

Directors' Report

For the Year Ended 30 June 2009

The Directors of Stockland Corporation Limited present their report together with the Financial Report of Stockland for the year ended 30 June 2009 and the Independent Auditor's Report thereon. The Financial Report of Stockland comprises the Financial Report of Stockland Corporation Limited ("the Company") and its controlled entities, including Stockland Trust and its controlled entities ("the Trust") which together form the consolidated entity ("Stockland" or "consolidated entity").

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year ("the Directors") are:

GRAHAM BRADLEY

BA, LLB (Hons 1), LLM, FAICD

Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is Chairman of HSBC Bank Australia Limited, Anglo American Australia Limited, Po Valley Energy Limited (appointed as a Director September 2004) and Boart Longyear Limited (appointed as a Director and Chairman February 2007). 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 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.

Former Directorships of listed entities in last three years

Mr Bradley was a Director and Chair of Proteome Systems Limited from May 2004 to November 2007.

NICHOLAS GREINER

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 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 (appointed as a Director in April 2004), 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.

Former Directorships of listed entities in last three years

Mr Greiner was a Director of QBE Insurance Group Limited from September 1992 until April 2007, Australian Vintage Wines Limited from September 1992 to November 2008 and Bluefreeway Limited from November 2006 to July 2009.

DUNCAN BOYLE

BA (Hons), FCII, FAICD

(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He has thirty five 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 (appointed September 2006), Clayton Utz (appointed November 2008) and O'Connell Street Associates Pty Limited. Mr Boyle is a member of the Stockland Audit and Risk and Treasury Policy Committees.

Former Directorships of listed entities in last three years

None.

BRUCE CORLETT

BA, LLB

(Non-Executive)

Mr Corlett was appointed to the Board in October 1996 and retired on 21 October 2008. He is Chairman of Servcorp Limited (appointed as a Director October 1999) and Trust Company Limited (appointed as a Director October 2000), and has been a Director of Tooth & Co. Limited since September 1999. Mr Corlett was Chair of the Human Resources Committee and was a member of the Treasury Policy Committee until his retirement on 21 October 2008.

Former Directorships of listed entities in last three years

Mr Corlett was a Director of Adsteam Marine Limited from March 1997 until April 2007.

LYN GEARING

B.Comm, Dip. Valuations, Cert. Bus.Studies
(Real Estate), FAICD

(Non-Executive)

Ms Gearing was appointed to the Board on 1 November 2005 and resigned on 31 December 2008. Ms Gearing is a Director of Hancock Natural Resources Group Australasia Pty Limited, IMB Limited, Queensland Investment Corporation and the Garvan Research Foundation. Ms Gearing was Chief Executive of NSW State Super from 1997 to 2002, and has extensive business experience in superannuation, funds management, corporate finance and management consulting. She was a member of the Stockland Audit and Risk Committee and Chair of the Stockland and Stockland Capital Partners Limited Financial Services Compliance Committees until her resignation on 31 December 2008.

Former Directorships of listed entities in last three years

None.

Directors' Report

For the Year Ended 30 June 2009

DIRECTORS (CONTINUED)

CAROLYN HEWSON

B.Ec (Hons), M.A. Ec.

(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She has over twenty five 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 (appointed February 2003) and BT Investment Management (appointed December 2007), 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.

Former Directorships of listed entities in last three years

Ms Hewson was a Director of the Australian Gas Light Company Limited ("AGL") from 1996 to October 2006 and AGL Energy Limited from October 2006 to March 2009.

BARRY NEIL

B.Eng (Civil)

(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007 and has over thirty six 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.

Former Directorships of listed entities in last three years

None.

MATTHEW QUINN

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.

Former Directorships of listed entities in last three years

None.

PETER SCOTT

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

(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of 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.

Former Directorships of listed entities in last three years

None.

HUGH THORBURN

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.

Former Directorships of listed entities in last three years

None.

TERRY WILLIAMSON

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.

Former Directorships of listed entities in last three years

Mr Williamson was a Director of Excel Coal Limited from March 2004 until his retirement in October 2006.

Directors' Report

For the Year Ended 30 June 2009

EXTERNAL INDEPENDENT COMMITTEE MEMBERS AND INDEPENDENT DIRECTORS OF THE CONSOLIDATED ENTITY

ANTHONY SHERLOCK

B. Ec., FCA, MAICD

Mr Sherlock was appointed as a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is a former Senior Partner of Coopers & Lybrand having national responsibility for credit risk management. In that capacity, he obtained experience in the banking and finance, mining, agriculture, building, construction and development sectors. Mr Sherlock is a non-executive Director of IBA Health Limited, Export Finance Insurance Corporation and Equatorial Mining Limited. He is the former Chairman of Australian Wool Corporation Limited and The Woolmark Company Pty Ltd, a former non-executive Director of Austral Coal Limited and Sydney Attractions Group Limited, and has acted on a number of committees for both Federal and State governments. He is a member of the Stockland Capital Partners Limited Audit and Risk Committee, the Stockland and Stockland Capital Partners Limited Financial Services Compliance Committees, and the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

DAVID KENT

BA (Hons) 1st Class, MAICD

Mr Kent was appointed a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds, in August 2004. He is Chairman of the S H Ervin Gallery Committee and a Director of the Royal Sydney Golf Club Foundation. Mr Kent spent the majority of his executive career at Morgan Stanley where he became Managing Director and Head of Investment Banking. He held positions in Sydney, Melbourne and New York for Morgan Stanley. Other positions held have included Chairman of Everest Financial Group, Director of the Everest Alternative Investment Trust, Executive General Manager of Axiss Australia; Senior Trade & Investment Commissioner in Paris and Washington DC for the Australian Trade Commission. Mr Kent has been a Member of the Financial Sector Advisory Council and the Australian Chapter of the Alternative Investment Management Association. He has previously served as Deputy Chairman of the AGNSW Foundation and Chairman of the Brett Whiteley Foundation. He is a member of the Stockland Residential Estates Equity Fund No. 1 Investment Committee.

COMPANY SECRETARIES

PHILLIP HEPBURN

B.Ec, LL.M, Grad Dip CSP, FCIS, MAICD

Company Secretary

Mr Hepburn joined Stockland as General Counsel and Group Secretary in 2001. He has over thirteen years experience as a Company Secretary and General Counsel. Prior to joining Stockland, he was General Counsel and Company Secretary of IAMA Limited, an Australian Securities Exchange ("ASX") listed company. He has also held a number of senior management and legal positions in the finance sector. Mr Hepburn is an Executive Member of the Stockland and the Stockland Capital Partners Limited Financial Services Compliance Committees.

DERWYN WILLIAMS

B.Comm, ASA, FCIS, MAICD

Company Secretary

Mr Williams has seventeen years experience as a Company Secretary, joining Stockland in December 2004 and appointed as Deputy Secretary in May 2005. Prior to joining Stockland he was General Manager Corporate Governance & Company Secretary at Credit Union Services Corporation (Australia) Limited and Deputy Group Secretary of St. George Bank Limited. He has held a number of senior management, accountancy and internal audit positions across the property, finance, heavy industry and public sectors.

Directors' Report

For the Year Ended 30 June 2009

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors ("the Board") and of the Board Committees and the number of meetings attended by each of the Directors during the financial year were:

STOCKLAND

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee		Human Resources Committee		Corporate Responsibility and Sustainability Committee		Treasury Policy Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Director												
Mr G Bradley	18	18	–	–	–	–	4	4	5	5	–	–
Mr N Greiner	14	18	–	–	–	–	–	–	5	5	–	–
Mr D Boyle	18	18	7	8	–	–	–	–	–	–	2	2
Mr B Corlett	7	7	–	–	–	–	2	2	–	–	2	2
Ms L Gearing	9	11	4	4	2	2	–	–	–	–	–	–
Ms C Hewson	6	6	2	2	–	–	1	1	–	–	–	–
Mr B Neil	16	18	–	–	–	–	–	–	2	2	–	–
Mr M Quinn	18	18	–	–	–	–	–	–	4	5	–	–
Mr P Scott	17	18	–	–	–	–	4	4	–	–	–	–
Mr H Thorburn	17	18	–	–	–	–	–	–	–	–	4	4
Mr T Williamson	17	18	8	8	2	2	–	–	–	–	4	4
Other members												
Mr P Hepburn	–	–	–	–	4	4	–	–	–	–	–	–
Mr A Sherlock	–	–	–	–	4	4	–	–	–	–	–	–

STOCKLAND CAPITAL PARTNERS

	Scheduled Board		Audit and Risk Committee		Financial Services Compliance Committee	
	A	B	A	B	A	B
Director						
Mr P Scott	6	6	–	–	–	–
Mr D Kent	6	6	–	–	–	–
Mr M Quinn	5	6	–	–	–	–
Mr A Sherlock	6	6	6	6	4	4
Other members						
Ms L Gearing	–	–	–	–	2	2
Mr P Hepburn	–	–	–	–	4	4
Mr T Williamson	–	–	6	6	2	2

A – Meetings attended

B – Meetings eligible to attend

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Outlined below are the main corporate governance policies and practices in place throughout the year, unless otherwise stated.

ROLE OF THE BOARD

The Board has overall responsibility for the good governance of Stockland. The Board:

1. oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for securityholders;
2. establishes the Group's overall framework of governance, risk management and internal control and compliance which underpins the integrity of management information systems and foster high ethical standards throughout the organisation;
3. appoints the Managing Director and approves the appointment of the Finance Director, the Company Secretary and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
4. sets Executive remuneration policy, monitors Senior Executive performance and approves the remuneration of the Managing Director and his direct reports;

5. approves the annual budget and monitors financial and operating performance;
6. reviews and approves financial and other reports to securityholders and approves dividends and distributions from Stockland Corporation and Trust;
7. approves major capital expenditure, acquisitions and divestitures;
8. reviews Executive and Board succession planning and Board performance;
9. appoints new Non-Executive Directors to fill casual Board vacancies; and
10. monitors compliance with laws and regulations which apply to Stockland and its business.

The Board has delegated responsibility to the Managing Director to manage Stockland's business and to its various Board Committees to oversee specific areas of governance. Delegated responsibilities are regularly reviewed and the Managing Director regularly consults with the Board on the Company's performance. Matters which are not specifically delegated to the Managing Director require Board approval, including capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of equity or debt by Stockland and key risk management and accounting policies.

ROLE OF STOCKLAND TRUST MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR STOCKLAND TRUST

Stockland Trust Management Limited, as Responsible Entity for Stockland Trust, is responsible for the operation of the Trust. The Responsible Entity must exercise its powers and perform its obligations under the

Stockland Trust Constitution and the Corporations Act 2001 in the best interests of unitholders to ensure that the activities of the Trust are conducted in a proper and efficient manner. The major activities of the Responsible Entity include:

1. ongoing selection and management of property investments;
2. management of the Trust's property portfolio;
3. maintenance of the accounting and statutory records of the Trust;
4. management of equity and debt raisings and making distributions to unitholders; and
5. preparation of notices and reports issued to unitholders.

COMPOSITION OF THE BOARD

Stockland is committed to having a Board whose members have the capacity to act independently of Management, and have the collective skills necessary to optimise the long-term financial performance of Stockland so as to sustain superior returns to securityholders.

At the date of this report, the Board comprised two Executive Directors and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 5 to 6, including details of their other listed company directorships and prior experience.

Stockland recognises that having a majority of independent Directors provides assurance that the Board is structured properly to fulfil its role in holding Management accountable for the Company's performance. The Board has resolved that it should continue to have a majority of independent Non-Executive

Directors, that the positions of Chairman and Managing Director must be separate, and that the Chairman should be an independent Non-Executive Director. The Board is comprised of Directors with a wide and relevant range of experience and expertise. Some Directors have occupied senior executive management positions in large corporations both in Australia and globally covering a wide range of industry sectors including property development, investments and construction. Other Directors have held executive positions in relevant financing and accounting disciplines.

Stockland has developed criteria for determining the independence of its Board members. A Director is considered to be independent if he or she:

1. is not a substantial securityholder of Stockland or of a company holding more than 5% of Stockland's voting securities, or an officer of or directly or indirectly associated with a securityholder holding more than 5% of Stockland's voting securities;
2. is not and has not within the last three years been an employee of Stockland;
3. is not a principal of a material professional advisor to Stockland;
4. is not a material supplier or customer of Stockland or an officer of, or directly or indirectly associated with, a significant supplier or customer;
5. has no material contractual relationship with Stockland or any of its associates other than as a Director of Stockland; and
6. has no other interest or relationship that could interfere with the Director's ability to act in the best interests of Stockland and independently of Management.

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE (CONTINUED)

COMPOSITION OF THE BOARD (CONTINUED)

In this context, the Board considers that any Director-related business relationship that is or is likely in the future to be more than 10% of the Director-related business's revenue to be material. All Directors are expected to act in the best interests of Stockland at all times.

Having considered carefully the above criteria, the Board has determined that all of Stockland's Non-Executive Directors are independent Directors.

In making this determination, the Board considered the transactions between Stockland and entities with which Stockland Directors are associated as directors or advisors set out in Note 49 to the Consolidated Financial Statements. The Board concluded that none of these transactions rendered these entities significant suppliers to, or customers of, Stockland when the relative size of the transactions was compared to the total revenues or business of those entities. Further, in none of these transactions did Stockland Directors receive direct financial benefits as principals, partners, or substantial shareholders of the entities concerned.

The composition of the Board changed during the year with the retirement of Mr B Corlett as a Director at the 2008 Annual General Meeting and the resignation of Ms L Gearing as a Director on 31 December 2008. Ms C Hewson was appointed to the Board on 1 March 2009.

The Constitution of Stockland Corporation Limited (the "Constitution") provides that:

1. the maximum number of Directors shall be ten;
2. no Director may retain office for more than three years or until the third annual general meeting following the Director's appointment (whichever is the longer), but retiring Directors are eligible for reappointment;
3. Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
4. the number of Directors necessary to constitute a quorum is not less than two.

The Constitution also empowers the Directors to appoint a Managing Director, who is not required to retire and be re-elected by members every three years. Article 15.7 of the Constitution provides that if the Managing Director ceases to hold the office of Director for any reason, he or she immediately ceases to be Managing Director, and if he or she ceases to be the Managing Director he or she immediately ceases to be a Director.

DIRECTOR INDUCTION AND ONGOING EDUCATION

Stockland has a formal process to inform new Directors about the nature of its business, current issues and corporate strategies. Shortly after their appointment, Directors are given a full briefing on the Company and meetings with key Executives. Directors also have the opportunity to visit the Stockland facilities and to meet with Management to gain a better understanding of business operations. Directors have the right of access to all Stockland information and Executives.

In addition, quarterly updates on legal and regulatory compliance are provided to Directors to keep them apprised of material developments affecting Stockland.

TERMS OF APPOINTMENT AND RETIREMENT OF NON-EXECUTIVE DIRECTORS

The terms of appointment of a Non-Executive Director are set out in a letter to the Director from the Chairman which, among other things, sets out the expectations of the Board in relation to the performance of the Director, procedures for dealing with a Director's potential conflicts of interest, and the disclosure obligations of the Director, together with the details of Director's remuneration and relevant company policies.

The Constitution provides that a Director may enter into an arrangement with Stockland. However, these arrangements are subject to the restrictions and disclosure requirements of the Corporations Act 2001, common law directors' duties and Stockland's policy on the independence of Directors. The indemnity and insurance arrangements for Directors are described under "Indemnities and insurance of officers and auditors" on page 40.

Directors are required to keep the Board advised of any interest that may be in conflict with those of Stockland, and restrictions are applied to Directors' rights to participate in discussion and to vote, as circumstances dictate. In particular, where a potential conflict of interest may exist, Directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

Stockland has also entered into a deed of disclosure with each Director, ensuring that Stockland can comply with its obligations under the ASX Listing Rules relating to disclosure of changes in Directors' stapled security holdings.

The Board has a policy of enabling Directors to seek independent professional advice for Stockland related matters at Stockland's expense, subject to the prior agreement of the Chairman that the estimated costs are

reasonable. Directors may also communicate directly with Stockland's own advisors and share advice obtained with other Directors.

BOARD MEETINGS

The Board currently holds ten scheduled meetings each year. Additional meetings are convened as required. During the 2009 financial year, the Board held 18 meetings including 8 special Board meetings. Agendas for each meeting are prepared by the Company Secretary with input from the Chairman and Managing Director and are distributed prior to the meeting together with supporting papers.

Standing items include the Managing Director's report, the Finance Director's report, the reports of each business unit and functional Senior Executive, as well as reports addressing matters of strategy, governance and compliance. Senior Executives are directly involved in Board discussions and Directors have a number of further opportunities to contact a wider group of employees, including visits to business operations.

Board papers are designed to focus Board attention on current and future issues of importance to Stockland's operations and performance, including monthly and year-to-date divisional performance against budget. Board papers include minutes of Board Committees and subsidiaries as well as papers on material issues requiring consideration. Significant matters are presented to the Board by Senior Executives and the Board may seek further information on any issue, from any Executive.

The Board's practice is for Non-Executive Directors to meet prior to the full Board meeting in the absence of Executive Directors and Management.

CORPORATE GOVERNANCE (CONTINUED)

BOARD AND DIRECTOR PERFORMANCE

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, the Board Committees and individual Directors. The Human Resources Committee oversees this process.

As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behaviour. The questionnaires are confidential, other than to the Chairman who collates the results and leads a discussion of them by the Board as a whole. The Chairman also meets one-on-one with each Director annually to discuss their individual contribution, their views on the Board's performance and their suggestions for improvement in Board processes or procedures. Following these sessions, the Chairman provides feedback to individual Directors as necessary. The Deputy Chairman follows a similar process of one-on-one discussions with each Director annually to provide feedback to the Chairman on his performance and effectiveness.

The Company adopted a process in 2008 requiring each Committee Chairman to lead a discussion at least once per year on their Committee's performance and effectiveness.

Directors coming up for re-election are reviewed by the Human Resources Committee and, in their absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board. It is the Board's policy that Directors should serve only for so long as they have the confidence of their fellow Board members.

DIRECTOR REMUNERATION AND SHARE OWNERSHIP

Non-Executive Directors receive a fee for their services and may elect to take part of their fees in the form of Stockland securities acquired on market. During the 2009 financial year, a majority of Non-Executive Directors elected to take part of their fees in Stockland securities. Non-Executive Directors are also paid superannuation but receive no other retirement benefits. Refer to the Remuneration Report on pages 19 to 39 for further information.

The Board has a policy that all Non-Executive Directors acquire and hold at least 10,000 stapled securities in Stockland within a reasonable time of becoming a Director. This policy is intended to align the personal financial interests of Directors with those of securityholders.

The Remuneration Report also describes Stockland's process for evaluating the performance of Senior Executives.

BOARD COMMITTEES

Five permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. These are the:

1. Human Resources Committee;
2. Audit and Risk Committee;
3. Corporate Responsibility and Sustainability Committee;
4. Treasury Policy Committee; and
5. Financial Services Compliance Committee.

The Board's policy is that a majority of the members of each Board Committee should be independent Directors. The Audit and Risk Committee and the Human Resources Committee comprise only independent Directors. The Financial Services Compliance Committee and the Corporate Responsibility and Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

All Board Committees have written charters which are reviewed on a regular basis. All Non-Executive Directors may attend any Board Committee meeting. Committees may meet with external advisors in the absence of Management.

The terms of reference for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website (www.stockland.com.au).

The Human Resources Committee

The Human Resources Committee reviews and makes recommendations to the Board on:

Nominations

1. competencies required for the role of a Stockland Director;
2. Board succession;
3. Board and Committee performance and the performance of individual Directors;
4. the appointment and removal of Non-Executive and Executive Directors; and
5. the composition of the Board and Directors' independence.

Remuneration and Employee Policies

1. Non-Executive Director remuneration;
2. recruitment, retention, remuneration and termination policies for Executive Directors and Senior Executives;

3. succession management for Senior Executives;
4. Director, Executive and employee share and incentive plans; and
5. key employee policies such as health, safety and environmental policies.

The Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Committee also ensures that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 19 to 39 for further information.

Members of the Committee during or since the end of the financial year were:

Mr P Scott (Chair) – Non-Executive Director (appointed Chair October 2008)

Mr G Bradley – Non-Executive Director

Ms C Hewson – Non-Executive Director (appointed March 2009)

Mr B Corlett (Chair) – Non-Executive Director (retired October 2008)

The Human Resources Committee meets as frequently as required and during the current financial year held 4 meetings.

The Committee has written terms of reference, consistent with ASX Guidelines.

When a Board vacancy exists or whenever it is considered that the Board would benefit from the services of an additional Director, the Committee identifies individuals with the appropriate expertise and experience. The Committee may use the services of a professional recruitment firm. Recommended candidates are then submitted to the Board for consideration.

CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its governance and disclosure responsibilities in relation to financial reporting, internal controls, risk management systems and internal and external audits.

In addition, the Committee:

1. oversees the quality of the audits conducted by both the internal and external auditors;
2. reviews financial information prior to approval by the Board for presentation to securityholders and release to the ASX and its regulatory bodies;
3. reviews and determines the adequacy of the Company's operating and accounting controls; and
4. oversees the effectiveness of risk management strategies, policies, systems and procedures, including annual review of the corporate insurance programme.

The Committee also has responsibility for recommending the appointment and removal of the external auditors. It is Stockland's policy that:

1. the external auditor must at all times remain independent of Stockland;
2. the external auditor is to be appointed to all controlled entities of Stockland;
3. the external auditor must not undertake staff recruitment, internal audit or management and IT consulting for Stockland;
4. the external auditor must not provide non-audit services under which the auditor assumes the role of management, becomes an advocate for Stockland or audits its own professional expertise; and

5. the external audit engagement partner and independent review partner will be rotated every five years.

The external auditor provides a declaration of independence each reporting period, consistent with the requirements of the Corporations Act 2001.

Audit and Risk Committee meetings are held at least quarterly and are attended, where appropriate, by the Managing Director, the Finance Director, Stockland's external auditor and, as required, other Stockland Executives and external advisors. The Committee met 8 times during the 2009 financial year. The Committee meets privately with the external auditor in the absence of management at least once a year. The Committee has written terms of reference which incorporates the ASX Guidelines.

Under its charter, the Committee must have at least three members, all of whom must be Non-Executive Directors, and a majority must be independent Directors. The Chairman of the Committee may not also be the Chairman of the Board.

At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director

Mr D Boyle – Non-Executive Director

Ms C Hewson – Non-Executive Director (appointed March 2009)

Ms L Gearing – Non-Executive Director (resigned December 2008)

The Committee's role is to make recommendations to the Board and to determine any matter specifically delegated to it by the Board.

Corporate Responsibility and Sustainability Committee

Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Corporate Responsibility and Sustainability Committee is to assist the Board by overseeing Stockland's commitment to operate its businesses ethically, responsibly and in a sustainable way. The Committee:

1. reviews the social, environmental and ethical consequences of Stockland's current and planned operations;
2. oversees the development and implementation of operating policies and practices designed to meet the standard expected of an ethical and socially responsible organisation;
3. considers initiatives proposed by management to adapt Stockland's policies and practices to meet changing community expectations;
4. monitors Stockland's compliance with health, safety and environmental laws;
5. approves external reporting on major corporate responsibility and sustainability policies, principles and initiatives; and
6. acts as a first point of reference for management to the Board for any major social, environmental or ethical issues likely to adversely affect Stockland's brand, reputation or stakeholders.

The Board has charged Executive Management with responsibility for managing Stockland's business operations to the highest standard of ethical business practice, corporate citizenship and environmental responsibility.

The members of the Committee during or since the end of the financial year were:

Mr N Greiner (Chair) – Non-Executive Director

Mr G Bradley – Non-Executive Director

Mr B Neil – Non-Executive Director (appointed January 2009)

Mr M Quinn – Managing Director

The Committee meets at least three times annually, or more frequently as circumstances dictate.

Environmental Regulation

Stockland is committed to achieving high standards of environmental performance. The Corporate Responsibility and Sustainability Committee regularly considers and reports to the Board on issues associated with the environmental impact of Stockland's operations and, together with management, monitors Stockland's compliance with relevant statutory requirements as well as published policies and guidelines.

Stockland's operations are subject to various environmental regulations under both Commonwealth and State legislation, particularly in relation to its property development activities. Stockland undertakes an environmental due diligence and risk assessment of all properties it acquires. The Board, with the assistance of the Corporate Responsibility and Sustainability Committee, monitors environmental performance by setting objectives, monitoring progress against these objectives and identifying remedial action where required.

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Treasury Policy Committee

The Treasury Policy Committee was established in October 2007 to assist the Board to oversee the effectiveness of Stockland's policies for managing the Group's financial resources and securing its financing needs prudently and in a way that manages the Group's financial exposures with an appropriate balance of risk and return.

The Committee:

1. reviews the effectiveness of the Group's Treasury Policy and monitors its implementation;
2. reviews treasury risk management strategies and recommends to the Board any changes to Stockland's Treasury Policy including alternative forms of financial accommodation or funding arrangements;
3. formulates, in consultation with the Finance Director, key performance indicators on Treasury performance and financial exposure risks which should routinely be reported to the Board;
4. reviews Stockland's current and future funding needs; and
5. reviews strategies for managing risk associated with debt maturities, interest rates, foreign exchange and other financial exposures of the Group.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director

Mr H Thorburn – Finance Director

Mr D Boyle – Non-Executive Director (appointed October 2008)

Mr B Corlett – Non-Executive Director (retired October 2008)

The Committee meets at least four times a year.

Financial Services Compliance Committee

The Financial Services Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plan in respect of Stockland Trust, its controlled entities and Macquarie Park Trust and in ensuring adherence to applicable laws and regulations.

The Compliance Plans are designed to protect the interests of securityholders.

The Compliance Plan for Stockland Trust and its controlled entities and Macquarie Park Trust has been approved by the Australian Securities and Investments Commission ("ASIC"). The Financial Services Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director (appointed December 2008)

Mr A Sherlock – External Independent Member

Mr P Hepburn – Executive Member

Ms L Gearing (Chair) – Non-Executive Director (resigned December 2008)

STOCKLAND CAPITAL PARTNERS

Stockland Capital Partners ("Capital Partners") was established in 2005 to offer high quality unlisted property investment opportunities for both small and large investors, provide new sources of capital, facilitate asset growth and generate additional sustainable income. A wholly-owned entity, Stockland Capital Partners Limited ("SCPL") operates this business, with a separate Board of Directors ("SCPL Board").

Stockland Capital Partners Limited acts as the Responsible Entity or Manager of Stockland's unlisted funds.

Since the Capital Partners business has dealings with and may acquire assets from Stockland, the SCPL Board has two independent Non-Executive Directors who are not members of the Stockland Board. They must approve each transaction SCPL enters into with Stockland and must be satisfied that such transactions are on arm's length commercial terms.

In order to protect the unitholders in the event there is a dispute or default by Stockland under the terms of any agreement, the SCPL Board has resolved that the unanimous consent of the two independent Directors must be obtained as to any related party contract with Stockland.

With a strong philosophy of co-investment, well defined fund investment strategies and transparent reporting, SCPL's governance policies and processes are designed to ensure that the investors in its unlisted securities are not disadvantaged by the interests of Stockland.

The members of the SCPL Board during or since the end of the financial year were:

Mr P Scott (Chair) – Non-Executive Director

Mr M Quinn – Managing Director

Mr A Sherlock – Independent Non-Executive Director

Mr D Kent – Independent Non-Executive Director

Stockland Capital Partners Audit and Risk Committee

The Stockland Capital Partners Audit and Risk Committee mirrors the Audit and Risk Committee of Stockland but covers Stockland Capital Partners Limited and Stockland's unlisted funds.

This Committee has written terms of reference and its members must be independent of Management. At least one member of the Committee has relevant accounting qualifications and experience and all members have a good understanding of financial reporting.

The Committee meets at least quarterly and its meetings are attended by Management and internal and external audit and other parties as relevant. The Committee may meet privately with the external auditors in the absence of Management at least once a year.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director of Stockland

Mr A Sherlock – Non-Executive Director of Stockland Capital Partners Limited

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE (CONTINUED)

STOCKLAND CAPITAL PARTNERS (CONTINUED)

Stockland Capital Partners Limited Financial Services Compliance Committee

A Financial Services Compliance Committee has been set up to oversee the Compliance Plan approved by SCPL for Stockland Direct Office Trust No. 1 ("SDOT No. 1"), Stockland Direct Office Trust No. 2 ("SDOT No. 2"), Stockland Direct Office Trust No. 3 ("SDOT No. 3"), Stockland Holding Trust No. 2 ("SHT2") and Stockland Direct Retail Trust No. 1 ("SDRT No. 1").

The role of the Committee includes evaluation of the effectiveness of the Trust's Compliance Plans designed to protect the interests of unitholders. The Compliance Plan has been approved by ASIC. The Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

The members of the Committee during or since the end of the financial year were:

Mr T Williamson (Chair) – Non-Executive Director (appointed December 2008)

Mr A Sherlock – Independent Non-Executive Director

Mr P Hepburn – Executive Member

Ms L Gearing (Chair) – Non-Executive Director of Stockland (resigned December 2008)

RISK MANAGEMENT

Stockland adopts a rigorous approach to understanding and proactively managing the risks Stockland faces in its business. Stockland recognises taking business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to Stockland's employees, tenants, customers, business partners, consultants and the communities in which it does business.

Stockland's system of risk management is integrated with its day-to-day business processes and functional responsibilities and is supported by a dedicated Compliance, Audit and Risk function. The approach to risk management is guided by the Australia/New Zealand Risk Management Standard (AS/NZS 4360) and other applicable international standards. A copy of Stockland's Risk Management Policy Statement is available on the Corporate Governance section of the Stockland website (www.stockland.com.au).

Risk Management responsibilities

Management is responsible for the design and implementation of the risk management framework and for adapting it to changes in the business and the external environment in which Stockland operates. Business Units are responsible for integrating the risk management framework within their business processes and systems.

The Board is responsible for satisfying itself that Management has in place a sound system for the management and internal control of material business risks. The Board is assisted in its oversight function by the Audit and Risk Committee which receives regular reports from Management on Stockland's material business risks and monitors the effectiveness of risk management and internal control policies. Minutes of the Audit and Risk Committee

meetings are circulated to the full Board. The Board receives at least annually a comprehensive report of Stockland's policies for managing and monitoring material business risks.

The Chief Risk Officer leads Stockland's Compliance, Audit and Risk team which is responsible for:

- leading and facilitating the identification and monitoring of material risks across the Group;
- reporting consolidated risk information to Executive Management and the Board and providing feedback on the effectiveness of risk management policies and practices;
- supporting and advising the business on implementing appropriate risk management processes and practices;
- undertaking internal audit projects to provide independent assessment of internal controls including financial controls; and
- implementing programs that assist the business to comply with legislative requirements including Stockland's Australian Financial Services Licences and Stockland Real Estate Licences.

The Chief Risk Officer ("CRO") has a direct reporting relationship to both the Finance Director and the Chairman of the Audit and Risk and Compliance Committees.

The ongoing monitoring of risks by Executive Management is achieved through regular reports and briefings from the Business Units. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts. The CRO also provides regular reports to the Audit and Risk Committee.

Executive confirmations

In accordance with Stockland's legal obligations, the Managing Director and the Finance Director have declared in writing to the Board that, for the year ended 30 June 2009 that, to the best of their knowledge and belief:

With regard to Stockland's financial reports:

- Stockland's financial records have been properly maintained in accordance with section 286 of the Corporations Act; and
- Stockland's financial statements present a true and fair view, in all material respects, of the consolidated entity's financial condition and operational results and are in accordance with relevant accounting standards.

With regard to risk management and internal compliance and control systems of Stockland:

- the statements made with respect to the integrity of Stockland's financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively and efficiently in all material respects throughout the period.

Since 30 June 2009, nothing has come to the attention of the Managing Director and the Finance Director that would indicate any material change to any of the statements made above.

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Executive confirmations (continued)

Associates and joint ventures, which Stockland does not control, are not covered for the purposes of this statement or declaration given under S295A of the Corporations Act 2001.

Whilst these statements are comprehensive in nature, they provide a reasonable but not absolute level of assurance about risk management, internal compliance and control systems. They do not imply a guarantee against adverse events or more volatile outcomes occurring in the future.

CODE OF CONDUCT AND ETHICAL BEHAVIOUR

Stockland's Directors, Management and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct and Ethical Behaviour (the "Code") is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. A copy of the Code is distributed to all staff and its standards communicated and reinforced at Stockland-wide employee induction programmes.

All employees and Directors must comply with the Code. The Code covers a broad range of matters including:

1. protection of Stockland's assets;
2. confidentiality and commercially sensitive information;
3. employment practices such as occupational health and safety, anti-discrimination, policies on drug and alcohol use, performance and risk management;

4. Stockland's responsibilities to securityholders and the financial community generally;
5. Stockland's responsibilities to its customers and the broader community;
6. dealings with external parties including its customers, the media and regulatory authorities;
7. compliance with laws;
8. conflicts of interest and disclosure requirements;
9. prevention of Directors and key Executives from taking advantage of information or their position for personal gain;
10. fair dealing and proper use of Stockland's assets;
11. outside business interests, corporate entertainment and political contributions; and
12. Stockland's "whistleblowing" policy.

Stockland actively promotes and maintains an honest, ethical and law abiding culture. Any Director or employee who becomes aware of or suspects a breach of the Code are encouraged to report the breach to their line manager or the Chief Risk Officer. Where a report is received, the matter must be investigated. Appropriate disciplinary action is taken if the allegation is proven. This could include legal action or dismissal, depending on the severity of the breach.

A summary of the Code may be viewed on the Stockland website (www.stockland.com.au).

EMPLOYEE AND DIRECTOR TRADING IN STOCKLAND SECURITIES

Stockland Directors and Executives may trade in Stockland stapled securities ("securities") only during nominated trading windows which are typically of one month's duration following the announcements of Stockland's half-yearly and full year results and after the Annual General Meeting.

At other times, Directors may trade only with the consent of two Non-Executive Directors, one of which must be the Chairman or Deputy Chairman. Senior Executives who wish to trade outside nominated trading windows may do so after first obtaining the consent of the Chairman and the Managing Director. Notwithstanding those designated windows and approval requirements, a person is prohibited from trading if they possess material, price-sensitive information about Stockland that is not generally available to the public.

Directors and employees may subscribe for securities in any offering in an unlisted property fund promoted by Stockland. Applications by Directors and employees for such securities are on the same terms as applied to other investors. Directors and employees are prohibited from trading in unlisted property fund securities while they possess material, non-public, price-sensitive information.

Stockland's Security Trading Policy may be viewed on the Stockland website (www.stockland.com.au).

COMMUNICATION TO SECURITYHOLDERS

The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect Stockland's operations and financial standing and the market price of its securities. Information is communicated to securityholders through:

1. Annual and Half Year Financial Reports lodged with the ASX and made available to all securityholders;
2. announcements of market-sensitive and other information, including Annual and Half Year results announcements and analyst presentations released to the ASX;
3. the Chairman's and Managing Director's addresses to, and the minutes of, the Annual General Meeting;
4. copies of announcements, presentations, past and current reports to securityholders and a five year summary of key financial data made available on the Stockland website (www.stockland.com.au); and
5. relevant announcements lodged with the Singapore Securities Exchange ("SGX") following the issue of Notes in Singapore by Stockland Finance Pty Limited, a wholly-owned subsidiary of Stockland Trust.

Stockland has a securityholder disclosure policy which includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how Stockland meets its disclosure obligations under ASX Listing Rule 3.1. Stockland's policy is to lodge with the ASX and place on its website all market-sensitive information, including Annual and Half Year result announcements and analyst presentations, as soon as practically possible.

Directors' Report

For the Year Ended 30 June 2009

CORPORATE GOVERNANCE (CONTINUED)

COMMUNICATION TO SECURITYHOLDERS (CONTINUED)

Stockland produces two sets of financial information each year: the Half Year Financial Report for the six months ended 31 December and the Annual Financial Report for the year ended 30 June. Both are made available to securityholders and other interested parties.

Securityholders have the right to attend Stockland's Annual General Meeting, usually held towards the end of October each year, and are provided with an explanatory memorandum on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the Stockland website and lodged with the ASX.

Securityholders are encouraged to vote on all resolutions. Unless specifically stated otherwise in the Notice of Meeting, all stapled securityholders are eligible to vote on all resolutions. Securityholders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the Corporations Act 2001. Proxy forms may be lodged by facsimile or electronically.

Stockland's external auditor attends the Annual General Meeting and may answer questions from securityholders concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by Stockland and the independence of the auditor in relation to the conduct of the audit.

Transcripts of the Chairman's and Managing Director's Reports to securityholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the minutes of the Annual General Meeting are also posted on the Stockland website (www.stockland.com.au).

Stockland encourages securityholders to receive electronic communications. It is now possible to update securityholder information, elect to participate in the Dividend and Distribution Reinvestment Plan (when operating), or elect to receive electronic communications from Stockland via the website.

PRINCIPAL ACTIVITIES

The principal activities of Stockland during the financial year were:

- investment in income producing retail, office, industrial and office park properties;
- development of retail, office, industrial and office park properties;
- residential property development;
- retirement living development and investment;
- property trust management; and
- property management.

Stockland operates primarily in mainland Australia and the United Kingdom. In May 2008, Stockland disposed of its business assets in New Zealand and the business activities in New Zealand ceased from this time.

There were no other significant changes in the nature of the activities of Stockland during the current financial year.

REVIEW AND RESULTS OF OPERATIONS

Stockland recorded a loss attributable to securityholders calculated in accordance with Australian Accounting Standards ("AASBs") of \$1,802.8 million for the year ended 30 June 2009 (2008: profit of \$705.2 million). This loss includes a number of certain significant items that, in the opinion of Directors, need adjustment to enable securityholders to obtain an understanding of Stockland's underlying profit (refer to the table on the next page).

The underlying profit for the year was \$631.4 million (2008: \$674.0 million), reflecting a 6.3% decrease from the previous financial year.

Directors' Report

For the Year Ended 30 June 2009

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

To provide information to securityholders that reconciles underlying profit to statutory profit. 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, in accordance with the AICD / Finsia principles for reporting underlying profit.

	Notes	Consolidated	
		2009 \$M	2008 \$M
Underlying profit		631.4	674.0
Certain significant items:			
<i>Provision for write-down of inventories</i>			
Provision for write-down of inventories – Australia, net of tax		(297.3)	–
Provision for write-down of inventories – UK, net of tax		(164.6)	–
<i>Fair value adjustment of investment properties</i>			
Net (loss)/gain from fair value adjustment of investment properties (excluding retirement living and minority interest), net of tax ¹		(935.6)	257.5
Share of net (loss)/gain from fair value adjustment of investment properties in associates and joint ventures		(190.5)	79.3
Capital growth of operational retirement living communities	44	52.6	73.1
Existing retirement living resident obligations fair value movement	44	(54.7)	(75.0)
<i>Impairment and net loss on sale of non-current assets</i>			
UK goodwill impairment and deferred tax asset write-down ²		(159.8)	(86.1)
Other goodwill impairment		(202.0)	–
Impairment of other financial assets, net of tax ³		(313.4)	–
Impairment of other investments		(10.2)	(4.6)
Net loss on sale of other non-current assets		(34.0)	(2.7)
Net loss on disposal of foreign operations		–	(5.3)
<i>Fair value adjustment of financial instruments and foreign exchange movements</i>			
Net unrealised loss on financial instruments that do not qualify as effective under hedge accounting rules	6	(106.1)	(206.8)
Net unrealised gain/(loss) from hedged items and financial instruments treated as fair value hedges	6	12.9	(0.4)
Net unrealised loss on other financial instruments that do not qualify as effective under hedge accounting rules		(30.0)	–
Share of net unrealised loss on derivatives in associates and joint ventures		(5.6)	–
Net realised loss on financial instruments that do not qualify as effective under hedge accounting rules	6	(60.3)	–
Net realised gain on other financial instruments that do not qualify as effective under hedge accounting rules		–	1.9
Net realised foreign exchange gain	6	0.1	–
Net unrealised foreign exchange gain	6	64.3	0.3
(Loss)/profit for the year attributable to securityholders of Stockland		(1,802.8)	705.2
Attributable to:			
Securityholders of Stockland		(1,802.8)	705.2
Minority interest		0.9	(0.6)
(Loss)/profit for the year		(1,801.9)	704.6

¹ The net (loss)/gain from fair value adjustment of investment properties (excluding retirement living and minority interest) includes a tax benefit of \$6.2 million (2008: \$Nil).

² Includes Stockland UK goodwill impairment of \$140.3 million (2008: \$86.1 million) and deferred tax asset write-down of \$19.5 million (2008: \$Nil).

³ Includes a write-down of \$256.0 million (2008: \$Nil) relating to an investment which did not qualify for derecognition under accounting standards, classified as Current assets – Other financial assets.

Directors' Report

For the Year Ended 30 June 2009

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Basic earnings per stapled security was a loss of 104.1 cents. Basic underlying earnings per security, as listed on the previous page, was 36.5 cents, a decrease of 15.9% from 43.4 cents in the previous financial year.

	Consolidated	
	2009 Cents	2008 ¹ Cents
Basic underlying earnings per security	36.5	43.4
Diluted underlying earnings per security	36.3	43.2
Basic earnings per security	(104.1)	45.4
Diluted earnings per security	(104.1)	45.2

¹ Prior period weighted average number of securities and EPSs have been adjusted for an additional dilution impact of the Equity Raising announced on 13 May 2009 as required by AASB 133 "Earnings per Share" ("AASB 133"). The weighted average number of securities on issue for the current period, prior to the Equity Raising, has also been adjusted as required by AASB 133.

Refer to Note 10 of the accompanying Financial Statements for further information regarding the earnings per security calculations.

DIVIDEND AND DISTRIBUTION PER SECURITY

The dividend and distribution payment is 34.0 cents per stapled security, down 26.9% from 46.5 cents paid for the previous corresponding period. The payment comprises:

Trust distribution, estimated 31.9% tax preferred (prior year actual 6.0% tax preferred)	33.8	45.5
Corporation dividend, fully franked	0.2	1.0
Total dividend and distribution	34.0	46.5

Registers closed at 5.00 pm on 30 June 2009 to determine entitlement to the year end dividend and distribution, which will be paid on 31 August 2009. The Dividend and Distribution Reinvestment Plan will not operate for this payment.

FINANCIAL POSITION

- Gearing ratio: (Net Debt / Total Tangible Assets) 16%
- Over \$1 billion of cash on deposit in addition to \$1.3 billion of available committed debt facilities
- Average weighted debt maturity 6.6 years
- \$1,126 million downward revaluation of investment properties
- Net tangible assets per security of \$3.61

OPERATIONAL HIGHLIGHTS

Residential

- Operating profit of \$218 million before inventory write-down
- Inventory write-downs of \$425 million before tax in Communities and Apartments businesses

Communities

- Operating profit of \$184 million
- Strong net margin of 21.1%
- 4,303 lots settled and record contracts on hand to settle in FY10

Directors' Report

For the Year Ended 30 June 2009

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

OPERATIONAL HIGHLIGHTS (CONTINUED)

Residential (continued)

Apartments

- Operating loss of \$9 million
- 175 units settled
- Cleared finished inventories at lower prices
- Construction of current projects on track with a good level of pre-sales

Retirement Living

- Operating profit of \$43 million
- 163 new units sold
- 217 existing units settled
- High portfolio occupancy of 99%
- 4% average price growth from existing villages

Commercial Property

- Operating profit of \$541 million
- The weighted average capitalisation rate for Retail, Office and Industrial moved from 6.7% to 7.7% for the year

Retail

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

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

Stockland UK

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

DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions paid or declared by the Company and the Trust to securityholders since the end of the previous financial year are set out in Note 39 of the accompanying Financial Statements.

STATE OF AFFAIRS

Changes in the state of affairs of Stockland during the financial year are set out in the various reports in the Stockland Annual Report. Refer to Note 37 of the accompanying Financial Statements for securities issued and Notes 26 and 32 for debt movements.

In the opinion of the Directors there were no other significant changes in the state of affairs of Stockland that occurred during the financial year under review.

LIKELY DEVELOPMENTS

Stockland will continue to pursue strategies aimed at improving the profitability and market share of its principal activities during the next financial year.

Other information about certain likely developments in the operations of Stockland and the expected results of those operations in future financial years is included in the various reports in the Stockland Annual Report. Further information about likely developments has not been included in this report because disclosure of such information would be likely to result in unreasonable prejudice to the consolidated entity.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

Subsequent to the end of the year, Stockland acquired 120,869,589 additional FKP securities at 40 cents per security as part of FKP's 2.3 for 1 pro-rata entitlement offer. Total consideration paid for these additional securities was \$48.3 million.

Other than the above, there has not arisen in the interval between the end of the current financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of Stockland, to affect significantly the operations of Stockland, the results of those operations, or the state of the affairs of Stockland in future financial years.

REMUNERATION REPORT – AUDITED

The Remuneration Report is set out under the following sections:

1. Key points
2. Remuneration philosophy
 - 2.1 Remuneration governance
 - 2.2 Remuneration policy
 - 2.3 Board review of policies
 - 2.4 Remuneration framework
 - 2.5 Security dealing approval
3. Link between remuneration policy and Stockland performance
4. Remuneration of Executives
 - 4.1 Key Management Personnel
 - 4.2 Legacy LTI plans, Executives' loans and other arrangements
 - 4.3 Employment arrangements and termination provisions
 - 4.4 Remuneration tables
5. Remuneration of Non-Executive Directors
 - 5.1 Remuneration policy

- 5.2 Non-Executive Director fee schedule
- 5.3 Remuneration table for Non-Executive Directors
- 5.4 Security acquisition plan and holdings

This report sets out current remuneration arrangements for all Stockland employees, including Directors and Executives. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

1. KEY POINTS

Challenging market conditions have affected Stockland during the last year, and the Board is committed to ensuring that remuneration decisions and payments are appropriate in the current climate and through the business cycle. The Board has endorsed the following:

- no increase in Non-Executive Director fees (following no increase in 2008);
- no increase in Executive Fixed Pay, other than where an individual's responsibilities have materially changed (this follows no increase in 2008 for the Executive Committee);
- performance based pay reflecting Stockland's lower underlying profit¹ but also taking account of good performance in relation to other Balanced Scorecard measures;
- implementation of a retention incentive related to securities previously acquired under the legacy loan-based share schemes; and
- no amendments at this stage to Stockland's employee share plans following changes proposed in the Federal Budget but grants may be postponed pending further detail of the new legislation.

¹ Throughout this report, the term "underlying profit" is used as set out on page 17 of this report.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

2. REMUNERATION PHILOSOPHY

Stockland's remuneration approach is designed to attract, motivate, reward and retain the best people. Employee remuneration is linked to performance and aligns incentive payments to securityholder interests via appointment, performance and total securityholder returns, profit growth and stakeholder engagement.

2.1 Remuneration governance

The Human Resources Committee ("HR Committee") has been set up to assist the Board to exercise sound governance in relation to the appointment, performance and remuneration of Directors, the Managing Director and Senior Executives reporting to the Managing Director, risk and financial control personnel and all other employees whose total remuneration includes a significant variable component.

The HR Committee also oversees all Stockland's employment and remuneration policies to ensure fairness and balance are maintained at all levels between reward cost and value to the company.

The HR Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. Its full charter can be accessed via Stockland's website under Investor Information/Corporate Governance.

2.2 Remuneration policy

The HR Committee has approved a remuneration policy for employees based on the following key principles:

- Fixed Pay should be fair and competitive relative to the market;

- Variable pay should be a feature of all employees' remuneration. Variable pay should be linked to securityholder returns and individuals should have clear performance criteria;
- Performance payments (or short-term incentives) should be affordable i.e. paid from annual underlying profit. These payments (if any) depend on performance against a variety of measures reflecting progress against long-term goals; and
- Equity based pay awarded against achievement of long-term goals will not only motivate and help retain key Executives but will also build a sense of ownership of business performance that benefits all securityholders.

The Board has reaffirmed these remuneration principles for the 2010 financial year.

2.3 Board review of policies

Setting Executive remuneration policies is viewed by the Board as one of its most important responsibilities. More so than ever before, investors and the general community seek reassurance that Executive pay is not excessive, adjusted for risk, is fair, competitive and reasonable, does not reward poor performance or provide windfall benefits unrelated to the Executive performance, and is structured in a way that aligns management's objectives with long-term securityholder interests.

Accordingly, the Board has thoroughly reviewed Stockland's remuneration framework and found it to be appropriate. Stockland has addressed some common questions about its remuneration approach below.

Is any major change to Stockland's remuneration framework required in the current economic climate?

The Board believes Stockland's remuneration framework has proven to be robust across the business cycle. Maintaining consistency in remuneration policy is important to Stockland's ongoing performance and ability to attract and retain key talent. The Board will continue to ensure:

- Fixed Pay remains broadly market competitive;
- Performance based pay is paid only where meaningful performance goals have been achieved; and
- Equity-based pay continues to align Executive interests with securityholder interests.

Is it appropriate to pay annual bonuses when profits are down?

While total performance based payments are lower this year reflecting Stockland's lower underlying profit, it is important to continue to reward achievement of goals that are balanced and aligned with securityholders' long-term interests. Paying for performance is an important way to motivate and retain employees.

Is there merit in deferring annual performance based pay?

While Stockland's payments are part of an annual cycle, they are only awarded when the agreed level of performance has been achieved across a combination of objectives. These objectives include both financial and non-financial (long-term) KPIs such as stakeholder engagement, people leadership, corporate responsibility and sustainability ("CR&S") and health, safety and environment ("HSE"). The Board believes it is important to reward achievements in a timely manner and does not believe deferral is appropriate within Stockland's remuneration framework.

Should long-term incentives ("LTI") based on total securityholder return ("TSR") vest when security prices decline?

Stockland's TSR hurdle measures performance relative to other companies and is designed so that Executives do not simply benefit from a rising market but are rewarded only if Stockland's securities perform better than those of Stockland's peers. In a falling market, it is appropriate to reward Executives when Stockland's security price has not fallen as far as the security prices of its peers.

The Board acknowledges that some securityholders would prefer that LTI incentives should not vest if TSR is negative. The Board does not believe however, that a change to the current policy is appropriate because LTI is Stockland's key financial retention tool. Accordingly, vesting LTIs in the current market is positive for securityholders – it will increase the current holdings of Executives, strengthening the alignment of their interests with those of securityholders.

Are the potential rewards from Stockland's equity-based pay incentives appropriate?

The Board believes the potential rewards from Stockland's long-term, equity-based incentives are appropriate and are not excessive. Firstly, they are benchmarked against the remuneration arrangements that apply to similar roles in comparable Australian companies. Secondly, these incentives are not guaranteed. They are not earned unless the relevant performance objectives – which the Board believes are aligned with securityholder interests – are achieved.

REMUNERATION REPORT – AUDITED (CONTINUED)

2. REMUNERATION PHILOSOPHY (CONTINUED)

2.3 Board review of policies (continued)

Are the potential rewards from Stockland's equity-based pay incentives appropriate? (continued)

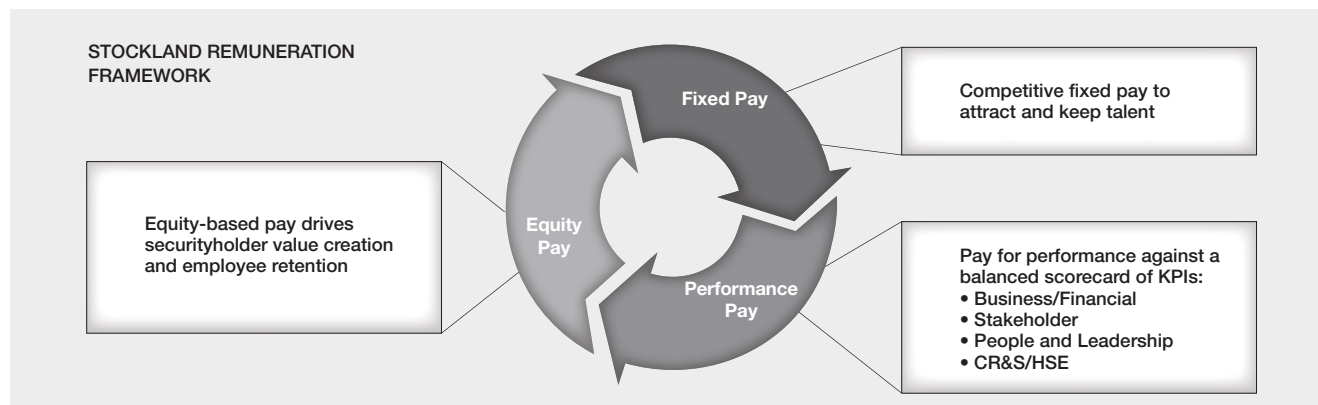
The lower security price results in a higher number of rights this year, and concurrently there is higher upside potential. The Board believes the allocation method remains appropriate because it provides some balance for the lower value currently delivered. The rights are still subject to performance hurdles (and some peers' prices having dropped much further may be considered to have more upside potential).

It is also important to note that the way these incentives are disclosed in the Remuneration Report, to conform with accounting standards, often differs upwards or downwards from the value of the awards achieved in practice. For example, the 2007 Remuneration Report disclosed the value of the Managing Director's LTI in that year as being \$1.3 million. Three years later, as a result of the fall of the Stockland security price, the value of the 2007 LTI award as at 30 June 2009 was actually worth approximately \$0.8 million (explained in more detail on page 28).

2.4 Remuneration framework

The way Stockland structures remuneration for employees comprises three components:

- fixed remuneration ("Fixed Pay");
- performance pay, or short-term incentives ("STI"); and
- equity pay, or long-term incentives ("LTI").



Fixed Pay

Fixed Pay includes salary, superannuation and other employee benefits. Fixed Pay is set individually based on external benchmarking.

Fixed Pay is typically set by reference to the competitive market for Executive talent. Stockland develops remuneration policies by benchmarking its roles to similar roles in comparable companies.

Fixed Pay is calculated on a "total cost to Stockland" basis, including the cost of employee benefits such as superannuation, motor vehicles and car parking, together with fringe benefits tax ("FBT") applicable to those benefits.

Stockland's employment contracts explicitly state that Fixed Pay will be reviewed each year but increases are not guaranteed.

In the interest of cost containment, Executive Directors and Senior Executives sought no increase in Fixed Pay for the 2009 financial year. This approach has been approved by the Board and continued for the 2010 financial year (unless a role had changed substantially).

Short-term incentives

Performance pay, or short-term incentive ("STI") is a performance based payment rewarding annual progress towards long-term objectives.

Four principles define Stockland's approach:

- Incentive payments are a significant part of senior employees' remuneration;
- All permanent employees with over three months of service participate in the STI program;
- Incentive payments are funded out of each year's underlying profit; and
- Incentive payments depend on an individual's performance using a range of measures all of which are related to long-term objectives.

When setting and reviewing individual performance, Stockland adopts a Balanced Scorecard approach to ensure organisational objectives are achieved in a sustainable way. The Balanced Scorecard requires objectives in each of four categories: Business/Financial; Stakeholder; People and Leadership; and CR&S and HSE.

Long-term incentives

Equity pay, or long-term incentive ("LTI") aligns Senior Executive remuneration with securityholder returns and helps retain key individuals.

Stockland's remuneration strategy is designed to align remuneration with securityholder returns and retain key talent. The principles which underpin long-term incentives are that:

- Stockland provides LTI as equity in the company so that employees feel a sense of ownership;
- LTI grants represent a significant proportion of senior employee remuneration; and
- Challenging hurdles, aligned with securityholders' interests, encourage sustained performance from employees, with vesting occurring over a three year horizon.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

2. REMUNERATION PHILOSOPHY (CONTINUED)

2.4 Remuneration framework (continued)

Performance Rights Plan

Stockland uses a Performance Rights Plan ("PRP") as the LTI for Executives. If participants leave before vesting (generally three years after the allocation date), their rights lapse. For Senior Executives with more than two years tenure, the lost value on resignation is more than annual Fixed Pay.

The 2009 Federal Budget proposed changes to the way equity plans are taxed. This may impact some aspects of the design of Stockland's plan. 2009 grants may be delayed until full details of the new legislation are known.

Key features of Stockland's PRP include

- Rights are granted over ordinary securities;
- Rights are issued at no cost to the employee;
- Rights may or may not vest on the third anniversary of grant, depending on whether performance hurdles are achieved;
- No re-testing of performance: if targets are not achieved, rights lapse;
- On vesting, the employee receives the underlying securities at no cost to the employee;
- Vested securities may be either issued or purchased on market, at the Board's discretion;
- Securities are subject to a holding lock for up to 10 years from date of grant; and
- Dividends and distributions are payable on securities only after vesting.

Overview of hurdles

Long-term incentive performance hurdles link reward to securityholders' interests.

Each performance rights grant is divided into two equal tranches, with the following hurdles:

- The first tranche vests based on Stockland's total securityholder return ("TSR") measured against the ASX Australian Real Estate Investment Trusts ("A-REIT") Index (exclusive of Stockland). TSR is defined as security price growth plus dividends and distributions paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured over the vesting period (usually three years). It is calculated by an independent party and approved by the Board; and
- The second tranche vests based on growth in Stockland's earnings per security ("EPS").

Total securityholder return hurdle

The TSR hurdle requires TSR growth to be better than Stockland's peers. The Target is the A-REIT Index excluding Stockland. The following vesting schedule applies:

Relative TSR Growth over three years	Proportion of TSR related performance rights vesting
Less than or equal to Target	0%
Greater than Target	50%
Up to 10 percent greater than Target	Straight-line between 50% and 100%
10 percent or more greater than Target	100%

Relative TSR was chosen as the performance hurdle because it reflects a company's success in generating returns for securityholders relative to comparable businesses in both rising and falling markets. The A-REIT Index was adopted as it represents the group with whom Stockland competes for securityholders' capital. Stockland was excluded as it forms a large part of the Index.

TSRs are measured using a 30 day Volume Weighted Average Price ("VWAP") at the start and the end of the period.

Earnings per security hurdle

EPS is used as it is a key indicator of Stockland's financial performance. The following vesting schedule applies:

Aggregate EPS Growth over three years	Proportion of EPS related performance rights vesting
Less than Target	0%
Equal to Target	50%
Up to 5 percent greater than Target	Straight-line between 50% and 100%
5 percent or more greater than Target	100%

EPS is calculated using Stockland's underlying profit. The Board believes this is the appropriate way to view Stockland's annual operating performance and is therefore the appropriate measure of EPS for LTI purposes.

The Target used for the LTI is the sum of three annual EPS growth Targets over the three year measurement period, each set to reflect the Board's performance expectations for the coming year, taking into account prevailing market conditions and outlook.

The Board believes that this approach is better aligned to securityholders' interests than setting a three year Target in advance which may become unrealistically high or unreasonably low as market conditions change over the three year period. Due to their commercial sensitivity, the annual EPS Targets and the extent to which the Targets have been achieved are disclosed retrospectively.

Both the Stockland and the Index TSRs are calculated by an independent third-party. The Board has final accountability for the determination of performance relative to Targets, independently from management.

PRP on termination of employment

If an employee leaves employment of Stockland, any unvested rights lapse and hence will be forfeited at the termination date, except at the discretion of the Board in circumstances such as death, disability, retirement or redundancy. In the case of redundancy, the Board does not generally exercise such discretion unless within a year of vesting where typically the rights may be allowed to remain, subject to original hurdles.

Other equity-based benefit programs

Stockland also offers the Tax Exempt Employee Security Plan for the majority of its employees and the Non-Executive Director Security Acquisition Plan ("NEDSAP") for Non-Executive Directors. All other programs were closed to new entrants in 2006 (refer to page 28 Legacy LTI Plans).

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

2. REMUNERATION PHILOSOPHY (CONTINUED)

2.4 Remuneration framework (continued)

Other equity-based benefit programs (continued)

Tax Exempt Employee Security Plan ("\$1,000 Plan") for all eligible employees

Under this plan:

- Eligible employees receive up to \$1,000 worth of Stockland securities;
- Securities cannot be sold or transferred until the earlier of three years after allocation date or the time the participant ceases to be a Stockland employee;
- Securities acquired under this plan are not subject to performance hurdles;
- Securities are issued by Stockland; and
- Executives do not participate in this plan.

Non-Executive Director Security Acquisition Plan

Under this plan, Non-Executive Directors can sacrifice up to 90 percent of their Directors' fees to acquire securities in Stockland. These securities are purchased two times each year at market value and have a disposal restriction of 10 years, or when the Director ceases to be a Director of Stockland or earlier at the Board's discretion. This plan is described further on page 38.

This plan may be withdrawn following changes announced in the 2009 Federal Budget.

2.5 Security dealing approval

Stockland Executives are expected to behave in a responsible manner when dealing with Stockland securities as outlined in the Stockland Trading Policy (available on the website).

Stockland employees and Directors are prohibited from entering into hedging arrangements in relation to Stockland securities. Stockland employees and Directors cannot trade in financial products issued over Stockland securities by third parties or trade in any associated products which limit the economic risk of holding Stockland securities.

3. LINK BETWEEN REMUNERATION POLICY AND STOCKLAND PERFORMANCE

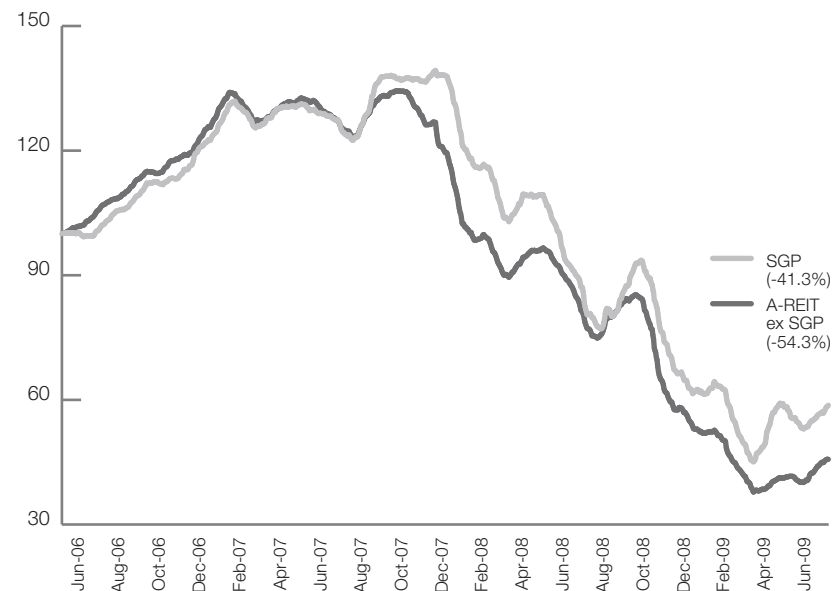
The Board believes that Stockland's remuneration policy has proven to be sound both in times of growth and in challenging market conditions. Stockland has structured employee remuneration to align goals with those of securityholders and achieved in a sustainable way.

Anticipating the downturn in economic activity, Stockland took early measures to contain employee costs. As a result, Stockland's annual Fixed Pay fell from around \$151 million as at 30 June 2008 to approximately \$135 million as at 31 July 2009, a fall of 10.6%.

STI paid to employees is contingent on the underlying profits achieved by Stockland. In 2009, Stockland's underlying profit fell from \$674.0 million to \$631.4 million, a decline of about 6.3%, but the STI pool fell from \$27 million to \$16 million, a fall of over 40.7%.

Half of the LTI allocated to employees is linked to achieving a TSR performance hurdle. The graph across shows that Stockland's TSR has generally outperformed the industry and did so by a considerable margin over the past year.

TOTAL SECURITYHOLDER RETURNS (30 DAY TRAILING AVERAGE)
1 JULY 2006 – 30 JUNE 2009



Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

3. LINK BETWEEN REMUNERATION POLICY AND STOCKLAND PERFORMANCE (CONTINUED)

The other half of the LTI allocated to employees is related to Stockland's performance against EPS targets. Profit, EPS and other key financial indicators over the five-year period are set out in greater detail below.

	2004 ³	2005	2006	2007	2008	2009	5 Year Compound Annual Growth %
Underlying profit (\$M) ¹	455.5	502.7	553.7	611.0	674.0	631.4	6.7
Net tangible assets per security (\$)	3.76	4.00	4.54	5.33	5.46	3.61	(0.8)
Security price as at 30 June (\$)	5.18	5.52	7.02	8.15	5.39	3.21	(9.1)
Dividends/distributions per security (cents)	37.0	38.9	41.5	44.3	46.5	34.0	(1.7)
Underlying Earnings Per Security ("EPS") (cents) ¹	37.8	39.1/39.8 ³	41.5	44.0	46.2 ⁴	36.5	(0.7)
EPS actual growth (%)				6.0	5.0	(21.0)	n/a
EPS Target growth (%) ²	–	–	5.1	4.1	5.0	1.0	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, as outlined on page 17 of this report.

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.

There have been no returns of issued capital during this period.

4. REMUNERATION OF EXECUTIVES

This section identifies Key Management Personnel and provides detail of their remuneration.

4.1 Key Management Personnel

Key Management Personnel ("KMP") are people who have the authority and responsibility for planning, directing and controlling Stockland's activities directly or indirectly. In this report, KMP represents Directors and those of the Managing Director's direct reports who are members of the Executive Committee, i.e. heads of businesses and functional areas. Stockland has defined the term Executive to include the Managing Director, Finance Director, Senior Executives and Other Executives.

The following were KMP of both the consolidated entity and the Company at any time during the reporting period and unless otherwise indicated were KMP for the entire period. All Executives are employed by Stockland Development Pty Limited, a subsidiary of Stockland Corporation Limited, except for Mr Ken Lindsay who is employed by Stockland Development (UK) Limited.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.1 Key Management Personnel (continued)

Non-Executive Directors

Mr Graham Bradley	Chairman
Mr Nicholas Greiner	Deputy Chairman
Mr Duncan Boyle	
Ms Carolyn Hewson	(appointed 1 March 2009)
Mr Barry Neil	
Mr Peter Scott	
Mr Terry Williamson	

Former Non-Executive Directors

Mr Bruce Corlett	(retired 21 October 2008)
Ms Lyn Gearing	(resigned 31 December 2008)

Executive Directors

Mr Matthew Quinn	Managing Director
Mr Hugh Thorburn	Finance Director

Senior Executives

Mr Denis Hickey	Chief Executive Officer (“CEO”) Residential (ceased employment July 2009)
Mr Ken Lindsay	Managing Director (“MD”), Stockland UK
Ms Rilla Moore	Executive General Manager (“EGM”) Human Resources
Ms Karyn Munsie	EGM Corporate Affairs (commenced employment September 2008)
Mr David Pitman	EGM Strategy and Corporate Development
Mr John Schroder	CEO Commercial Property

Former Senior Executives

Ms Johanna Keating	Former EGM Corporate Affairs (ceased employment December 2008)
Mr Steve Mann	Former CEO Office & Industrial (ceased employment May 2008)
Mr Brett Newman	Former CEO Capital Partners (ceased employment June 2008)
Ms Lisa Scenna	Former Joint MD Stockland UK (ceased employment October 2008, not KMP since July 2008)

This report also covers the following individuals who form part of the top five highest paid Executives.

Other Executives

Mr Mark Dickinson	General Manager (“GM”) Apartments (ceasing employment by December 2009)
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Former Other Executives

Mr Nick Perrignon	Former Chief Operating Officer (“COO”) Residential (ceased employment June 2009)
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The term “remuneration” has been used in this report as having the same meaning as the alternative term “compensation” as defined in AASB 124 “Related Party Disclosures” (“AASB 124”). The report contains disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.1 Variable pay and remuneration mix

STI and LTI are variable elements of the Executive remuneration package:

	Target Reward % of Fixed Pay		Remuneration Mix At Target		
	STI	LTI	Fixed Pay	STI	LTI
Executive Directors					
M Quinn	100	90	34.5	34.5	31.0
H Thorburn	70	70	41.6	29.2	29.2
Senior Executives					
D Hickey	80	70	40.0	32.0	28.0
J Schroder	80	70	40.0	32.0	28.0
K Lindsay	70	70	41.6	29.2	29.2
D Pitman	60	70	43.5	26.1	30.4
R Moore	60	70	43.5	26.1	30.4
K Munsie	60	70	43.5	26.1	30.4

■ Fixed Pay ■ STI ■ LTI

Short-term incentives

Short-term incentives are directly linked to group, business unit and individual performance measures based on a Balanced Scorecard approach that includes the following:

Category	Measures	Weighting %
Business/Financial	<ul style="list-style-type: none"> Earnings per security; Capital management; Risk management; and Board assessment of the development and execution of Stockland's strategic plan. 	50-70
Stakeholder	<ul style="list-style-type: none"> Achieving and maintaining effective stakeholder relationships such as with customers, suppliers, investors and government, measured by such indicators as customer survey results, Corporate Confidence Index ("CCI") and internal stakeholder engagement and planning tools. 	10-20
People and Leadership	<ul style="list-style-type: none"> Leadership, employee engagement and retention of key personnel, measured by such indicators as Our Voice Employee Opinion Survey results and turnover. 	10-20
CR&S and HSE	<ul style="list-style-type: none"> Contribution to Stockland's CR&S, including HSE, measured by such indicators as Our Voice Employee Opinion Survey, Dow Jones Sustainability Index ("DJSI"), reduction in carbon emissions from assets and lost time injury frequency rate. 	10-20
Note: specific weighting allocation depends on employee seniority, role type, area of business and short-term priorities of the business unit/area.		100

Objectives for the Executive Committee are approved by the Managing Director. The actual performance against the objectives is assessed by the Managing Director and approved by the Board.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.1 Variable pay and remuneration mix (continued)

Short-term incentives (continued)

	STI Target % of Fixed Pay	STI achieved % of Target	STI achieved % of potential maximum	STI not achieved % of potential maximum
Executive Directors				
M Quinn	100	65	32	68
H Thorburn	70	79	39	61
Senior Executives				
D Hickey	80	55	27	73
J Schroder	80	65	33	67
K Lindsay	70	21	10	90
R Moore	60	78	39	61
D Pitman	60	65	32	68
K Munsie	60	52	26	74
Other Executives				
M Dickinson	30	26	13	87

The STI amounts awarded and included in remuneration for the year have been based on achievement of specified performance criteria. No amounts vest in future financial years in respect of STI schemes. The STI is capped at 200% of the Target STI. The STI not achieved reflects the gap between the maximum (or cap) and the performance achieved.

Long-term incentives

Stockland's 2007 PRP grant vested based on performance measured over the period 1 July 2006 to 30 June 2009. Over this three year period, aggregate EPS growth was -10.0% compared to the aggregate Target EPS growth of 10.1%, resulting in zero vesting of that portion of rights.

	EPS Target Growth	EPS Actual Growth
FY07	4.1%	6.0%
FY08	5.0%	5.0%
FY09	1.0%	-21.0%
Aggregate	10.1%	-10.0%

Over the period 1 July 2006 to 30 June 2009, Stockland's TSR was -41.3% compared to the Index TSR (excluding Stockland) of -54.3% (see chart on page 23). In line with the vesting schedule, the Board approved vesting of 100% of the FY07 TSR related rights. In all, 50% of the total rights allocated in FY07 have therefore vested.

The table on the next page illustrates the value delivered for the LTI granted in FY07 that vested in 2009 (the assumptions and an example are shown below). These were disclosed in the 2007 and 2008 Remuneration Reports. Note: Mr D Hickey, Ms R Moore, Ms K Munsie, Mr K Lindsay and Mr D Pitman did not receive an FY07 PRP allocation.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.1 Variable pay and remuneration mix (continued)

Long-term incentives (continued)

	FY07 Target LTI Value \$	Value of Vested Allocation \$	Value of Lapsed Allocation \$
Executive Directors			
M Quinn	1,312,500	754,350	754,350
H Thorburn	570,000	327,420	327,420
Senior Executives			
J Schroder	588,000	288,900	288,900

For example, Mr M Quinn's PRP allocation in October 2006 was 470,000 Performance Rights. The actual value derived is calculated as follows:

- 470,000 rights converted to 235,000 securities as 50% of the allocation vested;
- with the security price at 30 June 2009 of \$3.21, the value is \$754,350;
- the remaining 50% of the FY07 grant has lapsed.

4.2 Legacy LTI plans, Executives' loans and other arrangements

Stockland operated loan-based plans prior to the 2007 changes to the tax regime, as option and rights plans were not previously tax effective for stapled securities.

Incentive Share Plan ("ISP")

This plan operated on the basis of limited recourse interest-free loans to participants for a maximum term of five years. Final grants under ISP were made in August 2006 and no more allocations will be made. This overview of the plan is provided as it forms part of the detailed remuneration figures for some KMP, with the fair value of the 2006 grant expensed over the three year period to 30 June 2009.

ISP Plan Characteristics

Limited recourse interest-free loan. A portion of the loan may be waived if certain performance conditions are met. The two measurements (EPS and TSR) have equal weighting for the loan waiver, having regard to the vesting scales below, retaining Board discretion.

In addition to potential loan waivers, the after-tax value of dividends and distributions paid on ISP securities are applied against the loan balance.

If a participant resigns from Stockland prior to the end of the vesting period, the securities are forfeited, unless the Board exercises its discretion to allow vesting in certain circumstances.

Measurement period is three financial years – from 1 July 2006 to 30 June 2009. TSR is calculated based on a 5 day VWAP.

No re-testing of performance.

Securities are not recognised in issued capital until the loan is extinguished.

Any outstanding loan balance may be repaid at any time after vesting. The loan must be repaid five years after the date of grant.

EPS Vesting:	EPS Growth	EPS related Proportion Vesting
Target being the sum of annual EPS Targets over the measurement period	Less than Target	0%
	Equal to Target	100%
	For each 1% above Target	20% (Max 100%)
TSR Vesting:	TSR Growth	TSR related Proportion Vesting
Target being ASX 200 REIT Index over the measurement period	Less than or equal to Target	0%
	Greater than Target	100%
	For each 1% above Target	10% (Max 100%)

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.2 Legacy LTI plans, Executives' loans and other arrangements (continued)

2006 ISP vesting

The 2006 ISP grant vested on 30 June 2009, with performance measured over the period 1 July 2006 to 30 June 2009. The aggregate EPS growth of -10.0% compared to the aggregate Target EPS growth of 10.1% (see page 27). Stockland's TSR of -39.8% compared to the Index TSR of -53.7%. In line with the vesting schedule, the Board approved waiver of 100% of the original loan balance (from which FBT is deducted). Executive Directors and CEO Commercial Property did not receive a 2006 ISP allocation, receiving instead an allocation under the PRP.

Any loan waiver in excess of the original loan value, is applied to other ISP loans. Such excess arises mainly due to dividends and distributions repaying the loans in the intervening period along with performance hurdles achieving full waiver (less FBT) as occurred for the 2005 ISP allocation.

As discussed, prior to the change in tax legislation, the LTI plans at Stockland involved limited recourse loans. The total value of loans remaining under the ISP is \$0.7 million.

Executive loans and other arrangements

Non-monetary amounts in the remuneration table include salary sacrificed benefits (e.g. cars, parking, etc.). They also include interest-free housing loans where relocation for work at Stockland has been required. The loans were advanced by a wholly-owned subsidiary of Stockland and are secured by unregistered mortgage over residential property. Commercial interest rates apply should the Executive no longer be an employee of Stockland, and the loan matures within 180 days of ceasing employment with Stockland with an extension period not to exceed ten years from employment commencement. The value of these loans as remuneration represents the fair value of interest that would otherwise be payable (together with any related FBT).

As at 30 June 2009, Mr D Hickey had an interest-free loan of \$300,000 repayable before 16 October 2010.

Mr M Quinn had an interest-free housing loan of \$159,000 maturing on 20 August 2009. Having transitioned to the PRP, Mr M Quinn did not have a 2006 ISP allocation against which to apply his 2005 ISP excess loan waiver and had previously repaid his 2004 ISP loan. In the case of Mr M Quinn, the Board applied the 2005 ISP excess of \$117,568 against the balance of his interest-free housing loan in September 2008 and Mr M Quinn repaid the balance in October 2008.

Executive Share Scheme

The Executive Share Scheme ("ESS") plan has been closed to new members since 2006. It involved limited recourse interest-bearing loans over five years, including the two year vesting requirement. No KMPs remain in the ESS plan, though some participated in this plan prior to 2004.

ESS retention incentive

In December 2008, the Board approved an additional retention arrangement "ESS retention" for all relevant employees who hold fully-vested Stockland securities originally acquired under the (now discontinued) ESS with loans provided by Stockland and subsequently refinanced with bank loan facilities.

During unprecedented market volatility, as experienced in recent months, the ESS retention ensures that employees have access to support that allows them to continue to hold and participate in the long-term value of Stockland through retaining their fully vested securities provided to them under a legacy long-term incentive plan. The ESS retention serves to further align the long-term goals of the relevant employees with securityholders. The ability for employees to retain their securities and focus on the delivery of long-term growth and value creation for Stockland, rather than on short-term volatility, is in the benefit of both the relevant employees and the securityholders.

In accordance with the Stockland Trading Policy, employees may only trade in securities during nominated trading windows, which means that it is not always possible for employees to trade in Stockland securities to meet liability commitments when requested. The ESS retention also ensures that key Executives are not forced to sell securities in a falling market.

To implement this arrangement, Stockland placed cash on interest-bearing deposit with the relevant bank to cover the shortfall (if any) between the current security price and the minimum amount (defined below). The cash on deposit remains a Stockland asset.

The ESS retention, which was implemented in February 2009, does not operate unless Stockland securities fall below \$3.50 per security ("minimum amount").

The Executives have already provided additional loan support to the relevant bank sufficient to preclude loan repayments which might otherwise have been necessary due to the decline in the price of Stockland securities from their original purchase price to the minimum amount.

The relevant employees will only receive the benefit under this retention arrangement so long as they remain with Stockland for specified periods up to three years. If a participant, other than the Finance Director, resigns within the specified period, some or all of any benefit paid out under the arrangement will be repayable to Stockland: 100% if they resign in the first year, 67% if they resign in the second year and 33% if they resign in the third year. In the case of the Finance Director, the relevant periods are the first, second and third six month periods respectively.

The fair value of the arrangement, at grant date was \$1.08 per respective security for all relevant employees other than the Finance Director, which was \$0.90 per respective security.

Subsequent to this arrangement being put in place, effective from 30 June 2009, the two Executive Directors formally waived any benefit associated with closing out the position below the minimum price. Accordingly the fair value of their arrangements subsequent to the above waiver is nil. If the security price is below the minimum amount at the time when the Executive Directors cease employment, the security from Stockland will be withdrawn after 90 days.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)**4. REMUNERATION OF EXECUTIVES (CONTINUED)****4.3 Employment arrangements and termination provisions**

There are no fixed terms in the contracts of Stockland's KMP. The notice periods are shown below, with potential payment in lieu of notice by Stockland. Where the termination occurs as a result of misconduct or serious or persistent breach of agreement, Stockland may terminate employment immediately without notice.

In the event that Stockland initiates the termination for reasons which are outside the control of the individual, severance payments are payable. Total severance payments (including payment in lieu of notice), are shown as a percentage of annual Fixed Pay. A portion of STI may also be paid at the discretion of the Board. In addition, other statutory entitlements such as accrued leave and superannuation benefits may be included.

	Notice period	Total severance pay as a % of Fixed Pay
Managing Director	6 months	150%
Managing Director, Stockland UK	12 months	100%
Finance Director and Executive Committee members	3 months	100%
Other Executives	3 months	75%

The above arrangements relate to the contracts agreed prior to recently proposed changes to the Corporations Act governing termination payments and are expected to be "grandfathered" under the new laws. In particular, the Managing Director's contractual arrangements were entered into in 2001, and reflect market practice at that time.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Remuneration table of Executive Directors and Senior Executives

		Short-term				Post-employment	Other long-term	Share-based payment	Termination ⁹ benefits	Total	Performance related	LTI Percent of Total	
		Salary	Non-monetary benefits ¹	Other payments	STI ²	Total short-term	Super-annuation benefits	Long service leave			LTI ⁴		(STI+LTI) Percent of Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Executive Directors													
M Quinn, Managing Director	2009	1,792,328	15,745	–	1,235,000	3,043,073	13,745	52,592	272,269	–	3,381,679 ⁸	44.6	8.1
	2008	1,879,735	35,089	–	1,700,000	3,614,824	13,129	121,039	1,398,927	–	5,147,919	60.2	27.2
H Thorburn, Finance Director	2009	1,013,986	8,649	–	550,000	1,572,635	13,795	9,800	105,805	–	1,702,035	38.5	6.2
	2008	995,662	9,654	–	825,000	1,830,316	13,078	8,192	634,477	–	2,486,063	58.7	25.5
Senior Executives													
D Hickey, CEO Residential	2009	1,042,377	62,152	–	470,000	1,574,529	13,745	78,735	123,638	1,070,000	2,860,647	20.8	4.3
	2008	1,100,440	57,326	–	875,000	2,032,766	13,129	42,046	465,075	–	2,553,016	52.5	18.2
J Schroder, CEO Commercial Property	2009	996,339	38,192	–	536,000	1,570,531	13,745	3,813	87,709	–	1,675,798	37.2	5.2
	2008	967,330	39,244	–	875,000	1,881,574	13,129	1,650	415,928	–	2,312,281	55.8	18.0
K Lindsay ⁵ , MD, Stockland UK	2009	650,747	30,305	229,929 ³	95,217	1,006,198	129,842	–	117,248	–	1,253,288	17.0	9.4
	2008	503,015	67,823	237,271 ³	334,971	1,143,080	100,603	–	257,627	–	1,501,310	55.3	17.2
R Moore, EGM Human Resources	2009	433,503	–	–	220,000	653,503	13,745	3,658	98,442	–	769,348	41.4	12.8
	2008	461,100	–	–	350,000	811,100	13,129	2,857	203,531	–	1,030,617	53.7	19.7
D Pitman, EGM Strategy & Corporate Development	2009	444,880	9,258	–	183,000	637,138	13,745	1,740	84,447	–	737,070	36.3	11.5
	2008	476,636	13,244	–	300,000	789,880	13,129	753	97,760	–	901,522	44.1	10.8
K Munsie, EGM Corporate Affairs	2009	296,155	–	–	110,000	406,155	11,102	–	–	–	417,257	26.4	–
	2008	–	–	–	–	–	–	–	–	–	–	–	–
Other Executives													
M Dickinson ⁶ , GM Apartments	2009	613,254	29,913	–	49,000	692,167	13,795	1,098	63,856	463,500	1,234,416	9.1	5.2
	2008	–	–	–	–	–	–	–	–	–	–	–	–
Former Other Executives													
N Perrignon ⁶ , Former COO Residential (left June 2009)	2009	627,570	16,834	–	110,000	754,404	13,745	59,324	12,540	497,250	1,337,263	9.2	0.9
	2008	–	–	–	–	–	–	–	–	–	–	–	–

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Remuneration table of Executive Directors and Senior Executives (continued)

		Short-term				Total short-term	Post-employment	Other long-term	Share-based payment	Termination ⁹ benefits	Total	Performance related	LTI Percent of Total
		Salary	Non-monetary benefits ¹	Other payments	STI ²		Super-annuation benefits	Long service leave	LTI ⁴			(STI+LTI) Percent of Total	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Former Senior Executives													
J Keating, Former EGM Corporate Affairs (left December 2008)	2009	172,756	561	–	–	173,317	6,495	42,524	12,160	380,000	614,496	2.0	2.0
	2008	386,946	9,654	–	210,000	606,600	13,129	14,764	142,828	–	777,321	45.4	18.4
L Scenna, Former Joint MD Stockland UK (left October 2008) ⁷	2009	–	–	–	–	–	–	–	–	–	–	–	–
	2008	724,472	137,091	–	250,000	1,111,563	13,129	16,619	264,031	–	1,405,342	36.6	18.8
S Mann, Former CEO Office & Industrial (left May 2008)	2009	–	–	–	–	–	–	–	–	–	–	–	–
	2008	538,788	35,916	–	405,000	979,704	11,109	22,200	108,361	675,000	1,796,374	28.6	6.0
B Newman, Former CEO Capital Partners (left June 2008)	2009	–	–	–	–	–	–	–	–	–	–	–	–
	2008	468,558	2,015	–	175,000	645,573	12,119	–	104,027	500,000	1,261,719	22.1	8.2
Total remuneration (Consolidated & Company)	2009	8,083,895	211,609	229,929	3,558,217	12,083,650	257,499	253,284	978,114	2,410,750	15,983,297	28.4	6.1
	2008	8,502,682	407,056	237,271	6,299,971	15,446,980	228,812	230,120	4,092,572	1,175,000	21,173,484	50.2	19.3

¹ Comprises salary packaged benefits, including motor vehicle costs, car parking, measured "cost to Stockland" for interest-free housing loans and FBT payable on these items.

² Short-term incentives are earned in the financial year to which they relate and are paid in August of the following financial year.

³ The amount shown for Mr K Lindsay includes a retention bonus of \$467,650 payable in July 2009. This retention bonus was payable on completion of employment services during the period July 2007 to June 2009, and hence has been expensed over this two year period, with \$229,929 expensed in FY09 (2008: \$237,721).

⁴ Value of equity-settled LTI accounted for as options. This value relates to relevant unvested portion of PRP and ISP allocations and excludes FBT. The cumulative expense relating to certain equity-settled schemes has been reversed during the year due to anticipated non-performance in relation to certain hurdles.

⁵ Included in the acquisition cost of Stockland UK was the provision for payment of various employee share option schemes. The amounts paid out under the old option schemes have been made on the relevant vesting dates, post acquisition, and treated as deferred consideration. During the year ended 30 June 2009, \$2.5 million (2008: \$3.4 million) was paid under these old schemes. If these amounts had been treated as remuneration, an additional payment of \$33,563 (2008: \$258,198) would have been reported for Mr K Lindsay.

⁶ Mr M Dickinson and Mr N Perrignon were not KMP during the current financial year. These current year disclosures are required under the Corporations Act. No such disclosures were required in the previous year.

⁷ Ms L Scenna was not a KMP during the current financial year, hence no disclosure is required.

⁸ During the current financial year, the Board applied Mr M Quinn's \$117,568 excess from his 2005 ISP award against the balance of his \$159,000 interest-free housing loan. The remaining \$41,432 was repaid by Mr M Quinn. FBT has been paid on this waiver in the amount of \$102,205. This is not considered to be remuneration as the excess funds arose from his 2005 ISP award. Mr M Quinn had repaid his 2004 ISP loan balance with his own funds. The excess on the 2005 award would normally have been applied to the 2004 balance, which is consistent with all participants in the ISP.

⁹ Termination benefits paid during the current financial year represent amounts payable under the Executive's contracts, prior to the proposed changes in legislation.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Vesting profile of long-term incentives, rights/securities held under PRP/ISP

	LTI plan	Rights granted during the year	Rights/securities held at 30 June 2009	Grant date	Fair value per right/option at grant date	Exercise price per option	Vested during the year ²	No. vested during the year	Vesting Date ³	Maximum value recognised in future years
Executive Directors										
M Quinn ¹	PRP	–	470,000	24/10/2006	\$3.36	\$Nil	50%	235,000	30/06/2009	–
	PRP	–	395,000	23/10/2007	\$3.90	\$Nil	–	–	30/06/2010	\$513,500
	PRP	723,000	723,000	21/10/2008	\$2.04	\$Nil	–	–	30/06/2011	\$983,280
H Thorburn ¹	PRP	–	204,000	24/10/2006	\$3.36	\$Nil	50%	102,000	30/06/2009	–
	PRP	–	166,000	23/10/2007	\$3.90	\$Nil	–	–	30/06/2010	\$215,800
	PRP	296,000	296,000	21/10/2008	\$2.04	\$Nil	–	–	30/06/2011	\$402,560
Senior Executives										
D Hickey	ISP	–	86,000	17/08/2006	\$3.09	\$5.69	100%	86,000	30/06/2009	–
	PRP	–	177,000	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$221,840
	PRP	316,000	316,000	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	–
J Schroder	PRP	–	180,000	24/10/2006	\$3.36	\$Nil	50%	90,000	30/06/2009	–
	PRP	–	171,000	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$214,320
	PRP	310,000	310,000	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	\$357,533
K Lindsay	PRP	–	100,000	29/06/2007	\$3.76	\$Nil	–	–	30/06/2010	\$125,333
	PRP	–	105,690	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$132,465
	PRP	184,000	184,000	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	\$212,213
R Moore	ISP	–	37,000	17/08/2006	\$3.09	\$5.69	100%	37,000	30/06/2009	–
	PRP	–	78,000	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$97,760
	PRP	139,000	139,000	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	\$160,313
D Pitman	PRP	–	78,000	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$97,760
	PRP	139,000	139,000	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	\$160,313
Other Executives										
M Dickinson	PRP	–	66,253	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	\$83,037
	PRP	104,414	104,414	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	\$120,424

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Vesting profile of long-term incentives, rights/securities held under PRP/ISP (continued)

	LTI plan	Rights granted during the year	Rights/securities held at 30 June 2009	Grant date	Fair value per right/option at grant date	Exercise price per option	Vested during the year ²	No. vested during the year	Vesting Date ³	Maximum value recognised in future years
Former Senior Executives										
J Keating	ISP	–	32,000 ⁴	17/08/2006	\$3.09	\$5.69	100%	32,000	30/06/2009	–
	PRP	–	– ⁴	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	–
Former Other Executives										
N Perrignon ¹	ISP	–	33,000 ⁵	17/08/2006	\$3.09	\$5.69	100%	33,000	30/06/2009	–
	PRP	–	– ⁵	31/08/2007	\$3.76	\$Nil	–	–	30/06/2010	–
	PRP	112,017	– ⁵	31/08/2008	\$1.73	\$Nil	–	–	30/06/2011	–

¹ In addition to the above PRPs granted during the year, Mr M Quinn, Mr H Thorburn and Mr N Perrignon have 1,452,000, 200,000 and 75,000 securities respectively subject to support from Stockland. As at 30 June 2009, \$2,935,900 was placed on deposit in relation to these securities. Mr N Perrignon's securities were sold on 30 July 2009. He received no benefit from this arrangement.

² Proportion vesting reflects the meeting of performance and service conditions. At 30 June 2009, 100% of the original 2006 ISP loan has been waived.

³ Vesting date refers to the date at which the performance and service conditions are met. Under the ISP, the securities may remain in the plan until the 5th anniversary of the grant date with trading restrictions until the loan is repaid. The securities may remain in the PRP until the 10th anniversary of the grant date.

⁴ Ms J Keating left Stockland in December 2008. The Board exercised its discretion to allow vesting of her 2006 ISP award on 30 June 2009, to the extent of achievement of performance conditions in line with vesting for all other participants on 30 June 2009. Ms J Keating has forfeited all of her 2007 PRP allocation.

⁵ Mr N Perrignon left Stockland in June 2009. The Board exercised its discretion to allow vesting of his 2006 ISP award on 30 June 2009, to the extent of achievement of performance conditions in line with vesting for all other participants on 30 June 2009. Mr N Perrignon has forfeited all of his 2007 and 2008 PRP allocations.

Ms K Munsie joined Stockland in September 2008 and has not yet received an LTI allocation (allocations are generally made in August). The minimum future value of unvested securities is \$Nil as future performance and service criteria may not be met.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Movements in value of long-term incentive rights/securities during the year

	Granted in the year \$	Exercised in the year ¹ \$	Forfeited in the year ² \$	Lapsed in the year ³ \$
Executive Directors				
M Quinn	1,474,920	688,800	–	(754,350)
H Thorburn	603,840	541,546	–	(327,420)
Senior Executives				
D Hickey	546,680	748,500	–	–
J Schroder	536,300	–	–	(288,900)
K Lindsay	318,320	–	–	–
R Moore	240,470	180,600	–	–
D Pitman	240,470	–	–	–
K Munsie	–	–	–	–
Other Executives				
M Dickinson	180,636	–	–	–
Former Senior Executives				
J Keating	–	135,807	(164,588) ⁴	–
Former Other Executives				
N Perrignon	193,789	226,807	(370,274) ⁵	–

¹ Exercising of the security occurs when the loan associated with the ISP securities is repaid in full, either through the sale of securities or in cash by the individual, or when repayment of the loan is waived under the terms of the ISP. The value shown in the table represents the difference between the value of the loan repaid and the market value of the securities on the date of repayment.

² The value of the rights that have been forfeited during the year represents the benefit forgone and is calculated at the date the rights were forfeited using the same option pricing model used to calculate the fair value at grant date. Refer to Note 35 for a description of the option pricing models used.

³ The value of the rights that have lapsed during the year is calculated using the security price on the date the rights lapsed. For the current year, 50% of the 2007 PRP lapsed on 30 June 2009.

⁴ Ms J Keating left Stockland in December 2008. This forfeiture represents her 63,000 performance rights granted in August 2007.

⁵ Mr N Perrignon left Stockland in June 2009. This forfeiture represents his 71,774 performance rights granted in August 2007 and 112,017 performance rights granted in August 2008.

Under AASB 2 "Share-based payments" ("AASB 2"), securities acquired via the ISP are treated as options for accounting purposes. The fair value is expensed on a straight-line basis over the vesting period, being the period during which the securities are subject to performance and service conditions. The exercise period spans from the vesting date to the end of the five year loan period. On repayment of the loan, the associated securities are now issued capital and no longer treated as options for accounting purposes under AASB 2.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

4. REMUNERATION OF EXECUTIVES (CONTINUED)

4.4 Loans repaid during the year in respect of LTI securities granted as remuneration in previous years

During the year, the following KMP sold LTI securities and/or repaid loans in respect of LTI securities granted as remuneration in previous years. There are no loan amounts remaining unpaid in respect of these securities.

	Number of securities associated with loan repayment	Loan value repaid \$	Loan value repaid per security \$
Executive Directors			
M Quinn	–	–	–
H Thorburn	90,000	141,654	1.57
Senior Executives			
D Hickey	–	–	–
R Moore	–	–	–
Former Senior Executives			
J Keating	–	–	–
Former Other Executives			
N Perrignon	25,000	21,233	0.85

Mr J Schroder, Mr D Pitman, Mr K Lindsay, Ms K Munsie and Mr M Dickinson did not participate in a Stockland loan-based equity plan.

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS

This section outlines Stockland's remuneration policy for Non-Executive Directors and provides detail on their fee schedule, remuneration and security holdings.

5.1 Remuneration policy

Remuneration of Non-Executive Directors is structured to attract and retain Non-Executive Directors of the highest calibre.

Stockland's remuneration policy for Non-Executive Directors aims to ensure Stockland can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently \$2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. Total fees paid to Non-Executive Directors in 2009 were \$1,652,095 (2008: \$1,834,015) or 66% (2008: 73%) of the approved limit.

The HR Committee is responsible for reviewing and recommending to the Board any changes to Board remuneration, taking into account the size and scope of Stockland's activities, the responsibilities and liabilities of Directors and the demands placed upon them. In developing its recommendation, the HR Committee takes advice from independent remuneration consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board Committees. Non-Executive Directors do not receive performance-related remuneration.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS (CONTINUED)

5.2 Non-Executive Director fee schedule

The schedule of annual fee rates, excluding 9% superannuation contributions, for the Board and Board Committees are shown in the table below.

Stockland Board	FY09	FY08
Chairman	\$365,250	\$365,250
Deputy Chairman	\$219,000	\$219,000
Non-Executive Director	\$146,000	\$146,000

Board Committees	FY09 Chair	FY09 Member	FY08 Chair	FY08 Member
Audit and Risk	\$33,700	\$16,900	\$33,700	\$16,900
Financial Services Compliance	\$14,000	\$8,400	\$14,000	\$8,400
Human Resources	\$13,500	\$9,000	\$13,500	\$9,000
Corporate Responsibility and Sustainability	\$13,500	\$9,000	\$13,500	\$9,000
Treasury Policy	\$8,000	\$5,000	\$8,000	\$5,000

Stockland Capital Partners Ltd ("SCPL") Board	FY09	FY08
Chairman	\$30,000	\$45,000
Non-Executive Director	\$30,000	\$45,000
Independent Non-Executive Director ¹	\$50,000	\$80,250

SCPL Board Committees	FY09 Chair	FY09 Member	FY08 Chair	FY08 Member
Audit and Risk	\$8,000	\$5,000	\$8,000	\$5,000
Financial Services Compliance	\$14,000	\$8,400	\$14,000	\$8,400

¹ Independent Non-Executive Directors of Stockland Capital Partners Limited are those who are not on the Stockland Board.

In the interest of cost containment, the Board resolved to make no increase in fees for FY09. In respect of FY10, the Board again resolved to make no increase in fees.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS (CONTINUED)

5.3 Remuneration table for Non-Executive Directors

The nature and amount of each element of remuneration for each Non-Executive Director of Stockland are detailed below:

		Short-term		Post-employment	Total
		Board and Committee Fees	Non-monetary benefits	Superannuation contributions	
		\$	\$	\$	\$
Non-Executive Directors					
G Bradley	2009	365,250	–	32,873	398,123
Chairman	2008	365,250	–	32,873	398,123
N Greiner	2009	232,500	–	20,925	253,425
Deputy Chairman	2008	232,500	–	20,925	253,425
D Boyle	2009	166,351	–	14,972	181,323
	2008	143,599	–	12,924	156,523
C Hewson (Appointed March 2009)	2009	57,300	–	5,157	62,457
	2008	–	–	–	–
B Neil	2009	150,500	–	13,545	164,045
	2008	131,832	–	11,865	143,697
P Scott	2009	188,119	–	16,931	205,050
	2008	200,000	–	18,000	218,000
T Williamson	2009	209,700	–	18,873	228,573
	2008	207,150	–	18,644	225,794
Former Non-Executive Directors					
B Corlett	2009	50,512	5,000 ¹	4,546	60,058
(Retired October 2008)	2008	166,350	–	14,972	181,322
L Gearing	2009	95,450	–	8,591	104,041
(Resigned December 2008)	2008	235,900	–	21,231	257,131
Total remuneration (Consolidated and Company)	2009	1,515,682	5,000	136,413	1,657,095
	2008	1,682,581	–	151,434	1,834,015

¹ Represents the cost of a gift purchased for Mr B Corlett upon his retirement, to acknowledge his service to Stockland.

5.4 Security acquisition plan and holdings

Approval was given at the 2006 Annual General Meeting for a Non-Executive Director Security Acquisition Plan (“NEDSAP”) to facilitate and encourage Non-Executive Directors to acquire securities through a fee sacrifice arrangement. The NEDSAP operates under the following terms:

Term	Description
Eligibility	All Non-Executive Directors on a voluntary basis.
Disposal restrictions	The earlier of ten years from the date of acquisition, the retirement of the Non-Executive Director from the Board or a date determined by the Board.
Source of securities	All securities will be acquired on-market.
Performance conditions	Not applicable as securities are in lieu of fees sacrificed.

This plan is currently suspended pending detail of the changes proposed in the “Taxation of Employee Share Schemes” Policy Statement issued on 1 July 2009.

Directors' Report

For the Year Ended 30 June 2009

REMUNERATION REPORT – AUDITED (CONTINUED)

5. REMUNERATION OF NON-EXECUTIVE DIRECTORS (CONTINUED)

5.4 Security acquisition plan and holdings (continued)

The relevant interest of each Director in the securities issued by Stockland and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report are as follows:

		Securities in Stockland Stapled Group			Units in SDOT No. 1	Units in SDOT No. 2	Units in SDOT No. 3	Units in SDRT No. 1
		Excluding acquired via NEDSAP	Acquired via NEDSAP	Total securities				
Non-Executive Directors								
G Bradley	2009	132,641	48,082	180,723	225,000	750,000	–	–
	2008	80,725	17,968	98,693	225,000	750,000	–	–
N Greiner	2009	70,017	44,826	114,843	10,000	25,000	–	–
	2008	49,937	5,719	55,656	10,000	25,000	–	–
D Boyle	2009	15,483	45,686	61,169	–	–	–	–
	2008	–	12,289	12,289	–	–	–	–
C Hewson (Appointed March 2009)	2009	14,000	3,809	17,809	–	–	–	–
	2008	–	–	–	–	–	–	–
B Neil	2009	24,386	27,221	51,607	–	–	–	–
	2008	10,611	4,550	15,161	–	–	–	–
P Scott	2009	13,410	14,639	28,049	–	25,000	20,000	20,000
	2008	6,272	–	6,272	–	25,000	20,000	20,000
T Williamson	2009	48,401	46,029	94,430	37,500	100,000	–	–
	2008	22,718	9,839	32,557	37,500	100,000	–	–
Executive Directors								
M Quinn	2009	1,732,800	–	1,732,800	15,000	25,000	10,000	10,000
	2008	1,452,000	–	1,452,000	15,000	25,000	10,000	10,000
H Thorburn	2009	574,562	–	574,562	–	–	–	–
	2008	468,000	–	468,000	–	–	–	–
Former Non-Executive Directors								
B Corlett ¹ (Retired October 2008)	2008	219,252	14,771	234,023	15,000	200,000	–	–
L Gearing ¹ (Resigned December 2008)	2008	5,404	2,755	8,159	–	–	–	–
Total	2009	2,625,700	230,292	2,855,992	287,500	925,000	30,000	30,000
	2008	2,314,919	67,891	2,382,810	302,500	1,125,000	30,000	30,000

¹ Mr B Corlett and Ms L Gearing are former Non-Executive Directors. Disclosure of their 2009 security holdings is not required.

The above holdings of Executive Directors does not include unvested Performance Rights detailed on page 33 of this report.

Directors' Report

For the Year Ended 30 June 2009

INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

Since the end of the previous financial year, Stockland has not indemnified or agreed to indemnify any person who is or has been an officer or an auditor of Stockland against any liability.

Since the end of the previous financial year, Stockland has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Directors, Executive Directors, Company Secretaries and Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors and Officers of Stockland.

Premiums are also paid for Fidelity insurance and Professional Indemnity insurance policies to cover certain risks for a broad range of employees, including Directors and Executives.

NON-AUDIT SERVICES

During the year Stockland's auditors, KPMG, provided certain other services to Stockland in addition to their statutory duties as auditors.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- the non-audit services were for taxation, regulatory and assurance-related work closely linked to the Group's audit, and none of this work created any conflicts with the auditor's statutory responsibilities;
- the Audit and Risk Committee resolved that the provision of non-audit services during the year by KPMG as auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001;
- the Board's own review conducted in conjunction with the Audit and Risk Committee, having regard to the Board policy set out in this report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and
- the declaration of independence provided by KPMG, as auditor of Stockland.

Details of the amounts paid to the auditor of Stockland, KPMG, and its related practices and to other auditors for audit and non-audit services provided during the year are set out in Note 8 of the accompanying Financial Statements.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The external auditor's independence declaration is set out on page 41 and forms part of the Directors' Report for the year ended 30 June 2009.

ROUNDING OFF

Stockland is an entity of the kind referred to in ASIC Class Order 98/100 (as amended) and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Graham Bradley
Chairman



Matthew Quinn
Managing Director

Dated at Sydney, 12 August 2009