12,793**	**335,442**	**–**	**1,752,282**
2009	–	–	–	–	–	–
David Pitman CEO – Retirement Living (Commenced role July 2009) and Head of Group Strategy						
2010	**674,570**	**475,000**	**7,787**	**267,687**	**–**	**1,425,044**
2009	454,138	183,000	13,745	86,187	–	737,070
Rilla Moore EGM – Human Resources						
2010	**444,379**	**358,000**	**14,461**	**201,262**	**–**	**1,018,102**
2009	433,503	220,000	13,745	102,100	–	769,348
Karyn Munsie EGM – Corporate Affairs						
2010	**376,019**	**305,000**	**14,461**	**139,593**	**–**	**835,073**
2009	296,155	110,000	11,102	–	–	417,257
Tim Foster Chief Financial Officer (Commenced February 2010)						
2010	**356,729**	**322,000**	**6,674**	**143,133**	**–**	**828,536**
2009	–	–	–	–	–	–
FORMER EXECUTIVE DIRECTOR						
Hugh Thorburn Finance Director (Retired February 2010)						
2010	**669,896**	**700,000**	**9,734**	**330,813**	**250,000**	**1,960,443**
2009	1,022,635	550,000	13,795	115,605	–	1,702,035

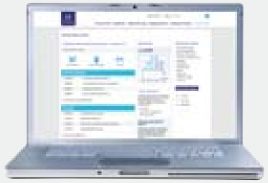
Shareholder information

Key dates

19 October 2010	Annual General Meeting Four Seasons Hotel, 199 George Street Sydney NSW at 2.30pm
17 December 2010	Announcement of estimated dividend/distribution
23 December 2010	Half year Indicative ex-dividend date
31 December 2010	Record date
9 February 2011	Half year result announcement
30 June 2011	Record date
10 August 2011	Full year result announcement

Further information

For more information about Stockland including the latest financial information, announcements, property news and corporate governance information visit our website at **www.stockland.com.au**



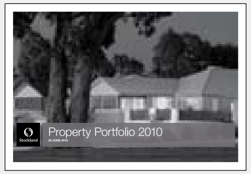
Update your details and check your holding

If you would like to update your bank account details, address or name please contact Computershare on the details opposite. Computershare will also be able to provide you with information on your holding.

You can also view the following reports online

Financial Report

Property Portfolio



CR&S Report

Banarra

The full CR&S Report has been assured and verified by Banarra.

Dow Jones Sustainability Indexes
Member 2009/10

Our business

Stockland is Australia's leading diversified property group, actively managing a portfolio of assets including residential communities, retirement living, shopping centres, office and industrial assets. Our mixed-use model means we are in a good position to positively impact the communities where we operate. Whether it is providing a shopping centre that meets the needs of the local community, building parks in our residential communities or contributing to programs that improve the wellbeing of our tenants and residents, we are focused on developing thriving communities.

Contact details

Head office

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Sydney NSW 2000
Toll free: 1800 251 813
Telephone: (61 2) 9035 2000

Corporation/Responsible Entity

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

Share registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street, Sydney NSW 2000
Telephone: (61 3) 9415 4000
Freecall: 1800 804 985
Email: stockland@computershare.com.au

Stockland

www.stockland.com.au

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