



18 August 2004

The Manager
Companies Section
Australian Stock Exchange Limited (Sydney)

The Manager
Companies Section
New Zealand Exchange Limited

By electronic lodgement

Pages: One hundred and seventy eight (178) pages

Dear Sir

**Re: Stock Exchange Announcement
2003/04 Full Year Results**

Lend Lease
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Lend Lease Corporation Limited today announced its full year results for the year ended 30 June 2004. Attached are the following documents:

- Stock Exchange and Media Announcement
- Preliminary Final Report (Appendix 4E)
- Results for Announcement to the Market
 - o Annual Consolidated Financial Report
 - Management's Discussion and Analysis of Financial Condition and Results of Operations
 - Five Year Profile
 - Directors' Report
 - Consolidated Financial Statements
 - Independent Auditor's Report
 - Concise Financial Report
- Presentation to be made to the Media and Analysts

Yours faithfully

S J SHARPE
Company Secretary



STOCK EXCHANGE & MEDIA RELEASE

18 AUGUST 2004

LEND LEASE MEETS FULL YEAR TARGET

— A\$237.4 million profit after tax FY 2004 —

Lend Lease Corporation Limited ("Lend Lease") announced today a net after-tax operating profit of A\$237.4 million for the year to 30 June 2004, compared with A\$230.2 million after tax for the year to 30 June 2003 and in line with previous guidance.

After major one-off items, including a A\$79.7 million after tax gain on the sale of Lend Lease's interest in IBM Global Services Australia announced last September, Lend Lease reported a total profit after tax of A\$333.5 million, compared with a reported loss of A\$714.8 million after tax in 2003. The 2003 result included write-downs from the exit of the Real Estate Investments businesses in the US.

The Company met its profit guidance for the 2004 year despite losses totalling A\$55.4 million after tax by Bovis Lend Lease on several projects in Australia. The losses were offset by significantly higher earnings from Delfin Lend Lease, reduced corporate overheads and the profit on the sale of Lend Lease's interest in Fox Studios Australia.

That the Group can sustain losses in one division, yet meet guidance given in August last year, demonstrates the strength of Lend Lease's core businesses, which lifted earnings 11% to A\$225.9 million after tax. It also augurs well for the ability of Lend Lease to deliver strong earnings growth to drive the targeted growth in distributions to investors under the proposed merger with General Property Trust ("GPT").

While the Bovis Lend Lease result for the year was well down (33%), the Integrated Development Businesses ("IDB") increased after tax profit by 89% to A\$78.8 million, and the continuing Real Estate Investments ("REI") businesses were up 5% overall to A\$100.3 million after tax. Within the REI result, Lend Lease's earnings from investment assets grew by 12% in 2004. Earnings from continuing operations (investment management) were slightly lower, despite increasing total real estate funds under management by 13% to A\$19.6 billion, because the previous year included a non recurring release of provisions that were no longer required.

The success of Lend Lease's focus on costs in 2004 was evident, with a A\$67 million pre-tax reduction in net corporate costs this year. When added to overhead reductions achieved in Bovis Lend Lease, this made up the lion's share of the A\$88 million pre-tax in cost savings the Company said it would target at the beginning of the year. Nevertheless, the after-tax improvement in Group Services was less pronounced than for the 2003 result, which contained a number of one-off tax benefits.

Lend Lease Group CEO, Mr Greg Clarke, said the strength of Lend Lease's core businesses, coupled with the on-market share buyback, increased earnings per share ("eps") in 2004 by 9% on a post-amortisation basis.

"The operating result for 2004 demonstrates the strength and potential of Lend Lease's core businesses to deliver attractive returns for investors," Mr Clarke said.

"Importantly, the operating result also demonstrates our capacity to deliver corporate earnings growth to the proposed Lend Lease / GPT merged business to achieve the targeted rate of distribution growth.

"All in all, Lend Lease is in very good shape, our businesses are well positioned, with a good outlook for future earnings.

"In 2005, the full benefit of the share buyback program we initiated in 2004 will emerge, with an expected 15% plus growth in eps.

"As we have already announced, we intend to utilise the remaining A\$388 million already allocated to finalise the currently suspended share buyback, through an off-market offer immediately prior to the merger. If the merger does not proceed, we will announce our intentions regarding the remaining tranche at that time.

"While Lend Lease is financially in a very strong position with no net debt at June 2004, we want to underpin our operating businesses with a much more efficient and appropriate capital structure than Lend Lease has today.

"The buyback program and the proposed merger with GPT are key elements of our strategy to optimise our balance sheet and improve returns for investors.

"We are very pleased that GPT's Independent Directors announced on 6 August that they intend to unanimously recommend that Lend Lease and GPT, partners for more than 30 years, be merged to create a business which will be stronger than either is alone," Mr Clarke said.

Lend Lease will pay a final dividend for the year to June 2004 of 26 cents per share unfranked, which is at the higher end of the Company's current dividend payout policy range.

If the GPT merger proposal is successful, Lend Lease will pay a fully franked special dividend to Lend Lease shareholders, totalling A\$95 million (around 26 cents per share), as well as an unfranked, interim dividend (expected to be around 22 cents per share) for the period from 1 July this year up to the time that the merger is implemented.

The Group ended the year in a strong cash position of A\$1.4 billion after spending A\$405 million on its share buyback. The first 10% tranche of the share buyback was completed at an average price of A\$9.87 per share. The second 10% tranche, which is currently suspended, was started only shortly before the end of the 2004 financial year.

Gross Debt was A\$862 million at June 2004, with Gross Debt to Total Tangible Assets ratio at just 13%. Lend Lease will take the opportunity during 2005 to refinance its US\$250 million bonds and A\$500 million medium term note (which has been swapped to US\$) as they mature in June and July 2005 respectively.

The Company maintained its highly effective hedging policy during 2004, with US profits emerging at around 55 cents. US earnings for FY 2005 have been substantially hedged at 58 cents.

Lend Lease proposes to continue to manage its foreign currency exposures for the merged Lend Lease Group to ensure that both earnings and distributions are not adversely affected by currency volatility.

ENDS

For further information:

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Lend Lease Corporation
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Attached : Operations Review

ATTACHMENT TO ASX & MEDIA STATEMENT 18 AUGUST 2004
"LEND LEASE MEETS FULL YEAR TARGET"

LEND LEASE OPERATIONS OVERVIEW : FOR YEAR TO 30 JUNE 2004

BOVIS LEND LEASE (Project Management and Construction Management)

Overall, Bovis Lend Lease remained in a strong position with Backlog Gross Profit Margin ("Backlog GPM") of A\$522 million at June 2004, slightly down on the record A\$564 million the previous year. The 2004 result excludes A\$110 million in Backlog GPM associated with the Manchester and Leeds hospital PFI projects in the UK that were scheduled to close during the year; otherwise the Backlog GPM would have ended higher at A\$632 million. Despite being selected as preferred bidder on these projects, Bovis Lend Lease only records the Backlog GPM on such projects when the contracts reach financial close. This is now expected to be within the first half of the 2005 Financial Year.

Bovis Lend Lease earned A\$105.1 million after tax, down on the A\$157.5 million after tax in 2003.

The Company maintained profitability in the US and UK, despite the continued contraction in the US markets in 2004 and delays on the closure of two large UK PFI projects in the UK noted above.

The primary driver of the increase in the Australian loss since the December 2003 half year is the Herald and Weekly Times project in Melbourne. It was contracted around the same time as the loss-making residential projects Bovis Lend Lease contracted in Canberra and Brisbane, and sustained losses as a result of significant escalation in trade prices.

Mr Clarke said that with a new management team in place in Australia, the Company had finalised a thorough review of all Bovis Lend Lease projects and is confident that the losses are now fully provisioned and that the Company's risk management procedures are again being firmly applied to all projects.

"We can now put the 2004 loss position behind us and look to positive contributions from Bovis Lend Lease in this region for the future," Mr Clarke said

In the US, Bovis Lend Lease maintained its leading market positions in each of its core markets. The Company entered a new strategic alliance with the well-regarded sports stadia developer, Hunt Corporation, to pursue opportunities in the US\$12 billion new sports stadia facilities to be constructed in the New York metropolitan area alone over the next six to eight years.

In the UK, Bovis Lend Lease also performed strongly, maintaining profit contribution despite a 5% decline in realised Gross Profit Margin due to delays with the start of certain large commercial projects and the two large hospital PFI projects. The Company offset the lower realised profit through a reduction in overheads.

The Company's UK and US businesses are both experiencing significantly higher activity levels than this time last year, which Lend Lease anticipates will translate into increased sales in 2005.

Even after the impact of the loss in Australia, Bovis Lend Lease achieved a very strong profitability ratio for 2004 of 35% (44% excluding the loss in Australia).

The recent operational review and tours of the businesses in the UK and US demonstrated the strength of the Bovis Lend Lease operations, the strategic market focus, and the outlook for a return to good earnings over the next 2-3 years.

INTEGRATED DEVELOPMENT BUSINESSES (Delfin Lend Lease; Lend Lease Development; Actus Lend Lease; UK PFIs; and UK Retail and UK Urban Community Development)

The Integrated Development Businesses continued their dramatic improvement over the 2004 year, earning A\$78.8 million after tax, 89% up on 2003, driven primarily by Delfin Lend Lease, which more than doubled operating profit after tax to A\$66.2 million.

Delfin Lend Lease

In Australia, Delfin Lend Lease settled 4,482 lots (up 19%) at a gross sales value of A\$518 million (up 41%) on the previous year. The Company maintained its position as the leading urban community developer in Australia, finishing the year with a Sales Backlog 48% higher than the previous year at 51,000 lots. Delfin Lend Lease already has over a third of budgeted sales for 2005 under contract, so is on track for another strong year.

The Queensland region had many solid contributors to GPM, including Varsity Lakes, Twin Waters and North Shore, and Springfield Lakes.

The major contributor to the Victorian region was Caroline Springs, which almost doubled its profit contribution.

In New South Wales, Delfin Lend Lease commenced sales on the Nelson's Ridge project in Sydney. This is a prime Sydney site, which has had high levels of enquiries and is expected to significantly ramp up during 2005.

It should be noted that the Twin Waters / North Shore projects will be transferred to the Development company in 2005. Nevertheless, on a like-for-like basis, Delfin Lend Lease is expected to achieve a 15% profit after tax growth in 2005 with existing and new projects maintaining healthy levels of sales.

Lend Lease Development

Lend Lease Development, which now specialises primarily in medium and high density, residential development, delivered A\$20.2 million profit after tax compared to A\$14.8 million last year. While the profit on the sale of the Company's interest in Fox Studios Australia was a one-off item, the Company is well positioned, with 2005 operating earnings to be derived from seven residential and mixed-use development projects compared to three in 2004.

Lend Lease Development has established a major project pipeline over the last two years that is designed to transform the Company's earnings away from one-off earnings to a more Delfin-style earnings profile with long term, annuity style profits which are more predictable and transparent.

The Company's Jacksons Landing and Newington residential projects in Sydney continued to be good profit generators in 2004 and are expected to perform well again in 2005. Next year, Lend Lease Development will earn its first profits from the Rouse Hill Regional Centre project it is developing for the New South Wales Government in Sydney's North West and the Hyatt Coolum residential development in South East Queensland.

The Dock 5 residential tower being developed at Lend Lease's Victoria Harbour precinct in Melbourne's Docklands is expected to begin generating profit in the 2006 financial year.

The Company secured an exclusive development agreement with Daikyo over its three prime sites in the heart of Surfers Paradise in South East Queensland, on which there are plans to develop around 2000 apartments and leisure, retail and entertainment facilities over 10 to 12 years.

Actus Lend Lease

In the Americas, Actus Lend Lease (master-planned Military Base Housing projects) increased profit after tax and minorities to A\$5.3 million, compared to A\$4.8 million in 2003. Three major contracts are already underway and, while they have started to deliver development and construction profits, these were offset in 2004 by expensing of further bid costs. These included the write-off of the Hickam Air Force Base bid on which Actus Lend Lease had been selected as preferred bidder, but which had been the subject of a successful court appeal by another bidder. Since balance date, Actus Lend Lease has entered negotiations with the other party and now expects to be able to close the Hickam contract with the Air Force during 2005. Should that occur, Actus Lend Lease will recoup approximately US\$5 million in net bid costs.

The Company expects to earn further development fees during 2005 as it reaches financial close on three more US Military base contracts on which it is preferred bidder. There are four other projects in the pipeline that are obtainable over the next twelve months. The US Military is in the process of exploring the extension of the current privatisation program and the privatisation of the barracks, which would provide significant new growth opportunities for Actus Lend Lease. In addition, an opportunity to establish a Delfin-style urban communities business exists under the Military Base Realignment and Closure program.

UK Healthcare PFIs

The UK Healthcare PFI business had an improved result in 2004, due to a reduction in net bid costs.

Lend Lease expects to achieve financial close on the Manchester and Leeds Hospital PFI projects in 2005. There remains ample opportunity in the hospital PFI market, with more than 40 more hospital projects to become available over the next five years. Given Lend Lease's strong position in the market and a better than one in two win rate so far, Lend Lease is assembling a portfolio of hospital PFI projects delivering construction profits in the short term, and facilities management and equity earnings over the average 30 – 35 year life of the contracts.

Retail

In UK Retail, Lend Lease continued to entrench a leading market position during 2004. The Company's portfolio of retail centres which it manages outperformed its benchmark, and Lend Lease secured another high profile development role on the Golden Square, Warrington centre which it plans to reposition and double in size in conjunction with the two institutional owners of the centre. Lend Lease will also take a 50% ownership stake on achievement of planning approval and pre-leasing targets.

Together with the Chapelfield, Norwich project, which is well ahead of schedule with over 70% of space already leased, the Warrington development gives Lend Lease six retail developments completed or underway in the last six years, including Bluewater in Kent. Together with Bovis Lend Lease's position as the number one construction business in the UK, Lend Lease is ideally positioned to play a major role in the consolidation and development of the UK retail market, which is expected to occur over the next five to ten years.

Urban Community Development

The UK Urban Community Development business is currently focused on the \$5 billion Greenwich Peninsula project. Lend Lease achieved planning approval and commercial close on this integrated community development during the year. The Company expects to generate the first development profits from this project in 2006. Over the next 15 to 20 years, the Group will develop a new community that will include 10,000 homes and 3.8 million square feet of retail and commercial space.

The UK Government has now identified four major urban regeneration areas in South East England, most of which are within the Bluewater catchment area. The Company is developing a strong pipeline of opportunities and is at advanced stage of negotiation on two more projects.

REAL ESTATE INVESTMENTS (Operations and Investment Assets)

Investment Assets

The Company's major retail property assets performed excellently. Income from Lend Lease's direct property investment assets such as Bluewater in the UK and King of Prussia Mall in the US grew by 12% in 2004. The Company is expecting further good growth mainly on the back of the first rent review at Bluewater since it opened in 1999.

Lend Lease's 30% interest in Bluewater was valued at approximately A\$1.2 billion at June 2004, up 13% on 2003. Valuation on Lend Lease's 50% interest in the King of Prussia Mall was approximately A\$330 million at June this year, compared to a book value of A\$207 million.

Operations

Real Estate Investments' operations profit was slightly down by A\$2.5 million after tax, reflecting a substantial increase in profit from European operations on the back of increased funds under management and reduced overhead, which was offset by a lower profit contribution from Australia compared to the 2003 result that included release of provisions no longer required.

GPT continued to deliver solid earnings growth, undertaking several earnings accretive acquisitions and achieving good income growth in all portfolios, despite challenging conditions in the office, industrial and hotel markets.

The Company's performance as a manager of real estate funds is underscored by the strong performance of its wholesale funds such as Australian Prime Property Fund and Real Estate Partners 1 & 11, and the Retail Partnership in the UK. The Company raised almost A\$400 million in new equity during 2004, including from 10 new institutional investors, bringing the total equity raised over the last three years to almost A\$1 billion.

At June 2004, the Company had A\$11.6 billion in wholesale funds under management globally, as well as the A\$8 billion General Property Trust. Given the strong investment performance for institutional investors, Lend Lease expects to continue to grow wholesale funds under management in both Asia Pacific and the UK.

ENDS



Lend Lease Corporation Limited
ABN 32 000 226 228

Appendix 4E

Preliminary Final Report
for the year ended 30 June 2004
(previous corresponding period being
the year ended 30 June 2003)

Results for Announcement to the Market

Key Information

	June 2004 A\$m	June 2003 A\$m	% Change
Revenue from ordinary activities	9,725.5	10,113.9	(3.8%)
Profit/(loss) from ordinary activities after tax attributable to members	333.5	(714.8)	146.7%
Net profit/(loss) for the period attributable to members	333.5	(714.8)	146.7%

Dividends

	Amount per security	Franked amount per security
Final Dividend – Payable 15 September 2004	26 cents	Nil
Interim Dividend – Paid 17 March 2004	18 cents	Nil
Total amount per share	44 cents	Nil

The record date for determining entitlement to the final dividend is 1 September 2004.

As future dividends are likely to be unfranked or partly franked, the Company has suspended the Share Election Plan (effective 1 September 2003). While Lend Lease is undertaking an on market share buyback, the Company has also suspended the Share Purchase Plan (effective 1 September 2003) and the Dividend Reinvestment Plan (effective 1 October 2003).

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached June 2004 Management Discussion and Analysis, June 2004 Annual Consolidated Financial Report and the additional information section below.

Additional Information

Net Tangible Assets

	June 2004	June 2003
Net Tangible Assets per security	\$5.35	\$4.14

The Annual General Meeting

The Annual General Meeting will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney at 2:00pm on Wednesday, 17 November 2004. The annual report will be available early October 2004.



Lend Lease Corporation Limited
Annual Consolidated Financial Report
30 June 2004

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**Management's Discussion and Analysis of Financial Condition
and Results of Operations (MD&A)**

Section 2

Five Year Profile

Section 3

Directors' Report

Section 4

Consolidated Financial Statements

Statements of Financial Performance
Statements of Financial Position
Statements of Cash Flows
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Directors' Declaration

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Concise Financial Report

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

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Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

All figures in this announcement are expressed in Australian dollars unless otherwise specified.

The following discussion and analysis is based on the Group's Consolidated Financial Statements for the year ended 30 June 2004 and should be read in conjunction with those Financial Statements.

Overview

Introduction

Lend Lease provides a broad range of real estate services to clients in three regions, Asia Pacific, Americas and Europe.

The principal activities are conducted through three divisions, Bovis Lend Lease (BLL), Integrated Development Businesses (IDB), and Real Estate Investment Services (REI). Bovis Lend Lease provides construction, project management and design services across all regions. IDB comprises Delfin Lend Lease and Lend Lease Development in Australia, Actus Lend Lease in America, and the Public Private Partnerships (PPP) and retail and urban regeneration businesses in Europe. REI's principal business is that of real estate investment management in Asia Pacific and Europe.

In management's opinion, no single factor determines the Group's financial condition or the profitability of its divisions. Lend Lease uses a range of performance measures for evaluating different businesses. In addition to profit, the key performance measures used to evaluate future profitability of the businesses are Backlog Gross Profit Margin (GPM) for Bovis Lend Lease, Backlog for urban communities, and Assets Under Management for REI. This overview provides a summary of the Group's performance.

Segment Results Summary

The financial results for the year ended June 2004 are summarised below.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax ^{1,2}		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Bovis Lend Lease	7,696.0	8,460.9	169.2	243.0	105.1	157.5	2,962.7	2,920.5
Integrated Development Businesses	808.0	704.7	116.8	61.7	78.8	41.8	1,348.6	821.6
Real Estate Investments								
Continuing operations	228.0	222.1	145.4	140.4	100.3	95.8	1,309.7	1,324.2
Discontinuing operations ³	134.5	625.8	20.8	88.8	10.1	65.3	508.2	1,663.5
Total Real Estate Investments	362.5	847.9	166.2	229.2	110.4	161.1	1,817.9	2,987.7
Total Operating	8,866.5	10,013.5	452.2	533.9	294.3	360.4	6,129.2	6,729.8
Non-Core Investments	25.5	33.0	19.7	15.7	22.1	22.2	2.1	79.9
Corporate								
Net corporate	65.4	27.5	(51.0)	(118.0)	(28.4)	(55.3)	250.1	256.6
Group amortisation								
Continuing operations			(46.2)	(47.4)	(46.2)	(47.4)		
Discontinuing operations ³			(2.2)	(27.9)	(2.2)	(27.9)		
Group Treasury	62.9	39.9	12.2	6.0	16.3	10.7	669.3	342.6
	128.3	67.4	(87.2)	(187.3)	(60.5)	(119.9)	919.4	599.2
Group restructuring/merger costs			(23.2)	(47.3)	(18.5)	(32.5)		
Total Corporate	128.3	67.4	(110.4)	(234.6)	(79.0)	(152.4)	919.4	599.2
Total Group results before one off items	9,020.3	10,113.9	361.5	315.0	237.4	230.2	7,050.7	7,408.9
One Off Items								
Write-down of REI businesses				(882.0)		(945.0)		
Net impact of exit from REI businesses ⁴	547.9		(7.2)		(2.3)			
Profit on sale of IBMGSA	157.3		111.5		79.7		80.0	
Tax benefit from tax consolidation					18.7			
Total Group	9,725.5	10,113.9	465.8	(567.0)	333.5	(714.8)	7,130.7	7,408.9

1 Operating profit/(loss) after tax is net of the amount attributable to outside equity interests of \$4.1 million (June 2003 \$8.9 million).

2 The segment results of the operating businesses exclude financing costs (which are included in Group Treasury), amortisation charges, the profit on sale of the Group's investment in IBMGSA, tax benefits from capital losses arising from tax consolidation and the exit from and write-down of the REI businesses, all of which are separately disclosed, but includes the benefit of capital losses not previously recognised in the segment result of \$14.8 million of which \$13.0 million was recouped against the capital gain on sale of IBMGSA.

3 Discontinuing operations include those businesses which have been sold or are in the process of being divested or wound down.

4 This is comprised of the profit after tax on sale of REI businesses of \$7.6 million and the release of restructure reserve \$18.2 million after tax offset by other exit costs of \$28.1 million after tax.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Operating Profit After Tax

The Group's operating profit after tax (including one off items) of \$333.5 million for the year ended June 2004 is an increase of \$1,048.3 million over the year ended June 2003.

The Group's operating profit after tax before one off items of \$237.4 million is an increase of \$7.2 million from the previous year. However, there were several significant differences in the composition of the result compared to June 2003, which are as follows:

- An increase of \$24.5 million in the Delfin Lend Lease profit after tax reflecting increased sales activity, primarily in South-East Queensland;
- An increase of \$12.5 million in profit after tax from other IDB businesses reflecting an increased contribution from Actus Lend Lease and a reduced loss from IDB in Europe due to the timing of bid costs and bid cost recoveries; and
- A reduction in net corporate overheads of \$67.0 million (before tax) reflecting the continued focus on cost reductions. The corporate result includes recoveries from operating businesses and the impact of different tax rates across regions on corporate costs, this is discussed further in the corporate section of this report.

These increases were offset by:

- A decline of \$52.4 million in the Bovis Lend Lease profit after tax, primarily as a consequence of losses arising from a small number of projects in Australia; and
- A reduction of \$50.7 million profit after tax in the contribution from the REI business following the sale of the US REI businesses. The reduced contribution was offset, in part by a reduced amortisation charge from discontinued operations.

Backlog GPM Summary

Backlog GPM represents the expected GPM to be earned for the balance of work to be completed under existing construction and facilities management contracts. Backlog GPM is a key measure for Bovis Lend Lease, Actus Lend Lease and the facilities management business associated with PPP contracts.

The following table provides a summary of New Work Secured for the year ended June 2004 and the Backlog GPM as at that date.

	Opening Backlog GPM at June 2003 \$m	Foreign Exchange Adjustment \$m	Significant Adjustments to Backlog \$m	New Work Secured (GPM) June 2004 \$m	Backlog GPM Realised June 2004 \$m	Closing Backlog GPM at June 2004 \$m
Bovis Lend Lease	564.0	10.4	(28.7)	461.9	(486.0)	521.6
PPP (facilities management)	41.9	0.7		5.4	(3.4)	44.6
Actus Lend Lease	54.7	1.6		66.7	(49.3)	73.7
Total Secured Backlog GPM	660.6	12.7	(28.7)	534.0	(538.7)	639.9
Preferred bidder but not reached financial close	212.4	4.2		225.9	(16.8)	425.7
Total preferred bidder and reached financial close	873.0	16.9	(28.7)	759.9	(555.5)	1,065.6

Note: A detailed analysis and explanation of backlog is contained in the Bovis Lend Lease section of this report.

- Due principally to the project losses in Australia, Bovis Lend Lease Backlog declined by 7.5% to \$521.6 million. The significant adjustment to Backlog of \$28.7 million relates to losses on projects in Australia (to the extent GPM was included in the opening balance) and the reduction in scope of major PPP contracts in Europe;
- Total Backlog including Actus Lend Lease projects, facilities management and Backlog for projects at preferred bidder stage, but that have not yet reached financial close, increased 22% to \$1.1 billion; and
- Total New Work Secured, including projects at preferred bidder status, remained relatively constant at \$759.9 million in the year ended June 2004. This is net of adjustments relating to loss making projects.

Urban Communities Backlog

Lend Lease is involved in the development of large-scale urban communities in the UK, the US and Australia. The number of lots under management is a key measure of future profitability and growth potential of the urban communities businesses. Lots/units under management is relevant for Delfin Lend Lease, Lend Lease Development, Actus Lend Lease and the urban communities business in the UK. The backlog for each business unit is summarised below:

	Number of Projects	June 2004 Zoned Backlog (No. of Lots/Units)	June 2003 Zoned Backlog (No. of Lots/Units)	Average Project Life Remaining (Years)
Delfin Lend Lease (Australia)	16	29,200	34,500	3 – 10
Lend Lease Development (Australia)	9	8,000	5,300	2 – 19
Actus Lend Lease (Americas) ¹	6	24,400	20,100	50
Greenwich Peninsula (UK)	1	10,000		16
Total zoned lots under management	32	71,600	59,900	
Delfin Lend Lease unzoned	3	21,800	-	
Total zoned and unzoned	35	93,400	59,900	

¹ Includes projects at preferred bidder stage and Hickham AFB.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Urban Communities Backlog continued

The number of zoned lots under the control of Lend Lease's urban community business units increased by 11,700 lots in the year ended June 2004. The increase in sales Backlog reflects the following:

- Delfin Lend Lease secured an additional two projects, Yarrabilba and Waterford, in addition to the purchase of ComLand during the year. The Yarrabilba project (16,000 lots) is not zoned and therefore not included in Backlog;
- The total number of lots under control, including unzoned lots, is 93,400, an increase of 33,500 (56%) on June 2003;
- Lend Lease Development secured the Hyatt Coolum and Daikyo projects in Queensland. These projects added 2,550 units to the Lend Lease Development Backlog;
- Actus Lend Lease achieved preferred bidder on Fort Drum, which added 3,500 units and Hickam AFB, which added 1,300 units to the Actus Lend Lease Backlog. These increases were offset by reduced scope on Fort Campbell of 500 units; and
- Planning permission was granted for the Greenwich Peninsula project, a joint venture to develop 10,000 housing units in the UK as well as significant commercial office, retail and community buildings on a 147 acre site.

Direct and Indirect Property Interests

As at June 2004 Lend Lease had \$1.4 billion invested in property assets held directly or indirectly (excluding inventory held as part of Delfin Lend Lease and Lend Lease Development). The return on the direct and indirect property interests for the year ended June 2004 was 6.4%.

Lend Lease has significant direct and indirect interests in property. These interests include:

- A 30% direct interest in the Bluewater shopping centre in the UK plus a 1% indirect holding through Lend Lease Retail Partnership;
- A 50% interest in the King of Prussia shopping centre in the US; and
- Co-Investments held in property funds in Asia Pacific, Europe, the US and the Global Fund.

	Income ¹ June 2004 \$m	Book Value June 2004 \$m
Bluewater	54.3	581.6
King of Prussia	20.8	207.4
Co-investments ²		
Asia Pacific	(2.7)	147.0
Europe	8.2	173.5
North America	10.1	156.7
Global Fund		142.6
Total direct and indirect assets	90.7	1,408.8

1 Represents Lend Lease's gross income before tax from properties/investments.

2 Co-investments relate to investment in property funds currently or previously managed by Lend Lease where Lend Lease invested its capital alongside other investors.

Assets Under Management (AUM) (REI Continuing Operations)

The REI businesses in Asia Pacific and Europe earn management fees from assets under management from both retail and wholesale funds.

The following table summarises assets under management of the continuing REI businesses:

	Australia A\$b	Asia A\$b	Europe A\$b	June 2004 A\$b	June 2003 A\$b
AUM at end of financial year (excluding foreign currency impacts)	13.1	1.0	5.6	19.7	17.7
Exchange movement		(0.1)		(0.1)	(0.3)
AUM at end of financial year	13.1	0.9	5.6	19.6	17.4
Period movement In continuing AUM (excluding currency changes)	%			13.2	9.2

- Global AUM from continuing operations increased \$2.2 billion (12.6%) to \$19.6 billion; and
- REI Australia AUM increased \$1.5 billion, primarily due to the acquisition of 50% of Farrer Place (25% by GPT and 25% by APPF) totalling \$500.0 million, the Marion Shopping Centre in South Australia (\$350.0 million), redevelopment of the Melbourne Central and Erina shopping centres and revaluations of existing assets.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Shareholder Returns (before one off items)

		June 2004	June 2003
EBITDA ¹	\$m	406.5	473.7
Earnings per share (EPS) ¹ (including amortisation)	cents	57.4	52.5
Earnings per share (EPS) ¹ (excluding amortisation)	cents	67.7	69.8
Return on Equity (ROE) ¹ for the financial year (including amortisation)	%	8.3	6.5
Return on equity (ROE) ¹ for the financial year ¹ (excluding amortisation)	%	9.3	8.5

1 Definitions contained at the end of this document. EBITDA and ratios included in the table above are calculated with reference to operating profit after tax before one off items.

- The EBITDA for the year ended June 2004 decreased by \$67.2 million primarily due to the sale of the US REI business and the lower earnings from Bovis Lend Lease, partially offset by increased earnings from IDB and lower corporate costs;
- EPS (including amortisation) increased to 57.4 cents for the period ended June 2004. The increase in EPS, including amortisation, is a result of the decrease in the number of shares on issue following the share buyback and a lower amortisation charge in the year. In contrast, EPS excluding amortisation decreased as a result of decreased earnings following the sale of US REI businesses and losses from Bovis Lend Lease Asia Pacific; and
- The ROE for the year ended June 2004 has increased to 8.3% primarily due to the reduction in average net assets as a result of the provision against the US REI business reported as at June 2003 as well as the share buyback undertaken during the year.

Dividends

A final unfranked dividend of 26 cents per share for the six months ended 30 June 2004 will be paid on 15 September (20 cents per share unfranked 2003). On a full year basis this represents a payout ratio of 75% of operating profit after tax before one off items and total dividend of 44 cents for the year ended June 2004. This compares to the payout ratio of 56% of operating after tax before one off items and a total dividend of 30 cents for the year ended June 2003.

Proposed Merger with General Property Trust

Lend Lease has announced a proposal to merge with General Property Trust (GPT) by stapling Lend Lease shares to GPT units to form the Lend Lease Group. As the merger is subject to approval by both the unitholders of GPT and shareholders of Lend Lease, no account has been taken of the impact of the merger in the financial statements of Lend Lease Corporation. Details of this proposal and the financial impact will be addressed in the Explanatory Memorandum to be issued to shareholders.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Bovis Lend Lease (BLL)

The principal activity of Bovis Lend Lease is that of construction and project management. Bovis Lend Lease operates in 51 countries worldwide and is managed through three regions: Asia Pacific, Americas, and Europe.

Key Financial Results

	Operating Revenue		Realised Gross Profit Margin		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Asia Pacific	1,617.6	1,343.7	36.7	124.9	(35.9)	44.8	(27.3)	26.6
Americas	4,093.2	4,991.9	225.4	223.6	103.2	103.6	61.6	61.6
Europe	1,985.2	2,125.3	223.9	234.7	101.9	94.6	70.6	69.3
Total BLL	7,696.0	8,460.9	486.0	583.2	169.2	243.0	105.1	157.5

Revenue

Bovis Lend Lease enters into a variety of contract types including 'Fee Services' contracts (where only the fee is recorded as revenue) and 'Construction Services' contracts (where the full value of the project, including third party costs, is recorded as revenue). For this reason, recorded revenues do not provide an accurate measure of the volume of work undertaken and the ratio of operating profit to revenue is not considered a useful measure of profit margin.

Total revenue for the year ended June 2004 declined to \$7.7 billion from \$8.5 billion for the year ended June 2003 which was substantially attributable to the impact of exchange rate movements of \$1.1 billion. Excluding the impact of exchange rate movements, total revenue increased by \$0.3 billion. Revenues for Bovis Lend Lease have been translated at the average rate for the year whereas GPM has been adjusted to reflect the effective hedge rate.

Operating Profit After Tax

Bovis Lend Lease's operating profit after tax was \$105.1 million for the year ended June 2004, a 33% decline on the year ended June 2003. Operating profit after tax for the year ended June 2004 has been positively affected, relative to June 2003, by foreign exchange movements of \$3.4 million.

Asia Pacific

Operating profit after tax for the Asia Pacific business declined from a profit after tax of \$26.6 million in the year ended June 2003 to a loss of \$27.3 million in the year ended June 2004. The loss on residential projects, predominately in Canberra, increased from \$37.4 million in the six months ended to December 2003 to \$41.8 million in the year ended June 2004. The increased losses arose due to further price escalation and subcontractor performance issues on key trades. These projects are now either significantly procured or complete. The residential losses were primarily the result of design and construction contracts which were underpriced. Management deficiencies in Canberra have subsequently been addressed.

In addition to the residential losses, a loss of \$13.6 million after tax was recognised in relation to one commercial project. Management believes adequate provisions have been made for all identified losses.

Realised Gross Profit Margin (GPM) decreased from \$124.9 million in the year ended 30 June 2003 to \$36.7 million in the year ended 30 June 2004 principally due to the project losses discussed above. Major new projects secured in the year ended June 2004 included Stage 2 of the Vodafone contract in Japan, the Millennium Arts Centre in Queensland, the Penrith Plaza and MacArthur Shopping Centre redevelopments for GPT and Darling Park III.

Americas

Operating profit after tax for the Americas increased from \$61.6 million in the year ended June 2003 to \$61.8 million in the year ended June 2004, an increase of \$0.2 million which included a \$2.3 million increase due to exchange rate movements. Realised GPM remained relatively constant at \$225.4 million in the year ended June 2004. Major new projects secured include the Midtown Reston Condominium building in Washington and the Abbott Elizabeth Schools project in New Jersey.

The Actus Lend Lease business, including the construction management income, is reported as part of the Integrated Development Business.

Europe

Operating profit after tax for the European business increased from \$69.3 million in the year ended June 2003 to \$70.6 million in the year ended June 2004, an increase of \$1.3 million including \$1.1 million due to exchange rate movements. Realised GPM decreased from \$234.7 million in the year ended June 2003 to \$223.9 million in the year ended June 2004 due to the finalisation of certain large commercial projects in London, partially offset by new projects under construction such as Treasury 2 and Single Living Accommodation Modernisation (SLAM). Major new projects secured in the year ended June 2004 included the Banksie building in London, the Civil Justice Centre in Manchester, and the BBC offices in Glasgow. In addition, three PFI projects achieved financial close.

Profitability

The profitability ratio for the year ended June 2004 is 35% (2003 42%). The decline in profitability is attributable to the losses in the Asia Pacific region. The profitability ratio for both Europe and the Americas businesses was 46% (2003 40% and 46% respectively).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Bovis Lend Lease (BLL) continued

New Work Secured and Backlog GPM

New Work Secured is the value of GPM procured in the financial year. Backlog GPM is the expected GPM to be realised in future financial years from contracts committed at the end of the financial year. The following table provides a summary of New Work Secured for the year ended June 2004 and the Backlog GPM at that date, including projects at preferred bidder stage.

	Opening Backlog GPM at June 2003 \$m	Foreign Exchange Adjustment ^{1,2} \$m	Significant Adjustments to Backlog ³ \$m	New Work Secured (GPM) to June 2004 \$m	Backlog GPM Realised to June 2004 \$m	Closing Backlog GPM at June 2004 \$m
Asia Pacific	89.3		(7.7)	37.6	(36.7)	82.5
Americas	218.7	6.3		195.7	(225.4)	195.3
Europe	256.0	4.1	(21.0)	228.6	(223.9)	243.8
Bovis Lend Lease	564.0	10.4	(28.7)	461.9	(486.0)	521.6
PPP (facilities management) ^{4,5}	41.9	0.7		5.4	(3.4)	44.6
Actus Lend Lease ⁵	54.7	1.6		66.7	(49.3)	73.7
Total Secured Backlog GPM	660.6	12.7	(28.7)	534.0	(538.7)	639.9
Preferred bidder but not reached financial close ⁶	212.4	4.2		225.9	(16.8)	425.7
Total preferred bidder and reached financial close	873.0	16.9	(28.7)	759.9	(555.5)	1,065.6

- 1 Although closing backlog is run off over several years, the effective hedge rate for the year ended June 2004, has been applied to the closing backlog balance in its entirety as the exchange rates for later years are currently unknown. The Americas Backlog is US\$107.8 million and the European Backlog is GBP92.9 million.
- 2 Exchange rate fluctuations from the prior years effective hedge rate to the current year rate are taken through the foreign exchange adjustment above.
- 3 Significant adjustments to Backlog GPM comprise a \$7.7 million reduction to reflect losses on residential projects in Asia Pacific and \$21.0 million reduction in the scope of major PPP projects in Europe.
- 4 Facilities management Backlog GPM only includes ten years for any project.
- 5 The GPM from Actus Lend Lease and the facilities management GPM from the European Healthcare and other PPP projects are reported as part of IDB.
- 6 Closing Backlog at preferred bidder stage comprises European PPP business (\$110.6 million) and Actus Lend Lease (\$315.1 million) which includes Hickham AFB which is subject to appeal.

The BLL closing Backlog GPM was \$521.6 million as at June 2004, a decrease of 7.5% on the June 2003 balance of \$564.0 million. The value of New Work Secured for the year ended June 2004 was \$461.9 million, a 24.4% decrease on the New Work Secured in the year ended June 2003 of \$611.3 million. This is principally due to the timing of reaching financial close PFI contracts in the UK and the adjustment made to reflect the losses on projects in Australia.

Total Backlog GPM, including projects at preferred bidder, was \$1.1 billion as at June 2004, an increase of 22.1% over the June 2003 balance of \$873.0 million. The significant projects that are at preferred bidder status include the Actus Lend Lease Army RCI Hawaii Project, Hickam AFB project and the Manchester and Leeds PFI hospitals in the UK. Construction works have commenced on Manchester hospital under an early works agreement.

The Backlog GPM as at June 2004 is expected to emerge or be realised over future reporting years as follows:

	June 2005 %	June 2006 %	Post June 2006 %	Total %
Bovis Lend Lease				
Asia Pacific	78	19	3	100
Americas	68	25	7	100
Europe	56	22	22	100
Total Bovis Lend Lease	63	23	14	100
Actus Lend Lease	35	16	49	100
PPP (facilities management)	6	8	86	100
Total Actus Lend Lease and PPP (facilities management)¹	24	13	63	100
Preferred bidder but not reached financial close	15	13	72	100
Total preferred bidder and reached financial close	40	18	42	100

- 1 The GPM from Actus Lend Lease and PPP facilities management is reported as part of IDB.

As at June 2004, 63% of Bovis Lend Lease's Backlog GPM is projected to be realised as profit in the year to June 2005. As at June 2003, 58% was projected to be realised in the year ended June 2004. The proportion of BLL secured Backlog GPM to be realised beyond a 12-month time frame decreased from 42% as at June 2003 to 37% as at June 2004. As Lend Lease secures more longer term PPP projects, the amount of backlog realised beyond 12 months is expected to increase.

The amount of Bovis Lend Lease's Backlog GPM at year ended June 2004 expected to be earned in the 2005 financial year is expected to account for between 55% and 60% of the forecast Realised GPM for the year to June 2005. The balance of the June 2005 GPM is expected to come from new work to be secured during the year ending June 2005.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Bovis Lend Lease (BLL) continued

Realised Gross Profit Margin Analysis by Sector

Bovis Lend Lease's strategy is to reduce the volatility of its earnings by operating in a diverse range of industries and geographies. Bovis Lend Lease has also developed strong relationships with a number of key customers that provide Bovis Lend Lease with recurring income.

The following table details the GPM earned by sector for the year ended June 2004.

	June 2004 GPM (%)	June 2003 GPM (%)
Commercial/Office (includes PFIs)	30	30
Retail	17	15
Education	8	7
Healthcare (includes PFIs)	8	7
Residential	8	3
Mixed-use	7	6
Pharmaceutical	7	10
Communications	6	2
Industrial	4	3
Defence	2	
Transportation/Aviation	1	2
Other	2	15
Total	100	100

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB)

Key Financial Results

	Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax ¹		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Asia Pacific								
Delfin Lend Lease	397.8	274.1	95.7	60.2	66.2	41.7	614.6	283.2
Lend Lease Development	85.2	26.6	29.0	18.8	20.2	14.8	315.0	254.9
Total Asia Pacific	483.0	300.7	124.7	79.0	86.4	56.5	929.6	538.1
Americas								
Actus Lend Lease	273.2	286.1	12.3	10.4	5.3	4.8	126.3	63.6
Other Projects	1.1	4.3	(0.9)	(1.1)	(0.5)	(0.6)	27.4	11.7
Total Americas	274.3	290.4	11.4	9.3	4.8	4.2	153.7	75.3
Europe								
Healthcare ²	21.7	16.7	(14.2)	(17.6)	(8.9)	(12.7)		
Defence ²			(2.1)	(19.7)	(1.6)	(13.4)		
Retail	11.7	62.9	1.0	23.0	0.8	12.9		
Other	17.3	34.0	(4.0)	(12.3)	(2.7)	(5.7)	265.3	208.2
Total Europe	50.7	113.6	(19.3)	(26.6)	(12.4)	(18.9)	265.3	208.2
Total IDB	808.0	704.7	116.8	61.7	78.8	41.8	1,348.6	821.6

1 Operating Profit/(Loss) after tax is net of the amount attributable to outside equity interests.

2 The construction profit after tax and construction Backlog GPM associated with these business units are included in Bovis Lend Lease.

Asia Pacific

Delfin Lend Lease

Delfin Lend Lease is focused on the development of large scale urban communities within Australia. The emphasis is on sustainable social, environmental and economic solutions through planning, urban design and infrastructure provision. The developments are often carried out in partnership with a landowner and generally the payments for land are linked to the proceeds from the sale of land lots. This achieves a lower risk profile model as the development and resulting cash flows can be phased according to market conditions. This model ensures landowners' interests are aligned to those of Delfin Lend Lease in terms of risk and return.

The increase in operating profit after tax of \$24.5 million from \$41.7 million in the year ended June 2003 to \$66.2 million in the year ended June 2004 reflects an increased level of sales by both volume and price, particularly in South-East Queensland. It also reflects the commencement of trading of Nelson's Ridge in Sydney. The June 2003 profit after tax of \$41.7 million included \$11.2 million on the sale of the North Lakes project.

The following table provides a summary of Delfin Lend Lease projects:

	June 2004	June 2003
Number of projects	21	21
Number of residential lots settled during the year	4,482	3,782
Gross sales value of residential lots settled during the year ²	\$517.9m	\$366.1m
Pre-sales (sold but not yet settled at the end of the year) ³	\$166.2m	\$246.4m ¹

1 The June 2003 pre sales include two Twin Waters projects which were transferred to the Lend Lease Development business from 1 July 2004. If these projects had not been included in the June 2003 pre sales the balance would be \$178.4 million.

2 Sales value reflects gross revenue from projects including gross revenue earned by joint venture projects.

3 Pre-sales represent contracts entered into prior to June 2004 which have not settled and therefore do not form part of operating profit in the current year. These sales are expected to settle in future financial periods.

The number of lots under management in Backlog for Delfin Lend Lease is set out below:

	As at June 2004	As at June 2003
Backlog (number of lots)¹		
Zoned	29,200	34,500
Unzoned ^{2,3}	21,800	
Total number of lots	51,000	34,500

1 Backlog includes the total number of lots in both Company owned and joint venture projects.

2 The number of unzoned Backlog lots is likely to vary with the completion of the community master plan and finalisation of zoning approval.

3 There is no comparative for June 2003 as all Delfin Lend Lease projects had zoning approval at that time.

The increase in total assets of \$331.4 million to \$614.6 million as at June 2004 includes the purchase of ComLand (\$177.4 million including transaction costs), the purchase of an additional equity stake in Retirement by Design (\$6.8 million) and an increase in project activity.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Asia Pacific continued

Delfin Lend Lease continued

The portfolio of Delfin Lend Lease projects by key regions is set out below:

Region	No of Projects	Zoned Backlog (No of Lots)	Average Project Life Remaining
South-East Queensland	4	11,850	8
Melbourne	4	7,100	6
Sydney	3	6,800	10
South Australia, Northern Territory, Far North Queensland	5	3,450	3
Total	16¹	29,200	

1 Excludes Twin Waters projects transferred to Lend Lease Development from 1 July 2004.

New projects secured during the year are:

- **Yarrabilba (previously Celebration)**
A development agreement was executed to develop approximately 16,000 lots plus a town centre and a mixed-use precinct on a 2,000 hectare site in the Brisbane/Gold Coast corridor during the next 25 years. A development application was lodged with local council in June 2004. Subject to the necessary government approvals, construction is expected to commence within three years. This project is included in unzoned sales Backlog.
- **Waterford**
Agreements have been secured with individual landowners to consolidate a 115-hectare site south of Brisbane into 1,200 lots over a five-year period. The project is subject to local government approvals and is expected to commence within two years. This project is included in zoned Sales Backlog.
- **ComLand**
A sale agreement was executed on 21 January 2004 and subsequently settled on 4 June 2004 with the Commonwealth Government for the acquisition of ComLand Limited for \$177.4 million. ComLand is the landowner and 50% development partner with Delfin Lend Lease on the St Marys (Sydney) and Edgewater (Melbourne) projects. The sales Backlog of the previous ComLand partnership projects of approximately 6,000 lots was already reflected in the Delfin Lend Lease zoned Backlog lots.
- **Retirement by Design**
Delfin Lend Lease has acquired an additional equity stake in Retirement by Design (RBD). This controlling interest in RBD provides a platform for Delfin Lend Lease to actively grow the business in the emerging senior living sector.

Key highlights for Delfin Lend Lease during the year:

- **The Quay at Varsity Cove**
Construction commenced on the first stage of the medium density development at the Varsity Lakes project on Queensland's Gold Coast. Development of The Quay is being undertaken by Delfin Lend Lease and will feature 143 apartments and terrace homes on a three-hectare waterfront site. All stage one units have been pre-sold.
- **Mawson Lakes Town Centre**
Stage one of the town centre in the mixed-use retail/commercial precinct was opened at the Mawson Lakes community project in Adelaide, a joint venture with the Government of South Australia. Mawson Lakes has won the Urban Development Institute of Australia award for the best master planned community in 2004.
- **Caroline Springs Town Centre**
Construction of the retail centre within the Caroline Springs town centre in Melbourne has commenced. Sales within the town centre include more than eight hectares to the Department of Education and Training for schooling as well as a police station site and a veterinary hospital.
- **Springfield Lakes**
1,096 lots were settled during the 2004 financial year and the first neighbourhood centre incorporating a medical centre, convenience shopping, police station and associated community amenities have been completed.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Asia Pacific continued

Lend Lease Development

Lend Lease Development is principally focused on the development of large scale integrated mixed-use urban residential projects, with an emphasis on built-form products.

Lend Lease Development is currently involved in eight large urban residential development projects - four in Sydney, one in Melbourne, and three in South-East Queensland. In Sydney, Jacksons Landing, Olympic Village/Newington and Rouse Hill are predominantly residential developments but include some commercial, industrial and retail precincts. A further Sydney project, St Patricks at Manly is a smaller premium residential project. The development at Victoria Harbour in Melbourne is a waterfront regeneration project and will include residential, commercial and retail precincts. In South-East Queensland, both Twin Waters Resort and Hyatt Coolom Resort are premium residential projects. The Twin Waters Community was awarded the "World's Best Address" by the International Real Estate Federation in May 2004.

During the year Lend Lease Development successfully completed the sale of its three non residential development projects in Sydney - Darling Park III, The Bond at Hickson Road and the Fox Entertainment precinct.

The increase in operating profit after tax of \$5.4 million from \$14.8 million in the year ended June 2003 to \$20.2 million in the year ended June 2004 reflects increased sales from residential projects as well as the sale of Lend Lease's interest in the Fox Entertainment precinct which generated a profit after tax of \$13.4 million. Included in the Lend Lease Development June 2004 profit after tax was \$0.7 million from Lend Lease Development Asia compared to \$3.9 million in the year ended June 2003.

The following table provides a summary of the Lend Lease Development urban residential projects.

	June 2004	June 2003
Number of projects	9	4
Number of residential lots/exchanged during the period ¹	257	325
Gross value from residential lots/dwellings sold ²	\$210.7m	\$173.5m
Pre-sales on committed projects (revenue not brought to account) ³	\$124.3m	\$133.4m

1 Number of residential lots exchanged during the period will only contribute to sales revenue if the project is more than 50% complete.

2 Sales value reflects gross sales from projects including sales from joint venture projects. These projects are equity accounted in the Lend Lease consolidated results.

3 Pre-sales represent contracts entered into prior to June 2004. These sales do not form part of operating profit in the current period as the projects are not yet 50% complete.

Backlog (number of lots/dwellings) as at June 2004 was approximately 8,000. This represents an increase of 2,700 lots from the total Backlog of 5,300 as at 30 June 2003. The portfolio of Sales Backlog is set out below:

Project	Backlog (no of lots/dwellings)	Project Life Remaining
Olympic Village/Newington, Sydney	500	3 years
Jacksons Landing, Sydney	550	4 years
St Patricks, Sydney	100	5 years
Rouse Hill, Sydney	1,500	9 years
Victoria Harbour, Melbourne	2,200	19 years
Hyatt Coolom, Queensland	550	7 years
Twin Waters Resort, Queensland	380	7 years
Twin Waters Community, Queensland	220	2 years
Daikyo, Gold Coast	2,000	10 years
Total	8,000	

Lend Lease Development completed the sale of its three non-residential projects during the year:

Project	Carrying Value June 2004 \$m	Carrying Value June 2003 \$m	Status
Fox Retail and Entertainment Precinct, Sydney	-	5.0	Sold
Darling Park III, Sydney	-	15.0	Sold and under construction
The Bond - Lend Lease Corporation commercial premises	-	-	Sold and project completed

The increase in total assets of \$60.1 million from \$254.9 million as at June 2003 to \$315.0 million as at June 2004 is due to the transfer of Twin Waters from Delfin Lend Lease (\$42.1 million), the acquisition of Hyatt Coolom (\$31.1 million) and Twin Waters Resort (\$21.9 million) and other development activities. These increases were offset by the sale of Darling Park III (\$15.0 million).

The major new residential projects secured during the year were:

- Rouse Hill

Lend Lease Development has entered into a joint venture with GPT to develop the Rouse Hill regional centre in the North West corridor of Sydney. Lend Lease Development owns 51% and GPT 49% of the joint venture. The Project Delivery Agreement with the Department of Infrastructure, Planning and Natural Resources and Landcom was signed in October 2003. The master plan was granted consent by the Baulkham Hills Shire Council in March 2004. Under the proposed plans, a vibrant town centre will be a major feature of the site, which will incorporate retail, leisure and entertainment outlets. The new community will also incorporate 1,500 homes, educational facilities and community amenities.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Asia Pacific continued

Lend Lease Development continued

– Twin Waters Resort

Lend Lease Development, in joint venture with GPT, acquired the Twin Waters Resort and surrounding land on 31 October 2003 for \$43.0 million gross. Lend Lease Development owns 51% and GPT 49% of the joint venture. The development application for stage one of the Resort Development was lodged in November 2003. Civil works on stage one of the Resort Development have commenced. The project is forecast to deliver 380 lots/dwellings to be sold over seven years.

– Hyatt Coolum

Lend Lease Development acquired the Hyatt Regency Coolum and surrounding land for \$31.1 million on 22 September 2003. Design and planning of the first precinct, Visage, is nearing completion and construction is anticipated to commence in October 2004. The project is expected to deliver 550 lots/dwellings over seven years.

– Daikyo

Lend Lease Development has signed a development agreement with Daikyo to develop three Surfers Paradise sites into a mixed use residential, retail and entertainment precinct during the next 10 years with an end value of more than \$1.0 billion. The project will be developed on a land management basis, with Lend Lease drawing on the land as it is developed. The Daikyo Gold Coast sites have the potential for up to 12 residential towers, comprising approximately 2,000 apartments, along with a new entertainment and premium retail precinct. The project will be staged in accordance with market demand.

Americas

Overview of Businesses

In the US, IDB is conducted primarily through Actus Lend Lease. In addition, the US business has two development projects comprising Piers in San Francisco and Gotham 80/20 Housing Project in New York.

Actus Lend Lease

The business involves major privatisation and other construction services for the military. The primary focus of Actus Lend Lease is the privatised military housing programme for all branches of the US military.

Operating profit after tax and minority interest of \$5.3 million in the year ended June 2004 represents a \$0.5 million increase from the \$4.8 million in the year ended June 2003. This is primarily attributable to income from the privatisation projects and the development fee recognised on Fort Campbell.

New Work Secured (NWS) and Backlog GPM

	Opening Backlog at June 2003 \$m	Foreign Exchange Adjustment \$m	New Work Secured (GPM) to June 2004 \$m	Realised GPM to June 2004 \$m	Closing Backlog GPM at June 2004 \$m
Projects in operational status (secured) ¹	54.7	1.6	66.7	(49.3)	73.7
Projects in preferred bidder status (awarded) ^{1,2}	65.6	1.9	247.6		315.1
Total projects at preferred bidder and reached financial close	120.3	3.5	314.3	(49.3)	388.8

1 Backlog GPM disclosed represents only ten years' Backlog from facilities management even though the contracts run for longer periods of up to 50 years.

2 Backlog GPM includes Hickam AFB which is subject to appeal.

Privatisation Projects

The current status of Actus Lend Lease projects is set out below:

Base	Status	Estimated Number of Units	Estimated Capital Spend ¹ \$m	Contract Length	Contract End Date
Fort Hood, Texas	Operational	5,900	397	50 years	2051
Beaufort Military Complex, South Carolina	Operational	1,700	199	50 years	2053
Fort Campbell, Kentucky	Operational	4,300	357	50 years	2054
Army RCI, Hawaii	Preferred bidder	7,700	2,899	50 years	2055
Hickam AFB, Hawaii	Subject to appeal	1,300	362	50 years	2054
Fort Drum, New York	Preferred bidder	3,500	453	50 years	2055
Total		24,400	4,667		

1 Over the initial development period of the project.

The increase in total assets of \$62.7 million from \$63.6 million in the year ended June 2003 to \$126.3 million in the year ended June 2004 is primarily due to increased work in progress on secured projects.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Americas continued

Overview of Businesses continued

Actus Lend Lease continued

Major new projects at preferred bidder status:

– Army RCI, Hawaii

In August 2003, Actus Lend Lease was selected as preferred bidder for the Army RCI Hawaii project, the largest military housing privatisation project for the US Department of Defence. The community development management plan has been completed and will be submitted to the US Congress for approval in September 2004. The project is expected to reach financial close towards the end of the 2004 calendar year.

The Army RCI Hawaii project covers the building and renovation of over 7,700 homes, as well as the development of numerous community centres and other community amenities in the initial ten-year development period. The development scope for the project is valued at approximately US\$1.6 billion (A\$2.9 billion).

– Hickam AFB

In October 2003, the US Air Force selected Actus Lend Lease as the preferred developer for this project. The award of preferred bidder was reversed following a court appeal. The appeal lodged by a competing bidder, whilst successful, is expected to be withdrawn following commercial negotiations between the parties. The project is still expected to reach financial close before the calendar year end 2004. The Hickam Housing Privatisation Initiative Project involves the building and renovation of 1,300 homes, involving an expenditure of approximately US\$200.0 million (A\$362.0 million) over the first five years.

– Fort Drum

Actus Lend Lease was selected as the preferred bidder on the Fort Drum project in December 2003. The project is expected to reach financial close in the 2005 financial year.

The Fort Drum project includes the building and renovation of 3,500 homes with an expenditure of approximately US\$250.0 million (A\$453.0 million) over the first five years.

Military Construction Projects (MILCON)

In addition to the privatised military housing programme, the US Government also procures construction services from Actus Lend Lease. These projects are bid on a design and construction fixed price basis.

Piers Development Project, San Francisco

In March 2004, Lend Lease increased its ownership interest in the San Francisco Cruise terminal joint venture to 54.95%. During the same month the joint venture began construction of the condominium portion of the mixed-use development.

Europe

Overview of Businesses

The IDB business in Europe includes Public Private Partnership (PPP) projects in the healthcare and defence sectors, as well as retail development and urban community projects.

Operating profit after tax for the European region improved from an after tax loss of \$18.9 million in the year ended June 2003 to a loss of \$12.4 million in the year ended June 2004. The prior financial year loss of \$18.9 million included a charge for a provision in respect of the Shelf Centre project (\$10.5 million after tax) and Allenby and Connaught bid costs (\$13.9 million after tax). These were partially offset by profits on the sale of TresAgua (\$12.7 million profit after tax).

The IDB result includes net PPP bid costs, facilities management GPM, return on equity contributions and return on loan stock from PFIs. The IDB result does not include the construction GPM contribution, which is reported as part of Bovis Lend Lease.

The increase in total assets of \$57.1 million from \$208.2 million in the year ended June 2003 to \$265.3 million in the year ended June 2004 is primarily due to an increase in capitalised work in progress on the Chapelfield, Norwich development.

Healthcare

Lend Lease is active in the UK healthcare sector as a member of consortia bidding for hospital projects under the UK Government Private Finance Initiative (PFI). These projects are secured in partnership with a finance provider and other subcontractors. If successful, the consortium is awarded a concession (typically 30-35 years) to finance, design, construct and operate the hospital facilities. These responsibilities are contracted to a project company in which all members of the consortium invest.

Typically, Lend Lease has a 50% shareholding in these project companies with the balance of shares held by a finance provider and other subcontractors. Lend Lease will enter into subcontracts with the project company to design and construct the facilities, and to provide certain facilities management services for the operational period of the concession.

Revenue and expenses to Lend Lease include construction revenue and GPM (reported in Bovis Lend Lease); facilities management revenue and GPM, bid costs, equity returns, and loan stock interest (all reported in IDB).

During the financial year, three projects Burnley, Havering (Romford) and Roehampton with aggregate construction revenue of \$726.4 million, reached financial close. Lend Lease is preferred bidder on two major schemes: Manchester (\$973.5 million) and Leeds (\$453.5 million) which are expected to reach financial close in the financial year ending June 2005. Construction works have commenced on Manchester hospital under an early works agreement.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Europe continued

Defence

The Defence sector is principally involved in the provision of services in the UK for Defence Estates, the property arm of the Ministry of Defence. The service provision varies between contracts but primarily the work is performed under prime contracts in joint venture arrangements. Lend Lease, as part of the joint venture, takes on the construction contract while the other joint venture partner takes on the compliance and core services (i.e. facilities management) contracts. In line with more conventional construction projects, under prime contracts Lend Lease is the single point of responsibility for the management and delivery of the construction portion of the contract, including coordinating and integrating the activities of the complete supply chain. Under prime contracting, the contractor does not provide any financing or equity to the contract.

Defence Sector projects secured to date include SLAM (a \$1.2 billion project secured in December 2002) and South West Regional Prime (\$498.7 million construction revenue).

On 26 March 2004, Debut Services (South West) Limited, a joint venture between Lend Lease and Babcock International Group plc, signed a contract to undertake the South West Regional Prime contract. The contract has a value in excess of \$1.3 billion (construction contract is \$500 million) and includes a wide range of activities from the construction of jetties to dredging channels and a variety of multi-site construction projects for the three divisions of the armed forces in the South West of England. The initial committed amount of New Work Secured for this prime contract is reflected in the Bovis Lend Lease Europe Backlog.

Debut Services (Central) Limited, another joint venture between Lend Lease and Babcock International Group plc, is currently bidding for the fourth in the series of five prime contracts. This contract is known as Central Prime and the contract is similar in size and scope to South West Prime.

As Lend Lease works under a joint venture arrangement, the facilities management revenue is earned by the joint venture partners and is thus not reflected in the accounts. All bid costs are reported under IDB whilst project revenue and expenses are reported within Bovis Lend Lease.

Other

A further four PFI projects are underway in the Education sector and two for government accommodation.

Public Private Partnership (PPP) Project Summary

The status of current PPP projects as at June 2004 was:

	Construction Revenue \$m ¹	Facilities Management Revenue Backlog \$m ²	Committed Equity \$m ²	Current Status	End Date
Healthcare					
Calderdale Hospital (UK)	228.1 ⁴	76.9	2.8	Operational	2031
Worcester Hospital (UK)	218.4 ⁴	121.3	4.1	Operational	2031
Hexham Hospital (UK)	73.0 ⁴	22.3	1.7	Operational	2033
Burnley Hospital (UK)	71.1	14.4	2.4	Under construction	2033
Brescia Hospital (Italy)	39.4		4.5	Under construction	2021
Roehampton Hospital (UK)	135.4	25.7	4.3	Under construction	2034
Haverling (Romford) Hospital (UK)	519.9	36.5	17.9	Under construction	2040
Manchester Hospital (UK)	973.5	103.7		Preferred bidder	2042
Leeds Hospital (UK)	453.5	121.8		Preferred bidder	2037
Defence⁸					
SLAM (UK) ^{5,6}	1,194.8			Under construction	2009
South West Regional Prime (UK) ⁷	498.7			Under construction	2011
Education					
Newcastle Schools (UK)	127.0	42.0	4.8	Under construction	2029
Lincoln Schools (UK)	46.2	15.5	2.8	Under construction	2032
Lilian Baylis School (UK)	34.4	12.6	2.1	Under construction	2029
Cork Maritime (Ireland)	78.4	23.6	5.6	Under construction	2029
Other					
Treasury 1 (UK)	299.2 ⁴	77.7	9.4	Operational	2037
Treasury 2 (UK)	376.1	66.7	10.3	Under construction	2037
	5,367.1	760.7	72.7		

1 The construction profit after tax and Backlog GPM associated with these projects are included in Bovis Lend Lease.

2 Facilities management Revenue Backlog disclosed is only for ten years on an indexed basis. All PFI contracts run for 25-35 years.

3 Committed equity refers to loan stock and equity contributions that have been paid or in which Lend Lease has a future commitment to invest.

4 The construction phase of these projects has been completed.

5 The Single Living Accommodation Modernisation (SLAM) project has no predetermined end date. It is however expected to run off over five more years.

6 SLAM involves building, refurbishing and maintaining the living accommodation at military bases across the United Kingdom.

The project is being delivered by Debut Services Limited, a joint venture between BLL and Babcock International Group plc.

7 South West Prime involves delivering a range of multi-site construction projects for the three divisions of the armed forces in the south-west of England. The project is to be delivered by Debut Services (South West) Limited, a joint venture between Bovis Lend Lease and Babcock International Group plc.

8 Defence projects are procured as Prime contracts, not under PFI.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Integrated Development Businesses (IDB) continued

Europe continued

Urban Regeneration

The European business is currently pursuing a number of urban community opportunities in the UK. The key project secured to date is the Greenwich Peninsula.

The Greenwich Peninsula project (undertaken in a joint venture with Quintain Estates and Development plc and English Partnerships) plans to develop 10,000 housing units on 147 acres of land on the Greenwich Peninsula. Successful completion of all commercial contracts and planning negotiation was achieved on 18 June 2004. Profit is expected to emerge from the year ended 30 June 2006. The carrying value of inventory at June 2004 is \$20.2 million (2003 \$13.8 million).

Retail and Other

There are currently two retail development projects in progress: Chapelfield, Norwich and Golden Square, Warrington. The Chapelfield, Norwich project is conditionally forward sold to Capital Shopping Centres and is expected to be completed in the second half of calendar year 2005. The carrying value of inventory at June 2004 is \$316.4 million (2003 \$163.1 million).

On 28 May 2004, Lend Lease announced that it had signed a conditional agreement with Performance Shopping Centre Partnership to co-invest in and manage the redevelopment of the Golden Square Centre, Warrington. Under the agreement Lend Lease will purchase 50% of the centre and manage the 30,700 sqm redevelopment and extension. Lend Lease will provide initial equity of around \$50.0 million, followed by further equity of up to \$80.0 million during the period of construction.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI)

Key Financial Results

The key financial results of the continuing and discontinuing operations are shown in the following table.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Continuing Operations								
Australia	99.0	91.7	32.5	41.3	24.8	29.3	165.8	143.2
Asia	10.0	12.4	5.4	7.7	3.5	5.1	105.4	90.1
Europe	98.2	94.0	80.6	67.4	56.2	47.0	769.5	754.4
North America	20.8	24.0	26.9	24.0	15.8	14.4	269.0	336.5
Total continuing operations	228.0	222.1	145.4	140.4	100.3	95.8	1,309.7	1,324.2
Discontinuing Operations								
Australia	1.0	3.9	0.2	1.9	0.2	1.4		1.9
Asia	9.0	19.2	(8.9)	(15.1)	(7.2)	(13.2)	27.9	69.2
Europe	17.7	31.6	2.3	1.1	3.2	3.8	163.7	176.2
North America	106.8	571.1	25.2	100.9	13.9	73.3	316.6	1,416.2
Total discontinuing operations	134.5	625.8	20.8	88.8	10.1	65.3	508.2	1,663.5
Total	362.5	847.9	166.2	229.2	110.4	161.1	1,817.9	2,987.7

Operating profit after tax from continuing operations increased \$4.5 million (4.7%) to \$100.3 million in the year ended June 2004 compared to \$95.8 million in the year ended June 2003. The increase in profit was due to increased income from Bluewater and the sale of units in Lend Lease Retail Partnership in the UK. This was partially offset by a decrease in profit in Asia Pacific due to a write-down of the co-investment in APIC in Asia and a reversal of a prior year over accrual included in June 2003 in Australia.

Operating profit after tax from discontinuing operations was \$10.1 million in the year ended June 2004 compared to \$65.3 million in the year ended June 2003 as the exit of the discontinued businesses progressed.

Assets Under Management (AUM) for Continuing Operations

	Australia A\$b	Asia US\$b	Europe £b	Total June 2004 A\$b	Total June 2003 A\$b
AUM at beginning of financial year ¹	11.6	0.6	1.9	17.4	16.2
Additions	1.6		0.1	1.9	3.0
Reductions	(0.7)			(0.7)	(2.2)
Net revaluations	0.6		0.2	1.1	0.7
Exchange loss ²				(0.1)	(0.3)
AUM at end of financial year	13.1	0.6	2.2	19.6	17.4
Period movement in AUM	%	12.9	15.8	12.6	7.4
AUM at end of financial year (excluding foreign currency impacts)	A\$b	13.1	1.0	19.7	17.7
Exchange movement ²			(0.1)	(0.1)	(0.3)
AUM at end of financial year	A\$b	13.1	0.9	19.6	17.4
Period movement in continuing AUM (excluding currency changes)	%			13.2	9.2

¹ Assets Under Management (AUM) represents the gross market value of real estate assets managed in an advisory capacity on behalf of investors.

² Exchange loss arises from exchange rate movements in translating AUM in local currency between June 2004 and June 2003.

AUM for continuing operations increased \$2.2 billion (12.6%) to \$19.6 billion as at June 2004 compared to \$17.4 billion as at June 2003.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Strategic Review

On 29 May 2003 Lend Lease announced the finalisation of the REI strategic review, which concluded that Lend Lease should exit or sell a significant proportion of the REI businesses, principally in the US.

Lend Lease remains committed to certain regional real estate services and management businesses. In Australia, it will continue to operate the asset and funds management businesses of GPT, APPF, Property Securities, various other investment funds and retail property management services. In Asia, Lend Lease manages APIC & APIC II and Real Estate Securities. In Europe, the business will comprise of the retail centre funds management and property management business (including the Lend Lease Retail Partnership, Lend Lease Overgate Partnership, the retail centres of Bluewater, Touchwood and Overgate, and Generali Lend Lease).

The following table details those businesses sold or being exited. These businesses have been treated as discontinuing operations in the Group's Consolidated Financial Statements.

Entity/Business	Region	Purchaser/Intention	Current Status	Effective Sale Date
HFF	US	Management	Sold	17 June 2003
Cordia Senior Living	US	Management	Sold	30 June 2003
HCI	US	MuniMae	Sold	1 July 2003
Asset Management – North America	US	GMAC	Sold	14 July 2003
CapMark	US	GMAC	Sold	14 July 2003
Program Lending	US	GMAC	Sold	29 July 2003
Lend Lease Hyperion JV	US	GMAC	Sold	12 August 2003
Lend Lease Agri-Business	US	Rabobank	Sold	30 September 2003
Lend Lease US Office Trust	Australia	Management change	Transferred	18 November 2003
US Equity Advisory	US	Morgan Stanley	Sold	20 November 2003
Lend Lease REI GmbH	Europe	First Islamic Investment Bank	Sold	26 November 2003
Asset Management – Mexico	US	GMAC	Sold	11 December 2003
Lend Lease Mortgage Capital	US	Wachovia Corporation	Sold	12 December 2003
Structured Finance	US	CDP Capital	Sold	12 December 2003
Winn Residential	US	Winn Residential	Sold	16 December 2003
Debt Advisory	US	GMAC	Sold	24 December 2003
Global Fund Advisory ¹	Global	Management	Sold	6 February 2004
Lend Lease Houlihan Rovers	Europe	Management	Sold	31 January 2004
VEF series co-mingled fund platform	US	Apollo Real Estate Management	Sold	24 March 2004
Lend Lease Rosen	US	Management	Agreement signed	
Asia Debt	Asia	Intended disposal	Intended disposal	
Rosen Consulting	US	Intended disposal	Intended disposal	

¹ Lend Lease continues as advisor to Lend Lease Asia Properties and sponsor to both Lend Lease Global Properties and Lend Lease Asia Properties.

Although no sales have been agreed or specific arrangements announced in respect of Rosen Consulting, the Asia Debt business and the US REI co-investments, Lend Lease intends to exit these businesses and co-investments (in the normal course of winding down). Accordingly, they have been classified as discontinued operations for the purposes of the Group's Consolidated Financial Statements.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Australia

The REI Australia business is conducted through two business units:

- Investment Management - which includes the management of General Property Trust (GPT), Australian Prime Property Fund (APPF) and the Property Securities business; and
- Retail Property Management - which manages a number of Australian retail centres on behalf of investors such as GPT, APPF and external owners.

Following a general meeting of unitholders held on 14 November 2003, Lend Lease US Office Trust (LLUSOT) Management was removed as manager of LLUSOT. The results of LLUSOT management up to this date have been included in discontinuing operations.

Analysis of Results

	Continuing Operations		Discontinuing Operations		Total	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Net operating income	28.3	36.1	0.2	1.9	28.5	38.0
Investment income	4.0	3.6			4.0	3.6
Equity accounted profits	0.2	1.6			0.2	1.6
Profit before tax	32.5	41.3	0.2	1.9	32.7	43.2
Income tax expense	(7.7)	(12.0)		(0.5)	(7.7)	(12.5)
Profit after tax	24.8	29.3	0.2	1.4	25.0	30.7

Review of Continuing Operations

Profit after tax decreased \$4.5 million to \$24.8 million in the year ended June 2004 compared to \$29.3 million in the year ended June 2003. The decrease is principally due to the reversal of a prior year over accrual included in June 2003. The June 2004 profit after tax includes the GPT incentive fee earned in the second half of the financial year of \$3.5 million before tax. Equity accounted profits decreased by \$1.5 million primarily due to Darling Park III which was offset by increased operating income from the same asset.

Assets Under Management (AUM)

	AUM at June 2003 \$b	Additions \$b	Reductions \$b	Net Revaluations \$b	AUM at June 2004 \$b
General Property Trust (including Darling Park Trust)	6.9	1.0		0.1	8.0
Australian Prime Property Fund	1.7	0.6		0.2	2.5
Real Estate Securities	2.9		(0.6)	0.3	2.6
Real Estate Partnerships	0.1		(0.1)		
Total continuing operations AUM	11.6	1.6	(0.7)	0.6	13.1
Period movement in AUM					12.9%

AUM from continuing operations increased \$1.5 billion to \$13.1 billion as at June 2004 compared to \$11.6 billion as at June 2003. The increase was due to capital expenditure by GPT and APPF on major retail projects and acquisitions by APPF and GPT, including a 25% interest in Governor Phillip and Governor Macquarie Towers by each fund, and a 50% interest in Marion Shopping Centre by APPF.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Asia

In May 2003, Lend Lease announced its intention to discontinue its distressed debt business in Asia and focus its efforts on the management of Asia Pacific Investment Company (APIC), which Lend Lease is transforming into a retail asset fund. APIC remains an integral part of Lend Lease's real estate investments business in the Asia Pacific region.

Lend Lease will continue to manage the Lend Lease International Distressed Debt Fund (IDDF) but is exploring options for exiting from this business.

Continuing operations include the management of APIC, Asia Pacific Investment Company No 2 (APIC II) and property management services provided to APIC II for its retail assets.

Discontinuing operations include the Asian asset management business, which is involved in the acquisition, management, servicing and resolution of sub-performing and non-performing loan and real estate portfolios (including the management of IDDF).

Analysis of Result

	Continuing Operations		Discontinuing Operations		Combined	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Net operating income	5.8	7.7	2.9	(7.8)	8.7	(0.1)
Investment income	(9.4)		(8.2)	(6.4)	(8.6)	(6.4)
Profit/(loss) before tax	5.4	7.7	(5.3)	(14.2)	0.1	(6.5)
Profit on FX hedge			(1.6)	(0.9)	(1.6)	(0.9)
Profit/(loss) before tax (after FX Hedge)	5.4	7.7	(6.9)	(15.1)	(1.5)	(7.4)
Income tax (expense)/benefit	(1.9)	(2.6)	(0.3)	2.2	(2.2)	(0.4)
Profit/(loss) after tax before minorities	3.5	5.1	(7.2)	(12.9)	(3.7)	(7.8)
Minority interests				(0.3)		(0.3)
Profit/(loss) after tax	3.5	5.1	(7.2)	(13.2)	(3.7)	(8.1)

Review of Continuing Operations

Profit After Tax

Profit after tax from continuing operations decreased \$1.6 million to \$3.5 million in the year ended June 2004, compared to profit after tax of \$5.1 million in the year ended June 2003. The variance was largely attributable to a write-down in the carrying value of the Lend Lease's co-investments in APIC.

Assets Under Management (AUM) - Continuing Operations

	AUM at June 2003 US\$b	Additions US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2004 US\$b
APIC	0.2				0.2
APIC II	0.4				0.4
Total continuing operations AUM	0.6	-	-	-	0.6
Period movement in AUM					0.0%

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Europe

Lend Lease continues to operate its retail asset and property management businesses by holding investments in retail property funds and assets and through certain joint venture arrangements, including:

- the asset management of Bluewater, Overgate, Dundee and Touchwood, Solihull (including Lend Lease's 30% direct ownership in Bluewater);
- the management of the Lend Lease Retail Partnership (LLRP) and the Lend Lease Overgate Partnership (LLOP);
- the property management of UK retail shopping centres; and
- investment in Generali Lend Lease (GLL).

Non-retail activities are referred to in the Analysis of Results below as discontinued operations.

Analysis of Results

	Continuing Operations			Discontinuing Operations			Combined	
	Retail June 2004 £m	Retail June 2003 £m	Retail June 2004 A\$m	Other June 2004 £m	Other June 2003 £m	Other June 2004 A\$m	Total June 2004 A\$m	Total June 2003 A\$m
Net operating income	4.0	0.7	9.8	0.9	1.9	2.2	12.0	7.0
Investment income	24.9	23.4	60.8		(0.4)		60.8	62.3
Equity accounted profit	0.2	0.2	0.5				0.5	0.5
Gain on sale of investments	1.6		3.9				3.9	
Profit before tax (before FX hedge)	30.7	24.3	75.0	0.9	1.5	2.2	77.2	69.8
Gain/(loss) on FX hedge			5.6			0.1	5.7	(1.3)
Profit before tax (after FX hedge)	30.7	24.3	80.6	0.9	1.5	2.3	82.9	68.5
Income tax expense	(9.2)	(6.9)	(24.4)	0.3	0.3	0.9	(23.5)	(17.7)
Profit after tax	21.5	17.4	56.2	1.2	1.8	3.2	59.4	50.8

Review of Continuing Operations

Profit after tax from continuing operations increased £4.1 million to £21.5 million in the year ended June 2004 compared to £17.4 million in the year ended June 2003. The increased profit after tax from continuing operations is in part due to an improvement in investment income, which is discussed further below, and a gain on sale of investments. The gain on sale of investments relates to the sale of a proportion of Lend Lease's participation in the Lend Lease Retail Partnership.

Investment Income

	Total June 2004 £m	Total June 2004 A\$m	Total June 2003 £m	Total June 2003 A\$m
Bluewater, Kent	22.2	54.3	18.8	50.9
Lend Lease Retail Partnership	1.2	2.8	1.3	3.5
Lend Lease Overgate Partnership	2.2	5.4	2.3	6.3
Investment expense	(0.7)	(1.7)	(0.6)	(1.6)
Other ¹			1.6	3.2
Total investment income	24.9	60.8	23.4	62.3

1 Other investment income in 2003 included a part reversal of a provision against the carrying value of Lend Lease's 30.7% interest in the Overgate partnership (£1.5 million).

Bluewater investment income of \$54.3 million relates to the Net Operating Income (NOI) of Bluewater derived from Lend Lease's 30% direct interest. The increased NOI of \$3.2 million is due to the rent review in the period.

Lend Lease Retail Partnership (LLRP) investment income of \$2.8 million relates to Lend Lease's 3.95% (June 2003: 4.96%) interest in LLRP, which owns 25% of Bluewater and 100% of Touchwood, Solihull. The decline in investment income in 2004 reflects the sale of retail participation units during the year and foreign exchange movements.

Lend Lease Overgate Partnership (LLOP) investment income of \$5.4 million relates to Lend Lease's 30.7% interest in LLOP which owns Overgate, Dundee. The decline in investment income is largely due to foreign exchange movements during the year.

Equity Accounted Profit

Equity accounted profit of \$0.5 million relate to Lend Lease's effective 50% interest in Generali Lend Lease (GLL), a joint venture with the Assicurazioni Generali S.P.A. group.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Europe continued

Review of Continuing Operations continued

Assets Under Management (AUM) - Continuing Operations

	AUM at June 2003 £b	Additions £b	Reductions £b	Net Revaluations £b	AUM at June 2004 £b
Investment Management – Equity					
Bluewater ¹	1.4			0.2	1.6
Joint ventures/separate accounts ²	0.2	0.1			0.3
Overgate, Dundee ³	0.1				0.1
Touchwood, Solihull ⁴	0.2				0.2
Total continuing operations AUM	1.9	0.1	-	0.2	2.2
Period movement in AUM					15.8%

1 Represents 100% including Lend Lease's 30% direct interest in Bluewater plus Lend Lease's 1% indirect interest in Bluewater via the Lend Lease Retail Partnership.

2 Includes Lend Lease's proportional share of AUM from Generali Lend Lease.

3 Includes Lend Lease's 30.7% indirect interest in the Overgate, Dundee retail centre via the Lend Lease Overgate Partnership.

4 Includes Lend Lease's 3.95% indirect interest in the Touchwood, Solihull retail centre via the Lend Lease Retail Partnership.

AUM from continuing operations increased £0.3 billion (15.8%) to £2.2 billion for the year ended June 2004, compared to £1.9 billion at June 2003 largely due to a revaluation of the Bluewater retail centre and acquisitions made by Lend Lease's joint venture, Generali Lend Lease.

Review of Discontinuing Operations

Discontinuing operations comprise Lend Lease Houlihan Rovers, the Global Fund Advisor and the investment in the German Industrial Property Fund. The German Industrial Property Fund, the Global Fund Advisor and Lend Lease Houlihan Rovers were sold with effect from 26 November 2003, 6 February 2004 and 31 January 2004 respectively.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

North America

In May 2003 Lend Lease announced its intention to exit or sell its US REI businesses, with the exception of its investment in the King of Prussia shopping centre. The investment in King of Prussia remains an integral part of Lend Lease's real estate investment business.

The majority of the US REI operations were sold in the June 2004 financial year, however an agreement has been signed for the sale of Lend Lease Rosen and the sale of Rosen Consulting is still pending. The US REI co-investments will be realised in the normal course of winding down each fund.

Analysis of Results

	Operating Profit Before Tax		Operating Profit After Tax	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Continuing Operations				
Investment income – King of Prussia ¹	26.9	24.0	15.8	14.4

1 June 2004 investment income from King of Prussia includes foreign exchange gain of \$6.1 million (before tax) allocated as part of the segment results.

The King of Prussia operating profit after tax increased from \$14.4 million in the year ended June 2003 to \$15.8 million in the year ended June 2004.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Discontinuing Operations						
Businesses sold by June 2004	70.9	532.5	(2.9)	74.9	(2.4)	58.9
Businesses yet to be sold						
Lend Lease Rosen	19.9	16.7	9.0	6.1	4.8	3.2
Rosen Consulting	5.9	7.3	2.4	1.5	1.0	0.5
Investment income	10.1	10.3	10.1	10.3	5.9	6.1
Equity accounted profits		2.4		2.4		1.4
Gain on sale of investments		1.9		1.9		1.0
Gain/(Loss) on FX hedge			6.6	3.8	4.6	2.2
Total discontinuing operations	106.8	571.1	25.2	100.9	13.9	73.3

Businesses Sold by 30 June 2004

As noted previously, a number of businesses were sold during the year. These businesses contributed a loss after tax of \$2.4 million until the effective sale date.

Businesses Yet to be Sold

Lend Lease continues to explore options to exit its investment the Rosen Consulting Group.

Investment Income (Discontinuing)

The table below summarises investment income earned for the year ended June 2004.

	Operating Profit/(Loss) Before Tax	
	June 2004 \$m	June 2003 \$m
Discontinuing Business Co-investments		
Yarmouth Capital Partners II (YCP II)		(9.3)
VEF series	2.6	4.4
Asset management portfolios	3.2	13.8
Debt management funds and portfolios	1.1	1.7
High yield debt funds	0.8	1.5
Other	2.4	(1.8)
Total investment income	10.1	10.3

Total investment income decreased \$0.2 million to \$10.1 million for the year ended June 2004, compared to \$10.3 million for the year ended June 2003.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Real Estate Investments (REI) continued

Investments, Co-investments and Inventory

The following table summarises the Lend Lease Group direct and indirect REI property interests (excluding inventory held as part of Delfin Lend Lease and Lend Lease Development) as at June 2004, as well as future commitments to co-investments.

	Region	Lend Lease Share of Income June 2004 ¹ \$m	Book Value Investment June 2004 \$m	Future Commitments \$m	Total Commitments \$m	Indicative Fund Liquidation
Co-investments - Continuing						
Asia Pacific						
Australian Prime Property Fund	Australia	3.7	51.8		51.8	Open ended
Real Estate Partners I	Australia	0.3	1.4	0.3	1.7	2005
Real Estate Partners II	Australia			8.7	8.7	2010
Asia Pacific Investment Company	Asia	(1.0)	33.3		33.3	2005
Asia Pacific Investment Company II	Asia	0.6	38.7		38.7	2009
Total Asia Pacific		3.6	125.2	9.0	134.2	
Europe						
Lend Lease Retail Partnership ²	Europe	2.8	49.8	1.6	51.4	2011 ³
Lend Lease Overgate Partnership ²	Europe	5.4	103.4	4.5	107.9	2008 ⁴
Total Europe		8.2	153.2	6.1	159.3	
Total Continuing		11.8	278.4	15.1	293.5	
Co-investments - Discontinuing						
Asia Pacific						
Lend Lease International Distressed Debt Fund	Asia	(6.3)	21.8	105.9	127.7	2008
Europe						
Lend Lease European Real Estate Securities SICAV	Europe	-	20.3	-	20.3	Open ended
North America						
Value Enhancement Fund III	US		11.3		11.3	2005
Value Enhancement Fund IV	US	(0.1)	16.0		16.0	2007
Value Enhancement Fund V	US	2.7	48.8		48.8	2008
Yarmouth Capital Partners Limited Partnership II	US		39.2		39.2	2004
Lend Lease US Real Estate Securities	US	2.0	17.3		17.3	Open ended
Other	Various	5.5	24.1		24.1	Various
Total North America		10.1	156.7	-	156.7	
Global						
Lend Lease Global Properties Fund SICAF	Global	-	142.6	-	142.6	2009
Total discontinuing		3.8	341.4	105.9	447.3	
Total co-investments		15.6	619.8	121.0	740.8	
Other Assets⁵						
King of Prussia ²	US	20.8	207.4		207.4	
Bluewater ⁶	UK	54.3	581.6		581.6	
Total other investments		90.7	1,408.8	121.0	1,529.8	

1 Represents Lend Lease's share of income earned before tax excluding allocation of hedge gains/losses.

2 Lend Lease's investment in the King of Prussia Partnership is valued at \$332.3 million, in Lend Lease Overgate Partnership is \$109.7 million and in Lend Lease Retail Partnership is \$63.8 million.

3 Fund life is periodically extended for four years, unless investors elect otherwise. If fully extended the Lend Lease Retail Partnership has a 40-year life ending in 2039.

4 Fund life is periodically extended for four years, unless investors elect otherwise. If fully extended the Lend Lease Overgate Partnership has a 40-year life ending in 2040. Lend Lease's co-investment is required to be at least a minimum of 10% of subscribed capital to the end of the fund's life.

5 Only includes other investments which are not a co-investment or held as part of an active business model (eg Europe PPP equity investments, Actus Lend Lease, Delfin Lend Lease, Lend Lease Development and GPT).

6 The independent market valuation at 30 June 2004 of 100% of Bluewater is £1,621.0 million (A\$4,156.4 million).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other

Non-Core Investments

Non-core investments includes those investments that are not integral to Lend Lease operations, such as IBM Global Services (IBMGSA) in Australia, Lend Lease Asia Water Trust in Asia and Chelverton and THI in Europe.

The segment results for the year ended June 2004 are summarised below:

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Asia Pacific								
IBMGSA - trading result ¹	1.9	15.1	1.9	15.1	1.4	12.1		59.8
Capital Services		1.1	3.8	(8.4)	9.6	(6.5)	2.1	4.0
Total Asia Pacific	1.9	16.2	5.7	6.7	11.0	5.6	2.1	63.8
Europe								
Capital Services	23.6	16.8	14.0	9.0	11.1	16.6		16.1
Total	25.5	33.0	19.7	15.7	22.1	22.2	2.1	79.9

1 IBMGSA was sold in the six months to December 2003.

Asia Pacific

The Asia Pacific profit after tax in the year ended June 2004 of \$11.0 million includes loyalty fee income relating to the IBMGSA of \$1.4 million, a write-back of a provision of \$3.8 million following the sale of the Lend Lease Asia Water Trust, recognition of capital losses of \$3.5 million on the sale of Capital Services Investments and \$2.3 million from the write-back of an overprovision of prior years' tax.

Europe

European investments in Capital Services comprises Chelverton and THI, both of which have been fully provided in prior years. An interest in the retail development site in Katowice, Poland (held via Chelverton) was sold in January 2004. Lend Lease has a 14.3% interest in THI which is in administration. No distributions were received from the THI liquidator during the year. Operating profit after tax relates to the reversal of provisions raised in prior years to cover exposures to these investments that are no longer required.

Corporate

Corporate comprises central overheads, net of revenue and recoveries from the Group's operating businesses, finance costs and amortisation.

	Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Group Services	(51.0)	(118.0)	(28.4)	(55.3)	250.1	256.6
Amortisation	(48.4)	(75.3)	(48.4)	(75.3)		
Group Treasury	12.2	6.0	16.3	10.7	669.3	342.6
Total Corporate	(87.2)	(187.3)	(60.5)	(119.9)	919.4	599.2

Group Services

Corporate overheads are made up as follows:

	June 2004 \$m	June 2003 \$m
Gross corporate costs	95.2	168.0
Less: Recoveries from operating businesses	(44.1)	(51.5)
Other	(0.1)	1.5
Operating loss before tax	51.0	118.0
Operating loss after tax	28.4	55.3

Gross corporate overheads decreased by \$72.8 million to \$95.2 million in the year ended June 2004 through continued management focus to reduce corporate costs. The June 2003 corporate costs of \$168.0 million included costs relating to Global RES and Global REI businesses previously disclosed in the segment results of those businesses. In the year ended 30 June 2004, these costs have either been eliminated or are included as part of the gross corporate costs of \$95.2 million.

Savings in gross corporate costs were partly offset by lower recharges to the Group's operating businesses of \$44.1 million compared to \$51.5 million in the prior financial year. This recharge represents a charge for superannuation costs to the Asia Pacific region of \$14.1 million, a charge for bonuses paid from employee benefit vehicles of \$17.5 million and a charge of \$12.5 million to the Bovis Lend Lease business for overhead costs on behalf of the Global Markets Group.

The effective tax rate referable to Group Services is impacted by the recognition of capital losses and other tax benefits in both the years ended June 2003 and June 2004 and the tax rate differential between the US, UK and Australia. Corporate costs are recharged to each region and due to differences in tax rates between regions, a difference between the tax expense and tax benefit can arise.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other continued

Corporate continued

Group Amortisation

Amortisation charges are in respect of management agreements and goodwill, which are reported at Group level, as opposed to business unit level.

	Book Value		Amortisation Charge	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Management Agreements	57.1	432.9	2.2	15.4
Goodwill	634.3	700.0	40.1	58.8
Other intangible assets	2.6	3.2	0.2	1.5
Total Group amortisation	694.0	1,136.1	42.5	75.7
FX hedge allocation (after tax)			5.9	(0.4)
Amortisation adjusted for FX hedge allocation	694.0	1,136.1	48.4	75.3

The amortisation charge was significantly reduced as a result of the write-down and sale of the US REI businesses.

Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange, interest rate risk and debt. The result for the year is as follows:

	Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Interest revenue ¹	62.5	39.9	43.8	27.3		
Interest expense and borrowing costs ²	(61.0)	(66.4)	(35.0)	(39.2)		
Net hedge benefit	10.7	32.5	7.5	22.6		
Total Group Treasury	12.2	6.0	16.3	10.7	669.3	342.6

1 Includes net foreign exchange gain allocated to interest as part of the Segment Results.

Interest Revenue

The Group continued to maintain high levels of cash (\$1.4 billion at 30 June 2004). This high level of cash during the year is due primarily to proceeds from the sale of US REI businesses net of outflows from the share buyback. As a result of the higher cash balances in the year and a marginal increase in average interest rates during the year interest revenue increased \$22.6 million from \$39.9 million in the year ended June 2003 to \$62.5 million in the year ended June 2004.

Excess cash in the Group is consolidated in Australia and invested in investment grade commercial paper and bank bills issued by financial intermediaries and corporations.

Borrowing Costs and Debt

Gross debt of \$862.0 million has not changed materially during the year and mainly comprises the \$500 million Medium Term Note (due July 2005) and US\$250 million guaranteed notes (due June 2005). Borrowing cost of \$61.0 million (before tax) relate primarily to interest on these notes. The reduction of \$5.4 million in interest expense and borrowing costs is due to capitalised interest on the Chapelfield, Norwich project during the year. Interest rates are 70% fixed and 30% floating.

Net Hedge Benefit

A net hedge benefit of \$10.7 million pre tax was earned on the Group's hedging of foreign exchange exposures on non-Australian dollar denominated cash flows. The hedge benefit arises from the interest rate differential between US and UK interest rates against Australian interest rates. The reduction in hedge benefit from last year is primarily due to lower US hedges as US dollars intercompany loans were repatriated to Australia following the sale of the US REI business. The reduction in the net hedge benefit was offset by the higher interest revenue for the year.

Hedging of Foreign Exchange Exposures

Hedging of Foreign Denominated Earnings

Lend Lease uses forward foreign exchange contracts to hedge a proportion of forecast revenue and GPM from foreign operations according to the following hedging bands. This hedging results in the foreign exchange rate applied to foreign denominated earnings in any one year being a blend of foreign exchange rates over the previous 3 year period.

	Year Ending 30 June 2005		Year Ending 30 June 2006		Year Ending 30 June 2007	
	Hedged Range	Average Rate of Underlying Hedge Contracts	Hedged Range	Average Rate of Underlying Hedge Contracts	Hedged Range	Average Rate of Underlying Hedge Contracts
Foreign Operations						
US dollars	100-60%	0.58	70-40%	0.66	40-10%	0.66
Pounds Sterling	100-60%	0.38	70-40%	0.38	40-10%	0.38
Euro	100-60%	0.57	70-40%	0.55	40-10%	0.54

Due to the appreciation of the Australian dollar in the current year, a net foreign exchange gain of \$23.9 million before tax (2003 loss of \$2.4 million) was recognised from hedging foreign denominated earnings in the year ended 30 June 2004. This gain is allocated to business unit's operating profit, interest revenue and expense and amortisation expense.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other continued

Corporate continued

Group Treasury continued

Hedging of Cash Flows

Lend Lease hedges material cashflows. Any foreign exchange gains or losses arising on the underlying cashflow or the hedging of business unit cash flows are allocated to the business unit's operating profit.

Hedging of Net Assets

Lend Lease uses natural hedging, where possible, to minimise foreign denominated net assets. The remaining net assets are hedged at the discretion of management. The impact of foreign exchange movements on the Group's net assets is detailed in the Foreign Currency Translation Reserve (FCTR). In the year ended June 2004 the positive movement increased reserves by \$29.3 million primarily due to changes in US and UK exchange rates.

Credit Strength

Management principally analyses credit strength in terms of interest coverage. The key borrowing ratios are shown below.

		June 2004	June 2003
Cash ¹	\$m	1,380.1	867.2
Borrowings	\$m	862.0	884.6
Total equity	\$m	2,835.9	3,007.6
Borrowings to total assets	%	12.1	11.8
Gross debt to shareholders' equity	%	30.4	29.4
Net (cash)/debt to shareholders' equity	%	(18.3)	0.6
Debt to shareholders' equity plus debt	%	23.3	22.7
Credit rating (Standard & Poors/Moody's)	Rating	BBB/Baa2	A-/Baa2
Interest coverage ²	Times	9.0	7.7
Interest coverage target	Times	6.0	6.0

1 In addition to closing cash balance of \$1,380.1 million, an amount of \$9.0 million is held in short term investments.

2 Calculated as EBITDA (excluding the write-down of REI US businesses and sale of IBMGSA) plus interest revenue divided by net borrowing costs (which includes capitalised borrowing costs), excluding foreign exchange benefit.

Statement of Financial Position (Balance Sheet)

Balance Sheet Summary by Major Component

	June 2004 \$m	June 2003 \$m	Increase/ (Decrease) \$m
Cash	1,380.1	867.2	512.9
Real estate development inventories	1,412.5	937.0	475.5
Real estate development investments	103.4	98.9	4.5
Real estate co-investments	679.3	694.7	(15.4)
Other real estate investments	218.5	611.8	(393.3)
Other investments	9.2	42.8	(33.6)
Goodwill	634.3	700.0	(65.7)
Management agreements	57.1	432.9	(375.8)
Borrowings	(862.0)	(884.6)	22.6
Other net assets/(liabilities) ¹	(796.5)	(493.1)	(303.4)
Shareholders' equity	2,835.9	3,007.6	(171.7)

1 Other net assets/liabilities includes trade creditors and receivables, provisions and other liabilities.

The key balance sheet movements are explained as follows:

- Real estate development inventories increased due to the acquisition of Delfin and Lend Lease Development's projects in Australia and development expenditure on Chapelfield, Norwich; and
- The decrease in other real estate investments and management agreements is largely due to the sale/exit of the US REI businesses during the year.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other continued

Cash Flow

The following table summarises the major cash flows for the year ended June 2004.

	Year ended June 2004 \$m	Year ended June 2003 \$m
Cash at the beginning of financial year	867.2	904.1
Summary of major cash transactions during financial year		
Operating Activities		
Net receipts in the course of operations ¹	383.8	265.2
Net property development (expenditure)/receipts	(13.6)	28.9
Tax payments	(46.0)	(145.6)
Net interest received/(paid)	12.7	(26.3)
Other operating cash receipts	105.9	69.2
Net cash provided by operating activities	442.8	191.4
Other Cash Transactions		
Payment of dividends	(159.6)	(80.9)
Share buyback	(405.2)	(15.2)
Proceeds from sale of REI businesses ²	521.1	
Net REI co-investments	5.4	(166.5)
Net mortgage loans, tax credit properties and commercial paper investments receipts/(payments)	204.8	(69.6)
Proceeds on sale of investments (including IBMGSA) ³	110.1	159.4
Net borrowing proceeds	109.2	
Purchase of controlled entities	(237.2)	(38.2)
Other net cash flows	(78.5)	(17.3)
Net cash from other cash transactions	70.1	(228.3)
Net cash generated/(deployed) for financial year	512.9	(36.9)
Closing cash balance at end of financial year⁴	1,380.1	867.2

1 Net receipts in the course of operations for the year ended 30 June 2004 included an amount of \$208.4 million (June 2003 \$102.3 million) being an inflow relating to the Group's foreign exchange hedging activities including hedging of receivables, payables, revenue, expenses and intercompany transactions and loans.

2 Proceeds from sale of REI businesses includes controlled entities, investments and various assets and operations of the underlying businesses.

3 Excludes deferred proceeds from sale of IBMGSA (\$77.3 million) and Fox Studios Showground (\$24.3 million).

4 In addition to closing cash balance of \$1,380.1 million, an amount of \$9.0 million is held in short term investments.

EBITDA

While operating profit after tax before one off items increased by \$7.2 million, EBITDA before one off items decreased by \$67.2 million. The following table provides a reconciliation of the variances in EBITDA before one off items and profit after tax before one off items.

	June 2004 \$m	June 2003 \$m	Increase / (Decrease) \$m
Operation profit after tax before one off items	237.4	230.2	7.2
Profit attributable to outside equity interests	4.1	6.9	(2.8)
Depreciation/amortisation	64.1	132.3	(68.2)
Tax expense (before one-off items)	120.0	77.9	42.1
Net interest ¹	(19.1)	26.4	(45.5)
Total EBITDA before one off items	406.5	473.7	(67.2)

1 Excludes net foreign exchange gain allocated to interest as part of the Segment Results

A decline of \$67.2 million in the group's EBITDA is due to the sale of the US REI business (\$68.0 million), the lower earnings from Bovis Lend Lease (\$73.8 million) and lower net hedge benefit (\$21.8 million). These decreases were partially offset by increased earnings from IDB (\$55.1 million) and a lower net corporate result (\$67.0 million).

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other continued

Change in Basis of Reporting – Year Ended June 2003 Comparatives

The Group's management structure has been reorganised on a regional basis. The basis of reporting in the MD&A has changed to reflect the revised organisation structure. As a result of the reorganisation, a significant portion of the global management costs previously incurred by Real Estate Solutions (RES) and Real Estate Investments (REI) were eliminated. However, to the extent that costs are still being incurred they are included in Corporate in the Segment Result Summary. In addition, corporate costs are no longer allocated to the regions for segment reporting purposes. All corporate costs are shown gross as part of the corporate segment in the Segment Results Summary.

The above changes have no impact on the total Group results. The changes do, however, impact the classification of profit between businesses. To assist users of the Financial Statements and MD&A, a reconciliation highlighting the impact of the changes on the comparatives for the June 2003 year are set out below.

	Previous Basis of Reporting June 2003 ² \$m	Profit Before Tax Current Basis of Reporting June 2003 \$m	Movement \$m	Previous Basis of Reporting June 2003 ² \$m	Profit After Tax Current Basis of Reporting June 2003 \$m	Movement \$m
Bovis Lend Lease						
Asia Pacific	41.1	44.8	3.7	23.5	26.6	3.1
Americas	94.5	103.6	9.1	56.5	61.6	5.1
Europe	83.3	94.6	11.3	60.3	69.3	9.0
Global Markets ⁶	16.9		(16.9)	12.7		(12.7)
Global Management	(27.9)		27.9	(19.3)		19.3
	207.9	243.0	35.1¹	133.7	157.5	23.8
Integrated Development Business						
Asia Pacific						
Delfin Lend Lease	62.3	60.2	(2.1)	43.2	41.7	(1.5)
Lend Lease Development	16.4	18.8	2.4	13.1	14.8	1.7
Americas	8.3	9.3	1.0	3.6	4.2	0.6
Europe	(26.5)	(26.6)	(0.1)	(18.8)	(18.9)	(0.1)
Global Management	(13.7)		13.7	(9.5)		9.5
	46.8	61.7	14.9²	31.6	41.8	10.2
Real Estate Investments						
Continuing Operations						
Australia and Pacific	43.5	41.3	(2.2)	30.9	29.3	(1.6)
Asia	7.3	7.7	0.4	4.8	5.1	0.3
Europe	62.2	67.4	5.2	43.0	47.0	4.0
North America	24.0	24.0		14.4	14.4	
	137.0	140.4	3.4	93.1	95.8	2.7
Discontinuing Operations						
Australia and Pacific	1.9	1.9		1.4	1.4	
Asia	(15.1)	(15.1)		(13.2)	(13.2)	
Europe	2.2	1.1	(1.1)	4.9	3.8	(1.1)
North America	94.6	100.9	6.3	69.6	73.3	3.7
Global Management	(5.3)		5.3	(2.7)		2.7
	78.3	88.8	10.5	60.0	65.3	5.3
Total REI	215.3	229.2	13.9³	153.1	161.1	8.0
Non- Core Investments	15.7	15.7	-	22.2	22.2	-
Corporate						
Net Corporate Overheads	(54.1)	(118.0)	(63.9)	(13.3)	(55.3)	(42.0)
Group Treasury	6.0	6.0		10.7	10.7	
Amortisation						
Continued Operations	(47.4)	(47.4)		(47.4)	(47.4)	
Discontinued Operations	(27.9)	(27.9)		(27.9)	(27.9)	
Group restructuring costs	(47.3)	(47.3)		(32.5)	(32.5)	
Total Corporate	(170.7)	(234.6)	(63.9)⁴	(110.4)	(152.4)	(42.0)
Total Group result before write-down of REI businesses	315.0	315.0	-	230.2	230.2	-
Write-down of REI businesses	(882.0)	(882.0)	-	(945.0)	(945.0)	-
Total Group result	(567.0)	(567.0)	-⁵	(714.8)	(714.8)	-⁵

Footnotes are located on the following page.

Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Other continued

Change in Basis of Reporting – Year Ended June 2003 Comparatives continued

Corporate costs previously allocated to business segments have been removed and transferred back to the Corporate segment. The profit before and after tax has been adjusted as follows:

- 1 The Bovis Lend Lease June 2003 profit before tax has increased \$35.1 million. This increase reflects the transfer of corporate overhead costs to the corporate segment.
- 2 The Integrated Development Business profit before tax has increased \$14.9 million. This increased profit is due to the net transfer of corporate overhead costs to the corporate segment.
- 3 The Real Estate Investments profit before tax increased \$13.9 million, due to the transfer of corporate overhead costs to the corporate segment.
- 4 The Corporate segment loss before tax has increased by \$63.9 million, due to the transfer of corporate overhead costs from the business segments discussed above.
- 5 There is no change to the Group profit before or after tax due to the above adjustments.
- 6 The Global Markets profit before tax of \$16.9 million has been allocated to Asia Pacific \$7.9 million; Americas \$4.1 million; and Europe \$4.9 million. The Global Markets profit after tax of \$12.7 million has been allocated to Asia Pacific \$6.0 million, Americas \$2.2 million and Europe \$4.5 million.
- 7 The June 2003 reported result included the transfer of consulting profit of \$6.4 million from Integrated Development Business to Bovis Lend Lease.

Definitions

Backlog Gross Profit Margin (Backlog GPM): The expected GPM to be earned for the balance of work to be completed under existing construction contracts. As construction contracts are progressively completed Backlog GPM declines. As new work is secured Backlog GPM is replenished. Backlog GPM is calculated using the current period foreign exchange effective hedged rates. Total Backlog includes those projects at preferred bidder stage.

Construction Service Contract: Bovis Lend Lease commits to the delivery of a completed project with negotiated time, cost and quality specifications. Typically, Bovis Lend Lease enters into a fixed price contract, but may also be entitled to all or a share of any construction cost savings. Conversely, Bovis Lend Lease has the risk of any cost overruns. These contracts may involve Bovis Lend Lease undertaking some performance risk. Given the increased risk profile of such projects, a higher contract margin is typically negotiated.

Fee Service Contract: Bovis Lend Lease provides management services on construction projects for clients. Under a standard form of fee services contract, Bovis Lend Lease has no contractual responsibility for the overall construction of a project. Fees negotiated for this type of contract usually have a lower margin (in respect of the total project value) than those received for Construction Services contracts, reflecting the lower level of risk.

Financial Close: This is the point at which the parties to a project procured under a public sector Private Finance Initiative (PFI) or Public Private Partnerships (PPPs) contract are irrevocably committed through the execution of unconditional contracts. It is normally evidenced by the drawdown of funding for the project to commence development and construction activities.

New Work Secured – Gross Profit Margin: Represents the estimated total project profit margin to be earned by Bovis Lend Lease from projects which were secured during a financial period. When a written offer is accepted, the New Work Secured GPM becomes part of Backlog GPM.

Preferred Bidder: This is the point in a PPP project when the public sector client formally notifies one bidder that it has been selected from the short list of service providers, and intends to negotiate the contract with the preferred bidder on an exclusive basis. While this notification is a non-contractual arrangement, it does confirm the client's intention to proceed to financial close.

Prime: Prime contracting is a form of PPP developed by the UK Ministry of Defence (MoD) to rationalise and improve its procurement process for new assets. The MoD gains and uses a new or improved asset which is designed, constructed and maintained by the private sector partner for an agreed period, under agreed terms, while financing remains with the MoD.

Private Finance Initiatives (PFIs): A PFI is a form of PPP. It is a service contract in which a public body or authority gains and uses a new or improved capital asset which is designed, constructed and operated by the private sector partner for an agreed period, typically 30 years. The private sector partner arranges finance and the public sector entity pays for provision of services, including financing, over the contract term.

Profitability Ratio: Represents the ratio of profit before tax to Realised GPM.

Public Private Partnerships (PPPs): PPPs bring the public and private sectors together in an arrangement, usually a contract, to secure a defined mutual benefit by better integration of their respective skills.

Realised Gross Profit Margin (Realised GPM): Total project revenue less direct project related costs, such as payments to subcontractors and staff, site and other costs incurred by Bovis Lend Lease that are directly and indirectly attributable to the project. During project construction, it is Lend Lease's policy not to recognise profit on a project other than to cover overheads until the outcome of the contract can be reliably determined and it is at least 50% complete. Forecast losses are recognised in full when identified.

Return on Equity: A measure of how well a company is using shareholders capital. The calculation used is Earnings before one-off items divided by total equity.

Revenue Backlog: Expected future revenue arising from facilities management contracts in the Europe IDB business.

Five Year Profile

		June 2004	June 2003	June 2002	June 2001	June 2000
Profitability						
Operating revenue	A\$m	9,726	10,114	12,478	11,454	12,997
Operating profit before tax	A\$m	466	(567)	391	241	756
Operating profit before tax (excluding sale of IBMGSA and net loss in exiting REI businesses) ^{1,2}	A\$m	362	315	391	241	756
Operating profit/(loss) after tax	A\$m	334	(715)	226	151	432
Operating profit after tax (excluding sale of IBMGSA, net loss in exiting REI businesses and capital loss tax benefits) ^{1,2}	A\$m	237	230	226	151	432
Divisional Contribution^{1, 2, 3}						
Bovis Lend Lease (BLL)	A\$m	105	158	113	90	56
Integrated Development Businesses (IDB)	A\$m	79	42	40	31	11
Real Estate Investments (REI)	A\$m	110	161	141	117	137
IT+T (IBMGSA) and eBusiness Investments	A\$m	1	12	19	(43)	38
Equity Investments	A\$m			28	83	98
Other	A\$m	21	(22)	7	(13)	15
Financial Services	A\$m					231
Corporate amortisation	A\$m	(48)	(75)	(92)	(89)	(56)
Corporate other ⁴	A\$m	(31)	(46)	(30)	(25)	(98)
Total⁵	A\$m	237	230	226	151	432
EBITDA ^{1,2}	A\$m	407	474	593	339	939
Earnings per share ^{1,2,6}	cents	57.4	52.5	52.1	33.5	85.0
Operating profit after tax to shareholders' equity (ROE) for the year ^{1,2,7}	%	8.3	6.5	6.1	4.1	8.1
Dividend per share ⁸	cents	44	30	18	21	64
Dividend payout ratio ^{1,2}	%	74.6	56.0	34.4	59.6	75.6
Corporate Strength						
Total assets	A\$m	7,131	7,409	8,587	9,060	10,942
Cash	A\$m	1,380	867	904	1,119	3,484
Borrowings	A\$m	862	885	939	1,081	1,046
Current assets	A\$m	3,455	3,703	4,015	4,278	6,266
Current liabilities	A\$m	3,328	2,993	3,245	3,568	3,800
Shareholders' equity	A\$m	2,636	3,008	3,752	3,667	5,307
Cash flows from operations	A\$m	443	191	557	287	726
Net asset backing per share	A\$	7.08	6.86	8.63	8.54	10.38
Ratio of current assets to current liabilities	times	1.04	1.24	1.24	1.20	1.65
Debt to shareholders' equity	%	30.4	29.4	25.0	29.5	19.7
Debt to shareholders' equity plus debt	%	23.3	22.7	20.0	22.8	16.5
Net debt to shareholders' equity	%	(18.3)	0.6	0.9	(1.0)	(45.9)
Debt to total market capitalisation	%	20.9	24.2	20.5	20.0	9.6
Shares on issue	m	400	439	435	430	512
Number of shareholders	No.	63,143	74,878	86,003	87,516	59,553
Number of equivalent full time employees	No.	9,060	9,992	10,554	10,484	9,774
Assets under management ⁹	A\$b	19.6	82.0	86.1	92.1	71.1
Shareholders' Returns and Statistics						
Proportion of shares on issue to top 20 shareholders	%	69.8	61.5	59.9	54.3	60.6
Staff shareholdings	%	11.9	13.5	13.7	14.1	13.7
Total dividends paid or declared	A\$m	177	129	78	90	327
Share price as at 30 June as quoted on the Australian Stock Exchange	A\$	10.26	8.35	10.54	12.55	21.31

1 June 2004 is based on operating results excluding the profit from the sale of IBMGSA of (A\$111.5 million before tax, A\$79.7 million after tax), impact of exiting the REI businesses (A\$7.2 million loss before tax, A\$2.3 million loss after tax) and capital loss tax benefits arising from Australian tax consolidations (A\$nil before tax, A\$18.7 million after tax) and including capital loss tax benefits (A\$nil before tax, A\$13.0 million after tax) recouped against the capital gain on sale of IBMGSA.

2 June 2003 excludes the write-down of REI businesses of A\$882.0 million before tax, A\$945.0 million after tax.

3 Corporate costs are no longer allocated to the regions for segment reporting purposes. All corporate costs are shown gross as part of the corporate segment. This adjusted basis of allocation has been used in the June 2004 results. The June 2003 results have been restated on a consistent basis. The impact was a A\$42.0 million after tax increase to the corporate segment costs and an offsetting increase in the other divisional results. The allocation was as follows: BLL A\$23.8 million; IDB A\$10.2 million; and REI A\$8.0 million. The years prior to June 2003 have not been restated.

4 Includes Group Treasury and Corporate administration services.

5 Includes A\$7.9 million (June 2003 A\$32.1 million) operating results relating to discontinued operations.

6 Earnings per share including the profit from sale of IBMGSA, losses in exiting REI businesses and capital loss tax benefits arising from Australian tax consolidations was 80.6 cents for June 2004. Equity represents the average balance for the period.

7 Return On Equity (ROE) including the profit from the sale of IBMGSA, losses in exiting REI businesses and capital loss tax benefits arising from Australian tax consolidations was 11.7% for June 2004.

8 June 2004 is calculated using the final dividend declared since 30 June 2004 to be paid 15 September 2004.

9 June 2004 represents assets under management relating to continuing operations only. June 2003 included A\$64.6 million relating to discontinued operations.

Directors' Report

The Directors present their Report together with the Financial Report of the consolidated entity, being the Company and its controlled entities ('Lend Lease') for the year ended 30 June 2004 and the Auditors' Report thereon.

Directors

Board

The names, qualifications, experience and special responsibilities of each person holding the position of Director of the Company at the date of this Report are:

D. A. Crawford, Chairman (Non Executive)

Age 60

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. He is a Member of the Risk Management and Audit Committee.

Experience and Qualifications

Previously Mr Crawford was National Chairman of the Australian firm of KPMG. He has extensive accounting and business experience having worked with many large corporations and governments. His qualifications are Bachelor of Commerce and Bachelor of Laws from the University of Melbourne. He is a Fellow of the Institute of Chartered Accountants.

Other Directorships and Positions

Mr Crawford is a Non Executive Director of BHP Billiton Limited, Foster's Group Limited, National Foods Limited and Westpac Banking Corporation and Chairman of the Australian Ballet. He is also a Member of the Advisory Board of Allens Arthur Robinson and Treasurer of the Melbourne Cricket Club.

G. A. Clarke, Managing Director (Executive)

Age 46

Mr Clarke was appointed Managing Director and Chief Executive Officer in December 2002 and is a Member of the Personnel and Organisation Committee.

Experience and Qualifications

Mr Clarke brings more than 20 years' experience in international business development and operations through career roles including Vice President, Cellular (Paris) for Nortel Communications; Chief Executive Mobile, C&W Mobile plc; and Chief Operating Officer, and Chief Executive Officer, Cable & Wireless Communications plc. His qualifications are BA (Hons) Business Studies and MBA.

Other Directorships and Positions

Mr Clarke is a Non Executive Director of British United Provident Association (BUPA), the largest private health provider in the UK, and Leicester City Football Club plc.

J. E. Curin (Executive)

Age 46

Ms Curin joined the Board as Finance Director on 8 September 2003.

Experience and Qualifications

Ms Curin has a broad range of international experience as a Senior Finance Executive and Director with a number of large corporations. She was previously Finance Director of The Peninsular and Oriental Steam Navigation Company. Prior to that she held the positions of Finance Director of P&O Australia Limited and Director, Corporate Development and Investor Relations of Carter Holt Harvey Limited. She holds a Bachelor of Commerce (Accounting) from the University of Auckland in New Zealand and is a Member of the Institute of Chartered Accountants in New Zealand.

Other Directorships and Positions

Nil.

G. G. Edington (Non Executive)

Age 58

Mr Edington joined the Board in 1999 and is Chairman of the Risk Management and Audit Committee and a Member of the Personnel and Organisation Committee.

Experience and Qualifications

Qualified as a Chartered Surveyor, Mr Edington brings to the Board extensive UK and international experience in the property sector. Mr Edington was a Director of BAA plc and Chairman of BAA International. He joined BAA plc in 1988, became a Member of the Board in 1991 and has been the Chairman of six BAA companies. He is a past President of the British Property Federation, was the Chairman of a UK property company Greycoat Estates Limited and was a Member of the Bank of England Property Forum. He has also been involved with a number of charitable organisations.

Other Directorships and Positions

Mr Edington is Chairman of Garden Park Investments Limited and Chairman of the Trustees of NCH, a leading UK children's charity.

P. C. Goldmark (Non Executive)

Age 63

Mr Goldmark joined the Board in 1999 and is Chairman of the Personnel and Organisation Committee.

Experience and Qualifications

Mr Goldmark is Director, Climate and Air Program at Environmental Defense, a US based non profit environmental advocacy organisation. He was the Chairman and CEO of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was for ten years the President and CEO of the Rockefeller Foundation in New York. He has held the positions of Senior Vice President of the Times-Mirror Corporation, Executive Director of the Port Authority of New York and New Jersey and Director of the Budget for the State of New York. A writer and speaker on world affairs, Mr Goldmark graduated with a BA from Harvard College, Government Department, magna cum laude. He brings to Lend Lease his wide experience as a CEO and Senior Executive in the private and public sectors, both in the US and internationally.

Other Directorships and Positions

Mr Goldmark is a Director of the Whitehead Institute, Massachusetts Institute of Technology.

Directors' Report continued

Directors continued

Board continued

R. A. Longes, Deputy Chairman (Non Executive)

Age 59

Mr Longes joined the Board in 1986 and was appointed Deputy Chairman in January 2000. He is a Member of the Risk Management and Audit Committee.

Experience and Qualifications

Mr Longes is an Executive Director of Investec Bank (Australia) Limited. He was previously an Executive Director of the Company, a Principal of the Corporate Advisory and Private Equity Group of Wentworth Associates and a Partner of the legal firm Freehills. Mr Longes' qualifications are BA, LLB, MBA.

Other Directorships and Positions

Mr Longes is Chairman of GPT Management Limited and a Director of Australian Water Services Pty Limited and Metcash Trading Limited. He is also a Director of the National Institute of Dramatic Art and Bangarra Dance Theatre.

Directors' Meetings

During the financial year, four scheduled full agenda Board meetings and ten restricted agenda Board meetings were held. The Board recognises the essential role of committees in guiding the Company on specific issues. Committees address important corporate issues, calling on senior management and external advisers prior to making a final decision or making a recommendation to the full Board.

There are two permanent committees of the Board:

Personnel and Organisation Committee

Comprising a majority of Non Executive Directors, the Personnel and Organisation Committee assists the Board in ensuring that appropriate policies are in place for people management and compensation across all our businesses worldwide. The Committee focuses on the importance of human capital to the Group's strategic and business planning. During the period 1 July 2003 to 30 June 2004, 3 meetings of the Personnel & Organisation Committee were held.

Risk Management and Audit Committee

The Risk Management and Audit Committee is made up entirely of Non Executive Directors and assists the Board by reviewing the risk management and compliance systems in all our businesses worldwide and by being assured that assets are protected against financial loss, legal and regulatory obligations are met, and proper accounting and auditing practices are maintained. During the period 1 July 2003 to 30 June 2004, 4 meetings of the Risk Management and Audit Committee were held.

Attendance at Meetings of Directors 1 July 2003 to 30 June 2004

Director	Full Agenda		Board Meetings Restricted Agenda		Committee Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
G. A. Clarke	4	4	10	10	4	4
D. A. Crawford	4	4	10	10	4	4
J. E. Curin ²	3	3	9	8	-	-
G. G. Edington	4	4	10	10	8	8
P. C. Goldmark	4	4	10	9	3	3
R. A. Longes	4	4	10	9	5	4
R. E. Tsenin ³	1	1	1	1	-	-

1 Reflects the number of meetings held during the time the Director held office during the year.

2 Ms Curin was appointed as a Director on 8 September 2003.

3 Mr Tsenin retired as a Director on 31 August 2003.

In addition, as required, matters were dealt with by Circular Resolution and ratified at the next meeting of the Board or appropriate committee.

Interest in Capital

The interest of each of the Directors in the issued shares of the Company at 18 August 2004 (10 September 2003) is set out below.

Director	Shares Held Directly 2004	Shares Held Beneficially/ Indirectly 2004 ¹	Total 2004	Shares Held Directly 2003	Shares Held Beneficially/ Indirectly 2003 ¹	Total 2003
G. A. Clarke	1,000	-	1,000	1,000	-	1,000
D. A. Crawford	4,395	6,279	10,674	4,314	2,853	7,167
J. E. Curin ²	1,000	-	1,000	-	-	-
G. G. Edington	15,000	4,816	19,816	15,000	3,355	18,355
P. C. Goldmark	3,000	5,441	8,441	3,000	3,892	6,892
R. A. Longes	13,602	41,817	55,419	13,351	39,812	53,163

1 Includes shares beneficially held by Non Executive Directors in the Retirement Plan.

2 Ms Curin was appointed as a Director on 8 September 2003.

Directors' Report continued

Directors continued

Interest in Registered Schemes

The interest of each of the Directors in the registered schemes of the Lend Lease Group at 18 August 2003 (10 September 2003) is set out below.

Director	Registered Scheme	Beneficial/Indirect Interest	
		No. of Units 2004	No. of Units 2003
R. A. Longes	General Property Trust	14,724	14,724

Principal Activities

The principal activities of Lend Lease during the financial year were:

- Real estate project management; design services; construction management and engineering;
- All aspects of property development from concept through to design, planning, construction, financing, leasing and eventual sale. This also includes the creation and management of Public Private Partnerships (PPPs) including Private Finance Initiatives (PFIs) and Build Operate Transfer (BOT) projects;
- Management of real estate investment funds on behalf of clients, management of real estate associated debt, co-investment in funds, portfolio management, the leasing, management and redevelopment of shopping centres and acting as financial advisor and arranger of project finance and related services. This includes discontinued operations (refer to Note 36 of the Financial Statements); and
- Investment in companies where strategic business rationales exist and where a mutually beneficial business relationship with these companies can be developed.

Review and Results of Operations

The Directors report that in the year ended 30 June 2004, Lend Lease reported a net profit after tax of A\$333.5 million. Excluding one-off items, the operating profit for the year was A\$237.4 million. For the year ended June 2003, Lend Lease reported a loss of A\$714.8 million. The June 2003 results included a write-down of A\$945.0 million in respect of the REI businesses, principally the US Real Estate Investments (US REI) businesses. Excluding the write-down of the REI businesses, operating profit after tax for the year was A\$230.2 million.

A review of operations is included in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of the Financial Report that accompanies this Directors' Report.

Dividends

The 2003 final dividend of A\$85.9 million (20 cents per share, unfranked) referred to in the Directors' Report dated 10 September 2003 was paid on 18 September 2003.

Details of dividends in respect of the current year are as follows:

	A\$m
Interim dividend of 18 cents per share (unfranked) paid on 17 March 2004	73.7
Final dividend of 26 cents per share (unfranked) declared by Directors to be paid on 15 September 2004	103.5
	<u>177.2</u>

Significant Changes in State of Affairs

During the year ended 30 June 2003, Lend Lease conducted and finalised its REI strategic review and announced the simplification of its strategy to one real estate services business, based on Bovis Lend Lease's presence around the world, with selective specialisation in real estate development services and funds management in each of the major regions.

Accordingly during the year ended 30 June 2004, Lend Lease exited or sold businesses operating in the North American real estate investments markets (both equity and debt) and real estate debt services, certain components of the European real estate investments business and the Global Fund management advisory business.

The Group's Consolidated Financial Statements and MD&A specify in more detail those specific businesses which Lend Lease has exited, or which it intends to exit in the near term.

Event Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of Lend Lease, the results of those operations or state of affairs of Lend Lease in subsequent financial years other than the following.

For the reporting periods beginning on or after 1 January 2005, Lend Lease must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

At balance date, Lend Lease is in the process of assessing the impact of convergence to IFRS and, accordingly, has not fully quantified the effects of the convergence.

The differences between Australian Accounting Standards and other financial reporting requirements and IFRS, identified to date as potentially having a significant effect on the Lend Lease Group's financial performance and financial position, are detailed in Note 37 of the Financial Statements.

Directors' Report continued

Event Subsequent to Balance Date continued

On 17 August 2004 Lend Lease announced that it has entered into an agreement with ACM Acquisition LLC (ACM) for the sale of Lend Lease Rosen Real Estate Securities LLC (Lend Lease Rosen). The full sales price is contingent on a number of items but is expected to exceed its book value.

ACM is controlled by Michael Torres, CEO and portfolio manager of Lend Lease Rosen.

The transaction is expected to be completed by the end of August 2004.

Likely Developments

Details of likely developments in the operations of Lend Lease in subsequent financial years are contained in the reports from the Chairman and Managing Director in the Annual Report.

Environmental Regulation

Lend Lease is subject to many environmental regulations, in particular in relation to real estate development, project management and asset management. These regulations typically relate to noise and dust control, solid waste management and discharge into water systems.

For a number of years, Lend Lease has required each of its businesses to have an integrated Environment Management System. The Environment Management System is the catalyst for the development of Lend Lease's environmental plans and strategies and, as a minimum, the goal is to ensure compliance with applicable regulations and legislation.

The Risk Management and Audit Committee receives reports on a quarterly basis regarding any significant environmental risks and non conformance with Lend Lease's Environment Policy. The Directors are not aware of any significant non compliance issues during the period covered by this Report.

Further details are contained in the Corporate Governance section of the Annual Report.

Directors' and Senior Executives' Compensation

Full details of the Directors and Senior Executives compensation is contained in Note 34 to the Financial Statements and Note 8 in the Concise Financial Report.

Share Options

No share options were issued during the year by the Company or any of its controlled entities, and there are no such options on issue.

Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for indemnification in favour of each of the Directors named on pages 1 to 2 of this Report, the Company Secretaries, Mr P W Crewes and Ms S J Sharpe, and officers of the Company or of wholly owned subsidiaries of the Company ("Officers") to the extent permitted by the Corporations Act 2001.

For related entities, the indemnification is provided by approval of a committee of Directors. For unrelated entities in which Lend Lease has an interest, deeds of indemnity are entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has entered into the following separate deeds of indemnity:

- Ms J E Curin covering her service as a Director of Lend Lease Global Properties, SICAF. This indemnity is on the same terms as those provided by the Company's Constitution.
- Mr D J Ross covering his service as a Director of Bondi Beach Railway Limited, Lend Lease Real Estate Partners 1 Limited, Lend Lease US Office, Inc and directorships of various Lend Lease subsidiaries. These indemnities are on the same terms as those provided by the Company's Constitution.
- Members of the due diligence committee for the proposed merger transaction with General Property Trust (including the Company's auditors) covering liability arising from their participation on the committee. In the case of external advisers, their own acts or omissions are not covered. In the case of Officers, the indemnities are given on the same basis as provided by the Company's Constitution.

In accordance with the Corporations Act 2001, the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an officer of the Company or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome. During the year, Lend Lease paid insurance premiums of A\$1,693,183 in respect of its Directors' and Officers' liability policies.

Rounding Off

Lend Lease Corporation Limited is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and, in accordance with that class order, amounts in the financial statements and this Report have been rounded off to the nearest tenth of a million dollars, or where the amount is A\$50,000 or less, zero, unless specifically stated to be otherwise.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Sydney, 18 August 2004.



D A Crawford
Chairman



G A Clarke
Managing Director

Lend Lease Corporation Limited
Annual Consolidated Financial Report 30 June 2004

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Consolidated Financial Statements

Statements of Financial Performance

Year Ended 30 June 2004

	Note	Consolidated June 2004 A\$m	June 2003 A\$m	Company June 2004 A\$m	June 2003 A\$m
Revenue from Ordinary Activities					
Revenue from the sale of development properties	3a	349.6	229.6		
Revenue from the provision of services	3b	8,292.7	9,576.5	6.0	25.3
Other revenues from ordinary operating activities	3c	1,083.2	307.8	756.2	223.8
Total revenue from ordinary activities		9,725.5	10,113.9	762.2	249.1
Expenses from Ordinary Activities					
Integrated property development activities		(738.7)	(689.8)		
Project and construction management activities		(7,571.5)	(8,289.3)		
Real estate equity and debt management activities					
Ordinary expenses		(212.7)	(658.6)		
Costs on sale of REI businesses		(545.2)			
Write-down of REI businesses	4		(882.0)		(247.0)
Cost on sale of equity investments		(45.8)			
Administration expenses		(148.2)	(138.2)	(270.0)	(115.0)
Borrowing costs	4	(46.3)	(66.4)	(23.1)	(33.8)
Total expenses from ordinary activities		(9,308.4)	(10,724.3)	(293.1)	(395.8)
Share of net profit of associates accounted for using the equity method	10a	7.2	19.7		
Share of net profit of joint venture entities accounted for using the equity method	10b	41.5	23.7		
Profit/(loss) before tax from ordinary activities		465.8	(567.0)	469.1	(146.7)
Income tax expense relating to ordinary activities	5a	(128.2)	(140.9)	(66.2)	(29.5)
Profit/(loss) after tax from ordinary activities		337.6	(707.9)	402.9	(176.2)
Ordinary profit after tax attributable to outside equity interests		(4.1)	(6.9)		
Net profit/(loss) after tax attributable to members of Lend Lease Corporation Limited		333.5	(714.8)	402.9	(176.2)
Non Owner Transaction Changes in Equity					
Increase/(decrease) in Foreign Currency Translation Reserve	23	29.3	(8.9)		
Increase/(decrease) in retained profits on initial adoption of:					
Revised AASB 1028 "Employee Benefits"	24		(1.1)		
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	24		39.1		39.1
Total changes in equity from non owner related transactions attributable to the members of Lend Lease Corporation Limited		362.8	(685.7)	402.9	(137.1)
Earnings per share					
Basic (cents)	6	80.6	(163.1)		
Diluted (cents)	6	80.6	(163.1)		
Alternative earnings per share¹					
Basic (cents)	6	57.4	52.5		
Diluted (cents)	6	57.4	52.5		

1 The June 2004 alternative basic and diluted earnings per share amounts have been calculated after excluding the after tax impact of profit on sale of IBMGSA (A\$79.7 million), exiting the REI businesses (A\$2.3 million loss) and capital loss tax benefits arising from Australian tax consolidations (A\$18.7 million) and including capital loss tax benefits (A\$13.0 million) recouped against the capital gain on sale of IBMGSA. The June 2003 amounts have been calculated after excluding the impact of the after tax write-down of the REI businesses of A\$945.0 million.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated June 2004 A\$m	June 2003 A\$m	Company June 2004 A\$m	June 2003 A\$m
Current Assets					
Cash and cash equivalents	7	1,380.1	867.2	6.4	
Receivables	8	1,573.1	1,858.2	2,163.4	2,156.1
Inventories	9	380.1	311.0		
Other investments	11	9.0	377.0		
Other assets	16	112.7	289.1		
Total current assets		3,455.0	3,702.5	2,169.8	2,156.1
Non Current Assets					
Receivables	8	95.2	76.7	524.2	654.1
Inventories	9	1,316.0	871.0		
Equity accounted investments	10	112.7	118.5		
Other investments	11	888.7	952.7	1,619.2	1,800.6
Future income tax benefit	5d	255.1	295.6	90.4	193.0
Property, plant and equipment	12	102.8	72.6	0.6	1.2
Goodwill	13	634.3	700.0		
Management agreements	14	57.1	432.9		
Other intangibles	15	2.6	57.0		
Other assets	16	211.2	129.4		
Total non current assets		3,675.7	3,706.4	2,234.4	2,648.9
Total assets		7,130.7	7,408.9	4,404.2	4,805.0
Current Liabilities					
Creditors	17	2,519.6	2,463.5	1,054.9	857.6
Borrowings	18	357.1			
Current tax liabilities	5b	98.4	59.7	89.9	67.9
Provisions	19	281.8	398.3	21.5	29.1
Other interest bearing liabilities	20	28.1	20.3		
Other non interest bearing liabilities	21	43.0	51.2		
Total current liabilities		3,328.0	2,993.0	1,166.3	954.6
Non Current Liabilities					
Creditors	17	51.4	24.6	465.0	890.0
Borrowings	18	504.9	884.6		
Provisions	19	37.3	108.9		
Provision for deferred income tax	5c	153.1	141.0	78.7	127.7
Other interest bearing liabilities	20	214.0	236.4		
Other non interest bearing liabilities	21	6.1	12.8		
Total non current liabilities		966.8	1,408.3	543.7	1,017.7
Total liabilities		4,294.8	4,401.3	1,710.0	1,972.3
Net assets		2,835.9	3,007.6	2,694.2	2,832.7
Equity					
Contributed equity	22	834.4	816.4	834.4	816.4
Reserves	23	71.9	42.6	104.6	104.6
Retained profits	24	1,915.5	2,141.4	1,755.2	1,911.7
Total parent equity interest		2,821.8	3,000.4	2,694.2	2,832.7
Outside equity interests in controlled entities	25	14.1	7.2		
Total equity	26	2,835.9	3,007.6	2,694.2	2,832.7

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statements of Cash Flows

Year Ended 30 June 2004

	Note	Consolidated		Company	
		June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
Cash Flows from Operating Activities					
Cash receipts in the course of operations ¹		8,715.1	9,873.5	94.1	63.1
Cash payments in the course of operations ¹		(8,331.3)	(9,608.2)	(133.1)	(73.8)
Property development receipts	29b	519.7	365.7		
Property development expenditure	29b	(533.3)	(336.8)		
Interest received		65.4	40.0	102.7	141.5
Interest paid		(52.7)	(66.4)	(22.9)	(33.8)
Dividends received		86.4	54.3	447.4	12.0
Distributions from partnerships received		19.6	14.9		
Income tax paid in respect of operations		(46.0)	(145.6)	(11.7)	(48.7)
Net cash provided by operating activities	29a	442.8	191.4	476.5	60.3
Cash Flows from Investing Activities					
Proceeds from sale/redemption of current investments		572.7	773.7		
Purchases of current investments		(367.9)	(843.3)		
Proceeds from sale/redemption of non current investments ²		155.3	159.4	84.2	
Purchases of non current investments		(90.2)	(166.5)	(57.1)	(729.9)
Proceeds from sale of other assets ³		313.4	3.2	27.2	3.2
Purchases of other assets		(8.0)			
Repayment of loans from/(loans to) associates/related parties		12.3	(33.7)	12.1	(58.4)
Payment for acquisition of controlled entities	29c	(237.2)	(38.2)		
Proceeds from sale/capital redemption of controlled entities ⁴	29d	215.6	15.4	39.8	
Proceeds from sale of property, plant and equipment		3.9	21.5	0.1	
Purchases of property, plant and equipment		(50.6)	(27.1)	(0.2)	(0.3)
Net cash provided by/(used in) investing activities		519.3	(135.6)	106.1	(785.4)
Cash Flows from Financing Activities					
Proceeds from borrowings		135.2	1,209.5		
Repayment of borrowings		(26.0)	(1,209.5)		
Net proceeds from share issues	22	18.0	43.0	18.0	43.0
Payments for share buybacks		(405.2)	(15.2)	(405.2)	(15.2)
Dividends paid		(159.6)	(80.9)	(159.6)	(80.9)
(Increase)/decrease in financing of controlled entities				(29.4)	778.1
Increase/(decrease) in capital of outside equity interest		1.9	(2.9)		
Net cash (used in)/provided by financing activities		(435.7)	(56.0)	(576.2)	725.0
Other Cash Flow Items					
Effect of exchange rate changes on cash and cash equivalents		(13.8)	(43.4)		
Cash balances in controlled entities acquired	29c	8.0	6.1		
Cash balances in controlled entities sold	29d	(7.7)	0.6		
Net decrease from other items		(13.5)	(36.7)	-	-
Net increase/(decrease) in cash and cash equivalents		512.9	(36.9)	6.4	(0.1)
Cash and cash equivalents at the beginning of the financial year		867.2	904.1	-	0.1
Cash and cash equivalents at the end of the financial year	7	1,380.1	867.2	6.4	-

1 Includes A\$208.4 million (June 2003 A\$102.3 million) net inflow relating to Lend Lease's foreign exchange hedging activities including the hedging of receivables, payables, revenues, expenses and intercompany transactions and loans.

2 Includes the sale of the investment in IBM Global Services Australia Ltd of A\$80.0 million and the sale of REI investments sold as part of the sale of REI businesses of A\$19.3 million.

3 Includes the sale of various REI assets and operations of the underlying businesses, sold as part of the sale of REI businesses of A\$286.2 million.

4 Relates to the sale of REI controlled entities sold as part of the sale of the REI businesses. Refer to Notes to 29d and 32 for details of controlled entities sold.

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

a. Basis of Preparation

The Annual Financial Report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Statements have been prepared under the historical cost convention and, except where stated, does not take into account changing values or fair values of non current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous financial year, except where otherwise noted.

Basis of Consolidation

The Lend Lease Group (Lend Lease) consolidation comprises all entities controlled by Lend Lease Corporation Limited (Lend Lease Corporation).

Where an entity either began or ceased to be controlled during the financial period, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the Consolidated Financial Statements, have been eliminated.

Outside interests in the equity and results of the entities that are controlled by Lend Lease are shown as a separate item in the Consolidated Financial Statements.

b. Revenue

Revenue from the Sale of Development Properties represents:

- for residential land sales, upon settlement of contract;
- for non residential land sales, upon exchange of contract where all the conditions under the sales contract have been met or are reasonably likely to be met; and
- for residential and non residential built form property development sales, upon exchange of sales contracts when all conditions under the sales contract have been met or are likely to be met, in accordance with the proportion of the development completed, provided construction work in progress is more than 50% complete.

Revenue from the Provision of Services represents:

- for property construction, the value of work performed using the percentage complete method, which is measured by reference to actual costs to date as a percentage of total forecast costs for each contract;
- for property and funds management, capital services and property development, management fee entitlement for services rendered; and
- for management of aged care community projects, deferred management fees are recognised on an accruals basis based on assessment of revenue earned from the management agreements on retirement villages.

Dividends

Dividends are recognised when declared.

Rental Income

Rental income is recognised on an accruals basis.

Proceeds on Sale of Investments

Proceeds on sale of investments are recognised when an unconditional contract is in place.

c. Profits

Profits are brought to account:

- for property construction, progressively at an amount equivalent to general overheads or an amount equivalent to the value of work performed when the outcome of a contract can be reliably determined (Lend Lease does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete);
- for residential land sales upon settlement of contract;
- for non residential land sales upon exchange of contract where all the conditions under the sales contract have been met or are likely to be met; and
- for residential and non residential built form property development sales, upon exchange of sales contracts when all conditions under the sales contract have been met or are reasonably likely to be met, in accordance with the proportion that the development is completed, provided construction work in progress is more than 50% complete. Where a loss on a contract is foreseeable, the full loss is recognised in the current period.

d. Taxation

Lend Lease applies the liability method of tax effect accounting whereby income tax expense is calculated on the pre tax profit adjusted for permanent differences. Income tax relating to timing differences arising from items being brought to account in different periods for income tax and accounting purposes is carried forward in the Statement of Financial Position as 'Future income tax benefit' or 'Provision for deferred income tax'. Future income tax benefits relating to income tax losses are only brought to account when their realisation is virtually certain.

The Company is the head entity in an Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries. The Company entered the Australian Tax Consolidation Regime effective 1 July 2002.

The Company recognises all of the current and deferred tax assets and liabilities of the Australian Tax Consolidated Group (after elimination of intra group transactions).

Notes to the Consolidated Financial Statements continued

1. Summary of Principal Accounting Policies continued

d. Taxation continued

The Australian Tax Consolidated Group has entered into a tax funding arrangement that requires wholly owned Australian subsidiaries to make contributions to the Company for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation. The contributions are broadly calculated as if each entity paid tax on a stand-alone basis.

The assets and liabilities arising under the Australian tax funding arrangement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

e. Recoverable Amount of Non Current Assets Valued on a Cost Basis

The carrying amount of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is either provided for or written down to the lower amount. In assessing recoverable amounts of non current assets, the relevant net cash flows have been discounted to their present value, except where specifically stated.

f. Investments

Investments are carried at the lower of cost or recoverable amount. The assessment of net recoverable amount of each holding is carried out at least every three years by an independent valuer, with more frequent valuations obtained for large investments held.

The independent valuers determine the recoverable amount of each asset using valuation methodologies appropriate to the particular nature and circumstances of each asset or class of assets. Such methodologies, where appropriate, include discounting the expected net cash flows to their present value.

g. Associates

Associates are those entities over which the economic entity exercises significant influence, but not control. Investments in associates are accounted for using the equity method. This method requires the carrying amount of investments in associates to be adjusted by the economic entity's share of the associates' net profit or loss after tax and other movements in reserves. These amounts are recognised in the Group's Statement of Financial Performance and consolidated reserves respectively.

Dividends from associates represent a return of the Group's investment and as such are applied as a reduction to the carrying value of the investment.

h. Partnerships

Interests in partnerships are accounted for using the equity method. Interests in partnerships are carried at the lower of the equity accounted carrying amount and recoverable amount. The equity accounted carrying amount is the historical cost plus Lend Lease's share of the partnership's result less any drawings or distributions made to Lend Lease. Lend Lease's share of the partnership's result is included in the Statement of Financial Performance for the period.

i. Joint Venture Entities

A joint venture entity is an entity which has a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Investments in joint venture entities are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted carrying amount and recoverable amount.

Lend Lease's share of joint venture entities' net profit or loss after tax is recognised in the Statement of Financial Performance for the period. Other movements in joint venture entities' reserves are recognised directly in consolidated reserves.

j. Joint Venture Operations

A joint venture operation is a joint venture that is not in the form of an entity. Lend Lease's interest in an unincorporated joint venture is brought to account by including its interest in the following amounts in the appropriate categories in the Statements of Financial Position and Financial Performance:

- each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable;
- expenses incurred in relation to the joint venture; and
- revenue earned in relation to the joint venture.

k. Receivables

Trade debtors are carried at amounts due and are generally due for settlement within 30 days. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. Specific provisions are made for doubtful accounts.

l. Pre Contract and Project Bidding Costs

Lend Lease expenses all pre contract and project bidding costs, unless there is a high degree of certainty that a contract will be entered into (at least preferred bidder status) and that the costs will be fully recoverable from contract revenues. Costs previously expensed are not subsequently reinstated when a contract award is achieved.

m. Inventories

Property Held for Sale

Property acquired for development and sale in the ordinary course of business is carried at cost to date, including borrowing costs incurred.

The net realisable value of each holding is assessed at each reporting period and a provision for diminution in value is raised by the Directors where cost (including costs to complete) exceeds net realisable value. In determining net realisable value the Directors have regard to independent valuations obtained in accordance with Note 1f Summary of Principal Accounting Policies.

Notes to the Consolidated Financial Statements continued

1. Summary of Principal Accounting Policies continued

m. Inventories continued

Construction and Development Work in Progress

The gross amount of construction and development work in progress consists of costs attributable to work performed together with emerging profit and after providing for any foreseeable losses.

n. Property, Plant and Equipment

Land, buildings and leasehold improvements are carried at the lower of cost or recoverable amount.

Depreciation is provided on cost or valuation over the economic lives of the assets. Amortisation is provided on leasehold improvements over the remaining period of the lease. Most plant is depreciated over a period not exceeding ten years, furniture and fittings over 15 years, motor vehicles over eight years and computer equipment over three years. The straight-line method of depreciation/amortisation is used.

The carrying amount of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the financial period in which it occurs.

o. IT Software Systems

Direct costs incurred in the development of major IT Systems are capitalised on the Statement of Financial Position. A major IT software system is one that has a total cost in excess of A\$10.0 million and that will provide demonstrable ongoing benefits to Lend Lease. IT Systems are amortised on a straight-line basis over a period not exceeding five years. The carrying amount is reviewed to determine whether it is in excess of the recoverable amount (refer to Note 1e Summary of Principal Accounting Policies).

p. Management Agreements

Management agreements are held at the lower of cost or recoverable amount. These agreements are independently valued in accordance with Lend Lease policy using discount rates and methodologies appropriate to each particular management agreement. Management agreements are amortised over their estimated useful lives, assessed to be no more than 50 years.

q. Goodwill

Goodwill represents the excess of the purchase consideration plus incidental acquisition costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, and is amortised on a straight line basis over a period to which the benefits are expected to arise, not exceeding 20 years.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

The unamortised balance of goodwill is reviewed and where the balance exceeds the value of expected future benefits, the difference is charged to the Statement of Financial Performance.

r. Deferred Management Fee Revenue

Represents management agreements relating to Lend Lease's right to manage aged care community projects and is carried at cost adjusted to reflect the accrual of deferred management fee revenue. This carrying value is reviewed to determine whether it is in excess of the recoverable amount being the net present value of the future income stream from the management agreements. If the carrying amount exceeds its recoverable amount, the asset is written down to the lower amount.

s. Employee Benefits

Employees' superannuation funds and retirement plans provide benefits for employees. In addition, Lend Lease provides an employee profit sharing scheme and share plans for employees, subject to eligibility. Contributions by Lend Lease companies are charged against current income.

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration wage and salary rates that Lend Lease expects to pay as at each reporting date including related on costs.

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date. Consideration is given to expected future increases in wage and salary rates including related on costs and expected settlement dates based on turnover history.

t. Creditors

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to Lend Lease. Trade accounts payable are normally settled within 60 days.

Insurance Claims

A liability for outstanding claims is recognised in respect of Lend Lease's wholly owned special purpose captive insurance subsidiary. The liability covers claims incurred but not yet paid, incurred but not reported claims and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are then discounted to a present value at the reporting date.

u. Borrowings

Borrowings are carried on the Statement of Financial Position at their principal amount. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Notes to the Consolidated Financial Statements continued

1. Summary of Principal Accounting Policies continued

v. Foreign Currency

Lend Lease's international currency management strategy and policy is detailed in Note 30 International Currency Management and Financial Instruments.

Assets and liabilities of self sustaining foreign operations and, where applicable, the corresponding forward foreign exchange contract hedges are converted at rates of exchange ruling at reporting date and the resulting foreign currency gains and losses are recorded net of income tax in the Foreign Currency Translation Reserve. Foreign Currency Translation Reserve amounts are transferred to retained earnings when the underlying foreign operation is sold.

All other assets and liabilities denominated in foreign currency, and where applicable the corresponding forward foreign exchange contract hedges, are converted at rates of exchange at reporting date and the resulting foreign currency gains and losses are taken to the Statement of Financial Performance in the financial period in which they arise.

Forward foreign exchange contracts are entered into to cover the anticipated excess of revenue less expenses within foreign operations (refer to Note 30 International Currency Management and Financial Instruments). These foreign exchange contracts are converted at the rates of exchange at balance date. The resulting foreign exchange gains and losses are taken to the Statement of Financial Performance for hedge contracts that relate to the current financial period, or held on the Statement of Financial Position as an asset or liability for hedge contracts that relate to future financial periods, provided that sufficient excess of revenue over expenses is anticipated to be made by the foreign operations. The effect is to record revenue after expenses from foreign operations at the hedged exchange rate.

w. Derivatives

Lend Lease is exposed to changes in interest rates and foreign exchange rates and uses interest rate swaps, forward rate agreements, cross currency swaps, options, and forward foreign exchange contracts to hedge these risks.

Derivative financial instruments designated as effective hedges are accounted for on the same basis as the underlying exposure.

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the Statement of Financial Performance as an adjustment to interest expense during the financial period, or capitalised within inventories when incurred in relation to property acquired for development and sale (refer to Note 1m Summary of Principal Accounting Policies).

Group policy permits the purchase and sale of options. Purchased options are treated as effective hedges. Sold options are not treated as effective hedges for accounting purposes and therefore these options are immediately recognised on the Statement of Financial Position. Changes in the value of such options are recognised in the Statement of Financial Performance. As at 30 June 2004, there were no such options outstanding. The same treatment is given to any other form of derivative transaction entered into which is not classified as an effective hedge. At 30 June 2004, there were no such derivatives outstanding.

The accounting policy for forward foreign exchange contracts is set out in Note 1v Summary of Principal Accounting Policies.

x. Provisions

Provisions are raised to recognise future obligations as a result of a past event where it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

Provisions for non cancellable operating lease rentals payable on surplus leased premises are raised when it is determined that no substantive future benefit will be obtained from its occupancy and sub lease rentals are less.

Provisions for dividends are recognised in the reporting period in which they are declared.

y. Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences net of hedged amounts on borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to prepare for their intended use or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing.

z. Earnings Per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Notes to the Consolidated Financial Statements continued

1. Summary of Principal Accounting Policies continued

aa. Employee Share Plans

Lend Lease employee share plans are funded by Lend Lease contributions at the rate of up to 7.5% of each individual employee's annual salary.

Contributions are expensed by the Company in the Statement of Financial Performance. The Lend Lease employee share plans utilise these contributions for on market purchases of shares in Lend Lease Corporation. Shares acquired by the Lend Lease employee share plans are allocated to individual employees in accordance with their compensation arrangements.

An annual allotment of 0.5% of the issued capital of Lend Lease Corporation previously granted to various employee share plans for allocation to employees based on individual and departmental performance has been suspended since the 2002/2003 financial period.

ab. Comparatives

Where necessary, comparatives have been adjusted to obtain consistency with current year disclosures.

Notes to the Consolidated Financial Statements continued

2. Segment Reporting

The segment results are discussed and analysed in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included within this report.

Business Segment Summary

	Segment Revenue ^{1,2,a}		Other Unallocated Revenue ¹		Group Operating Revenue ^{1,a}		Segment Result Before Tax ^{1,2,3,a}		Share of Net Profit of Equity Accounted Investments		Other Unallocated Revenues & Expenses ^{1,3}		Group Operating Profit/(Loss) Before Tax ^{4,b}		Group Operating Profit/(Loss) After Tax from Ordinary Activities ^{4,b}		Group Operating Profit/(Loss) After Tax ^{1,f}	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
Project and Construction Management	7,691.9	8,460.9	4.1		7,696.0	8,460.9	123.7	160.6	6.7	3.7	38.8	78.7	169.2	243.0	105.1	157.6	105.1	157.5
Integrated Property Development	783.7	618.5	24.3	86.2	808.0	704.7	52.6	(6.1)	40.8	23.2	23.4	44.6	116.8	61.7	82.1	46.2	78.8	41.8
REI – Equity ^f	333.7	517.9	180.9	1.0	514.6	518.9	158.0	(485.7)	0.6	2.4	(0.7)	15.5	157.9	(487.8)	111.2	(563.9)	110.4	(568.0)
REI – Debt ^f	24.8	313.6	371.0	15.4	395.8	329.0	8.8	(218.2)	0.6	14.1	(8.3)	14.1	1.1	(188.0)	(2.3)	(220.6)	(2.3)	(220.9)
Total Real Estate Investments	358.5	831.5	551.9	16.4	910.4	847.9	166.8	(701.9)	1.2	16.5	(9.0)	29.6	159.0	(655.8)	108.9	(784.5)	108.1	(786.9)
Total Core Real Estate	8,834.1	9,910.9	580.3	102.6	9,414.4	10,013.5	343.1	(547.4)	48.7	43.4	53.2	152.9	445.0	(351.1)	296.1	(580.7)	292.0	(587.6)
Non-Core Businesses/ One Off Items																		
Restructuring Costs												(47.3)		(47.3)		(32.5)		(32.5)
IT&T (BMGSA)	1.9	10.1	157.3	5.0	159.2	15.1	1.9	15.1			111.5		113.4	15.1	81.1	12.1	81.1	12.1
Capital Services	23.6	3.0		14.9	23.6	17.9	17.8	0.6					17.8	0.6	20.7	10.1	20.7	10.1
Total Non-Core Businesses/ One Off Items	25.5	13.1	157.3	19.9	182.8	33.0	19.7	15.7	-	-	111.5	(47.3)	131.2	(31.6)	101.8	(10.3)	101.8	(10.3)
Total Segment	8,859.6	9,924.0					362.8	(531.7)	48.7	43.4								
Unallocated Corporate			128.3	67.4	128.3	67.4					(110.4)	(184.3)	(110.4)	(184.3)	(60.3)	(116.9)	(60.3)	(116.9)
Total Group			865.9	189.9	9,725.5	10,113.9					54.3	(78.7)	465.8	(567.0)	337.6	(707.9)	333.5	(714.8)

1 AASB 1005 'Segment Reporting' does not permit certain items of revenue and expenses to be attributed to particular segments for the purposes of determining segment revenues and segment results. These include corporate expenses, interest and dividend revenue, proceeds on the sale of investments (unless the segment's operations are primarily of a financial nature) and income tax expenses.

2 Segment revenues, expenses and results include inter segment transfers between business segment of A\$mnil (June 2003 A\$0.8 million). Inter segment transfers are priced on an arm's length basis.

3 Segment results include amortisation, A\$48.4 million, representing amortisation adjusted for foreign exchange hedge allocation, has been reclassified in 'Other Unallocated Revenues and Expenses' to enable reconciliation to the MD&A results.

4 Presentation and classification is consistent with MD&A.

5 Represents the Group net profit/(loss) before Outside Equity Interest.

6 REI – Equity includes discontinuing operations' segment revenue of A\$109.7 million (June 2003 A\$295.8 million), segment profit before tax of A\$9.6 million (June 2003 loss of A\$830.7 million), and segment profit after tax of A\$12.9 million (June 2003 loss of A\$682.1 million) (refer to Note 36 Discontinuing Operations). Other unallocated revenue in June 2004 includes proceeds on sale of investments, assets and operations of A\$178.2 million.

7 REI – Debt includes discontinuing operations' segment revenue of A\$24.8 million (June 2003 A\$313.6 million), segment profit before tax of A\$8.8 million (June 2003 loss of A\$218.6 million), and segment loss after tax of A\$2.7 million (June 2003 loss of A\$250.5 million) (refer to Note 36 Discontinuing Operations). Other unallocated revenue in June 2004 represents proceeds on sale of investments, assets and operations.

8 The June 2003 results have been restated to reflect the change in the basis of cost allocations within business segments.

Notes to the Consolidated Financial Statements continued

2. Segment Reporting continued

Business Segment Summary continued

	Non Cash Expenses other than Depreciation & Amortisation ¹				Segment Assets ²		Equity Accounted Investments		Unallocated Corporate Assets ³		Total Group Assets ⁴		Acquisition of Non Current Assets ⁵		Segment Liabilities ⁶		Unallocated Corporate Liabilities ⁷		Total Group Liabilities	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
Project & Construction Management	48.9	61.4	55.0	26.9	2,908.9	2,871.6	4.1	1.5	49.7	47.4	2,982.7	2,920.5	46.9	13.3	2,183.9	2,218.9	20.5	18.1	2,204.4	2,237.0
Integrated Property Development	7.9	7.7	10.9	26.7	1,239.1	720.3	96.7	95.6	12.8	5.7	1,348.6	821.6	7.0	1.8	670.9	308.7	34.2	4.5	705.1	313.2
Real Estate Investments																				
REI – Equity ⁶	3.1	35.0	218.4	713.8	1,820.7	2,096.9	7.0	8.2	109.1	90.8	1,736.8	2,195.9	32.3	39.8	151.2	449.9	50.4	71.1	201.6	521.0
REI – Debt ⁷	3.2	21.5	85.4	232.7	71.0	757.1	4.9	13.2	5.2	21.5	81.1	791.8	0.4	13.0	17.0	215.0	7.9	8.1	24.9	223.1
Total Real Estate Investments	6.3	56.5	303.8	946.5	1,891.7	2,854.0	11.9	21.4	114.3	112.3	1,817.9	2,987.7	32.7	52.8	168.2	664.9	58.3	79.2	226.5	744.1
Total Core Real Estate	63.1	125.6	369.7	1,000.1	5,839.7	6,445.9	112.7	118.5	176.8	165.4	6,129.2	6,729.8	86.6	67.9	3,023.0	3,192.5	113.0	101.8	3,136.0	3,294.3
Non-Core Businesses/ One Off Items																				
IT&T (BMGSA)			45.8		80.0	59.7					60.0	59.7			0.7	0.2			0.7	0.2
Capital Services			(12.7)	13.1	2.1	20.2					2.1	20.2				4.8				4.8
Total Non-Core Businesses/ One Off Items	-	-	33.1	13.1	82.1	79.9	-	-	-	-	82.1	79.9	-	-	0.7	5.0	-	-	0.7	5.0
Total Segment	63.1	125.6	402.8	1,013.2	5,921.8	6,525.8	112.7	118.5					86.6	67.9	3,023.7	3,197.5				
Unallocated Corporate									919.4	599.2	919.4	599.2					1,158.1	1,102.0	1,158.1	1,102.0
Total Group									1,096.2	764.6	7,130.7	7,408.9					1,271.1	1,203.8	4,294.8	4,401.3

1 Represents segment amortisation and depreciation.

2 Non cash expense represents those non cash items included in the reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities (refer to Note 29 Notes to the Statements of Cash Flows).

3 AASB 1005 'Segment Reporting' does not permit certain assets and liabilities to be attributed to particular segments for the purposes of determining segment assets and segment liabilities. These include income tax assets and liabilities and borrowings and liabilities related to assets that are the subject of finance lease liabilities.

4 Presentation and classification is consistent with MD&A.

5 The acquisition of segment assets that are expected to be used during more than one year. These assets represent capital expenditure and include assets acquired under finance leases but exclude investments.

6 REI – Equity includes discontinuing operations' segment assets of A\$347.9 million (June 2003 A\$802.4 million) and segment liabilities of A\$123.0 million (2003 A\$152.8 million) (refer to Note 36 Discontinuing Operations).

7 REI – Debt includes discontinuing operations' segment assets of A\$71.0 million (June 2003 A\$736.2 million) and segment liabilities of A\$17.0 million (June 2003 A\$215.0 million) (refer to Note 36 Discontinuing Operations).

Notes to the Consolidated Financial Statements continued

2. Segment Reporting continued

Geographical Segment Summary

	Segment Revenue		Group Operating Revenue		Group Profit/(Loss) Before Tax		Group Operating Profit/(Loss) After Tax		Segment Assets		Acquisition of Non Current Assets	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
Australia and Pacific ¹	1,797.8	1,365.7	1,960.7	1,413.2	272.3	143.9	199.7	100.1	1,512.8	972.2	37.4	3.6
Americas ²	4,513.2	5,878.8	5,043.0	5,895.2	170.3	(615.1)	99.8	(751.3)	1,927.8	3,189.0	40.3	58.3
Asia ³	391.4	360.0	398.1	360.9	28.6	(13.2)	14.4	(26.9)	297.6	319.0	2.8	1.7
Europe ⁴	2,157.2	2,319.5	2,178.4	2,377.2	105.0	101.7	79.9	80.2	2,183.6	2,045.6	6.1	4.3
Total Segment	8,859.6	9,924.0							5,921.8	6,525.8	86.6	67.9
Unallocated Corporate			128.3	67.4	(110.4)	(184.3)	(60.3)	(116.9)				
Total Group			9,725.5	10,113.9	465.8	(567.0)	333.5	(714.8)				

- 1 Includes discontinuing operations' segment revenue of A\$1.0 million (June 2003 A\$3.9 million); segment profit before tax of A\$0.2 million (June 2003 profit of A\$1.2 million) and segment profit after tax of A\$0.2 million (June 2003 profit of A\$0.8 million) (refer to Note 36 Discontinuing Operations).
- 2 Includes discontinuing operations' segment revenue of A\$109.5 million (June 2003 A\$554.7 million); segment profit before tax of A\$33.9 million (June 2003 loss of A\$785.2 million) and segment profit after tax of A\$19.9 million (June 2003 loss of A\$868.2 million) (refer to Note 36 Discontinuing Operations).
- 3 Includes discontinuing operations' segment revenue of A\$9.1 million (June 2003 A\$19.2 million); segment loss before tax of A\$15.1 million (June 2003 loss of A\$39.3 million) and segment loss after of A\$15.6 million (June 2003 loss of A\$42.2 million) (refer to Note 36 Discontinuing Operations).
- 4 Includes discontinuing operations' segment revenue of A\$14.9 million (June 2003 A\$31.6 million); segment loss before tax of A\$0.6 million (June 2003 loss of A\$26.0 million) and segment profit after tax of A\$5.7 million (June 2003 loss of A\$23.0 million) (refer to Note 36 Discontinuing Operations).

Notes to the Consolidated Financial Statements continued

2. Segment Reporting continued

Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Project and Construction Management

Real estate project management; design services; construction management; and engineering.

Integrated Property Development

All aspects of property development from concept through to design, planning, construction, financing and leasing to eventual sale. In addition, this business segment is responsible for the creation and management of Public Private Partnerships (PPPs) including Private Finance Initiatives (PFIs) and Build Operate Transfer (BOT) projects.

Real Estate Investments

Real Estate Investments includes the following business activities:

Real Estate Investments – Equity

Management of real estate investment funds on behalf of clients, co-investment in funds, portfolio management, the leasing, management and redevelopment of shopping centres and acting as financial advisor and arranger of project finance and related services.

Includes discontinued operations (refer to Note 36 Discontinued Operations).

Real Estate Investments – Debt

Management of real estate associated debt comprising: co-investment real estate assets, origination and servicing of commercial mortgages and mezzanine loans, resolution of sub performing and non performing commercial mortgages.

These are now discontinuing operations (refer to Note 36 Discontinuing Operations).

IT+T (IBMGS)

Investment in IBM Global Services Australia Limited.

Capital Services

The principal activities of Capital Services are as investor in infrastructure assets and asset fund managers, and investor in UK real estate development companies. This business is focused on maximising the value of its existing investments and is not pursuing any new investments.

Unallocated Business Segments

Corporate

Group treasury, amortisation and corporate administration services. All financing costs that are not directly related to real estate development projects or investments are reported in unallocated corporate.

Geographical Segments

The Group's businesses operate on a global basis. Segment revenue is based on the geographical location of customers; and segment assets are based on the geographical location of the assets. The Group's business segments operate geographically as follows:

Australia and Pacific

Real estate project management; design services; construction management and engineering; property development; real estate equity investment management, investor in infrastructure assets and asset fund managers; investments in technology and telecommunications services companies and holder of investments in strategic companies.

Americas

Real estate project management; design services; construction management and engineering; property development; and real estate equity and debt investment management.

Asia

Real estate project management; design services; construction and engineering; property development; real estate equity and debt investment management.

Europe

Real estate project management; construction management and engineering; property development; real estate equity investment management; investor in infrastructure assets and asset fund managers.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
3. Revenue				
Total comprising:				
a. Revenue from the Sale of Development Properties ¹	349.6	229.6	-	-
b. Revenue from the Provision of Services				
Real Estate Solutions				
Project and construction management ²	7,677.1	8,454.0		
Integrated property development	366.1	377.2		
	8,045.2	8,831.2	-	-
Real Estate Investments				
Property and funds management	245.5	741.2		
Other	2.0	4.1	6.0	25.3
Total revenue from the provision of services	8,292.7	9,576.5	6.0	25.3
c. Other Revenue from Ordinary Operating Activities				
Dividends Received				
Controlled entities			386.7	
Other related parties	1.4	5.9		5.8
Other corporations ³	62.0	7.1	60.7	6.2
	63.4	13.0	447.4	12.0
Interest Received				
Controlled entities			91.1	136.1
Other related parties	0.1	2.1	0.2	1.1
Other corporations	65.3	37.9	4.5	5.5
	65.4	40.0	95.8	142.7
Proceeds on Sale of Investments				
REI Investments (including controlled entities) ⁴	252.1	15.4		
IBM Global Services Australia Limited	157.3		157.3	
Fox Studios Showground	24.3			
Lend Lease Retail Partnership	15.7			
Thai Market Project (TAECC)	4.1			
TresAgua		43.7		
North Lakes (Urban Community)		42.5		
Chelverton Group Limited		10.3		
Lend Lease Chelverton International		3.7		
Other	1.4	2.9		
	454.9	118.5	157.3	-
Share of Partnerships' Result				
King of Prussia	20.8	24.0		
Lend Lease Overgate Partnership	5.4	6.3		
Lend Lease Retail Partnership	2.8	3.5		
YCP II		(9.3)		
	29.0	24.5	-	-
Other Revenue				
Proceeds from sale of REI businesses ⁴	295.8			
Rental income	54.9	53.8		
Guarantee fees		1.3	26.6	30.3
Distributions received		4.7		
Other	119.8	52.0	29.1	38.8
	470.5	111.8	55.7	69.1
Total other revenue from ordinary operating activities	1,083.2	307.8	756.2	223.8
Total revenue from ordinary activities	9,725.5	10,113.9	762.2	249.1

1 Relates primarily to Urban Communities projects.

2 June 2004 includes decrease in revenue of A\$1,104.5 million due to foreign currency translation movement as a result of the strengthening Australian dollar during the year.

3 Includes A\$53.7 million received from Lend Lease Employee Investment Trust (EIT) and Retirement Benefit Fund (RBF).

4 Total proceeds from sale of REI businesses of A\$547.9 million is represented by the sale of controlled entities (A\$232.4 million), investments (A\$19.7 million) plus the sale of various REI net assets and operations of underlying businesses (A\$295.8 million).

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
4. Ordinary (Profit)/Loss Items				
(Profit)/loss from ordinary activities before income tax has been determined after:				
Depreciation and amortisation				
Depreciation of IT systems (REI business)		8.9		
Depreciation of property, plant and equipment	19.6	39.4	0.8	3.7
Less: Capitalised depreciation	(1.1)	(0.1)		
Amortisation of leased plant and equipment	0.9	1.3		
Amortisation of goodwill	40.1	58.8		
Amortisation of management agreements	2.2	15.4		
Amortisation of other intangibles	2.4	8.6		
Total depreciation and amortisation	64.1	132.3	0.8	3.7
Borrowing costs				
Non interest borrowing costs	0.4	6.2	-	-
Interest borrowing costs				
Controlled entities			23.1	33.8
Related entities		0.3		
Other corporations ¹	52.3	59.9		
Less: Capitalised interest borrowing costs	(6.4)			
Net interest borrowing costs	45.9	60.2	23.1	33.8
Total borrowing costs	46.3	66.4	23.1	33.8
(Profit) on sale of investments				
IBM Global Services Australia Limited	(111.5)		(111.5)	
Fox Studios Showground	(19.3)			
Lend Lease Retail Partnership	(3.9)			
Tres Aguas		(18.7)		
North Lakes (Urban Community)		(16.0)		
Other	(3.2)	(1.7)		
Total (profit) on sale of investments	(137.9)	(36.4)	(111.5)	-
(Profit) on sale of REI businesses ²	(2.7)	-	-	-
Net provisions raised/(written back)				
Diminution in value of property inventories	2.9	20.9		
Diminution in value of equity accounted investments	1.1			
Diminution in value of other investments	(7.9)	29.2	91.1	9.3
Employee benefits	18.2	16.7		
Construction risks	39.7	1.0		
REI restructuring and REI employee terminations ²	(18.2)			
Employee termination provisions – Group restructure	5.2	21.0		
Other provisions	(4.9)	30.7	30.7	66.9
Net provisions raised/(written back)	34.1	119.5	121.8	76.2
Bad and doubtful debts expense net of provisions (written back)/raised	(6.1)	3.2	22.6	1.3
Net foreign exchange gain ³	(32.9)	(31.1)	(6.5)	(35.1)
Loss/(gain) on sale of property, plant and equipment	1.2	1.8	(0.1)	-
Operating lease rental expense	25.4	71.0	-	-
Finance lease expense	0.7	0.8	-	-

1 Primarily relates to guaranteed note interest.

2 The net impact during the financial year of exiting the REI businesses was A\$7.2 million loss before tax (A\$2.3 million loss after tax). This comprises of the profit on sale of REI businesses A\$2.7 million before tax (A\$7.6 million profit after tax), write-back of REI restructure provision A\$18.2 million before and after tax plus other exit costs of A\$28.1 million before and after tax.

3 Includes A\$23.9 million gains (June 2003 A\$2.4 million loss) in relation to foreign exchange contract hedges on foreign denominated revenues in excess of expenses.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
4. Ordinary (Profit)/Loss Items continued				
Individually significant items included in (profit)/loss from ordinary activities before income tax expense:				
Write-down of REI businesses				
Goodwill		252.0		
Management agreements		350.8		
IT systems		41.2		
Property, plant and equipment		14.5		
Restructuring provision		152.0		
Employee termination provisions – REI restructure		24.9		
Other assets and expenses		46.6		247.0
	-	882.0	-	247.0
Profit from sale of IBMGSA¹	(111.5)	-	(111.5)	-
Significant employee benefit transactions:				
Distribution received from EIT	(53.7)		(53.7)	
Increased contribution to the Lend Lease Employee Share Acquisition Plan (ESAP) and other employee benefits	53.7		53.7	
	-	-	-	-

1 Sale of IBMGSA profit after tax A\$79.7 million. The tax on the capital gain has been offset by the capital loss benefit arising from Australian tax consolidations and recovery of capital tax losses not previously recognised (refer to Note 5a Income Tax Expense).

	Consolidated		Company	
	June 2004 A\$000s	June 2003 A\$000s	June 2004 A\$000s	June 2003 A\$000s
Auditors' Remuneration				
Amounts received or due and receivable by the auditors of Lend Lease Corporation for:				
Auditing and review of financial reports	5,522	6,587	805	739
Other services				
Tax services	3,148	3,648	497	342
International assignees tax services	2,532	3,582		
Accounting advice and verification to support contractual claim		1,579		
Accounting advice	714	650		
Acquisition due diligence	1,045	123	1,000	
Other services	605	341	402	289
Total other services	8,044	9,923	1,899	631

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
5. Taxation				
a. Income Tax Expense				
Profit/(loss) before tax from ordinary activities	465.8	(567.0)	469.1	(146.7)
Prima facie income tax expense/(benefit) at 30% of profit/(loss) from ordinary activities	139.7	(170.1)	140.7	(44.0)
Tax effect of permanent differences:				
Rebateable dividends	(1.0)	(4.8)	(115.9)	(3.3)
Non assessable income	(2.3)	(4.3)		(0.4)
Non deductible losses	2.0			
Equity accounted profits	(3.1)	(4.1)		
Amortisation expense	12.4	9.5		
Non allowable expenses	17.7	4.2	2.9	
Non (assessable)/deductible provisions	(1.4)	(5.9)	45.5	77.7
Write-off of tax losses		6.9		
Variation in overseas tax rates	8.2	(1.7)		
Income tax expense relating to wholly owned Australian subsidiaries			(1.7)	21.6
Recovery of income tax expense from wholly owned Australian subsidiaries			1.7	(21.6)
Other	(2.5)	(3.3)	(2.2)	
	30.0	(3.5)	(69.7)	74.0
Income tax expense/(benefit) for current financial period before individually significant permanent differences	169.7	(173.6)	71.0	30.0
Individually significant permanent differences:				
Capital loss benefit arising from Australian tax consolidations ¹	(18.7)			
Recovery of capital tax losses not previously recognised ¹	(15.4)			
Non recognition of future income tax benefits relating to write-down of REI businesses		364.0		
Variation in overseas tax rates in relation to REI write-down		(99.4)		
Write-off of future income tax benefits previously recognised in prior years in relation to write-down of REI businesses		63.0		
	135.6	154.0	71.0	30.0
Income tax over provided in previous financial periods	(7.4)	(13.1)	(4.8)	(0.5)
Total income tax expense	128.2	140.9	66.2	29.5
1 Capital tax losses of A\$31.7 million have been applied against the capital gain on sale of IBMGSA.				
b. Current Tax Liabilities				
Movements during the financial year were as follows:				
Balance at beginning of the financial year	59.7	10.8	67.9	33.6
Income tax paid	(46.0)	(50.3)	(11.7)	(19.4)
Addition through acquisition of controlled entities		3.3		
Tax losses transferred in				(29.3)
Prior financial period (over)/under provision	(5.8)	13.0	(4.2)	(0.3)
Balance transferred to the Company from wholly owned Australian subsidiaries upon implementation of tax consolidation			(28.3)	58.1
Foreign exchange difference	(2.5)			
Current financial period income tax expense on profit/(loss) from ordinary activities after adjusting for timing differences	93.0	82.9	66.2	25.2
	98.4	59.7	89.9	67.9
c. Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated liability at the applicable income tax rates on the following items:				
Development expenditure deductible prior to recognition of project profits	54.0	29.0		
Deferred partnership income	37.6	37.6		
Unrealised foreign exchange movements	0.9	41.8		
Deferred income tax transferred to the Company from wholly owned Australian subsidiaries in the Australian Tax Consolidated Group upon implementation of tax consolidation			77.6	121.0
Other	60.6	32.6	1.1	6.7
	153.1	141.0	78.7	127.7

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
5. Taxation continued				
d. Future Income Tax Benefit				
Future income tax benefit comprises the estimated future benefit at the applicable income tax rates on the following items:				
Provisions and accruals not currently deductible	135.7	182.4	23.9	19.8
Unrealised accounting profit on construction projects	3.8	3.5		
Tax losses carried forward	27.7	26.7	1.8	
Deferred interest costs	72.0	45.5		
Unrealised foreign exchange movements	10.4	36.5	0.6	13.7
Future income tax transferred to the Company from wholly owned Australian subsidiaries in the Australian Tax Consolidated Group upon implementation of tax consolidation			64.1	159.5
Other	5.5	1.0		
	255.1	295.6	90.4	193.0
Future Income Tax Benefit Not Taken to Account				
Future income tax benefit arising from tax losses and deferred interest not recognised at reporting date as realisation of the benefit is not regarded as virtually certain:				
Tax losses carried forward				
Arising from Australian Tax Consolidations	47.0			
Relating to REI US operations	214.7	273.9		
Other	16.8	20.4		
	278.5	294.3	-	-

Notes to the Consolidated Financial Statements continued

	Cents per share	Franked/ Unfranked	Company June 2004 A\$m	June 2003 A\$m
6. Dividends and Earnings Per Share				
Dividends				
Interim Dividend				
December 2003 – paid 17 March 2004	18	Unfranked	73.7	
December 2002 – paid 19 March 2003	10	Fully franked		43.5
Final Dividend				
June 2004 – declared subsequent to reporting date and not recognised as a provision (payable 15 September 2004)	26	Unfranked	103.5	
June 2003 – paid 18 September 2003	20	Unfranked		85.9
			177.2	129.4

Dividend Franking

As per the announcement of 19 February 2004, Lend Lease is continuing with the revised dividend policy of only paying unfranked dividends. The final dividend of 26 cents per share declared since 30 June 2004 will be unfranked. The interim dividend paid on 17 March 2004 (18 cents per share) was an unfranked dividend.

The dividend franking account balance at 30 June 2004 is A\$45.0 million (30 June 2003 A\$nil). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the accounts, tax losses utilised in the current period and expected franking debits arising from refunds of tax in dispute (refer to Note 16 Other Assets).

The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies. Lend Lease has notified the Australian Taxation Office that it has adopted the Australian Tax Consolidation Regime, effective 1 July 2002.

	Consolidated June 2004 Number m	June 2003 Number m
Earnings Per Share (EPS)		
Weighted average shares and share equivalents	413.7	438.3

	Cents	Cents
Earnings per share		
Basic	80.6	(163.1)
Diluted	80.6	(163.1)

	Consolidated 12 Months June 2004 A\$m	12 Months June 2003 A\$m
Reconciliation of Alternative Earnings		
Net profit/(loss) after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS	333.5	(714.8)
<i>Exclude after tax impact of:</i>		
Gain on sale of IBMGSA	(79.7)	
Gain on disposal of REI businesses	(7.8)	
REI restructure and employee termination provisions written-back	(18.2)	
REI exit costs	28.1	
Capital loss tax benefits arising from Australian tax consolidations	(18.7)	
Write-down of REI businesses		945.0
Earnings used in calculating alternative basic and diluted EPS¹	237.4	230.2

	Cents	Cents
Alternative earnings per share		
Basic	57.4	52.5
Diluted	57.4	52.5

¹ June 2004 alternative earnings include capital loss tax benefits of A\$13.0 million recouped against the capital gain on sale of IBMGSA.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
7. Cash and Cash Equivalents				
Cash	278.4	268.5	6.4	
Short term investments	1,103.7	598.7		
	1,380.1	867.2	6.4	-
Short term investments earn variable rates of interest which averaged 5.2% per annum during the year to 30 June 2004 (30 June 2003 4.8%).				
Cash is managed through a Board approved credit policy. Throughout the period, cash was mostly invested in financial instruments (such as commercial paper and bank bills) issued by financial intermediaries and corporates with an acceptable investment grade credit rating.				
Financial instruments with a maturity of less than three months are classified above in Cash and Cash Equivalents. Those with maturity greater than three months (A\$9.0 million) are classified as Other Investments (refer to Note 11). These financial instruments have an average maturity of 15 months.				
8. Receivables				
Current				
Trade debtors	1,278.4	1,520.5		2.0
Less: Provision for doubtful debts	(34.2)	(42.9)		
	1,244.2	1,477.6	-	2.0
Related party receivables				
Controlled entities			2,078.1	2,121.8
Managed property trusts	43.4	44.1		
Associate entities	71.2	113.0		54.7
Less: Provision for doubtful debts		(22.4)		(22.4)
Other receivables	214.3	245.9	85.3	
	1,573.1	1,858.2	2,163.4	2,156.1
Non Current				
Loans made to Directors of controlled entities of Lend Lease Corporation		0.3		
Other loans to employees	1.8	2.6		
Related party receivables				
Controlled entities			524.2	654.1
Associate entities	97.0	92.2		
Less: Provision for doubtful debts	(21.7)	(21.3)		
Other receivables	18.1	2.9		
	95.2	76.7	524.2	654.1
Total receivables	1,668.3	1,934.9	2,687.6	2,810.2

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
9. Inventories				
Current				
Property held for sale at cost	97.7	67.8		
Less: Provision for diminution in value	(1.2)	(1.8)		
	96.5	66.0	-	-
Construction work in progress	283.6	245.0		
	380.1	311.0	-	-
Non Current				
Property held for sale at cost	1,337.9	900.5		
Less: Provision for diminution in value	(21.9)	(29.5)		
	1,316.0	871.0	-	-
Total inventories	1,696.1	1,182.0	-	-
Property Held for Sale				
Total cost of property held for sale includes:				
Cost of acquisition	399.9	195.0		
Development expenses	446.2	315.9		
Construction expenses	561.4	436.9		
Rates and taxes capitalised	0.9	1.1		
Borrowing costs capitalised	27.2	19.4		
Total cost	1,435.6	968.3	-	-
Less: Provision for diminution in value	(23.1)	(31.3)		
Net book value	1,412.5	937.0	-	-
Net Book value comprises:				
Income producing	581.6	564.9		
Non income producing	830.9	372.1		
	1,412.5	937.0	-	-
Total property held for sale is comprised of:				
Bluewater, Kent	581.6	564.9		
Urban Communities, Australia	319.5	131.2		
Chapelfield, Norwich	316.4	163.1		
Twin Waters Resort, Sunshine Coast	42.1			
Hyatt Coolum Resort, Sunshine Coast	37.0			
Piers Project, San Francisco	27.4	11.7		
Darling Park III, Sydney		26.8		
Greenwich Peninsula, London	20.2	13.8		
Victoria Harbour, Melbourne	19.6	17.9		
Aged Care Development Projects, Australia	19.3			
Shell Centre, London	17.0	16.5		
Bluewater Valley, Kent	13.3	13.0		
St Patricks, Sydney	9.2	4.4		
Other	13.0	5.0		
	1,435.6	968.3	-	-
Less: Provision for diminution in value	(23.1)	(31.3)		
	1,412.5	937.0	-	-

Notes to the Consolidated Financial Statements continued

	Note	Consolidated		Company	
		June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
9. Inventories continued					
Current					
Construction Work in Progress is comprised of:					
Contract costs incurred to date		38,655.7	35,880.3		
Profit recognised to date		2,148.8	1,892.7		
		40,804.5	37,773.0	-	-
<i>Less: Progress billings received and receivable on completed contracts</i>		(41,258.4)	(38,125.4)		
Net construction work in progress		(453.9)	(352.4)	-	-
Amounts due from customers – inventories ¹		283.6	245.0		
Amounts due to customers – trade creditors ²	17	(737.5)	(597.4)		
		(453.9)	(352.4)	-	-
Advances on construction projects in progress included in trade creditors		553.4	154.2	-	-
Retentions on construction projects included in progress billings		253.8	298.2	-	-

1 Relates to Bovis Lend Lease and represents costs incurred on projects in excess of that billed to clients.

2 Relates to Bovis Lend Lease and represents billings raised to clients in excess of costs and profits recognised on these projects.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated June 2004 A\$m	Consolidated June 2003 A\$m	Company June 2004 A\$m	Company June 2003 A\$m
10. Equity Accounted Investments					
Non Current					
Associates					
Investment in Associates		22.0	52.7		
Less: Provision for diminution in value		(0.5)	(0.5)		
	10a	21.5	52.2	-	-
Joint Ventures					
Investment in Joint Venture Entities		93.7	66.3		
Less: Provision for diminution in value		(2.5)			
	10b	91.2	66.3	-	-
Total equity accounted investments		112.7	118.5	-	-

	Balance Date	Interest June 2004 %	Interest June 2003 %	Consolidated Share of Profit/(Loss) After Tax ¹ June 2004 A\$m	Consolidated Share of Profit/(Loss) After Tax ¹ June 2003 A\$m	Consolidated Net Book Value June 2004 A\$m	Consolidated Net Book Value June 2003 A\$m
a. Associates							
Integrated Property Development							
Catalyst Healthcare (Worcester)	31 Mar	50.0%	50.0%	3.2	4.4	5.2	3.8
Exchequer Partnership	31 Mar	50.0%	42.5%	1.6	1.5	4.5	1.9
Retirement by Design ²	30 Jun		50.0%	1.0	2.3		23.6
Wattle Grove Development	30 Jun	50.0%	50.0%		(4.5)		
TresAgua (Paseo Commercial Carlos III), Madrid ³	31 Dec			0.2	(0.6)	0.8	2.1
Other ⁴				0.2	0.1		
				6.0	3.2	10.5	31.4
Real Estate Investments – Equity							
DPT Operator	30 Jun	50.0%	50.0%	0.2	1.2	5.6	5.4
Other ⁴				0.4	1.2	1.4	2.7
				0.6	2.4	7.0	8.1
Real Estate Investments – Debt							
LLM Inversiones I S.A. de C.V.	30 Jun	32.3%	32.3%	0.6	3.3	4.5	6.4
LLM Inversiones II S.A. de C.V. ⁴	30 Jun		50.0%		0.1		3.8
Lend Lease Hyperion Capital Advisors ⁵	31 Dec		50.0%		3.3		1.4
Lend Lease Mexico ⁴	30 Jun		50.0%		7.4		1.6
				0.6	14.1	4.5	13.2
Less: Provision for diminution in value						(0.5)	(0.5)
				7.2	19.7	21.5	52.2

1 Reflects the contribution to profit after tax from ordinary activities of equity accounted profits and losses only. Does not include any provision raised against the investment in the associates or other income such as guarantee fees etc.

2 Lend Lease's interest was increased to 100% during the year. This investment is now classified as a subsidiary and has been consolidated at June 2004.

3 Sold during the year ended June 2003.

4 Sold during the year as part of the sale of REI businesses.

5 Other relates to associates whose size and impact on the results for the year are not significant individually or in aggregate and therefore no further disclosures have been made.

Notes to the Consolidated Financial Statements continued

	Consolidated June 2004 A\$m	June 2003 A\$m
10. Equity Accounted Investments continued		
a. Associates continued		
Results of Associates		
Share of associates' ordinary profit before income tax	6.8	21.8
Share of associates' income tax benefit attributable to ordinary profit	0.4	0.8
Share of associates' net profit – as disclosed by associates	7.2	22.6
Adjustment arising from equity accounting		
Amortisation of fair value adjustments		(3.3)
Other		0.4
Share of associates' net profit – equity account	7.2	19.7
Share of Post Acquisition Retained Profits and Reserves Attributable to Associates		
Retained Profits		
Share of associates' retained profits at beginning of the financial year	(11.9)	(1.8)
Share of associates' net profit	7.2	19.7
Dividends received from associates	(8.7)	(21.1)
Disposal of associates	9.6	(7.6)
Effect of exchange rate movements	(0.1)	(1.1)
Share of associates' retained profits at end of the financial year	(3.9)	(11.9)
Movements in Carrying Amounts of Investments		
Carrying amount of investments in associates at beginning of the financial year	52.2	83.1
Investment in associates acquired during the financial year	1.3	5.7
Share of associates' net profit	7.2	19.7
Dividends received from associates	(8.7)	(21.1)
Other non profit distributions from associates		(1.1)
Disposal of associates	(5.2)	(35.1)
Other adjustments ¹	(25.3)	1.0
Carrying amount of investments in associates at end of the financial year	21.5	52.2
Commitments		
Share of associates' capital expenditure and lease commitments contracted but not provided for and payable		
Due within 1 year	214.3	173.5
Due between 1 and 5 years	117.5	12.9
	331.8	186.4
Summary of Financial Position of Associates		
Current assets	308.7	474.8
Non current assets	808.5	211.8
Total assets	1,115.2	686.6
Current liabilities	52.6	39.9
Non current liabilities	1,041.2	590.3
Total liabilities	1,093.8	630.2
Net assets – as reported by associates	21.4	56.4
Other adjustments		
Goodwill (net of amortisation)	0.6	(3.7)
Provision for diminution in value	(0.5)	(0.5)
Net assets – equity adjusted	21.5	52.2

1 Primarily relates to Retirement by Design which is now treated as a subsidiary due to Lend Lease's increased ownership interest during the financial year.

Notes to the Consolidated Financial Statements continued

		Interest		Consolidated Share of Profit/(Loss) After Tax		Consolidated Net Book Value	
	Balance Date	June 2004 %	June 2003 %	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
10. Equity Accounted Investments continued							
b. Joint Venture Entities							
Project and Construction Management							
Jacobs Lend Lease, Ireland	30 Sep	50.0%	50.0%	3.1	2.8	1.5	0.9
Jacobs Lend Lease, Asia	30 Jun	50.0%	50.0%	3.0	0.2	2.5	0.6
Other ¹				0.6	0.9	0.7	0.6
				6.7	3.9	4.7	2.1
Integrated Property Development							
Fox Studios Retail and Entertainment Precinct	30 Jun	50.0%	50.0%		1.3		5.0
Mawson Lakes Economic Development Project	31 Dec	50.0%	50.0%	4.9	4.1	16.3	10.0
Forest Gardens Residential Land Development	30 Jun	50.0%	50.0%	1.1	(1.3)	8.0	6.7
Pymont Trust	30 Jun	50.0%	50.0%	6.5	6.3	13.3	13.3
Mirvac Lend Lease Village Consortium (Newington Precincts 1 & 3)	30 Jun	50.0%	50.0%	10.8	4.6	23.4	12.6
Caroline Springs Joint Venture	30 Jun	50.0%	50.0%	11.5	4.8	24.5	16.6
Burwood Terraces	30 Jun	50.0%				3.5	
				34.8	19.8	89.0	64.2
Less: Provision for diminution in value						(2.5)	
Total				41.5	23.7	91.2	66.3

1 Other relates to joint ventures whose size and impact on the results for the year are not significant individually or in aggregate and therefore no further disclosures have been made.

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
Lend Lease's Share of the Results of Joint Venture Entities		
Revenue	480.8	499.7
Expenses	(438.0)	(475.4)
Profit before tax	42.8	24.3
Income tax expense	(1.3)	(0.6)
Net profit after tax	41.5	23.7
Statement of Financial Position		
Lend Lease's share of the assets and liabilities of joint venture entities consists of:		
Current assets	203.3	126.0
Non current assets	91.6	94.4
Total assets	294.9	220.4
Current liabilities	86.7	78.7
Non current liabilities	121.2	82.8
Total liabilities	207.9	161.5
Net assets - as reported by joint venture entities	87.0	58.9
Other adjustments		
Fair value adjustments on acquisition	8.7	7.4
Provision for diminution in value	(2.5)	
Share of net assets - equity adjusted	91.2	66.3

Notes to the Consolidated Financial Statements continued

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
10. Equity Accounted Investments continued		
b. Joint Venture Entities continued		
Share of Post Acquisition Retained Profits Attributable to Joint Venture Entities		
Share of joint venture entities' retained losses at beginning of the financial year	(35.9)	(43.4)
Increase through entity acquired during the financial year	0.1	
Share of joint venture entities' net profit	41.5	23.7
Drawings from the joint venture entities	(14.3)	(19.0)
Disposal of joint ventures entities	(1.3)	3.1
Other ¹	10.4	(0.3)
Share of joint venture entities' retained losses at end of the financial year	0.5	(35.9)
Movements in Carrying Amount of Joint Venture Entities		
Carrying amount at the beginning of the financial year	66.3	83.0
Increase through entity acquired during the financial year	3.6	
Contributions to the joint venture entities	0.3	3.9
Share of joint venture entities' net profit	41.5	23.7
Drawings from the joint venture entities	(14.3)	(19.0)
Other adjustments to carrying value (including provisions raised)	(1.2)	(1.0)
Disposal of joint venture entities	(5.0)	(24.3)
Carrying amount at end of the financial year	91.2	66.3

1 Includes exchange rate movements.

Notes to the Consolidated Financial Statements continued

	Country of Origin	Consolidated June 2004 A\$m	June 2003 A\$m	Company June 2004 A\$m	June 2003 A\$m
11. Other Investments					
Current					
Money market investments	USA	9.0			
Mortgage loans	USA		214.2		
Tax credit properties	USA		162.8		
		9.0	377.0	-	-
Non Current					
Shares in Other Corporations, Interests in Trusts and Partnerships					
King of Prussia Associates	USA	207.4	213.0		
Lend Lease Global Property Fund, SICAF	Luxembourg	142.6	153.9		
Lend Lease Overgate Partnership	UK	114.3	111.8		
Lend Lease Retail Partnership	UK	49.8	60.3		
General Property Trust	Australia	57.1		57.1	
Yarmouth Capital Partners Limited Partnership II	USA	39.2	45.5		
Australian Prime Property Fund (APPF)	Australia	51.8	49.8		
Lend Lease International Distressed Debt Fund	USA	24.1	45.8		
IBM Global Services Australia Limited	Australia		42.8		42.8
Asia Pacific Investment Company II (APIC II)	Singapore	38.7	39.9		
Asia Pacific Investment Company (APIC)	Singapore	35.1	37.8		
Value Enhancement Fund V	USA	48.8	33.4		
Value Enhancement Fund IV	USA	22.4	24.7		
Value Enhancement Fund III	USA	11.3	16.4		
Lend Lease SICAV Real Estate Securities Fund	Luxembourg	20.3	20.6		
Lend Lease US Real Estate Securities Fund	USA	17.3	20.6		
CMBS Bonds	USA	12.4	19.3		
Thai Market project	Thailand		11.8		
Lend Lease Asia Water Trust	Australia		9.3		9.3
Multi-family Co-investment Funds	USA	5.7	7.8		
Real Estate Debt Fund Co-investments	USA	2.9	7.2		
Mezzanine Debt Co-investment	USA		4.0		
Tax Credit Funds Co-investments	USA	3.1	12.1		
Debt Management Fund Co-investment	USA		4.2		
Shares in controlled entities				2,215.3	2,319.9
Other		10.1	22.5		
		914.4	1,014.5	2,272.4	2,372.0
Less: Provision for diminution in value		(25.7)	(61.8)	(653.2)	(571.4)
		888.7	952.7	1,619.2	1,800.6
Total other investments		897.7	1,329.7	1,619.2	1,800.6

Notes to the Consolidated Financial Statements continued

	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
12. Property, Plant and Equipment				
Land at Directors' valuation	12.8	6.8	-	-
Buildings and leasehold improvements at cost	50.9	47.5		
Accumulated depreciation	(16.1)	(19.8)		
	34.8	27.7	-	-
Plant and equipment at cost	166.6	154.9	21.0	20.9
Accumulated depreciation	(112.0)	(120.1)	(20.4)	(19.7)
	54.6	34.8	0.6	1.2
Leased plant and equipment at cost	1.5	12.3		
Accumulated amortisation	(0.9)	(9.0)		
	0.6	3.3	-	-
Total carrying amount	102.8	72.6	0.6	1.2
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold Land				
Carrying amount at beginning of the financial year	6.8	7.8		
Acquisitions through entity acquired	6.0			
Disposal	(0.2)			
Effect of exchange rate movements/other	0.2	(1.0)		
Carrying amount at end of the financial year	12.8	6.8	-	-
Buildings and Leasehold Improvements				
Carrying amount at beginning of the financial year	27.7	26.0		
Additions	15.4	5.3		
Disposals	(1.4)	(0.1)		
REI businesses write-down		(6.5)		
Depreciation	(3.0)	(7.6)		
Disposal of entity	(4.0)	(0.6)		
Effect of exchange rate movements/other	0.1	11.2		
Carrying amount at end of the financial year	34.8	27.7	-	-
Plant and Equipment				
Carrying amount at beginning of the financial year	34.8	91.3	1.2	6.9
Additions	35.1	20.2	0.2	0.3
Disposals	(2.8)	(18.2)		
REI businesses write-down		(8.0)		
Acquisition through entity acquired	2.9	0.5		
Depreciation	(16.6)	(31.8)	(9.8)	(6.0)
Disposal of entity	(0.2)	(1.5)		
Effect of exchange rate movements/other	1.4	(17.7)		
Carrying amount at end of the financial year	54.6	34.8	0.6	1.2
Leased Plant and Equipment				
Carrying amount at beginning of the financial year	3.3	3.6		
Additions		1.6		
Disposals	(0.7)	(0.6)		
Amortisation	(0.9)			
Effect of exchange rate movements/other	(1.1)	(1.3)		
Carrying amount at end of the financial year	0.6	3.3	-	-
Total carrying amount	102.8	72.6	0.6	1.2

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
13. Goodwill				
Goodwill ¹	815.6	842.2		
Accumulated amortisation	(181.3)	(142.2)		
	634.3	700.0	-	-
14. Management Agreements				
Management Agreements ¹	63.5	438.7		
Accumulated amortisation	(6.4)	(5.8)		
	57.1	432.9	-	-
15. Other Intangibles				
Other intangibles ¹	3.5	74.9		
Accumulated amortisation	(0.9)	(17.9)		
	2.6	57.0	-	-
16. Other Assets				
Current				
Prepayments	22.5	48.0		
Deferred bid costs on projects at preferred bidder status	80.1	80.7		
Net marked to market forward foreign exchange contracts		156.0		
Deferred Management Fee Revenue – Retirement by Design	6.0			
Other	4.1	4.4		
	112.7	289.1	-	-
Non Current				
Prepayments	7.6	14.0		
Net marked to market forward foreign exchange contracts	3.5	3.8		
Marked to market cross currency swap ²	47.9	13.1		
Deferred Management Fee Revenue – Retirement by Design	52.4			
Other ³	99.9	98.5		
	211.2	129.4	-	-
	323.9	418.5	-	-

1 The movements mainly represent the disposals as part of the sale of the REI businesses and foreign exchange movements.

2 The marked to market cross currency swap of A\$47.9 million represents the restated foreign exchange assets on the cross currency swap used to hedge the A\$500.0 million medium term note due in July 2005.

3 Includes A\$95.3 million which was paid during the financial year ended 30 June 2003 to the Australian Taxation Office (ATO) in relation to an amended assessment issued to an Australian subsidiary for the year ended 30 June 1996. The amendment relates to the forward sale of Westpac shares pursuant to an issue agreement with County Natwest Securities Australia Limited in relation to 100 million Westpac shares and includes the payment of additional company tax of A\$40.7 million, penalties of A\$20.3 million and interest of A\$34.3 million. The Directors are disputing the assessment which is now at the stage of appeal to the Federal Court. Lend Lease continues to regard its tax treatment of the transaction as proper and remains confident of a successful legal challenge and that the amounts paid under the amended assessment will be recovered.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
17. Creditors				
Current				
Trade creditors	1,608.9	1,730.8	54.1	13.5
Revenue in excess of costs (BIE)	737.6	597.4		
Deposit received in advance ¹	102.6	100.0		
Unearned premium reserve ²	3.0	5.2		
Insurance claim reserve (IBNR) ²	1.5	1.3		
Related party payables				
Controlled entities			994.1	836.5
Other	6.1	10.0		
Other	60.0	18.8	6.7	7.6
	2,519.6	2,463.5	1,054.9	857.6
Non Current				
Insurance claim reserve (IBNR) ²	14.6	14.5		
Related party payables				
Controlled entities			465.0	890.0
Other	23.3			
Other	13.5	10.1		
	51.4	24.6	465.0	890.0
	2,571.0	2,488.1	1,519.9	1,747.6

1 The deposit received in advance, relates to a £40 million (A\$102.6 million) deposit received from Capital Shopping Centres in accordance with the forward sale agreement for Chapelfield, Norwich.

2 Unearned premium and insurance claim reserves (IBNR) relate to Lend Lease's wholly owned special purpose capital insurance subsidiary.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004	June 2003	June 2004	June 2003
	A\$m	A\$m	A\$m	A\$m
18. Borrowings and Financing Arrangements				
a. Borrowings				
Current - Commercial notes	357.1			
Non Current - Commercial notes	504.9	884.6		
Total borrowings	862.0	884.6	-	-
b. Finance Facilities				
Lend Lease operating businesses have access to the following lines of credit:				
Total Facilities Available¹				
Bank overdrafts	13.4	15.3	10.0	10.0
Standby cash advance facilities		150.0		150.0
Bank credit facilities	72.7	1,386.7		
Commercial notes	2,362.0	2,384.6		
	2,448.1	3,936.6	10.0	160.0
Facilities Utilised at Balance Date				
Bank overdrafts				
Standby cash advance facilities				
Bank credit facilities				
Commercial notes	862.0	884.6		
	862.0	884.6	-	-
Facilities Not Utilised at Balance Date				
Bank overdrafts	13.4	15.3	10.0	10.0
Standby cash advance facilities		150.0		150.0
Bank credit facilities	72.7	1,386.7		
Commercial notes	1,500.0	1,500.0		
	1,586.1	3,052.0	10.0	160.0
Total facilities available	2,448.1	3,936.6	10.0	160.0
Bank Credit Facilities				
The amounts drawn from the various facilities at 30 June 2004 were:				
Unsecured Bank Loans				
US\$70.0 million bank facility at LIBOR plus 0.6%, due December 2004 ²				
£5.0 million bank facility at LIBOR plus 0.25%, due May 2005 ³				
Total bank credit facilities	-	-	-	-
Commercial Notes				
MXN 39.8 million convertible notes ⁴	4.9			
A\$500.0 million Lend Lease commercial paper ⁵				
US\$250.0 million Lend Lease 6.75% guaranteed notes, due June 2005 ⁶	357.1	384.6		
A\$1.5 billion Lend Lease guaranteed note ⁷	500.0	500.0		
Total commercial notes	862.0	884.6	-	-
Total borrowings	862.0	884.6	-	-

- Available credit facilities have reduced by A\$1,488.5 million primarily due to the cancellation of A\$603.7 million unsecured bank loans and A\$848.1 million secured bank loans. Lend Lease terminated the unsecured bank loans as they were not required due to the continuation of high cash balances. The secured bank loans utilised by Lend Lease Mortgage Capital were cancelled on completion of the sale of this business in December 2003. The remaining decrease is a result of foreign currency translation movements.
- This bank overdraft and letter of credit facility is used to finance working capital requirements for the US operations. At 30 June 2004, US\$28.1 million (June 2003 US\$71.5 million) of the facility was used for letters of credit. US\$41.9 million (June 2003 US\$73.5 million) is disclosed as available credit facilities.
- This facility is used for short term working capital requirements primarily in the European business.
- During December 2003 Lend Lease Equities issued an Obligation to GMAC Commercial Mortgage (GMACCM) effectively selling the economic benefits of the convertible bond owned by Lend Lease Equities. The note has no recourse to Lend Lease, however, Lend Lease has provided a guarantee to the extent that Lend Lease Equities or its partner takes any action that impairs the underlying cash flow of the convertible bond or fails to remit available net cash flow received by Lend Lease Equities.
- Lend Lease has a A\$500.0 million Australian commercial paper programme. The amount drawn under the facility at 30 June 2004 was A\$Nil (June 2003 A\$Nil), and its availability is subject to market conditions.
- On 30 June 1998 Lend Lease issued s144A US\$250.0 million of bonds with a coupon of 6.75% pa, due to mature on 30 June 2005.
- In 1999, Lend Lease (US) Finance Inc. issued A\$500.0 million in notes due July 2005 with a coupon of 7.5% under its A\$1.5 billion Multi Issuer Debt Program. This issue has been swapped into US\$. The availability of the A\$1.0 billion balance is subject to market conditions.

Notes to the Consolidated Financial Statements continued

18. Borrowings and Financing Arrangements continued

b. Finance Facilities continued

The following schedule profiles the 30 June 2004 borrowings by currency and interest exposure after interest rate swaps and currency swaps have been taken into consideration.

	Interest Exposure ¹			Currency ²		
	Fixed A\$m	Floating A\$m	Total A\$m	US\$ A\$m	MXN A\$m	Total A\$m
Not greater than one year	357.1		357.1	357.1		357.1
Between one and five years	237.0	267.9	504.9	500.0	4.9	504.9
Total	594.1	267.9	862.0	857.1	4.9	862.0

1 Resulting interest rate exposure after interest rate swaps.

2 Resulting borrowings by currency, including currency swaps.

c. Financing Guarantees

Lend Lease is guarantor for bank loan facilities for US\$1.0 million (A\$1.4 million) for Cordia Senior Living in relation to Roseville.

Lend Lease is the guarantor of the progressive repayment of a A\$26.6 million advance by a financier to SARV Pty Ltd, a partner in a property development project being undertaken by Deffin Lend Lease.

Lend Lease is guarantor of A\$7.5 million of a debt facility for the Caroline Springs joint venture.

Lend Lease is guarantor of 50% of a A\$65.0 million bank loan facility for Olympic Village/Newington.

Lend Lease has provided guarantees to the equity investors in two tax credit funds syndicated by the HCl business (sold to Muni Mae 1 July, 2003). Lend Lease has guaranteed the rate of return on US\$65.0 million (A\$92.9 million) of equity invested. At this time, no payments are due or expected under the guarantees. Following the sale of the HCl businesses the purchaser, Muni Mae, has indemnified Lend Lease for these guarantees.

Lend Lease has given A\$857.1 million (June 2003 A\$884.6 million) of guarantees in support of utilised financing facilities included within the on balance sheet borrowings disclosed above, which are held by various controlled entities. These guarantees are issued in respect of entities internal to Lend Lease and do not constitute an additional obligation to that already existing from on balance sheet borrowings.

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
19. Provisions				
Current				
Employee benefits	73.9	79.9	1.1	0.3
Construction risks	119.3	89.7		
REI restructuring	47.9	152.0		
Employee termination provisions				
REI businesses	17.3	24.9		
Other	12.8	19.7		
Other	10.6	32.1	20.4	28.8
Total current	261.8	398.3	21.5	29.1
Non Current				
Employee benefits	25.2	55.8		
Employee termination	2.2			
Other	9.9	53.1		
Total non current	37.3	108.9	-	-
Total provisions	319.1	507.2	21.5	29.1

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
19. Provisions continued				
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:				
Current				
Dividends				
Carrying amounts at beginning of the financial year		39.1		39.1
Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		(39.1)		(39.1)
Provisions made during the year				
Final dividend (year ended June 2002)		39.1		39.1
Interim dividend (year ended June 2003)		43.5		43.5
Payments made during the year		(82.6)		(82.6)
Carrying amount at end of the financial year	-	-	-	-
Construction Risks¹				
Carrying amounts at beginning of the financial year	89.7	108.1		
Provisions raised during the year	39.7	1.0		
Payments made during the year	(22.7)	(13.4)		
Other	13.4	(0.4)		
Effects of exchange rate movements	(0.8)	(5.6)		
Carrying amount at end of the financial year	119.3	89.7	-	-
REI Restructuring²				
Carrying amount at beginning of the financial year	152.0			
Provisions (written-back)/raised during the year	(16.6)	152.0		
Payments made during the year	(75.6)			
Other	(2.3)			
Effects of exchange rate movements	(9.7)			
Carrying amount at end of the financial year	47.9	152.0	-	-
Employee Termination				
Carrying amounts at beginning of the financial year	44.6			
Provisions (written-back)/raised during the year – REI restructure	(1.6)	24.9		
Provision raised during the year – Group restructure	5.2	21.0		
Payments made during the year	(15.6)			
Effects of exchange rate movements	(2.6)	(1.3)		
Carrying amount at end of the financial year	30.1	44.6	-	-
Other				
Carrying amounts at beginning of the financial year	32.1	70.4	28.8	30.8
Provisions (written-back)/raised during the year	(4.9)	20.7	(2.3)	9.8
Payments made during the year	(9.2)	(19.8)	(8.1)	(4.2)
Other	(5.9)	(36.3)	2.7	(7.9)
Effects of exchange rate movements	(1.5)	(2.9)	0.4	0.3
Carrying amount at end of the financial year	10.6	32.1	21.5	28.8
Non Current				
Employee Terminations				
Provision raised on acquisition during the year	2.2			
Carrying amount at end of the financial year	2.2	-	-	-

1 The construction risks provision of A\$119.3 million mainly comprises a maintenance and warranty provision of A\$73.9 million (June 2003 A\$59.8 million) to cover specific or estimated claims that arise due to defects or legal disputes in relation to completed projects.

2 The REI restructuring provision of A\$47.9 million (June 2003 A\$152.0 million) was established to cover expenses relating to the restructuring of the REI business and primarily relates to rationalisation costs.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
19. Provisions continued				
Reconciliations continued				
Non Current				
Other				
Carrying amounts at beginning of the financial year	53.1	55.4		
Provisions raised during the year		10.0		
Payments made during the year	(2.0)	(4.6)		
Provision acquired/raised on acquisition	7.6			
Provision disposed during the year	(44.1)			
Effects of exchange rate movements	(4.7)	(7.7)		
Carrying amount at end of the financial year	9.9	53.1	-	-
20. Other Interest Bearing Liabilities				
Current				
Bluewater lease liability	27.7	18.2		
Finance lease liability	0.4	1.3		
Other		0.8		
	28.1	20.3	-	-
Non Current				
Bluewater lease liability	211.0	235.8		
Finance lease liability	0.1	0.6		
Other	2.9			
	214.0	236.4	-	-
	242.1	256.7	-	-
The financing costs relating to the Bluewater head lease were capitalised into the Bluewater cost base (refer to Note 9 Inventories).				
21. Other Non Interest Bearing Liabilities				
Current				
Deferred settlement on acquisition – controlled entities	10.3	12.9		
Deferred income	5.7	14.7		
Net marked to market forward foreign exchange contracts	2.5			
Deferred gain on foreign currency hedges	8.4	17.8		
Other	16.1	5.8		
	43.0	51.2	-	-
Non Current				
Deferred gain on foreign currency hedges	3.5	3.8		
Other	2.6	9.0		
	6.1	12.8	-	-
	49.1	64.0	-	-

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
22. Contributed Equity	834.4	816.4	834.4	816.4

	June 2004		June 2003	
	No. of shares m	A\$m	No. of shares m	A\$m
Ordinary shares issued at beginning of the financial year	438.6	816.4	434.5	797.7
Movements during the financial year				
Issues for:				
Dividend Reinvestment Plan (DRP)	1.7	17.9	1.5	14.4
Share Purchase Plan (SPP)			3.1	27.5
Share Election Plan (SEP) ¹			0.2	
Other		0.1		0.4
Share buybacks ²	(40.1)		(2.9)	(24.7)
Allocation to Lend Lease Employee Share Plans ³			2.2	1.1
Ordinary shares issued at end of the financial year	400.2	834.4	438.6	816.4

- Shares issued under the SEP represent dividends foregone by SEP participants. These shares are issued directly from share capital (rather than repurchased via on market transactions) with the number of shares issued based upon the share price at the date the dividend payments were foregone.
- From 1 July 2003, payments made under the share buyback are recognised in Retained Profits (refer to Note 24) in accordance with UIG 22 "Accounting for the Buyback of No Par Value Shares".
- As announced in August 2003, the Company has suspended the annual allocation of 0.5% of its issued capital to the employee share plans.

On 13 June 2003, Lend Lease commenced an on market share buyback of up to 10% (43.5 million shares) of its issued capital. An additional 10% on market buyback (44.0 million shares) was approved by shareholders at the 12 November 2003 Annual General Meeting. As at 30 June 2004, 43.0 million shares have been bought back since the commencement of the buyback.

As future dividends are likely to be unfranked or partly franked, the Company has suspended the SEP (effective 1 September 2003). While Lend Lease is undertaking an on market share buyback, the Company has also suspended the SPP (effective 1 September 2003) and the DRP (effective 1 October 2003).

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Ordinary shareholders rank after all creditors in repayment of capital.

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
23. Reserves				
Capital Reserve	104.6	104.6	104.6	104.6
Foreign Currency Translation Reserve				
Opening balance at beginning of the financial year	(62.0)	(53.1)		
Currency fluctuation attributable to translation and hedging of self sustaining foreign operations	29.3	(8.9)		
Closing balance at end of the financial year	(32.7)	(62.0)		
Total reserves	71.9	42.6	104.6	104.6

Nature and Purpose of Reserves

Capital Reserve

The capital reserve comprises realised capital profits on the disposal of assets which did not attract Capital Gains Tax.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve records the foreign currency differences net of income tax arising from the translation of self sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self sustaining operation.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated		Company	
		June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
24. Retained Profits					
Retained profits at beginning of the financial year		2,141.4	2,899.1	1,911.7	2,129.7
Increase/(decrease) in retained profits on initial adoption of:					
Revised AASB 1028 "Employee Benefits"			(1.1)		
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"			39.1		39.1
Net profit/(loss) attributable to members of Lend Lease Corporation Limited		333.5	(714.8)	402.9	(176.2)
Dividends foregone pursuant to share election plan			1.7		1.7
Share buyback ¹		(399.8)		(399.8)	
		2,075.1	2,224.0	1,914.8	1,994.3
Dividends paid		(159.6)	(82.6)	(159.6)	(82.6)
Retained profits at end of the financial year		1,915.5	2,141.4	1,755.2	1,911.7
1 From 1 July 2003, payments made under the share buyback are no longer charged against Contributed Equity (refer to Note 22), in accordance with UIG 22 "Accounting for the Buyback of No Par Value Shares".					
25. Outside Equity Interests in Controlled Entities					
Outside equity interests in controlled entities comprise:					
Lend Lease Actus (25%)		5.8	4.2		
Lend Lease Twin Waters (49%)		6.1			
Lend Lease Rouse Hill (49%)		2.0			
Lend Lease Korea Ltd (10%)			2.1		
Other		0.2	0.9		
		14.1	7.2	-	-
Represented by:					
Interest in retained profit/(losses) at end of the financial year		3.9	(0.2)		
Interest in share capital		10.2	7.4		
Total outside equity interest		14.1	7.2	-	-
26. Total Equity Reconciliation					
Equity at beginning of the financial year		3,007.6	3,752.1	2,832.7	3,032.0
Movements comprise:					
Movements in contributed equity	22	18.0	18.7	18.0	18.7
Share buybacks	24	(399.8)		(399.8)	
Dividends paid	24	(159.6)	(82.6)	(159.6)	(82.6)
Dividends foregone pursuant to share election plan	24		1.7		1.7
Net profit/(loss) attributable to members of Lend Lease Corporation Limited		333.5	(714.8)	402.9	(176.2)
Adjustment to retained profits on initial adoption of:					
Revised AASB 1028 "Employee Benefits"	24		(1.1)		
AASB 1044 "Provisions, Contingent Liabilities & Contingent Assets"	24		39.1		39.1
Other changes in equity					
Movement in foreign currency translation reserve	23	29.3	(8.9)		
Total revenues, expenses and valuation adjustments attributable to members of Lend Lease Corporation Limited		(178.6)	(747.9)	(138.5)	(199.3)
Total changes in outside equity interests in controlled entities	25	6.9	3.4	-	-
Total movement in equity for the financial year		(171.7)	(744.5)	(138.5)	(199.3)
Equity at end of the financial year		2,835.9	3,007.6	2,694.2	2,832.7

Notes to the Consolidated Financial Statements continued

27. Contingent Liabilities

Lend Lease has the following contingent liabilities:

There are a number of legal claims and exposures which arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.

In certain circumstances, Lend Lease guarantees the due performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities utilised primarily by the Project and Construction Management businesses. These guarantees are provided in respect of activities that are in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

The Company provides financial guarantees on bank facilities of certain entities. These are disclosed in Note 18 Borrowings and Financing Arrangements.

In connection with the sale of the discontinuing REI businesses, Lend Lease has provided warranties which include ownership, authority, compliance with relevant laws, disclosure of material issues and accuracy and completeness of information provided. Warranties have also been given in relation to payment of taxes and compliance with taxation laws. The amount of liability arising from these representations and warranties, if any, cannot be measured reliably at this time.

The Australian Taxation Office (ATO) is continuing an audit of the holding company and certain other Australian subsidiaries within the Lend Lease Group. A number of issues have been raised by the ATO in respect of their audit and discussions are ongoing. The ultimate outcome of the tax audit cannot be reliably estimated at this time.

Details of the June 1996 amended assessment issued by the ATO in relation to the forward sale and warrants issue agreement for Westpac shares are disclosed in Note 16 Other Assets.

On 24 May 2004 Lend Lease announced a proposal to merge with General Property Trust (GPT) to form a single stapled entity. As the proposed stapling is dependent upon approval by Lend Lease Corporation shareholders and GPT unitholders, the outcome of the approval process, which will occur after issuance of the June 2004 Consolidated Financial Statements on 18 August 2004, cannot be reliably determined at this stage and has not been taken into account in the preparation of these financial statements.

If approval for the stapling is obtained, the carrying value of certain assets and liabilities may need to be reassessed in light of the commercial arrangements proposed as part of the stapling.

The financial impact of this reassessment, if any, cannot be reliably estimated at this time.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
28. Commitments				
a. Operating Leases				
Estimated aggregate amount of operating lease expenditure agreed or contracted but not provided for in the financial statements:				
Land and buildings – self occupied	259.9	314.8	1.0	12.9
Plant and equipment	27.5	37.0		
	287.4	351.8	1.0	12.9
Due within one year	53.2	83.6	0.9	11.3
Due between one and five years	127.5	194.3	0.1	1.6
Due later than five years	106.7	73.9		
	287.4	351.8	1.0	12.9
b. Capital Expenditure				
At balance date the aggregate amount of capital expenditure contracted but not provided for in the financial statements:				
Due within one year	2.1	-	-	-
c. Controlled Entities				
At balance date the aggregate amount of expenditure contracted but not provided for in the financial statements:				
Due within one year - Rosen Financial Services II	-	7.6	-	-
d. Finance Lease Commitments				
At balance date the aggregate amount of finance leases contracted:				
Due within one year	0.4	1.3		
Due between one and five years	0.1	0.7		
	0.5	2.0	-	-
Less: Future lease finance charges		(0.1)		
	0.5	1.9	-	-
Lease liabilities provided for in the financial statements:				
Current	0.4	1.3		
Non Current	0.1	0.6		
	0.5	1.9	-	-
e. Investments				
At balance date capital commitments existed in respect of interests in partnerships, investments or joint ventures contracted but not provided for in the financial statements:				
Due within one year				
Lend Lease International Distressed Debt Fund	105.9	99.9		
Value Enhancement Fund V		41.7		
Multi-family Investment Funds		6.1		
Public Private Partnerships	47.6	4.4		
Lend Lease Real Estate Partners II	8.7	10.0		
Other	9.5	19.1		
Due between one and five years				
Public Private Partnerships	19.4	33.9		
Multi-Family Investment Funds		10.2		
Other		4.6		
	191.1	229.9	-	-

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
29. Notes to the Statements of Cash Flows				
a. Reconciliation of Profit/(Loss) After Tax from Ordinary Activities to Net Cash Provided by Operating Activities				
Net profit/(loss) after tax	337.6	(707.9)	402.9	(176.2)
Amortisation and depreciation	64.1	132.3	0.8	3.7
Net gain on sale of investments and fixed assets	(136.7)	(34.6)	(111.6)	
Net foreign exchange (gain)/loss and currency hedging costs	(32.9)	(31.1)	(6.5)	(35.1)
Equity accounted profit	(48.7)	(43.4)		
Dividends/distributions from equity accounted investment	23.0	41.3		
Write-down of REI US businesses		882.0		247.0
Net bad and doubtful debts expense net of provisions (written back)/raised	(6.1)	3.2	22.6	1.3
Other	19.2		(5.1)	
Net cash provided by operating activities before changes in assets and liabilities	219.5	241.8	303.1	40.7
Change in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Controlled Entities and Operations during the Financial Year				
Decrease/(increase) in receivables	336.1	296.3	(13.2)	7.9
Increase in inventories	(231.0)	(94.7)		
Decrease/(increase) in other assets	199.0	(111.1)		
Decrease in creditors	(68.1)	(307.9)	(11.0)	(11.2)
Decrease in other liabilities	(80.4)	(3.6)		
Decrease in deferred tax items	66.5	61.3	53.6	4.8
Increase/(decrease) in current tax provision	42.2	45.6	22.1	(58.1)
(Decrease)/increase in other provisions	(42.3)	62.3	121.9	76.2
(Increase)/decrease in other intangibles	(0.7)	1.4		
Net cash provided by operating activities	442.8	191.4	476.5	60.3

	Consolidated			
	June 2004 Receipt A\$m	June 2004 Expenditure A\$m	June 2003 Receipt A\$m	June 2003 Expenditure A\$m
b. Supplementary Information				
Property Development Receipts and Expenditure				
Chapelfield, Norwich	3.8	140.4	113.0	80.5
Springfield Lakes, Brisbane	70.0	41.7	23.5	19.1
Edgewater, Melbourne	52.5	20.0		0.1
Varsity Lakes, Gold Coast	46.1	25.3	39.4	36.8
Twin Waters/North Shore, Sunshine Coast	42.0	49.7	28.2	28.4
Forest Lake, Brisbane	33.4	25.7	49.7	23.4
Hickson Road, Sydney	33.4		4.5	
Hyatt Coolum Resort, Sunshine Coast	30.8	36.9		
Riverside Gardens, Townsville	30.8	13.8		
Twin Waters Resort, Sunshine Coast	30.8	24.7		
Craigieburn, Melbourne	26.3	19.3	22.0	13.5
Pakenham, Melbourne	20.3	16.9	19.9	8.9
Nelson's Ridge, Sydney	17.4	25.1		
Jacksons Landing, Sydney	15.9	7.0	12.9	6.8
St Mary's, Sydney	10.8	19.6		1.0
Victoria Harbour, Melbourne	4.0	12.7		18.8
Touchwood Court, Solihull		3.2		17.6
St Patricks, Sydney		7.1	14.1	
Other	51.4	44.2	38.5	81.9
	519.7	533.3	365.7	336.8

Notes to the Consolidated Financial Statements continued

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
29. Notes to the Statements of Cash Flows continued		
c. Acquisition of Controlled Entities		
Details of the acquisition of controlled entities are as follows:		
Acquisition Cost		
Cash paid for acquisition	222.8	38.2
Cash paid for acquisition costs	14.4	
	237.2	38.2
Provision for restructure	2.2	
Total acquisition cost	239.4	38.2
Cash consideration	237.2	38.2
Cash acquired	(8.0)	(6.1)
Net outflow of cash	229.2	32.1
Fair Value of Net Assets of Entities Acquired		
Cash and cash equivalents	8.0	6.1
Inventories	241.8	11.4
Investments	2.0	3.1
Receivables	28.1	3.7
Property, plant and equipment	8.9	
Other assets	33.6	0.9
Creditors and borrowings	(29.2)	(4.1)
Provisions	(22.3)	(3.9)
Other liabilities	(26.0)	
Net assets acquired	244.9	17.2
Outside equity interests at acquisition	(5.5)	(0.9)
	239.4	16.3
Goodwill on acquisition		21.9
Total acquisition cost	239.4	38.2

During the year the consolidated entity purchased the following entities and has included the operating results of these entities in consolidated operating profit/(loss) from the date of acquisition.

June 2004

Lend Lease Twin Waters Resort Pty Limited

On 31 October 2003, Lend Lease acquired 51% interest in Lend Lease Twin Waters Resort Pty Limited, which owns the Twin Waters Resort and surrounding land, for a consideration of A\$21.9 million. A restructuring provision of A\$2.2 million was established to cover employee terminations.

Coeur de Lion Investment Pty Limited (Hyatt Coolum Resort)

On 22 September 2003, Lend Lease acquired 100% interest in Coeur de Lion Investments Pty Limited, which owns the Hyatt Coolum Resort and surrounding land for a consideration of A\$31.1 million.

Retirement by Design Pty Limited

On 1 January 2004, Lend Lease acquired a further 50% interest in Retirement By Design Pty Limited, which develops and manages retirement villages for a consideration of A\$6.8 million. This acquisition increased Lend Lease's interest to 100%, making it a controlled entity (previously equity accounted).

ComLand Limited

On 21 January 2004, Lend Lease acquired 100% of ComLand Limited, which owns two major residential estates, Edgewater in Melbourne and St Marys in Sydney for a consideration of A\$177.4 million.

June 2003

Lend Lease Rosen Real Estate Securities, LLC

On 1 August 2002, Lend Lease acquired a further 27.5% interest in Lend Lease Rosen Real Estate Securities, LLC, a real estate investment trust manager and stock advisor for a consideration of A\$25.6 million. This acquisition increased Lend Lease ownership interest to 77.5%, making it a controlled entity (previously equity accounted).

Bovis Lend Lease Telecom, Inc

In October 2002, Lend Lease acquired 100% of Bovis Lend Lease Telecom Inc., a cellular phone network carrier for a consideration of A\$12.6 million as part of Bovis Lend Lease's J Phone project in Japan. The project involves the project management of a nationwide rollout of cellular networks.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
29. Notes to the Statements of Cash Flows continued		
d. Disposals of Controlled Entities		
Details of the disposals of controlled entities are as follows:		
Sale Proceeds		
Cash received	232.4	15.4
Carrying amount on disposal	(224.3)	(13.6)
Disposal costs	(18.5)	(1.8)
Loss on disposal	(10.4)	-
Carrying Value of Net Assets of Entities Disposed		
Cash and cash equivalents	7.7	(0.6)
Receivables	3.7	
Property, plant and equipment	4.2	2.1
Management agreements	195.7	5.1
Goodwill	8.4	7.4
Other investments	8.7	
Other assets	0.9	3.4
Creditors and provisions	(5.0)	(3.8)
Lend Lease share of net assets disposed	224.3	13.6
Cash Flows Resulting from Sale		
Cash consideration	232.4	15.4
Disposal costs	(18.8)	(1.8)
Cash disposed	(7.7)	0.6
Net inflows of cash	207.9	14.2

During the year, the consolidated entity disposed of its interest in the following entities. The operating results to that date have been included in consolidated operating profit/(loss).

June 2004

HCI Businesses - On 1 July 2003, the HCI businesses (The Boston Financial Group Limited Partnership, Lend Lease BFRP Inc, Lend Lease HSR Corporation and BF Investment Tax Credits Acquisitions, LP) were sold for a consideration of A\$156.9 million.

Lend Lease Agri-Business, Inc - On 30 September 2003, Lend Lease Agri-Business Inc. was sold for a consideration of A\$72.4 million.

CapMark Services, India LP - On 14 July 2003, CapMark Services, India LP, was sold for a consideration of A\$0.3 million.

Lend Lease REI GmbH - On 26 November 2003, Lend Lease REI GmbH, was sold for a consideration of A\$0.2 million.

Lend Lease Global Real Estate Advisors Group - On 6 February 2004, Lend Lease Real Estate Advisors Group was sold for A\$nil consideration.

Lend Lease Houlihan Rovers SA - On 31 January 2004, Lend Lease Houlihan Rovers SA, was sold for a consideration of A\$2.6 million.

June 2003

Holliday Fenoglio Fowler, LP - On 17 June 2003, Holliday Fenoglio Fowler, LP, a commercial real estate capital intermediary, was sold to management for consideration of A\$15.4 million.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments

a. Foreign Currency

Foreign Currency Translation

The major foreign currency exchange rates used in the translation of revenues and expenses (average rate) and assets and liabilities (spot rate) denominated in foreign currency are as follows:

	June 2004		June 2003	
	Average Rate	Spot Rate	Average Rate	Spot Rate
US Dollars	0.71	0.70	0.59	0.65
Pounds Sterling	0.41	0.39	0.37	0.40
Euros	0.60	0.58	0.56	0.56
Singapore Dollars	1.22	1.18	1.03	1.14

Foreign Currency Risk

Lend Lease's policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the Lend Lease Group's consolidated result. A Financial Markets Risk Committee oversees the management of the Group's foreign currency exposures within the parameters of the currency risk management policy. Speculative trading is not undertaken.

When hedging its exposures, Lend Lease adopts a strategy using both physical and derivative financial instruments. In regard to derivative financial instruments, Lend Lease mainly uses forward foreign exchange contracts for hedging purposes.

The following table sets out the net value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts.

	Weighted Average Exchange Rate		Receivable/(Payable) Under Contracts	
	June 2004 (A\$1=)	June 2003 (A\$1=)	June 2004 A\$m	June 2003 A\$m
Contracts to sell pounds sterling at an agreed exchange rate				
Not later than one year	0.40	0.39	481.5	463.5
Later than one year but not later than two years	0.38	0.35	51.7	14.3
Later than two years but not later than three years	0.38	0.40	13.4	35.3
Contracts to buy US dollars at an agreed exchange rate				
Not later than one year	0.75		(16.8)	
Contracts to sell US dollars at an agreed exchange rate				
Not later than one year	0.60	0.56	39.5	1,147.6
Later than one year but not later than two years	0.66	0.53	23.6	20.8
Later than two years but not later than three years	0.66	0.63	6.5	15.9
Contracts to buy euros at an agreed exchange rate				
Not later than one year	0.62		(7.7)	
Contracts to sell euros at an agreed exchange rate				
Not later than one year	0.58	0.54	32.0	54.3
Later than one year but not later than two years	0.55		4.4	
Later than two years but not later than three years	0.54		1.3	
Contracts to sell Singapore dollars at an agreed exchange rate				
Not later than one year	1.19	1.10	2.3	20.5
Contracts to buy Japanese yen at an agreed exchange rate				
Not later than one year		68.87		(0.8)
Contracts to sell Japanese yen at an agreed exchange rate				
Not later than one year	75.00		4.8	
Contracts to sell Thai baht at an agreed exchange rate				
Not later than one year	28.0		2.5	
Total A\$			639.0	1,771.4

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

a. Foreign Currency continued

Foreign Currency Risk continued

The majority of forward exchange contracts relate to hedges of specific foreign currency exposures including receivables, payables, revenues, expenses and intercompany transactions and loans. The forward exchange contracts are converted to spot rates at balance date and the unrealised gains and losses are recorded in the Statement of Financial Performance or the Foreign Currency Translation Reserve. Exchange gains and losses on forward exchange contracts are accounted for in accordance with Lend Lease's accounting policy for foreign currency (refer to Note 1v Summary of Principal Accounting Policies).

b. Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Lend Lease Audit and Risk Committee maintains a Group wide framework for risk management and reviews issues of material risk exposure, including credit risk.

On Balance Sheet Financial Instruments

The credit risk on financial assets recognised in the Statements of Financial Position (excluding investments of Lend Lease) equals the carrying amount, net of any provision for doubtful debts.

Lend Lease is not materially exposed to customers in any individual overseas country or any individual customer.

Credit risk on financial instruments is managed through a Board approved credit policy for determining acceptable counterparties. The counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The policy sets out credit limits for each counterparty. The use of any counterparty outside the policy specifications requires Board approval.

Off Balance Sheet Financial Instruments

Credit risk for off balance sheet derivative contracts such as interest rate swaps and forward exchange contracts is minimised as dealing is principally undertaken with counterparties that are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to the counterparty failing to deliver the contracted amount of currency at settlement date. The full amount of the exposure is disclosed in Note 30a International Currency Management and Financial Instruments.

c. Interest Rate Risk

Lend Lease's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below.

	Note	Weighted Average Interest Rate ¹	Floating Interest Rate A\$m	One Year or Less A\$m	Fixed Interest Maturing In Over One to Five Years A\$m	More than Five Years A\$m	Non Interest Bearing A\$m	Total A\$m
2004								
Financial Assets								
Cash	7	4.41%	731.8	648.3				1,380.1
Receivables	8	3.76%	5.1			39.4	1,623.8	1,668.3
Investments	10, 11	5.55%	365.3	6.1	2.9		614.6	988.9
Other assets	16						3.5	3.5
			1,102.2	654.4	2.9	39.4	2,241.9	4,040.8
Financial Liabilities								
Creditors	17						1,833.5	1,833.5
Borrowings ²	18	6.18%	267.9	367.1	237.0			862.0
Other liabilities	20, 21	3.79%	0.2	238.9	3.0		49.1	291.2
Employee entitlements	19						99.1	99.1
			268.1	596.0	240.0	-	1,981.7	3,085.8
Net financial assets and liabilities			834.1	58.4	(237.1)	39.4	260.2	955.0
Gross currency swaps	16		47.9					47.9

Footnotes are located on the following page.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

c. Interest Rate Risk continued

				Fixed Interest Maturing In				
	Note	Weighted Average Interest Rate ¹	Floating Interest Rate A\$m	One Year or Less A\$m	Over One to Five Years A\$m	More than Five Years A\$m	Non Interest Bearing A\$m	Total A\$m
2003								
Financial Assets								
Cash	7	4.15%	534.5	262.3			70.4	867.2
Receivables	8	4.50%	90.5	0.5			1,843.9	1,934.9
Investments	10,11						1,388.7	1,388.7
			625.0	262.8	-	-	3,303.0	4,190.8
Financial Liabilities								
Creditors	17						1,890.7	1,890.7
Borrowings ²	18	6.12%	263.0		621.6			884.6
Other liabilities	20, 21	4.11%		20.3	236.4		64.0	320.7
Employee entitlements	19						135.7	135.7
			263.0	20.3	858.0	-	2,090.4	3,231.7
Net financial assets and liabilities			362.0	242.5	(858.0)	-	1,212.6	959.1
Cross currency swaps	16		13.1					13.1

1 Does not include non interest bearing financial instruments. The effect of the interest rate swaps is incorporated into the weighted average interest rate.

2 Includes impact of interest rate swaps.

d. Net Fair Values of Financial Assets and Liabilities

On Balance Sheet Financial Instruments

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment (refer to Note 10 Equity Accounted Investments and Note 11 Other Investments).

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated June 2004 Carrying Amount A\$m	Consolidated June 2004 Net Fair Market Value A\$m	Consolidated June 2003 Carrying Amount A\$m	Consolidated June 2003 Net Fair Market Value A\$m
Financial Assets				
Cash	1,380.1	1,380.1	867.2	867.2
Receivables	1,668.3	1,668.3	1,934.9	1,934.9
Investments non traded	988.9	1,302.6	1,388.7	1,792.0
Other assets	3.5	3.5		
	4,040.8	4,354.5	4,190.8	4,594.1
Financial Liabilities				
Creditors	1,833.5	1,833.5	1,890.7	1,890.7
Borrowings	862.0	882.6	884.6	938.8
Other liabilities	291.2	291.2	320.7	320.7
Employee entitlements	99.1	99.1	135.7	135.7
	3,085.8	3,106.4	3,231.7	3,285.9

Off Balance Sheet Financial Instruments

The gross assets and liabilities relating to forward exchange contracts are not recorded on the Statements of Financial Position at 30 June 2004. The balances relating to forward foreign exchange contracts included in other assets and other liabilities (refer to Note 16 Other Assets and Note 21 Other Non Interest Bearing Liabilities) represents the net unrealised loss resulting from converting the forward exchange contracts to spot rates at balance date. The net fair value of these contracts, disclosed on the following page, represents the net unrealised loss from converting the forward exchange contracts to forward rates at balance date.

The net fair value of financial assets or financial liabilities arising from interest rate swap agreements (including the currency and interest portion of the cross currency swaps) has been determined as the marked to market value.

Notes to the Consolidated Financial Statements continued

30. International Currency Management and Financial Instruments continued

d. Net Fair Values of Financial Assets and Liabilities continued

Off Balance Sheet Financial Instruments continued

Lend Lease (US) Finance Inc. executed cross currency swaps on its A\$500.0 million Medium Term Note issue (Note 18(b) Borrowings and Financing Arrangements). Under the swaps, Lend Lease is paying US LIBOR +58 basis points, and has fixed a A\$/US\$ exchange rate at July 2005 of 0.633 for the face value of the notes. The carrying value of this swap at 30 June 2004 is A\$47.9 million. The net fair value is a receivable to Lend Lease of A\$69.4 million. The difference between the carrying value and net fair value is the interest portion of the cross currency swap. Interest rate swaps have been undertaken to swap the US LIBOR exposure to fixed and the 'marked to market' liability is A\$18.2 million.

	Consolidated 2004		Consolidated 2003	
	Carrying Amount	Net Fair ¹ Value	Carrying Amount	Net Fair Value
	A\$m	A\$m	A\$m	A\$m
Forward foreign exchange contracts ²	(3.1)	(3.0)	159.8	159.8
Interest rate swaps		(18.2)		(35.7)
Cross currency swaps ³	47.9	69.4	13.1	37.1
	44.8	48.2	172.9	161.2

Lend Lease Corporation and certain of its controlled entities have potential financial liabilities, which may arise from certain contingencies disclosed in Note 27 Contingent Liabilities.

1 Net fair value is the marked to market value.

2 Recorded in Note 16 Other Assets and Note 21 Other Non Interest Bearing Liabilities at June 2004.

3 Carrying value included within Note 16 Other Assets at June 2004.

	Interest		Consolidated Share of Profit After Tax		Consolidated Book Value	
	June 2004 %	June 2003 %	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
31. Interest in Joint Venture Operations						
Project and Construction Management						
Manukau Wastewater Services (NZ)	20%	20%	1.1	1.2	11.6	7.8
Seaview Project Limited	50%	50%		0.9	3.9	4.0
Integrated Property Development						
Darling Park Stage III Joint Venture	60%	60%				15.0
			1.1	2.1	15.5	26.8

	June 2004 A\$m	June 2003 A\$m
Included in the assets and liabilities within these consolidated financial statements are the following items which represent Lend Lease's interest in the assets and liabilities employed in joint venture operations:		
Cash	12.4	5.8
Receivables	1.7	7.7
Inventories – properties held for resale	1.8	26.6
Property, plant and equipment		0.1
Total assets	15.9	40.2
Accounts payable and borrowings	0.4	13.4
Total liabilities	0.4	13.4
Net assets	15.5	26.8

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Foreign Country of Business Operation	Year End 30 June 2004 Interest %	Year End 30 June 2003 Interest %
32. Controlled Entities				
The material controlled entities of the Group are:				
Project and Construction Management				
Australia				
Bovis Lend Lease Pty Limited	Aust		100%	100%
International				
Bovis Lend Lease Holdings, Inc.	USA	USA	100%	100%
Bovis Lend Lease, Inc.	USA	USA	100%	100%
Bovis Lend Lease LMB, Inc.	USA	USA	100%	100%
Bovis Lend Lease Holdings Limited	UK	UK	100%	100%
Bovis Lend Lease Limited	UK	UK	100%	100%
Bovis Lend Lease International Limited	UK	UK	100%	100%
Bovis Lend Lease Overseas Holdings Limited	UK	UK	100%	100%
Bovis Lend Lease Project Consulting (Shanghai) Co Limited	Chi	Chi	100%	100%
Bovis Lend Lease Projects Pte Limited	S'pore	S'pore	100%	100%
Bovis Lend Lease, Inc.	Braz	Braz	100%	100%
Bovis Lend Lease Microelectronics Group BV	Neth	Neth	100%	100%
Bovis Lend Lease Microelectronics Holdings BV	Neth	Neth	100%	100%
Bovis Lend Lease Holdings GmbH	Ger	Ger	100%	100%
Bovis Lend Lease Group Limited	UK	UK	100%	100%
Integrated Development Businesses				
Australia				
Lend Lease Development Pty Limited	Aust		100%	100%
Delfin Lend Lease Limited	Aust		100%	100%
Delfin GC Limited	Aust		100%	100%
ComLand Limited	Aust		100%	
International				
Lend Lease Europe Holdings Limited	UK	UK	100%	100%
Lend Lease Europe Limited	UK	UK	100%	100%
Blueco Limited	UK	UK	100%	100%
Lend Lease RES (UK) Limited	UK	UK	100%	100%
Lend Lease (UK) Management Services Limited	UK	UK	100%	100%
Lend Lease Europe Finance plc	UK	UK	100%	100%
Real Estate Investments				
Australia				
GPT Management Limited	Aust		100%	100%
Lend Lease Real Estate Investments Limited	Aust		100%	100%
International				
Lend Lease Europe Retail Investments Limited	UK	UK	100%	100%
Lend Lease Real Estate Investments Pte Limited	S'Pore	S'Pore	100%	100%
Lend Lease Mortgage Investments, Inc.	USA	USA	100%	100%
Lend Lease (US) Holdings, Inc.	USA	USA	100%	100%
Lend Lease (US) Services, Inc.	USA	USA	100%	100%
Lend Lease (US), Inc.	USA	USA	100%	100%
Lend Lease (US) Finance, Inc.	USA	USA	100%	100%
Lend Lease Real Estate Investments, Inc.	USA	USA	100%	100%
Lend Lease Asset Management LP	USA	USA	100%	100%
Equity Investments				
Lend Lease Custodian Pty Limited	Aust		100%	100%
Group Services				
Australian				
Lend Lease Corporation Limited	Aust			
Lend Lease Finance Limited	Aust		100%	100%
Lend Lease International Pty Limited	Aust		100%	100%
Lend Lease Management Services Limited	Aust		100%	100%

Abbreviations:

Aust	Australia	Neth	Netherlands	USA	United States of America
Braz	Brazil	S'pore	Singapore	Chi	China
Ger	Germany	UK	United Kingdom		

Notes to the Consolidated Financial Statements continued

	Interest Acquired/ Disposed %	Date Acquired/ Disposed	Consideration Paid/Received A\$m	Contribution to Consolidated Profit After Tax ¹ A\$m
32. Controlled Entities continued				
June 2004				
Acquisitions				
Integrated Property Development				
Australia				
Lend Lease Twin Waters Resort Pty Limited	51.0%	31 Oct 03	21.9	1.2
Coeur de Lion Investments Pty Limited, (Coolumb)	100.0%	22 Sep 03	31.1	
Retirement by Design Pty Limited	50.0%	1 Jan 04	6.8	3.0
CornLand Limited	100.0%	21 Jan 04	177.4	1.3
Disposals				
Real Estate Investments²				
International				
The HCl Businesses ³	100.0%	1 Jul 03	156.9	
CapMark Services, India LP.	100.0%	14 Jul 03	0.3	
Lend Lease Agri-Business, Inc.	100.0%	30 Sep 03	72.4	
Lend Lease Real Estate Investments GmbH	100.0%	26 Nov 03	0.2	
Lend Lease Houlihan Rovers SA	100.0%	31 Jan 04	2.6	
Lend Lease Global Real Estate Advisors Businesses ⁴	85.0%	6 Feb 04		
June 2003				
Acquisitions				
Project and Construction Management				
International				
Bovis Lend Lease Telecom, Inc.	100.0%	Oct 02	12.6	4.3
Real Estate Investments				
International				
Lend Lease Rosen Real Estate Securities, LLC	77.5%	1 Aug 02	25.6	0.8
Disposals				
Real Estate Investments				
International				
Holliday Fenoglio Fowler, LP ²	100.0%	17 Jun 03	15.4	5.6

1 Excludes any intercompany transactions for the financial period.

2 Represents the controlled entities sold as part of the sale of the REI businesses. The remainder of the REI sale is related to various assets and operations of the underlying businesses.

3 The controlled entities disposed within the HCl Businesses, include The Boston Financial Group Limited Partnership, Lend Lease BFRP, Inc., Lend Lease MSR Corp. and BF Investment Tax Credits Acquisitions, LP.

4 The controlled entities disposed within the Lend Lease Global Real Estate Advisors Businesses include Lend Lease Global Real Estate Advisors SA, Lend Lease Asia Advisors, LLC and Lend Lease Luxembourg Services SARL.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated June 2004 A\$m	Consolidated June 2003 A\$m	Company June 2004 A\$m	Company June 2003 A\$m
33. Employee Benefits					
a. Total Employee Benefit Liabilities Recognised in the Financial Statements					
Creditors – current		110.3	80.4	2.3	
Creditors – non current		6.0	3.5		
Provision for employee benefits – current	19	73.9	79.9	1.1	0.3
Provision for employee benefits – non current	19	25.2	55.8		
		215.4	219.6	3.4	0.3

b. Superannuation/Pension Funds

Lend Lease sponsors a number of pension/superannuation funds globally which provide benefits for employees or their dependants on retirement, redundancy, disability or death. In the majority of cases, the funds provide benefits in the form of lump sum/pension payments. Contributions to the funds are generally based on a percentage of employees' salaries. Lend Lease is obliged to contribute to the funds in accordance with their governing Trust Deeds. Contributions are set on a regular basis at levels in accordance with actuarial assessments.

Defined Benefit Pension Plans

Of the pension/superannuation funds outlined above, a number are defined benefit plans which, although closed to new members, have benefits accruing to its existing members.

Amounts Recognised in the Financial Statements

Details of contributions to the defined benefit plans during the year and contributions payable at 30 June 2004 are as follows:

	Consolidated June 2004 A\$m	Consolidated June 2003 A\$m	Company June 2004 A\$m	Company June 2003 A\$m
Lend Lease contributions to the plans during the financial year	33.8	30.1	-	-
Lend Lease contributions payable to the plans at reporting date	0.4	23.5	-	-

Information relating to the defined benefit plans based on latest actuarial assessments and financial reports of the funds are as follows:

	2004				2003			
	Plan Assets at Net Market Value A\$m	Total Accrued Benefits ⁵ A\$m	Excess/ (Deficit) A\$m	Total Vested Benefits ⁵ A\$m	Plan Assets at Net Market Value A\$m	Total Accrued Benefits ⁵ A\$m	Excess/ (Deficit) A\$m	Total Vested Benefits ⁵ A\$m
Lend Lease Superannuation Fund (Australia) ^{1,2}	212.7	171.0	41.7	188.9	206.8	171.0	35.8	166.7
Lend Lease Supplemental Retirement Plan US ³					33.8	31.8	2.0	32.5
The Bovis UK Pension Scheme ⁴	384.8	410.0	(25.4)	372.1	283.0	399.8	(116.8)	362.8
	597.3	581.0	16.3	561.0	523.6	602.6	(79.0)	562.0

- The fund has defined benefits and defined contribution components. Plan assets are based upon the most recent financial statements of the fund, being 30 June 2004 (comparative plan assets are based on the fund's 30 June 2003 financial statements). Vested benefits and total accrued benefits are based on actuarial reviews performed as at 1 January 2003 by G. Holley, F.I.A.A.
- The Australian Lend Lease Superannuation Fund has been in surplus since 1988. As a result, Lend Lease's contributions were paid at a reduced rate from 1988 and then at nil contributions from 1992. Contributions will recommence from 1 July 2004 at 16.6% of base pay for the (closed) defined benefit plan beneficiaries and 9.0% of total remuneration for the defined contribution plan members.
- As at 30 June 2003 there were no remaining participants in the plan.
- Plan assets are based on the most recent financial statements of the fund, being 31 March 2004. (Comparative plan assets are based on the fund's 31 March 2003 financial statements). Vested benefits and total accrued benefits are based on actuarial reviews performed as at 31 March 2002 by Mr N. Maxwell, F.I.A.A. As at 30 June 2004, based on market values, the deficit was £71.0 million (A\$182.1 million) (As at 30 June 2003, based on market values, the deficit was £83.0 million (A\$207.5 million)). A review of the funding program has resulted in the contribution rate for employees being raised from 5.0% to 7.0%, effective from 1 July 2003 and the Lend Lease contribution rate increasing from 16.4% to 19.4%, effective 1 July 2003. The increased contributions have been determined so as to eliminate the deficit over the average life of the current membership, being 12 years. Lend Lease has no obligation to make up the deficit and accordingly no provision has been raised for the deficiency at 30 June 2004.
- Accrued benefits represents vested and unvested benefits as at the valuation date. Vested benefits represents benefits which members would have been entitled to receive had they terminated their plan membership as at the valuation date.

c. Lend Lease Employee Share Plans

Lend Lease has as a core value the concept of the 'partnering' of capital and labour. This concept has, over decades, been advanced in many practical ways in Lend Lease through such philosophies as employee ownership and profit sharing.

Currently employees own approximately 12.1% of the issued capital of Lend Lease.

Shareholders in October 1988 approved an annual allotment of 0.5% of the issued capital of Lend Lease Corporation at 50 cents per share to be used for the benefit of Lend Lease Group employees. This program was suspended by the Board in May 2003.

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Lend Lease Employee Share Plans continued

Australian Based: Employee Share Acquisition Plan (ESAP)

In accordance with the 1988 shareholder approval, ESAP was established in December 1988 for the purpose of employees acquiring shares in Lend Lease Corporation. This plan replaced previous employee ownership facilities in place over the previous decades.

ESAP is funded by Lend Lease subscriptions at the rate of up to 7.5% of annual salary. Those annual salary subscriptions are used to acquire shares in Lend Lease Corporation at market value on behalf of employees, who may be nominated as members of ESAP.

Employees may also be allocated shares by way of bonus arrangements on the basis of individual and departmental performance.

At balance date, approximately 2,240 employees (June 2003 2,000) were eligible to participate in the plan.

US Based: Employee Share Plan

The Lend Lease US Long Term Incentive Share Plan (the Plan) was established in the US in 1998. The Plan was established with a US rabbi trust that holds shares in Lend Lease Corporation to assist payment of benefits under the Plan. Employees may acquire units in the Plan by sacrificing part of their salary and/or benefits, funding the purchase of Lend Lease shares at market value. Units in the Plan are also issued to employees based on individual and departmental performance. The value of the units to employees is ultimately based upon a combination of the Lend Lease Corporation share price and the US and Australian dollar exchange rate.

The arrangements also cover share plan based long term incentive arrangements for the US employees of Bovis Lend Lease and associated companies.

Lend Lease Corporation is responsible for the liabilities of the rabbi trust. As the assets of the rabbi trust exceed the liabilities of the rabbi trust no amount is recorded in Lend Lease Corporation's Statement of Financial Position.

The company also has in place US Internal Revenue Service approved share plan arrangements for all US employees to facilitate receipt of profit share entitlements in Lend Lease Corporation shares. This plan is currently not accepting new contributions due to the change to Lend Lease making all profit share payments in cash.

At balance date, approximately 2,400 employees (June 2003 3,600) were eligible to participate in the plan.

UK/European/Asian Based: Employee Share Plan

Two employee share plans (the Plans) were established in 1998, being the UK based Inland Revenue - Approved Plan (the Approved Plan) and the European (Guernsey based) Restricted Share Plan (The Restricted Share Plan). The Plans jointly are similar in operation to the Australia based ESAP, however, the 1998 Approved Plan (closed in March 2002) was only available to UK employees.

In 2002 two new UK based Inland Revenue approved Share Incentive Plans (SIP) were established for the acceptance of employee profit share contributions used to acquire Lend Lease shares for UK based Lend Lease group employees. These plans are currently not accepting new contributions due to the change to Lend Lease making all profit share payments in cash.

Shares in the above mentioned Restricted Share Plan may be allocated to employees in the UK, Europe and Singapore based on individual and departmental performance. The Restricted Share Plan can acquire Lend Lease Corporation shares at market value on behalf of employees. The value of allocations to employees is ultimately based on a combination of the Lend Lease Corporation share price and the respective UK, Euro, Asian currencies and Australian dollar exchange rates.

At balance date, approximately 3,100 employees (June 2003 3,000) were eligible to participate in the plan.

Eligibility

All Lend Lease employees are eligible to participate in a plan. The rules for eligibility for particular plans are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Dividends and/or Voting Rights

Generally employees are entitled to dividends and voting rights for allocated shares. The plans reflect this intention subject to regulatory, legal and tax constraints. Voting and dividend rights on any unallocated shares reside with the trustees of the relevant share plan trusts. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the Deed or trust laws in the legal/tax jurisdiction the trust operates within.

Terms and Conditions of Allocation and Vesting Shares

The terms and conditions of allocation and vesting of shares vary with the nature of the award provided to each employee and the terms of the plan.

Amounts Recognised in the Statement of Financial Performance

During the year A\$9.1 million (June 2003 A\$10.7 million) was recognised in the Statement of Financial Performance of the consolidated entity in relation to employee equity based compensation arrangements, representing cash contributions to employee share plans.

The fair value of the benefits provided to employees through the allocation of shares from the plans was A\$21.5 million (June 2003 A\$50.1 million).

Refer to page 51 for the fair value of instruments issued under the Long Term Incentives.

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Lend Lease Employee Share Plans continued

Summary of Share Movements in Lend Lease Employee Share Plans

	Vested ¹		Unvested ²		Unallocated ³		Total	
	No. of Shares	Fair Value ⁴ A\$	No. of Shares	Fair Value ⁴ A\$	No. of Shares	Fair Value ⁴ A\$	No. of Shares	Fair Value ⁵ A\$
2004								
No. of shares at the beginning of the year	17,859,479		1,925,571		3,403,249		23,188,299	
Movements during the year								
Shares acquired by the plans					4,697,566	47,740,865		
Shares granted to employees	451,388	5,780,935	27,415	232,630	(478,803)	(6,013,565)		
Shares vested during the year	1,623,436	16,075,643	(1,623,436)	(16,075,643)				
Shares/cash withdrawn from the plans by employees	(4,828,596)	(49,606,682)						
Shares forfeited by employees			(267,863)	(2,703,636)	267,863	2,763,636		
Cash distribution from the plans					(3,284,950)	(31,963,374)		
No. of shares in the plans at end of the year	15,105,707		61,687		4,604,925		19,772,319	
Fair value at end of the year⁶		152,286,668		634,142		47,338,629		203,259,439
2003								
No. of shares at the beginning of the year	15,662,980		2,967,342		5,153,308		23,783,630	
Movements during the year								
Shares acquired by the plans					2,091,723	19,415,901		
Shares granted to employees	4,773,910	41,342,741	47,131	475,697	(4,821,041)	(41,818,438)		
Shares vested during the year	889,811	7,941,130	(889,811)	(7,941,130)				
Shares/cash withdrawn from the plans by employees	(3,467,222)	(32,968,721)			1,125,133	10,916,042		
Shares forfeited by employees			(199,091)	(1,888,078)	199,091	1,888,078		
Cash distribution from the plans					(344,965)	(2,932,203)		
No. of shares in the plans at end of the year	17,859,479		1,925,571		3,403,249		23,188,299	
Fair value at end of the year⁶		149,126,650		16,078,518		28,417,129		193,622,297

1 Granted to Lend Lease employees, fully vested with no outstanding conditions.

2 Granted to Lend Lease employees but conditional on future employment.

3 Shares held by the Lend Lease employee share plans but not yet allocated to employees.

4 Fair value during the year determined by reference to the ASX weighted average monthly share price.

5 Fair value at 30 June 2004 is at A\$10.28 per share (June 2003 A\$8.35).

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Lend Lease Employee Share Plans continued

Vested Share Grants by Month

	No. of Shares	Average A\$ Per Share	Fair Value A\$
2004			
July 2003 ¹	(631,883)	8.49	(5,361,847)
August 2003	54,178	9.47	512,845
September 2003	109,382	10.45	1,143,042
October 2003	53,284	10.72	571,152
November 2003	57,914	10.87	629,696
December 2003	75,744	10.14	767,662
January 2004	52,172	10.24	534,081
February 2004	136,899	10.04	1,373,777
March 2004	220,852	10.26	2,265,496
April 2004	128,919	10.60	1,365,901
May 2004	48,159	10.41	501,483
June 2004	145,768	10.14	1,477,647
	451,388		5,780,935
2003			
July 2002	79,749	10.23	815,832
August 2002	39,778	10.35	411,702
September 2002	72,265	10.70	773,450
October 2002	43,583	9.84	428,857
November 2002	43,885	9.90	434,462
December 2002	44,953	9.64	433,347
January 2003	48,530	9.71	471,226
February 2003	54,200	8.53	462,326
March 2003	45,649	8.64	394,407
April 2003	40,236	9.58	385,461
May 2003	134,100	9.34	1,252,494
June 2003	4,126,962	8.50	35,079,177
	4,773,910		41,342,741

1 July 2003 is net of 4,076,000 shares relating to the prior year which were over provided.

In addition to the plans discussed on page 48, Lend Lease has over the years, with the support of shareholders, established a range of employee share ownership vehicles. The earliest plan still in existence today was known as the Staff Share Scheme. This was established in December 1979 after shareholders agreed at the Annual General Meeting that year to allot shares at par to enable employees to participate either directly or indirectly in the future of the Company.

By 1984, legislative and other regulatory changes made it clear that new arrangements would need to be made. At that year's Annual General Meeting, shareholders approved an annual allotment (for three years) of shares at par for the benefit of employees and the Chairman foreshadowed the establishment of a new employee share plan.

The Lend Lease Retirement Benefit Fund (RBF) was established in 1984 for the benefit of employees through the allotment at par value of 5 million Lend Lease Corporation shares. The balance of the Lend Lease Corporation shares in RBF at 30 June 2004 was 15.2 million (June 2003 14.7 million). The shares in RBF are not available to be allocated to employees and in accordance with the trust deed, the capital of the trust is not available to Lend Lease Corporation. The income of the RBF is used to fund Lend Lease Foundation.

In October 1985, the Lend Lease Employee Investment Trust (EIT) was established to enable employees to invest in the company. At that time, shareholders approved a one for ten renounceable rights issue and the allotment at the same price of an equivalent number of shares to EIT. EIT acquired these shares with debt funds raised through an external financier. Over the years, strong growth in Lend Lease dividend flows enabled EIT to pay down its external debt. At 30 June 2004, there were 13.8 million Lend Lease Corporation shares held by EIT of which 13.3 million shares were available for allocation to employees at the Trustee's discretion. No allocations of units in the trust were made to employees or Directors in the year ended 30 June 2004. In recent times, the Trustee of EIT has directed surplus dividends to help in the funding of the Lend Lease Foundation's programs. In accordance with the Trust Deed, the capital of the trust is not available to Lend Lease Corporation.

During the financial year ended 30 June 2004, EIT made an increased distribution of A\$53.7 million to Lend Lease Corporation Limited. This was fully utilised by Lend Lease to fund employee benefits.

Since their establishment, both the EIT and RBF have acquired shares through on market purchases, participation in bonus issues and dividend reinvestment. EIT accumulated shares from 1984 to 1988 through the allocation of shares under the 1984 shareholder's resolution to allot 0.5% of the issued capital to employee benefit vehicles. Both plans, like the previously mentioned share plans, are not Lend Lease Group entities and independently exist to provide various benefits for their members.

In 1988, Lend Lease established the Lend Lease Employee Share Acquisition plan (ESAP) as an employee reward scheme. ESAP was established to prospectively replace EIT as the principal employee share plan of the Group in Australia. Other similar plans have subsequently been established (refer to earlier share plan comments). The details of the employee share plans including ESAP are set out on page 48.

Notes to the Consolidated Financial Statements continued

33. Employee Benefits continued

c. Lend Lease Employee Share Plans continued

Access to the Lend Lease Foundation is another important employee benefit. Established in 1983, the Foundation's programmes are administered by employee trustees. The programmes do not affect Group profitability as they are effectively funded by distributions from the RBF and the EIT. The distributions from the trusts and the cost of providing benefits to employees are reflected in the Statement of Financial Performance.

Long Term Incentives (LTIs)

Lend Lease's current Long Term Incentives for Senior Executives were introduced and approved by the Board in 1999 and were updated and extended in 2001 and in 2002.

The LTIs are in the form of a dollar figure 'grant' which is notionally 'invested' over time to deliver value and is normally allocated equally, or otherwise between Performance Shares (PSs) and Share Appreciation Rights (SARs). Further details relating to the LTIs are set out in Note 34 Executives' & Directors' Disclosures.

The PSs and SARs exercised during the June 2004 year had a fair value of A\$15.0 million which represents the market value of the Lend Lease shares at the date of exercise (June 2003 A\$5.1 million, representing 606,188 PSs exercised). The financial effect of these incentives is accrued in the Statement of Financial Performance over the vesting period of the individual grants.

Summary of Performance Shares/Share Appreciation Rights

Grant Date	Expiry or Exercise Date	Grant Price A\$	Granted		Number of Lend Lease Corporation Share Equivalents ¹ Lapsed		Exercised		Closing Balance	
			PS	SAR	PS	SAR	PS	SAR	PS	SAR
July 2000	July 2005	21.08	23,121	26,974	23,121	26,974				
Jan 2001	June 2003	16.19	18,805	21,939		21,939	18,805			
Apr 2001	Apr 2006	12.43	62,694	658,287	62,694	658,287				
July 2001	June 2004	11.98	364,309	601,570	130,213	601,570	234,096			
July 2001	June 2004	12.49	376,721				376,721			
July 2001	June 2004	12.60	188,474	219,887	188,474	219,887				
June 2002	June 2004	10.33	886,200	3,101,700	88,817	2,712,363	797,383	389,337		
July 2002	June 2005	10.50	328,370	1,009,283	18,708	81,769	4,654		305,008	927,514
Dec 2002	June 2006	10.03	210,604						210,604	
Dec 2002	June 2007	10.03	210,604						210,604	
July 2003	June 2006	8.55	2,585,877		81,689				2,504,188	
Total number of PS/SAR			5,255,779	5,639,640	593,716	4,322,789	1,431,659	389,337	3,230,404	927,514

1 Lend Lease Corporation Share Equivalents represent a notional investment in Lend Lease shares. Under the terms of the LTIs no new Lend Lease shares can be issued. Further details of the scheme are set out in Note 34 Executives' & Directors' Disclosures.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures

a. Compensation Policy

Directors and Senior Executives

Lend Lease's Compensation and Benefits Policy is determined by the Board's Personnel and Organisation Committee (P&O Committee). Lend Lease's policy is to reward Senior Executives with market competitive compensation and benefits, taking account of both Company and individual performance. In assessing these benchmarks, Lend Lease takes account of expert advice and the relevant external comparators in the real estate and related sectors.

Lend Lease's approach to executive compensation is to provide a balance of fixed and performance based cash elements with an emphasis on increasing 'at risk' compensation for Senior Executives and Executive Directors. Outlined below are the elements and the philosophy behind them.

Compensation paid by Lend Lease is designed to be appropriate and competitive in each of its business locations, having regard to local practice on such issues as incentives, pensions, superannuation and other benefits. Lend Lease also recognises the need to take account of differing costs of living, especially in relation to expatriates and this is reflected in compensation for expatriate Senior Executives in the various locations.

Base Salary

Salaries are set at competitive levels, targeted at median against comparable companies, with annual reviews to reflect market conditions and personal performance. For guidance, the P&O Committee and various business based executives use information available in published job matched surveys of similar companies. As appropriate, they also commission surveys to supplement the published information. To ensure proper process is followed for all senior executives, all proposed packages for direct reports of Executive Management Team members require prior approval from the Chief Executive Officer (CEO). This applies to internal appointments and external hires. In addition, all internal appointments with a base salary in excess of A\$150,000 in Australia, US\$130,000 in the US and £60,000 in the UK, for whom a base salary increase of 10% or above is proposed, require prior approval from the Chief Executive Officer.

The salaries of the Chief Executive Officer, the Executive Directors, regional and business unit CEOs and corporate function heads are set by the P&O Committee. These are determined in July of each year. In the cases of the Executive Directors and business unit CEOs, the Committee is assisted in this review by the Chief Executive Officer and the Head of Human Resources.

Short Term Incentives (STIs)

Annual bonus payments are based upon actual achievement measured against challenging financial, corporate and individual performance targets approved by the P&O Committee for direct reports of the Chief Executive Officer. Although the performance criteria are different for each executive, the principles are similar and involve assessment of performance across three areas:

- **Financial** – achievement of profitability, earnings, total shareholder return and other relevant financial targets;
- **Personal** – achievement of personal objectives related to specific non-financial business targets; and
- **Environment, Health and Safety** – a number of Senior Executives are also measured and rewarded according to the Group's performance on Environment, Health and Safety Key Performance Indicators and their personal commitment to them.

If the full target bonus is earned, annual cash compensation will normally reach the upper quartile of the relevant employment market.

Annual bonuses may be awarded in a number of ways:

- Cash
- Shares or awards issued under Lend Lease Employee Share Plans (ESP).

Long Term Incentives (LTIs)

Lend Lease's current Long Term Incentives were introduced and approved by the Board in 1999 and updated and extended in 2001, 2002 and 2003. The objectives of the LTIs are essentially twofold:

- aligning Senior Executives with the long term interests of Lend Lease and its shareholders; and
- attracting and retaining Senior Executives of high calibre by providing competitive rewards that relate to the performance of both the individual executive and the Lend Lease share price.

LTIs grants are normally made in July each year and are based on competitive remuneration practice. Grants also depend on personal contribution and potential, and are designed to retain and motivate high performing and key executives. The LTIs are in the form of an Australian dollar figure 'grant', which is notionally 'invested' over time to deliver value depending on:

- whether the executive remains with the Group – if the executive resigns before vesting, the grant will lapse;
- whether performance hurdles are achieved over the plan period – if the hurdles are not achieved, the grant will lapse; and
- the performance of the Lend Lease share price – the value of the grant on maturity, assuming performance hurdles have been met, will be determined in part by the rise in the Lend Lease share price. Current plans have hurdles which require above median performance against a basket of Lend Lease's peer group companies (with 25% vesting at median performance rising to 100% at 75th percentile).

LTIs are a cash programme with payments made upon maturity if performance hurdles are met.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures continued

a. Compensation Policy continued

Directors and Senior Executives continued

Long Term Incentives (LTIs) continued

Under the 2001 and 2002 LTIs, a Senior Executive's initial dollar 'grant' is normally allocated equally, or otherwise at the discretion of the Senior Executive or Board, between:

- **Performance Shares (PSs)** – the value of these will rise or fall with the value of Lend Lease shares; and
- **Share Appreciation Rights (SARs)** – these are payable only if the price of Lend Lease shares at the date of maturity is higher than at the date of grant. The Senior Executive will receive nothing in respect of these rights if the share price is lower than the price at the date of the grant.

For the purposes of the allocation, PSs are attributed a value equivalent to the Lend Lease share price at or about the date of the allocation, while SARs are valued at approximately one third of PSs, which reflects their greater risk profile.

Under the 2003 LTI, the initial grant was made solely in PSs.

Retention Awards

When the Board believes that an employee is an outstanding performer and that Lend Lease Corporation and its shareholders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made.

Superannuation/Pension Plans

Pension plan arrangements are in place in most international locations. In the past, Senior Executives (and other employees) joined either a defined benefit or a defined contribution plan. Entry into all defined benefit plans has now ceased across the Group. All new Executive Directors and Senior Executives have the opportunity to join defined contribution plans.

Non Executive Directors

Compensation Policy

Directors' fees have been set at US\$50,000 per annum covering all Board duties and service on at least one Board Committee. Fee levels are in line with international benchmarks for a company of Lend Lease's size. The Chairman's fees are four times the standard fees paid to a Director and Chairmen of Board Committees receive an additional US\$8,000 per annum.

In addition, Non Executive Directors are compensated for time spent traveling to overseas Board and Board Committee meetings. This additional time is compensated at US\$2,000 per day.

To allow Directors to receive some of their annual compensation in shares rather than cash, and thus align their interests with those of shareholders, a Non Executive Directors' Share Ownership Plan was approved at the 2000 Annual General Meeting. This plan allows Directors to acquire Lend Lease shares by foregoing an amount of Directors' fees equivalent to the value of the shares acquired. A majority of Directors have participated in this plan. Subscriptions are made at the same price, at the same time and otherwise on the same terms as the Share Purchase Plan available to Australian and New Zealand registered shareholders and only while the Share Purchase Plan is operative. A Director is restricted from dealing with these shares until retirement. However, a Director may deal with shares at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Retirement Plan

The plan is designed to provide retirement benefits for Directors that are based only on fees for Board service and are accrued in Lend Lease shares so that the benefit derived fluctuates in line with the value of Lend Lease shares. Under the plan, the Company will issue to, or acquire for, or for the benefit of, each Non Executive Director a number of Lend Lease shares equal in value to 0.2 times the Director's fees (being fees for attending and chairing Board and Board Committee meetings), but not additional fees.

Allocations are made in arrears on 1 January each year. For this purpose, the value of the shares on acquisition will be the weighted average price of Lend Lease shares traded on the Australian Stock Exchange during the five business days prior to 1 January each year. The shares will be accessible only on retirement. Directors will be exposed to share price risk until this time. However, shares may be sold at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Retirement Plan Changeover Arrangements

A defined benefit Retirement Benefit Plan ('previous plan') was approved by shareholders at the 1990 Annual General Meeting. Changeover arrangements which were approved by shareholders at the 2000 Annual General Meeting have been effected to transition from the previous plan to the current plan for Directors who were on the Board on 31 December 2000. Under these arrangements, retiring Non Executive Directors will receive a multiple applied to the average of their annual emoluments (i.e. Directors' fees and fees for additional Board duties) over the previous three years. The multiple is 0.6 for each of the first five years of service as a Non Executive Director and 0.2 for each year over five years to 15 years. This multiple for each Director was frozen at the multiples that would have applied if the Director had retired on 31 December 2000.

The following table sets out the accrued retirement benefits under the previous plan as at 30 June 2004 (based on the multiple being frozen on 31 December 2000). The Board has resolved to cap the entitlements under the previous plan at the lower of the accrued retirement benefit as at 30 June 2003 (with interest payable at the 60 day bank bill rate) and the retirement benefit calculated at the actual date of retirement.

Non Executive Directors ¹	Years of Service at 31 December 2000	Accrued Retirement Benefit at 30 June 2004 A\$	Accrued Retirement Benefit at 30 June 2003 A\$
G G Edington	1	102,804	128,896
P C Goldmark	1	93,913	108,663

1 Mr Longes does not participate in the previous plan.

Non Executive Directors appointed since 1 January 2001 are not eligible to participate in the previous plan.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures continued

b. Remuneration Details

Details of the remuneration of the directors of Lend Lease Corporation Limited and specified executives of the Lend Lease Group for the year ended 30 June 2004 are set out in the following tables:

Location	Primary				Post Employment		Equity	Other Benefits		Total
	Salary & Fees A\$000's	Short Term Incentive Bonus ¹ A\$000's	Long Term Incentive Bonus A\$000's	Non Monetary A\$000's	Super-annuation A\$000's	Retirement Benefits A\$000's	ESP/Other A\$000's	Termination A\$000's	Prescribed A\$000's	June 2004 A\$000's
Specified Directors										
Executive Directors										
Continuing										
G. Clarke – Managing Director ^{1,2}	UK	1,443	1,476	724	28	414			26	4,111
J. Curin – Finance Director (appointed 8 Sep 03) ¹	UK	794	488	116	69	238			24	1,729
		2,237	1,964	840	97	652	-	-	50	5,840
Non Continuing										
R. Tsenin – Finance Director (retired 31 August 03) ¹	UK	197	300	146	10	9	5	1,929	34	2,630
		197	300	146	10	9	5	1,929	34	2,630
Non Executive Directors³										
D. Crawford – Chairman	Aust	282				11	61			354
R. Longes – Deputy Chairman	Aust	222 ⁴				6	16			244
P. Goldmark	US	139				6	18			163
G. Edington	UK	124				6	18			148
		767	-	-	-	29	113	-	-	909
Total Specified Directors		3,201	2,264	986	107	690	118	1,929	84	9,379

1 Employed by Lend Lease (UK) Management Services Limited.

2 Relocated to Australia in July 2004.

3 Salary and Fees for Non Executive Directors includes fees for attending, chairing and travelling to Board and Board Committee meetings. Equity represents the amount accrued in Lend Lease shares for retirement benefits under Lend Lease's Non Executive Directors' retirement plan (refer to Note 34a).

4 Includes Directors' Fees for the Lend Lease Corporation Board of A\$102,180 and Directors' Fees for Associated Company Boards of A\$120,000.

5 All Short Term Incentive bonuses have been paid in cash and based upon the performance criteria as outlined on page 52.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures continued

b. Remuneration Details continued

Location	Primary				Post Employment	Equity	Other Benefits			Total
	Salary & Fees A\$000's	Short Term Incentive Bonus ⁷ A\$000's	Long Term Incentive Bonus A\$000's	Non Monetary A\$000's	Super-annuation A\$000's	ESP/Other A\$000's	Termination A\$000's	Prescribed A\$000's	Other A\$000's	June 2004 A\$000's
Specified Executives										
Continuing										
R. Oakley – CEO America (commenced 11 Nov 03) ^{1,3}	US	435	441		201	32			1,496	2,605
R. Taylor – CEO Asia Pacific ^{2,5}	Aust	719	581	745	23	57	29			2,154
A. Chamberlain – CEO EMA (commenced 26 Sep 03) ^{3,5}	UK	759	431	145	40	223		23		1,621
P. Crewes – General Counsel and Secretary ^{1,5}	UK	373	351	152	361	94	15	20		1,366
R. Fisher – CEO Global Markets (commenced 1 Sep 03) ⁴	UK	709	359	87	5	51		21		1,232
S. Bird – Group Head HR ⁴	UK	534	302	152	1	119		2		1,165
Total Continuing		3,529	2,465	1,281	631	576	99	-	66	1,496
Non Continuing										
D. Ross – CEO REI Global (cessation 31 Dec 03) ^{5,6}	US	394	219	755	267	27	13	1,543	12	3,230
P. Ladron de Guevara – CEO Global Markets (cessation 31 Mar 04) ^{6,8}	Spain	351	106	148	30	40		1,312	5	1,992
C. Bacon – CEO BLL US (cessation 31 Oct 03) ⁷	US	173	97	366	111	4		440	6	1,197
Total Non Continuing		918	422	1,269	408	71	13	3,295	23	-
Total Specified Executives		4,447	2,887	2,550	1,039	647	112	3,295	89	1,496
Other Executives										
Continuing										
P. Marchetto – Operations Manager BLL US ^{5,8}	US	570	426	222	23	9	-	-	19	-
Total Other Executives		821	1,427	837	23	10	-	790	60	-

1 Employed by Bovis Lend Lease Holdings, Inc.

2 Employed by Lend Lease Management Services Limited.

3 Employed by Bovis Lend Lease Limited.

4 Lend Lease (UK) Management Services Limited.

5 Employed by Lend Lease Real Estate Investments, Inc.

6 Employed by Bovis Lend Lease LMB, Inc.

7 All Short Term Incentive bonuses have been paid in cash and based upon the performance criteria as outlined in page 52.

8 Executive identified as one of the five most highly remunerated under the Corporations Act 2001.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures continued

c. Long Term Incentives

Stock Appreciation Rights (SAR) and Performance Shares (PS) Year Ended June 2004

	Service Criteria	Performance Criteria	SAR/PS	Grant Date	Expiry or Exercise Date	Exercise Price ¹ A\$	Granted Number	Award Value at Grant Date A\$
Specified Executive Directors								
G. Clarke	Criteria 1	Criteria 3	PS	Dec 2002	Dec 2007	N/A	279,728	2,797,281
	Criteria 2	Criteria 4	PS	Dec 2002	July 2006	N/A	210,604	1,056,338
	Criteria 3	Criteria 4	PS	Dec 2002	June 2007	N/A	210,604	1,056,338
J. Curin	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	92,506	790,514
Specified Executives								
R. Oakley	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
R. Taylor	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	75,492	645,120
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	72,604	750,000
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	254,114	750,000
A. Chamberlain	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	115,633	988,142
P. Crewes	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	39,736	339,560
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	19,942	206,000
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	69,797	206,000
R. Fisher	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	69,380	592,885
S. Bird	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	46,253	395,257
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	18,306	189,102
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	64,072	189,103

1 Performance shares do not have an exercise price, as they are paid out at the share price at exercise date.

Criteria 1:	The ability to achieve the LTI is dependent upon the executive remaining with Lend Lease. If the executive resigns before vesting, the grant will lapse.
Criteria 2:	The award is dependent upon service to exercise date however an early redemption date due to cessation of service may result in a pro-rata payout.
Criteria 3:	Progressive percentage monthly vesting of award over the respective award service life.
Criteria 4:	The performance criteria relates to Lend Lease's Total Shareholder Return as against the S&P ASX200 Industrial Index.
Criteria 5:	Forfeiture on resignation. Pro-rata on other service cessation.
Criteria 6:	Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns.
Criteria 7:	The ability to receive the LTI is dependent upon the executive remaining with Lend Lease. If the executive resigns before vesting the grant will lapse, however, full payout for cessation other than cause is permitted.

d. Equity Holdings and Transactions

Shareholdings Year Ended 30 June 2004

	Shares Held 1 July 2003	Shares Received as Remuneration	Other Net Change to Shares	Shares Held 30 June 2004
Executive Directors				
G. Clarke	1,000			1,000
J. Curin			1,000	1,000
Non Executive Directors¹				
D. Crawford	7,167	3,426	81	10,674
R. Longes	53,163	2,003	253	55,419
G. Edington	18,355	1,461		19,816
P. Goldmark	6,892	1,549		8,441
Specified Executives				
R. Taylor	85,130	2,796	1,480	89,406
P. Crewes	42,490	1,467	(3,787)	40,170
S. Bird		5,300		5,300
	214,197	18,002	(973)	231,226

1 Non Executive Directors' share allocations relating to retirement benefits are made in arrears on 1 January each year. Refer to Note 34a for further details.

Notes to the Consolidated Financial Statements continued

34. Executives' & Directors' Disclosures continued

e. Service Agreements

The major provisions of the service agreement held with the specified Directors and Executives, in addition to performance related bonuses, are as follows:

Name	Term of Agreement	Notice Period	Remuneration Review Period ¹	Eligible for STI ²	Eligible for LTI ³	Eligible for Termination Benefit ⁴	Other Benefits
Specified Executive Directors							
G. Clarke	5 years from 9 Dec 2002	12 months ⁵	Annually	Yes	Yes	Yes ⁶	Yes ⁷
J. Curin	No fixed term	12 months	Annually	Yes	Yes	Yes ⁸	No
Specified Executives							
R. Oakley	No fixed term	30 days	Annually	Yes	Yes ⁹	Yes ¹⁰	Yes ¹¹
R. Taylor	No fixed term	Not specified ¹²	Annually	Yes	Yes	Yes	No
A. Chamberlain	No fixed term	12 months	Annually	Yes	Yes	Yes ⁵	No
P. Crewes	No fixed term	6 months	Annually	Yes	Yes	Yes ¹³	No
R. Fisher	No fixed term	12 months	Annually	Yes	Yes	Yes ⁵	No
S. Bird	No fixed term	12 months	Annually	Yes	Yes	Yes ¹⁴	No

Specified Non Executive Directors

Under the Company's Constitution, one third of the Directors (excluding the Managing Director) must retire from office by rotation at each Annual General meeting, and each Director is subject to re-election by rotation at least every three years. Newly appointed Directors must seek election at the first meeting of shareholders following their appointment. The Board has adopted a policy that, subject to ongoing performance evaluation, Non Executive Directors appointed from 2002 will be limited to a maximum of three terms of three years, which may only be extended by the Board in exceptional circumstances.

1 Reviewed annually by the Lend Lease Corporation Board.

2 Refer to Note 34a for further details and conditions.

3 Refer to Note 34a and 34c for further details and conditions.

4 Unless otherwise stated termination payment includes base salary for remainder of notice period not served (up to 12 months), pro-rated STI entitlements and LTI entitlements per LTI rules.

5 A variation in contract occurred following relocation to Australia effective 1 July 2004. Notice period increased 6 months (to a total of 18 months), scaling back to 12 months as at July 2005.

6 Termination payment includes base salary for remainder of notice period not served, cash value of pro-rated prescribed/non monetary benefits, pro-rated STI entitlements (based on 60% achievement of objectives), LTI entitlements per LTI rules and the value of the retention award (refer to footnote 7).

7 Includes a retention award which will fully vest if Mr Clarke remains until 9 December 2007 or if the Company terminates his employment without cause prior to that date. At that time, Mr Clarke will be entitled to a cash payment equal to the value of 279,728 Lend Lease shares. This equates to an award value of £1,000,000 at the date of grant with the end payment value referable to the market value of that number of Lend Lease shares as at that date. The retention award will be forfeited altogether if Mr Clarke resigns prior to 9 December 2007 or if his employment is terminated by Lend Lease for cause. A pro-rata amount will be payable if the company determines that Mr Clarke's employment should be terminated for poor performance. In addition, Mr Clarke's service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination. A variation in contract occurred following relocation to Australia effective 1 July 2004. Relocation package entitlement includes accommodation up to A\$208,000 and the cost of utilities.

8 Termination payment includes base salary for remainder of notice period not served, cash value of pro-rated prescribed/non monetary benefits, pro-rated STI entitlements (based on 60% achievement of objectives), LTI entitlements per LTI rules. The service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination.

9 Initial guaranteed LTI on 1 July 2004.

10 Termination payments include base salary for 12 months, pro-rated STI entitlements (based on 60% achievement of objectives) and LTI entitlements per LTI rules. Mr Oakley's service agreement includes a non solicitation (for 12 months) and non disclosure obligation (for 2 years) post termination.

11 Entitled to payments to replace benefits lost from previous employer on joining Lend Lease. For the June 2004 financial year, these entitlements were for pension, bonus and LTI totalling US\$1,063,650. Future entitlements are for stock option replacements of US\$1,027,356 (30 June 2005) and US\$1,027,355 (30 June 2006), plus LTI of US\$120,000 (28 February 2005) and US\$60,000 (28 February 2006).

12 It is expected that the required notice would be broadly consistent with that required to be given to the other specified executives.

13 In addition to notice, Mr Crewes is entitled to a lump sum termination payment which includes base salary for 6 months, a pro rata bonus amount and the cash value of prescribed/non monetary benefits. Mr Crewes' service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination.

14 Termination payment includes base salary for remainder of notice period not served. Mr Bird's service agreement includes a non compete (for 4 months) and non solicitation obligation (for 4 months) post termination.

Notes to the Consolidated Financial Statements continued

35. Non-Director Related Party Information

Ownership Interests in Related Parties and Transactions with Controlled Entities

Interests held in controlled entities and associated companies, joint ventures, partnerships and trusts, are set out in Notes 10a, 10b, 11 and 32 to the financial statements.

Lend Lease Corporation provides a wide range of corporate services to its controlled entities which include administrative, advertising, accounting, employee services such as the administration of salaries and superannuation, finance, insurances, legal, public relations, company secretarial and treasury. Costs incurred in providing such services are recovered accordingly from the entities concerned.

Managed Funds

All transactions between managed property trusts and Lend Lease are determined at an arm's length commercial basis and are subject to independent assessment where appropriate and approval by an independent trustee or board.

Property Trusts and Funds

Lend Lease is the fund manager for several property trusts and funds. As fund manager, Lend Lease is responsible for all management activities arising from the trust and fund's ownership of properties. The manager is also responsible for implementing policies, monitoring the performance of each property, ensuring the return is maximised for the trusts and funds and for managing the liquid funds of the trusts and funds. For these services, Lend Lease is paid a fee in accordance with the respective deeds of the trusts and funds.

	Managed Funds	
	June 2004 A\$m	June 2003 A\$m
Services provided by Lend Lease		
Management of trusts	102.3	212.8
Construction and development	171.0	202.0
Expense reimbursements to Lend Lease		
Administrative and property rental expenses	17.8	20.2

Services provided by Lend Lease comprise:

- **Investment management** includes strategic investment advice, total asset management and investment portfolio management;
- **Asset management** comprises property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services; and
- **Integrated Development Businesses** includes property capital works, design and construction services, development and refurbishment.

36. Discontinuing Operations

The following table details those businesses treated as discontinuing operations in the Group's Consolidated Financial Statements. They form part of Lend Lease's REI Debt and Equity business segments (refer to Note 2 Segment Reporting).

Entity/Business	Region	Purchaser/Intention	Current Status	Effective Sale Date
HFF	US	Management	Sold	17 June 2003
Cordia Senior Living	US	Management	Sold	30 June 2003
HCI	US	MuniMae	Sold	1 July 2003
Asset Management – North America	US	GMAC	Sold	14 July 2003
CapMark	US	GMAC	Sold	14 July 2003
Program Lending	US	GMAC	Sold	29 July 2003
Lend Lease Hyperion JV	US	GMAC	Sold	12 August 2003
Lend Lease Agri-Business	US	Rabobank	Sold	30 September 2003
Lend Lease US Office Trust	Australia	Management change	Transferred	18 November 2003
US Equity Advisory	US	Morgan Stanley	Sold	20 November 2003
Lend Lease REI GmbH	Europe	First Islamic Investment Bank	Sold	26 November 2003
Asset Management – Mexico	US	GMAC	Sold	11 December 2003
Lend Lease Mortgage Capital	US	Wachovia Corporation	Sold	12 December 2003
Structured Finance	US	CDP Capital	Sold	12 December 2003
Winn Residential	US	Winn Residential	Sold	16 December 2003
Debt Advisory	US	GMAC	Sold	24 December 2003
Global Fund Advisory ¹	Global	Management	Sold	6 February 2004
Lend Lease Houlihan Rovers	Europe	Management	Sold	31 January 2004
VEF series co-mingled fund platform	US	Apollo Real Estate Management	Sold	24 March 2004
Lend Lease Rosen	US	Management	Agreement Signed	
Asia Debt	Asia	Intended disposal	Pending	
Rosen Consulting	US	Intended disposal	Pending	

1 Lend Lease continues as advisor to Lend Lease Asia Properties and sponsor to both Lend Lease Global Properties and Lend Lease Asia Properties.

Although no sales have been agreed or specific arrangements as announced in respect of Rosen Consulting, the Asian Debt business and the US REI co-investments, Lend Lease intends to exit these businesses and co-investments (in the normal course of winding down) and, accordingly, they have been classified as discontinuing operations for the purposes of the Group's Consolidated Financial Statements.

Notes to the Consolidated Financial Statements continued

36. Discontinuing Operations continued

On 17 August 2004 Lend Lease announced that it had entered into an agreement with ACM Acquisition LLC (ACM) for the sale of Lend Lease Rosen Real Estate Securities LLC (Lend Lease Rosen). The full sales price which incorporates deferred elements is expected to exceed its book value of A\$13.9 million.

ACM is controlled by Michael Torres, CEO and portfolio manager of Lend Lease Rosen.

The transaction is expected to be completed by the end of August 2004.

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
Financial Performance of Discontinued Operations		
Revenue from ordinary activities (excluding sale of operations)	134.5	610.4
Revenue from the sale of operations and investments	547.9	15.4
Total revenue from ordinary activities	682.4	625.8
Expenses from ordinary activities	(116.4)	(563.6)
Carrying amount of net assets of operations and investments sold	(516.8)	(13.6)
Disposal costs of operations and investments sold	(28.4)	(1.8)
Write-back of REI restructure and REI employee termination provisions	18.2	
Other exit costs	(28.1)	
Write-down of REI businesses		(882.0)
Total expenses from ordinary activities	(671.5)	(1,461.0)
Share of net profit of associates accounted for using the equity method	0.5	14.1
Profit/(loss) before tax from ordinary activities¹	11.4	(821.1)
Income tax expense relating to ordinary activities	(4.9)	(22.6)
Income tax expense relating to write-off of future income tax benefits previously recognised in prior years		(63.0)
Profit/(loss) after tax from ordinary activities	6.5	(906.7)
Profit after tax attributable to outside equity interest	(0.9)	(0.9)
Profit/(loss) after tax from ordinary activities attributable to members of Lend Lease Corporation Limited¹	5.6	(907.6)
Financial Position of Discontinued Operations		
Current assets	30.4	646.2
Non current assets	477.8	1,017.3
Current liabilities	(134.9)	(280.5)
Non current liabilities	(11.7)	(139.1)
Net assets	361.6	1,243.9
Cash Flow of Discontinued Operations		
Net cash inflow from operating activities	54.7	127.5
Net cash inflow/(outflow) from investing activities	730.0	(166.1)
Net cash (outflow)/inflow from financing activities	(784.7)	38.6
Net cash	-	-

1 The businesses sold during the year resulted in A\$2.7 million profit before tax and A\$7.6 million profit after tax.

37. Events Subsequent to Balance Date

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, Lend Lease must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Lend Lease Group's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Lend Lease is in the process of assessing the impact of these changes and accordingly has not fully quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the entity's financial reports in the future. The potential impacts on the Lend Lease Group's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Lend Lease Group Board has established a formal project team, to achieve transition to IFRS reporting. The first IFRS financial reporting prepared by the Lend Lease Group will be for the half-year ended 31 December 2005. The implementation project consists of three phases as described on the following pages.

Notes to the Consolidated Financial Statements continued

37. Events Subsequent to Balance Date continued

International Financial Reporting Standards continued

Assessment and Planning Phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- Assessment of new information requirements affecting management information systems and the impact on the business and its key processes;
- Evaluation of the implications for staff, for example, training requirements;
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training; and
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS.

The company considers the assessment and planning phase to be complete in most respects as at 30 June 2004.

Design Phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase incorporates:

- Formulating revised accounting policies and procedures for compliance with IFRS requirements;
- Developing revised IFRS disclosures;
- Designing accounting and business processes to support IFRS reporting obligations;
- Identifying and planning required changes to financial reporting and business source systems; and
- Developing training programs for staff.

The company has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the 2004/05 financial year.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operating training for staff. It will enable the company to generate the required disclosures of AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" as it progresses through its transition to IFRS.

Except for certain training that has been given to key finance staff, the company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 2005.

The key potential implications of the conversion to IFRS on the Lend Lease Group are as follows:

Goodwill

Initial impact on retained earnings at 1 July 2004

Lower expenses

Volatility in future results due to potential for impairment

Goodwill acquired in business combinations, such as the acquisition of the Bovis Group and Delfin Group, will no longer be amortised, however will be subject to an annual impairment test.

Impairment will be determined on a discounted basis, with strict tests for determining whether goodwill allocated to the Group's cash-generating units has been impaired. Any impairment will be recognised immediately in the statement of financial performance.

Defined Benefit Plans

Initial impact on retained earnings at 1 July 2004 as plan surpluses or deficits are recognised.

Volatility in future earnings

Surpluses and deficits in the Lend Lease Superannuation Fund (Australia) and Bovis UK Pension Scheme sponsored by Lend Lease will be recognised in the statement of financial position upon transition.

Movements in the net position of each scheme after transition will be recognised in the statement of financial performance.

Income Tax

Initial impact on retained earnings at 1 July 2004

New tax assets and liabilities recognised

Income tax will be calculated based on the 'balance sheet' approach, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

It is expected that Lend Lease will recognise similar levels of deferred tax assets and liabilities, and as tax effects follow the treatment of the underlying transaction, some tax effects will be recognised in equity.

Notes to the Consolidated Financial Statements continued

37. Events Subsequent to Balance Date continued

International Financial Reporting Standards continued

Implementation Phase continued

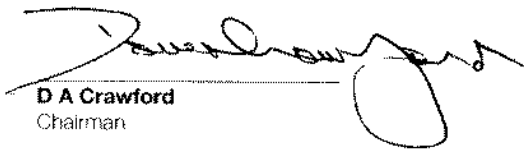
Revenue Initial impact on retained earnings at 1 July 2004 Potential deferral of revenue recognition	Revenue from the sale of goods requires additional conditions to be satisfied before recognition can occur. Revenue recognition is primarily determined by assessing whether the significant risks and rewards of ownership of the asset have transferred and the nature of any continuing involvement with the asset. This may result in a deferral of revenue recognition on pre-sale residential projects to settlement date rather than the percentage completion method currently adopted under UIG 53 "Pre-completion contracts for the sale of residential development properties". AASB 1048 "Interpretation and application of standards" currently retains UIG 53 for application in the IFRS environment, hence there is significant uncertainty as to whether revenue recognition will change materially for the Lend Lease Group.
Hedging Initial impact on retained earnings at 1 July 2005 Volatility in future earnings New assets and liabilities recognised	Lend Lease currently uses derivative contracts to economically hedge exposures to interest rates and foreign currency. Under current Australian Accounting Standards, all derivative contracts are accounted for as hedges. Under IFRS, all derivative contracts, whether used for hedging purposes or not, will be required to be carried on the statement of financial position at fair value. Derivative contracts that do not qualify for hedge accounting will be required to recognise any subsequent changes in fair value in the statement of financial performance. In order to qualify for hedge accounting, strict requirements over hedge designation, documentation and effectiveness must be satisfied. Derivative contracts that qualify for hedge accounting will be accounted for as cash flow or fair value hedges. Cash flow hedges are measured at fair value with changes in fair value recorded in equity, to the extent that the hedge is deemed effective, until the hedged transaction occurs. Any ineffective portion is recorded in the statement of financial performance immediately. Fair value hedges are measured at fair value with changes in fair value recorded in the statement of financial performance. Any offsetting changes in fair value of the designated hedged item are also recorded in the statement of financial performance.
Co-Investments Initial impact on retained earnings at 1 July 2005 Volatility in future earnings	Co-investments will be recognised at fair value with subsequent changes in fair value recorded in either equity or the statement of financial performance (depending on classification). Currently equity investments are carried at cost. This change will impact the company's co-investments in real estate funds, which will be carried on the statement of financial position at fair value with changes in fair value recorded in equity.
Intangible Assets Lower expenses Volatility in future earnings due to impairment testing	The recognition criteria for intangible assets have been tightened. Management agreements with indefinite useful lives will be tested for impairment annually and will not be amortised.
Investment Property Initial impact on retained earnings at 1 July 2004 Volatility in future earnings	IFRS permits one of the following: (i) measurement at fair value with subsequent changes in fair value recorded in the statement of financial performance; or (ii) measurement at cost depreciated over the useful life. Lend Lease's elected method is likely to be the fair value method.
Equity Based Compensation	Lend Lease currently has a policy of expensing all employee compensation to the statement of financial performance as incurred but the method of expensing may change, with the fair value of share-based payments to be included and expensed over the period the employee provides the related service under IFRS. The treatment of Lend Lease's employee share plans will also be reviewed in context of the IFRS requirements.
The Effects of Changes in Foreign Exchange Rates Initial impact on retained earnings at 1 July 2004 Potential volatility in future earnings	Foreign operations were previously classified as either self-sustaining or integrated operations. These are replaced with the concept of an entity's functional currency. This is the currency in which the entity operates and determines pricing decisions. The Lend Lease Group's functional currency is expected to be Australian dollars. Exchange differences arising on a monetary item that forms part of Lend Lease's net investment in a foreign operation are recognised in the statement of financial performance of the parent or subsidiary operation as appropriate. In the Lend Lease Group consolidated financial report, such exchange differences shall be recognised initially in a separate component of equity and recognised in the statement of financial performance on disposal of the net investment. However, where the monetary item is not in the functional currency of the parent or the foreign subsidiary, exchange differences must be recognised in the statement of financial performance on consolidation of the Group.
Accounting Policies	Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Directors' Declaration

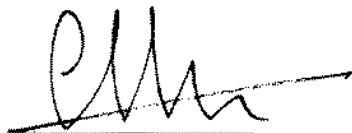
In the opinion of the Directors of Lend Lease Corporation Limited:

1. The Financial Statements and notes set out on pages 1 to 61 are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the financial position of the consolidated entity as at 30 June 2004 and of its performance, as represented by the results of its operations and cash flows for the financial year ended on that date; and
 - b. complying with Australian Accounting Standards and the Corporations Regulations 2001;
 2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- Sydney, 18 August 2004.

Signed in accordance with a resolution of Directors:



D A Crawford
Chairman



G A Clarke
Managing Director



Independent audit report to members of Lend Lease Corporation Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 37 to the financial statements, and the directors' declaration for both Lend Lease Corporation Limited (the "Company") and Lend Lease Corporation Limited Group (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Lend Lease Corporation Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

G R Wilson
Partner

Sydney
18 August 2004



Lend Lease Corporation Limited

Concise Financial Report

30 June 2004

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Directors' Declaration

The Concise Financial Statements and specific disclosures and Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (Concise MD&A) have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

A copy of Lend Lease Corporation Limited Annual Consolidated Financial Report 30 June 2004, including the Independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request.

The Annual Consolidated Financial Report 30 June 2004 can be requested by telephone (612) 9236 6065 and by Internet at <http://www.lendlease.com.au>

Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

All figures in this announcement are expressed in Australian dollars unless otherwise specified.

The following discussion and analysis is based on the Group's Consolidated Financial Statements for the year ended 30 June 2004 and should be read in conjunction with those Financial Statements.

Overview

Introduction

Lend Lease provides a broad range of real estate services to clients in three regions, Asia Pacific, Americas and Europe.

The principal activities are conducted through three divisions, Bovis Lend Lease (BLL), Integrated Development Businesses (IDB), and Real Estate Investment Services (REI). Bovis Lend Lease provides construction, project management and design services across all regions. IDB comprises Delfin Lend Lease and Lend Lease Development in Australia, Actus Lend Lease in America, and the Public Private Partnerships (PPP) and retail and urban regeneration businesses in Europe. REI's principal business is that of real estate investment management in Asia Pacific and Europe.

In management's opinion, no single factor determines the Group's financial condition or the profitability of its divisions. Lend Lease uses a range of performance measures for evaluating different businesses. In addition to profit, the key performance measures used to evaluate future profitability of the businesses are Backlog Gross Profit Margin (GPM) for Bovis Lend Lease, Backlog for urban communities, and Assets Under Management for REI. This overview provides a summary of the Group's performance.

Segment Results Summary

The financial results for the year ended June 2004 are summarised below.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax ^{1,2}		Total Assets	
	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m	June 2004 \$m	June 2003 \$m
Bovis Lend Lease	7,696.0	8,460.9	169.2	243.0	105.1	157.5	2,962.7	2,920.5
Integrated Development Businesses	808.0	704.7	116.8	61.7	78.8	41.8	1,348.6	821.6
Real Estate Investments								
Continuing operations	228.0	222.1	145.4	140.4	100.3	95.8	1,309.7	1,324.2
Discontinuing operations ³	134.5	625.8	20.8	88.8	10.1	65.3	508.2	1,663.5
Total Real Estate Investments	362.5	847.9	166.2	229.2	110.4	161.1	1,817.9	2,987.7
Total Operating	8,866.5	10,013.5	452.2	533.9	294.3	360.4	6,129.2	6,729.8
Non-Core Investments	25.5	33.0	19.7	15.7	22.1	22.2	2.1	79.9
Corporate								
Net corporate	65.4	27.5	(51.0)	(118.0)	(28.4)	(55.3)	250.1	256.6
Group amortisation								
Continuing operations			(46.2)	(47.4)	(46.2)	(47.4)		
Discontinuing operations ³			(2.2)	(27.9)	(2.2)	(27.9)		
Group Treasury	62.9	39.9	12.2	6.0	16.3	10.7	669.3	342.6
	128.3	67.4	(87.2)	(187.3)	(60.5)	(119.9)	919.4	599.2
Group restructuring/merger costs			(23.2)	(47.3)	(18.5)	(32.5)		
Total Corporate	128.3	67.4	(110.4)	(234.6)	(79.0)	(152.4)	919.4	599.2
Total Group results before one off items	9,020.3	10,113.9	361.5	315.0	237.4	230.2	7,050.7	7,408.9
One Off Items								
Write-down of REI businesses				(882.0)		(945.0)		
Net impact of exit from REI businesses ⁴	547.9		(7.2)		(2.3)			
Profit on sale of IBMGSA	157.3		111.5		79.7		80.0	
Tax benefit from tax consolidation					18.7			
Total Group	9,725.5	10,113.9	465.8	(567.0)	333.5	(714.8)	7,130.7	7,408.9

1 Operating profit/(loss) after tax is net of the amount attributable to outside equity interests of \$4.1 million (June 2003 \$6.9 million).

2 The segment results of the operating businesses exclude financing costs (which are included in Group Treasury), amortisation charges, the profit on sale of the Group's investment in IBMGSA, tax benefits from capital losses arising from tax consolidation and the exit from and write-down of the REI businesses, all of which are separately disclosed, but includes the benefit of capital losses not previously recognised in the segment result of \$14.8 million of which \$13.0 million was recouped against the capital gain on sale of IBMGSA.

3 Discontinuing operations include those businesses which have been sold or are in the process of being divested or wound down.

4 This is comprised of the profit after tax on sale of REI businesses of \$7.6 million and the release of restructure reserve \$18.2 million after tax offset by other exit costs of \$28.1 million after tax.

Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Operating Profit After Tax

The Group's operating profit after tax (including one off items) of \$333.5 million for the year ended June 2004 is an increase of \$1,048.3 million over the year ended June 2003.

The Group's operating profit after tax before one off items of \$237.4 million is an increase of \$7.2 million from the previous year. However, there were several significant differences in the composition of the result compared to June 2003, which are as follows:

- An increase of \$24.5 million in the Delfin Lend Lease profit after tax reflecting increased sales activity, primarily in South-East Queensland;
- An increase of \$12.5 million in profit after tax from other IDB businesses reflecting an increased contribution from Actus Lend Lease and a reduced loss from IDB in Europe due to the timing of bid costs and bid cost recoveries; and
- A reduction in net corporate overheads of \$67.0 million (before tax) reflecting the continued focus on cost reductions. The corporate result includes recoveries from operating businesses and the impact of different tax rates across regions on corporate costs, this is discussed further in the corporate section of this report.

These increases were offset by:

- A decline of \$52.4 million in the Bovis Lend Lease profit after tax, primarily as a consequence of losses arising from a small number of projects in Australia; and
- A reduction of \$50.7 million profit after tax in the contribution from the REI business following the sale of the US REI businesses. The reduced contribution was offset, in part by a reduced amortisation charge from discontinued operations.

Backlog GPM Summary

Backlog GPM represents the expected GPM to be earned for the balance of work to be completed under existing construction and facilities management contracts. Backlog GPM is a key measure for Bovis Lend Lease, Actus Lend Lease and the facilities management business associated with PPP contracts. (New Work Secured and Backlog GPM information is unaudited).

The following table provides a summary of New Work Secured for the year ended June 2004 and the Backlog GPM as at that date.

	Opening Backlog GPM at June 2003 \$m	Foreign Exchange Adjustment \$m	Significant Adjustments to Backlog \$m	New Work Secured (GPM) June 2004 \$m	Backlog GPM Realised June 2004 \$m	Closing Backlog GPM at June 2004 \$m
Bovis Lend Lease	564.0	10.4	(28.7)	461.9	(486.0)	521.6
PPP (facilities management)	41.9	0.7		5.4	(3.4)	44.6
Actus Lend Lease	54.7	1.6		66.7	(49.3)	73.7
Total Secured Backlog GPM	660.6	12.7	(28.7)	534.0	(538.7)	639.9
Preferred bidder but not reached financial close	212.4	4.2		225.9	(16.8)	425.7
Total preferred bidder and reached financial close	873.0	16.9	(28.7)	759.9	(555.5)	1,065.6

Note: A detailed analysis and explanation of backlog is contained in the Bovis Lend Lease section of this report.

- Due principally to the project losses in Australia, Bovis Lend Lease Backlog declined by 7.5% to \$521.6 million. The significant adjustment to Backlog of \$28.7 million relates to losses on projects in Australia (to the extent GPM was included in the opening balance) and the reduction in scope of major PPP contracts in Europe;
- Total Backlog including Actus Lend Lease projects, facilities management and Backlog for projects at preferred bidder stage, but that have not yet reached financial close, increased 22% to \$1.1 billion; and
- Total New Work Secured, including projects at preferred bidder status, remained relatively constant at \$759.9 million in the year ended June 2004. This is net of adjustments relating to loss making projects.

Urban Communities Backlog

Lend Lease is involved in the development of large-scale urban communities in the UK, the US and Australia. The number of lots under management is a key measure of future profitability and growth potential of the urban communities businesses. Lots/units under management is relevant for Delfin Lend Lease, Lend Lease Development, Actus Lend Lease and the urban communities business in the UK. The backlog (unaudited) for each business unit is summarised below:

	Number of Projects	June 2004 Zoned Backlog (No. of Lots/Units)	June 2003 Zoned Backlog (No. of Lots/Units)	Average Project Life Remaining (Years)
Delfin Lend Lease (Australia)	16	29,200	34,500	3 – 10
Lend Lease Development (Australia)	9	8,000	5,300	2 – 19
Actus Lend Lease (Americas) ¹	6	24,400	20,100	50
Greenwich Peninsula (UK)	1	10,000		16
Total zoned lots under management	32	71,600	59,900	
Delfin Lend Lease unzoned	3	21,800	-	
Total zoned and unzoned	35	93,400	59,900	

¹ Includes projects at preferred bidder stage and Hickam AFB.

Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Urban Communities Backlog continued

The number of zoned lots under the control of Lend Lease's urban community business units increased by 11,700 lots in the year ended June 2004. The increase in sales Backlog reflects the following:

- Delfin Lend Lease secured an additional two projects, Yarrabilba and Waterford, in addition to the purchase of ComLand during the year. The Yarrabilba project (16,000 lots) is not zoned and therefore not included in Backlog;
- The total number of lots under control, including unzoned lots, is 93,400, an increase of 33,500 (56%) on June 2003;
- Lend Lease Development secured the Hyatt Coolum and Daikyo projects in Queensland. These projects added 2,550 units to the Lend Lease Development Backlog;
- Actus Lend Lease achieved preferred bidder on Fort Drum, which added 3,500 units and Hickam AFB, which added 1,300 units to the Actus Lend Lease Backlog. These increases were offset by reduced scope on Fort Campbell of 500 units; and
- Planning permission was granted for the Greenwich Peninsula project, a joint venture to develop 10,000 housing units in the UK as well as significant commercial office, retail and community buildings on a 147 acre site.

Direct and Indirect Property Interests

As at June 2004 Lend Lease had \$1.4 billion invested in property assets held directly or indirectly (excluding inventory held as part of Delfin Lend Lease and Lend Lease Development). The return on the direct and indirect property interests for the year ended June 2004 was 6.4%.

Lend Lease has significant direct and indirect interests in property. These interests include:

- A 30% direct interest in the Bluewater shopping centre in the UK plus a 1% indirect holding through Lend Lease Retail Partnership;
- A 50% interest in the King of Prussia shopping centre in the US; and
- Co-Investments held in property funds in Asia Pacific, Europe, the US and the Global Fund.

	Income ¹ June 2004 \$m	Book Value June 2004 \$m
Bluewater	54.3	581.6
King of Prussia	20.8	207.4
Co-investments ²		
Asia Pacific	(2.7)	147.0
Europe	8.2	173.5
North America	10.1	156.7
Global Fund		142.6
Total direct and indirect assets	90.7	1,408.8

1 Represents Lend Lease's gross income before tax from properties/investments.

2 Co-investments relate to investment in property funds currently or previously managed by Lend Lease where Lend Lease invested its capital alongside other investors.

Assets Under Management (AUM) (REI Continuing Operations)

The REI businesses in Asia Pacific and Europe earn management fees from assets under management from both retail and wholesale funds.

The following table (unaudited) summarises assets under management of the continuing REI businesses:

	Australia A\$b	Asia A\$b	Europe A\$b	June 2004 A\$b	June 2003 A\$b
AUM at end of financial year (excluding foreign currency impacts)	13.1	1.0	5.6	19.7	17.7
Exchange movement		(0.1)		(0.1)	(0.3)
AUM at end of financial year	13.1	0.9	5.6	19.6	17.4
Period movement in continuing AUM (excluding currency changes)	%			13.2	9.2

- Global AUM from continuing operations increased \$2.2 billion (12.6%) to \$19.6 billion; and
- REI Australia AUM increased \$1.5 billion, primarily due to the acquisition of 50% of Farrer Place (25% by GPT and 25% by APPF) totalling \$500.0 million, the Marion Shopping Centre in South Australia (\$350.0 million), redevelopment of the Melbourne Central and Erina shopping centres and revaluations of existing assets.

Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Overview continued

Shareholder Returns (before one off items)

		June 2004	June 2003
EBITDA ¹	\$m	406.5	473.7
Earnings per share (EPS) ¹ (including amortisation)	cents	57.4	52.5
Earnings per share (EPS) ¹ (excluding amortisation)	cents	67.7	69.8
Return on Equity (ROE) ¹ for the financial year (including amortisation)	%	8.3	6.5
Return on equity (ROE) ¹ for the financial year ¹ (excluding amortisation)	%	9.3	8.5

1 Definitions contained at the end of this document. EBITDA and ratios included in the table above are calculated with reference to operating profit after tax before one off items.

- The EBITDA for the year ended June 2004 decreased by \$67.2 million primarily due to the sale of the US REI business and the lower earnings from Bovis Lend Lease, partially offset by increased earnings from IDB and lower corporate costs;
- EPS (including amortisation) increased to 57.4 cents for the period ended June 2004. The increase in EPS, including amortisation, is a result of the decrease in the number of shares on issue following the share buyback and a lower amortisation charge in the year. In contrast, EPS excluding amortisation decreased as a result of decreased earnings following the sale of US REI businesses and losses from Bovis Lend Lease Asia Pacific; and
- The ROE for the year ended June 2004 has increased to 8.3% primarily due to the reduction in average net assets as a result of the provision against the US REI business reported as at June 2003 as well as the share buyback undertaken during the year.

Dividends

A final unfranked dividend of 26 cents per share for the six months ended 30 June 2004 will be paid on 15 September (20 cents per share unfranked 2003). On a full year basis this represents a payout ratio of 75% of operating profit after tax before one off items and total dividend of 44 cents for the year ended June 2004. This compares to the payout ratio of 56% of operating after tax before one off items and a total dividend of 30 cents for the year ended June 2003.

Proposed Merger with General Property Trust

Lend Lease has announced a proposal to merge with General Property Trust (GPT) by stapling Lend Lease shares to GPT units to form the Lend Lease Group. As the merger is subject to approval by both the unitholders of GPT and shareholders of Lend Lease, no account has been taken of the impact of the merger in the financial statements of Lend Lease Corporation. Details of this proposal and the financial impact will be addressed in the Explanatory Memorandum to be issued to shareholders.

Statement of Financial Position (Balance Sheet)

Balance Sheet Summary by Major Component

	June 2004 \$m	June 2003 \$m	Increase/ (Decrease) \$m
Cash	1,380.1	867.2	512.9
Real estate development inventories	1,412.5	937.0	475.5
Real estate development investments	103.4	98.9	4.5
Real estate co-investments	679.3	694.7	(15.4)
Other real estate investments	218.5	611.8	(393.3)
Other investments	9.2	42.8	(33.6)
Goodwill	634.3	700.0	(65.7)
Management agreements	57.1	432.9	(375.8)
Borrowings	(862.0)	(884.6)	22.6
Other net assets/(liabilities) ¹	(796.5)	(493.1)	(303.4)
Shareholders' equity	2,835.9	3,007.6	(171.7)

1 Other net assets/liabilities includes trade creditors and receivables, provisions and other liabilities.

The key balance sheet movements are explained as follows:

- Real estate development inventories increased due to the acquisition of Delfin and Lend Lease Development's projects in Australia and development expenditure on Chapelfield, Norwich; and
- The decrease in other real estate investments and management agreements is largely due to the sale/exit of the US REI businesses during the year.

Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) continued

Cash Flow

The following table summarises the major cash flows for the year ended June 2004.

	Year ended June 2004 \$m	Year ended June 2003 \$m
Cash at the beginning of financial year	867.2	904.1
Summary of major cash transactions during financial year		
Operating Activities		
Net receipts in the course of operations ¹	383.8	265.2
Net property development (expenditure)/receipts	(13.6)	28.9
Tax payments	(46.0)	(145.6)
Net interest received/(paid)	12.7	(26.3)
Other operating cash receipts	105.9	69.2
Net cash provided by operating activities	442.8	191.4
Other Cash Transactions		
Payment of dividends	(159.6)	(80.9)
Share buyback	(405.2)	(15.2)
Proceeds from sale of REI businesses ²	521.1	
Net REI co-investments	5.4	(166.5)
Net mortgage loans, tax credit properties and commercial paper investments receipts/(payments)	204.8	(69.6)
Proceeds on sale of investments (including IBMGSA) ³	110.1	159.4
Net borrowing proceeds	109.2	
Purchase of controlled entities	(237.2)	(38.2)
Other net cash flows	(78.5)	(17.3)
Net cash from other cash transactions	70.1	(228.3)
Net cash generated/(deployed) for financial year	512.9	(36.9)
Closing cash balance at end of financial year⁴	1,380.1	867.2

1 Net receipts in the course of operations for the year ended 30 June 2004 included an amount of \$208.4 million (June 2003 \$102.3 million) being an inflow relating to the Group's foreign exchange hedging activities including hedging of receivables, payables, revenue, expenses and intercompany transactions and loans.

2 Proceeds from sale of REI businesses includes controlled entities, investments and various assets and operations of the underlying businesses.

3 Excludes deferred proceeds from sale of IBMGSA (\$77.3 million) and Fox Studios Showground (\$24.3 million).

4 In addition to closing cash balance of \$1,380.1 million, an amount of \$9.0 million is held in short term investments.

Five Year Profile

		June 2004	June 2003	June 2002	June 2001	June 2000
Profitability						
Operating revenue	A\$m	9,726	10,114	12,478	11,454	12,997
Operating profit before tax	A\$m	466	(567)	391	241	756
Operating profit before tax (excluding sale of IBMGSA and net loss in exiting REI businesses) ^{1,2}	A\$m	362	315	391	241	756
Operating profit/(loss) after tax	A\$m	334	(715)	226	151	432
Operating profit after tax (excluding sale of IBMGSA, net loss in exiting REI businesses and capital loss tax benefits) ^{1,2}	A\$m	237	230	226	151	432
Divisional Contribution^{1,2,3}						
Bovis Lend Lease (BLL)	A\$m	105	158	113	90	56
Integrated Development Businesses (IDB)	A\$m	79	42	40	31	11
Real Estate Investments (REI)	A\$m	110	161	141	117	137
IT+T (IBMGSA) and eBusiness Investments	A\$m	1	12	19	(43)	38
Equity Investments	A\$m			28	83	98
Other	A\$m	21	(22)	7	(13)	15
Financial Services	A\$m					231
Corporate amortisation	A\$m	(48)	(75)	(92)	(89)	(56)
Corporate other ⁴	A\$m	(31)	(46)	(30)	(25)	(98)
Total⁵	A\$m	237	230	226	151	432
EBITDA ^{1,2}	A\$m	407	474	593	339	939
Earnings per share ^{1,2,6}	cents	57.4	52.5	52.1	33.5	85.0
Operating profit after tax to shareholders' equity (ROE) for the year ^{1,2,7}	%	8.3	6.5	6.1	4.1	8.1
Dividend per share ⁸	cents	44	30	18	21	64
Dividend payout ratio ^{1,2}	%	74.6	56.0	34.4	59.6	75.6
Corporate Strength						
Total assets	A\$m	7,131	7,409	8,587	9,060	10,942
Cash	A\$m	1,350	867	904	1,119	3,484
Borrowings	A\$m	862	885	939	1,081	1,046
Current assets	A\$m	3,455	3,703	4,015	4,278	6,266
Current liabilities	A\$m	3,328	2,993	3,245	3,568	3,800
Shareholders' equity	A\$m	2,636	3,008	3,752	3,667	5,307
Cash flows from operations	A\$m	443	191	557	287	726
Net asset backing per share	A\$	7.08	6.86	8.63	8.54	10.38
Ratio of current assets to current liabilities	times	1.04	1.24	1.24	1.20	1.65
Debt to shareholders' equity	%	30.4	29.4	25.0	29.5	19.7
Debt to shareholders' equity plus debt	%	23.3	22.7	20.0	22.8	16.5
Net debt to shareholders' equity	%	(18.3)	0.6	0.9	(1.0)	(45.9)
Debt to total market capitalisation	%	20.9	24.2	20.5	20.0	9.6
Shares on issue	m	400	439	435	430	512
Number of shareholders	No.	63,143	74,878	86,003	87,516	59,553
Number of equivalent full time employees	No.	9,060	9,992	10,554	10,484	9,774
Assets under management ⁹	A\$b	19.6	82.0	86.1	92.1	71.1
Shareholders' Returns and Statistics						
Proportion of shares on issue to top 20 shareholders	%	69.8	61.5	59.9	54.3	60.6
Staff shareholdings	%	11.9	13.5	13.7	14.1	13.7
Total dividends paid or declared	A\$m	177	129	78	90	327
Share price as at 30 June as quoted on the Australian Stock Exchange	A\$	10.28	8.35	10.54	12.55	21.31

1 June 2004 is based on operating results excluding the profit from the sale of IBMGSA of (A\$111.5 million before tax, A\$79.7 million after tax), impact of exiting the REI businesses (A\$7.2 million loss before tax, A\$2.3 million loss after tax) and capital loss tax benefits arising from Australian tax consolidations (A\$nil before tax, A\$18.7 million after tax) and including capital loss tax benefits (A\$nil before tax, A\$13.0 million after tax) recouped against the capital gain on sale of IBMGSA.

2 June 2003 excludes the write-down of REI businesses of A\$882.0 million before tax, A\$945.0 million after tax.

3 Corporate costs are no longer allocated to the regions for segment reporting purposes. All corporate costs are shown gross as part of the corporate segment. This adjusted basis of allocation has been used in the June 2004 results. The June 2003 results have been restated on a consistent basis. The impact was a A\$42.0 million after tax increase to the corporate segment costs and an offsetting increase in the other divisional results. The allocation was as follows: BLL A\$23.8 million; IDB A\$10.2 million; and REI A\$8.0 million. The years prior to June 2003 have not been restated.

4 Includes Group Treasury and Corporate administration services.

5 Includes A\$7.9 million (June 2003 A\$32.1 million) operating results relating to discontinued operations.

6 Earnings per share including the profit from sale of IBMGSA, losses in exiting REI businesses and capital loss tax benefits arising from Australian tax consolidations was 80.6 cents for June 2004. Equity represents the average balance for the period.

7 Return On Equity (ROE) including the profit from the sale of IBMGSA, losses in exiting REI businesses and capital loss tax benefits arising from Australian tax consolidations was 11.7% for June 2004.

8 June 2004 is calculated using the final dividend declared since 30 June 2004 to be paid 15 September 2004.

9 June 2004 represents assets under management relating to continuing operations only. June 2003 included A\$64.6 million relating to discontinued operations.

Concise Financial Statements

Statement of Financial Performance

Year Ended 30 June 2004

	Note	Consolidated June 2004 A\$m	June 2003 A\$m
Revenue from Ordinary Activities			
Revenue from the sale of development properties	3	349.6	229.6
Revenue from the provision of services	3	8,292.7	9,576.5
Other revenues from ordinary operating activities	3	1,083.2	307.8
Total revenue from ordinary activities		9,725.5	10,113.9
Expenses from Ordinary Activities			
Integrated property development activities		(738.7)	(689.8)
Project and construction management activities		(7,571.5)	(8,289.3)
Real estate equity and debt management activities			
Ordinary expenses		(212.7)	(658.6)
Costs on sale of REI businesses		(545.2)	
Write-down of REI businesses	4		(882.0)
Cost on sale of equity investments		(45.8)	
Administration expenses		(148.2)	(138.2)
Borrowing costs		(46.3)	(66.4)
Total expenses from ordinary activities		(9,308.4)	(10,724.3)
Share of net profit of associates accounted for using the equity method		7.2	19.7
Share of net profit of joint venture entities accounted for using the equity method		41.5	23.7
Profit/(loss) before tax from ordinary activities		465.8	(567.0)
Income tax expense relating to ordinary activities	5	(128.2)	(140.9)
Profit/(loss) after tax from ordinary activities		337.6	(707.9)
Ordinary profit after tax attributable to outside equity interests		(4.1)	(6.9)
Net profit/(loss) after tax attributable to members of Lend Lease Corporation Limited		333.5	(714.8)
Non Owner Transaction Changes in Equity			
Increase/(decrease) in Foreign Currency Translation Reserve		29.3	(8.9)
Increase/(decrease) in retained profits on initial adoption of:			
Revised AASB 1028 "Employee Benefits"			(1.1)
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"			39.1
Total changes in equity from non owner related transactions attributable to the members of Lend Lease Corporation Limited		362.8	(685.7)
Earnings per share			
Basic (cents)	6	80.6	(163.1)
Diluted (cents)	6	80.6	(163.1)
Alternative earnings per share¹			
Basic (cents)	6	57.4	52.5
Diluted (cents)	6	57.4	52.5

1 The June 2004 alternative basic and diluted earnings per share amounts have been calculated after excluding the after tax impact of profit on sale of IBMGSA (A\$79.7 million), exiting the REI businesses (A\$2.3 million loss) and capital loss tax benefits arising from Australian tax consolidations (A\$18.7 million) and including capital loss tax benefits (A\$13.0 million) recouped against the capital gain on sale of IBMGSA. The June 2003 amounts have been calculated after excluding the impact of the after tax write-down of the REI businesses of A\$945.0 million.

The statement of financial performance is to be read in conjunction with the discussion and analysis on pages 1 to 5 and the notes to the financial statements set out on pages 10 to 24.

Concise Financial Statements continued

Statement of Financial Position

As at 30 June 2004

	Note	Consolidated June 2004 A\$m	June 2003 A\$m
Current Assets			
Cash and cash equivalents		1,380.1	867.2
Receivables		1,573.1	1,858.2
Inventories		380.1	311.0
Other investments		9.0	377.0
Other assets		112.7	289.1
Total current assets		3,455.0	3,702.5
Non Current Assets			
Receivables		95.2	76.7
Inventories		1,318.0	871.0
Equity accounted investments		112.7	118.5
Other investments		888.7	952.7
Future income tax benefit		255.1	295.6
Property, plant and equipment		102.8	72.6
Goodwill		634.3	700.0
Management agreements		57.1	432.9
Other intangibles		2.6	57.0
Other assets		211.2	129.4
Total non current assets		3,675.7	3,706.4
Total assets		7,130.7	7,408.9
Current Liabilities			
Creditors		2,519.6	2,463.5
Borrowings		357.1	
Current tax liabilities		96.4	59.7
Provisions		281.8	398.3
Other interest bearing liabilities		28.1	20.3
Other non interest bearing liabilities		43.0	51.2
Total current liabilities		3,326.0	2,993.0
Non Current Liabilities			
Creditors		51.4	24.6
Borrowings		504.9	884.6
Provisions		37.3	108.9
Provision for deferred income tax		153.1	141.0
Other interest bearing liabilities		214.0	236.4
Other non interest bearing liabilities		6.1	12.8
Total non current liabilities		966.8	1,408.3
Total liabilities		4,292.8	4,401.3
Net assets		2,835.9	3,007.6
Equity			
Contributed equity		834.4	816.4
Reserves		71.9	42.6
Retained profits		1,915.5	2,141.4
Total parent equity interest		2,821.8	3,000.4
Outside equity interests in controlled entities		14.1	7.2
Total equity	7	2,835.9	3,007.6

The statement of financial performance is to be read in conjunction with the discussion and analysis on pages 1 to 5 and the notes to the financial statements set out on pages 10 to 24.

Concise Financial Statements continued

Statement of Cash Flows

Year Ended 30 June 2004

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
Cash Flows from Operating Activities		
Cash receipts in the course of operations ¹	8,715.1	9,873.5
Cash payments in the course of operations ¹	(8,331.3)	(9,608.2)
Property development receipts	519.7	365.7
Property development expenditure	(533.3)	(336.8)
Interest received	65.4	40.0
Interest paid	(52.7)	(66.4)
Dividends received	86.4	54.3
Distributions from partnerships received	19.5	14.9
Income tax paid in respect of operations	(46.0)	(145.6)
Net cash provided by operating activities	442.8	191.4
Cash Flows from Investing Activities		
Proceeds from sale/redemption of current investments	572.7	773.7
Purchases of current investments	(367.9)	(843.3)
Proceeds from sale/redemption of non current investments ²	155.3	159.4
Purchases of non current investments	(90.2)	(166.5)
Proceeds from sale of other assets ³	313.4	3.2
Purchases of other assets	(8.0)	
Repayment of loans from/(loans to) associates/related parties	12.3	(33.7)
Payment for acquisition of controlled entities	(237.2)	(38.2)
Proceeds from sale/capital redemption of controlled entities ⁴	215.6	15.4
Proceeds from sale of property, plant and equipment	3.9	21.5
Purchases of property, plant and equipment	(50.6)	(27.1)
Net cash provided by/(used in) investing activities	519.3	(135.6)
Cash Flows from Financing Activities		
Proceeds from borrowings	135.2	1,209.5
Repayment of borrowings	(26.0)	(1,209.5)
Net proceeds from share issues	18.0	43.0
Payments for share buybacks	(405.2)	(15.2)
Dividends paid	(159.6)	(80.9)
(Increase)/decrease in financing of controlled entities		
Increase/(decrease) in capital of outside equity interest	1.9	(2.9)
Net cash (used in)/provided by financing activities	(435.7)	(56.0)
Other Cash Flow Items		
Effect of exchange rate changes on cash and cash equivalents	(13.8)	(43.4)
Cash balances in controlled entities acquired	8.0	6.1
Cash balances in controlled entities sold	(7.7)	0.6
Net decrease from other items	(13.5)	(36.7)
Net increase/(decrease) in cash and cash equivalents	512.9	(36.9)
Cash and cash equivalents at the beginning of the financial year	867.2	904.1
Cash and cash equivalents at the end of the financial year	1,380.1	867.2

1 Includes A\$208.4 million (June 2003 A\$102.3 million) net inflow relating to Lend Lease's foreign exchange hedging activities including the hedging of receivables, payables, revenues, expenses and intercompany transactions and loans.

2 Includes the sale of the investment in IBM Global Services Australia Ltd of A\$80.0 million and the sale of REI investments sold as part of the sale of REI businesses of A\$19.3 million.

3 Includes the sale of various REI assets and operations of the underlying businesses, sold as part of the sale of REI businesses of A\$286.2 million.

4 Relates to the sale of REI controlled entities sold as part of the sale of the REI businesses.

The statement of financial performance is to be read in conjunction with the discussion and analysis on pages 1 to 5 and the notes to the financial statements set out on pages 10 to 24.

Notes to the Concise Financial Statements

1. Basis of Preparation of Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 "Concise Financial Reports" and Urgent Issues Group Consensus Views. The financial statements and specific disclosures have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It has been prepared under the historical cost convention and except where stated, does not take into account changing values or fair values of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous financial year.

Basis of Consolidation

The Lend Lease Group (Lend Lease) consolidation comprises all entities controlled by Lend Lease Corporation Limited.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the Consolidated Financial Statements, have been eliminated.

Outside interests in the equity and results of the entities that are controlled by Lend Lease are shown as a separate item in the Consolidated Financial Statements.

Notes to the Concise Financial Statements continued

2. Segment Reporting

The segment results are discussed and analysed in the Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included within this report.

Business Segment Summary

	Segment Revenue ^{1,2,3}		Group Operating Revenue ^{1,4,5}		Segment Result Before Tax ^{1,3,6,7}		Group Operating Profit/(Loss) Before Tax ^{8,9}		Group Operating Profit/(Loss) After Tax ^{8,9}		Segment Assets ²		Total Group Assets ¹		Segment Liabilities ²		Total Group Liabilities	
	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003	June 2004	June 2003
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Project and Construction Management	7,691.9	8,460.9	7,696.0	8,460.9	123.7	160.6	169.2	243.0	105.1	157.5	2,908.9	2,871.6	2,962.7	2,920.5	2,183.9	2,218.9	2,204.4	2,237.0
Integrated Property Development	783.7	618.5	808.0	704.7	52.8	(6.1)	116.8	61.7	78.8	41.8	1,239.1	720.3	1,348.6	821.6	670.9	308.7	705.1	313.2
Real Estate Investments																		
REI – Equity ⁹	333.7	517.9	514.6	518.9	158.0	(485.7)	157.9	(467.8)	110.4	(566.0)	1,620.7	2,096.9	1,736.8	2,195.9	151.2	449.9	201.6	521.0
REI – Debt ⁹	24.8	313.6	395.8	329.0	6.8	(216.2)	1.1	(188.0)	(2.3)	(220.9)	71.0	757.1	81.1	791.8	17.0	215.0	24.9	223.1
Total Real Estate Investments	358.5	831.5	910.4	847.9	166.8	(701.9)	159.0	(655.8)	108.1	(786.9)	1,691.7	2,854.0	1,817.9	2,987.7	168.2	664.9	226.5	744.1
Total Core Real Estate	8,834.1	9,910.9	9,414.4	10,013.5	343.1	(547.4)	445.0	(351.1)	292.0	(587.6)	5,839.7	6,445.9	6,129.2	6,729.8	3,023.0	3,192.5	3,136.0	3,294.3
Non-Core-Businesses/One Off Items																		
Restructuring Costs								(47.3)		(32.5)								
IT&T (IBM/GSA)	1.9	10.1	159.2	15.1	1.9	15.1	113.4	15.1	51.1	12.1	80.0	59.7	60.0	59.7	0.7	0.2	0.7	0.2
Capital Services	23.6	3.0	23.6	17.9	17.8	0.6	17.8	0.6	20.7	10.1	2.1	20.2	2.1	20.2		4.8		4.8
Total Non-Core Businesses/One off items	25.5	13.1	182.8	33.0	19.7	15.7	131.2	(31.6)	101.8	(10.3)	82.1	79.9	82.1	79.9	0.7	5.0	0.7	5.0
Total Segment	8,859.6	9,924.0			362.8	(531.7)					5,921.8	6,525.8			3,023.7	3,197.5		
Unallocated Corporate			128.3	67.4			(110.4)	(184.3)	(80.3)	(116.9)			919.4	599.2			1,158.1	1,102.0
Total Group			9,725.5	10,113.9			485.8	(567.0)	333.5	(714.8)			7,130.7	7,408.9			4,294.8	4,401.3

- 1 AASB 1005 'Segment Reporting' does not permit certain items of revenue and expenses to be attributed to particular segments for the purposes of determining segment revenues and segment results. These include corporate expenses, interest and dividend revenue, proceeds on the sale of investments (unless the segment's operations are primarily of a financial nature) and income tax expenses.
- 2 AASB 1005 'Segment Reporting' does not permit certain assets and liabilities to be attributed to particular segments for the purposes of determining segment assets and segment liabilities. These include income tax assets and liabilities and borrowings and liabilities related to assets that are the subject of finance lease liabilities.
- 3 Segment revenues, expenses and results include inter segment transfers between business segment of A\$nil (June 2003 A\$0.6 million). Inter segment transfers are priced on an arm's length basis.
- 4 Segment results include amortisation, A\$48.4 million, representing amortisation adjusted for foreign exchange hedge allocation.
- 5 Presentation and classification is consistent with MD&A.
- 6 REI – Equity includes discontinuing operations' segment revenue of A\$109.7 million (June 2003 A\$295.8 million), segment profit before tax of A\$9.6 million (June 2003 loss of A\$630.7 million), segment profit after tax of A\$12.9 million (June 2003 loss of A\$682.1 million), segment assets of A\$347.9 million (June 2003 A\$802.4 million) and segment liabilities of A\$123.0 million (June 2003 A\$152.8 million) (refer to Note 9 Discontinuing Operations).
- 7 REI – Debt includes discontinuing operations' segment revenue of A\$24.8 million (June 2003 A\$313.6 million), segment profit before tax of A\$8.8 million (June 2003 loss of A\$218.6 million), segment loss after tax of A\$2.7 million (June 2003 loss of A\$250.5 million), segment assets of A\$71.0 million (June 2003 A\$736.2 million) and segment liabilities of A\$17.0 million (June 2003 A\$215.0 million) (refer to Note 9 Discontinuing Operations).
- 8 The June 2003 results have been restated to reflect the change in the basis of cost allocations within business segments.

Notes to the Concise Financial Statements continued

2. Segment Reporting continued

Geographical Segment Summary

	Segment Revenue		Group Operating Revenue		Group Operating Profit/(Loss) After Tax		Segment Assets	
	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m	June 2004 A\$m	June 2003 A\$m
Australia and Pacific ¹	1,797.8	1,365.7	1,980.7	1,413.2	199.7	100.1	1,512.8	972.2
Americas ²	4,513.2	5,878.8	5,043.0	5,895.2	99.8	(751.3)	1,927.8	3,189.0
Asia ³	391.4	360.0	398.1	360.9	14.4	(26.9)	297.6	319.0
Europe ⁴	2,157.2	2,319.5	2,175.4	2,377.2	79.9	80.2	2,163.6	2,045.6
Total Segment	8,859.6	9,924.0					5,921.8	6,525.8
Unallocated Corporate			128.3	67.4	(60.3)	(116.9)		
Total Group			9,725.5	10,113.9	333.5	(714.8)		

- 1 Includes discontinuing operations' segment revenue of A\$1.0 million (June 2003 A\$3.9 million); segment profit before tax of A\$0.2 million (June 2003 profit of A\$1.2 million) and segment profit after tax of A\$0.2 million (June 2003 profit of A\$0.8 million) (refer to Note 9 Discontinuing Operations).
- 2 Includes discontinuing operations' segment revenue of A\$109.5 million (June 2003 A\$554.7 million); segment profit before tax of A\$33.9 million (June 2003 loss of A\$785.2 million) and segment profit after tax of A\$19.9 million (June 2003 loss of A\$888.2 million) (refer to Note 9 Discontinuing Operations).
- 3 Includes discontinuing operations' segment revenue of A\$9.1 million (June 2003 A\$19.2 million); segment loss before tax of A\$15.1 million (June 2003 loss of A\$39.3 million) and segment loss after of A\$15.6 million (June 2003 loss of A\$42.2 million) (refer to Note 9 Discontinuing Operations).
- 4 Includes discontinuing operations' segment revenue of A\$14.9 million (June 2003 A\$31.6 million); segment loss before tax of A\$0.6 million (June 2003 loss of A\$26.0 million) and segment profit after tax of A\$5.7 million (June 2003 loss of A\$23.0 million) (refer to Note 9 Discontinuing Operations).

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
3. Revenue		
Revenue from the Sale of Development Properties	349.6	229.6
Revenue from the Provision of Services	8,292.7	9,576.5
Other Revenue from Ordinary Operating Activities		
Dividends received	63.4	13.0
Interest received	65.4	40.0
Proceeds on sale of investments	454.9	118.5
Share of partnerships' result	29.0	24.5
Other revenue	470.5	111.8
Total other revenue from ordinary operating activities	1,083.2	307.8
Total revenue	9,725.5	10,113.9

A more detailed analysis of revenue is included within the Concise Management's Discussion and Analysis of Financial Condition and Results of Operations (Concise MD&A).

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
4. Ordinary (Profit)/Loss Items		
Individually significant items included in (profit)/loss from ordinary activities before income tax expense:		
Write-down of REI businesses		
Goodwill		252.0
Management agreements		350.8
IT systems		41.2
Property, plant and equipment		14.5
Restructuring provision		152.0
Employee termination provisions – REI restructure		24.9
Other assets and expenses		46.6
	-	882.0
Profit from sale of IBMGSA¹	(111.5)	-
Significant employee benefit transactions:		
Distribution received from EFT	(53.7)	
Increased contribution to the Lend Lease Employee Share Acquisition Plan (ESAP) and other employee benefits	53.7	
	-	-

- 1 Sale of IBMGSA profit after tax A\$79.7 million. The tax on the capital gain has been offset by the capital loss benefit arising from Australian tax consolidations and recovery of capital tax losses not previously recognised (refer to Note 5 Taxation).

Notes to the Concise Financial Statements continued

	Consolidated June 2004 A\$m	June 2003 A\$m
5. Taxation		
Income Tax Expense		
Profit/(loss) before tax from ordinary activities	465.8	(567.0)
Prima facie income tax expense/(benefit) at 30% of profit/(loss) from ordinary activities	139.7	(170.1)
Tax effect of permanent differences	30.0	(3.5)
Capital loss benefit arising from Australian tax consolidations ¹	(18.7)	
Recovery of capital tax losses not previously recognised ¹	(15.4)	
Non recognition of future income tax benefits relating to write-down of REI businesses		364.0
Variation in overseas tax rates in relation to REI write-down		(99.4)
Write-off of future income tax benefits previously recognised in prior years in relation to write-down of REI businesses		63.0
Income tax over provided in previous financial periods	(7.4)	(13.1)
Total income tax expense	128.2	140.9

1 Capital tax losses of A\$31.7 million have been applied against the capital gain on sale of IBMGSA.

	Cents per share	Franked/ Unfranked	Company June 2004 A\$m	June 2003 A\$m
6. Dividends and Earnings Per Share				
Dividends				
Interim Dividend				
December 2003 – paid 17 March 2004	18	Unfranked	73.7	
December 2002 – paid 19 March 2003	10	Fully franked		43.5
Final Dividend				
June 2004 – declared subsequent to reporting date and not recognised as a provision (payable 15 September 2004)	26	Unfranked	103.5	
June 2003 – paid 18 September 2003	20	Unfranked		85.9
			177.2	129.4

Dividend Franking

As per the announcement of 19 February 2004, Lend Lease is continuing with the revised dividend policy of only paying unfranked dividends. The final dividend of 26 cents per share declared since 30 June 2004 will be unfranked. The interim dividend paid on 17 March 2004 (18 cents per share) was an unfranked dividend.

The dividend franking account balance at 30 June 2004 is A\$45.0 million (30 June 2003 A\$nil). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the accounts, tax losses utilised in the current period and expected franking debits arising from refunds of tax in dispute.

The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies. Lend Lease has notified the Australian Taxation Office that it has adopted the Australian Tax Consolidation Regime, effective 1 July 2002.

	Consolidated June 2004 Number m	June 2003 Number m
Earnings Per Share (EPS)		
Weighted average shares and share equivalents	413.7	438.3
	Cents	Cents
Earnings per share		
Basic	80.6	(163.1)
Diluted	80.6	(163.1)

Notes to the Concise Financial Statements continued

	Consolidated 12 Months June 2004 A\$m	Consolidated 12 Months June 2003 A\$m
6. Dividends and Earnings Per Share continued		
Reconciliation of Alternative Earnings		
Net profit/(loss) after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS	333.5	(714.8)
<i>Exclude after tax impact of:</i>		
Gain on sale of IBMGSA	(79.7)	
Gain on disposal of REI businesses	(7.6)	
REI restructure and employee termination provisions written-back	(18.2)	
REI exit costs	28.1	
Capital loss tax benefits arising from Australian tax consolidations	(18.7)	
Write-down of REI businesses		945.0
Earnings used in calculating alternative basic and diluted EPS¹	237.4	230.2
	Cents	Cents
Alternative earnings per share		
Basic	57.4	52.5
Diluted	57.4	52.5

1 June 2004 alternative earnings includes capital loss tax benefits of A\$13.0 million recouped against the capital gain on sale of IBMGSA.

	Consolidated June 2004 A\$m	Consolidated June 2003 A\$m
7. Total Equity Reconciliation		
Equity at beginning of the financial year	3,007.6	3,752.1
Movements comprise:		
Movements in contributed equity	18.0	18.7
Share buybacks	(399.8)	
Dividends paid	(159.8)	(82.6)
Dividends foregone pursuant to share election plan		1.7
Net profit/(loss) attributable to members of Lend Lease Corporation Limited	333.5	(714.8)
Adjustment to retained profits on initial adoption of:		
Revised AASB 1028 "Employee Benefits"		(1.1)
AASB 1044 "Provisions, Contingent Liabilities & Contingent Assets"		39.1
Other changes in equity		
Movement in foreign currency translation reserve	29.3	(8.9)
Total revenues, expenses and valuation adjustments attributable to members of Lend Lease Corporation Limited	(178.6)	(747.9)
Total changes in outside equity interests in controlled entities	6.9	3.4
Total movement in equity for the financial year	(171.7)	(744.5)
Equity at end of the financial year	2,835.9	3,007.6

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures

a. Compensation Policy

Directors and Senior Executives

Lend Lease's Compensation and Benefits Policy is determined by the Board's Personnel and Organisation Committee (P&O Committee). Lend Lease's policy is to reward Senior Executives with market competitive compensation and benefits, taking account of both Company and individual performance. In assessing these benchmarks, Lend Lease takes account of expert advice and the relevant external comparators in the real estate and related sectors.

Lend Lease's approach to executive compensation is to provide a balance of fixed and performance based cash elements with an emphasis on increasing 'at risk' compensation for Senior Executives and Executive Directors. Outlined below are the elements and the philosophy behind them.

Compensation paid by Lend Lease is designed to be appropriate and competitive in each of its business locations, having regard to local practice on such issues as incentives, pensions, superannuation and other benefits. Lend Lease also recognises the need to take account of differing costs of living, especially in relation to expatriates and this is reflected in compensation for expatriate Senior Executives in the various locations.

Base Salary

Salaries are set at competitive levels, targeted at median against comparable companies, with annual reviews to reflect market conditions and personal performance. For guidance, the P&O Committee and various business based executives use information available in published job matched surveys of similar companies. As appropriate, they also commission surveys to supplement the published information. To ensure proper process is followed for all senior executives, all proposed packages for direct reports of Executive Management Team members require prior approval from the Chief Executive Officer (CEO). This applies to internal appointments and external hires. In addition, all internal appointments with a base salary in excess of A\$150,000 in Australia, US\$130,000 in the US and £60,000 in the UK, for whom a base salary increase of 10% or above is proposed, require prior approval from the Chief Executive Officer.

The salaries of the Chief Executive Officer, the Executive Directors, regional and business unit CEOs and corporate function heads are set by the P&O Committee. These are determined in July of each year. In the cases of the Executive Directors and business unit CEOs, the Committee is assisted in this review by the Chief Executive Officer and the Head of Human Resources.

Short Term Incentives (STIs)

Annual bonus payments are based upon actual achievement measured against challenging financial, corporate and individual performance targets approved by the P&O Committee for direct reports of the Chief Executive Officer. Although the performance criteria are different for each executive, the principles are similar and involve assessment of performance across three areas:

- **Financial** – achievement of profitability, earnings, total shareholder return and other relevant financial targets;
- **Personal** – achievement of personal objectives related to specific non-financial business targets; and
- **Environment, Health and Safety** – a number of Senior Executives are also measured and rewarded according to the Group's performance on Environment, Health and Safety Key Performance Indicators and their personal commitment to them.

If the full target bonus is earned, annual cash compensation will normally reach the upper quartile of the relevant employment market.

Annual bonuses may be awarded in a number of ways:

- Cash
- Shares or awards issued under Lend Lease Employee Share Plans (ESP).

Long Term Incentives (LTIs)

Lend Lease's current Long Term Incentives were introduced and approved by the Board in 1999 and updated and extended in 2001, 2002 and 2003. The objectives of the LTIs are essentially twofold:

- aligning Senior Executives with the long term interests of Lend Lease and its shareholders; and
- attracting and retaining Senior Executives of high calibre by providing competitive rewards that relate to the performance of both the individual executive and the Lend Lease share price.

LTIs grants are normally made in July each year and are based on competitive remuneration practice. Grants also depend on personal contribution and potential, and are designed to retain and motivate high performing and key executives. The LTIs are in the form of an Australian dollar figure 'grant', which is notionally 'invested' over time to deliver value depending on:

- whether the executive remains with the Group – if the executive resigns before vesting, the grant will lapse;
- whether performance hurdles are achieved over the plan period – if the hurdles are not achieved, the grant will lapse; and
- the performance of the Lend Lease share price – the value of the grant on maturity, assuming performance hurdles have been met, will be determined in part by the rise in the Lend Lease share price. Current plans have hurdles which require above median performance against a basket of Lend Lease's peer group companies (with 25% vesting at median performance rising to 100% at 75th percentile).

LTIs are a cash programme with payments made upon maturity if performance hurdles are met.

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures continued

a. Compensation Policy continued

Directors and Senior Executives continued

Long Term Incentives (LTIs) continued

Under the 2001 and 2002 LTIs, a Senior Executive's initial dollar 'grant' is normally allocated equally, or otherwise at the discretion of the Senior Executive or Board, between:

- **Performance Shares (PSs)** – the value of these will rise or fall with the value of Lend Lease shares; and
- **Share Appreciation Rights (SARs)** – these are payable only if the price of Lend Lease shares at the date of maturity is higher than at the date of grant. The Senior Executive will receive nothing in respect of these rights if the share price is lower than the price at the date of the grant.

For the purposes of the allocation, PSs are attributed a value equivalent to the Lend Lease share price at or about the date of the allocation, while SARs are valued at approximately one third of PSs, which reflects their greater risk profile.

Under the 2003 LTI, the initial grant was made solely in PSs.

Retention Awards

When the Board believes that an employee is an outstanding performer and that Lend Lease Corporation and its shareholders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made.

Superannuation/Pension Plans

Pension plan arrangements are in place in most international locations. In the past, Senior Executives (and other employees) joined either a defined benefit or a defined contribution plan. Entry into all defined benefit plans has now ceased across the Group. All new Executive Directors and Senior Executives have the opportunity to join defined contribution plans.

Non Executive Directors

Compensation Policy

Directors' fees have been set at US\$50,000 per annum covering all Board duties and service on at least one Board Committee. Fee levels are in line with international benchmarks for a company of Lend Lease's size. The Chairman's fees are four times the standard fees paid to a Director and Chairmen of Board Committees receive an additional US\$8,000 per annum.

In addition, Non Executive Directors are compensated for time spent traveling to overseas Board and Board Committee meetings. This additional time is compensated at US\$2,000 per day.

To allow Directors to receive some of their annual compensation in shares rather than cash, and thus align their interests with those of shareholders, a Non Executive Directors' Share Ownership Plan was approved at the 2000 Annual General Meeting. This plan allows Directors to acquire Lend Lease shares by foregoing an amount of Directors' fees equivalent to the value of the shares acquired. A majority of Directors have participated in this plan. Subscriptions are made at the same price, at the same time and otherwise on the same terms as the Share Purchase Plan available to Australian and New Zealand registered shareholders and only while the Share Purchase Plan is operative. A Director is restricted from dealing with these shares until retirement. However, a Director may deal with shares at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Retirement Plan

The plan is designed to provide retirement benefits for Directors that are based only on fees for Board service and are accrued in Lend Lease shares so that the benefit derived fluctuates in line with the value of Lend Lease shares. Under the plan, the Company will issue to, or acquire for, or for the benefit of, each Non Executive Director a number of Lend Lease shares equal in value to 0.2 times the Director's fees (being fees for attending and chairing Board and Board Committee meetings), but not additional fees.

Allocations are made in arrears on 1 January each year. For this purpose, the value of the shares on acquisition will be the weighted average price of Lend Lease shares traded on the Australian Stock Exchange during the five business days prior to 1 January each year. The shares will be accessible only on retirement. Directors will be exposed to share price risk until this time. However, shares may be sold at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Retirement Plan Changeover Arrangements

A defined benefit Retirement Benefit Plan ('previous plan') was approved by shareholders at the 1990 Annual General Meeting. Changeover arrangements which were approved by shareholders at the 2000 Annual General Meeting have been effected to transition from the previous plan to the current plan for Directors who were on the Board on 31 December 2000. Under these arrangements, retiring Non Executive Directors will receive a multiple applied to the average of their annual emoluments (i.e. Directors' fees and fees for additional Board duties) over the previous three years. The multiple is 0.6 for each of the first five years of service as a Non Executive Director and 0.2 for each year over five years to 15 years. This multiple for each Director was frozen at the multiples that would have applied if the Director had retired on 31 December 2000.

The following table sets out the accrued retirement benefits under the previous plan as at 30 June 2004 (based on the multiple being frozen on 31 December 2000). The Board has resolved to cap the entitlements under the previous plan at the lower of the accrued retirement benefit as at 30 June 2003 (with interest payable at the 60 day bank bill rate) and the retirement benefit calculated at the actual date of retirement.

	Years of Service at 31 December 2000	Accrued Retirement Benefit at 30 June 2004 A\$	Accrued Retirement Benefit at 30 June 2003 A\$
Non Executive Directors ¹			
G G Edington	1	102,604	128,896
P C Goldmark	1	93,913	108,663

¹ Mr Longes does not participate in the previous plan.

Non Executive Directors appointed since 1 January 2001 are not eligible to participate in the previous plan.

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures continued

b. Remuneration Details

Details of the remuneration of the directors of Lend Lease Corporation Limited and specified executives of the Lend Lease Group for the year ended 30 June 2004 are set out in the following tables:

Location	Primary				Post Employment		Equity	Other Benefits		Total
	Salary & Fees A\$000's	Short Term Incentive Bonus ¹ A\$000's	Long Term Incentive Bonus A\$000's	Non Monetary A\$000's	Super-annuation A\$000's	Retirement Benefits A\$000's	ESP/Other A\$000's	Termination A\$000's	Prescribed A\$000's	June 2004 A\$000's
Specified Directors										
Executive Directors										
Continuing										
G. Clarke – Managing Director ^{2,3}	UK	1,443	1,476	724	28	414			26	4,111
J. Curin – Finance Director (appointed 8 Sep 03) ¹	UK	794	488	116	69	238			24	1,729
		2,237	1,964	840	97	652	-	-	50	5,840
Non Continuing										
R. Tsenin – Finance Director (retired 31 August 03) ¹	UK	197	300	146	10	9	5	1,929	34	2,630
		197	300	146	10	9	5	1,929	34	2,630
Non Executive Directors³										
D. Crawford – Chairman	Aust	282				11	61			354
R. Longes – Deputy Chairman	Aust	222 ⁴				6	16			244
P. Goldmark	US	139				6	18			163
G. Edington	UK	124				6	18			148
		767	-	-	-	29	113	-	-	909
Total Specified Directors		3,201	2,264	986	107	690	118	1,929	84	9,379

1 Employed by Lend Lease (UK) Management Services Limited.

2 Relocated to Australia in July 2004.

3 Salary and Fees for Non Executive Directors includes fees for attending, chairing and travelling to Board and Board Committee meetings. Equity represents the amount accrued in Lend Lease shares for retirement benefits under Lend Lease's Non Executive Directors' retirement plan (refer to Note 8a).

4 Includes Directors' Fees for the Lend Lease Corporation Board of A\$102,180 and Directors' Fees for Associated Company Boards of A\$120,000.

5 All Short Term Incentive bonuses have been paid in cash and based upon the performance criteria as outlined on page 15.

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures continued

b. Remuneration Details continued

	Location	Primary		Non Monetary A\$000's	Post Employment Super- annuation A\$000's	Equity ESP/Other A\$000's	Other Benefits			Total June 2004 A\$000's	
		Salary & Fees A\$000's	Short Term Incentive Bonus ⁷ A\$000's				Long Term Incentive Bonus A\$000's	Termination A\$000's	Prescribed A\$000's		Other A\$000's
Specified Executives											
Continuing											
R. Oakley – CEO America (commenced 11 Nov 03) ^{1,8}	US	435	441	201	32				1,496	2,605	
R. Taylor – CEO Asia Pacific ^{2,5}	Aust	719	581	745	23	57	29			2,154	
A. Chamberlain – CEO EMA (commenced 26 Sep 03) ^{3,6}	UK	759	431	145	40	223		23		1,621	
P. Crewes – General Counsel and Secretary ^{1,8}	UK	373	351	152	361	94	15	20		1,366	
R. Fisher – CEO Global Markets (commenced 1 Sep 03) ⁴	UK	709	359	87	5	51		21		1,232	
S. Bird – Group Head HR ⁴	UK	534	302	152	1	119	55	2		1,165	
Total Continuing		3,529	2,465	1,281	631	576	99	-	66	1,496	10,143
Non Continuing											
D. Ross – CEO REI Global (cessation 31 Dec 03) ^{5,8}	US	394	219	755	267	27	13	1,543	12	3,230	
P. Ladron de Guevara – CEO Global Markets (cessation 31 Mar 04) ^{4,6}	Spain	351	106	148	30	40		1,312	5	1,992	
C. Bacon – CEO BLL US (cessation 31 Oct 03) ¹	US	173	97	366	111	4		440	6	1,197	
Total Non Continuing		918	422	1,269	408	71	13	3,295	23	-	6,419
Total Specified Executives		4,447	2,887	2,550	1,039	647	112	3,295	89	1,496	16,562
Other Executives											
Continuing											
P. Marchetto – Operations Manager BLL US ^{6,8}	US	570	426	222	23	9	-	-	19	-	1,269
Non Continuing											
D. Skidmore – REI US Debt Principal (cessation 31 Jan 04) ^{5,8}	US	251	1,001	615	-	1	-	790	41	-	2,699
Total Other Executives		821	1,427	837	23	10	-	790	60	-	3,968

1 Employed by Bovis Lend Lease Holdings, Inc.

2 Employed by Lend Lease Management Services Limited.

3 Employed by Bovis Lend Lease Limited.

4 Lend Lease (UK) Management Services Limited.

5 Employed by Lend Lease Real Estate Investments, Inc.

6 Employed by Bovis Lend Lease LMB, Inc.

7 All Short Term Incentive bonuses have been paid in cash and based upon the performance criteria as outlined in page 15.

8 Executive identified as one of the five most highly remunerated under the Corporations Act 2001.

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures continued

c. Long Term Incentives

Stock Appreciation Rights (SAR) and Performance Shares (PS) Year Ended June 2004

	Service Criteria	Performance Criteria	SAR/PS	Grant Date	Expiry or Exercise Date	Exercise Price ¹ A\$	Granted Number	Award Value at Grant Date A\$
Specified Executive Directors								
G. Clarke	Criteria 1	Criteria 3	PS	Dec 2002	Dec 2007	N/A	279,728	2,797,281
	Criteria 2	Criteria 4	PS	Dec 2002	July 2006	N/A	210,604	1,056,338
	Criteria 3	Criteria 4	PS	Dec 2002	June 2007	N/A	210,604	1,056,338
J. Curin	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	92,506	790,514
Specified Executives								
R. Oakley	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
R. Taylor	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	75,492	645,120
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	72,604	750,000
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	254,114	750,000
A. Chamberlain	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	115,633	988,142
P. Crewes	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	39,736	339,560
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	19,942	206,000
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	69,797	206,000
R. Fisher	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	69,380	592,885
S. Bird	Criteria 5	Criteria 6	PS	July 2003	June 2006	N/A	46,253	395,257
	Criteria 7	N/A	PS	June 2002	June 2004	N/A	18,306	189,102
	Criteria 7	N/A	SAR	June 2002	June 2004	10.33	64,072	189,103

1 Performance shares do not have an exercise price, as they are paid out at the share price at exercise date.

Criteria 1:	The ability to achieve the LTI is dependent upon the executive remaining with Lend Lease. If the executive resigns before vesting, the grant will lapse.
Criteria 2:	The award is dependent upon service to exercise date however an early redemption date due to cessation of service may result in a pro-rata payout.
Criteria 3:	Progressive percentage monthly vesting of award over the respective award service life.
Criteria 4:	The performance criteria relates to Lend Lease's Total Shareholder Return as against the S&P ASX200 Industrial Index.
Criteria 5:	Forfeiture on resignation. Pro-rata on other service cessation.
Criteria 6:	Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns.
Criteria 7:	The ability to receive the LTI is dependent upon the executive remaining with Lend Lease. If the executive resigns before vesting the grant will lapse, however, full payout for cessation other than cause is permitted.

d. Equity Holdings and Transactions

Shareholdings Year Ended 30 June 2004

	Shares Held 1 July 2003	Shares Received as Remuneration	Other Net Change to Shares	Shares Held 30 June 2004
Executive Directors				
G. Clarke	1,000			1,000
J. Curin			1,000	1,000
Non Executive Directors¹				
D. Crawford	7,167	3,426	81	10,674
R. Longes	53,163	2,003	253	55,419
G. Edington	18,355	1,461		19,816
P. Goldmark	6,892	1,549		8,441
Specified Executives				
R. Taylor	85,130	2,796	1,480	89,406
P. Crewes	42,490	1,467	(3,787)	40,170
S. Bird		5,300		5,300
	214,197	18,002	(973)	231,226

1 Non Executive Directors' share allocations relating to retirement benefits are made in arrears on 1 January each year. Refer to Note 8a for further details.

Notes to the Concise Financial Statements continued

8. Executives' & Directors' Disclosures continued

e. Service Agreements

The major provisions of the service agreement held with the specified Directors and Executives, in addition to performance related bonuses, are as follows:

Name	Term of Agreement	Notice Period	Remuneration Review Period ¹	Eligible for STI ²	Eligible for LTI ³	Eligible for Termination Benefit ⁴	Other Benefits
Specified Executive Directors							
G. Clarke	5 years from 9 Dec 2002	12 months ⁵	Annually	Yes	Yes	Yes ⁶	Yes ⁷
J. Curin	No fixed term	12 months	Annually	Yes	Yes	Yes ⁶	No
Specified Executives							
R. Oakley	No fixed term	30 days	Annually	Yes	Yes ⁹	Yes ¹⁰	Yes ¹¹
R. Taylor	No fixed term	Not specified ¹²	Annually	Yes	Yes	Yes	No
A. Chamberlain	No fixed term	12 months	Annually	Yes	Yes	Yes ⁵	No
P. Crewes	No fixed term	6 months	Annually	Yes	Yes	Yes ¹³	No
R. Fisher	No fixed term	12 months	Annually	Yes	Yes	Yes ⁵	No
S. Bird	No fixed term	12 months	Annually	Yes	Yes	Yes ¹⁴	No

Specified Non Executive Directors

Under the Company's Constitution, one third of the Directors (excluding the Managing Director) must retire from office by rotation at each Annual General meeting, and each Director is subject to re-election by rotation at least every three years. Newly appointed Directors must seek election at the first meeting of shareholders following their appointment. The Board has adopted a policy that, subject to ongoing performance evaluation, Non Executive Directors appointed from 2002 will be limited to a maximum of three terms of three years, which may only be extended by the Board in exceptional circumstances.

1 Reviewed annually by the Lend Lease Corporation Board.

2 Refer to Note 8a for further details and conditions.

3 Refer to Note 8a and 8c for further details and conditions.

4 Unless otherwise stated termination payment includes base salary for remainder of notice period not served (up to 12 months), pro-rated STI entitlements and LTI entitlements per LTI rules.

5 A variation in contract occurred following relocation to Australia effective 1 July 2004. Notice period increased 6 months (to a total of 18 months), scaling back to 12 months as at July 2005.

6 Termination payment includes base salary for remainder of notice period not served, cash value of pro-rated prescribed/non monetary benefits, pro-rated STI entitlements (based on 80% achievement of objectives), LTI entitlements per LTI rules and the value of the retention award (refer to footnote 7).

7 Includes a retention award which will fully vest if Mr Clarke remains until 9 December 2007 or if the Company terminates his employment without cause prior to that date. At that time, Mr Clarke will be entitled to a cash payment equal to the value of 279,728 Lend Lease shares. This equates to an award value of £1,000,000 at the date of grant with the end payment value referable to the market value of that number of Lend Lease shares as at that date. The retention award will be forfeited altogether if Mr Clarke resigns prior to 9 December 2007 or if his employment is terminated by Lend Lease for cause. A pro-rata amount will be payable if the company determines that Mr Clarke's employment should be terminated for poor performance. In addition, Mr Clarke's service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination. A variation in contract occurred following relocation to Australia effective 1 July 2004. Relocation package entitlement includes accommodation up to A\$208,000 and the cost of utilities.

8 Termination payment includes base salary for remainder of notice period not served, cash value of pro-rated prescribed/non monetary benefits, pro-rated STI entitlements (based on 80% achievement of objectives), LTI entitlements per LTI rules. The service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination.

9 Initial guaranteed LTI on 1 July 2004.

10 Termination payments include base salary for 12 months, pro-rated STI entitlements (based on 80% achievement of objectives) and LTI entitlements per LTI rules. Mr Oakley's service agreement includes a non solicitation (for 12 months) and non disclosure obligation (for 2 years) post termination.

11 Entitled to payments to replace benefits lost from previous employer on joining Lend Lease. For the June 2004 financial year, these entitlements were for pension, bonus and LTI totalling US\$1,063,650. Future entitlements are for stock option replacements of US\$1,027,356 (30 June 2005) and US\$1,027,355 (30 June 2006), plus LTI of US\$120,000 (28 February 2005) and US\$60,000 (28 February 2006).

12 It is expected that the required notice would be broadly consistent with that required to be given to the other specified executives.

13 In addition to notice, Mr Crewes is entitled to a jump sum termination payment which includes base salary for 6 months, a pro rata bonus amount and the cash value of prescribed/non monetary benefits. Mr Crewes' service agreement includes a non compete (for 6 months) and non solicitation obligation (for 12 months) post termination.

14 Termination payment includes base salary for remainder of notice period not served. Mr Bird's service agreement includes a non compete (for 4 months) and non solicitation obligation (for 4 months) post termination.

Notes to the Concise Financial Statements continued

9. Discontinuing Operations

The following table details those businesses treated as discontinuing operations in the Group's Consolidated Financial Statements. They form part of Lend Lease's REI Debt and Equity business segments (refer to Note 2 Segment Reporting).

Entity/Business	Region	Purchaser/Intention	Current Status	Effective Sale Date
HFF	US	Management	Sold	17 June 2003
Cordia Senior Living	US	Management	Sold	30 June 2003
HCI	US	MuniMae	Sold	1 July 2003
Asset Management – North America	US	GMAC	Sold	14 July 2003
CapMark	US	GMAC	Sold	14 July 2003
Program Lending	US	GMAC	Sold	29 July 2003
Lend Lease Hyperion JV	US	GMAC	Sold	12 August 2003
Lend Lease Agri-Business	US	Rabobank	Sold	30 September 2003
Lend Lease US Office Trust	Australia	Management change	Transferred	18 November 2003
US Equity Advisory	US	Morgan Stanley	Sold	20 November 2003
Lend Lease REI GmbH	Europe	First Islamic Investment Bank	Sold	26 November 2003
Asset Management – Mexico	US	GMAC	Sold	11 December 2003
Lend Lease Mortgage Capital	US	Wachovia Corporation	Sold	12 December 2003
Structured Finance	US	CDP Capital	Sold	12 December 2003
Winn Residential	US	Winn Residential	Sold	16 December 2003
Debt Advisory	US	GMAC	Sold	24 December 2003
Global Fund Advisory ¹	Global	Management	Sold	6 February 2004
Lend Lease Houtihan Rovers	Europe	Management	Sold	31 January 2004
VEF series co-mingled fund platform	US	Apollo Real Estate Management	Sold	24 March 2004
Lend Lease Rosen	US	Management	Agreement signed	
Asia Debt	Asia	Intended disposal	Pending	
Rosen Consulting	US	Intended disposal	Pending	

1 Lend Lease continues as advisor to Lend Lease Asia Properties and sponsor to both Lend Lease Global Properties and Lend Lease Asia Properties.

Although no sales have been agreed or specific arrangements announced in respect of Rosen Consulting; the Asian Debt business and the US REI co-investments, Lend Lease intends to exit these businesses and co-investments (in the normal course of winding down) and, accordingly, they have been classified as discontinuing operations for the purposes of the Group's Consolidated Financial Statements.

On 17 August 2004 Lend Lease announced that it had entered into an agreement with ACM Acquisition LLC (ACM) for the sale of Lend Lease Rosen Real Estate Securities LLC (Lend Lease Rosen). The full sales price which incorporates deferred elements is expected to exceed its book value of A\$13.9 million.

ACM is controlled by Michael Torres, CEO and portfolio manager of Lend Lease Rosen.

The transaction is expected to be completed by the end of August 2004.

	Consolidated	
	June 2004 A\$m	June 2003 A\$m
Financial Performance of Discontinued Operations		
Revenue from ordinary activities (excluding sale of operations)	134.5	610.4
Revenue from the sale of operations and investments	547.9	15.4
Total revenue from ordinary activities	682.4	625.8
Expenses from ordinary activities	(116.4)	(563.6)
Carrying amount of net assets of operations and investments sold	(518.8)	(13.6)
Disposal costs of operations and investments sold	(28.4)	(1.8)
Write-back of REI restructure and REI employee termination provisions	18.2	
Other exit costs	(28.1)	
Write-down of REI businesses		(882.0)
Total expenses from ordinary activities	(671.5)	(1,461.0)
Share of net profit of associates accounted for using the equity method	0.5	14.1
Profit/(loss) before tax from ordinary activities¹	11.4	(821.1)
Income tax expense relating to ordinary activities	(4.9)	(22.6)
Income tax expense relating to write-off of future income tax benefits previously recognised in prior years		(63.0)
Profit/(loss) after tax from ordinary activities	6.5	(906.7)
Profit after tax attributable to outside equity interest	(0.9)	(0.9)
Profit/(loss) after tax from ordinary activities attributable to members of Lend Lease Corporation Limited¹	5.6	(907.6)

1 The businesses sold during the year resulted in A\$2.7 million profit before tax and A\$7.6 million profit after tax.

Notes to the Concise Financial Statements continued

	Consolidated	
	June 2004	June 2003
	A\$m	A\$m
9. Discontinuing Operations continued		
Financial Position of Discontinued Operations		
Current assets	30.4	646.2
Non current assets	477.8	1,017.3
Current liabilities	(134.9)	(280.5)
Non current liabilities	(11.7)	(139.1)
Net assets	361.6	1,243.9
Cash Flow of Discontinued Operations		
Net cash inflow from operating activities	54.7	127.5
Net cash inflow/(outflow) from investing activities	730.0	(166.1)
Net cash (outflow)/inflow from financing activities	(784.7)	38.6
Net cash	-	-

10. Events Subsequent to Balance Date

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, Lend Lease must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Lend Lease Group's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Lend Lease is in the process of assessing the impact of these changes and accordingly has not fully quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the entity's financial reports in the future. The potential impacts on the Lend Lease Group's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Lend Lease Group Board has established a formal project team, to achieve transition to IFRS reporting. The first IFRS financial reporting prepared by the Lend Lease Group will be for the half-year ended 31 December 2005. The implementation project consists of three phases as described below.

Assessment and Planning Phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- Assessment of new information requirements affecting management information systems and the impact on the business and its key processes;
- Evaluation of the implications for staff, for example training requirements;
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training; and
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS.

The company considers the assessment and planning phase to be complete in most respects as at 30 June 2004.

Notes to the Concise Financial Statements continued

10. Events Subsequent to Balance Date continued

International Financial Reporting Standards continued

Design Phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase incorporates:

- Formulating revised accounting policies and procedures for compliance with IFRS requirements;
- Developing revised IFRS disclosures;
- Designing accounting and business processes to support IFRS reporting obligations;
- Identifying and planning required changes to financial reporting and business source systems; and
- Developing training programs for staff.

The company has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the 2004/05 financial year.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operating training for staff. It will enable the company to generate the required disclosures of AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" as it progresses through its transition to IFRS.

Except for certain training that has been given to key finance staff, the company has not yet commenced the implementation phase. However, the company expects this phase to be substantially complete by 30 June 2005.

The key potential implications of the conversion to IFRS on the Lend Lease Group are as follows:

Goodwill

Initial impact on retained earnings at 1 July 2004

Goodwill acquired in business combinations, such as the acquisition of the Bovis group and Delfin group, will no longer be amortised, however will be subject to an annual impairment test.

Lower expenses

Impairment will be determined on a discounted basis, with strict tests for determining whether goodwill allocated to the Group's cash-generating units has been impaired. Any impairment will be recognised immediately in the statement of financial performance.

Volatility in future results due to potential for impairment

Defined Benefit Plans

Initial impact on retained earnings at 1 July 2004 as plan surpluses or deficits are recognised.

Surpluses and deficits in the Lend Lease Superannuation Fund (Australia) and Bovis UK Pension Scheme sponsored by Lend Lease will be recognised in the statement of financial position upon transition.

Volatility in future earnings

Movements in the net position of each scheme after transition will be recognised in the statement of financial performance.

Income Tax

Initial impact on retained earnings at 1 July 2004

Income tax will be calculated based on the 'balance sheet' approach, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.

New tax assets and liabilities recognised

It is expected that Lend Lease will recognise similar levels of deferred tax assets and liabilities, and as tax effects follow the treatment of the underlying transaction, some tax effects will be recognised in equity.

Revenue

Initial impact on retained earnings at 1 July 2004

Revenue from the sale of goods requires additional conditions to be satisfied before recognition can occur. Revenue recognition is primarily determined by assessing whether the significant risks and rewards of ownership of the asset have transferred and the nature of any continuing involvement with the asset.

Potential deferral of revenue recognition

This may result in a deferral of revenue recognition on pre-sale residential projects to settlement date rather than the percentage completion method currently adopted under UIG 53 "Pre-completion contracts for the sale of residential development properties".

AASB 1048 "Interpretation and application of standards" currently retains UIG 53 for application in the IFRS environment, hence there is significant uncertainty as to whether revenue recognition will change materially for the Lend Lease Group.

Notes to the Concise Financial Statements continued

10. Events Subsequent to Balance Date continued

International Financial Reporting Standards continued

Implementation Phase continued

Hedging Initial impact on retained earnings at 1 July 2005 Volatility in future earnings New assets and liabilities recognised	Lend Lease currently uses derivative contracts to economically hedge exposures to interest rates and foreign currency. Under current Australian Accounting Standards, all derivative contracts are accounted for as hedges. Under IFRS, all derivative contracts, whether used for hedging purposes or not, will be required to be carried on the statement of financial position at fair value. Derivative contracts that do not qualify for hedge accounting will be required to recognise any subsequent changes in fair value in the statement of financial performance. In order to qualify for hedge accounting strict requirements over hedge designation, documentation and effectiveness must be satisfied. Derivative contracts that qualify for hedge accounting will be accounted for as cash flow or fair value hedges. Cash flow hedges are measured at fair value with changes in fair value recorded in equity, to the extent that the hedge is deemed effective, until the hedged transaction occurs. Any ineffective portion is recorded in the statement of financial performance immediately. Fair value hedges are measured at fair value with changes in fair value recorded in the statement of financial performance. Any offsetting changes in fair value of the designated hedged item are also recorded in the statement of financial performance.
Co-Investments Initial impact on retained earnings at 1 July 2005 Volatility in future earnings	Co-investments will be recognised at fair value with subsequent changes in fair value recorded in either equity or the statement of financial performance (depending on classification). Currently equity investments are carried at cost. This change will impact the company's co-investments in real estate funds, which will be carried on the statement of financial position at fair value with changes in fair value recorded in equity.
Intangible Assets Lower expenses Volatility in future earnings due to impairment testing	The recognition criteria for intangible assets have been tightened. Management agreements with indefinite useful lives will be tested for impairment annually and will not be amortised.
Investment Property Initial impact on retained earnings at 1 July 2004 Volatility in future earnings	IFRS permits one of the following: (i) measurement at fair value with subsequent changes in fair value recorded in the statement of financial performance; or (ii) measurement at cost depreciated over the useful life. Lend Lease's elected method is likely to be the fair value method.
Equity Based Compensation	Lend Lease currently has a policy of expensing all employee compensation to the statement of financial performance as incurred but the method of expensing may change, with the fair value of share-based payments to be included and expensed over the period the employee provides the related service under IFRS. The treatment of Lend Lease's employee share plans will also be reviewed in context of the IFRS requirements.
The Effects of Changes in Foreign Exchange Rates Initial impact on retained earnings at 1 July 2004 Potential volatility in future earnings	Foreign operations were previously classified as either self-sustaining or integrated operations. These are replaced with the concept of an entity's functional currency. This is the currency in which the entity operates and determines pricing decisions. The Lend Lease Group's functional currency is expected to be Australian dollars. Exchange differences arising on a monetary item that forms part of Lend Lease's net investment in a foreign operation are recognised in the statement of financial performance of the parent or subsidiary operation as appropriate. In the Lend Lease Group consolidated financial report, such exchange differences shall be recognised initially in a separate component of equity and recognised in the statement of financial performance on disposal of the net investment. However, where the monetary item is not in the functional currency of the parent or the foreign subsidiary, exchange differences must be recognised in the statement of financial performance on consolidation of the Group.
Accounting Policies	Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

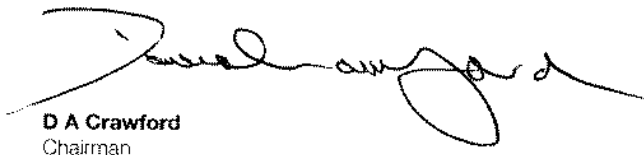
Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited the accompanying Concise Financial Report of the consolidated entity, comprising Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 2004 set out on pages 7 to 24:

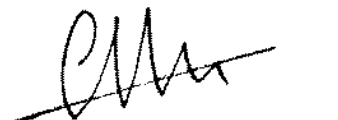
- (a) Has been derived from and is consistent with the full financial report for the financial year; and
- (b) Complies with Accounting Standard AASB1039 "Concise Financial Reports".

Sydney, 18 August 2004

Signed in accordance with a resolution of Directors:



D A Crawford
Chairman



G A Clarke
Managing Director



Independent audit report on concise financial report to the members of Lend Lease Corporation Limited

Scope

We have audited the concise financial report of Lend Lease Corporation Limited and its controlled entities for the financial year ended 30 June 2004, consisting of the statement of financial performance, statement of financial position, statement of cash flow, accompanying notes 1 to 9, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 2004. Our audit report on the full financial report was signed on 18 August 2004, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports" issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion the concise financial report of Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 2004 complies with AASB 1039 "Concise Financial Reports" issued in Australia.

KPMG

KPMG

G R Wilson
Partner

Sydney

18 August 2004



Full Year Results

June 2004

June 2004 Full Year Result

Profit After Tax



	2004	2003
	A\$M	A\$M
Core Businesses ⁽¹⁾	225.9	203.1
Discontinuing REI businesses	7.9	37.4
IBM GSA Operating Profit	1.4	12.1
Non Core Capital Services	20.7	10.1
Restructuring / Merger Costs	(18.5)	(32.5)
Total Operating Profit	237.4	230.2
REI exit / write-downs	(2.3)	(945.0)
Sale of IBM GSA	79.7	
Tax benefit of capital losses ⁽²⁾	18.7	
Reported Profit / (Loss)	333.5	(714.8)

⁽¹⁾ Includes one-off loss on Australian construction projects and profit on sale of Fox Studios

⁽²⁾ Arising from Australian tax consolidation regime

June 2004 Full Year Result

Earnings Per Share



	2004	2003	Growth
Earnings per share (cents per share)			
➤ Core Businesses ⁽¹⁾			
– Pre amortisation	65.8	57.2	+15%
– Post amortisation	54.6	46.3	+18%
➤ Total operating profit after tax ⁽²⁾	57.4	52.5	+9%

⁽¹⁾ Based on Core Businesses PAT A\$225.9M (A\$272.1M pre-amortisation) for FY2004

⁽²⁾ Based on PAT A\$237.4M for FY2004

June 2004 Full Year Result

Dividends Per Share



	2004	2003
Dividends per share (cents per share)		
Interim	18	10
Final	26	20
Total	44	30
Payout Ratio	75%	56%

June 2004 Full Year Result

Core Businesses – Profit After Tax



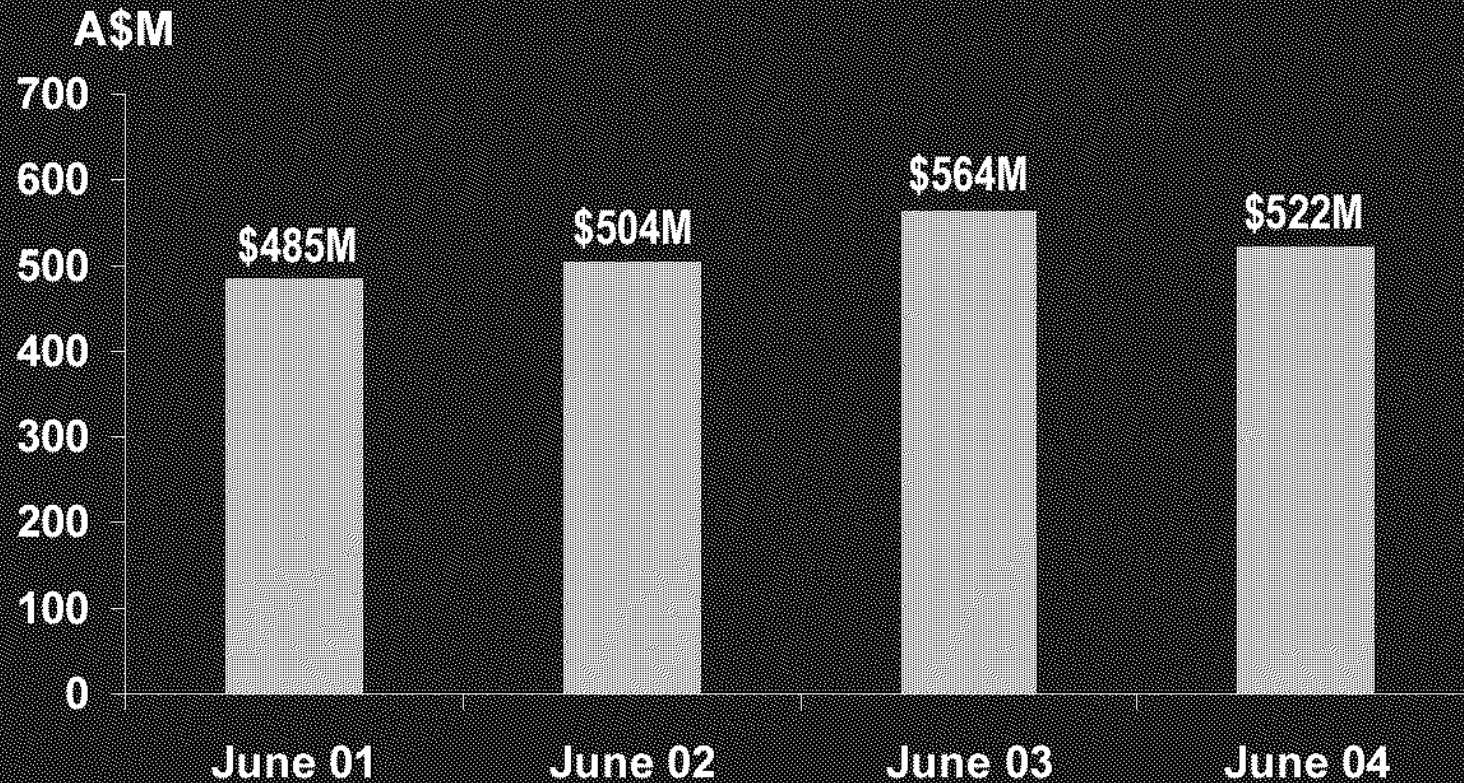
	2004 A\$M	2003 A\$M
Bovis Lend Lease	105.1	157.5
Integrated Development Businesses	78.8	41.8
Real Estate Investments Operations	33.6	36.1
Investment Income	66.7	59.7
Group Services	(28.4)	(55.3)
Group Treasury	16.3	10.7
Amortisation	(46.2)	(47.4)
Total Core Businesses Operating Profit	225.9	203.1

Bovis Lend Lease Profit After Tax



	2004 A\$M	2003 A\$M
Asia Pacific	28.1	26.6
US	61.8	61.6
Europe	70.6	69.3
	160.5	157.5
Australian project losses	(55.4)	-
	105.1	157.5

Bovis Lend Lease Backlog GPM



Bovis Lend Lease

Key Profit Drivers



	2004	2003
New Work Secured (A\$M)		
– Asia Pacific	109.0 ⁽¹⁾	130.6
– US	195.7	206.7
– Europe	228.6	253.0 ⁽²⁾
Total	533.3	590.3

(1) Excludes impact of Australian project losses

(2) Adjusted for subsequent reduction in scope of major PPP project (\$21M – deferred from stage 1 to stage 2)

Bovis Lend Lease Profitability Ratio



	2004	2003
Profitability Ratio ⁽¹⁾		
– Asia Pacific	37% ⁽²⁾	36%
– US	46%	46%
– Europe	46%	40%
Total	44% ⁽²⁾	42%

(1) Ratio of profit before tax to Realised GPM

(2) Excludes impact of Australian project losses (total profitability ratio was 35% including project losses)

Bovis Lend Lease – Asia Pacific Profit After Tax



	2004 A\$M	2003 A\$M
Asia / Pacific business	28.1	26.6
Residential project losses	(41.8)	-
Commercial project loss	(13.6)	-
Total Asia Pacific	(27.3)	26.6

- One-off loss situation now behind us
- New management team in place
- All projects thoroughly reviewed
- Risk management disciplines reaffirmed

Bovis Lend Lease – Asia Pacific Growth Potential



In Australia we see growth potential from current sectors

- Commercial office and retail
- Multi-sites
- Internal residential
- Government

In Asia

- Focus on Japan, China and Singapore

Bovis Lend Lease – Americas Market Position

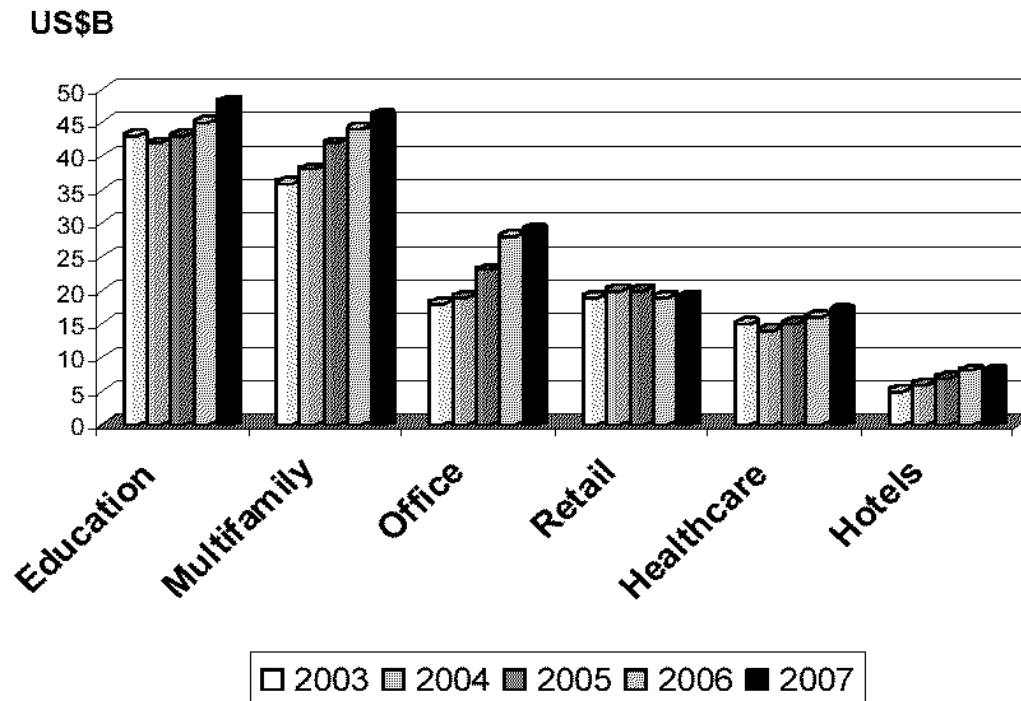


➤ Healthcare	No. 1
➤ Multi-Unit Residential	No. 1
➤ Military Housing (Actus Lend Lease)	No. 1
➤ Government Offices	No. 4
➤ Hotels / Motels	No. 5
➤ Pharmaceutical Plants / R&D Labs	No. 5
➤ Senior Living (estimated, not ENR)	No. 5
➤ Commercial / Office	No. 6

Bovis Lend Lease – Americas Sector Growth Trends



Base business will grow with the market



Bovis Lend Lease – Americas

New York Area Sports Opportunities

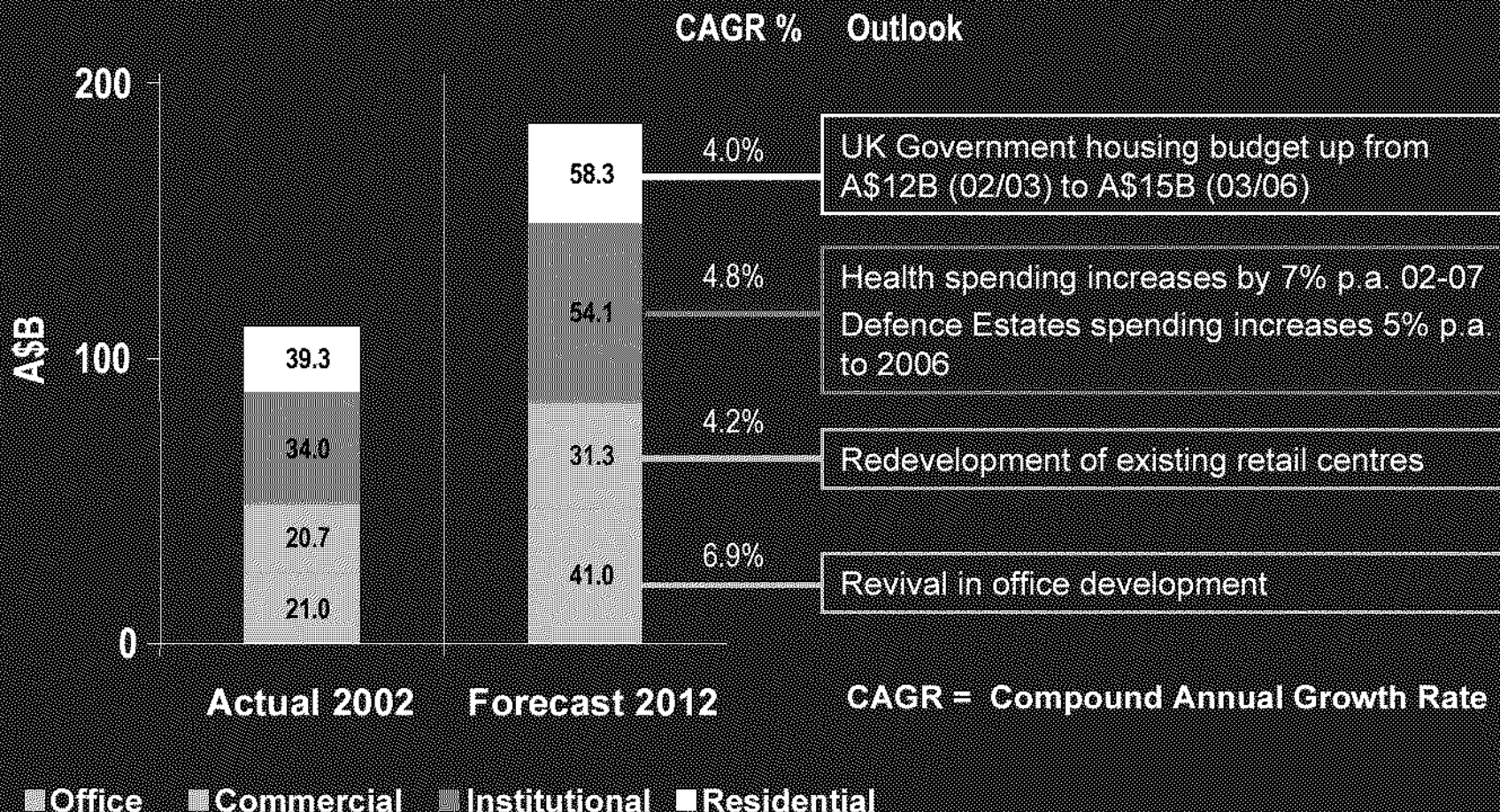


Venue	Spend US\$B	Status
Brooklyn Nets Arena / Atlantic Yards	2.5	
Destiny USA	2.2	
MSG Mixed-Use Development	2.0	
Jacob Javits Center Expansion	1.2	
New York Jets Stadium	1.2	Bovis Lend Lease/Hunt 1 of 2 - Award date 2/05
New Madison Square Garden	0.5	
Newark Arena	0.3	Bovis Lend Lease/Hunt 1 of 3 - Award date 11/04
Giants Stadium	0.3	Bovis Lend Lease/Hunt 1 of 3 - Award date 1/05
New Nassau Coliseum	0.3	
Net York International Speedway	0.4	
New Shea Stadium	0.8	Bovis Lend Lease/Hunt 1 of 2 - Award date 1/05
New Yankee Stadium	0.8	
2012 Olympic Games	12.0	
Grand Total	24.5	

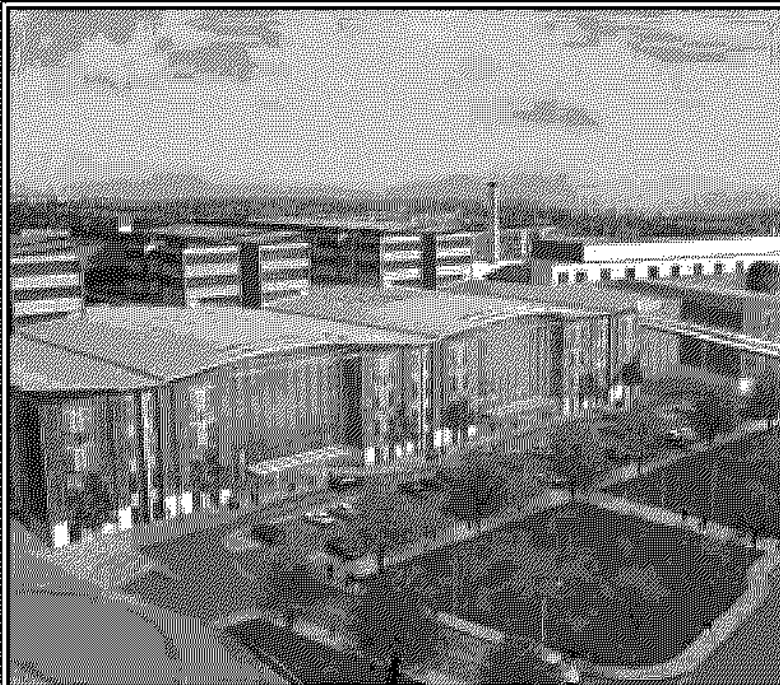
Bovis Lend Lease – Europe



UK Construction: Market Growth Forecast 2002–2012



Bovis Lend Lease – Europe Major Health PFI Projects



Manchester Hospital

Client:

Department of Health / Manchester Hospital Trust

Contract:

PFI Design and Build

Value:

£370M



Leeds Hospital

Client:

Department of Health / Leeds General Hospital Trust

Contract:

PFI Design and Build

Value:

£173M

Integrated Development Businesses

Profit After Tax



	2004 A\$M	2003 A\$M
Asia Pacific		
– Delfin Lend Lease	66.2	41.7 ⁽¹⁾
– Lend Lease Development	20.2	14.8
	86.4	56.5
Americas		
– Actus Lend Lease	5.3	4.8
– Other	(0.5)	(0.6)
	4.8	4.2
Europe	(12.4)	(18.9)
Total Integrated Development Businesses	78.8	41.8

⁽¹⁾ Includes sale of North Lakes \$11.2M

Integrated Development Businesses

Asia Pacific – Delfin Lend Lease



- Operating profit after tax up 117% to A\$66M
- No. of lots settled 4,482 in 2004 FY – up 19%
- Gross sales value of lots settled up 41% to A\$518M
 - Average price per lot up 19%
- Sales Backlog 51,000 lots at June 2004 – up 48% from June 2003
- Maintained position as leading urban community developer in Australia
- Underlying FY05 PAT growth around 15%



Edgewater, Melbourne

Integrated Development Businesses

Asia Pacific – Delfin Lend Lease



	2004	2003
	A\$M	A\$M
Gross Profit Margin		
– Queensland	67.4	34.0
– Victoria	34.2	18.1
– New South Wales	4.4	(1.1)
– South Australia / Northern Territory	6.0	2.3
– Retirement By Design	5.6	2.9
– Rezoning Expenses	(6.3)	(0.7)
Total Gross Profit Margin	111.3	55.5
Net Overheads	(15.6)	(11.3)
Profit Before Tax	95.7	44.2
Profit After Tax	66.2	30.5

Integrated Development Businesses

Asia Pacific – Lend Lease Development



	2004	2003
	A\$M	A\$M
Gross Profit Margin		
– Residential projects	15.9	13.2
– Fox Studios	19.3	1.0
– Asian project workouts	1.0	4.4
– Other	4.9	7.4
Total Gross Profit Margin	41.1	26.0
Net Overheads	(12.1)	(7.2)
Profit Before Tax	29.0	18.8
Profit After Tax	20.2	14.8

Integrated Development Businesses

Asia Pacific – Lend Lease Development



- Achieved scale to produce long term, repetitive earnings
- Projects well located in growth corridors
- Capital efficient business model



Surfers Paradise Joint Venture
South East Queensland



Hyatt Coolum, South East Queensland

Integrated Development Businesses Americas – Actus Lend Lease



	2004 A\$M	2003 A\$M
Gross Profit Margin		
– Construction	25.4	31.2
– Development	18.8	8.3
– Asset Management	5.1	3.0
Total Gross Profit Margin	49.3	42.5
Bid Costs	(25.5) ⁽¹⁾	(14.2)
Overheads	(11.5)	(17.9)
Profit Before Tax	12.3	10.4
Profit After Tax and Minorities	5.3	4.8

⁽¹⁾ Includes write-off of Hickam AFB bid costs \$12.9M

Integrated Development Businesses

Americas – Actus Lend Lease



- 4 projects in pipeline
- Further opportunities beyond current program
 - Continuation of program beyond 2007
 - Military Barracks privatisation
 - Military Base Realignment and Closure (BRAC)
- BRAC program creates opportunity to establish Delfin Lend Lease style business in US



Comanche II Village, Fort Hood, Texas

Integrated Development Businesses

Europe – Profit After Tax



	2004 A\$M	2003 A\$M
Private, Public Partnership Projects		
– Healthcare PFIs	(8.9)	(12.7)
– Defence	(1.6)	(13.4)
Retail Development		
– Operations	0.8	-
– Sale of Tres Aguas		12.7
– Sale of Touchwood, Solihull		5.5
– Shell Centre Provision		(10.5)
Urban Communities		
– Operations	(2.7)	(0.5)
	(12.4)	(18.9)

Integrated Development Businesses

Europe – Healthcare PFIs



Potential UK Health Sector Projects 2004–2008



- PFI is a key UK Government long term funding strategy
 - Committed to 10 years of investment in Health and Education
 - Total Health market size >£2B p.a.
- Lend Lease has established a leading market share in UK
 - Expanding into Europe (Italy and Spain)
 - Building sustainable long term returns from PFIs
- Net bid costs lower in FY2004
 - Financial close reached on 3 projects
 - Currently bidding for Leicester and Northern Batch projects

Integrated Development Businesses

Europe – Retail Development



- Lend Lease is in a strong and leading position in UK Retail
 - 10 year track record of adding value in both asset development and management
 - Created Bluewater: UK's No. 1 ranked centre
 - Equal 4th (AUM) and growing
 - Recognised for innovation and high standards (50 awards in 8 years)
- UK Retail market is large, but fragmented and immature
 - Opportunity for Lend Lease with the considerable development potential
 - Asset ownership key to maximising return
 - Pipeline of new projects (existing and new assets)
 - Secured Warrington
 - Strong relationships with key owners and institutions
- Lend Lease is and intends to remain the UK benchmark for retail asset development and management

Total returns (3 year average) 2001-2003



Source: Lend Lease / Investment Property Databank

Integrated Development Businesses

Europe – Retail Development

Golden Square, Warrington



- Major retail development in NW England
- Existing 300,000 sq ft centre owned by 2 UK institutions
 - Needed partner to manage complexity and achieve point of difference
 - Lend Lease selected on track record
- Plan to reposition and double asset size
- Lend Lease taking 50% ownership position
- No investment until pre-conditions met
 - Pre-letting
 - Local Council agreement



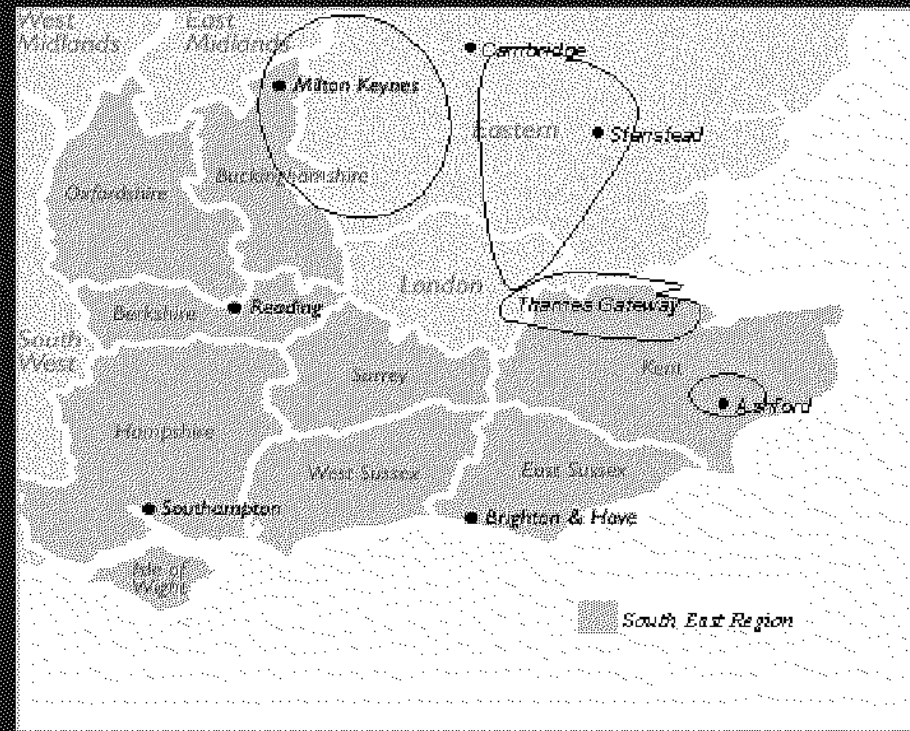
Integrated Development Businesses

Europe – Urban Communities



- Significant opportunity in UK for Lend Lease's Urban Communities business model:
 - Supply / demand imbalance
 - UK Government plan to increase supply
 - 200,000 new homes by 2016 in 4 growth areas in South East England
- Lend Lease well placed on back of Greenwich Peninsula project

South East England Government Growth Areas



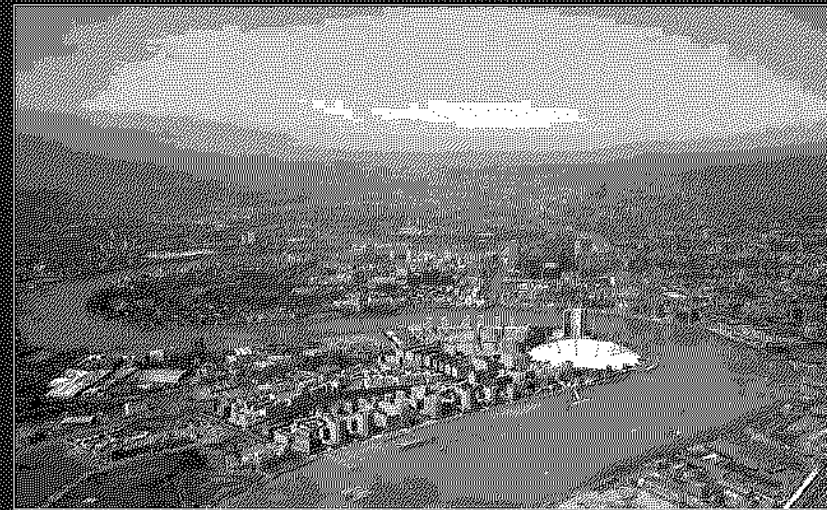
Integrated Development Businesses

Europe – Urban Communities

Greenwich Peninsula



- New community for London which maximises urban density
 - 10,000 homes, 20,000 residents
 - 3.5m sq ft commercial
 - 0.35m sq ft retail
 - End value £5B (A\$13B)
- Largest planning approval in UK
 - Achieved in record time
- Significant enhancement to Lend Lease's reputation
- Generate annuity style earnings from June 2006



Real Estate Investments Operations

Profit After Tax



	2004 A\$M	2003 A\$M
Australia	22.0	26.8
Asia	3.8	5.1
Europe	7.8	4.2
	33.6	36.1

Note: Continuing Operations only

Real Estate Investments Operations

Wholesale Funds Management



- Committed to wholesale funds management
- A\$11.6B AUM globally
 - Asia Pacific A\$6.0B
 - Europe A\$5.6B
- Delivering strong returns for investors
- Merger with GPT to add value to wholesale investors in Australia
 - Capacity for co-investment and increased alignment
- Expect growth in AUM in all regions

Wholesale Performance Year ended 30 June 2004	
Fund	Return
APPF Retail	18.9%
APPF Commercial	10.0%
APPF Industrial	12.2%
REP	20.4% ⁽¹⁾
APIC II	18.1% ⁽²⁾

⁽¹⁾ IRR since inception

⁽²⁾ Year ended 30 April 2004

Real Estate Investment Assets

Profit After Tax



	2004	2003
	A\$M	A\$M
Australia (APPF, REP)	2.8	2.5
Asia (APIC)	(0.3)	-
Europe		
– Bluewater	39.3	33.8
– Lend Lease Overgate Partnership	4.1	4.3
– Lend Lease Retail Partnership	2.1	2.5
– Other	2.9	2.2
Total Europe	48.4	42.8
US (King of Prussia)	15.8	14.4
Total Investment Income	66.7	59.7

Note: Excludes investment income from discontinued REI businesses co-investments

Real Estate Investment Assets

Bluewater



- Continued exceptional performance
 - 69% of retailers are Top 5 performing within the chain, with 25% at No. 1
- Year ended 30 June 2004
 - Total centre sales up 3.7% to £806.5M (A\$2.1B)
 - Annual visitations up 4.4% to 27.1 million
- Market valuation of centre at 30 June 2004
 - £1.621B (A\$4.2B)
- Market valuation of Lend Lease's 30% interest £486M (A\$1,247M)
 - Book value of 30% interest £226.8M (A\$581.6M)
- Rent review process to drive further value



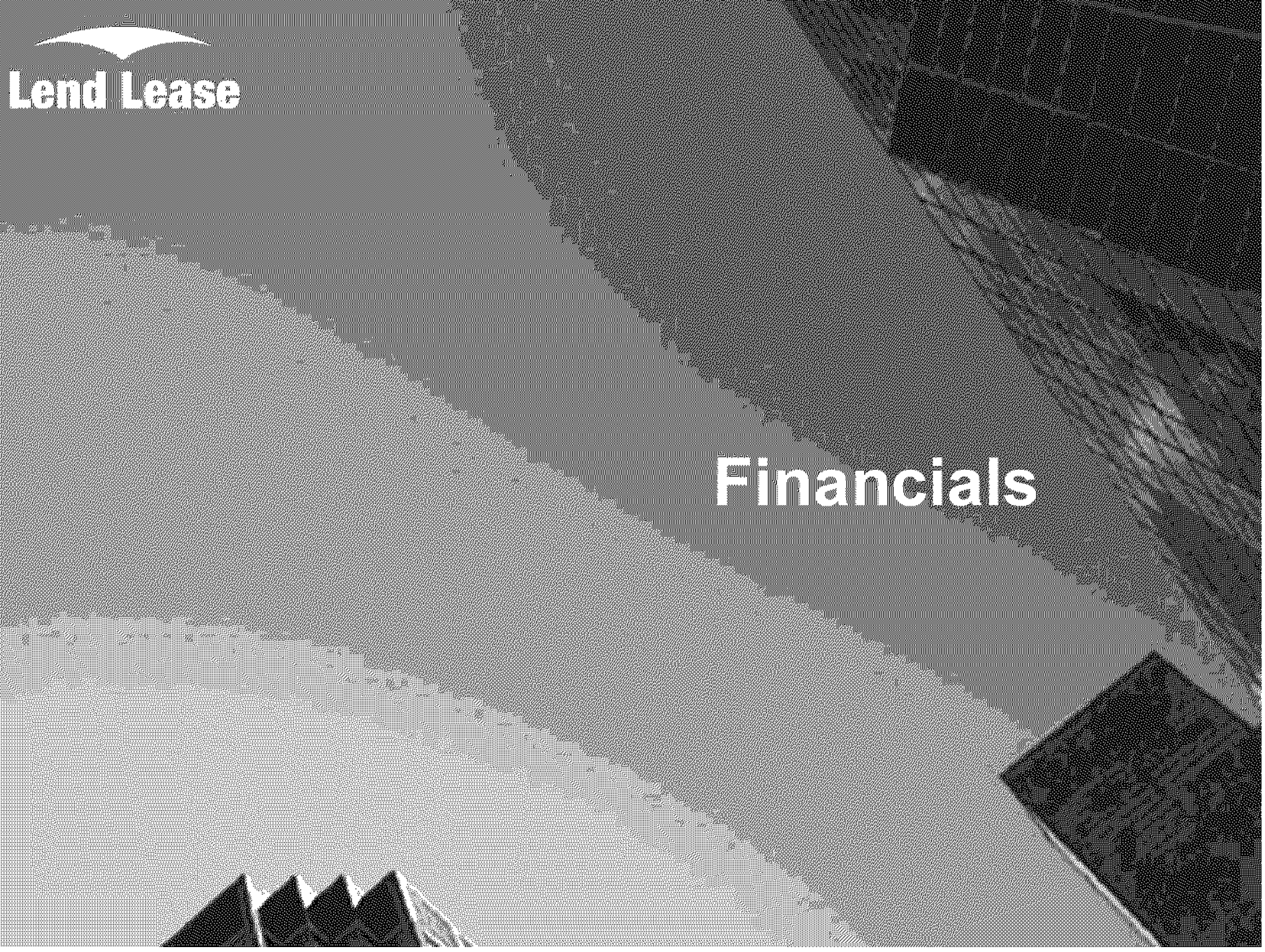
Real Estate Investment Assets

King of Prussia



- Centre valuation up 18% to US\$744M at 30 June 2004
 - Further value to be derived from upcoming rent reviews
- Market value of Lend Lease's 50% interest circa US\$230M (A\$330M)
- Lend Lease book value of 50% interest US\$145.2M (A\$207.4M)
- Rental income yield on cost 10%





Financials

	2004 A\$M	2003 A\$M	Movement A\$M
Profit / (Loss) Before Tax	(51.0)	(118.0)	67.0
Tax Benefit	22.6	62.7	(40.1)
Profit / (Loss) After Tax	(28.4)	(55.3)	26.9

- Total cost savings achieved in 2004 in line with A\$88M target
- Significant one-off tax benefits included in 2003 relative to 2004

Strong Financial Position



- Cash at 30 June 2004 A\$1.4B
 - Strong operating cash flows
 - Net of A\$405M share buyback

- Debt at 30 June 2004 A\$862M⁽¹⁾
 - Gearing 13% (Gross Debt to Total Tangible Assets)

⁽¹⁾ Excludes capital component of Bluewater lease £82.2M (A\$210M)

Foreign Currency Hedging

USD exchange rate v USD hedge rate



➤ Offshore earnings hedging policy has been effective in mitigating currency volatility

➤ US\$ earnings hedged

	<u>Range</u>	<u>Rate</u>
FY 2005	100–60%	0.58
FY 2006	70–40%	0.66
FY 2007	40–10%	0.66

➤ GBP earnings hedged in similar ranges to US\$ at 38 pence across all years

Earnings Outlook



- All core businesses well positioned for growth
- 2005 FY reported eps growth of 15%+ after full benefit of share buybacks
- 2005 FY outlook consistent with 7% pro forma distribution growth forecast for merged group

GPT Merger Proposal

Benefits for Lend Lease Shareholders



- Far greater certainty of sustainable earnings over medium and longer term
 - Scale and access to capital to accelerate growth in UK Retail and Urban Communities in the UK and US
 - Efficient capital structure on Day 1
 - Reduced cost of capital

- Result demonstrates Lend Lease's capacity to deliver significant growth in corporate earnings within merged group

GPT Merger Proposal

Benefits for GPT Unitholders



- Potential to more than double distribution growth
 - Access to earnings from Australia's leading urban community development business
 - Opens up international investment opportunities through established platform
 - Absolutely aligns interests of Lend Lease and GPT



Full Year Results

June 2004