The Australian economy has survived the recent global downturn much better than most others, largely as a result of good management and a low dollar. The economy enters the 2003 financial year with reasonable growth prospects but with investment markets looking decidedly uncertain and lacking confidence as more corporate credibility issues unfold in the United States.

Investor confidence has been seriously shaken. Indirectly this has benefited our industry, as there has been a flight to organisations with quality earnings, conservative underlying philosophies and hard assets, that is, the tried and true.

Corporate governance issues are obviously high on current agendas and while we have a very transparent business with physical real estate assets which are readily valued by traditional techniques, we have nevertheless closely examined our corporate governance procedures.

Our Board comprises a majority of non executive directors who draw upon their extensive business experience to guide the strategic direction of the group. We have an active and independent Compliance Committee, an Audit Committee and a Nominations and Remuneration Committee, each of which is chaired by a Non Executive Director. We have recently reviewed the relationship with our auditors and have put in place policies relating to the calling of tenders for audit work, the rotation of the senior audit partner and the limiting of extra consulting services that the audit firm may provide.

Another issue currently under scrutiny is the matter of executive share options and their accounting treatment. It is significant to note that Stockland has never issued any such options. We do have an executive share plan but it requires the executive to purchase fully paid securities for which the company makes an interest bearing repayable loan. There are no consequent accounting issues.

Our stakeholders should take great confidence in our corporate procedures and general governance behaviour.

While this is our 50th year and we note the significant achievements of the past, our attention is entirely focused on the future and seeking out opportunities to grow earnings and shareholder value.

Your Directors are confident that, subject to any unforeseen circumstances, distribution and dividend levels for the current year will continue to improve.

I close this report by returning to the very sad and unexpected death of Ervin Graf on 20 July 2002, at the age of 77.

Ervin migrated to Australia from Hungary in 1949 at the age of 25. The business which a few years later became the listed company Stocks & Holdings Ltd, was commenced by him in 1952 in conjunction with the brothers, Albert Scheinberg and John Hammond. He considered Stockland to be like one of his children.

Ervin combined an unusual array of talents and characteristics: extremely intelligent and quick of mind, pioneering yet conservative, private and unpretentious, totally focused on the interests of all shareholders large and small, and lacking in personal greed. I had the privilege and benefit of working with Ervin over a period of 30 years.

In recent years Stockland has grown significantly larger and has changed to meet the requirements for success in the future. Nevertheless, the Ervin legacy is well entrenched and his values and principles will not be soon forgotten.

He is sadly missed.

Peter Daly
Chairman

ERVIN GRAF, THE FOUNDER OF STOCKLAND IN 1952 AND FORMER CHAIRMAN, DIED SUDDENLY IN JULY 2002 AT THE AGE OF 77. HE WILL BE DEEPLY MISSED BY ALL OF US BUT HIS LEGACY LIVES ON.