



12 October 2006

The Manager
Companies Section
Australian Stock Exchange Limited

The Manager
Companies Section
New Zealand Exchange Limited

Pages: Two hundred and thirty seven (237) pages

Dear Sir

**Re: Stock Exchange Announcement
2006 Annual Report to Shareholders**

In accordance with Listing Rule 4.7, enclosed is the 2006 Annual Report to Shareholders and the 2006 Annual Consolidated Financial Report for Lend Lease Corporation Limited to be sent to shareholders.

Yours faithfully

S J SHARPE
Company Secretary

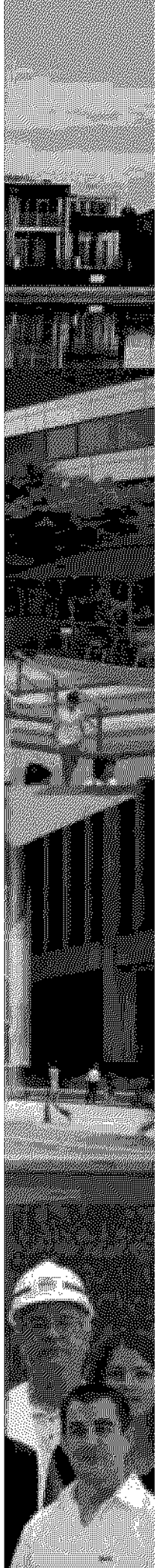
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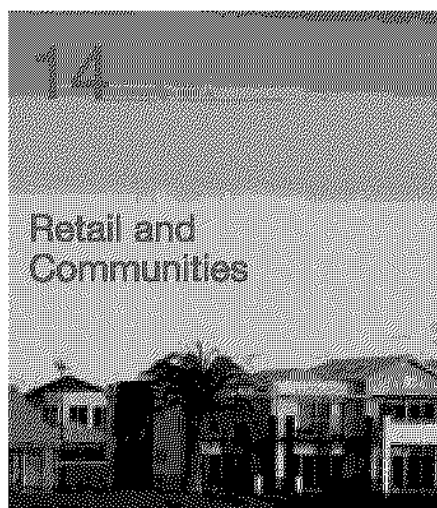
*Imagine
Create*

2006 Annual Report
to Shareholders

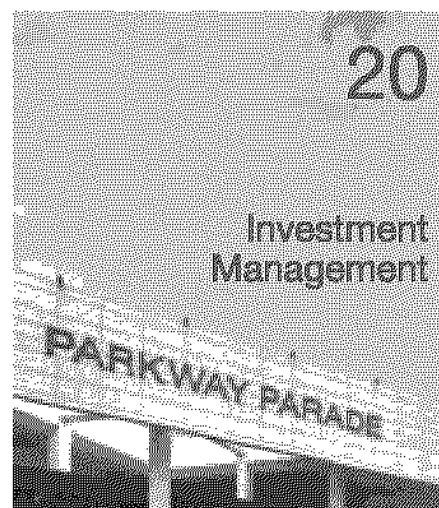


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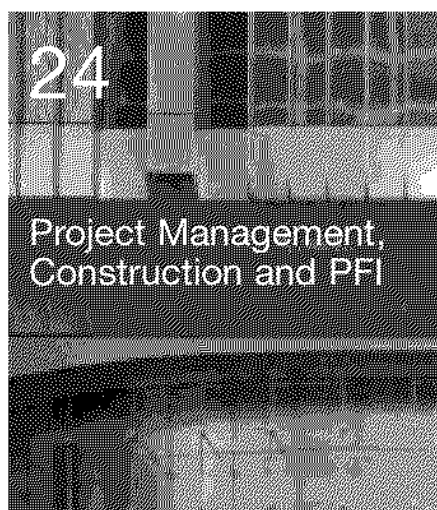
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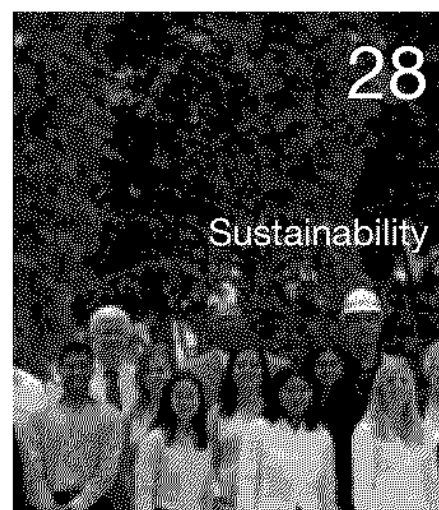
Retail and Communities



Investment Management



Project Management, Construction and PFI



Sustainability

Lend Lease Corporation Limited
ABN 32 000 226 228

Annual General Meeting

The 2006 Annual General Meeting of Lend Lease Corporation Limited will be held at 10.00am on Thursday 16 November 2006 at Sydney Entertainment Centre, 35 Harbour Street, Darling Harbour, Sydney NSW 2000.

Full details of the Meeting are contained in the Notice of Annual General Meeting sent with this report.

Front cover images, from top to bottom:
Lakeside at Pakenham, Melbourne, Australia; Parkway Parade, Singapore; 111 South Wacker, Chicago, USA; Lend Lease employees in Chicago, USA.

Opposite page:
The Bond, Sydney, Australia.

About Lend Lease

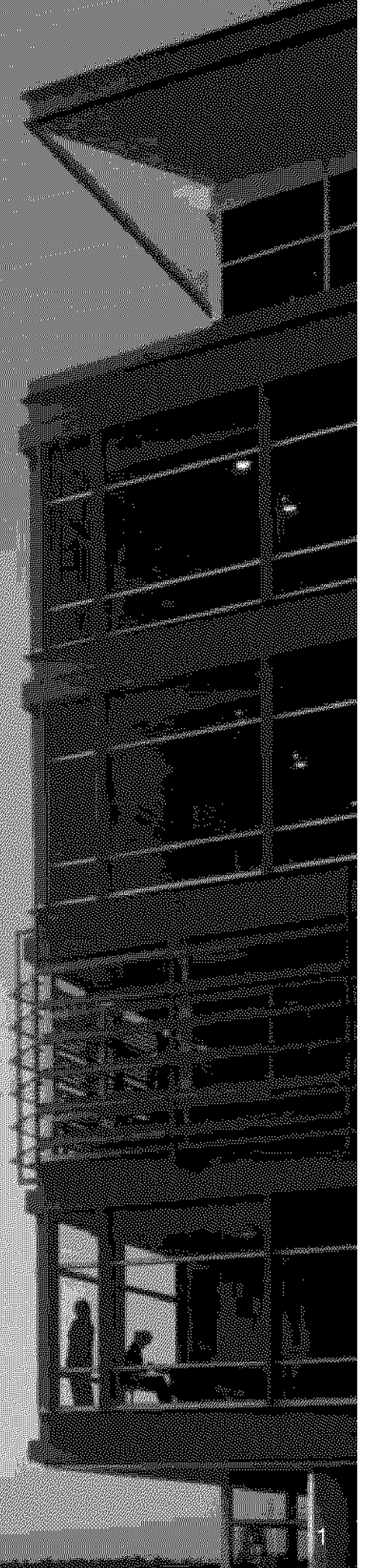
We are a diversified international property group with market leading positions in our chosen geographies and sectors.

Headquartered in Australia, we operate in three key regions around the world and three core sectors: retail and residential property, property investment management and construction.

We apply our world class development, project management, construction and investment management skills using imagination, creativity and collaboration to create smart solutions that add value.

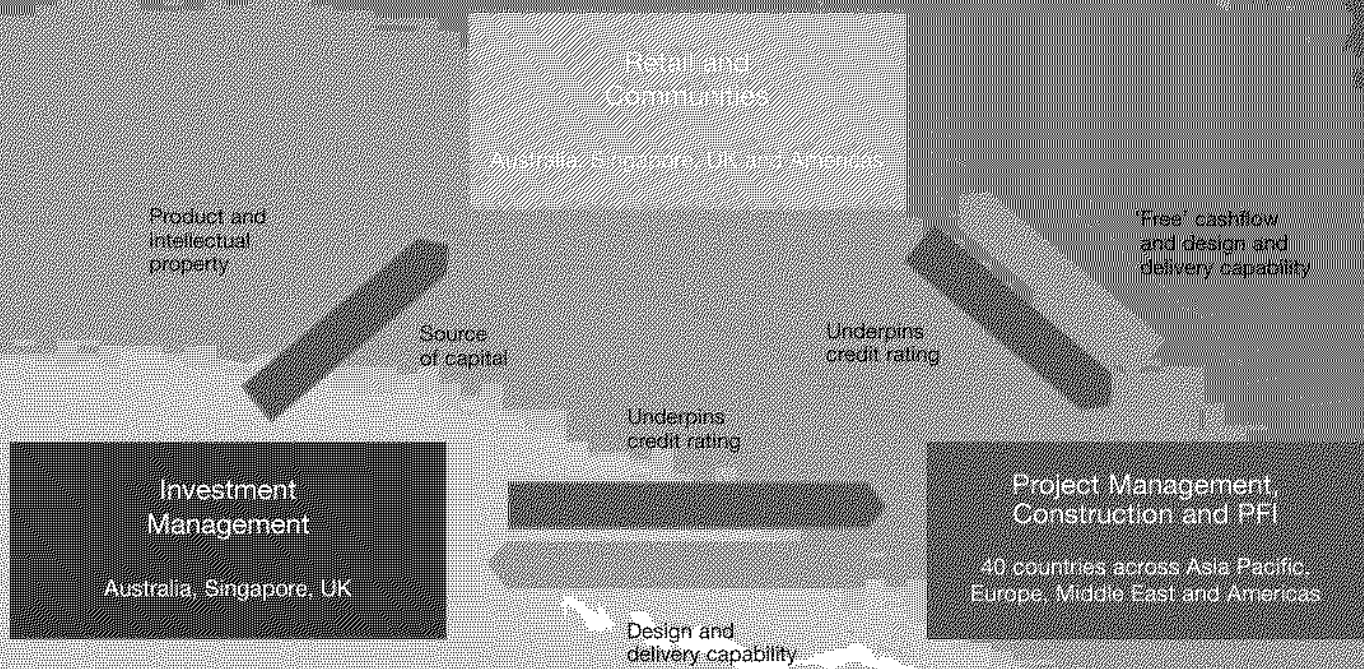
We are passionate about the relationship between people and places and our role in building a legacy for future generations. We do this safely, ethically and sustainably.

We are in business to deliver the best possible outcomes for all our stakeholders, from investors, employees and subcontractors to our business partners, suppliers and the communities in which we operate.



Operating model

Lend Lease Corporation



Quick facts

Operating profit
after tax

A\$354.2M

Total number of
employees

9,815

Shareholders

50,179

Funds under management
(including joint ventures)

A\$9.7B

We are targeting sustainable growth through:

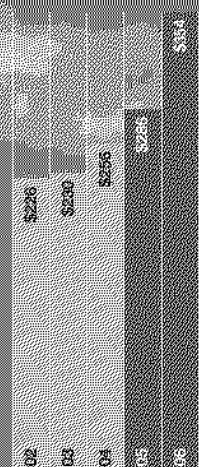
- > Managing a portfolio of three core businesses diversified by geography, sector and risk profile;
- > Focusing our Retail and Communities efforts on high quality retail assets, master planned urban communities and niche markets such as US private military housing;
- > Leveraging our Project Management and Construction leadership in the retail, commercial, residential and healthcare sectors and capitalising on emerging sectors;
- > Using the Group's asset creation and strong capital transactions capabilities to actively pursue Investment Management growth opportunities;
- > Securing multiple earning streams from the three core businesses working together on integrated opportunities;
- > Ensuring all our operations adhere to the highest safety, environmental and ethical standards; and
- > Attracting, developing and retaining the right people to deliver these objectives.



Five-year performance

Operating profit after tax (A\$m) ^{1,2}

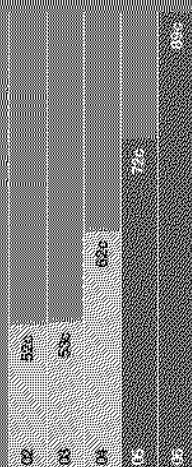
A\$354M



AGAAP AIFRS

Earnings per share on operating profit (cents) ^{1,2,3}

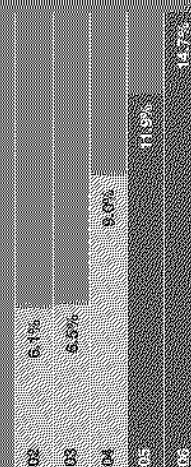
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AGAAP AIFRS

Return on equity ^{1,2}

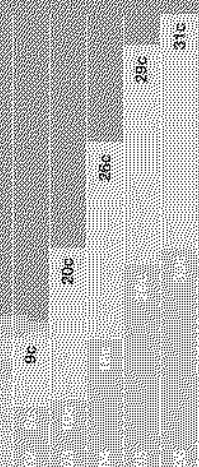
14.7%



AGAAP AIFRS

Dividends per share (cents)

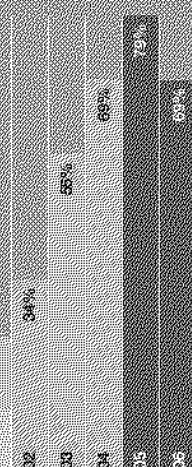
61c



Interim Final

Dividend payout ratio on operating profit ^{1,2,3}

69%



AGAAP AIFRS

June 2006 and 2005 reflect results prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). The years prior to June 2005 represent Lend Lease's results under previous Generally Accepted Accounting Principles (AGAAP).

The Group's statutory profit after tax at June 2006 was A\$415.2 million, up 84% on June 2005. Operating profit excludes unrealised property investment revaluations (June 2006: A\$99.4 million before tax, A\$99.1 million after tax; June 2005: A\$64.5 million before tax, A\$63.5 million after tax and one-off items (June 2006: A\$0m; June 2005: A\$127.3 million before tax, A\$99.7 million after tax).

Calculated using the weighted average number of shares on issue including Treasury shares.

Dividends include interim and final dividends.

Operational highlights

- > **Retail and Communities:** increased profit after tax by 78% and successfully completed a number of major projects; strengthened positions in core markets; significantly grew the retail development pipeline; and entered the US Communities market.
- > **Investment Management:** achieved above target returns on key funds; grew funds under management by 20%; broadened the product range; and pursued Group synergies through initiatives such as the successful launch of the Lend Lease Core Plus Fund.
- > **Project Management, Construction and PFI:** created a strong pipeline of regional opportunities in the commercial/office, retail, healthcare and multi-family sectors; made major inroads into emerging markets such as senior living; and maintained a near record level of Backlog GPM at A\$685 million (excluding projects in preferred bidder status).

Financial highlights

- > **Strong operating performance:** Group operating profit after tax of A\$354.2 million, an increase of 24% on 2005. Statutory profit, which includes property asset revaluations and one-off items, increased by 84% to A\$415.2 million after tax.
- > **Sound shareholder returns:** earnings per share of 88.7 cents based on operating profit (up 24%); 2006 total dividend of 61 cents per share fully franked (up 7%); and return on equity of 14.7% based on statutory profit excluding one-off items (up from 11.9% at 30 June 2005).
- > **Robust balance sheet:** A\$660 million operating cash flow, 7.8 times interest cover and gross debt at just 14.4% of total tangible assets.

Chairman's Report



“...your Directors are optimistic about the Company's outlook”

Lend Lease is a very different company today compared to the one I joined in 2001. With three business streams focused on sectors and operating in regions where the Group has the requisite skills, resources and competitive advantage, it is well placed for future growth.

The past year has seen a very pleasing 84% growth in statutory profit after tax to A\$415.2 million and a 24% increase in after tax operating profit to A\$354.2 million.

This operating profit enabled the payment of a final fully franked dividend of 31 cents per share, bringing the total fully franked dividend for the year to 61 cents per share.

At 69% of operating profit, the total dividend for the year to June 2006 falls comfortably within the Board's policy of paying 60 - 80% of after tax operating earnings to shareholders. As a significant proportion of Group earnings are sourced outside Australia and therefore do not generate dividend franking credits, we anticipate that dividends for the 2007 financial year will only be franked to between 30 - 50%.

The Company's growth strategy relies on having capacity to be able to take advantage of strategic market opportunities as they arise. With gross debt at a low 14.4% of total tangible assets, there is clearly scope for future investment and growth.

Corporate governance

The Board continually examines the Group's governance practices in pursuit of the highest standards. Directors reviewed a number of policies during the year to ensure they aligned with corporate governance best practice, including those for Securities Trading and External Communications and Continuous Disclosure. In line with good practice, these policies are available on the Lend Lease website (http://www.lendlease.com/llweb/llc/main.nsf/all/all_corpgov).

The Personnel and Organisation Committee of the Board is currently reviewing the Long Term Incentive (LTI) performance metrics with a view to introducing a combination of internal and external measures that will be used to benchmark senior executive performance in the future.

This review is considered necessary, as the past three years have seen the performance of the Company stabilised; a revised strategy articulated and implemented; and operating performance considerably improved. Yet despite an increase of approximately 90% in Total Shareholder Return between 30 June 2003 and 2006, the 2003 LTI awards did not vest.

After careful consideration of the performance over this period, the Board determined that a bonus should be paid to senior executives recognising their achievement (refer to Remuneration Report commencing on page 54 for further details). Such recognition will aid in the retention of executives which, in an increasingly competitive environment to retain talented management, is in the best interests of shareholders.

New Board Members

The Board regularly reviews the composition of its membership to ensure it has an appropriate mix of expertise and experience to match the multifaceted nature of the Group's operations.

Phillip Colebatch joined the Board in December 2005. He brings experience from a successful career spanning CFO and CEO roles with the renowned global banking and investment advisory firm, Credit Suisse.

Julie Hill, who joined the Board in May 2006, has extensive experience in the American property, development, construction and housing industries, and her insights will be invaluable to our plans in that region.

Julie and Phillip replace two Directors who left the Board this year. We farewelled our long time Director Richard Longes, who retired at the 2005 AGM after nearly 20 years on the Lend Lease Board. His experience and business acumen will be missed and I thank him for his significant contribution to the development of the Company. Adrian Chamberlain stepped down as Executive Director in September 2005 after resigning from his position as head of the Group's European operations.

Outlook

With a clear strategic direction, robust balance sheet and strong management team, Lend Lease is well positioned to continue generating growing earnings and dividends for shareholders. This Annual Report clearly shows that each of the Group's businesses is well placed to pursue new growth opportunities, and accordingly your Directors are optimistic about the Company's outlook.



David Crawford
Chairman

Chief Executive Officer's Report

Focused property model

We have been working hard over the last two years to build a new business model and growth strategy for Lend Lease. The basic building blocks, a portfolio of three core property businesses in which Lend Lease has deep experience and leading market positions, have been put in place. The three businesses are diversified across three key geographies, also by sector and by their risk-reward profile.

Global diversity

The diversification of the Group's operations is a key to achieving greater reliability of our future earnings. The objective of Lend Lease management is to deliver a track record of growing earnings and over time see this reliable performance increasingly reflected in our share price.

We are now well down the track on that journey, with earnings per share growing steadily over the last four years as we have refocused Lend Lease and built the new operating model.

The year to June 2006 was a step change.

The benefit of the diversified earnings base was clearly evident, but we also began to demonstrate the potential for generating substantial and repeatable synergies between the operating businesses.

Shareholders can expect to see Lend Lease regularly sell down maturing assets, wherever appropriate, to Lend Lease managed funds. We will take profits from these sales and reinvest the capital released to grow economic value generated by the Company.

We will actively manage capital invested to take advantage of opportunities and changing markets.

In Australia, the Investment Management business created two new wholesale property funds with a combined investment value of around half a billion dollars. Each of those funds sourced initial assets from the Retail and Communities business and there is plenty of scope for these types of funds to acquire assets created by the Group in the future.

Over coming years we expect these synergies to grow, not just in Australia, but through the creation of new funds in the UK and Singapore, giving investors the opportunity to access the Group's development pipeline in those regions.

Retail and Communities is, by design, the growth engine of the Group. It provides product and opportunities for the other two businesses. The Investment Management business is a key driver of recurring income in the form of funds management fees and investment income. This is important in maintaining an investment grade credit rating, which provides cost effective capital and maximum flexibility in funding our operations. The Project Management, Construction and PFI business provides a high return on invested capital and generates cash for recycling into growth opportunities elsewhere in the business.

It's a good mix, as the operating and statutory profit results for 2006 showed.



"The year to June 2006 was a step change"

The 2006 year's earnings were well distributed across the businesses and regions, reinforcing the benefits of diversification.

In my view, the strength of a business model and strategy is its capacity to be able to deliver on targets, not just when everything goes well, but even when you encounter some unexpected knocks along the way. The 2006 results were achieved despite the provision we had to make during the first half of the year on construction projects in the UK.

People

Worldwide, Lend Lease draws on the skills and experience of more than 9,800 employees and thousands more subcontractors, consultants and suppliers. Each is a local specialist in their chosen sector. Their expertise is essential to the success of our diversified business model, enabling us to bring the best combination of knowledge and capabilities to each project and to keep abreast of market opportunities.

I'd like to thank every member of the Lend Lease community for their contribution to our strong results in 2006. Our people all worked hard during the year. It has been said before, but it bears saying again – people are our most important asset, and I aim to continue a long tradition at Lend Lease of investing in staff at all levels to ensure we continue attracting the best.

Safety

The continued growth of our organisation and profitability cannot be at the expense of people's safety – be they employees, subcontractors, customers or any member of the community with whom we interact.

I am not satisfied with our safety performance this year; seven people died on our projects. Falls accounted for six of these deaths and for the majority of serious injuries recorded this year, so we have introduced a Falls Mandate. Our aim is to create a work environment where people are not exposed to the risk of falling or being struck by falling materials.

There is still much to do to achieve our goal of operating Incident & Injury Free. Fortunately, we already have many role models within Lend Lease who are demonstrating that this goal is achievable. For example, our BP Global Alliance team worked 1 million hours without incident in the Americas this year. The inaugural Incident & Injury Free Awards in November 2006 will recognise some of the individuals who have made a real difference. I urge all Lend Lease employees to follow their example and make our vision a reality.

The Lend Lease Executive Management Team

Left to Right: Paul Laidley, Steve McCain, Roger Barrows, Greg Clarke, Ross Taylor, Julian Davies and Rob Johnston.



Outlook

Each of our businesses has finished the year with a strong market position and good visibility of future opportunities.

Around the world legislative, social and demographic trends are creating growth in our chosen sectors and regions. In the UK, for example, the Government's overhaul of ageing social infrastructure, such as hospitals and secondary schools, is a prime example. UK Government policy is also driving the renewal of town centres such as Chelmsford. Legislative change is driving the introduction of real estate investment trusts (REITs) in the UK and Asia. In the US, the Federal Government's privatisation of military personnel accommodation is creating major opportunities for Actus Lend Lease, which currently has more than a 25% share of that multi-billion dollar market. In Australia, the huge flow of funds driven by compulsory superannuation contributions means there is ongoing appetite for the high quality property assets that the Group is creating.

Lend Lease is in great shape with a focused and geographically diversified property business model. The economic outlook in each of our core markets remains positive. In this environment the Group is well positioned to deliver sustainable growth for our shareholders.

Greg Clarke
Chief Executive Officer and Managing Director

Chief Financial Officer's Report

The Group performed well against key financial indicators during the 2006 financial year.

Operating earnings per share, up 24% to 88.7 cents per share, continued the positive trend of recent years in line with management's objective. The Group achieved an increased Return on Equity of 14.2%, also well up on previous years. Interest cover, the number of times EBITDA (earnings before interest, tax, depreciation and amortisation) plus interest revenue exceeds interest costs, was 7.6 times, comfortably above management's target minimum of 6 times. Finally, the Group's gross debt finished the year at just 14.4% of total tangible assets, giving Lend Lease substantial capacity to invest in future opportunities to further grow shareholder value.

A key feature of all listed companies' accounts this year is the conversion to the new international accounting standards known as AIFRS (Australian Equivalents to International Financial Reporting Standards). These were introduced to bring greater consistency of financial reporting by listed companies around the world. The results for Lend Lease for the year to June 2005 have been restated under AIFRS to provide like-for-like numbers, allowing meaningful comparisons for year-on-year performance.

At the bottom line, the statutory profit of A\$415.2 million for the year included unrealised property revaluation gains of A\$61.0 million after tax. This is an 84% increase over the June 2005 result of A\$225.5 million after tax. The 2005 result included unrealised property revaluation gains of A\$39.5 million after tax, but also a number of one-off charges relating to restructuring costs and the internalisation of the management of General Property Trust.

It is worth noting that the total unrealised gains on the value of the Group's property portfolio for the year were A\$286 million, much higher than the A\$99.4 million (A\$61.0 million after tax) recognised in the statutory profit. Under AIFRS, the balance of the revaluation gains will only be recognised in the Profit and Loss statements when they are realised on sale of the assets.

Given the complexities surrounding the recognition of unrealised gains in the Profit and Loss statements under AIFRS, we split out those unrealised gains to arrive at our operating profit. This gives a clear indication of the Group's underlying operating performance during the year. At A\$354.2 million after tax, operating profit was up 24% over the 2005 result on a like-for-like basis.



“...earnings per share... continued the positive trend of recent years in line with management’s objective”

Disciplined capital management

The Group has done a lot of work over the last couple of years to build a reliable business model and operating strategy. At the same time, we have focused on the way we make investment decisions and manage capital to continue to improve shareholder returns.

During the year, the Board adopted a set of five inter-related financial parameters (see table below) within which the Group makes decisions on where to invest its capital. The objective is to deliver strong total shareholder returns and to maintain an investment grade credit rating. Because the financial parameters affect each other, we focus on a balanced outcome, rather than rank one criterion as more important than the others.

Financial Parameters	Target	FY 2006
Earnings per share growth	Circa 10%+ p.a. average over 5 years	24%
Dividend payout ratio	60 – 80%	69%
Proportion of recurring/annuity style earnings	15 – 20%	26%
Debt ratios:		
Gross Debt as a percentage of total tangible assets	30 – 40%	14.4%
Interest cover	6 times+	7.8 times
Return on Equity on statutory profit excluding one-off items	15%+	14.7%

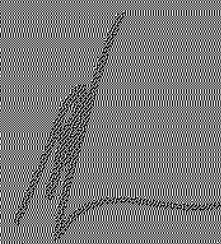
In addition to this disciplined approach to investing capital, as Lend Lease builds its Retail and Communities development pipelines, you will see the Company regularly recycle capital. The Group will sell down interests in maturing assets, wherever possible to funds managed by the Group, so that we maximise overall earnings from those assets. We will take some profits from the asset sales, but we will also reinvest in new development and investment opportunities to grow the Company’s invested capital base to underpin future earnings growth.

Strong financial position

It is a core part of our strategy that we maintain an investment grade credit rating, and our ratings remained stable during 2006 at BBB- (Standard & Poor’s) and Baa3 (Moody’s). Management’s ambition is to improve these ratings over time.

We have also taken a prudent approach to managing the Group’s exposure to fluctuations in interest rates. Just over half of the Company’s debt is at fixed rates and this has a range of maturity dates out as far as 2017.

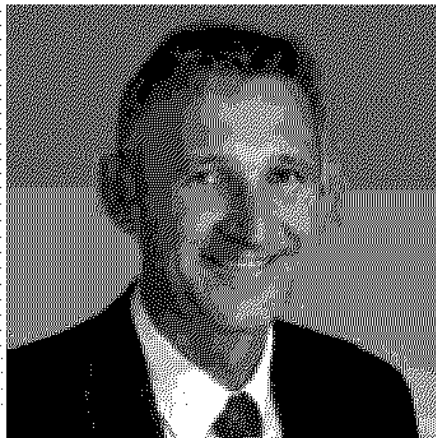
Overall, the Group is in a strong financial position, with a prudent mix of funding sources, strong operating cash flows and a disciplined framework for investing capital to deliver growing returns for shareholders.


Roger Burrows
 Chief Financial Officer

Overview of businesses

Retail and Communities

Ross Taylor
Chief Executive Officer,
Retail and Communities



Develops and operates premier retail centres in Australia, Singapore and the UK. Also develops greenfield and urban renewal communities in Australia and the UK, and recently entered the US residential communities market. Also enjoys a major share of the specialist US military housing privatisation market.

Investment Management

Steve McCann
Chief Executive Officer,
Investment Management



Manages and co-invests in property funds across Asia Pacific, the UK and Europe. Also invests directly in selected retail property assets.

Project Management, Construction and PFI

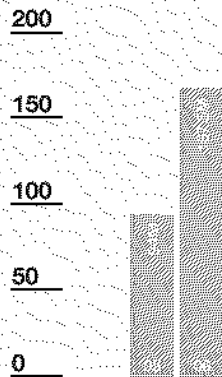
Bob Johnston
Chief Executive Officer,
Project Management,
Construction and PFI



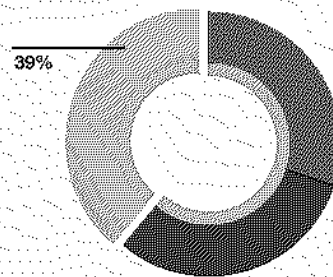
Offers world class expertise in project and construction management; design-build; and public-private partnerships. Has a presence in more than 40 countries and is committed to operating Incident & Injury Free.

Lend Lease is a leading international retail and residential property group integrated with strong investment management, project management and construction businesses.

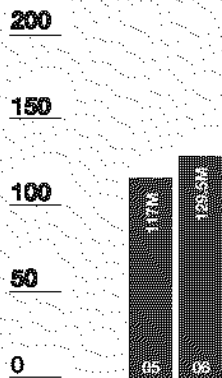
Profit after tax (A\$)



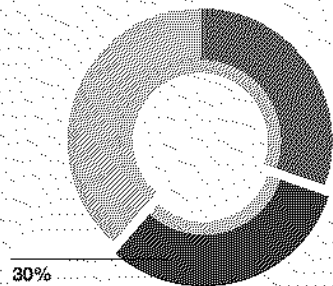
Contribution to profit



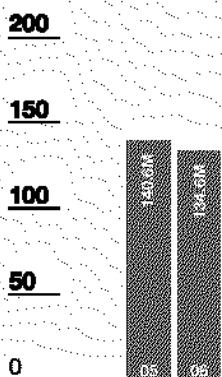
Profit after tax (A\$)



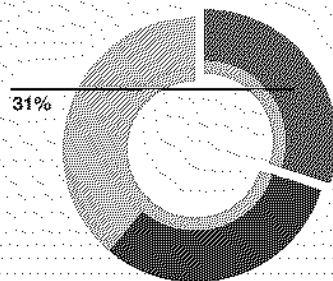
Contribution to profit



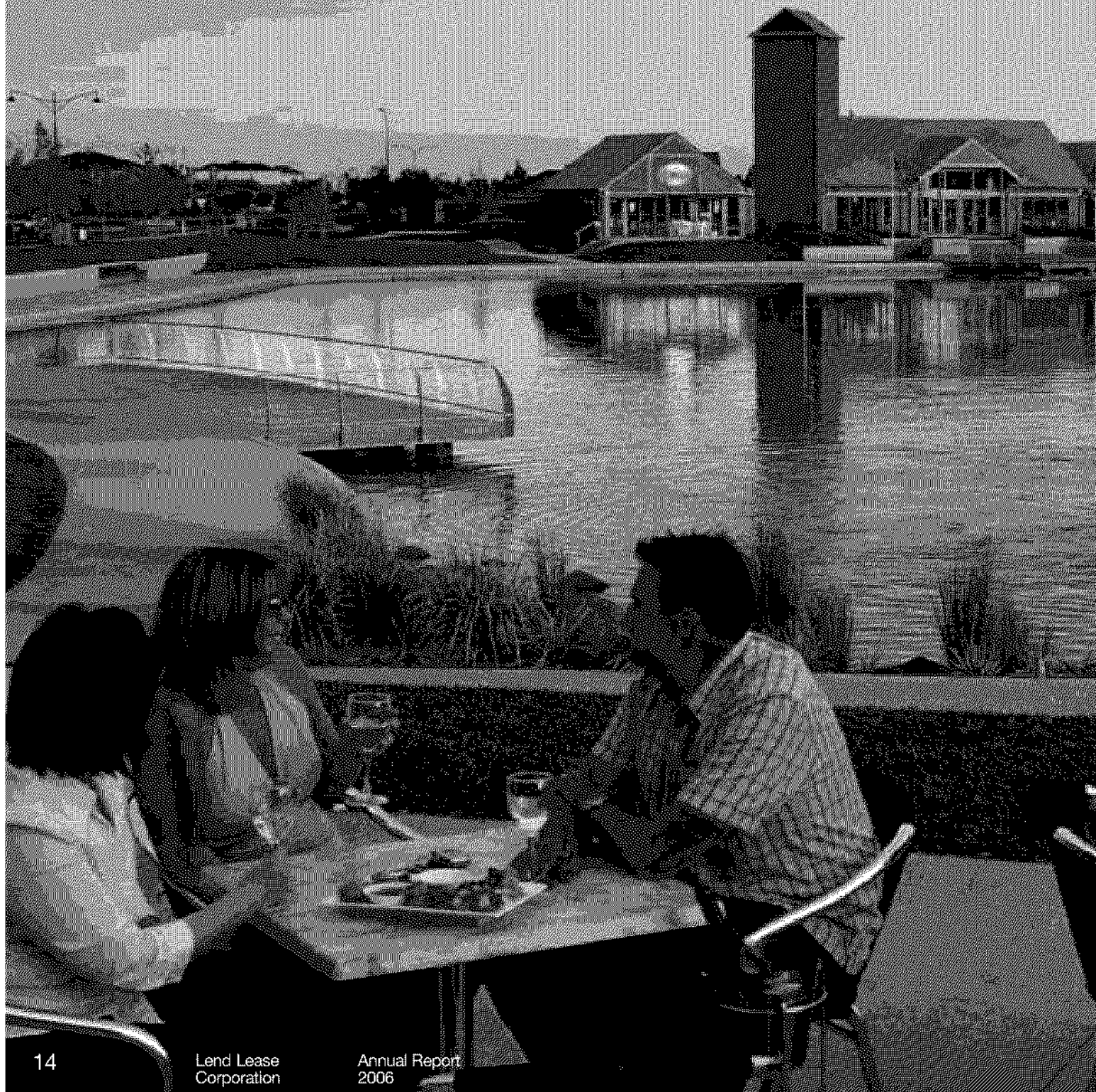
Profit after tax (A\$)



Contribution to profit



Retail and Communities



Snapshots



**Army Family Housing
Hawaii, United States**

Army Hawaii Family Housing, a 50-year US Army-Actus Lend Lease partnership, has unveiled the first of more than 5,300 new army homes on Oahu that will be part of the world's largest solar-powered community.



**Clarence Dock
Leeds, United Kingdom**

This £250 million residential, commercial and community development is transforming a derelict industrial area into a vibrant urban waterfront destination housing 1,500 residents, employing 2,000 people and attracting 1.5 million visitors per year.



**Caroline Springs
Melbourne, Australia**

Caroline Springs was named Australia's Best Master Planned Community at the 2006 Urban Development Institute of Australia Awards.

Results

Operating profit was A\$30.9 million after tax, up A\$24.8 million on 2005. This followed the on-target completion and profitable sale of Chapelfield – the integrated retail and residential development in Norwich, UK – which generated an A\$33.3 million profit after tax, slightly offset by continued investment in extra resources to service the Group's estimated A\$4.2 billion retail development pipeline.

Along with the completion of Chapelfield, the retail development team also successfully completed the 30,000 square metre redevelopment of Macarthur Square, located south-west of Sydney, Australia.

During the year, the Group increased the value of its retail investment interests by 26% to A\$3.0 billion. Just under half of this growth was due to increased market valuations of existing assets (A\$277 million). This increase was driven by two factors; improving trading performance of the portfolio and higher underlying valuations because of strong investor demand for high quality retail assets. The balance of the increase reflects A\$302 million invested to help secure new development pipeline opportunities which will generate future profits.

Retail space under management, or Gross Lettable Area (GLA), grew by 6% to 763,100 square metres across 12 retail centres in the UK and Asia Pacific.

Year in brief

The completion of Chapelfield in September 2005 reinforced the Group's reputation in the UK market as a premier retail property company. It is an outstanding example of the Company's ability to convert a run down inner city site into a sustainable development that achieves environmental best practice, boosts the local economy and meets the needs of a growing community. The development's success has opened new doors for the Group with institutional owners of retail assets seeking specialist development, asset management and ownership partners who can help them reposition and maximise the long term value of their assets.

The proceeds from the completion of Chapelfield were reinvested in support of the Group's objective of building a retail development pipeline that can generate one to two completed and at least partially sold down retail projects per year in the future.

In Asia Pacific, Lend Lease Retail signed a conditional contract for a 25% share of the A\$115 million Paradiz Centre in Singapore's main central business district shopping precinct.

In the UK, A\$89.8 million was invested in a 33.3% interest in a limited partnership which owns The Arndale Centre in Eastbourne and the Cameron Toll centre in Edinburgh. Lend Lease also secured 75% ownership and management rights for The Meadows centre in Chelmsford, Essex with an initial investment of A\$142.8 million.

The Meadows is an excellent example of the total retail strategy in action. It is a 14,000 square metre centre occupying a strategic location on Chelmsford's high street, just 40 minutes

by train from central London. However, its poor current retail offering means it is losing significant retail sales to other regional centres. The site has potential to be substantially enlarged by joining with other landowners to develop a circa 60,000 square metre retail centre and around 450 residential apartments.

Lend Lease Retail is working in partnership with Chelmsford Borough Council and stakeholders on the planning of a sustainable mixed-use scheme that will revitalise the town centre and create openings for new housing and regeneration of the area. This provides an opportunity for the Group to use its integrated property skills to undertake a major urban renewal project that will deliver a range of income streams.

At Warrington in England's north-west, the 34,800 square metre extension to the Golden Square centre remains on track for completion in 2007. Lend Lease Retail is also the development manager at Park Place in Croydon, UK, where the initial development activities including land assembly are well progressed. Bovis Lend Lease is expected to begin construction on approximately 83,000 square metres of new retail space in 2008.

Bluewater in Kent continues to be one of the leading retail centres in the UK. Lend Lease was appointed to develop an extension to the retail precinct – an exhibition and events venue – with construction expected to get underway in 2007. Once complete, the venue will host a variety of events and shows connected to retail offerings at Bluewater.

Our strategy: To deliver recurring, multiple earnings streams for the Group, such as development, project management and fund management fees through part ownership of retail centres where there is a strong opportunity to add value through either redevelopment and/or better management.

In Australia, the Macarthur Square redevelopment was successfully completed on programme and is now trading above forecast expectations. Macarthur Square is a leader in the NSW Government's water management programme for business. Centre management is targeting a range of measures to reduce water consumption in the centre by as much as 43%.

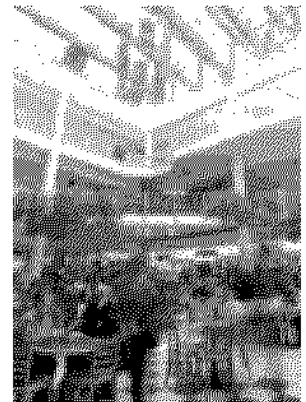
Following year end the Group secured the last remaining prime retail development site on Singapore's Orchard Road, Somerset Central. The site is being acquired for approximately A\$514 million and substantially strengthens the Group's position in Singapore's dynamic retail market. It is anticipated that this project will be the basis for the establishment of new retail property investment funds in Singapore.

Outlook

The Retail business is very well positioned for growth. It now has an A\$4.2 billion development pipeline and a high quality portfolio of assets under management for Lend Lease, the wholesale property funds managed by the Group and other co-owners.

Conditions in each of the markets in which the business operates remain generally positive. The portfolio of assets and development opportunities provides scope for increased earnings through either higher operating income from well located, well managed centres or through redevelopment.

The Group will seek to recycle capital from mature assets to new opportunities, generating profits and reinvesting in the pipeline for future earnings.



A\$4.2B

Estimated size of development pipeline

763,100sqm

Gross Lettable Area under management



Results

Lend Lease Communities enjoyed a strong performance in 2006 with an operating profit of A\$136.6 million after tax, an increase of 55% on last year. This was driven by a solid result in Australia and an A\$27.8 million contribution from Crosby, the UK urban renewal specialist acquired in July 2005.

Actus Lend Lease, the US privatised military housing specialist, performed in line with expectations and is well placed to enter its next phase of growth with 27,700 homes under management and a further 6,500 homes at preferred bidder stage. Since it was established in 1999, Actus Lend Lease has been awarded US\$4.4 billion of projects, representing over 25% of the US privatised military housing market.

The year end acquisition of the Horizon City Center land parcel in Denver was a significant strategic step, taking Lend Lease into the non-military housing communities sector in the US.

Year in brief

Lend Lease Communities had a very busy year in each of its core markets, with 68 active projects and maintaining a backlog of more than 93,000 units in Australia and the UK.

The year was characterised by a good performance in Australia despite tough residential market conditions, while taking a number of significant steps in building on its growth ambitions in the UK and the US.

The profit increase in Australia was driven by good geographic diversification, product mix and a strong contribution from non residential asset sales. Non residential sales are expected to continue to contribute 25 – 35% of revenue in future years.

During the year, trading commenced at Ropes Crossing in Sydney and Forde in Canberra. New projects were secured at Laurimar in Melbourne and Wilton Parkland in Sydney, with trading expected to commence in 2007.

In June, the Lend Lease Core Plus Fund acquired interests in two retirement villages from the Group's Retirement by Design business. Subsequent to 30 June 2006, the Lend Lease Communities Fund 1 acquired interests in three Delfin Lend Lease projects. Both of these transactions were driven by strong investor appetite for the high quality assets created by Lend Lease Communities. They demonstrate the Group's ability to generate real synergies between operating businesses. It is expected that these types of transactions will be an ongoing part of operations in the future, as more projects emerge from the development pipeline.

The UK Communities operation completed the year in a good position, with a total year end backlog of 13,980 units. This included units from the housing component of London's single largest regeneration project at Greenwich Peninsula, Crosby, and First Base, the affordable housing specialist. The strong growth potential for First Base's specialty high density mixed tenure housing in London led Lend Lease to increase its equity stake in the company to 45% during 2006.

In its first full year as part of Lend Lease, the UK urban regeneration specialist Crosby Group, delivered to expectations. Nearly 1,200 units were settled, delivering a healthy gross profit margin of more than 20%. Crosby ended the year with a backlog of 3,830 units, equivalent to approximately three years of sales. Crosby is now actively growing its pipeline and has identified a number of opportunities that are expected to be realised in the next 12 months.

In the US, Actus Lend Lease continued to win new projects. It reached financial close on US\$350 million of projects and became the preferred bidder on a further US\$975 million of projects. Military housing units under management increased by 14% during the year to 27,700.

On Oahu, Hawaii, Actus Lend Lease completed the first of more than 5,300 homes for the new Kalakaua Community at Schofield Barracks. This is the largest government privatisation project to date in the US. On completion it will boast the world's largest solar powered community, providing approximately 30% of the community's electricity – demonstrating the Group's commitment to achieving sustainable development outcomes in the communities it creates.

The acquisition of the 203 hectare Horizon City Center site in Denver's metropolitan growth corridor was the next step in creating a fully fledged communities operation in the US.

Our strategy: To secure long term earnings for the Group through the provision of master planned residential and mixed-use solutions to meet the demands for urban growth and renewal in the Australian, UK and US markets.

Horizon City is close to the central business district and 15 minutes from Denver International Airport. The business plans to develop a mixed-use community comprising 2,950 residential units and over 410,000 square metres of retail/commercial space on the site.

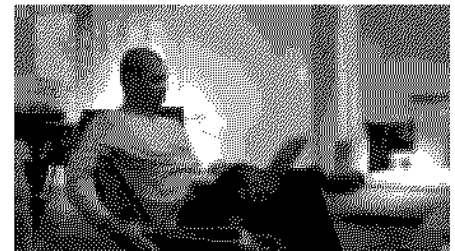
Outlook

The Communities business is well placed for further growth in each of its markets.

The total operation will grow as a number of projects move into start up sales. It will also continue to generate earnings from the sale of non residential components of its mixed use, master planned communities. Wherever appropriate, such asset sales will be to Lend Lease managed funds.

In the UK, government commitment to urban regeneration presents a major opportunity for Lend Lease to leverage Crosby's local brand strength and the Group's market leading position. Lend Lease is currently working with the local council at Stockport on a major urban development concept. Crosby will seek to expand into London and southern England over the next three years in conjunction with various Lend Lease projects. First Base will continue to expand within the UK's growing affordable housing market.

With its very strong market position, Actus Lend Lease is set to deliver substantial earnings growth in 2007.



93,405

Total number of zoned and unzoned backlog units (excludes Actus Lend Lease)

A\$1.5B

Gross sales value of units settled (excludes Actus Lend Lease)

68

Number of projects underway around the world (excludes Actus Lend Lease)

US\$4.4B

Value of Actus Lend Lease projects awarded so far



Snapshots



Overgate
Dundee, United Kingdom

The Lend Lease Overgate Partnership wholly owns the strongly performing Overgate retail centre, which Lend Lease Retail developed and now manages. In February 2006, the Overgate team was successful in securing planning permission from Dundee City Council for a 20,000 square metre extension to this popular retail destination.



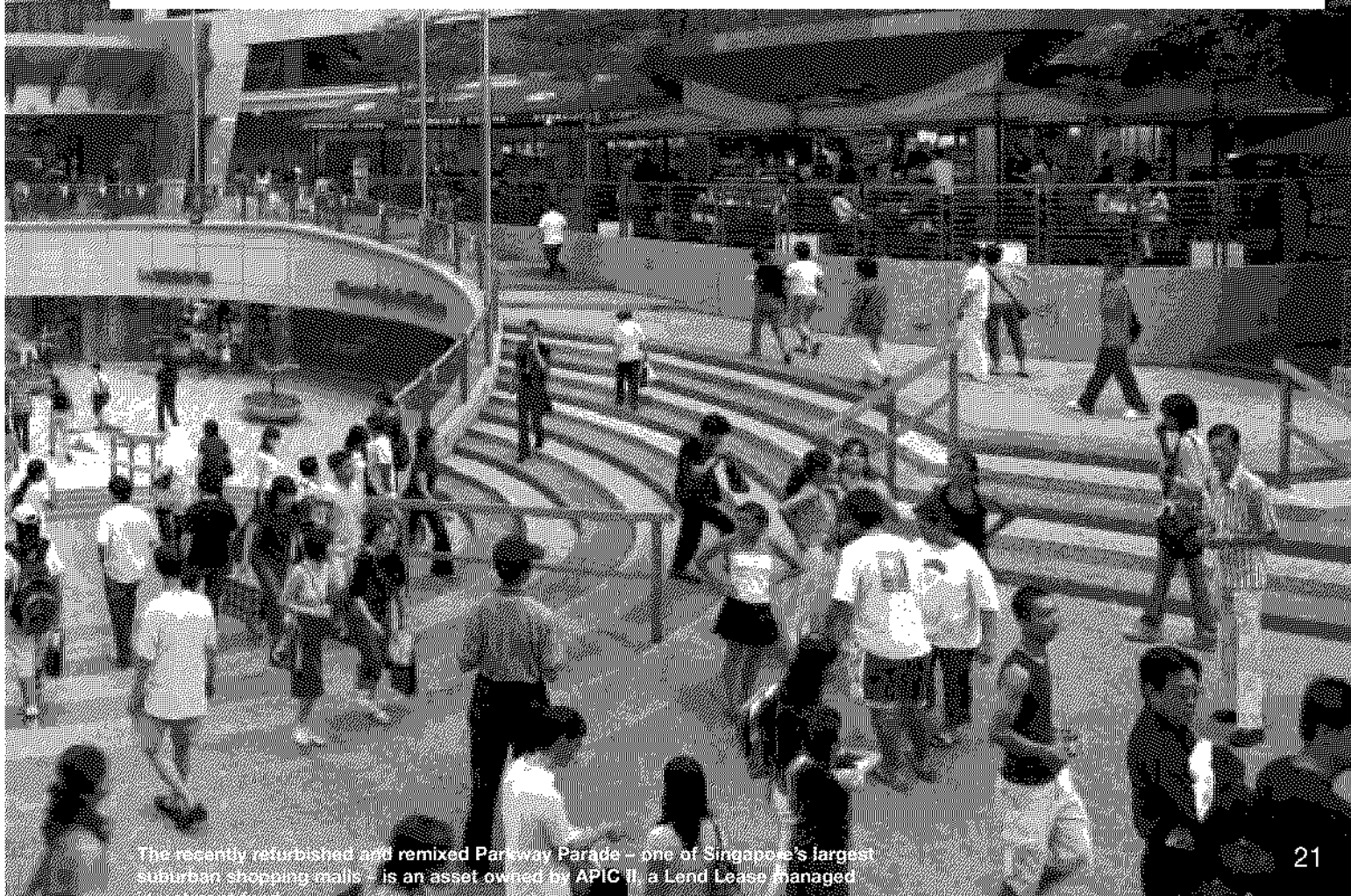
Macarthur Square
Sydney, Australia

In June 2006, construction of the 30,000 square metre expansion of Macarthur Square was completed by Bovis Lend Lease, enhancing the return profile of the asset for the Lend Lease managed APPF Retail Fund.



**Lend Lease Core Plus Fund and
Lend Lease Communities Fund 1**
Australia

Successful equity raising campaigns during 2006 meant these new wholesale property funds were fully subscribed. Both leveraged the Group's strong asset creation skill base and internal pipeline. The Lend Lease Core Plus Fund has made investments in senior living and retail developments, and Lend Lease Communities Fund 1 has invested in three Delfin Lend Lease master planned communities.



The recently refurbished and remixed Parkway Parade – one of Singapore's largest suburban shopping malls – is an asset owned by APIC II, a Lend Lease managed investment fund.

Investment Management Report

Results

Lend Lease Investment Management ended the year with 10 funds and total funds under management of A\$9.7 billion (including joint ventures), an increase of A\$1.6 billion (20%) on 2005. This growth was largely due to APPF's property acquisitions and revaluations in Australia, the launch of the *Lend Lease Core Plus Fund* and the appointment of Lend Lease as manager of the *Chelmsford Meadows Partnership*.

Operating profit was A\$129.5 million after tax (excluding asset revaluations), an 11% increase on 2005. Lend Lease held investments directly and indirectly in property assets with a market value of A\$3.2 billion at 30 June 2006. Revaluations on these property investments contributed an additional A\$61.0 million after tax to the statutory result.

All key funds exceeded their return targets. Australian Prime Property Funds (APPF) continued to perform strongly. Before fees, *APPF Retail* delivered a one-year return to investors of 15.4% (a three-year return of 17.2%). *APPF Commercial* delivered a one-year return of 12.0% (a three-year return of 10.7%) and *APPF Industrial* delivered a one-year return of 12.5% (a three-year return of 12.2%).

In the Real Estate Partners (REP) series, *REP 1* exchanged contracts for the divestment of its seventh and final asset during the year. Upon completion of the transaction, the Fund is forecast to return approximately 18% to investors, in excess of its targeted 15% Internal Rate of Return (IRR). Acquisition activity continued in *REP 2* with the Fund now approximately

50% invested across six assets. The second Asia Pacific Investment Company fund, *APIC II*, continued to perform strongly, returning 18.4% against a 12% target and an annualised three-year return of 19.3% since inception (at April 2006).

The UK based Lend Lease Retail Partnership (*LLRP*) returned 16.5% to June 2006 before fees. The Fund comprises a 25% interest in Bluewater shopping centre in Kent and 100% of Touchwood shopping centre in Solihull. Also in the UK, the Lend Lease Overgate Partnership (*LLOP*) performed well, generating 22.4% in pre-fee returns to 30 June 2006. The Fund owns 100% of Overgate shopping centre in Dundee, Scotland.

Lend Lease maintained a 30% direct interest in Bluewater, which over the year increased in value to A\$1.5 billion. The independent market value of 100% of Bluewater increased by 12% to £2 billion (A\$4.9 billion).

The Group's 50% interest in the King of Prussia shopping mall in Philadelphia, USA increased in value by 24% to A\$445.3 million, due largely to higher rents being achieved on retail lease renewals.

Year in brief

The Lend Lease Investment Management team is committed to achieving above benchmark outcomes on behalf of its third party investor base. The business will explore growth opportunities with a focus on leveraging the internal product creation capability of the broader group.

The continued strength of APPF was a driver of strong growth in funds under management in Asia Pacific, with a number of acquisitions and strong gains from revaluations increasing the Fund's combined funds under management to A\$3.5 billion. In line with an active management approach, the Funds made a number of acquisitions over the year including the acquisition of a 50% interest in 1 O'Connell Street in Sydney, Australia which effectively re-weighted the portfolio to the strongly performing Sydney CBD office market. Subsequent to year end, *APPF Industrial* completed transactions relating to the acquisition of three Woolworths distribution centres, effectively repositioning the Fund and delivering on scale and diversity objectives.

While competition for capital increased, Lend Lease benefited from the Group's strong asset creation skills, product innovation and efficient access to capital. The business received strong equity support from both existing and new investors, with A\$205 million raised for the *Lend Lease Core Plus Fund*.

The Lend Lease Group increased its exposure to core investment assets including an increase in its investment in APPF to A\$392.9 million. The Group also took a 75% interest in the Meadows Shopping Centre in Chelmsford, England. Lend Lease Investment Management leveraged the Group's strong asset creation skills and pipeline through the acquisition of three Lend Lease Communities' assets into the Lend Lease Core Plus Fund's initial portfolio.

Our strategy: To build on our strong funds platform by broadening our product range, extracting maximum performance from existing assets, expanding our investor network and leveraging synergies across the Group.

Investment Management broadened its product offering for institutional investors in Australia, ending 2006 with a suite of wholesale funds across the risk and return spectrum.

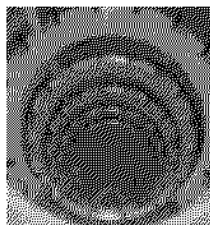
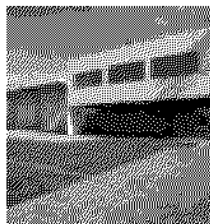
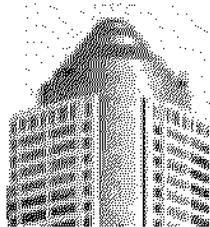
The use of in-house retail development and property management, research, capital transactions, project management and construction skills provides the Investment Management business with a competitive advantage in creating, managing and accessing product. These skills are used to provide investors with a unique platform of quality investment vehicles. This, combined with Lend Lease Investment Management's consultative approach to investors, positions the business well to continue creating value for all stakeholders.

Outlook

Lend Lease Investment Management is well placed to capitalise on the continued strong demand for property investment product from investors in Australia and offshore.

A key priority for the management team is to ensure the continued delivery of strong results for the existing client base. The outlook for the current product platform is supported by a strong pipeline of identified development opportunities.

Lend Lease Investment Management's growth strategy will remain focused on leveraging the wider Group's platform to broaden its product range for both existing and new investors, particularly in its key offshore geographies.



Photograph by Brian Trupp



10

Funds managed globally

17.2%

APPF Retail three-year return to unit holders (pre-fees)

20%

Increase in funds under management since 2005 (including joint ventures)

27M

Visitors to Bluewater every year

Project Management, Construction and PFI



Snapshots



**Oncology Wing, St James's
University Hospital
Leeds, United Kingdom**

This £220 million national centre of oncology excellence is designed for patient comfort, with minimal distance between wards and treatment rooms. The seventh PFI hospital project for Bovis Lend Lease, it will open in 2008.

Photograph by Victor De Jesus/UNP



**500 Atlantic Avenue
Boston, United States**

This US\$200 million mixed-use development – one of nine high profile projects under construction for Extell Development Company – houses luxury condominiums, a hotel and public facilities.



**Outstanding safety results
for Multi-Sites, Americas**

In the 18 months to June 2006, the Lend Lease Multi-Sites team recorded no lost time incidents in the Americas.



The 51-storey 111 South Wacker office tower in Chicago has achieved Gold Level certification under the LEED-CS green building rating system.

Project Management, Construction and PFI Report

Results

Operating profit after tax for the year was A\$134.6 million, a decrease of A\$6.0 million (4%) on 2005.

Strong performances in the Americas and Asia Pacific as well as the UK PFI operation were offset by a lower profit in the UK construction operation, primarily due to provisions on projects in the first half of the year. Just over half the Gross Profit Margin (GPM) was generated by Fee Services projects, while the remainder was generated by Construction Services projects.

The business continued to have market leading positions in its target sectors of commercial/office, retail, healthcare and residential/multi-family. Collectively, these sectors accounted for 62% of profit. Strong earnings were also derived from activities in the communications, education and government/civic sectors.

The year concluded with a near record Backlog GPM including Facilities & Estates Management of A\$685 million (excluding projects in Preferred Bidder status).

Year in brief

The business continued to focus on geographies where it has a strong brand and a solid platform.

Successful retail and commercial projects in *Australia* and communications and industrial projects in *Asia* underpinned a solid regional performance. Bovis Lend Lease secured an increasing workload in Queensland and the ACT, and signed a contract for the A\$330 million mixed-use development at Rouse Hill Town Centre in Sydney. Across Asia,

it was awarded two large pharmaceutical projects in Singapore, won additional construction management work in Taiwan with repeat client Corning Display Technologies and continued its communications work in Japan.

The *Americas* operations performed strongly in 2006. High volumes of work were seen in regional markets, notably in New York, Miami, Washington and Chicago. It also opened new offices in Las Vegas and Tampa to take advantage of demographic growth trends. At the same time, Bovis Lend Lease consolidated its market leading position in the multi-family residential sector with important wins such as two new projects at Riverside South on the Westside of Manhattan in New York. The Americas remained well positioned in the education and healthcare sectors, winning significant work across the USA from new and existing clients. Bovis Lend Lease continues to pursue sports stadia opportunities with its alliance partner Hunt, having secured the pre-construction contract for the US\$550 million New York Mets baseball stadium.

In the *UK*, the construction operation is focused on its key sectors of commercial/office, retail and defence. Bovis Lend Lease retained its commanding position in the London commercial market, winning significant projects such as the £200 million 201 Bishopsgate development. In addition, the award of the £280 million St David's shopping centre in Cardiff reinforced its reputation as one of Britain's top retail construction companies. In *mainland Europe* and the *Middle East*, the operation

has a growing regional presence in the Gulf States where it has won projects worth more than US\$7.2 billion. As a result, it recently opened a new office in Oman.

The PFI operation now has 12 operational projects worth £670.3 million and has continued to build on a successful track record in healthcare while making inroads into the education and waste sectors. With five hospitals now operational including Roehampton and Burnley and three more under construction – providing a total of 4,152 beds – the operation has an 18% market share of the UK's PFI healthcare market. Financial close on both the £163 million Sheffield Student Accommodation PFI and the £138.6 million Majadahonda PFI hospital in Madrid was achieved during the year. At 30 June 2006, a further three projects had reached preferred bidder status, including the £200 million Lancashire Waste project. The creation of a 50/50 joint venture with the Bank of Scotland in May 2006 also provided financial flexibility to respond to future PFI opportunities.

Fostering long term client relationships is very important, with two-thirds of work coming from repeat clients across all regions. The BP Global Alliance continued to deliver strong returns in the rapidly changing retail fuels business, particularly in Europe where there was a record level of spend.

Partnering with other Lend Lease businesses is another important element of the Bovis Lend Lease value proposition. It is working with other parts of the Group on projects such as

Our strategy: To underpin the Group's reputation for quality property asset delivery by being a leader in our chosen markets; leveraging our skills, global reach and client relationships; and operating Incident & Injury Free wherever we have a presence.

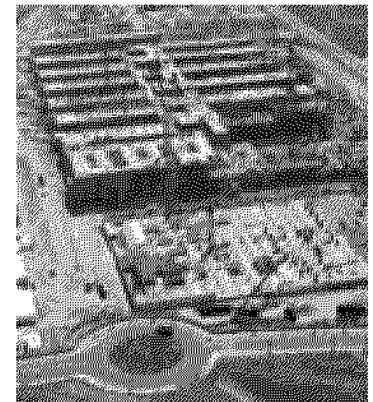
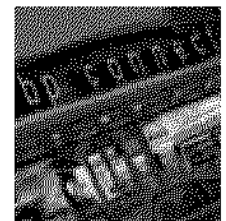
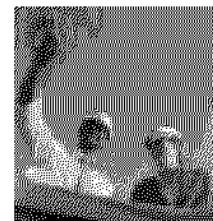
the creation of affordable homes at London's Adelaide Wharf, the development of the Golden Square retail centre at Warrington in the UK, and new commercial projects in Melbourne, Australia.

Outlook

Positive economic conditions in the business's three key geographies indicate good prospects for growth. The US economy is forecast for moderate to slow growth, although construction markets remain strong. While inflation and growth are stable in the UK, the 2012 Olympic Games will fuel medium term construction growth. In Australia, analysts predict the economy will grow more than 3% in 2007.

Good performances are expected from the office/commercial, retail, residential and healthcare sectors, with the business capitalising on its market leadership positions and key client relationships. Other sectors with potential are the multi-family market on the US west coast; UK PFI, after the government's reaffirmed commitment to private sector partnering and PFI workflow; and future landmark projects in various sectors in the Gulf States.

The business is committed to achieving an Incident & Injury Free workplace and creating a robust sustainability platform. Underpinning these activities is a continued focus on operational discipline and risk management, while pursuing quality opportunities in target sectors to position the business for long term growth.



A\$685M

Backlog GPM
(excluding projects
in Preferred Bidder
status)

£2.8B

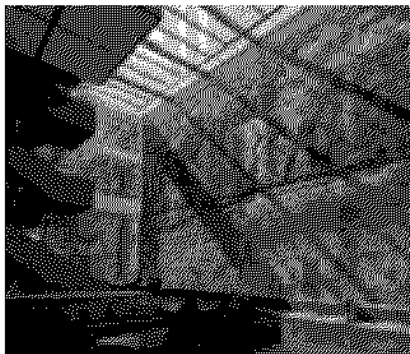
Construction value
of European PFI
projects (operational
and Preferred Bidder)

Photograph by
Victor De Jesus/UNP

Sustainability

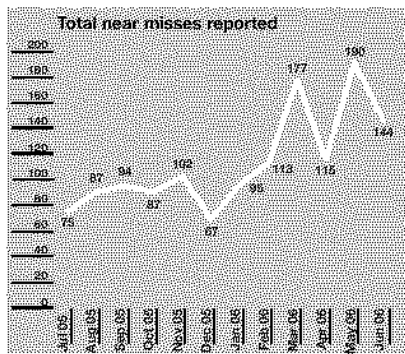


Snapshots



Starting at home Reducing environmental impact

Our global headquarters in Sydney – the Bond – was the first building in Australia to achieve an internationally recognised 5 Star Green Star rating.



Increased awareness – better reporting Incident & Injury Free (IIF)

The past year has seen increased awareness and honesty among employees in reporting potential incidents or 'Near Misses'. This awareness, coupled with the expanded functionality and use of WebCare, our Internet platform for collecting and analysing important safety and incident data, provides the tools for preventing tomorrow's incident today.



Employee learning and development Springboard

In 2006, the 1,000th employee participated in our global personal development programme, Springboard. Currently in its eighth year, this residential event is run by the Lend Lease Foundation and is open to any employee with more than two years' service. Springboard encourages participants to discover their personal or professional potential through interactive experiential learning.

Overview

Lend Lease made a commitment to sustainability disclosure in its 2005 Sustainability Report, established its Global Sustainability Group and appointed a Global Head of Sustainability this year.

Each business in the Group is working to identify and understand its social and environmental impacts and to respond to them through the development and implementation of business planning frameworks.

The greatest single challenge unifying all Lend Lease employees is the elimination of fatalities, incidents and injuries wherever Lend Lease has a presence. This challenge leads the organisation's work on adoption of a consistent, integrated and measured commitment to sustainability embedded across all businesses in all regions of activity.

There is no one definition of sustainability applied to or across industries. We have worked to build a common understanding among all stakeholders of sustainability at Lend Lease and have defined it through the development of a group of statements that articulate the organisation's sustainability activity.

Lend Lease believes that a sustainable organisation is strategically and culturally committed to achieving economic development, social development and environmental protection. The transition to being a sustainable organisation requires a commitment to: robust governance; empowered management; operational excellence; people development and enlightened corporate culture; best practice management through transparent stakeholder engagement; best practice design and innovation; clear communications; and collaborative partnerships.

Defining our impacts and refining our responses

Sustainability executives have been nominated across the Lend Lease Group to facilitate the integration of environmental, social and economic goals in the activities of all employees in more than 40 countries worldwide.

These goals form the basis of the Sustainability Business Plans for each business in the Group. The plans, to be implemented from early 2007, respond to environmental protection imperatives and social and economic development opportunities. They will ensure that Lend Lease is on track in reporting non financial performance.

The Group is working to establish a UN Global Reporting Initiative (GRI) Working Group to develop and agree global property sector metrics for sustainability reporting. GRI is an official collaborating centre of the United Nations Environment Programme. The GRI is the emerging international standard for sustainability reporting. These metrics inform our own sustainability measurement and assessment – of every project, in every business, across every region – that will achieve consistency across all activities globally.

We have made a good start on collecting global data regarding people and safety. By 2008 we will also have data from around the world on our direct energy use and greenhouse gas emissions. We will be progressively adding further measures focused on water, waste, materials and social capital to our annual global reporting.

Realising our Incident & Injury Free vision

While we are making many improvements, falls continue to dominate our negative statistics, accounting for six of the seven deaths that occurred on our sites around the world and a significant majority of the serious injuries.

This year we issued a global Falls Mandate, setting criteria to be used by our businesses in tackling the risk of falls. While it is too early to draw conclusions, we have seen signs in recent months that indicate the Falls Mandate is having a positive impact.

Our Leadership Assessment programme, spearheaded by Bovis Lend Lease in Australia, has produced real results. The Lost Time Injury Rate (the number of injuries and illnesses that result in one or more lost work days per 100,000 hours worked) fell substantially in the last 12 months from 5.6 to 3.43, after a number of years of static performance. Over the next year we will be extending this programme across the Group.

We have established key criteria to lift safety performance and give us benchmarks to demonstrate improvements. WebCare, our global Internet reporting platform, will track our progress and will be used across the Group by December 2006.

This year we created the Incident & Injury Free Global Awards to recognise key employees who have made a tangible difference to safety.

Our focus is on the further development of lead indicators that equip us to improve safety and prevent incidents. We are making great progress with our health and safety programmes but we recognise there is still much to do to realise our vision of operating Incident & Injury Free.

At Lend Lease, we recognise the legacy of our activities and we are accountable for what we take, what we create and what we leave behind.

Developing talent at Lend Lease

To be a sustainable business we need to attract, develop and retain high calibre people. These people must demonstrate an active commitment to our core values and show that they possess the skills and motivation required to deliver specific business objectives.

It is crucial that we have excellent managers who can inspire and lead our people. We have implemented a more robust succession planning and people development process, which is based on focused individual development plans and supplemented by an extensive formal leadership development programme.

We are incorporating broader social, environmental and economic considerations into our talent development activities.

We have defined a set of Global HR Sustainability Measures and aim to be judging our performance against publicly stated objectives by 2008. These measures include:

- total number of employees by status, gender, age and length of service;
- turnover as a percentage of total staff and by gender;
- percentage of Lend Lease stock owned by employees through employee share ownership arrangements;
- percentage of women in management positions;
- proportion of people taking parental leave and returning to work;
- percentage of key organisational roles with successors identified.

Our people processes are constantly reviewed to ensure that we are responding appropriately to the changing needs of our employees and stakeholders.



39%

Reduction in Lost Time Injury Frequency Rate within Bovis Lend Lease Australia

180,000 hours

Employee time volunteered to the Lend Lease Foundation's Community Day globally over the past 10 years

5.6 years

Average employee tenure at Lend Lease

What does Sustainability mean at Lend Lease?

A commitment to living our corporate values: respect, integrity, innovation, collaboration, excellence

The Lend Lease Group's values are the foundation of our commitment to sustainability and to good corporate governance. Embedding sustainability throughout the organisation is the direct responsibility of the Lend Lease Executive Management Team. This provides a global governance structure to ensure the Group's businesses achieve and report their sustainability performance targets.

Realising our vision of operating Incident & Injury Free wherever we have a presence

We have moved beyond making the commitment to create an Incident & Injury Free environment to actively working on eliminating work related death and injury.

This year's Falls Mandate is now core to our operations and has led to a radical change in our approach across all design, construction and maintenance activities. The Falls Mandate, operating through an authorisation hierarchy that aims to eliminate the falls risk, ensures senior management is engaged in the establishment and consistent application of standards.

The number of people falling has decreased since the Falls Mandate was first introduced. Audits and site visits have revealed significant improvements in the techniques and equipment adopted on our projects and assets and greater engagement of employees, clients, supply chain and other key stakeholders.

There has been a significant increase in the reporting of falls of materials, the majority of which have been non injury incidents. We believe this demonstrates greater awareness, focus, transparency and honesty in reporting rather than a deterioration in standards. However, we will not be complacent and will deal with the impacts of falls of materials as if they were actual fatalities.

When first conceiving the Falls Mandate we believed it would take more than five years to bring about lasting change across all our businesses and geographies and at least 18 months before realising a reduction in incidents. The next year will confirm that we have the right strategy. Meanwhile, falls continue to blight our performance.

Constantly defining our impacts and refining our responses

We do this through continual engagement with all our stakeholders, whether they are employees, suppliers, clients, customers or members of the communities in which we work. For example, last year we realised we could only make essential changes in unsafe working practices in New York City with industry collaboration. We approached like minded contractors Skanska and Turner to agree on safety improvements under a Memorandum of Understanding. The safety and wellbeing of all workers supersedes any competition between companies and the agreement ensures we all operate on equal terms. The City authorities are looking to legislate key elements of the agreement, binding all contractors in New York City to it.

Developing our people and ensuring their wellbeing

Being sustainable means providing opportunities for the development of employees that will retain and attract

talent to the organisation – we invest in the talent of our people. Lend Lease has provided employees with rich opportunities for growth and development. We create and deliver programmes and initiatives that support the wellbeing of employees and their families.

Consistently delivering best practice environmentally sustainable solutions

The Group's products and developments are designed to demonstrate best practice environmental initiatives in design and performance. We want the buildings we occupy to be neutral in consumption of energy and water and production of waste and to be best practice examples of indoor environmental quality.

Lend Lease has dedicated time, knowledge and commitment to the development of Green Building Councils in the UK, USA and Australia. We also support the World Green Building Council, whose goal is the transformation of the global property industry through the creation and strengthening of rating systems that accelerate adoption of sustainable building design, construction and operations.

Creating and contributing to long term prosperity for all stakeholders

Our stakeholders include our employees and their families, our clients, our suppliers, our shareholders and the communities in which we operate.

We positively contribute to the development of communities by supporting and promoting local and small businesses and using property as a catalyst for regional economic development; creating and facilitating skilling and employment for local people; and ensuring lasting linkages between

We want to be a sustainable organisation.

the places we create and the people who use or are influenced by them. Examples of our award winning models for employment creation and skilling programmes include the Northern Adelaide Private Sector Employment Program at Mawson Lakes in South Australia; the Ropes Crossing Skilling and Employment Centre in Western Sydney; and 'Building London, Creating Futures' and 'Linking Jobs to People' in the UK.



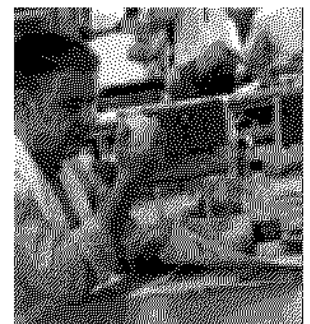
Measuring and reporting our impacts – what we take, what we create and what we leave behind

To understand our impacts, we need to measure them so that we can drive innovation and honestly communicate our performance to all stakeholders. We established a baseline report in 2005. We are now receiving feedback on the trial of potential measures of our sustainability performance in one region over the past year. Based on the trial outcomes, we will apply measurement that is aligned with the UN Global Reporting Initiative to all parts of the business across all regions early in 2007.



Sharing our knowledge internally and externally

Collaboration is essential to ensuring the best ideas are leveraged no matter where they have originated within the organisation.



In 2002 we developed an innovative knowledge-sharing service called ikonnect™. This year, the ikonnect™ team of facilitators resolved 2,960 enquiries from Lend Lease employees, sourced from employees and other stakeholders across the Group.

Since its establishment in 1983, the Lend Lease Foundation has developed programmes enabling employees to nominate projects in their communities

that require support and expertise. Additionally, many voluntary hours are spent participating in literacy, homework and mentoring programmes with children and young people.

Influencing the development of sustainable communities beyond the places we create

Lend Lease takes its advocacy role very seriously and works as a member

of several international forums on sustainability in the property sector.

These include the United Nations Environment Programme's Sustainable Building Construction Initiative, the World Green Building Council and the World Business Council for Sustainable Development.

Corporate Governance

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The Directors believe that good corporate governance is fundamental to the long term prosperity of the Lend Lease Group. The Board continually reviews the Group's governance practices to ensure that they promote sustainable value for shareholders and address the Group's responsibilities to all of its stakeholders.

As detailed in this Corporate Governance Statement, Lend Lease considers that the Group's governance practices comply with the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Recommendations). A table summarising the Group's compliance with the ASX Recommendations has been provided at the end of this Statement.

In addition to the information set out in this Statement, Lend Lease has a corporate governance section on its website at www.lendlease.com, where more information on the Group's governance practices, including copies of key policies and charters, can be found.

1. The Lend Lease Board

1.1 Role and responsibilities

The Board is responsible for the corporate governance of the Lend Lease Group. The Board has adopted a formal Board Charter, which sets out the division of responsibilities between the Board and management. Responsibilities which the Board has reserved to itself under the Charter are set out in the table below.

The Board has established Committees to assist it in discharging specific responsibilities. Details of the Board Committees and their respective Charters are provided in Section 4 of this Statement.

The Board delegates authority for all other matters necessary for the day-to-day management of the Group to the CEO and the Executive Management Team. The CEO is accountable to the Board for all authority delegated to management, and limits of authority have been put in place for Executive Directors and senior management.

As part of the Board's regular review of corporate governance practices, the Board Charter was revised in November 2005. A copy of the Charter is published on the corporate governance section of the Group website at www.lendlease.com.

1.2 Membership

There are currently eight Directors on the Lend Lease Board, two Executive Directors and six Non Executive Directors. Membership of the Board as at the date of this Annual Report is set out in the table on the next page.

The composition of the Board embraces diversity – by skills, experience, location and age. Biographical details for individual Directors are provided in the Directors' Report.

1.3 Independent Directors

From October 2005, the Board has had a majority of independent Directors. This is in line with the Board's Charter, which provides that the Board should have a majority of Non Executive Directors who are considered by the Board to be independent.

The two Executive Directors, Greg Clarke and Ross Taylor, are not considered independent.

The Board considers that all six Non Executive Directors (David Crawford, Phillip Colebatch, Gordon Edington, Peter Goldmark, Julie Hill and David Ryan) are independent.

Stakeholders	Board responsibilities
Shareholders	– Approval of business strategy and vision in line with efforts to drive shareholder value creation – Approval of business plans and monitoring of the implementation of strategy – Approval and monitoring of major investments or divestitures and strategic commitments – Determination of capital structure and dividend policy – Approval and monitoring of financial reporting – Oversight of risk management, internal control and compliance systems – Appointment or removal of external auditors, and determination of the remuneration and terms of appointment of the auditors – Oversight of shareholder reporting and communications
Customers	– Benchmarking the delivery of value to customers, clients and partners
Employees	– Reinforcement of culture, core values and employer of choice – Approval of employee share ownership, superannuation and pension plans – Review of CEO and Executive Management Team performance and results – Review and approval of CEO and Executive Management Team compensation and benefits – Oversight of succession planning for the CEO, Executive Management Team and such other executives as the Board may determine
Community	– Oversight of the management of safety and environmental concerns – Reinforcement of reputation, brand and community relations
Directors	– Review of the size and composition of the Board – Executive Director selection and oversight of succession planning – Non Executive Director nomination, selection and succession planning – Review of Board performance

Corporate Governance continued

The Board has adopted a Policy on the independence of Directors, under which the Board assesses the independence of each Director annually and on disclosure by a Director of any new interests or relationships. In the event that the Board considers that an independent Director has ceased to be independent, this will be disclosed to the market.

The overarching test used by the Board to assess the independence of a Director is whether the Director is independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment. This general test of independence under the Policy is supplemented by specific criteria and thresholds, which encompass the definition of independence set out in the ASX Recommendations. A copy of the Policy is available on the corporate governance section of the Group website at www.lendlease.com.

The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case-by-case basis, having regard to each Director's individual circumstances. The Board may, at its discretion, determine that a Director is independent even though not all of the criteria under the Policy are met where the Board is satisfied that the Director meets the general test of independence in the circumstances. Where the Board

considers a Director to be independent notwithstanding the existence of factors which could be perceived to impact independence, reasons for its assessment are provided below.

The Board does not consider David Crawford's independence to be compromised by his previous association with KPMG on the basis that Mr Crawford:

- resigned as a Partner and Australian National Chair of KPMG in June 2001, prior to his appointment to the Board;
- has no financial arrangements with KPMG, including pension arrangements, retainers or advisory fees; and
- has never been part of KPMG's audit practice, nor in any way involved in, or able to influence, the audit activity associated with the Group.

The Board considers David Ryan independent notwithstanding that, before his appointment to the Board, Mr Ryan (as a principal of Ryvan Pty Limited) provided professional advisory services to Lend Lease in respect of the then proposed merger with General Property Trust. The Board does not consider Mr Ryan's advisory role to have compromised his independence given that his role related to a specific transaction and was for a limited period in the year leading up to his appointment.

Director	Independent	Appointed	Last elected	Retiring and seeking re-election in 2006
Executive Directors¹				
G A Clarke Managing Director and CEO	No	2002	n/a ²	n/a ²
R H Taylor	No	2004	2005	No
Non Executive Directors³				
D A Crawford Chairman	Yes	2001	2004	No
P M Colebatch	Yes	2005	n/a ⁴	Yes
G G Edington	Yes	1999	2004	No
P C Goldmark	Yes	1999	2003	Yes
J A Hill	Yes	2006	n/a ⁵	Yes
D J Ryan	Yes	2004	2005	No

1. Adrian Chamberlain resigned from the Board on 30 September 2005 following the announcement of his resignation on 8 July 2005.

2. The Directors have appointed Greg Clarke as Managing Director for a term not exceeding five years in accordance with the Lend Lease Constitution.

3. Richard Longes retired from the Board at the Annual General Meeting on 17 November 2005 in accordance with the announcement of his retirement on 17 October 2005.

4. Phillip Colebatch joined the Board on 1 December 2005, and will retire and seek election at the 2006 Annual General Meeting.

5. Julie Hill joined the Board on 8 May 2006, and will retire and seek election at the 2006 Annual General Meeting.

1.4 Retirement and re-election of Directors

Under the Constitution of Lend Lease, at each Annual General Meeting one-third of the Directors and any other Director who will have been in office for three or more Annual General Meetings since he or she was last elected (excluding the Managing Director) must retire from office and may submit themselves for re-election. Newly appointed Directors must seek election at the first meeting of shareholders following their appointment.

It is the Board's current policy that Non Executive Directors appointed from February 2002 will be limited to a maximum of three terms of three years. This policy may only be varied by the Board in exceptional circumstances.

1.5 Chairman

David Crawford has been Chairman of the Board since May 2003. As noted above, the Board considers that the Chairman is independent.

The Chairman serves as the primary link between the Board and management, and works with the CEO and Company Secretary to set the agenda for Board meetings. It is his responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities.

1.6 Meetings

The number of meetings of the Board and its Committees during the financial year, and the attendance of Directors at those meetings, is disclosed in the Directors' Report.

1.7 Board performance

The Board reviews its performance each year. The Board Charter provides that the Board will undertake an external performance review on a biennial basis, and a self-assessment of its performance each alternate year. The review process includes interviews with the Directors as well as Senior Executives, and generates recommendations that assist the Board in developing initiatives to enhance governance.

During the financial year, a consultant was engaged to conduct an external performance review. The review examined the performance of the Board and Board Committees, including an evaluation of the Chairman, Committee Chairmen and individual Directors.

1.8 Shareholdings

Under the Constitution of Lend Lease, Directors are required to hold a minimum of 1,000 Lend Lease shares. In order to more closely align the interests of shareholders and Directors, it is the Board's current policy that Non Executive Directors move, over a reasonable period, to hold the equivalent of one year's Directors' fees in shares. Details of Directors' shareholdings in Lend Lease are disclosed in the Directors' Report.

Restrictions apply to any trading of Lend Lease shares by Directors under the Group's Securities Trading Policy. More information on the Policy is provided in Section 8 of this Statement.

1.9 Induction and briefing programmes

New Directors are provided with a letter of appointment, which sets out their rights, duties and responsibilities as a Director of Lend Lease. New Directors participate in an induction programme involving comprehensive briefings from management and site visits.

All Directors have access to Group information and senior management as required to enable them to fulfil their responsibilities. In addition to management briefings at every Board meeting, Directors are regularly briefed by internal and external specialists on key business and industry developments and matters material to their role as Directors.

1.10 Independent decision-making

Under the Board Charter, any Director may seek external, independent, professional advice at the Company's expense. It is expected that a Director will consult the Chairman, Managing Director or Company Secretary before obtaining external advice. The policy of the Board is that external advice will be made available to all Directors, unless the Chairman determines otherwise.

To further facilitate independent decision-making by the Board, a separate session for Non Executive Directors to meet without management present is scheduled as a permanent agenda item at Board meetings.

1.11 Company Secretary

Appointed by the Board, the Company Secretary works with the Chairman to:

- monitor and enhance corporate governance processes, and
- ensure that Board policies and procedures are followed.

During the financial year, Phil Crewes and Sue Sharpe jointly undertook the role of Company Secretary. Following the retirement of Mr Crewes in June 2006, Ms Sharpe continues as Company Secretary.

2. The Executive Management Team

The Executive Management Team (EMT) is chaired by Managing Director and CEO Greg Clarke and comprises Executive Directors, business stream CEOs and functional heads. The EMT is responsible for managing the Group's performance and key business issues in line with the Group's long term strategy. EMT members meet face-to-face on a regular basis.

Corporate Governance continued

3. Directors' and Executives' Remuneration

Information on the Group's Remuneration Policy and remuneration details for Directors and Senior Executives is contained in the Directors' Report.

Details of the retirement plan for Non Executive Directors are also provided in the Directors' Report.

Bonus payments to all Senior Executives are based on performance measured against financial and individual targets. The Personnel and Organisation Committee conducts a detailed review of the performance of Senior Executives against these targets on an annual basis. Information on executive incentive programmes is set out in the Directors' Report.

4. Board Committees

4.1 Membership

The Board has established three permanent Board Committees: the Nomination Committee, the Personnel and Organisation Committee and the Risk Management and Audit Committee.

Each Committee has a Charter setting out its objectives, responsibilities, structure and operation. Copies of the Committee Charters are published on the corporate governance section of the Group website at www.lendlease.com.

The membership of the Board Committees as at the date of this Annual Report is set out in the table below.

4.2 Nomination Committee

The Board established a Nomination Committee in October 2005. The Board as a whole acknowledges its responsibility for ensuring that there is an appropriate mix of expertise, skills and experience on the Board, and all Directors are currently members of the Committee.

During the period of 1 July 2005 to 30 June 2006, meetings of the Nomination Committee were held in conjunction with Board meetings. All meetings of the Committee were attended by all of its members at the relevant time.

Under the Nomination Committee's Charter, the Committee has the following responsibilities:

- consider the mix of desired competencies necessary to permit the Board to execute its functions;
- regularly review the size and composition of the Board and the mix of expertise and experience currently represented;
- identify any competencies not adequately represented and agree the process necessary to ensure a candidate with those competencies is selected;
- identify and evaluate Board candidates with the assistance of recruitment consultants if required, and recommend individuals for appointment to the Board; and
- ensure that individuals recommended for appointment as Non Executive Directors expressly acknowledge, prior to their appointment, their ability to devote the time necessary to carry out their responsibilities as a Director.

Director	Independent	Nomination Committee	Personnel and Organisation Committee	Risk Management and Audit Committee
Executive Directors				
G A Clarke, Managing Director and CEO	No	Member		
R H Taylor	No	Member		
Non Executive Directors				
D A Crawford, Chairman	Yes	Chairman		
P M Colebatch	Yes	Member	Member	Member
G G Edington	Yes	Member	Member	Member
P C Goldmark	Yes	Member	Chairman	
J A Hill	Yes	Member		
D J Ryan	Yes	Member		Chairman

The process of selecting a new Director usually involves commissioning an international recruitment firm to identify and present appropriate candidates, following a briefing as to the Board's requirements. Candidates are interviewed by the Board. In making its selection, the Board considers the ability of candidates to devote the time necessary to fulfil their duties as a Director. Further, Non Executive Directors are required under the Board Charter to consult with the Chairman before accepting new commitments which could impact on their available time.

4.3 Personnel and Organisation Committee

The Personnel and Organisation Committee assists the Board in relation to establishing people management and compensation policies which:

- foster exceptional human talent and motivate and support employees to pursue the growth and success of the Group in alignment with the Company's Core Values;
- ensure that human capital considerations are central to and integrated into the Group's strategy and business plans;
- enable the Group to attract and retain employees who can create sustainable value for stakeholders; and
- equitably and responsibly reward employees having regard to the performance of the Group, individual performance, and statutory and regulatory requirements.

During the financial year the Personnel and Organisation Committee comprised one Executive Director, Greg Clarke, and two Non Executive Directors, Peter Goldmark (Chairman) and Gordon Edington. Greg Clarke has since stepped down from the Committee and has been replaced by Phillip Colebatch. The Chairman of the Committee liaises with the Group Head of Human Resources so as to ensure that the Committee is appropriately briefed on key people issues.

During the period 1 July 2005 to 30 June 2006, four meetings of the Committee were held, all of which were attended by all Committee members.

The Board revised the Personnel and Organisation Committee Charter in November 2005. Under the Charter, the Committee has the following responsibilities:

- review and make recommendations to the Board on the specific contractual arrangements for the CEO and Executive Directors;
- review and approve the specific contractual arrangements for members of the Executive Management Team;
- review and make recommendations to the Board on compensation programmes and performance targets for the CEO and Executive Directors, and assess individual performance against those targets;

- review and approve compensation programmes and performance targets for members of the Executive Management Team, and assess individual performance against those targets;
- monitor and advise the Board on succession planning for the CEO and Executive Directors;
- monitor succession planning for members of the Executive Management Team;
- review and approve strategy and principles for people management, including:
 - career development, skills development and continuing education programmes;
 - employee compensation and benefits programmes to be adopted across the Group;
 - employee share ownership, superannuation and pension plans; and
 - international assignee policies;
- review and make recommendations to the Board on remuneration and related disclosures required under statutory and regulatory requirements, including the remuneration report in the Annual Report and disclosure of the Committee's membership, functions and responsibilities; and
- perform other functions referred to the Committee by the Board.

4.4 Risk Management and Audit Committee

The Risk Management and Audit Committee assists the Board in fulfilling its corporate governance responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, financial reporting, and internal and external audit functions.

The Risk Management and Audit Committee is comprised of three Non Executive Directors, David Ryan (Chairman), Gordon Edington and Phillip Colebatch. All members of the Committee are independent Directors. The Committee Chairman regularly meets with the Chief Financial Officer, the Group Head of Internal Audit and the Group Head of Risk and Insurance to ensure that Committee members are kept regularly informed of key issues. The Committee also meets with the external auditor, without members of management present, as it deems appropriate.

It is a requirement of the Risk Management and Audit Committee's Charter that all Committee members are financially literate and that at least one member has accounting or relevant financial expertise. Information about the qualifications and experience of Committee members can be found in the Directors' Report.

Corporate Governance continued

During the period 1 July 2005 to 30 June 2006, four meetings of the Committee were held, all of which were attended by all members of the Committee at the relevant time.

The Board revised the Risk Management and Audit Committee's Charter in October 2005. The Charter defines the Committee's responsibilities as follows:

Audit

- make recommendations to the Board as to the appointment, re-appointment or replacement of the external auditor and rotation of the engagement partner;
- review with the external auditor the scope and terms of the audit and audit fee in accordance with the Board's Policy on the provision of audit and other services by the external auditor, and make recommendations to the Board in respect of the audit fee;
- review and approve the scope and terms of the internal audit and, where appropriate, the audit fee;
- monitor the coordination between the external audit and internal audit programmes;
- oversee and appraise the quality and effectiveness of the audits conducted by the auditors;
- discuss and resolve any issues arising from audit reports, including any matters the auditors may wish to discuss in the absence of management;
- discuss with the external auditor any relationship that may impact on its objectivity or independence, and recommend to the Board any appropriate action to satisfy itself of the auditor's independence;
- require the external auditor to provide a formal written statement annually confirming its independence;
- obtain confirmation that the external auditor is aware that it is responsible to the Board as the representative of shareholders;
- approve non audit assignments that will be undertaken by the external auditor in accordance with the Board's Policy on the provision of audit and other services by the external auditor, and monitor compliance with the Policy.

Risk management

- review the effectiveness of the Enterprise Risk Management system within the Group and be assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of relevant Group policies;
- review the effectiveness of the Group's environment, health and safety risk management systems;
- evaluate the adequacy and effectiveness of administrative, operating and accounting controls used by the Group;

- review actual and potential material risk exposures;
- monitor the implementation of business unit and corporate risk management plans;
- review insurance and other risk transfer arrangements, and consider whether appropriate coverage is in place;
- review the business contingency planning process within the Group and be assured that material risks are identified and appropriate contingency plans are in place;
- review the performance of the Group Head of Risk and Insurance and the risk management system, and the Group Head of Internal Audit and the internal audit function.

Financial reporting

- review financial information presented by management, together with reports and opinions from external auditors;
- assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant estimates and judgments;
- consider and make appropriate recommendations to the Board regarding major changes to Group accounting policies and procedures;
- review the reliability and appropriateness of disclosure in the financial statements and financial reporting to stakeholders, particularly with regard to estimates and judgments;
- make appropriate recommendations to the Board as to whether financial statements should be approved.

Compliance

- monitor the effectiveness of Group policies and practices that relate to compliance with laws, regulations and accounting standards;
- consider the impact of changes in accounting standards, listing rules and the Corporations Act.

Related party transactions

- review and monitor related party transactions.

Other matters

- conduct or authorise investigations into any matter within the Committee's Charter;
- review disclosure in the Annual Report of information regarding the membership, functions and responsibilities of the Committee, including its views on the independence of the external auditor;
- perform other functions referred to the Committee by the Board.

5. Governance Structure



6. Communicating with Shareholders

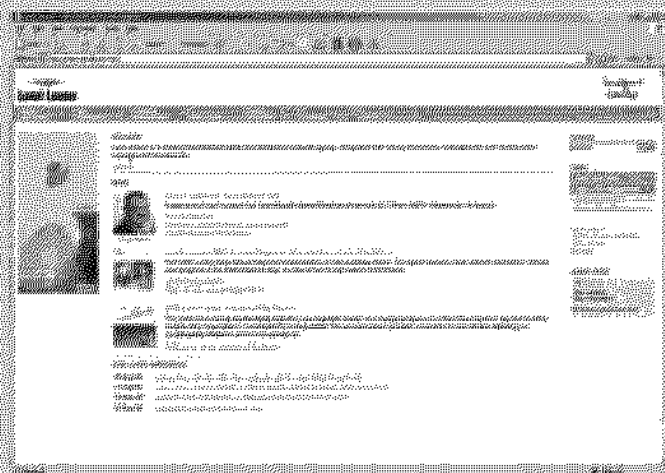
Lend Lease recognises the importance of maintaining investor confidence through full and timely disclosure to shareholders and the market.

The Group has an External Communications and Continuous Disclosure Policy in place, setting out protocols applicable to Directors, executive officers and employees designed to ensure that Lend Lease complies with its continuous disclosure obligations.

Under the Policy, the Company Secretary and the Corporate Disclosure Manager are responsible for all communications with the Australian and New Zealand Stock Exchanges. The Policy explains the continuous disclosure obligations of Lend Lease, the procedure to be followed when information needs to be disclosed to the market and the consequences of breaching the Policy. It sets out management accountabilities for ensuring that the market is fully informed, as well as procedures governing analyst briefings and public comment by Group spokespersons. The Policy is posted to the Group's intranet for reference by all employees. A copy of the Policy is also published on the corporate governance section of the Group website at www.lendlease.com.

In addition to complying with the continuous disclosure obligations imposed by law, Lend Lease is committed to ensuring that information about the Group's activities reaches the investor community in a timely and readily accessible manner. All Stock Exchange announcements are:

- posted to the News Room section of the Group website at www.lendlease.com as soon as practicable following confirmation of receipt by the Australian and New Zealand Stock Exchanges. Additionally, interested parties can register for an email alert service which notifies them of new announcements;
- distributed to major international wire services; and
- emailed to major media and investor organisations.



The Group website is the key information dissemination point to the broader market. In addition to posting to the website all announcements to the market:

- copies of current and past annual and half-year reports can be downloaded from the website;
- presentations made to analysts or institutional investors are posted to the website; and
- market briefings to analysts and institutional investors are webcast live and archived on the website for three months. Presentation material used during a webcast can be viewed simultaneously or accessed from the archive subsequently.

Group executives and the Chairman also meet with investors and their representatives on a regular basis to discuss the Group and its performance.

Corporate Governance continued

The Annual General Meeting is the primary opportunity for shareholders to meet with the Board and Senior Executives face-to-face. All shareholders receive the Notice of Meeting detailing time and venue, and outlining the resolutions to be put to the Meeting. Accompanying the Notice is a proxy form, instructions on completion and lodgement, and a postage paid, addressed return envelope to encourage maximum shareholder participation. The Notice also invites shareholders to submit questions ahead of the Meeting, either by using a question form attached to the Notice or through an online facility. During the Meeting the Chairman will seek to address as many of the more frequently raised topics as possible within the time available. In the event that a topic is not addressed at the Meeting, an individual response will be sent to the shareholder.

Shareholders attending the venue are given the opportunity to ask questions during the course of the Meeting. Directors also make themselves available after the formal part of the Meeting to mix with shareholders. Question cards are available for those shareholders who do not wish to raise matters in a public forum and they subsequently receive a written response to the issues raised. The external auditor attends the Annual General Meeting and is available to answer questions.

For shareholders who are unable to attend in person, the proceedings of the Annual General Meeting are webcast live on the Group website and later archived for three months. Access to the archive is via a link from the homepage. Presentations made at the Meeting are also posted to the website for access by interested stakeholders. In addition, representatives of the media are invited to attend the Meeting to enable a report of the proceedings to reach as wide an audience as possible.

7. Risk Management

7.1 Enterprise Risk Management

The Group uses an Enterprise Risk Management approach to identify, evaluate, address, monitor, quantify and report significant risks to the Risk Management and Audit Committee. The objective of this approach is to enhance stakeholder value through continuous improvement in the Group's management of risk.

The Group's Corporate Risk Management is led by the Group Head of Risk and Insurance. Corporate Risk Management liaises with business unit CEOs and risk specialists on both business specific and enterprise-wide risks. A new Group Head of Risk and Insurance was appointed in April 2006.

Corporate Risk Management's objective is to assist the Group's businesses to further develop their risk management processes. Its role includes:

- advising on and implementing risk treatment strategies at Group level;
- assisting management to embed Enterprise Risk Management;
- assisting Group businesses to implement and maintain effective risk management practices;
- maintaining effective early warning reporting systems; and
- consolidating information for presentation to the Risk Management and Audit Committee.

Operational businesses are responsible for implementing self-assurance programmes to assess the effectiveness of risk management procedures. Formal internal and external audit procedures are utilised to provide supplementary assurance. The Group uses sensitivity analysis and value at risk modelling to identify the most important assumptions affecting the delivery of the Group's business plans.

The Group's approach to risk management is guided by the Australian/New Zealand Standard on Risk Management, AS/NZ4360 and the COSO Enterprise Risk Management framework. A copy of the Group's Risk Management Policy Statement is available on the corporate governance section of the Group website at www.lendlease.com.

7.2 Integrity in financial reporting, risk management and internal control

The Chief Executive Officer and the Chief Financial Officer have stated in writing to the Board that, for the year ended 30 June 2006:

- the Company's financial records have been properly maintained in accordance with section 286 of the Corporations Act;
- the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- the statement made above with respect to the integrity of the Company's Financial Reports for the year ended 30 June 2006 is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board of Directors;
- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating effectively and efficiently in all material respects; and
- nothing has come to their attention since 30 June 2006 that would indicate any material change to the statements above.

7.3 External auditor

The external auditor of Lend Lease and its controlled entities is KPMG. This firm, or its predecessors, was appointed at the first Annual General Meeting in 1958.

The Risk Management and Audit Committee regularly reviews the quality and effectiveness of the audits conducted by the auditor, and makes recommendations to the Board as to the re-appointment or replacement of the auditor and the rotation of the audit engagement partner. The audit engagement partner will be rotated every five years.

In August 2005 the Board renewed its Policy on the provision of audit and other services by the external auditor. Under the Policy, the auditor should be appointed for other service engagements only where it is best suited to undertake the work. The Policy further provides that the auditor should not provide services having the potential to impair the independence of its role. Generally, these include the following services:

- bookkeeping, preparation of, and other services in relation to, accounting records and financial statements;
- design and implementation of financial information systems or financial controls;
- valuation services, appraisals or fairness opinions, where the results are material to the financial statements or where the auditor would be required to audit those statements or opinions;
- outsourced internal audit services;
- secondments;
- recruitment and other human resources services, including international assignee services;
- actuarial services;
- management functions;
- legal services;
- taxation advice of a strategic or tax planning nature;
- broker dealer, investment advisor or investment banking services;
- work that is remunerated through a 'success fee' structure;
- expert services unrelated to the audit; and
- work that involves the auditor acting in an advocacy role for the Group.

In respect of the provision of existing international assignee and international taxation services, transitional arrangements have been approved by the Board.

The Risk Management and Audit Committee is responsible for monitoring compliance with the Policy. Any non audit assignment to be undertaken by the auditor requires the Committee's prior approval in accordance with the thresholds set out in the Policy. In addition, the Chief Financial Officer and the auditor are each required to provide a statement that the non audit assignment will not impair the auditor's independence.

As detailed in the Directors' Report, the Board considers that the provision of non audit services by the auditor during the financial year is consistent with auditor independence requirements. A copy of the Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act has been included in the Directors' Report.

Fees paid to the auditor during the financial year are detailed in the Directors' Report.

8. Trading in Lend Lease Shares

Lend Lease has developed a Securities Trading Policy to assist Directors and employees to comply with their legal obligations while they are in possession of price-sensitive information. The Board revised the Policy in February 2006, and a copy of the Policy is available on the corporate governance section of the Group website at www.lendlease.com.

The Policy contains an explanation and prohibition of insider trading, and sets out restrictions on dealing in Lend Lease securities. Directors and designated executives may only deal in Lend Lease securities during the six-week period commencing on the third business day after:

- the announcement of the annual results;
- the announcement of the half year results; and
- the Annual General Meeting.

Directors and designated executives are also required to notify the General Counsel or Company Secretary prior to any dealing.

The Policy restricts all other employees from dealing in Lend Lease securities between the close of the financial year, or half year, and a day which is at least the next business day after the announcement of the Company's results.

Even during those periods when trading is permitted, each person covered by the Policy must not deal in Lend Lease securities if they are in possession of inside information.

Corporate Governance continued

9. The Lend Lease Core Values

9.1 Core Values

Lend Lease actively subscribes to a set of Core Values.

These Core Values underpin how the Group does business, how it interacts with stakeholders and how its people operate in the workplace. The Core Values are promoted across all of the Group's businesses and are as follows:

Respect		Respect for all people – their ideas, their culture, their views, their health and safety, and their knowledge.
Integrity		Integrity is non negotiable. We don't do it if it compromises the individual or the Company's integrity. In particular, we will not compromise on safety, either within our organisation or in doing business with any of our clients or suppliers.
Innovation		Challenge and seek to find a better solution, think outside the box and dare to do things differently. Be innovative and creative – don't just do it because we did it yesterday.
Collaboration		Redefine the way our business works by truly sharing knowledge, building on this and drawing insights. Through teamwork we value the insights of others and build on them – we must truly take the time to help.
Excellence		We strive for excellence in all we do. It is evident not only in the products and services we deliver, but in how we deliver them. Our employees embody excellence – whether it be in the decisions they make, the products they build, or the service they deliver. On construction sites in particular, but everywhere, excellence equals zero incidents.

9.2 Code of Conduct

The Lend Lease Code of Conduct supports the Core Values and provides guidance for employees on the standards that the Company expects in the conduct of its operations. The Code of Conduct has been endorsed by the Board and applies to the Directors and every employee across the Group.

Issues covered by the Code include conflicts of interest, bribes and unauthorised payments, proper use of company assets, equal opportunity for employees, confidentiality, fair dealing and seeking or providing assistance when faced with behaviour which seems to depart from the Code. The Code is supported by various global, regional and local business unit policies and procedures.

Copies of the Lend Lease Core Values and Code of Conduct are available on the corporate governance section of the Group website at www.lendlease.com.

9.3 Conflicts of interest

Directors and Senior Executives are required to identify any conflicts of interest they may have in dealing with the Group's affairs and refrain, as appropriate, from participating in any discussion or voting on these matters. In addition to general guidelines in the Code of Conduct, a range of procedures designed to ensure compliance with laws and the highest standards in relation to managing conflicts of interest have been implemented at a Group and business level. Directors are encouraged to raise any matters that may give rise to a conflict of interest with the Company Secretary.

9.4 Political donations

As a matter of policy, Lend Lease does not use Company funds to make donations to political parties or individuals holding or standing for public office. Lend Lease does, however, participate in public policy debate on issues that may impact the Group's businesses and the interests of stakeholders. At times, fees are paid for Group employees to attend political functions (such as conferences and lunches) which involve discussion of issues relevant to the Group.

9.5 Sustainability

Lend Lease is committed to the delivery of sustainable outcomes for stakeholders and achievement of the Group's Incident & Injury Free vision. Information on the Group's sustainability initiatives during the financial year can be found in the Sustainability section of this Annual Report.

Corporate Governance continued

10 Compliance with ASX Recommendations

ASX Recommendations		Reference ¹	Comply [Yes/No]
Principle 1: Lay solid foundations for management and oversight			
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	1.1	Yes
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors	1.2, 1.3	Yes
2.2	The chairperson should be an independent director	1.2, 1.3, 1.5	Yes
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	1.2	Yes
2.4	The board should establish a nomination committee	4.1, 4.2	Yes
2.5	Provide the information indicated in <i>Guide to reporting on Principle 2</i>	1.2, 1.3, 1.10, 4.1, 4.2 and Directors' Report	Yes
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executive as to:	9.1, 9.2	Yes
3.1.1	the practices necessary to maintain confidence in the company's integrity		
3.1.2	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	8	Yes
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i>	8, 9.1, 9.2	Yes
Principle 4: Safeguard integrity in financial reporting			
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards	7.2	Yes
4.2	The board should establish an audit committee	4.1, 4.4	Yes
4.3	Structure the audit committee so that it consists of: – only non-executive directors – a majority of independent directors – an independent chairperson, who is not chairperson of the board – at least three members	4.1, 4.4	Yes
4.4	The audit committee should have a formal charter	4.1, 4.4	Yes
4.5	Provide the information indicated in <i>Guide to reporting on Principle 4</i>	4.1, 4.4, 7.3 and Directors' Report	Yes
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	6	Yes
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i>	6	Yes

¹ This is a reference to the relevant sections of this Statement or to the Directors' Report.

ASX Recommendations		Reference ¹	Comply [Yes/No]
Principle 6: Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	6	Yes
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	6	Yes
Principle 7: Recognise and manage risk			
7.1	The board or appropriate board committee should establish policies on risk oversight and management	4.4, 7.1	Yes
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	7.2	Yes
7.2.1	the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board		
7.2.2	the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.3	Provide the information indicated in <i>Guide to reporting on Principle 7</i>	4.4, 7.1	Yes
Principle 8: Encourage enhanced performance			
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	1.7, 3	Yes
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	1.8, 3 and Directors' Report	Yes
9.2	The board should establish a remuneration committee	4.1, 4.3	Yes
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	1.8, 3 and Directors' Report	Yes
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	3 and Directors' Report	Yes
9.5	Provide the information indicated in <i>Guide to reporting on Principle 9</i>	1.8, 3, 4.1, 4.3 and Directors' Report	Yes
Principle 10: Recognise the legitimate interests of stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	9.1, 9.2	Yes

¹ This is a reference to the relevant sections of this Statement or to the Directors' Report.

Concise Financial Report

30 June 2006

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The Concise Financial Statements and specific disclosures and Concise Management 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 2006, including the Independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request.

The Annual Consolidated Financial Report 30 June 2006 can be requested by telephone 61 (2) 9236 6065 and by internet at www.lendlease.com.

Directors' Report

The Directors present their Report together with the Annual Consolidated Financial Report of the consolidated entity, being the Company and its consolidated entities ('Lend Lease') for the financial year ended 30 June 2006 and the Audit Report thereon.

1. Governance

a. Board/Directors

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 62

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. He is a member of the Nomination 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. He holds a 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 (appointed May 1994), Foster's Group Limited (appointed August 2001) and Westpac Banking Corporation (appointed May 2002). He was formerly a Non Executive Director of National Foods Limited (appointed November 2001, resigned June 2005).

G A Clarke, Managing Director (Executive)

Age 48

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

Experience and Qualifications

Mr Clarke brings more than 25 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. He holds a BA (Hons) Business Studies and an MBA.

Other Directorships and Positions

Mr Clarke is a Non Executive Director of The British United Provident Association Limited (BUPA), the largest private health provider in the UK (appointed April 2001).

P M Colebatch (Non Executive)

Age 61

Mr Colebatch joined the Board on 1 December 2005 and is a member of the Risk Management and Audit Committee and the Nomination Committee.

Experience and Qualifications

Mr Colebatch has a Bachelor of Science and Bachelor of Engineering from the University of Adelaide, a Master of Science from Massachusetts Institute of Technology and a Doctorate in Business Administration from Harvard University. He has held senior management positions in insurance and investment banking, and was formerly on the Executive Board of Swiss Reinsurance Company, Zurich. He was previously on the Executive Board of Credit Suisse Group, Zurich where he was Chief Financial Officer and subsequently Chief Executive Officer of Credit Suisse Asset Management.

Other Directorships and Positions

Nil.

Directors' Report continued

1. Governance continued

a. Board/Directors continued

G G Edington (Non Executive)

Age 60

Mr Edington joined the Board in 1999 and is a member of the Risk Management and Audit Committee, the Personnel and Organisation Committee and the Nomination 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 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 The Council of NCH, a leading children's charity and provider of children's services in the UK.

P C Goldmark (Non Executive)

Age 65

Mr Goldmark joined the Board in 1999 and is Chairman of the Personnel and Organisation Committee and a member of the Nomination 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 Chief Executive Officer of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was for 10 years the President and Chief Executive Officer of the Rockefeller Foundation in New York. He has held positions including 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 Chief Executive Officer and senior executive in the private and public sectors, both in the US and internationally.

Other Directorships and Positions

Nil.

J A Hill (Non Executive)

Age 60

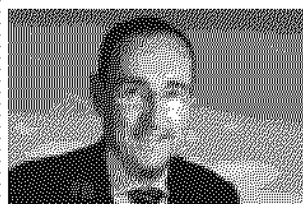
Ms Hill joined the Board on 8 May 2006 and is a member of the Nomination Committee.

Experience and Qualifications

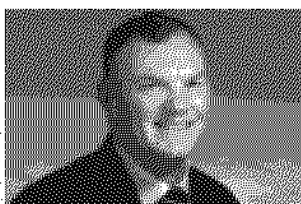
Ms Hill has held a number of senior executive positions in the land development and housing construction industry in North America. She was formerly the Chairman, President and Chief Executive Officer of Costain Homes, Inc. (US) and Vice President and General Manager, Mobil Land (Georgia) Corporation. She has a Bachelor of Arts from the University of California in Los Angeles and a Master of Arts in marketing and management from the University of Georgia.

Other Directorships and Positions

Ms Hill is a Non Executive Director of Wellpoint, Inc. (appointed March 1994) and Resources Connection, Inc. (appointed January 2003).



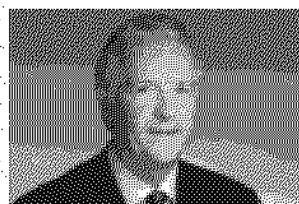
D A Crawford
Chairman



G A Clarke
Managing Director



P M Colebatch
Non Executive Director



G G Edington
Non Executive Director

D J Ryan AO (Non Executive)

Age 54

Mr Ryan was appointed a Director on 10 December 2004. He is Chairman of the Risk Management and Audit Committee and a member of the Nomination Committee.

Experience and Qualifications

Mr Ryan has previously held Managing Director positions in investment banking and industry, as well as being the Chairman or a Non Executive Director of a number of listed public companies. He has a Bachelor of Business from the University of Technology, Sydney and is a Fellow of both CPA Australia and the Australian Institute of Company Directors.

Other Directorships and Positions

Mr Ryan is a Non Executive Director of Transurban Holdings Limited (appointed April 2003), ABC Learning Centres Limited (appointed June 2003) and Tooth & Co Limited (appointed September 1999). He was formerly a director of Virgin Blue Holdings Limited (appointed November 2003, resigned April 2005).

R H Taylor (Executive)

Age 44

Mr Taylor joined the Board as an Executive Director on 10 December 2004 and is a member of the Nomination Committee.

Experience and Qualifications

Mr Taylor joined Lend Lease in 1985 as an engineer and held several positions in Australia and Asia before being appointed Managing Director of Lend Lease's Project Management and Construction business in 1995. Following the acquisition of the Bovis Group in 1999 he was appointed Global Chief Executive Officer of the combined Bovis Lend Lease businesses based in London and in 2001 his responsibilities were expanded to include Lend Lease's development activities. In 2003 he returned to Australia to take up the role of Chief Executive Officer Asia Pacific and was recently appointed Chief Executive Officer Retail and Communities. He holds a Bachelor of Civil Engineering (Honours) from the University of Queensland.

Other Directorships and Positions

Nil.

Former Directors

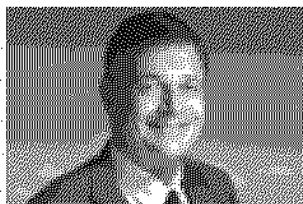
Since the date of the last report Mr R Longes retired as Deputy Chairman on 17 November 2005, having joined the Board on 22 May 1986. Mr A Chamberlain retired on 30 September 2005, having joined the Board on 10 September 2004.

b. Company Secretary's Qualifications and Experience**S J Sharpe**

Ms Sharpe was appointed Deputy Company Secretary in 1995 and Company Secretary in 1997. She has held a number of senior executive positions and subsidiary board directorships in the Lend Lease Group. She has a Bachelor of Business from the University of Technology, Sydney and is an Associate of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Former Secretary

Since the date of the last report Mr P W Crewes retired as General Counsel and Group Secretary on 30 June 2006, having been appointed on 3 November 1995.



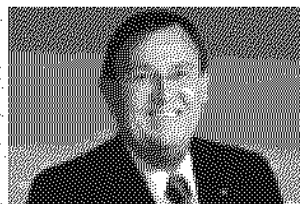
P C Goldmark

Chairman, Personnel and
Organisation Committee



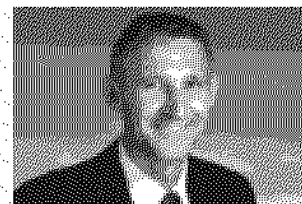
J A Hill

Non Executive Director



D J Ryan

Chairman, Risk Management
and Audit Committee



R H Taylor

Executive Director

Directors' Report continued

1. Governance continued

c. Officers Who Were Previously Partners of the Audit Firm

Mr Crawford was a Partner and Australian National Chair of KPMG. He resigned from this position on 28 June 2001 prior to his appointment as a Director of the Company on 19 July 2001. KPMG or its predecessors was appointed as the Company's auditor at its first Annual General Meeting in 1958.

d. Directors' Meetings

During the financial year, 10 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 three permanent committees of the Board:

Nomination Committee

During the year the Board established a Nomination Committee. This Committee, which consists of all members of the Board, considers nominations to the Board and ensures there is an appropriate mix of expertise, skills and experience on the Board. During the financial year 1 July 2005 to 30 June 2006, all meetings of the Nomination Committee were held in conjunction with Board meetings.

Personnel and Organisation Committee

Comprising a majority of Non Executive Directors, the Personnel and Organisation Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and assists the Board in ensuring that appropriate policies are in place for people management and remuneration across all our businesses worldwide. During the financial year 1 July 2005 to 30 June 2006, four meetings of the Personnel and Organisation Committee were held.

Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. This Committee assists the Board by reviewing the risk management and compliance systems in all the Company's businesses worldwide and ensuring that assets are protected against financial loss, legal and regulatory obligations are met and proper accounting and auditing practices are maintained. During the financial year 1 July 2005 to 30 June 2006, four meetings of the Risk Management and Audit Committee were held.

Attendance at Meetings of Directors 1 July 2005 to 30 June 2006

Director	Board Meetings		Risk Management and Audit Committee Meetings		Personnel and Organisation Committee Meetings		Other ² Committee Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
D Crawford	10	10	2	2			2	2
G Clarke	10	10			4	4	6	6
A Chamberlain ³	3	3						
P Colebatch ⁴	5	5	2	2			5	5
G Edington	10	10	4	4	4	4	3	3
P Goldmark	10	9			4	4		
J Hill ⁵	2	2					1	1
R Longes ⁶	5	5	2	2				
D Ryan	10	10	4	4			9	9
R Taylor	10	10					1	1

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

² Committees constituted to address specific issues.

³ Mr Chamberlain resigned as a Director on 30 September 2005.

⁴ Mr Colebatch was appointed as a Director on 1 December 2005.

⁵ Ms Hill was appointed as a Director on 8 May 2006.

⁶ Mr Longes resigned as a Director on 17 November 2005.

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

e. Interest in Capital

The interest of each of the Directors in the issued shares of the Company at 16 August 2006 (17 August 2005) is set out below:

Director	Shares Held Directly 2006	Shares Held Beneficially/Indirectly 2006 ¹	Total 2006	Shares Held Directly 2005	Shares Held Beneficially/Indirectly 2005 ¹	Total 2005
D Crawford	4,395	18,613	23,008	4,395	13,073	17,468
G Clarke	1,000		1,000	1,000		1,000
A Chamberlain ²				1,000		1,000
P Colebatch ³	2,000	121	2,121			
G Edington	15,000	7,866	22,866	15,000	6,373	21,373
P Goldmark	3,000	8,798	11,798	3,000	6,998	9,998
J Hill ⁴	2,000		2,000			
R Longes ⁵				13,602	43,702	57,304
D Ryan	10,000	1,857	11,857	10,000	96	10,096
R Taylor	7,899	94,526	102,425	7,899	83,946	91,845

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

2 Mr Chamberlain resigned as a Director on 30 September 2005.

3 Mr Colebatch was appointed as a Director on 1 December 2005.

4 Ms Hill was appointed as a Director on 8 May 2006.

5 Mr Longes resigned as a Director on 17 November 2005.

2. Operations

a. Principal Activities

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

- Retail and Communities: comprising retail property management, asset management and development. The Communities business is involved in the development of large scale urban communities, including Senior Living;
- Investment Management: providing real estate investment management services, including direct and indirect ownership interests in property investments;
- Project Management, Construction and Private Financing Initiatives (PFIs): comprising construction, project management, engineering and design services.

b. Review and Results of Operations

A full review of operations is included in the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of the Annual Consolidated Financial Report.

c. Dividends

The 2005 final dividend of A\$115.6 million (29 cents per share, franked) referred to in the Directors' Report dated 17 August 2005 was paid on 14 September 2005.

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

	A\$m
Interim dividend of 30 cents per share (franked) paid on 14 March 2006	119.8
Final dividend of 31 cents per share (franked) declared by Directors to be paid on 13 September 2006	123.9
	243.7

d. Significant Changes in State of Affairs

During the June 2006 financial year, Lend Lease acquired The Crosby Group plc (a UK-based urban regeneration specialist) and the final 12.5% minority stake in Actus Lend Lease (which provides family housing for the US military). Lend Lease also sold businesses in the North American real estate investment market.

During the prior year, General Property Trust (GPT) unitholders voted in favour of the internalisation of management therefore removing GPT Management Limited as the responsible entity effective 6 June 2005. Lend Lease also sold Lend Lease Rosen and Rosen Consulting in the USA and the asset management and debt servicing businesses in Korea and Japan.

Directors' Report continued

2. Operations continued

e. Events 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:

Sale of Three Master Planned Community Developments

On 12 July 2006, Lend Lease sold the development rights to three Australian master planned community developments, being Ropes Crossing in New South Wales, Lakeside in Victoria and Woodlands in South East Queensland for total proceeds of A\$186.1 million. The buyer was Lend Lease Communities Fund 1, Australia's first wholesale communities fund (refer below). Delfin Lend Lease will continue to operate as development manager in relation to the projects on behalf of the fund.

Investment in Lend Lease Communities Fund 1

On 12 July 2006, the Lend Lease Communities Fund 1 was launched, with Lend Lease investing A\$25.0 million into the fund, representing a 20.8% co-investment interest.

f. 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. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

g. Environmental Regulation

Lend Lease is subject to many environmental regulations associated with 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. Lend Lease businesses report quarterly on environmental regulation compliance matters including breaches and fines.

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 Sustainability section of the Annual Report.

3. Remuneration Report

The information provided under headings 3a. to 3f. includes remuneration disclosures that are required under *Accounting Standard AASB 124 'Related Party Disclosures'*. These disclosures have been transferred from the financial report and have been audited. The term 'remuneration' has been used in the Remuneration Report. This term has the same meaning as the alternative term 'compensation', as defined in *AASB 124*.

a. Details of Key Management Personnel and Other Executives – Audited

Key Management Personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including Directors of the Company and executives.

Directors

Non Executive Directors

D Crawford	Chairman
P Colebatch	Appointed 1 December 2005
G Edington	
P Goldmark	
J Hill	Appointed 8 May 2006
R Longes	Resigned 17 November 2005
D Ryan	

Executive Directors

G Clarke	Managing Director and Chief Executive Officer
R Taylor	Chief Executive Officer Retail and Communities
A Chamberlain	Resigned 30 September 2005

Executives

S McCann	Chief Executive Officer Investment Management – Commenced 5 September 2005
R Johnston	Chief Executive Officer Project Management, Construction and PFI
R Burrows	Chief Financial Officer
R Lourey	Group Head Human Resources
J Daniel	Group Head Environment, Health and Safety
P Crewes	General Counsel and Company Secretary – Resigned 30 June 2006
R Fehring	Chief Executive Officer Lend Lease Communities Asia Pacific
M Bellaman	Chief Executive Officer Lend Lease Communities and Retail Americas – Commenced role 1 October 2005
P Koziol	Chief Executive Officer Lend Lease Communities Americas – Transferred from executive management role 1 October 2005
N Hugill	Chief Executive Officer Lend Lease Communities Europe, Middle East and Africa – Commenced 15 August 2005
J Spanswick	Chairman Bovis Lend Lease Global
P Marchetto	Chief Executive Officer Bovis Lend Lease Americas

Other Executives¹

R Butler	Development Director, Lend Lease Crosby Group – Commenced 15 August 2005
B Soller	Deputy Chief Financial Officer
C Cree	Group Head of Risk – Resigned 15 April 2006

¹ 'Other Executives' represents employees in the category of five highest paid Group or Company executives.

b. Remuneration Policy – Audited

Directors and Executives

Remuneration Philosophy

Lend Lease's Remuneration Policy is determined by the Board on the recommendation of the Personnel and Organisation Committee (P&O Committee). The Board recognises that Lend Lease operates in an international marketplace and as such aims to recruit, motivate and retain highly skilled employees who can operate in this environment. Lend Lease's policy is to reward senior executives with market competitive remuneration 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, and of companies of similar size, complexity and international scope. The remuneration of the Non Executive Directors is not linked to the performance of the Company in order to maintain their independence and impartiality.

Remuneration paid by Lend Lease is designed to be appropriate and competitive in each of its business locations, having regard to local practice on issues such 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 remuneration for expatriate executives.

In determining the remuneration structure outlined in this report, the Board's remuneration philosophy is focused on ensuring:

- The structure is the best fit with the needs of the organisation and its strategy;
- Remuneration levels are commensurate with appropriate external comparators;
- Alignment of performance targets with the interests of shareholders;
- Alignment of short term and long term performance targets to ensure consistent behaviour;
- A mix of cash and share based remuneration to align the interests of executives with those of shareholders.

With this philosophy in mind, the Board undertook a full review of incentive arrangements and as a result changes are proposed to the way that the short term and long term incentive arrangements will operate for the June 2007 financial year and are set out in the relevant sections of this Report.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited continued

Directors and Executives continued

Remuneration Philosophy continued

Lend Lease's approach is to provide a balance of fixed and performance based remuneration with an emphasis on increasing 'at risk' remuneration and this is reflected in changes to the structure of the Short Term Incentive Plan in particular for the June 2007 financial year.

The Board sets salaries at competitive levels for the relevant role, targeted around median against comparator companies in Australia and overseas, and takes into account market conditions and personal performance over the year under review. Total remuneration is set to achieve upper quartile against the relevant market norm if target performance is achieved, which the Board considers to be a stretch.

The P&O Committee benchmarks information available in published job matched surveys of similar corporations and if appropriate, it also commissions 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 and other key managers require prior approval from the Chief Executive Officer. This applies to internal appointments and external hires except for the internal audit role, for which remuneration is set by the Risk Management and Audit Committee. In addition, all internal appointments with a base salary in excess of A\$300,000 in Australia, US\$220,000 in the USA and £120,000 in the UK, for whom a base salary increase of 10% or above is proposed, require prior approval from the Chief Executive Officer.

Elements of Remuneration

The remuneration framework consists of three principal elements:

- Fixed Remuneration (base salary, superannuation and other benefits);
- Short Term Incentives (annual cash and an equity related deferral);
- Long Term Incentives (cash or share based performance rights).

Fixed Remuneration

Current Arrangements

The salaries of the Chief Executive Officer, the Executive Directors, the Chief Executive Officers of the core businesses and corporate functional heads are set by the P&O Committee subject to approval by the Board. Historically, salary changes have taken effect from July of each year. In the case of the Executive Directors and line of business unit Chief Executive Officers, the Committee is assisted in this review by the Chief Executive Officer and the Group Head of Human Resources.

The other elements of fixed remuneration include those typically enjoyed in the geography where the key person or executive is employed. These may include a car, medical cover, employee share plan subscriptions, superannuation and pension contributions, life and/or disability cover and in the case of international assignees, housing, schooling and tax return preparation. The value of these other benefits provided to key personnel is set out in Section 3c. of this Report. Executives will not necessarily have entitlement to all these benefits.

Arrangements for the June 2007 Financial Year

From the June 2007 financial year, any changes to the levels of fixed remuneration for key management personnel will take effect in September of each year. This will allow management and the P&O Committee more time to review and fix incentive payments for the year just concluded and to set performance objectives for the year just begun.

Short Term Incentives (STIs)

From the June 2007 financial year the STI policy will change.

Current Arrangements

Annual bonus payments are based on actual achievement measured against challenging financial and individual performance targets relevant to the individual's role in the Company and are 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 two areas:

- **Financial** – such as achievement of profitability, operating cash flow, new work secured, return on capital employed and other financial targets relevant to the part of the business in which the executive works;
- **Non Financial Organisation** – achievement of personal objectives related to specific non financial business targets such as Environment Health and Safety, business growth and people development.

Annual bonuses may be awarded in cash or awards from Lend Lease Employee Share Plans (ESP).

For Executive Directors and other senior executives, 75% of the STI potential is measured using financial measures with the remaining 25% being measured on non financial organisation measures.

For the financial element only, nothing is paid if actual performance is not at least 90% of target value rising on a straight line basis to the target level. For above target performance an additional upside opportunity of +10% of target opportunity is possible for +10% achievement.

For the non financial organisation element, there is no further upside opportunity above target performance level. Nothing is payable if individual performance is not considered satisfactory as measured against the objectives set at the beginning of the performance period.

The current STI arrangements are summarised as follows:

Performance Area	% Allocated to Performance Area	% Achievement	Award Potential
Financial	75	Less than 90	No award
		90 – 100	Award on a straight line basis
		Greater than 100	Award on a straight line basis to a maximum of 110%
Non financial	25	Up to 100	Award on assessment against agreed objectives

The maximum opportunity for Executive Directors and executives for the June 2006 financial year is as follows:

	June 2006 STI – Maximum Opportunity %	Calculated On
G Clarke	120	Base salary
R Taylor	81	Total package value ¹
Other key personnel and executives	32 – 108	Australia: Total package value ¹ UK and USA: base salary

¹ Total package value equates to base salary, fringe benefits plus superannuation.

Arrangements for the June 2007 Financial Year

For the June 2007 financial year the P&O Committee has changed the operation of the STI to provide better alignment between annual and long term plans and with the interests of shareholders. It will now add a deferred element that will be linked to the value of Lend Lease shares. The cash element of the STI will be reduced compared with opportunity levels in the June 2006 financial year before adding on the deferred element. Exceptions to this must be agreed to by the P&O Committee. In addition, the upside opportunity for performance above target will be increased to incentivise exceptional financial performance.

For the June 2007 financial year the P&O Committee has determined that the financial element will be measured against profit after tax. The upside opportunity for the financial element only will be increased to +25% of target opportunity for +10% of target performance achievement. The new STI structure will operate as follows: performance of the executive is measured against the financial and non financial organisation targets following the end of the performance year. An element of the STI is then paid in cash, usually in September following the June year end, depending on the degree of performance achieved. The remaining element is deferred into an amount of Lend Lease shares or notional share value based on the share price at the date of determination of the bonuses. The shares (or share value if shares are not practicable) are then held in trust on behalf of the executive for the deferral period. For executives to receive the full deferral they must usually be employed by the Group at the date of vesting of the deferral element. The usual deferral period will be one year from the date of grant.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited continued

Directors and Executives continued

Elements of Remuneration continued

The split of the cash and the deferred elements for Executive Directors and executives for the June 2007 financial year will be as follows:

	June 2007 STI Cash Element – Maximum Opportunity %	June 2007 STI Deferred Element – Maximum Opportunity %	Calculation On
G Clarke	119	59	Base salary
R Taylor	83	59	Total package value ¹
Other key personnel and executives	30 – 107	18 – 36	Australia: Total package value ¹ UK and USA: Base salary

1. Total package value equates to base salary, fringe benefits plus superannuation.

Long Term Incentives (LTIs)

From the June 2007 financial year the LTI policy is under review.

Current Arrangements

Lend Lease's current LTIs 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 executives with the long-term interests of Lend Lease and its shareholders;
- Attracting and retaining high calibre executives by providing competitive rewards that relate to the performance of both the individual executive and the Lend Lease share price.

LTI grants are normally made in July each year and are based on competitive remuneration practice. LTIs are payable in cash or Lend Lease shares, with payments made upon vesting if performance hurdles are met. While the programme rules allow payment in either cash or shares, Lend Lease has historically settled LTI benefits in cash. 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;
- The performance of the Company;
- For awards granted between 2003 and 2005, Company performance comprised Total Shareholder Return (TSR). Under these awards, the performance hurdle requires TSR to achieve at least median performance against several of Lend Lease's comparator companies (with 25% of awards vesting at median performance rising to 100% on reaching top quartile performance).

LTI awards will vest in accordance with the table below:

TSR Target	% of Grant that Vests
Rank 1 to 5 inclusive	100
Rank 6 to 10 inclusive	Progressive decrease in vesting from 85 to 25
Rank 11 to 19 inclusive	nil

The comparator companies for these awards were: Amec, Atkins-WS, Balfour Beatty, British Land, Centex, Hochtief, Jacobs Engineering, Jarvis, Jones Lang LaSalle, Land Securities, Lennar, Leighton Holdings, Liberty International, Mowlem, Skanska, Taylor Woodrow, United Group and Westfield Group.

These organisations were selected to reflect the business mix and geographic diversity of Lend Lease operations considered the most important focus at the time. A full list of specific criteria that apply to LTIs granted are detailed in Section 3d.

Under these awards, the initial grant was made solely in Performance Shares (PS). For the purposes of the allocation, PS are attributed a value equivalent to the Lend Lease share price at the date of the allocation.

There is no retesting permitted under the LTI.

2003 LTI award

The 2003 LTI award, which was based on TSR achievement against the previously named comparator companies, did not vest as the ranking achieved was 11 out of 19. A ranking of 10 or lower was required for any part of the award to vest.

The Lend Lease Corporation Board considers that the TSR performance of the Company over the last three years was not reflective of performance achieved during the period. The Board believes that the wider consideration of performance during the period should take into account the recovery of the share price from A\$8.35 as at 30 June 2003 to A\$13.99 as at 30 June 2006, the consistency of profitability delivered over the period, the efforts of management to improve significantly the performance and stability of the Company over the period and the prospects for the future. The Board has decided to award additional cash payments in recognition of the performance it considers was achieved over the period and to aid the retention of key staff in the future, which it considers is in the best interests of shareholders.

The individual cash recognition awards are disclosed as part of Section 3c. of this Report under the heading 'Other Bonuses'. The LTI award itself lapsed under the terms of the LTI plan rules.

Arrangements for the June 2007 Financial Year

For the June 2007 financial year awards, the P&O Committee has reviewed the appropriateness of the performance hurdle in relation to the alignment of interests between the participant and shareholders and its consistency of approach with the new STI structure.

The P&O Committee intends to change the performance metrics for future awards to introduce a balance between internal long term profitability measures and external TSR, which it believes is a more appropriate mix of performance metrics than TSR alone at this time. In addition, the TSR comparator group will be changed from the current mix of companies to ASX 100 listed companies only. The change in comparator group better reflects those companies against which Lend Lease competes for capital. Award levels are expected to be broadly in line with those made in the June 2006 financial year. There will continue to be no retesting under the LTI.

Hedging in Relation to LTI Awards

The Company prohibits executives from entering into pre vesting hedging arrangements in relation to LTI awards. For awards made in the June 2007 financial year onwards it will be an explicit condition for awards to vest that executives declare that they have not entered into any such arrangement.

Retention Awards

When the Board believes that an employee is an outstanding performer and that the Company and its shareholders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made. As an incentive to remain with the Company requires a degree of certainty of value delivered to the individual at the end of the retention period, performance conditions are not generally applied to the ultimate payment of such an award. Details of the current awards for each specified executive are included in LTIs as part of the remuneration details disclosed in this Report.

Superannuation/Pension Plans

Pension plan arrangements are in place in most international locations. In the past, 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 executives have the opportunity to join defined contribution plans.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited continued

Directors and Executives continued

Elements of Remuneration continued

Relationship of Remuneration to Company Performance

In considering the Group's performance and benefits for shareholder wealth, the P&O Committee, when setting the criteria for STI and LTI awards, has regard to the financial performance of the Group. The performance in respect of these measures for the current financial year and previous four financial years is summarised in the following table:

		AI/RS	Previous GAAP			
		2006	2005	2004	2003	2002
Statutory profit/(loss) after tax ¹	A\$m	415.2	210.7	333.5	(714.8)	226.3
Operating profit after tax ^{1,2,3,4}	A\$m	354.2	310.4	255.9	230.2	226.3
Dividends paid and declared	A\$m	243.7	227.2	177.4	129.4	77.9
Increase/(decrease) in closing share price ⁵	A\$	1.03	2.68	1.93	(2.19)	(2.01)

1 Statutory profit/(loss) after tax represents profit attributable to the equity holders of the parent. Operating profit after tax excludes unrealised property investment revaluations of A\$61.0 million after tax for the June 2006 financial year.

2 June 2005 is based on operating results excluding gains on exiting the REI businesses (A\$11.6 million after tax), cost savings implementation expenses (A\$47.7 million after tax), Lend Lease/GPT merger and net separation costs (A\$19.4 million after tax) and write-off of GPT and Homemaker management agreements (A\$44.2 million after tax).

3 Consistent with June 2005, June 2004 operating results have been restated to also exclude the impact of Group restructuring and merger costs (A\$18.5 million after tax). June 2004 was based on operating results excluding the profit from the sale of IBMGSA (A\$79.7 million after tax), impact of exiting the REI businesses (A\$2.3 million loss after tax) and capital loss tax benefits arising from Australian tax consolidations (A\$18.7 million after tax) and including capital loss tax benefits (A\$13.0 million recouped against the capital gain on sale of IBMGSA).

4 June 2003 excludes the write-down of REI businesses of A\$945.0 million after tax.

5 For LTI awards, the starting and ending share prices are based on the average daily closing price over the award period (five consecutive trading days for 2003 and 2004 LTIs and three months for the 2005 LTI). The table above represents the movement in the closing share price on 30 June of each financial year.

Profit after tax is considered in setting the STI targets while dividends, changes in share price and return of capital are included in the TSR calculation which is one of the performance criteria assessed for the LTI.

The P&O Committee considers that the aforementioned external performance-linked remuneration structure is appropriate because it:

- Represents shareholders' 'bottom line' and provides an objective measure of value created for shareholders;
- Is independent of accounting policies and accepted by institutional investors;
- Is simple to benchmark externally.

Non Executive Directors

Directors' fees have been set at A\$140,000 per annum with a fee of A\$15,000 for service on each Board Committee other than the Nomination Committee. Fee levels are in line with international benchmarks for a company of Lend Lease's size. Current Chairman's fees are A\$500,000, the Chairman of the Risk Management and Audit Committee receives an additional A\$35,000 per annum and the Chairman of the Personnel and Organisation Committee receives an additional A\$25,000. If a Director renders or is called upon to perform additional services in connection with the affairs of the Company, remuneration in addition to any Directors' fees is payable at A\$2,800 per day.

In addition, Non Executive Directors are compensated for time spent travelling to overseas Board and Board Committee meetings. This additional time is compensated as follows:

- Travel less than four hours Nil
- Travel between four and 12 hours A\$2,000 each way
- Travel over 12 hours A\$5,000 each way

To allow Directors to receive some of their annual remuneration 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 and subsequently renewed at the 2003 Annual General Meeting. This plan allows Directors to acquire Lend Lease shares by forgoing an amount of Directors' fees equivalent to the value of the shares acquired. 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. This Plan has not been operative during the suspension of the Share Purchase Plan (since September 2003) and is currently under review.

Retirement Plan

The plan is designed to provide retirement benefits for Directors based on fees for Board service. Benefits are accrued in Lend Lease shares and will fluctuate 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 amounts for additional services) 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 multiple 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 2006 (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	Years of Service at 31 December 2000	Accrued Retirement Benefit at 30 June 2006	Accrued Retirement Benefit at 30 June 2005
	No.	A\$	A\$
G Edington	1	92,467	89,899
P Goldmark	1	104,832	99,533

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

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Details – Audited

Details of the total remuneration of the Directors of Lend Lease Corporation Limited are set out below and on the following page. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Directors	Year	Short Term					Post Employment		Share Based Payment		Other Long Term	Termination	Total A\$'000s
		Base A\$'000s	Salary and Fees Supplementary A\$'000s	Incentive Bonus A\$'000s	STIs	Other Bonuses A\$'000s	Non Monetary A\$'000s	Superannuation A\$'000s	Life Insurance A\$'000s	LTI's Cash Settled A\$'000s			
Non Executive Directors													
D Crawford	2006	469					12			85			566
	2005	432	188				12			80			712
P Colebatch ³	2006	98					9			14			121
	2005												-
G Edington	2006	161					12			24			197
	2005	162	15				10			24			211
P Goldmark	2006	180					12			28			220
	2005	191	14				12			26			243
J Hill ⁴	2006	35					3			4			42
	2005												-
R Longes ⁵	2006	48					4			8			60
	2005	135	130				12			21			298
D Ryan ⁶	2006	169					12			28			209
	2005	100					9			13			122
Total Non Executive Directors		2006	1,160	-	-	-	64	-	-	191	-	-	1,415
		2005	1,020	347	-	-	55	-	-	164	-	-	1,586

1 'Supplementary Fees' represents fees paid to Non Executive Directors when a Non Executive Director renders or is called upon to perform additional services in connection with the affairs of the Company. Supplementary fees are payable at A\$2,900 per day. Refer to Section 3b. of this Report. In the case of Mr Longes, fees of A\$60,000 (2005) for his directorship of GPT Management Limited are included as supplementary fees.

2 Comprises entitlements under the Non Executive Directors' Retirement Benefit Plan.

3 Mr Colebatch was appointed as a Non Executive Director on 1 December 2005.

4 Ms Hill was appointed as a Non Executive Director on 8 May 2006.

5 Mr Longes resigned as Deputy Chairman and Non Executive Director on 17 November 2005.

6 Mr Ryan was appointed as a Non Executive Director on 10 December 2004.

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the Directors of Lend Lease Corporation Limited are set out below. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Directors continued Executive Directors	Year	Salary and Fees			Short Term			Post Employment			Share Based Payment		Termination	Proportion of Remuneration Performance Related %
		Base AS\$000s	Supplementary ¹ AS\$000s	Other ² AS\$000s	Incentive Bonus ³ AS\$000s	STIs Bonuses ³ AS\$000s	Other Bonuses ³ AS\$000s	Non Monetary ⁴ AS\$000s	Superannuation AS\$000s	Life Insurance AS\$000s	LTIs ⁵ Cash Settled AS\$000s	ESP Equity Settled AS\$000s		
G Clarke	2006	1,783			1,967	2,211		450	491	41	1,280			8,223
	2005	1,682			1,877			636	441	25	1,407			6,068
R Taylor ⁷	2006	841			713	793		30	134	3	(157)	34		2,769
	2005	731			784			6	116	1	396	30		2,686
A Chamberlain ⁸	2006	252							365	11	540			2,918
	2005	1,014			667			43	303	7	620			3,266
J Curlin ⁹	2006													
	2005	589			303			59	175	37	1,509			4,427
Total Executive Directors	2006	2,876	–	2,680	3,004	480			990	55	1,663	34	775	13,910
	2005	4,016	–	3,631	–	744			1,035	70	3,932	30	1,234	16,447
Total Directors	2006	4,038	–	2,680	3,004	480			1,054	55	1,663	225	775	15,325
	2005	5,036	347	3,631	–	744			1,090	70	3,932	194	1,234	18,033

1 'Supplementary Fees' represents fees paid to Non Executive Directors when a Non Executive Director renders or is called upon to perform additional services in connection with the affairs of the Company.

2 All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.

3 'Other Bonuses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report.

4 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel and tax return advice) and motor vehicle leases.

5 Accrued value of LTI benefit for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest. Refer to Section 3d. of this Report.

6 'Other Long Term' represents retentions. Amounts due are expensed over the period of the retention.

7 Equity remuneration is in respect of Mr Taylor's participation in the Employee Share Acquisition Plan (ESAP). Mr Taylor was appointed as an Executive Director on 10 December 2004.

8 Mr Chamberlain was appointed as an Executive Director on 10 December 2004 and resigned on 30 September 2005. Mr Chamberlain's superannuation remuneration includes contributions on base salary to 30 September 2005 and contributions due on Mr Chamberlain's termination payments. Mr Chamberlain received a retention award of A\$1,009,559 of which A\$397,451 was accrued in the 2006 financial year, an LTI granted in July 2003 of A\$851,894 of which A\$371,051 was accrued in the June 2006 financial year and an LTI granted in July 2004 of A\$422,333 of which A\$169,131 was accrued in the June 2006 financial year.

9 Ms Curlin resigned as an Executive Director on 20 January 2005.

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the executives of the Lend Lease Group are set out below and on the following page. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Executives	Year	Five Most Highly Remunerated Group	Short Term			Post Employment		Share Based Payment			Other Long Term ⁵	Termination	Total Remuneration AS\$000s	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus ¹ AS\$000s	STIs ² Other Bonuses ³ AS\$000s	Non Monetary ⁴ AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTIs ⁴ Cash Settled AS\$000s	ESP Equity Settled AS\$000s				
Executives														
S McCann ⁵	2006	✓	638	850	3	668	57	1	172	6			1,727	59.2
	2005												–	
R Johnston	2006	✓	456	595	380	668	214	2	(84)				2,251	40.5
	2005		330	308		45	29	2	153	11	110		988	46.7
R Burrows	2006	✓	596	482	155	8	286	1	22	24			1,574	41.9
	2005	✓	388	318		6	114	1	78	15			920	43.0
R Lourey	2006	✓	475	250		15	12		95	6			853	40.4
	2005	✓	79	42		275	2		99	1			498	28.3
J Daniel	2006	✓	252	76		56	46		30				460	23.0
	2005	✓	244	67			40	3	32				386	25.6
P Crewes	2006	✓	387	339		496	66	5	(258)	16		1,658	2,709	3.0
	2005	✓	394	326		387	45	5	209	25			1,391	38.5
R Fehring	2006	✓	390	222	193	4	35	2	(18)	17			845	47.0
	2005		362	212		3	44	2	200	11			834	49.4
M Bellaman ⁷	2006		342	173	134	445	6	2	(58)		10		1,054	23.6
	2005												–	
P Kozlowski ⁸	2006		117			3			(38)				82	(46.3)
	2005		463	414		11	6		225		34		1,153	55.4
N Hugill ⁹	2006	✓	645	368	1,006	17	126	5	77				2,244	19.8
	2005												–	
J Spanswick	2006		519	140	357	42			(203)				855	34.4
	2005		517	295		46			295				1,153	51.2
P Marchetto	2006	✓	692	523	522	445	9	5	(167)	486			2,515	34.9
	2005	✓	640	514		40	9		271		561		2,135	36.8

1 All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.

2 With the exception of Mr Hugill, 'Other Bonuses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report. The amount of \$1,006,000 for Mr Hugill represented a one-off payment on completion of the Shareholders' Agreement following the acquisition of the Crosby Group. Refer to Section 3e. of this Report.

3 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel, tax equalisation and tax return advice) and motor vehicle leases. Mr Bellaman's and Mr Marchetto's non monetary benefits for the 2006 year primarily represent the value of loans that were forgiven for AS\$405,080 (US\$303,000) and AS\$401,070 (US\$300,000) respectively.

4 Accrued value of LTI benefit for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest. Refer to Section 3d. of this Report.

5 'Other Long Term' primarily represents retention. Amounts due are expensed over the period of the retention.

6 Mr McCann commenced as Chief Executive Officer of Investment Management on 5 September 2005.

7 Mr Bellaman commenced as Chief Executive Officer of Lend Lease Communities and Retail Americas on 1 October 2005.

8 Mr Kozlowski transferred from the role of Chief Executive Officer Lend Lease Communities on 1 October 2005.

9 Mr Hugill commenced as Chief Executive Officer Lend Lease Communities Europe, Middle East and Africa on 15 August 2005.

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the executives of the Lend Lease Group are set out below. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Executives continued	Year	Five Most Highly Remunerated Group	Short Term			Post Employment			Share Based Payment		Other Long Term ⁶	Termination	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus ¹ AS\$000s	STIs ² Other Bonuses ³ AS\$000s	Non Monetary ⁴ AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTIs ⁴ Cash Settled AS\$000s	ESP Equity Settled AS\$000s			
R Oakley ⁵	2006	✓	315	218	58								
	2005										4,629		4.2
S Bird ⁶	2006	✓	517	270	4		116	4					
	2005										1,212		12.7
R Fisher ⁶	2006	✓	395	273	13		76	5	94				
	2005										1,106		18.7
D Marks ⁶	2006	✓	91	123	5		31		46	5			
	2005										1,212		11.2
Total executives	2006		5,509	4,018	2,747	2,202	857	23	(410)	555	10	1,658	17,169
	2005		4,735	3,381	–	893	512	22	1,702	68	805	8,159	20,277

Details of the total remuneration of other executives in the category of five highest paid Group or Company executives are set out below.

Other Executives in the Category of Five Highest Paid	Year	Five Most Highly Remunerated Group	Short Term			Post Employment			Share Based Payment		Other Long Term ⁶	Termination	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus ¹ AS\$000s	STIs ² Other Bonuses ³ AS\$000s	Non Monetary ⁴ AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTIs ⁴ Cash Settled AS\$000s	ESP Equity Settled AS\$000s			
R Butler ⁷	2006	✓	653	363	1,006	1	125	4	48				
	2005												
B Soller	2006	✓	503	283	351	258	12	4	(150)		126		34.9
	2005		494	317		276	12	3	204		126		36.4
C Cree ⁸	2006	✓	339	114		43	144	3	(51)			318	8.9
	2005	✓	386	237		2	72	3	51			751	38.3
Total other executives	2006		1,495	760	1,357	302	281	11	(153)	–	126	318	4,497
	2005		880	554	–	278	84	6	255	–	126	–	2,183

- All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.
- With the exception of Mr Butler, 'Other Bonuses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report. The amount of \$1,006,000 for Mr Butler represented a one-off payment on completion of the Shareholders' Agreement following the acquisition of The Crosby Group. Refer to Section 3e. of this Report.
- 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel and tax return advice) and motor vehicle leases.
- Accrued value of LTI benefit for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest. Refer to Section 3d. of this Report.
- 'Other Long Term' primarily represents retentions. Amounts due are expensed over the period of the retention.
- Mr Oakley resigned as an executive on 30 November 2004. Mr Bird resigned as an executive on 31 May 2005. Mr Fisher resigned as an executive on 31 December 2004. Mr Marks resigned as an executive on 15 October 2004.
- Mr Butler commenced as Development Director, Lend Lease Crosby Group on 15 August 2005.
- Ms Cree resigned as Group Head of Risk on 15 April 2006.

Directors' Report continued

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited

Directors	Grant Date	Vesting Date ¹	Granted Number	Award Value at Grant Date		Award Value at June 2006	Current Award Expensed 2006 ²	% Vested in the Year ³	Value Yet to Vest		Service Criteria	Performance Criteria	PS/ Retention
				AS	AS	AS	AS		Minimum ⁴	Maximum ⁵			
G Clarke	Dec 2002	Dec 2007	279,728	2,797,281	3,667,234	950,236	20.0	0.0	nil	n/a	Criteria 3	none	Retention
	Dec 2002	Jun 2006	210,604	2,112,676		193,267	0.0	100.0	nil	n/a	Criteria 2	Criteria 5	PS
	Dec 2002	Jun 2007	210,604	2,112,676	92,666	(131,745)	0.0	0.0	nil	n/a	Criteria 2	Criteria 5	PS
	Jul 2004	Jun 2007	212,939	2,199,340	1,154,129	225,715	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	194,845	2,434,783	985,916	328,639	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Sep 2004	Dec 2005	n/a	1,000,000		378,556	100.0	0.0	nil	nil	Criteria 1	none	Retention
R Taylor	Jul 2003	Jun 2006	75,492	645,117		(327,635)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	63,959	660,601	346,658	67,797	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	60,819	759,994	307,744	102,581	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Oct 2004	Sep 2005	n/a	1,000,000		397,451 ⁶	100.0	0.0	nil	nil	Criteria 1 ⁶	none	Retention
A Chamberlain	Jul 2003	Sep 2005	115,633	988,142		371,061 ⁶	75.07	24.93	nil	n/a	Criteria 4 ⁶	Criteria 5	PS
	Jul 2004	Sep 2005	103,243	1,066,345		169,131 ⁶	41.68	58.32	nil	n/a	Criteria 4 ⁶	Criteria 5	PS
Total Directors				17,776,955	6,554,347	2,438,510							

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 vesting 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. (Refer to Section 3e. of this Report for details of Mr Clarke's retention).

Criteria 4: Forfeiture on resignation. Pro rata on other service cessation.

Criteria 5: Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns (with 25% vesting at median performance rising to 100% on reaching top quartile performance).

1 Performance shares are paid out at the share price at vesting date.

2 Current award expensed represents the 2006 year accrued value of the LTI or retentions determined by actuarial analysis. The aggregate for each key person's grant is shown in Section 3c. of this Report under 'LTIs Cash Settled' or 'Other Long Term'. Negative amounts represent an accrual reversal for the 2003 LTI, which did not vest. Mr Clarke's December 2002 LTIs are measured against the Total Shareholder Returns of 18 comparator companies. The December 2002 LTI that was due to vest in June 2006 lapsed and the value of the accrued benefit was reversed. The December 2002 LTI that is due to vest in June 2007 has reduced in value creating an over accrual in prior years, that has been reversed in the June 2006 financial year.

3 The percentage forfeited during the year represents a reduction in the number of performance shares available to vest due to the highest level performance criteria not being achieved.

4 The minimum value of grants yet to vest is AS\$nil as the performance criteria may not be met and consequently the grant may not vest.

5 The maximum value of grants yet to vest is not determinable as it is dependent on the market price of shares of the Company on the Australian Stock Exchange at the date the grant vests.

6 Mr Chamberlain resigned as an Executive Director on 30 September 2005. On that date he received a retention award granted in October 2004 of AS\$1,009,559 (100% vested) of which AS\$397,451 was expensed in the current financial year, an LTI granted in July 2003 of AS\$851,894 (75.07% vested) of which AS\$371,061 was expensed in the current financial year, and an LTI granted in July 2004 of AS\$422,333 (41.68% vested) of which AS\$169,131 was expensed in the current financial year.

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited continued

Executives	Grant Date	Vesting Date ¹	Granted Number	Award Value at Grant		Award Value at June 2006 AS	Current Award Expensed 2006 ² AS	% Vested in the Year	% Forfeited in the Year ³	Value Yet to Vest		Service Criteria	Performance Criteria	PS/ Retention
				Date AS	AS					Minimum ⁴	Maximum ⁵			
S McCann	Jul 2005	Jun 2008	102,033	1,275,004		516,287	172,096	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Johnston	Sep 2004	Jul 2005	n/a	110,000				100.0	0.0	nil	nil	Criteria 1	none	Retention
	Jul 2003	Jun 2006	36,226	309,569			(157,221)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	16,266	168,003		88,162	17,242	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	45,134	563,994		228,378	76,126	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Burrows	Jul 2003	Jun 2006	14,765	126,174			(64,080)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	12,766	131,854		69,192	13,532	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	43,278	540,802		218,987	72,996	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	38,728	400,002		209,906	41,052	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Lourey	Jul 2005	Jun 2008	32,010	399,997		161,971	53,990	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	12,591	130,046		68,243	13,346	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
J Daniel	Jul 2005	Jun 2008	9,978	124,685		50,489	16,830	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2003	Jun 2006	39,736	339,564			(172,454)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
P Crewes	Jul 2004	Jun 2006	33,668	347,740			(85,966)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2003	Jun 2006	18,424	157,442			(79,960)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
R Fehring	Jul 2004	Jun 2007	30,501	315,030		165,315	32,331	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	17,804	222,479		90,088	30,029	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
M Bellamen	Jul 2003	Jun 2006	32,861	280,814			(106,963)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	27,201	280,946		147,429	21,625	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	21,252	265,565		107,535	26,884	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2003	Jun 2006	43,377	370,678			(47,064)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
P Kozlci	Jul 2004	Jun 2007	35,562	368,335		183,288	9,450	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	45,810	572,442		231,799	77,266	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
J Spanswick	Jul 2003	Jun 2006	46,688	398,972			(202,626)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
P Marchetto	Jul 2003	Jun 2006	49,686	424,592			(215,637)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	46,200	477,177		250,404	48,972	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	110,684	1,453,834		1,548,189	486,076	0.0	0.0	nil	n/a	Criteria 2	none	Retention
Total executives				10,555,740		4,345,662	77,872							

Footnotes and Criteria are on the following page.

Directors' Report continued

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited continued

Other Executives in the Category of Five Highest Paid

	Grant Date	Expiry or Exercise Date ¹	Granted Number	Award Value at Grant Date		Award Expensed ² 2006 A\$	% Vested in the Year	% Forfeited in the Year ³	Value Yet to Vest		Service Criteria	Performance Criteria	PS/ Retention
				A\$	AS\$				Minimum ⁴	Maximum ⁵			
R Butler	Jul 2005	Jun 2008	28,238	352,862	142,884	47,628	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
B Soller	Jul 2003	Jun 2006	48,566	415,021	(210,776)		0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	21,499	222,052	116,525	22,789	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	22,608	282,510	114,396	38,132	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
C Cree	Jul 2004	Apr 2006	20,145	208,068	(51,437)		0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Apr 2006	15,813	197,599			0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
Total other executives				1,678,112	373,805	(153,664)							

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 vesting 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: Forfeiture on resignation. Pro rata on other service cessation.

Criteria 5: Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns (with 25% vesting at median performance rising to 100% on reaching top quartile performance).

¹ Performance shares are paid out at the share price at vesting date.

² Current award expensed represents the 2006 year accrued value of the LTI or retention, determined by actuarial analysis. The aggregate for each key person or other executive is shown in Section 3c. of this Report under 'LTIs Cash Settled', 'ESP Equity Settled' (for Mr P Marchetto's retention only) or 'Other Long Term'. Negative amounts represent an accrual reversal for the 2003 LTI, which did not vest.

³ The percentage forfeited during the year represents a reduction in the number of performance shares available to vest due to the highest level performance criteria not being achieved.

⁴ The minimum value of grants yet to vest is A\$nil as the performance criteria may not be met and consequently the grant may not vest.

⁵ The maximum value of grants yet to vest is not determinable as it is dependent on the market price of shares of the Company on the Australian Stock Exchange at the date the grant vests.

Directors' Report continued

3. Remuneration Report continued

e. Service Agreements – Audited

Executive Directors and Executives

Remuneration and other terms of employment for the key management personnel and other executives in the category of five highest paid are formalised in service agreements. All of the employment contracts contain the conditions below:

Length of contract	–	No fixed term.
Remuneration review period	–	Annually by the Personnel and Organisation Committee.
Benefits	–	Australian resident executives are entitled to participate in the Lend Lease Employee Share Acquisition Plan.
	–	Other benefits vary, but typically include health insurance, life insurance, car allowances or motor vehicle leases and benefits provided by the Lend Lease Foundation.
	–	Executives that are relocated receive relocation packages. Benefits provided vary but typically include accommodation, transfer allowances, visas, shipping costs, school fees, home leave travel and tax advisory services.
STI participation	–	Executives are eligible for an award of STI remuneration. Refer to Section 3b. of this Report for further details and conditions.
LTI participation	–	Executives are eligible for an award of LTI remuneration. Refer to Section 3b. of this Report for further details and conditions.
Non compete and non solicitation clauses	–	Non compete or non solicitation terms vary in each individual's employment contract.
Termination of employment	–	Unless otherwise stated below, termination payments include base salary for the remainder of the notice period not served (up to 12 months), pro rated STI entitlements and LTI entitlements in accordance with the LTI programme rules.
	–	All contracts with executives may be terminated early by either party.
	–	Immediate termination for misconduct or a serious breach of any of the terms of employment.

Other major provisions of the agreements relating to remuneration are set out below.

G. Clarke

- Term of agreement: No fixed term; however, under the Lend Lease Corporation Constitution Mr Clarke has been appointed for a term of five years.
- Notice period: 12 months.
- Termination payments provided for under the contract: Base salary for the remainder of any notice period not served, cash value of pro rated benefits, pro rated STI entitlements (based on 60% achievement of objectives), LTI entitlements in accordance with the LTI programme rules, and the value of the retention award.
- Retention award:
 - Award date: 9 December 2002.
 - Vest date: 9 December 2007.
 - Grant number and value: 279,728 Lend Lease shares, valued at A\$2,797,281 (£1,000,000) at grant date. The end payment is referable to the market value of 279,728 shares at vest date. Refer to Section 3d. of this Report for further details.
 - Vesting conditions: Mr Clarke must remain in employment with Lend Lease until 9 December 2007. Payment is due if the Company terminates his employment without cause prior to that date.
 - Forfeiture: The retention award is forfeited if Mr Clarke resigns prior to 9 December 2007, or if Lend Lease terminates Mr Clarke's employment for cause.
 - Early vesting conditions: A pro rata amount will be payable if the Company determines that Mr Clarke's employment should be terminated for poor performance.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.
- Additional benefits: Golf club membership (which is transferable within the Group if Mr Clarke resigns).

Directors' Report continued

3. Remuneration Report continued

e. Service Agreements – Audited continued

Executive Directors and Executives continued

R Taylor

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.

A Chamberlain

- Notice period: 12 months.
- Termination payments provided for under the contract: Base salary for the remainder of any 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 in accordance with the LTI programme rules.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.

S McCann

- Notice period: Three months (if instigated by the employee) or 12 months (if instigated by the Company).
- Termination payments provided for under the contract: If Lend Lease terminates Mr McCann's employment, Mr McCann's most recent LTI award will be extended by 12 months from the date on which the Company provided him with notice of termination.

R Johnston

- Notice period: Six months.
- Termination payments provided for under the contract: The Company will relocate Mr Johnston back to Australia consistent with the Group's policy for international assignments.

P Crewes

- Notice period: Six months.
- Termination payments provided for under the contract: Mr Crewes is entitled to a lump sum termination payment which includes base salary for six months, a pro rata bonus amount and the cash value of prescribed/non monetary benefits.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.

M Bellaman

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- Loans payable: Mr Bellaman had a loan payable of US\$303,000, payable at call. The loan was forgiven on 30 June 2006. In the event Mr Bellaman resigns from employment prior to 31 July 2009, Mr Bellaman must pay to the Company an amount equal to the forgiven principal plus interest accruing from 30 June 2006.
- Additional benefits: Country club membership. The initial membership fee plus monthly dues of up to US\$500 per month are payable by the Company under Mr Bellaman's employment contract.

P Koziol

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- STI participation: Mr Koziol ceased to be eligible to participate in the STI programme from 1 October 2005.
- Benefits: Mr Koziol ceased to be eligible for vacation and sick leave accruals from 1 October 2005.

N Hugill

- Notice period: 12 months.
- STI Participation: In addition to the annual STI potential, Mr Hugill was entitled to the payment of a one off amount of £423,730 on completion of the Shareholders' Agreement between Lend Lease Crosby Group Limited, Lend Lease Europe Holdings Limited and Mr N Hugill, Mr G Hutchinson and Mr R Butler. It was a condition of this payment that Mr Hugill purchase B Ordinary Shares in the share capital of Lend Lease Crosby Group Limited with an aggregate value of £500,000. The payment was made on 30 August 2005.
- Additional benefits:
 - Mr Hugill may co-invest with any company in the Lend Lease Group in respect of future projects or deals. The details of such investments are determined on a case by case basis at the time.
 - The cost of annual subscriptions in respect of Mr Hugill's membership of two relevant professional institutions.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

P Marchetto

- Notice period: Six months.
- Termination payments provided for under the contract: If the Company terminates Mr Marchetto's service agreement without cause, or Mr Marchetto terminates the service agreement for 'good reason' (as defined by Mr Marchetto's service agreement), Mr Marchetto is entitled to all accrued obligations as well as a severance payment that is:
 - 1.5 times Mr Marchetto's annual base salary as of the termination date;
 - 1.5 times the greater of: (a) the STI paid to Mr Marchetto during his last full year of employment by the Company; or (b) the average of the STI paid to Mr Marchetto during each of the last three full years Mr Marchetto has been paid an STI by the Company;
 - A pro rata share of Mr Marchetto's STI and LTI as calculated on the termination date in the sole discretion of the Company;
 - All other benefits that have accrued as of the termination date;
 - Payments are made less applicable taxes, withholdings and deductions;
 - In addition to the severance payment, Mr Marchetto is entitled to a release benefit equal to six months of base salary as of the termination date if the Company terminates Mr Marchetto's service agreement without cause. The release benefit will be reduced by any applicable taxes, withholdings and deductions.
- Loans payable: Mr Marchetto had a loan payable of US\$300,000, payable at call. The loan was forgiven on 1 November 2005. In the event that prior to 31 July 2009 Mr Marchetto resigns from employment for other than 'good reason' (as defined in Mr Marchetto's employment contract) or the Company terminates Mr Marchetto's employment for cause, Mr Marchetto must pay to the Company as liquidated damages an amount equal to the forgiven principal plus interest accruing from 1 November 2005. The principal amount required to be repaid is reduced by US\$6,250 each month from August 2005 to July 2009 while Mr Marchetto is employed by the Company.
- Additional benefits: Mr Marchetto will be reimbursed up to US\$8,500 per annum for membership dues at a club of Mr Marchetto's choosing that is suitable for business entertaining.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

Directors' Report continued

3. Remuneration Report continued

e. Service Agreements – Audited continued

Executive Directors and Executives continued

R Butler

- Notice period: 12 months.
- STI participation: In addition to the annual STI potential, Mr Butler was entitled to the payment of a one off amount of £423,730 on completion of the Shareholders' Agreement between Lend Lease Crosby Group Limited, Lend Lease Europe Holdings Limited and Mr N Hugill, Mr G Hutchinson and Mr R Butler. It was a condition of this payment that Mr Butler purchase B Ordinary Shares in the share capital of Lend Lease Crosby Group Limited with an aggregate value of £500,000. The payment was made on 30 August 2005.
- Additional benefits:
 - Mr Butler may co-invest with any company in the Lend Lease Group in respect of future projects or deals. The details of such investments are determined on a case by case basis at the time.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

B Soller

- Notice period: 12 months.
- Termination payments provided for under the contract: The Company will relocate Mr Soller back to the UK consistent with the Group's policy for international assignments.

C Cree

- Notice period: 12 months.
- Non compete period post termination: Three months.
- Non solicitation period post termination: Three months.

Other executive's notice periods:

- R Burrows: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- R Lourey: Six months (if instigated by the employee) or 12 months (if instigated by the Company).
- J Daniel: Six months.
- R Fehring: Three months.
- J Spanswick: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.

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.

f. Additional Information – Audited

Additional information in relation to key management personnel's equity holdings and transactions, loans and other transactions is contained in Note 35 of the consolidated financial statements.

4. Other

a. Share Options

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

b. Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for indemnification in favour of each of the Directors named on pages 49 to 51 of this Report, the Company Secretary, Ms Sharpe, and officers of the Company or of wholly owned subsidiaries or related entities of the Company (Officers) to the extent permitted by the *Corporations Act 2001*.

For related entities, the indemnification is provided unless the Directors determine otherwise. For unrelated entities in which Lend Lease has an interest, deeds of indemnity may be entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate deeds of indemnity.

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, whatever their outcome. During the year, Lend Lease paid insurance premiums of A\$1,128,139 in respect of its Directors' and Officers' liability policies. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

c. Non Audit Services

During the year KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the non audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- The non audit services provided do not undermine the general principles relating to the auditor's independence as set out in *Professional Statement F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Lead Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included at the end of this Report.

Directors' Report continued

4. Other continued

c. Non Audit Services continued

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non audit services provided during the year, are set out below:

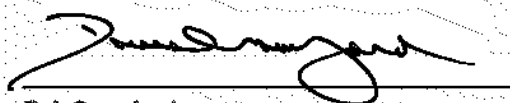
	Consolidated	
	June 2006 A\$000s	June 2005 A\$000s
Auditing and Review of Financial Reports	5,638	5,067
Other Services		
KPMG		
International assignees tax services	1,508	1,877
Tax services	1,052	1,748
Accounting advice	417	384
Other services	272	173
KPMG related practices		
Due diligence		3,545
Total other services	3,249	7,727
Total audit and other services	8,887	12,794

d. 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, 16 August 2006.



D A Crawford
Chairman



G A Clarke
Managing Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of Lend Lease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit;
- No contraventions of any applicable code of professional conduct in relation to the audit.



G R Wilson
Partner

Five Year Profile

		AIFRS ¹		Previous GAAP ¹		
		June 2006	June 2005	June 2004	June 2003	June 2002
Profitability						
Revenue	A\$m	12,127	9,435	9,726	10,114	12,478
Statutory profit/(loss) before tax	A\$m	573	350	466	(567)	391
Operating profit before tax ^{2,3}	A\$m	473	393	385	315	391
Statutory profit/(loss) after tax	A\$m	415	226	334	(715)	226
Operating profit after tax ^{2,3}	A\$m	354	286	256	230	226
Operating EBITDA ^{2,3}	A\$m	527	411	430	474	593
Earnings per share on statutory profit ⁴	cents	104.0	56.5	80.6	(163.1)	52.1
Earnings per share on operating profit ^{2,3,4}	cents	88.7	71.6	61.8	52.5	52.1
Statutory profit after tax to shareholders' equity (ROE) for the period, excluding one-off items ³	%	14.7	11.9	9.0	6.5	6.1
Dividend per share ⁵	cents	61	57	44	30	18
Dividend payout ratio on operating profit ^{2,3,5}	%	68.8	79.5	69.2	56.0	34.4
Corporate Strength						
Total assets	A\$m	8,155	6,925	7,131	7,409	8,587
Cash	A\$m	560	570	1,380	867	904
Borrowings	A\$m	846	500	862	885	939
Current assets	A\$m	3,379	2,612	3,455	3,703	4,015
Current liabilities	A\$m	3,179	3,384	3,328	2,993	3,245
Shareholders' equity	A\$m	3,011	2,710	2,836	3,008	3,752
Cash flows from operations	A\$m	660	(55)	443	191	557
Net asset backing per share ⁴	A\$	7.53	6.80	7.08	6.86	8.63
Ratio of current assets to current liabilities	times	1.06	0.77	1.04	1.24	1.24
Borrowings to shareholders' equity	%	28.1	18.4	30.4	29.4	25.0
Borrowings to shareholders' equity plus borrowings	%	21.9	15.6	23.3	22.7	20.0
Net debt to shareholders' equity	%	9.5	(2.6)	(18.3)	0.6	0.9
Borrowings to total market capitalisation	%	15.1	9.7	20.9	24.2	20.5
Shares on issue	m	400	399	400	439	435
Number of shareholders	no.	50,179	52,878	63,143	74,878	86,003
Number of equivalent full-time employees	no.	9,652	8,791	9,060	9,992	10,554
Shareholders' Returns and Statistics						
Proportion of shares on issue to top 20 shareholders	%	76.4	75.6	69.8	61.5	59.9
Staff shareholdings	%	9.6	10.8	11.9	13.5	13.7
Total dividends paid or declared	A\$m	244	227	177	129	78
Share price as at 30 June as quoted on the Australian Stock Exchange	A\$	13.99	12.96	10.28	8.35	10.54

1. June 2006 and 2005 reflect results prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). The years prior to June 2005 represent Lend Lease's results under previous Generally Accepted Accounting Principles (GAAP).

2. Operating profit excludes unrealised property investment revaluations (June 2006: A\$99.4 million before tax, A\$61.0 million after tax; June 2005: A\$64.5 million before tax, A\$39.5 million after tax) and one-off items (June 2006: A\$nil; June 2005: A\$107.3 million before tax, A\$99.7 million after tax).

3. The June 2005 one-off items are gains on exiting the Real Estate Investment (REI) businesses (A\$26.9 million before tax, A\$11.6 million after tax), cost savings implementation expenses (A\$65.8 million before tax, A\$47.7 million after tax) and Lend Lease/GPT merger and net separation costs (A\$24.2 million before tax, A\$19.4 million after tax), and the write-off of GPT and Homemaker management agreements (before and after tax of A\$44.2 million).

4. Calculated using the weighted average number of shares on issue including Treasury shares.

5. Dividends include interim and final dividends.

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

All currency amounts in the MD&A are expressed in Australian dollars unless otherwise specified.

The following discussion and analysis is based on the Group's consolidated financial statements for the financial year ended 30 June 2006 and should be read in conjunction with those financial statements.

Overview

Introduction

The Group is organised into three global operating businesses which are in turn focused on three key geographic regions: Asia Pacific, Americas and Europe.

- Retail and Communities operates across all regions. Retail comprises retail property management, asset management and development in Australia, Singapore and the UK. The Communities business is involved in the development of large scale urban communities through Delfin Lend Lease, Lend Lease Development and Senior Living in Australia, through Actus Lend Lease in the USA, and in the UK principally through The Crosby Group;
- Investment Management provides real estate investment management services in Asia Pacific and the UK;
- Project Management, Construction and Private Finance Initiatives (PFIs) provides construction, project management and design services across all regions through Bovis Lend Lease and includes the PFI business in Europe;
- The Group also has direct and indirect ownership interests in property investments in Asia Pacific, Europe and the USA.

Segment Results Summary

	Revenue		EBITDA		Profit/(Loss) After Tax ¹	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Retail and Communities	2,384.9	819.3	245.3	152.3	167.5	94.0
Investment Management	134.8	225.6	174.8	164.5	129.5	117.0
Project Management, Construction and PFIs	9,576.6	8,183.8	187.0	191.0	134.6	140.6
Total operating businesses	12,096.3	9,228.7	607.1	507.8	431.6	351.6
Group Services	8.1	7.5	(85.3)	(88.6)	(52.0)	(62.5)
Group Treasury	22.4	44.9	4.7	(8.5)	(22.4)	(1.7)
Group Amortisation					(3.0)	(1.7)
Total corporate	30.5	52.4	(80.6)	(97.1)	(77.4)	(65.9)
Total operating	12,126.8	9,281.1	526.5	410.7	354.2	285.7
Property investment revaluations ²			99.4	64.5	61.0	39.5
Total Group results before one-off items	12,126.8	9,281.1	625.9	475.2	415.2	325.2
One-off items ³		154.2		(101.4)		(99.7)
Total statutory	12,126.8	9,435.3	625.9	373.8	415.2	225.5

¹ Profit after tax is after deducting the amount attributable to minority interests of A\$7.4 million (June 2005: A\$10.4 million).

² Represents the unrealised valuation increases on property investments.

³ One-off items of A\$99.7 million after tax in June 2005 related to restructuring costs and costs incurred in relation to the proposed merger with GPT of A\$67.1 million and the write-down of management agreements of A\$44.2 million. These costs were partially offset by a profit from the sale of REI businesses in the USA of A\$11.6 million.

Profit After Tax

The Group's statutory profit after tax increased by 84% to A\$415.2 million. The Group recognised revaluation uplifts on its interests in retail investments of A\$61.0 million (June 2005: A\$39.5 million). There were no one-off items in the current year; however, the prior year included a loss after tax relating to one-off items of A\$99.7 million. Excluding one-off items and property investment revaluations, the Group's operating profit increased by 24%.

Retail and Communities profit after tax increased by 78% in the year.

The Retail business profit after tax increased following the successful completion and sale of the Chapelfield retail centre in Norwich, UK.

The Communities business profit after tax increased following a strong performance in Australia which included profit from the sale of the entitlement to deferred management fees from two Senior Living retirement villages to the Lend Lease managed Core Plus Fund (LLCPF), continued sales of non residential land lots in line with Delfin Lend Lease's strategy for large projects, profit from the sale of the Gotham 80/20 housing project in the USA and the inclusion of The Crosby Group for the first time this year. These increases were partially offset by the write-down of the Group's interest in a UK Communities project, North Weald, following an unfavourable planning ruling.

Investment Management profit after tax increased due to higher earnings from the Group's investment in the Australian Prime Property Fund (APPF) and strong performance from the Group's property investments. Also, June 2005 included the recognition of a foreign exchange provision following the implementation of the Australian equivalents to International Financial Reporting Standards (AIFRS). In Asia Pacific, the business was repositioned to focus on its wholesale investor base following Lend Lease ceasing its role as manager of GPT.

Project Management, Construction and PFIs' profit after tax declined slightly in the year. Bovis Lend Lease's profit after tax increased in both Asia Pacific and Americas. However, this was more than offset by a decline in profit in Europe due to margin deterioration on certain projects in the UK. The PFIs' profit after tax increased following the sale of a proportion of Lend Lease's equity interest in 11 PFI projects on entering into a 50/50 joint venture with the Bank of Scotland.

Corporate costs declined as the prior year included a charge, following the implementation of AIFRS, relating to the Lend Lease employee share plans and a lower effective tax rate. Underlying corporate costs have remained broadly flat.

The Group Treasury loss after tax increased principally due to lower interest revenue reflecting the lower average cash balance during the year.

The revaluation gain of A\$61.0 million after tax relates to King of Prussia, Lend Lease Overgate Partnership and the Performance Retail Limited Partnership. The valuation of the Group's interest in Bluewater also increased; however, as Bluewater is held as inventory the asset is recorded at historical cost in the financial statements.

Shareholder Returns

		June 2006	June 2005
Earnings per share (EPS) on operating profit ¹	cents	88.7	71.6
Earnings per share (EPS) on statutory profit ¹	cents	104.0	56.5
Return on equity (ROE) on statutory profit excluding one-off items ²	%	14.7	11.9

1. EPS is calculated using the weighted average shares on issue including Treasury shares. Under AIFRS, shares held in employee benefit vehicles including employee share plans, which Lend Lease sponsors, are treated as Treasury stock and are excluded from the calculation. This would have the effect of increasing the EPS calculations above if applied.

2. ROE is calculated based on average equity.

Dividends

A final fully franked dividend of 31 cents per share will be paid on 13 September 2006 (June 2005: 29 cents per share fully franked). On a full year basis this equates to a total dividend of 61 cents which is a payout ratio of 68.8% of profit after tax excluding property investment revaluations.

Credit Strength

		June 2006	June 2005
Net debt/net (cash) ¹	A\$m	286.5	(69.6)
Net debt/(cash) to total tangible assets	%	3.9	(1.1)
Net debt/(cash) to shareholders' equity plus net debt/(cash)	%	8.7	(2.6)
Interest coverage ²	times	7.8	6.6
Credit rating (Standard & Poor's/Moody's)	rating	BBB-/Baa3	BBB-/Baa3

1. Net debt/net (cash) is calculated as borrowings less cash.

2. Calculated as EBITDA (excluding one-off items and revaluation gains from investments) plus interest revenue divided by gross borrowing costs (which includes capitalised borrowing costs) excluding the allocation of hedge gains/losses.

The Group's gearing remained low throughout the year and interest coverage at 7.8 times is above the Group's internal targets. The Group continues to maintain an investment grade credit rating.

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

Overview continued

Total Equity

	June 2006 A\$m	June 2005 A\$m
Retail and Communities	1,587.6	1,255.4
Investment Management	1,961.9	1,574.8
Project Management, Construction and PFIs	204.4	252.5
Corporate	(742.6)	(372.1)
Total equity	3,011.3	2,710.4

The increase in Retail and Communities reflects the acquisition of The Crosby Group offset by the sale of the Chapelfield retail centre, Norwich.

Investment Management increased due to property investment revaluations and the acquisition of the Group's investments in the Performance Retail Limited Partnership and the Chelmsford Meadows Unit Trust, offset by the sale of the Value Enhancement Funds III, IV and V, and capital returns from the Lend Lease Global Properties, SICAF.

Corporate equity decreased due to a A\$346.0 million increase in borrowings.

Cash Flow

	June 2006 A\$m	June 2005 A\$m
Net cash provided by/(used in) operating activities	660.3	(54.7)
Net cash (used in)/provided by investing activities	(910.1)	(186.4)
Net cash provided by/(used in) financing activities	233.8	(548.5)
Net increase/(decrease) from other items	5.9	(28.9)
Net decrease in cash and cash equivalents	(10.1)	(818.5)

Operating cash flows of A\$660.3 million reflects the proceeds from the sale of the Chapelfield retail centre of A\$532.0 million and strong underlying cash flows from the Group's operating businesses, offset by continued investment in property developments.

Investing cash outflows of A\$910.1 million include the acquisition of The Crosby Group of A\$619.3 million, the acquisition of the final minority interest in Actus Lend Lease of A\$92.5 million, investment in the Chelmsford Meadows Unit Trust of A\$142.8 million and investment in the Performance Retail Partnership of A\$89.8 million.

Net cash provided by financing activities of A\$233.8 million includes the issue of US\$300.0 million of guaranteed senior notes in the US Private Placement debt market and the establishment of a committed five year syndicated bank facility of £350.0 million in the UK, which was drawn down to £185.0 million as at 30 June 2006. These proceeds were offset by the repayment of the A\$500.0 million Medium Term Notes in July 2005.

Concise Financial Statements

Income Statement

Year Ended 30 June 2006

	Note	Consolidated	
		June 2006 A\$m	June 2005 A\$m
Revenue			
Revenue from the sale of development properties		1,773.4	355.3
Revenue from the provision of services		10,129.9	8,616.0
Finance revenue		33.5	53.3
Other revenue		190.0	410.7
Total revenue	3	12,126.8	9,435.3
Other Income	4	92.7	14.9
Expenses			
Project Management, Construction and PFI activities			
Cost of inventories sold		(9,103.7)	(7,656.3)
Other expenses		(323.2)	(434.5)
Retail and Communities activities			
Cost of properties sold		(1,831.4)	(435.9)
Other expenses		(387.7)	(289.3)
Investment Management activities		(31.1)	(197.0)
Corporate and administrative activities expenses		(94.9)	(168.6)
Finance costs		(61.8)	(56.6)
Total expenses		(11,833.8)	(9,238.2)
Share of profit of associates accounted for using the equity method		150.5	106.5
Share of profit of joint venture entities accounted for using the equity method		36.5	31.7
Profit before tax		572.7	350.2
Income tax expense		(150.1)	(114.3)
Profit after tax		422.6	235.9
Profit after tax attributable to minority interests		(7.4)	(10.4)
Profit after tax attributable to members of Lend Lease Corporation Limited		415.2	225.5
Earnings per share (Basic/Diluted)			
Shares excluding Treasury shares (cents)	7	112.7	61.6
Shares on issue (cents)	7	104.0	56.5

The income statement is to be read in conjunction with the concise MD&A on pages 76 to 78 and the notes to the concise financial statements set out on pages 84 to 94.

Concise Financial Statements continued

Balance Sheet

As at 30 June 2006

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
Current Assets		
Cash and cash equivalents	559.5	569.6
Trade and other receivables	1,662.6	1,169.0
Inventories	940.8	687.1
Current tax assets	3.1	
Other financial assets	24.2	16.9
Other assets	188.3	169.6
Total current assets	3,378.5	2,612.2
Non Current Assets		
Other receivables	193.4	149.3
Inventories	1,217.5	1,463.6
Investments accounted for using the equity method	999.8	673.3
Investment properties	287.0	83.1
Other financial assets	723.8	713.5
Deferred tax assets	389.3	369.4
Property, plant and equipment	110.1	102.4
Intangible assets	793.9	608.9
Defined benefit plan asset	21.7	20.0
Other assets	39.9	128.9
Total non current assets	4,776.4	4,312.4
Total assets	8,154.9	6,924.6
Current Liabilities		
Trade and other payables	2,832.5	2,497.1
Borrowings and financing arrangements		500.0
Current tax liabilities		69.4
Provisions	343.6	284.3
Other financial liabilities		11.3
Other non financial liabilities	3.0	21.5
Total current liabilities	3,179.1	3,383.6
Non Current Liabilities		
Other payables	209.9	37.8
Borrowings and financing arrangements	846.0	
Provisions	26.1	25.8
Deferred tax liabilities	404.5	263.0
Other financial liabilities	211.2	220.4
Other non financial liabilities	92.2	89.4
Defined benefit plan liability	174.6	194.2
Total non current liabilities	1,964.5	830.6
Total liabilities	5,143.6	4,214.2
Net assets	3,011.3	2,710.4
Equity		
Issued capital	834.7	834.6
Treasury shares	(64.5)	(68.1)
Reserves	149.7	142.6
Retained earnings	2,018.2	1,782.5
Total equity attributable to equity holders of the parent	2,938.1	2,691.6
Minority interests	73.2	18.8
Total equity	3,011.3	2,710.4

The balance sheet is to be read in conjunction with the concise MD&A on pages 76 to 78 and the notes to the concise financial statements set out on pages 84 to 94.

Statement of Changes in Equity
Year Ended 30 June 2006

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
Issued Capital and Treasury Shares		
Issued Capital		
Opening balance at beginning of financial year	834.6	834.4
Ordinary share issues	0.1	0.2
Closing balance at end of financial year	834.7	834.6
Treasury Shares		
Opening balance at beginning of financial year	(68.1)	(81.2)
Treasury shares acquired		(3.8)
Treasury shares vested	3.6	17.1
Other share movements		(0.2)
Closing balance at end of financial year	(64.5)	(68.1)
Total issued capital and Treasury shares	770.2	766.5
Reserves		
Fair Value Revaluation Reserve		
Opening balance at beginning of financial year		
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)	113.9	
Net revaluation gain taken to equity	30.7	
Fair value to profit or loss on asset disposal	(43.1)	
Other	0.2	
Closing balance at end of financial year	101.7	-
Hedging Reserve		
Opening balance at beginning of financial year		
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)	(3.4)	
Movements attributable to effective cash flow hedges	(10.6)	
Foreign exchange movements	(0.4)	
Closing balance at end of financial year	(14.4)	-
Foreign Currency Translation Reserve		
Opening balance at beginning of financial year	(13.5)	
Movements attributable to translation and hedging of foreign operations	17.9	(13.5)
Closing balance at end of financial year	4.4	(13.5)
Equity Compensation Reserve		
Opening balance at beginning of financial year	6.0	4.8
Movements attributable to unallocated Treasury shares	1.6	1.2
Closing balance at end of financial year	7.6	6.0
Other Compensation Reserve		
Opening balance at beginning of financial year	67.9	76.7
Movements attributable to unallocated Treasury shares		10.3
Movements attributable to allocated Treasury shares	(12.6)	(19.1)
Closing balance at end of financial year	55.3	67.9

The statement of changes in equity is to be read in conjunction with the concise MD&A on pages 76 to 78 and the notes to the concise financial statements set out on pages 84 to 94.

Concise Financial Statements continued

Statement of Changes in Equity continued

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
Capital Reserve		
Opening balance at beginning of financial year	104.6	104.6
Movements during financial year		
Closing balance at end of financial year	104.6	104.6
Minority Interest Acquisition Reserve		
Opening balance at beginning of financial year	(22.4)	
Movements attributable to acquisition	(92.7)	(23.2)
Foreign exchange movements	5.6	0.8
Closing balance at end of financial year	(109.5)	(22.4)
Total reserves	149.7	142.6
Retained Earnings		
Opening balance at beginning of financial year	1,782.5	1,781.2
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)	(0.2)	
Gain/(loss) on utilisation of Treasury shares recognised directly in retained earnings	23.9	(10.3)
Profit for the financial year	415.2	225.5
Dividends forgone pursuant to share election plan	13.6	
Share buyback		(17.0)
Dividends paid	(235.4)	(215.3)
Less: Dividends on Treasury shares	18.6	18.4
Closing balance at end of financial year	2,018.2	1,782.5
Minority Interests		
Opening balance at beginning of financial year	18.8	14.1
Share of movement in profit for financial year	7.4	10.4
Share of movement in share capital	53.4	(0.7)
Foreign exchange/other movements	(6.4)	(5.0)
Closing balance at end of financial year	73.2	18.8
Total equity	3,011.3	2,710.4
Total Recognised Income and Expense for Financial Year		
Non profit items recognised directly in equity	45.4	(3.1)
Profit for the financial year	415.2	225.5
	460.6	222.4
Total income and expense for the financial year attributable to:		
Members of Lend Lease Corporation Limited	453.2	212.0
Minority interests	7.4	10.4
	460.6	222.4

The statement of changes in equity is to be read in conjunction with the concise MD&A on pages 76 to 78 and the notes to the concise financial statements set out on pages 84 to 94.

Statement of Cash Flows
Year Ended 30 June 2006

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
Cash Flows from Operating Activities		
Cash receipts in the course of operations	9,853.0	9,119.3
Cash payments in the course of operations	(9,623.6)	(8,838.9)
Property development receipts	1,704.7	634.5
Property development expenditure	(1,169.5)	(841.1)
Interest received	30.3	50.2
Interest paid	(60.8)	(75.7)
Dividends/distributions received	60.0	52.5
Distributions from partnerships and other investments received	4.6	5.5
Income tax paid in respect of operations	(138.4)	(161.0)
Net cash provided by/(used in) operating activities	660.3	(54.7)
Cash Flows from Investing Activities		
Sale/redemption of investments	260.3	381.3
Acquisition of investments	(274.9)	(499.7)
Sale of other assets		16.0
Acquisition of other assets		(22.7)
Loans from/(loans to) associates/related parties	(26.7)	(48.1)
Acquisition of subsidiaries	(762.1)	
Acquisition of minority interest	(92.5)	(23.6)
Disposal of subsidiaries (net of cash disposed)	1.9	28.6
Sale of property, plant and equipment	10.4	12.8
Acquisition of property, plant and equipment	(26.5)	(31.0)
Net cash (used in)/provided by investing activities	(910.1)	(186.4)
Cash Flows from Financing Activities		
Proceeds from borrowings	2,549.2	105.0
Repayment of borrowings	(2,111.9)	(435.3)
Payments for share buybacks		(21.1)
Dividends paid	(203.2)	(196.9)
Increase/(decrease) in capital of minority interest	(0.3)	(0.2)
Net cash provided by/(used in) financing activities	233.8	(548.5)
Other Cash Flow Items		
Effect of exchange rate changes on cash and cash equivalents	5.9	(28.9)
Net decrease in cash and cash equivalents	(10.1)	(818.5)
Cash and cash equivalents at beginning of financial year	569.6	1,388.1
Cash and cash equivalents at end of financial year	559.5	569.6

The statement of cash flows is to be read in conjunction with the concise MD&A on pages 76 to 78 and the notes to the concise financial statements set out on pages 84 to 94.

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'*. 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 except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, investments held for trading, investments available for sale and investment properties. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

These accounting policies have been consistently applied by all entities in the consolidated entity.

The presentation currency is Australian dollars.

Accounting Estimates and Judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key Sources of Estimation Uncertainty

The consolidated entity's full financial report contains information about the assumptions and their risk factors relating to goodwill impairment, as well as detailed analysis of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

Impairment of Goodwill

The Group assesses whether goodwill is impaired at least annually. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

Defined Benefit Superannuation Fund Obligations

Various actuarial assumptions are utilised in the determination of the Group's defined benefit superannuation/pension fund obligations.

Critical Accounting Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the consolidated financial report. These include:

- When substantially all the significant risks and rewards of ownership of development properties are transferred to the purchaser;
- When construction work performed is greater than 50% complete;
- Whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

2. Segment Reporting

The segment results are discussed and analysed in the concise MD&A included with this Report.

Business Segment Summary

Segment	Segment Revenue ^{1,2}		Group Operating Revenue ³		Segment Result Before Tax ^{4,5,6}		Group Operating Profit/(Loss) Before Tax ⁴		Group Operating Profit/(Loss) After Tax ⁶		Group Operating Profit/(Loss) After Tax ⁶	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Retail and Communities	2,382.1	812.0	2,384.9	819.3	207.0	107.4	243.8	144.2	174.5	101.8	167.5	91.5
Investment Management	128.6	131.7	134.8	225.6	129.7	82.0	274.3	223.1	190.7	137.0	190.5	137.0
Project Management, Construction and PFIs	9,572.2	8,183.8	9,576.6	8,183.8	165.2	120.1	180.8	131.4	134.8	103.7	134.6	103.6
Total Segment	12,082.9	9,127.5	12,096.3	9,228.7	501.9	309.5	698.9	498.7	500.0	342.5	492.6	332.1
Unallocated			30.5	206.6			(126.2)	(148.5)	(77.4)	(106.6)	(77.4)	(106.6)
Total Group			12,126.8	9,435.3			572.7	350.2	422.6	235.9	415.2	225.5

Segment	Segment Assets ⁷		Total Group Assets ⁸		Segment Liabilities ⁷		Total Group Liabilities ⁸	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Retail and Communities	2,306.2	1,823.7	2,531.4	1,982.5	739.2	676.1	943.8	727.1
Investment Management	1,569.9	1,342.3	2,429.2	1,974.8	288.5	275.4	467.3	400.2
Project Management, Construction and PFIs	2,774.8	2,389.0	2,938.6	2,548.1	2,512.3	2,077.1	2,734.2	2,295.6
Total Segment	6,650.9	5,555.0	7,899.2	6,505.4	3,540.0	3,028.6	4,145.3	3,422.9
Unallocated			255.7	419.2			998.3	791.3
Total Group			8,154.9	6,924.6			5,143.6	4,214.2

- ¹ AASB 114 '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 do not include inter-segment transfers between business segments. Inter-segment transfers are priced on an arms length basis.
- ³ Includes A\$6.0 million impairment losses for Retail and Communities (June 2005: A\$13.0 million) in relation to Jacksons Landing which has been recognised following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment.
- ⁴ Group operating profit/(loss) before tax excluding cost savings implementation and Lend Lease/GPT merger scheme costs in June 2005 is A\$147.8 million for Retail and Communities, A\$228.6 million for Investment Management, A\$182.0 million for Project Management, Construction and PFIs and a loss of A\$100.9 million for 'Unallocated'.
- ⁵ Represents Group net profit/(loss) before minority interests.
- ⁶ Group operating profit/(loss) after tax excluding cost savings implementation and Lend Lease/GPT merger scheme costs in June 2005 is A\$94.0 million for Retail and Communities, A\$156.5 million for Investment Management, A\$140.6 million for Project Management, Construction and PFIs and a loss of A\$65.9 million for 'Unallocated'.
- ⁷ AASB 114 '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.
- ⁸ Presentation and classification is consistent with Concise MD&A.

Notes to the Concise Financial Statements continued

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
3. Revenue		
Revenue from the Sale of Development Properties	1,773.4	355.3
Revenue from the Provision of Services	10,129.9	8,616.0
Finance Revenue	33.5	53.3
Other Revenue		
Dividend income	3.5	12.4
Proceeds on sale of investments ¹		187.4
Other	186.5	210.9
Total other revenue	190.0	410.7
Total revenue	12,126.8	9,435.3
4. Other Income		
Net gain on disposal/redemption of available for sale financial assets	40.7	
Net gain on disposal of investment properties	14.5	
Net gain on disposal of investments using the equity method	16.3	
Fair value gain on remeasurement of investment properties ²	14.8	11.7
Share of partnerships' result	3.1	3.2
Other	3.3	
Total other income	92.7	14.9
5. Other Operating Expenses		
Exceptional items included in (profit) before income tax expense:		
Lend Lease/GPT merger scheme costs		68.4
Cost savings implementation expenses		
Employee terminations		33.3
Other		32.5
	-	134.2
6. Taxation		
Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense		
Current year	91.2	153.9
Adjustments for prior years	(17.9)	(15.5)
Benefits of tax losses recognised	(1.2)	(2.8)
	72.1	135.6
Deferred Tax Expense		
Origination and reversal of temporary differences	78.0	(21.3)
Total income tax expense in income statement	150.1	114.3
Reconciliation of Tax Expense		
Profit before tax	572.7	350.2
Income tax using the domestic corporation tax rate (30%)	171.8	105.1
Tax effect of amounts which are not (taxable)/deductible	(3.8)	24.7
Income tax over-provided in previous financial years	(17.9)	(15.5)
	150.1	114.3

1 Prior year comparative information discloses total proceeds in revenue. Net gains on disposal of these investments was A\$19.8 million. Current year net gains on disposal of investments is taken to 'Other Income' (refer Note 4 'Other Income').

2 There is an offsetting expense to fair value of the non interest bearing liability.

A more detailed analysis of revenue is included within the Concise MD&A.

	Cents Per Share	Franked Amount Per Share %	Company	
			2006 A\$m	2005 A\$m
7. Dividends and Earnings Per Share				
Dividends¹				
Interim Dividend				
December 2005 – paid 14 March 2006	30	100	119.8	
December 2004 – paid 8 March 2005	28	nil		111.6
Final Dividend				
June 2006 – declared subsequent to reporting date (payable 13 September 2006)	31	100	123.9	
June 2005 – paid 14 September 2005	29	100		115.6
			243.7	227.2

¹ Dividends includes dividends paid on Treasury shares.

Dividend Franking

The final dividend of 31 cents per share declared since 30 June 2006 will be fully franked. The interim dividend paid on 14 March 2006 (30 cents per share) was fully franked.

The dividend franking account balance at 30 June 2006 is A\$94.6 million based on a 30% tax rate (30 June 2005: A\$155.0 million). 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 financial year, and expected franking debits arising from refunds of tax in dispute. It excludes the A\$53.1 million (June 2005: A\$49.5 million) franking debit impact of the proposed dividend of A\$123.9 million (June 2005: A\$115.6 million) and the franking credits which arose from the payment of tax in dispute in relation to the sale of Westpac shares in 1996.

	Consolidated			
	June 2006		June 2005	
	Weighted Average Shares m	Earnings Per Share Basic/Diluted cents	Weighted Average Shares m	Earnings Per Share Basic/Diluted cents
Earnings Per Share				
Shares excluding Treasury shares	368.5	112.7	366.3	61.6
Shares on issue	399.1	104.0	398.8	56.5

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
Reconciliation of Alternative Earnings		
Profit after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted earnings per share	415.2	225.5
<i>Exclude after tax impact of:</i>		
Cost savings implementation expenses		47.7
Write-off of GPT and Homemaker management agreements		44.2
Lend Lease/GPT merger and net separation costs		19.4
Gain on exit of REI businesses		(11.6)
Earnings used in calculating alternative basic and diluted earnings per share	415.2	325.2

	Consolidated	
	June 2006 Cents	June 2005 Cents
Alternative Earnings Per Share (Basic/Diluted)		
Shares excluding Treasury shares	112.7	88.8
Shares on issue	104.0	81.5

Notes to the Concise Financial Statements continued

8. Key Management Personnel Disclosures

Key management personnel compensation details are set out in Section 3 of the Directors' Report.

Equity Holdings and Transactions

Shareholdings Financial Year Ended 30 June 2006

	Year	Shares Held at Beginning of Financial Year	Shares Received During the Year ^{1,2}	Other Net Change to Shares	Shares Held at End of Financial Year
Non Executive Directors					
D Crawford	2006	17,468	5,540		23,008
	2005	10,674	6,794		17,468
P Colebatch – Appointed 1 December 2005	2006		121	2,000	2,121
	2005				–
G Edington	2006	21,373	1,493		22,866
	2005	19,816	1,557		21,373
P Goldmark	2006	9,998	1,800		11,798
	2005	8,441	1,557		9,998
J Hill – Appointed 8 May 2006	2006				–
	2005				–
R Longes – Resigned 17 November 2005	2006	57,304	1,280	(58,584) ³	–
	2005	55,419	1,885		57,304
D Ryan	2006	10,096	1,781		11,857
	2005		96	10,000	10,096
Executive Directors					
G Clarke	2006	1,000			1,000
	2005	1,000			1,000
R Taylor	2006	91,845	10,580		102,425
	2005	89,406	2,439		91,845
A Chamberlain – Resigned 30 September 2005	2006	1,000		(1,000) ³	–
	2005			1,000	1,000
Executives					
S McCann	2006		458		458
	2005				–
R Johnston	2006	58,933			58,933
	2005	58,003	930		58,933
R Burrows	2006	36,231	1,741		37,972
	2005	35,181	1,050		36,231
R Lourey	2006	64	409		473
	2005		64		64
J Daniel	2006	230			230
	2005	230			230
P Crewes – Resigned 30 June 2006	2006	41,020	1,242	(42,262) ³	–
	2005	40,170	850		41,020
R Fehring	2006	20,149	1,164	(12,500)	8,813
	2005	19,196	953		20,149
M Bellaman	2006				–
	2005				–
P Koziol	2006				–
	2005				–
N Hugill	2006				–
	2005				–
J Spanswick	2006	1,130			1,130
	2005	1,130			1,130
P Marchetto	2006	5,555			5,555
	2005	5,555			5,555
Total	2006	373,396	27,589	(112,346)	288,639
Total	2005	344,221	18,175	11,000	373,396

1. Non Executive Directors' share allocations relating to retirement benefits are made in arrears on 1 January each year. Refer to Section 3b. of the Directors' Report for further details.

2. For Executive Directors and executives, relates to share entitlements under employee benefit vehicles.

3. Balance at retirement/resignation.

Key Management Personnel Compensation

The key management personnel compensation included in employee benefit expenses¹ are as follows:

	Consolidated		Company	
	2006 A\$000s	2005 A\$000s	2006 A\$000s	2005 A\$000s
Short term employee benefits	24,676	18,767	12,649	9,039
Post employment benefits	1,989	1,694	1,070	943
Share based payments	2,033	5,896	1,568	3,539
Other long term benefits	785	2,039		
Termination benefits	3,011	9,914	1,658	1,755
	32,494	38,310	16,945	15,276

Loans to Key Management Personnel

Details regarding the aggregate of loans made to key management personnel and other related parties are as follows:

	Consolidated		Company	
	2006 A\$000s	2005 A\$000s	2006 A\$000s	2005 A\$000s
P Marchetto		390		
M Bellaman ¹		394		
	-	784	-	-

¹ Mr M Bellaman was not classified as a key person until 1 October 2005.

During the year no repayments were made and the balance of the loans outstanding for Mr P Marchetto and Mr M Bellaman were forgiven by the Company. The loans were interest free and payable at call. Interest on Mr P Marchetto's loan of A\$8,596 (June 2005: A\$18,705) would have been charged had the loan been interest bearing. Interest on Mr M Bellaman's loan of A\$19,535 (June 2005: A\$18,901) would have been charged had the loan been interest bearing.

Other Transactions with Key Management Personnel

From time to time Directors and executives of the Company or its consolidated entities, or parties related to them, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

9. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)

These are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of the consolidated entity's full financial report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet as at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet and comparative information for the financial statements for the financial year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's income statements, balance sheets and cash flows is set out in the following tables and the accompanying notes.

Notes to the Concise Financial Statements continued

9. Explanation of Transition to AIFRS continued

Reconciliation of Profit for 2005

	Note 9	Previous GAAP June 2005 A\$m	Consolidated Effect of Transition to AIFRS June 2005 A\$m	AIFRS June 2005 A\$m
Revenue				
Revenue from the sale of development properties	b	378.4	(23.1)	355.3
Revenue from the provision of services	b	8,637.3	(21.3)	8,616.0
Finance revenue		49.9	3.4	53.3
Other revenues	a,b,c,d,e	438.0	(27.3)	410.7
Total revenue		9,503.6	(68.3)	9,435.3
Other Income	e	34.9	(20.0)	14.9
Expenses				
Project Management, Construction and PFI activities	b,c,e,g,h			
Cost of inventories sold		(7,656.3)		(7,656.3)
Other expenses		(462.6)	28.1	(434.5)
Retail and Communities activities	d,g			
Cost of properties sold		(446.8)	10.9	(435.9)
Other expenses		(277.0)	(12.3)	(289.3)
Investment Management activities	g,j	(178.4)	(18.6)	(197.0)
Corporate and administrative activities expenses	a,h,j	(151.1)	(17.5)	(168.6)
Finance costs		(56.6)		(56.6)
Total expenses		(9,228.8)	(9.4)	(9,238.2)
Share of profit of associates accounted for using the equity method	b,d	11.8	94.7	106.5
Share of profit of joint venture entities accounted for using the equity method	b	22.6	9.1	31.7
Profit before tax		344.1	6.1	350.2
Income tax expense	a,f	(123.4)	9.1	(114.3)
Profit after tax		220.7	15.2	235.9
Profit after tax attributable to minority interests	c	(10.0)	(0.4)	(10.4)
Profit after tax attributable to members of Lend Lease Corporation Limited		210.7	14.8	225.5
Earnings per share				
Shares excluding Treasury shares		(cents) 52.8	8.8	61.6¹
Shares on issue		(cents) 52.8	3.7	56.5

1. Previous GAAP has been restated in line with the revised management structure.

Reconciliation of Equity

		Consolidated					
		Previous GAAP July 2004 A\$m	Effect of Transition to AIFRS July 2004 A\$m	AIFRS July 2004 A\$m	Previous GAAP June 2005 A\$m	Effect of Transition to AIFRS June 2005 A\$m	AIFRS June 2005 A\$m
Balance Sheets							
Current Assets							
Cash and cash equivalents	a	1,380.1	8.0	1,388.1	569.0	0.6	569.6
Trade and other receivables	a,b	1,593.3	(49.2)	1,544.1	1,288.9	(119.9)	1,169.0
Inventories	b	380.1	25.1	405.2	556.8	130.3	687.1
Other financial assets		9.0		9.0	16.9		16.9
Other assets		112.7		112.7	169.6		169.6
Total current assets		3,475.2	(16.1)	3,459.1	2,601.2	11.0	2,612.2
Non Current Assets							
Receivables	a,b,c	95.2	(9.5)	85.7	123.7	25.6	149.3
Inventories		1,268.4		1,268.4	1,463.6		1,463.6
Investments accounted for using the equity method	b,c,d	140.1	507.2	647.3	190.1	483.2	673.3
Investment properties	e		71.4	71.4		83.1	83.1
Other financial assets	d	888.7	(371.9)	516.8	1,021.9	(308.4)	713.5
Deferred tax assets	f	255.1	81.6	336.7	289.3	80.1	369.4
Property, plant and equipment		102.8		102.8	102.4		102.4
Intangible assets	g	694.0	(2.9)	691.1	596.0	12.9	608.9
Defined benefit plan asset	h		25.5	25.5		20.0	20.0
Other assets	e	211.2	(36.6)	174.6	169.2	(40.3)	128.9
Total non current assets		3,655.5	264.8	3,920.3	3,956.2	356.2	4,312.4
Total assets		7,130.7	248.7	7,379.4	6,557.4	367.2	6,924.6
Current Liabilities							
Trade and other payables	a,b,i	2,519.6	(3.8)	2,515.8	2,416.1	81.0	2,497.1
Borrowings and financing arrangements		357.1		357.1	500.0		500.0
Current tax liabilities	a	98.4	10.2	108.6	67.9	1.5	69.4
Provisions	i	281.8		281.8	264.3	20.0	284.3
Other financial liabilities		28.1		28.1	11.3		11.3
Other non financial liabilities		43.0		43.0	21.5		21.5
Total current liabilities		3,328.0	6.4	3,334.4	3,281.1	102.5	3,383.6
Non Current Liabilities							
Other payables	c	51.4		51.4	45.5	(7.7)	37.8
Borrowings and financing arrangements		504.9		504.9			
Provisions		37.3		37.3	25.8		25.8
Deferred tax liabilities	f	153.1	73.8	226.9	187.2	75.8	263.0
Other financial liabilities		214.0		214.0	220.4		220.4
Other non financial liabilities	e	6.1	71.4	77.5	6.3	83.1	89.4
Defined benefit plan liability	h		199.2	199.2		194.2	194.2
Total non current liabilities		966.8	344.4	1,311.2	485.2	345.4	830.6
Total liabilities		4,294.8	350.8	4,645.6	3,766.3	447.9	4,214.2
Net assets		2,835.9	(102.1)	2,733.8	2,791.1	(80.7)	2,710.4
Equity							
Issued capital		834.4		834.4	834.6		834.6
Treasury shares	a		(81.2)	(81.2)		(68.1)	(68.1)
Reserves	a,j	71.9	114.2	186.1	44.0	98.6	142.6
Retained earnings	k	1,915.5	(134.3)	1,781.2	1,893.9	(111.4)	1,782.5
Total equity attributable to equity holders of the parent		2,821.8	(101.3)	2,720.5	2,772.5	(80.9)	2,691.6
Minority interests	c	14.1	(0.8)	13.3	18.6	0.2	18.8
Total equity		2,835.9	(102.1)	2,733.8	2,791.1	(80.7)	2,710.4

Notes to the Concise Financial Statements continued

9. Explanation of Transition to AIFRS continued

Notes to the Reconciliation of Profit and Equity

- (a) Under AIFRS, employee benefit vehicles including employee share plans that the Company sponsors, while not legally controlled, are required to be consolidated for accounting purposes, effective 1 July 2004. The assets of the benefit vehicles are primarily Lend Lease shares held in trust for Lend Lease employees or to fund employee programmes via the Lend Lease Foundation. On transition to AIFRS, unallocated shares held by the plans were recognised at their original historic cost of A\$81.2 million as Treasury shares, with corresponding adjustments to the equity compensation reserve (A\$4.8 million), other compensation reserve (A\$76.7 million) and a reduction in retained earnings (A\$3.0 million).

The consolidation of the vehicles also impacts cash, receivables and payables, reflecting the external balances held within the vehicles.

- (b) Revenue and profit from the sale of inventory requires additional conditions to be satisfied under AIFRS 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. Revenue and profit recognition on pre sale residential projects under previous GAAP was accounted for using the percentage completion method. This change results in inventory that was sold under previous GAAP being returned to inventory with a corresponding adjustment to receivables, payables and retained earnings (at 1 July 2004) or profit (at 30 June 2005). Investments accounted for using the equity method that hold inventory have also been adjusted to reflect the change in policy. The reclassification between inventory, receivables and payables during June 2005 is materially higher than July 2004 due to the deferral of the sale of Darling Park III until December 2005. During June 2005, receivables were reclassified from current to non current.

- (c) In accordance with AIFRS, deferred consideration is discounted to present value using discount rates appropriate to the risks associated with the underlying cash flows. The Group has recorded a receivable due from the Jacksons Landing project and from the US Government privatisation projects at present value. The discount is recorded initially against retained earnings in the case of the US Government privatisation project, and investments accounted for using the equity method in the case of Pymont Trust (Jacksons Landing).

- (d) Partnerships over which the investor has significant influence are classified as associates under AIFRS. The Group has identified several partnerships which were classified in 'Other Investments' under previous GAAP. The partnerships affected are the King of Prussia, Lend Lease Overgate Partnership, Yarmouth Capital Partners Limited Partnership and the Lend Lease International Distressed Debt Fund. This has resulted in the reclassification of A\$371.9 million from 'Other Investments' to 'Investments Accounted for Using the Equity Method'. Further, as the underlying assets of the King of Prussia and the Lend Lease Overgate Partnership are investment properties, (which are recorded at fair value under AIFRS) an additional incremental adjustment of A\$131.1 million was recorded against 'Investments Accounted for Using the Equity Method' on transition.

Adjustments at June 2005 include an impairment loss of A\$13.0 million before tax relating to Pymont Trust (Jacksons Landing) following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment.

- (e) Senior Living Properties:

Under AIFRS, villages where Lend Lease has continuing managerial involvement no longer satisfy the revised revenue recognition criteria for sale of inventory. Continuing managerial involvement in the retirement village sector occurs for villages held under leasehold arrangements that have one or more of the following profiles:

- Buyback clauses in the lease agreements;
- Large capital gain sharing arrangements; and/or
- Where the level of care provided is more extensive than independent living, such as serviced apartments.

Retirement villages that satisfied these criteria were recorded at their fair value of A\$71.4 million as 'Investment Properties' with a corresponding amount recognised as 'Other Non Financial Liabilities'.

The calculation of the Group's entitlement to deferred management fees is calculated on a present value basis. The calculation of the fees is based on the anticipated final deferred management fees, utilising the current property value, amortised over the expected tenure of the resident. This represents a reduction in the deferred management fee accrual of A\$36.7 million on transition to AIFRS.

Notes to the Reconciliation of Profit and Equity continued

(f) Deferred Taxes:

On transition to AIFRS, deferred tax assets (DTAs) increased primarily due to the establishment of the Bovis UK Pension Scheme defined benefit plan liability of A\$59.8 million and the Senior Living Properties non financial liability of A\$21.4 million. During the financial year ended June 2005, additional tax losses relating to the USA operations of A\$28.8 million were recognised on application of the revised recognition criteria under AIFRS.

Deferred tax liabilities (DTLs) increased primarily due to the fair value increment relating to the King of Prussia partnership of A\$51.8 million, the establishment of investment property for Senior Living Properties of A\$21.4 million and the creation of the Lend Lease Superannuation Fund defined benefit plan asset of A\$7.6 million.

(g) As a result of the transition to AIFRS, the carrying value of GPT Management Agreements was reclassified from 'Management Agreements' to 'Goodwill'. GPT management agreements were subsequently written-off under AIFRS and previous GAAP during the June 2005 financial year. Goodwill amortisation ceased to be effective from 1 July 2004. Consistent with AIFRS, APPF management agreements were amortised at an accelerated rate (reduced to 10 years).

(h) Lend Lease has two defined benefit superannuation/pension schemes requiring initial recognition under AIFRS: the Bovis UK Pension Scheme (A\$199.2 million deficit) and the Lend Lease Superannuation Fund (A\$25.5 million surplus). The corridor method has been applied prospectively.

(i) During June 2005, the accrual relating to Lend Lease Foundation was reclassified to 'Provisions' from 'Payables'.

(j) Foreign currency translation reserve (FCTR):

At 1 July 2004 the FCTR balance was transferred to retained earnings as the Group applied the voluntary exemption permitting the reset of cumulative translation differences to zero. During the financial year to June 2005 all external investments were held at cost. Foreign exchange losses, previously booked against the FCTR, were booked to the income statement to June 2005. On application of *Financial Instruments Standards AASB 132 and AASB 139* from 1 July 2005, movements in the fair value of the asset (both underlying and currency movements) are booked to the fair value revaluation reserve.

Minority interest acquisition reserve:

Under AIFRS, additional acquisitions subsequent to achieving control are considered to be transactions between equity holders. Therefore, any premium associated with such acquisitions is recognised in equity. On application of the revised accounting policy, goodwill of A\$22.4 million associated with the July 2004 acquisition of Actus Lend Lease was reclassified to the minority interest acquisition reserve.

(k) The effect of the above adjustments on retained earnings at 1 July 2004 is:

	Note 9	Consolidated A\$m
Retained earnings under previous GAAP		1,915.5
Consolidation of employee benefit vehicles	a,j	7.7
Derecognition of revenue from pre completion projects	b	(22.2)
Discounting of deferred revenue (including minority interest adjustment)	c	(2.4)
Increase in investments accounted for using the equity method share of profits	d	131.1
Derecognition of Senior Living Properties deferred management fees	e	(36.7)
Movements in current and deferred taxes	a,f	(2.4)
Accelerated amortisation of management agreements	g	(2.9)
Defined benefit plans net (deficit)/surplus	h	(173.7)
Resetting of FCTR	j	(32.7)
Other adjustments		(0.1)
Retained earnings under AIFRS		1,781.2

Notes to the Concise Financial Statements continued

9. Explanation of Transition to AIFRS continued

Explanation of Material Adjustments to the Statement of Cash Flows for the 2005 Financial Year

As previously noted under AIFRS, employee benefit vehicles including employee share plans that the Company sponsors, while not controlled, are required to be consolidated for accounting purposes. Hence, the Group's statement of cash flows includes the employee benefit vehicles cash balances at each reporting date. The Company has no legal entitlement to the cash. There were no other material differences between the statement of cash flows presented under AIFRS and the statement of cash flows prepared under previous GAAP.

Change in Accounting Policy

Application of Financial Instruments Standards Prospectively from 1 July 2005

In the current financial year, the consolidated entity adopted AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards', which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (fair value revaluation reserve, hedging reserve and retained earnings) at 1 July 2005.

The impact on the balance sheet at 1 July 2005 is as follows:

- Available for sale investments increased by A\$136.1 million. The fair value movement was recorded net of tax against the fair value revaluation reserve in equity. Under previous GAAP, the consolidated entity recorded 'Other Investments' at cost;
- Under previous GAAP, the consolidated entity did not recognise its share of joint venture or associates' derivatives at fair value on the balance sheet. In accordance with AIFRS, these derivatives are now recognised at fair value. The effect on the consolidated entity was to decrease investments accounted for using the equity method against the hedging reserve by A\$3.4 million;
- Under previous GAAP, the mark to market on forward foreign exchange contracts incorporated two components: a foreign exchange gain or loss and a straight line amortisation of the total forward points in accordance with the original counterparty contract. Under AIFRS, fair value is determined by the forward points applicable, which is from balance date to the maturity date of the contract. The effect of the revised valuation methodology was a decrease in retained earnings by A\$0.6 million.

10. Events Subsequent to Balance Date

Sale of Three Master Planned Community Developments

On 12 July 2006, Lend Lease sold the development rights to three Australian master planned community developments, being Ropes Crossing in New South Wales, Lakeside in Victoria and Woodlands in South East Queensland, for total proceeds of A\$186.1 million. The buyer was Lend Lease Communities Fund 1, Australia's first wholesale communities fund (refer below). Delfin Lend Lease will continue to operate as development manager in relation to the projects on behalf of the fund.

Investment in Lend Lease Communities Fund 1

On 12 July 2006, the Lend Lease Communities Fund 1 was launched, with Lend Lease investing A\$25.0 million into the fund, representing a 20.8% co-investment interest.

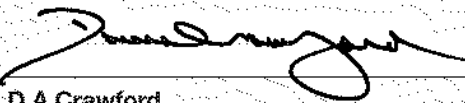
The financial effects of the above transactions have not been brought to account in the financial statements for the financial year ended 30 June 2006.

Directors' Declaration

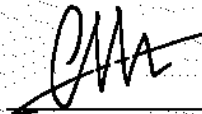
In the opinion of the Directors of Lend Lease Corporation Limited the accompanying Concise Financial Report set out on pages 76 to 94 and the remuneration disclosures that are contained in the Remuneration Report in Section 3 of the Directors' Report of the consolidated entity, comprising Lend Lease Corporation Limited and its consolidated entities for the financial year ended 30 June 2006:

- a. Has been derived from and is consistent with the full financial report for the financial year ended 30 June 2006;
- b. Complies with the *Accounting Standard AASB 1039 'Concise Financial Reports'*.

Sydney, 16 August 2006.



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

The financial report, remuneration report and directors' responsibility

The concise financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes 1 to 10 and the accompanying discussion and analysis on the income statement, statement of changes in equity, balance sheet, and statement of cash flows, for Lend Lease Corporation Limited ("the Company") and its controlled entities ("the Consolidated Entity") for the year ended 30 June 2006.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), including those required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading 'Remuneration report' in Section 3 of the directors' report and not in the concise financial report.

The directors of the Company are responsible for the preparation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports. 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 concise financial report. The directors are also responsible for the remuneration report contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise 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 have also performed an independent audit of the full financial report and the remuneration report of the Company and its controlled entities for the year ended 30 June 2006. Our audit report on the full financial report and the remuneration report was signed on 16 August 2006, and was not subject to any qualification.

We performed procedures in respect of the audit of the concise financial report to assess whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures, which were not directly derived from the full financial report.

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 concise financial report of Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

Sydney, 16 August 2006.

KPMG
Chairman

G R Wilson
Partner

Shareholder Information

Stock Exchange Listings and Code

Lend Lease Corporation Limited is listed on the Australian and New Zealand Stock Exchanges and trades under the code 'LLC'.

American Depositary Receipts

In the US, Lend Lease shares are traded in the form of sponsored American Depositary Receipts (ADRs) on the 'over the counter' market under the symbol 'LLESY'. Each ADR represents one ordinary share. Information about ADRs is available from the depositary, The Bank of New York (www.adrbny.com).

Share Accumulation Plan

The Share Accumulation Plan is designed to be a convenient way for shareholders with a registered address in Australia or New Zealand to build their shareholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer shares in this way.

Lend Lease shareholders are able to reinvest their dividends to acquire more Lend Lease shares through the Dividend Reinvestment Plan (DRP) or the Share Election Plan (SEP). Shareholders may also make contributions of between A\$500 and A\$2,500 to acquire new Lend Lease shares under the Share Purchase Plan (SPP). Together the DRP, SEP and SPP constitute the Share Accumulation Plan.

The Share Accumulation Plan has been suspended with effect from the dividend payable in September 2003 for the SEP and SPP and from the dividend payable in March 2004 for the DRP. The Share Election Plan was re-instated for dividends payable from September 2005, however, the Dividend Reinvestment and Share Purchase Plans remain suspended.

The rules of each of these plans are set out in the Share Accumulation Plan Information Sheet. Copies are available from the Share Registry (Link Market Services Limited) or the Lend Lease website.

Share Disposition Facility

As a service to small shareholders, a Share Disposition Facility (SDF) is provided which allows shareholders to sell part of their shareholding in a convenient and cost effective manner without incurring any brokerage costs. The SDF allows shareholders to sell that number of their Lend Lease shares with a value of up to \$1,500 every six months.

Annual Report

This Annual Report can be found on our website. Shareholders may elect to receive their Annual Report electronically by logging onto the Share Registry's website www.linkmarketservices.com.au and following the instructions. Shareholders who do not wish to receive future reports may also record this election via the Share Registry's website or may alternatively contact the Share Registry. Shareholders electing not to receive Annual Reports will continue to receive all other shareholder information, including Notices of Annual General Meetings.

Privacy Legislation

Under Chapter 2C of the Corporations Act 2001, a shareholder's information (including the name, address and details of shares held) is required to be included in Lend Lease's public register. This information must continue to be included in Lend Lease's public register for seven years after a person ceases to be a shareholder. These statutory obligations are not altered by the Privacy Amendment (Private Sector) Act 2000. Information is collected to administer the shareholder's holding and if some or all of the information is not collected, then it might not be possible to administer the holding. Lend Lease's privacy policy is available on our website. The Share Registry's privacy policy is available on its website (www.linkmarketservices.com.au).

Shareholder Information

Dividend and Share Accumulation Plan Issue Price History

Payment Date	Dividend	Dividend per share	Franking Rate	DRP price AS	SEP price AS	SPP price AS
13 September 2006	Final*	31 cents	100%	suspended	15.50	suspended
14 March 2006	Interim*	30 cents	100%	suspended	13.32	suspended
14 September 2005	Final*	29 cents	100%	suspended	13.14	suspended
8 March 2005	Interim*	28 cents	nil	suspended	suspended	suspended
15 September 2004	Final*	26 cents	nil	suspended	suspended	suspended
17 March 2004	Interim*	18 cents	nil	suspended	suspended	suspended
18 September 2003	Final*	20 cents	nil	10.64	suspended	suspended
19 March 2003	Interim*	10 cents	100%	8.71	8.71	8.71
19 September 2002	Final*	9 cents	100%	11.02	11.02	11.02
20 March 2002	Interim*	9 cents	100%	11.79	11.79	11.79
13 September 2001	Final*	8 cents	100%	10.97	suspended	10.97
14 March 2001	Interim*	13 cents	nil	14.85	suspended	14.85
14 September 2000	Final*	32 cents	100%	19.82	19.82	suspended
15 March 2000	Interim*	32 cents	100%	20.34	20.34	20.34
16 September 1999	Final*	31 cents	100%	19.66	19.66	19.66
17 March 1999	Interim*	29 cents	100%	21.46	21.46	21.46
17 September 1998	Final	54 cents	100%	34.12	34.12	34.12
18 March 1998	Interim	53 cents	100%	35.06	35.06	35.06
18 September 1997	Final	50 cents	100%	30.48	30.48	30.48
19 March 1997	Interim	48 cents	100%	23.41	23.41	23.41
1 November 1996	Final	47 cents	100%	20.71	20.71	20.71
29 March 1996	Interim	43 cents	100%	17.47	17.47	N/A
3 November 1995	Final	38 cents	100%	16.89	16.89	N/A
28 June 1995	2nd Interim	11 cents	100%	16.84	16.84	N/A
31 March 1995	Interim	36 cents	100%	15.08	15.08	N/A
28 October 1994	Final	36 cents	100%	15.18	15.18	N/A
27 June 1994	2nd Interim	10 cents	100%	15.10	15.10	N/A
13 April 1994	Interim	34 cents	100%	16.10	16.10	N/A
22 October 1993	Final	33 cents	100%	suspended	suspended	N/A
15 July 1993	Special	10 cents	nil	12.79	12.79	N/A
29 March 1993	Interim	33 cents	100%	suspended	suspended	N/A

* 1:1 bonus share issue was implemented in December 1998.

Share Information at a glance at 31 August 2006 (31 August 2005)

	2006	2005
Number of shareholders	50,181	52,501
Shares issued	400 million	399 million
Percentage owned by 20 largest shareholders	76.10%	74.83%
Interim dividend	30 cents per share (100% franked)	28 cents per share (unfranked)
Final dividend	31 cents per share (100% franked)	29 cents per share (100% franked)
Total dividend	61 cents per share	57 cents per share
Dividend payout ratio	68.8%	79.5% ¹

¹ Restated for AIFRS

Shareholder Information

Spread of Shareholdings

Details of the spread of shareholdings at 31 August 2006 (31 August 2005) are as follows:

	2006	2005
1 to 1,000 shares	29,877	31,535
1,001 to 5,000 shares	17,264	17,935
5,001 to 10,000 shares	1,913	1,920
10,001 to 100,000 shares	1,033	1,024
100,001 shares and over	94	87
Total number of shareholders	50,181	52,501
Shareholders with less than a marketable parcel	1,473	1,509
	(representing 18,162 shares)	(representing 21,386 shares)

Twenty Largest Shareholders at 31 August 2006

Name	No. of Shares	% of Issued Capital
Westpac Custodian Nominees Limited	68,022,091	17.02
J P Morgan Nominees Australia Limited	51,365,621	12.85
National Nominees Limited	41,662,882	10.42
LL Employee Holdings Custodian Pty Limited	38,106,756	9.53
Citicorp Nominees Pty Limited	27,485,464	6.88
ANZ Nominees Limited	23,677,017	5.92
Cogent Nominees Pty Limited	12,647,236	3.16
AMP Life Limited	6,864,019	1.72
RBC Dexia Investor Services Australia Nominees Pty Limited	6,507,321	1.63
Tasman Asset Management Limited	5,739,127	1.44
Australian Reward Investment Alliance	4,741,507	1.19
HSBC Custody Nominees (Australia) Limited	4,670,337	1.17
Queensland Investment Corporation	3,545,226	0.89
IAG Nominees Pty Limited	1,941,997	0.49
Merrill Lynch (Australia) Nominees Pty Limited	1,646,275	0.41
Argo Investments Limited	1,446,750	0.36
Promina Equities Limited	1,342,784	0.33
Victorian Workcover Authority	1,095,825	0.27
Bond Street Custodians Limited	924,043	0.23
Transport Accident Commission	781,355	0.19
		76.10

Substantial Shareholders as shown in the Company's Register at 31 August 2006

Name	Date of Last Notice Received	No. of Shares	% of Issued Capital
Balanced Equity Management Pty Ltd	16 November 2004	27,761,041	6.96
Commonwealth Bank of Australia	31 August 2006	25,306,548	6.33
LL Employee Holdings Custodian Pty Limited ¹	21 November 2005	38,903,525	9.75
Schroder Investment Management Australia Limited	21 October 2005	24,893,279	6.24

¹ This is a Lend Lease employee benefit vehicle.

Directory

Lend Lease Corporation Limited

ABN 32 000 226 228
Incorporated in New South Wales,
Australia

Registered Office

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Telephone: 61 (2) 9236 6111
Facsimile: 61 (2) 9252 2192
Website:
www.lendlease.com

Directors

D A Crawford
Chairman

G A Clarke
Managing Director and
Chief Executive Officer

P M Colebatch

G G Edlington

P C Goldmark

J A Hill

D J Ryan

R H Taylor

Secretary

S J Sharpe

Stock Exchange Listings

Australia
New Zealand

Auditors

KPMG
10 Shelley Street
Sydney NSW 2000

Share Registry and Shareholder Queries

Principal Register
Link Market Services Limited
(formerly ASX Perpetual
Registrars Limited)
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Telephone: 1800 230 300
(within Australia) or
61 (2) 8280 7123
(outside Australia)

Facsimile: 61 (2) 9287 0303
Email:
registrars@linkmarketservices.com.au
Website:
www.linkmarketservices.com.au

UK Register

B Davis & Co
Park House
158 – 160 Arthur Road
Wimbledon Park
London SW19 8AQ
Telephone: 44 (20) 8927 3361
Facsimile: 44 (20) 8944 1039

USA Agent

The Bank of New York
Investor Services
PO Box 11258
Church Street Station
New York NY 10286-1258
Telephone: 1 (212) 815 3700
Email:
shareowners@bankofny.com
Website:
www.adrbny.com

Investor Information

Lend Lease's Annual Report, financial
statements and other information on the
Lend Lease Group can be obtained from
Investor Relations.

Telephone: 61 (2) 9236 6065
Facsimile: 61 (2) 9252 2192
Email:
lend.lease.investor.relations@lendlease.com.au
Website:
www.lendlease.com

2007 Financial Calendar

Announcement of Half Year Results
February

Interim Dividend Payable
March

Announcement of Full Year Results
August

Final Dividend Payable
September

Annual General Meeting
November

Annual General Meeting

The 2006 Annual General Meeting
of Lend Lease Corporation Limited
will be held at 10.00am on Thursday,
16 November 2006 at the Sydney
Entertainment Centre, 35 Harbour Street,
Darling Harbour, Sydney NSW 2000
Australia. Full details of the Meeting
are contained in the Notice of Annual
General Meeting sent with this Report.

Paper specifications

The cover and pages 1 to 48 of this report are printed on 9Lives 80, an environmentally responsible paper, containing 80% post consumer fibre and 20% totally chlorine free pulp. It is an FSC certified mixed source paper, ensuring all virgin pulp is derived from well-managed forests. It is also manufactured by an ISO 14001 certified mill.

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2006 Annual Consolidated
Financial Report

2006 Annual Consolidated Financial Report

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Lend Lease Corporation Limited
ABN 32 000 226 228

Annual General Meeting

The 2006 Annual General Meeting of Lend Lease Corporation Limited will be held at 10.00am on Thursday 16 November 2006 at Sydney Entertainment Centre, 35 Harbour Street, Darling Harbour, Sydney NSW 2000.

Full details of the Meeting are contained in the Notice of Annual General Meeting sent with this report.

Front cover images, from top to bottom:
Clarence Dock, Leeds, UK; Macarthur Square, Sydney, Australia; Plantation Place, London, UK; sustainable people places.

Directors' Report

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Directors' Report continued

The Directors present their Report together with the Annual Consolidated Financial Report of the consolidated entity, being the Company and its consolidated entities ('Lend Lease') for the financial year ended 30 June 2006 and the Audit Report thereon.

1. Governance

a. Board/Directors

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 62

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. He is a member of the Nomination 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. He holds a 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 (appointed May 1994), Foster's Group Limited (appointed August 2001) and Westpac Banking Corporation (appointed May 2002). He was formerly a Non Executive Director of National Foods Limited (appointed November 2001, resigned June 2005).

G A Clarke, Managing Director (Executive)

Age 48

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

Experience and Qualifications

Mr Clarke brings more than 25 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. He holds a BA (Hons) Business Studies and an MBA.

Other Directorships and Positions

Mr Clarke is a Non Executive Director of The British United Provident Association Limited (BUPA), the largest private health provider in the UK (appointed April 2001).

P M Colebatch (Non Executive)

Age 61

Mr Colebatch joined the Board on 1 December 2005 and is a member of the Risk Management and Audit Committee and the Nomination Committee.

Experience and Qualifications

Mr Colebatch has a Bachelor of Science and Bachelor of Engineering from the University of Adelaide, a Master of Science from Massachusetts Institute of Technology and a Doctorate in Business Administration from Harvard University. He has held senior management positions in insurance and investment banking, and was formerly on the Executive Board of Swiss Reinsurance Company, Zurich. He was previously on the Executive Board of Credit Suisse Group, Zurich where he was Chief Financial Officer and subsequently Chief Executive Officer of Credit Suisse Asset Management.

Other Directorships and Positions

Nil.

G G Edington (Non Executive)

Age 60

Mr Edington joined the Board in 1999 and is a member of the Risk Management and Audit Committee, the Personnel and Organisation Committee and the Nomination 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 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 Edlington is Chairman of The Council of NCH, a leading children's charity and provider of children's services in the UK.

P C Goldmark (Non Executive)

Age 65

Mr Goldmark joined the Board in 1999 and is Chairman of the Personnel and Organisation Committee and a member of the Nomination 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 Chief Executive Officer of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was for 10 years the President and Chief Executive Officer of the Rockefeller Foundation in New York. He has held positions including 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 Chief Executive Officer and senior executive in the private and public sectors, both in the US and internationally.

Other Directorships and Positions

Nil.

J A Hill (Non Executive)

Age 60

Ms Hill joined the Board on 8 May 2006 and is a member of the Nomination Committee.

Experience and Qualifications

Ms Hill has held a number of senior executive positions in the land development and housing construction industry in North America. She was formerly the Chairman, President and Chief Executive Officer of Costain Homes, Inc. (US) and Vice President and General Manager, Mobil Land (Georgia) Corporation. She has a Bachelor of Arts from the University of California in Los Angeles and a Master of Arts in marketing and management from the University of Georgia.

Other Directorships and Positions

Ms Hill is a Non Executive Director of Wellpoint, Inc. (appointed March 1994) and Resources Connection, Inc. (appointed January 2003).

D J Ryan AO (Non Executive)

Age 54

Mr Ryan was appointed a Director on 10 December 2004. He is Chairman of the Risk Management and Audit Committee and a member of the Nomination Committee.

Experience and Qualifications

Mr Ryan has previously held Managing Director positions in investment banking and industry, as well as being the Chairman or a Non Executive Director of a number of listed public companies. He has a Bachelor of Business from the University of Technology, Sydney and is a Fellow of both CPA Australia and the Australian Institute of Company Directors.

Other Directorships and Positions

Mr Ryan is a Non Executive Director of Transurban Holdings Limited (appointed April 2003), ABC Learning Centres Limited (appointed June 2003) and Tooth & Co Limited (appointed September 1999). He was formerly a director of Virgin Blue Holdings Limited (appointed November 2003, resigned April 2005).

R H Taylor (Executive)

Age 44

Mr Taylor joined the Board as an Executive Director on 10 December 2004 and is a member of the Nomination Committee.

Experience and Qualifications

Mr Taylor joined Lend Lease in 1985 as an engineer and held several positions in Australia and Asia before being appointed Managing Director of Lend Lease's Project Management and Construction business in 1995. Following the acquisition of the Bovis Group in 1999 he was appointed Global Chief Executive Officer of the combined Bovis Lend Lease businesses based in London and in 2001 his responsibilities were expanded to include Lend Lease's development activities. In 2003 he returned to Australia to take up the role of Chief Executive Officer Asia Pacific and was recently appointed Chief Executive Officer Retail and Communities. He holds a Bachelor of Civil Engineering (Honours) from the University of Queensland.

Other Directorships and Positions

Nil.

Directors' Report continued

1. Governance continued

a. Board/Directors continued

Former Directors

Since the date of the last report Mr R Longes retired as Deputy Chairman on 17 November 2005, having joined the Board on 22 May 1986. Mr A Chamberlain retired on 30 September 2005, having joined the Board on 10 September 2004.

b. Company Secretary's Qualifications and Experience

S J Sharpe

Ms Sharpe was appointed Deputy Company Secretary in 1995 and Company Secretary in 1997. She has held a number of senior executive positions and subsidiary board directorships in the Lend Lease Group. She has a Bachelor of Business from the University of Technology, Sydney and is an Associate of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Former Secretary

Since the date of the last report Mr P W Crewes retired as General Counsel and Group Secretary on 30 June 2006, having been appointed on 3 November 1995.

c. Officers Who Were Previously Partners of the Audit Firm

Mr Crawford was a Partner and Australian National Chair of KPMG. He resigned from this position on 28 June 2001 prior to his appointment as a Director of the Company on 19 July 2001. KPMG or its predecessors was appointed as the Company's auditor at its first Annual General Meeting in 1958.

d. Directors' Meetings

During the financial year, 10 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 three permanent committees of the Board:

Nomination Committee

During the year the Board established a Nomination Committee. This Committee, which consists of all members of the Board, considers nominations to the Board and ensures there is an appropriate mix of expertise, skills and experience on the Board. During the financial year 1 July 2005 to 30 June 2006, all meetings of the Nomination Committee were held in conjunction with Board meetings.

Personnel and Organisation Committee

Comprising a majority of Non Executive Directors, the Personnel and Organisation Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and assists the Board in ensuring that appropriate policies are in place for people management and remuneration across all the Company's businesses worldwide. During the financial year 1 July 2005 to 30 June 2006, four meetings of the Personnel and Organisation Committee were held.

Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. This Committee assists the Board by reviewing the risk management and compliance systems in all the Company's businesses worldwide and ensuring that assets are protected against financial loss, legal and regulatory obligations are met and proper accounting and auditing practices are maintained. During the financial year 1 July 2005 to 30 June 2006, four meetings of the Risk Management and Audit Committee were held.

Attendance at Meetings of Directors 1 July 2005 to 30 June 2006

Director	Board Meetings		Risk Management and Audit Committee Meetings		Personnel and Organisation Committee Meetings		Other ² Committee Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
D Crawford	10	10	2	2			2	2
G Clarke	10	10			4	4	6	6
A Chamberlain ³	3	3						
P Colebatch ⁴	5	5	2	2			5	5
G Edington	10	10	4	4	4	4	3	3
P Goldmark	10	9			4	4		
J Hill ⁵	2	2					1	1
R Longes ⁶	5	5	2	2				
D Ryan	10	10	4	4			9	9
R Taylor	10	10					1	1

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

2 Committees constituted to address specific issues.

3 Mr Chamberlain resigned as a Director on 30 September 2005.

4 Mr Colebatch was appointed as a Director on 1 December 2005.

5 Ms Hill was appointed as a Director on 8 May 2006.

6 Mr Longes resigned as a Director on 17 November 2005.

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

e. Interest in Capital

The interest of each of the Directors in the issued shares of the Company at 16 August 2006 (17 August 2005) is set out below.

Director	Shares Held Directly 2006	Shares Held Beneficially/Indirectly 2006 ¹	Total 2006	Shares Held Directly 2005	Shares Held Beneficially/Indirectly 2005 ¹	Total 2005
D Crawford	4,395	18,613	23,008	4,395	13,073	17,468
G Clarke	1,000		1,000	1,000		1,000
A Chamberlain ²				1,000		1,000
P Colebatch ³	2,000	121	2,121			
G Edington	15,000	7,866	22,866	15,000	6,373	21,373
P Goldmark	3,000	8,798	11,798	3,000	6,998	9,998
J Hill ⁴	2,000		2,000			
R Longes ⁵				13,602	43,702	57,304
D Ryan	10,000	1,857	11,857	10,000	96	10,096
R Taylor	7,899	94,526	102,425	7,899	83,946	91,845

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

2 Mr Chamberlain resigned as a Director on 30 September 2005.

3 Mr Colebatch was appointed as a Director on 1 December 2005.

4 Ms Hill was appointed as a Director on 8 May 2006.

5 Mr Longes resigned as a Director on 17 November 2005.

2. Operations

a. Principal Activities

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

- Retail and Communities: comprising retail property management, asset management and development. The Communities business is involved in the development of large scale urban communities, including Senior Living;
- Investment Management: providing real estate investment management services, including direct and indirect ownership interests in property investments;
- Project Management, Construction and Private Financing Initiatives (PFIs): comprising construction, project management, engineering and design services.

Directors' Report continued

2. Operations continued

b. Review and Results of Operations

A full review of operations is included in the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of the Annual Consolidated Financial Report.

c. Dividends

The 2005 final dividend of A\$115.6 million (29 cents per share, franked) referred to in the Directors' Report dated 17 August 2005 was paid on 14 September 2005.

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

	A\$m
Interim dividend of 30 cents per share (franked) paid on 14 March 2006	119.8
Final dividend of 31 cents per share (franked) declared by Directors to be paid on 13 September 2006	123.9
	243.7

d. Significant Changes in State of Affairs

During the 2006 financial year, Lend Lease acquired The Crosby Group plc (a UK-based urban regeneration specialist) and the final 12.5% minority stake in Actus Lend Lease (which provides family housing for the US military). Lend Lease also sold businesses in the North American real estate investment market.

During the prior year, GPT unitholders voted in favour of the internalisation of management therefore removing GPT Management Limited as the responsible entity effective 6 June 2005. Lend Lease also sold Lend Lease Rosen and Rosen Consulting in the USA and the asset management and debt servicing businesses in Korea and Japan.

e. Events 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:

Sale of Three Master Planned Community Developments

On 12 July 2006, Lend Lease sold the development rights to three Australian master planned community developments, being Ropes Crossing in New South Wales, Lakeside in Victoria and Woodlands in South East Queensland for total proceeds of A\$186.1 million. The buyer was Lend Lease Communities Fund 1, Australia's first wholesale communities fund (refer below). Delfin Lend Lease will continue to operate as development manager in relation to the projects on behalf of the fund.

Investment in Lend Lease Communities Fund 1

On 12 July 2006, the Lend Lease Communities Fund 1 was launched, with Lend Lease investing A\$25.0 million into the fund, representing a 20.8% co-investment interest.

f. 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. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

g. Environmental Regulation

Lend Lease is subject to many environmental regulations associated with 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. Lend Lease businesses report quarterly on environmental regulation compliance matters including breaches and fines.

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 Sustainability section of the Annual Report.

3. Remuneration Report

The information provided under headings 3a. to 3f. includes remuneration disclosures that are required under *Accounting Standard AASB 124 'Related Party Disclosures'*. These disclosures have been transferred from the financial report and have been audited. The term 'remuneration' has been used in the Remuneration Report. This term has the same meaning as the alternative term 'compensation', as defined in *AASB 124*.

a. Details of Key Management Personnel and Other Executives – Audited

Key Management Personnel

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including Directors of the Company and executives.

Directors

Non Executive Directors

D Crawford	Chairman
P Colebatch	Appointed 1 December 2005
G Edington	
P Goldmark	
J Hill	Appointed 8 May 2006
R Longes	Resigned 17 November 2005
D Ryan	

Executive Directors

G Clarke	Managing Director and Chief Executive Officer
R Taylor	Chief Executive Officer Retail and Communities
A Chamberlain	Resigned 30 September 2005

Executives

S McCann	Chief Executive Officer Investment Management – Commenced 5 September 2005
R Johnston	Chief Executive Officer Project Management, Construction and PFI
R Burrows	Chief Financial Officer
R Lourey	Group Head Human Resources
J Daniel	Group Head Environment, Health and Safety
P Crewes	General Counsel and Company Secretary – Resigned 30 June 2006
R Fehring	Chief Executive Officer Lend Lease Communities Asia Pacific
M Bellaman	Chief Executive Officer Lend Lease Communities and Retail Americas – Commenced role 1 October 2005
P Koziol	Chief Executive Officer Lend Lease Communities Americas – Transferred from executive management role 1 October 2005
N Hugill	Chief Executive Officer Lend Lease Communities Europe, Middle East and Africa – Commenced 15 August 2005
J Spanswick	Chairman Bovis Lend Lease Global
P Marchetto	Chief Executive Officer Bovis Lend Lease Americas

Other Executives¹

R Butler	Development Director, Lend Lease Crosby Group – Commenced 15 August 2005
B Soller	Deputy Chief Financial Officer
C Cree	Group Head of Risk – Resigned 15 April 2006

¹ 'Other Executives' represents employees in the category of five highest paid Group or Company executives.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited

Directors and Executives

Remuneration Philosophy

Lend Lease's Remuneration Policy is determined by the Board on the recommendation of the Personnel and Organisation Committee (P&O Committee). The Board recognises that Lend Lease operates in an international marketplace and as such aims to recruit, motivate and retain highly skilled employees who can operate in this environment. Lend Lease's policy is to reward senior executives with market competitive remuneration 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, and of companies of similar size, complexity and international scope. The remuneration of the Non Executive Directors is not linked to the performance of the Company in order to maintain their independence and impartiality.

Remuneration paid by Lend Lease is designed to be appropriate and competitive in each of its business locations, having regard to local practice on issues such 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 remuneration for expatriate executives.

In determining the remuneration structure outlined in this report, the Board's remuneration philosophy is focused on ensuring:

- The structure is the best fit with the needs of the organisation and its strategy;
- Remuneration levels are commensurate with appropriate external comparators;
- Alignment of performance targets with the interests of shareholders;
- Alignment of short term and long term performance targets to ensure consistent behaviour;
- A mix of cash and share based remuneration to align the interests of executives with those of shareholders.

With this philosophy in mind, the Board undertook a full review of incentive arrangements and as a result changes are proposed to the way that the short term and long term incentive arrangements will operate for the June 2007 financial year and are set out in the relevant sections of this Report.

Lend Lease's approach is to provide a balance of fixed and performance based remuneration with an emphasis on increasing 'at risk' remuneration and this is reflected in changes to the structure of the Short Term Incentive Plan in particular for the June 2007 financial year.

The Board sets salaries at competitive levels for the relevant role, targeted around median against comparator companies in Australia and overseas, and takes into account market conditions and personal performance over the year under review. Total remuneration is set to achieve upper quartile against the relevant market norm if target performance is achieved, which the Board considers to be a stretch.

The P&O Committee benchmarks information available in published job matched surveys of similar corporations and if appropriate, it also commissions 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 and other key managers require prior approval from the Chief Executive Officer. This applies to internal appointments and external hires except for the internal audit role, for which remuneration is set by the Risk Management and Audit Committee. In addition, all internal appointments with a base salary in excess of A\$300,000 in Australia, US\$220,000 in the USA and £120,000 in the UK, for whom a base salary increase of 10% or above is proposed, require prior approval from the Chief Executive Officer.

Elements of Remuneration

The remuneration framework consists of three principal elements:

- Fixed Remuneration (base salary, superannuation and other benefits);
- Short Term Incentives (annual cash and an equity related deferral);
- Long Term Incentives (cash or share based performance rights).

Fixed Remuneration

Current Arrangements

The salaries of the Chief Executive Officer, the Executive Directors, the Chief Executive Officers of the core businesses and corporate functional heads are set by the P&O Committee subject to approval by the Board. Historically, salary changes have taken effect from July of each year. In the case of the Executive Directors and line of business unit Chief Executive Officers, the Committee is assisted in this review by the Chief Executive Officer and the Group Head of Human Resources.

The other elements of fixed remuneration include those typically enjoyed in the geography where the key person or executive is employed. These may include a car, medical cover, employee share plan subscriptions, superannuation and pension contributions, life and/or disability cover and in the case of international assignees, housing, schooling and tax return preparation. The value of these other benefits provided to key personnel is set out in Section 3c. of this Report. Executives will not necessarily have entitlement to all these benefits.

Arrangements for the June 2007 Financial Year

From the June 2007 financial year, any changes to the levels of fixed remuneration for key management personnel will take effect in September of each year. This will allow management and the P&O Committee more time to review and fix incentive payments for the year just concluded and to set performance objectives for the year just begun.

Short Term Incentives (STIs)

From the 2007 financial year the STI policy will change.

Current Arrangements

Annual bonus payments are based on actual achievement measured against challenging financial and individual performance targets relevant to the individual's role in the Company and are 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 two areas:

- **Financial** – such as achievement of profitability, operating cash flow, new work secured, return on capital employed and other financial targets relevant to the part of the business in which the executive works;
- **Non Financial Organisation** – achievement of personal objectives related to specific non financial business targets such as Environment Health and Safety, business growth and people development.

Annual bonuses may be awarded in cash or awards from Lend Lease Employee Share Plans (ESP).

For Executive Directors and other senior executives, 75% of the STI potential is measured using financial measures with the remaining 25% being measured on non financial organisation measures.

For the financial element only, nothing is paid if actual performance is not at least 90% of target value rising on a straight line basis to the target level. For above target performance an additional upside opportunity of +10% of target opportunity is possible for +10% achievement.

For the non financial organisation element, there is no further upside opportunity above target performance level. Nothing is payable if individual performance is not considered satisfactory as measured against the objectives set at the beginning of the performance period. The current STI arrangements are summarised as follows:

Performance Area	% Allocated to Performance Area	% Achievement	Award Potential
Financial	75	Less than 90	No award
		90 – 100	Award on a straight line basis
		Greater than 100	Award on a straight line basis to a maximum of 110%
Non financial	25	Up to 100	Award on assessment against agreed objectives

The maximum opportunity for Executive Directors and executives for the June 2006 financial year is as follows:

	June 2006 STI – Maximum Opportunity %	Calculated On
G Clarke	120	Base salary
R Taylor	81	Total package value ¹
Other key personnel and executives	32 – 108	Australia: Total package value ¹ UK and USA: base salary

¹ Total package value equates to base salary, fringe benefits plus superannuation.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited continued

Directors and Executives continued

Elements of Remuneration continued

Short Term Incentives (STIs) continued

Arrangements for the June 2007 Financial Year

For the June 2007 financial year the P&O Committee has changed the operation of the STI to provide better alignment between annual and long term plans and with the interests of shareholders. It will now add a deferred element that will be linked to the value of Lend Lease shares. The cash element of the STI will be reduced compared with opportunity levels in the June 2006 financial year before adding on the deferred element. Exceptions to this must be agreed to by the P&O Committee. In addition, the upside opportunity for performance above target will be increased to incentivise exceptional financial performance.

For the June 2007 financial year the P&O Committee has determined that the financial element will be measured against profit after tax. The upside opportunity for the financial element only will be increased to +25% of target opportunity for +10% of target performance achievement. The new STI structure will operate as follows: performance of the executive is measured against the financial and non financial organisation targets following the end of the performance year. An element of the STI is then paid in cash, usually in September following the year end, depending on the degree of performance achieved. The remaining element is deferred into an amount of Lend Lease shares or notional share value based on the share price at the date of determination of the bonuses. The shares (or share value if shares are not practicable) are then held in trust on behalf of the executive for the deferral period. For executives to receive the full deferral they must usually be employed by the Group at the date of vesting of the deferral element. The usual deferral period will be one year from the date of grant.

The split of the cash and the deferred elements for Executive Directors and executives for the June 2007 financial year will be as follows:

	June 2007 STI Cash Element – Maximum Opportunity %	June 2007 STI Deferred Element – Maximum Opportunity %	Calculation On
G Clarke	119	59	Base salary
R Taylor	83	59	Total package value ¹
Other key personnel and executives	30 – 107	18 – 36	Australia: Total package value ¹ UK and USA: Base salary

1. Total package value equates to base salary, fringe benefits plus superannuation.

Long Term Incentives (LTIs)

From the 2007 financial year the LTI policy is under review.

Current Arrangements

Lend Lease's current LTIs 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 executives with the long term interests of Lend Lease and its shareholders;
- Attracting and retaining high calibre executives by providing competitive rewards that relate to the performance of both the individual executive and the Lend Lease share price.

LTI grants are normally made in July each year and are based on competitive remuneration practice. LTIs are payable in cash or Lend Lease shares, with payments made upon vesting if performance hurdles are met. While the programme rules allow payment in either cash or shares, Lend Lease has historically settled LTI benefits in cash. 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;
- The performance of the Company;
- For awards granted between 2003 and 2005, Company performance comprised Total Shareholder Return (TSR). Under these awards, the performance hurdle requires TSR to achieve at least median performance against several of Lend Lease's comparator companies (with 25% of awards vesting at median performance rising to 100% on reaching top quartile performance).

LTI awards will vest in accordance with the table below:

TSR Target	% of Grant that Vests
Rank 1 to 5 inclusive	100
Rank 6 to 10 inclusive	Progressive decrease in vesting from 85 to 25
Rank 11 to 19 inclusive	nil

The comparator companies for these awards were: Amec, Atkins WS, Balfour Beatty, British Land, Centex, Hochtief, Jacobs Engineering, Jarvis, Jones Lang LaSalle, Land Securities, Lennar, Leighton Holdings, Liberty International, Mowlem, Skanska, Taylor Woodrow, United Group and Westfield Group.

These organisations were selected to reflect the business mix and geographic diversity of Lend Lease operations considered the most important focus at the time. A full list of specific criteria that apply to LTIs granted are detailed in Section 3d.

Under these awards, the initial grant was made solely in Performance Shares (PS). For the purposes of the allocation, PS are attributed a value equivalent to the Lend Lease share price at the date of the allocation.

There is no retesting permitted under the LTI.

2003 LTI Award

The 2003 LTI award, which was based on TSR achievement against the previously named comparator companies, did not vest as the ranking achieved was 11 out of 19. A ranking of 10 or lower was required for any part of the award to vest.

The Lend Lease Corporation Board considers that the TSR performance of the Company over the last three years was not reflective of performance achieved during the period. The Board believes that the wider consideration of performance during the period should take into account the recovery of the share price from A\$8.35 as at 30 June 2003 to A\$13.99 as at 30 June 2006, the consistency of profitability delivered over the period, the efforts of management to improve significantly the performance and stability of the Company over the period and the prospects for the future. The Board has decided to award additional cash payments in recognition of the performance it considers was achieved over the period and to aid the retention of key staff in the future, which it considers is in the best interests of shareholders.

The individual cash recognition awards are disclosed as part of Section 3c. of this Report under the heading 'Other Bonuses'. The LTI award itself lapsed under the terms of the LTI plan rules.

Arrangements for the June 2007 Financial Year

For the June 2007 financial year awards, the P&O Committee has reviewed the appropriateness of the performance hurdle in relation to the alignment of interests between the participant and shareholders and its consistency of approach with the new STI structure.

The P&O Committee intends to change the performance metrics for future awards to introduce a balance between internal long term profitability measures and external TSR, which it believes is a more appropriate mix of performance metrics than TSR alone at this time. In addition, the TSR comparator group will be changed from the current mix of companies to ASX 100 listed companies only. The change in comparator group better reflects those companies against which Lend Lease competes for capital. Award levels are expected to be broadly in line with those made in the June 2006 financial year. There will continue to be no retesting under the LTI.

Hedging in Relation to LTI Awards

The Company prohibits executives from entering into pre vesting hedging arrangements in relation to LTI awards. For awards made in the June 2007 financial year onwards it will be an explicit condition for awards to vest that executives declare that they have not entered into any such arrangement.

Retention Awards

When the Board believes that an employee is an outstanding performer and that the Company and its shareholders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made. As an incentive to remain with the Company requires a degree of certainty of value delivered to the individual at the end of the retention period, performance conditions are not generally applied to the ultimate payment of such an award. Details of the current awards for each specified executive are included in LTIs as part of the remuneration details disclosed in this Report.

Superannuation/Pension Plans

Pension plan arrangements are in place in most international locations. In the past, 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 executives have the opportunity to join defined contribution plans.

Directors' Report continued

3. Remuneration Report continued

b. Remuneration Policy – Audited continued

Directors and Executives continued

Relationship of Remuneration to Company Performance

In considering the Group's performance and benefits for shareholder wealth, the P&O Committee, when setting the criteria for STI and LTI awards, has regard to the financial performance of the Group. The performance in respect of these measures for the current financial year and previous four financial years is summarised in the following table:

		AIFRS 2006	2005	Previous GAAP		2002
				2004	2003	
Statutory profit/(loss) after tax ¹	A\$m	415.2	210.7	333.5	(714.8)	226.3
Operating profit after tax ^{1,2,3,4}	A\$m	354.2	310.4	255.9	230.2	226.3
Dividends paid and declared	A\$m	243.7	227.2	177.4	129.4	77.9
Increase/(decrease) in closing share price ⁵	A\$	1.03	2.68	1.93	(2.19)	(2.01)

1. Statutory profit/(loss) after tax represents profit attributable to the equity holders of the parent. Operating profit after tax excludes unrealised property investment revaluations of A\$61.0 million after tax for the June 2006 financial year.
2. June 2005 is based on operating results excluding gains on exiting the REI businesses (A\$11.6 million after tax), cost savings implementation expenses (A\$47.7 million after tax), Lend Lease/GPT merger and net separation costs (A\$19.4 million after tax) and write-off of GPT and Homemaker management agreements (A\$44.2 million after tax).
3. Consistent with June 2005, June 2004 operating results have been restated to also exclude the impact of Group restructuring and merger costs (A\$18.5 million after tax). June 2004 was based on operating results excluding the profit from the sale of IBMGSA (A\$79.7 million after tax), impact of exiting the REI businesses (A\$2.3 million loss after tax) and capital loss tax benefits arising from Australian tax consolidations (A\$18.7 million after tax) and including capital loss tax benefits (A\$13.0 million recouped against the capital gain on sale of IBMGSA).
4. June 2003 excludes the write-down of REI businesses of A\$945.0 million after tax.
5. For LTI awards, the starting and ending share prices are based on the average daily closing price over the award period (five consecutive trading days for 2003 and 2004 LTIs and three months for the 2005 LTI). The table above represents the movement in the closing share price on 30 June of each financial year.

Profit after tax is considered in setting the STI targets while dividends, changes in share price and return of capital are included in the TSR calculation which is one of the performance criteria assessed for the LTI.

The P&O Committee considers that the aforementioned external performance-linked remuneration structure is appropriate because it:

- Represents shareholders' 'bottom line' and provides an objective measure of value created for shareholders;
- Is independent of accounting policies and accepted by institutional investors;
- Is simple to benchmark externally.

Non Executive Directors

Directors' fees have been set at A\$140,000 per annum with a fee of A\$15,000 for service on each Board Committee other than the Nomination Committee. Fee levels are in line with international benchmarks for a company of Lend Lease's size. Current Chairman's fees are A\$500,000, the Chairman of the Risk Management and Audit Committee receives an additional A\$35,000 per annum and the Chairman of the Personnel and Organisation Committee receives an additional A\$25,000. If a Director renders or is called upon to perform additional services in connection with the affairs of the Company, remuneration in addition to any Directors' fees is payable at A\$2,800 per day.

In addition, Non Executive Directors are compensated for time spent travelling to overseas Board and Board Committee meetings. This additional time is compensated as follows:

- Travel less than four hours Nil
- Travel between four and 12 hours A\$2,000 each way
- Travel over 12 hours A\$5,000 each way

To allow Directors to receive some of their annual remuneration 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 and subsequently renewed at the 2003 Annual General Meeting. This plan allows Directors to acquire Lend Lease shares by forgoing an amount of Directors' fees equivalent to the value of the shares acquired. 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. This plan has not been operative during the suspension of the Share Purchase Plan (since September 2003) and is currently under review.

Retirement Plan

The plan is designed to provide retirement benefits for Directors based on fees for Board service. Benefits are accrued in Lend Lease shares and will fluctuate 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 amounts for additional services) 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 multiple 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 2006 (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 2006	Accrued Retirement Benefit at 30 June 2005
Non Executive Directors	No.	A\$	A\$
G Edington	1	92,467	89,899
P Goldmark	1	104,832	99,533

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

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Details – Audited

Details of the total remuneration of the Directors of Lend Lease Corporation Limited are set out below and on the following page. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Directors	Year	Short Term				Post Employment		Share Based Payment		Other Long Term	Termination	Total A\$'000s	
		Salary and Fees Base A\$'000s	Supplementary A\$'000s	Incentive Bonus A\$'000s	STIs A\$'000s	Other Bonuses A\$'000s	Non Monetary A\$'000s	Super-annuation A\$'000s	Life Insurance A\$'000s				LTIs Cash Settled A\$'000s
Non Executive Directors													
D Crawford	2006	469						12		85			566
	2005	432	188					12		80			712
P Colebatch ³	2006	98						9		14			121
	2005												–
G Edington	2006	161						12		24			197
	2005	162	15					10		24			211
P Goldmark	2006	180						12		28			220
	2005	191	14					12		26			243
J Hill ⁴	2006	35						3		4			42
	2005												–
R Longes ⁵	2006	48						4		8			60
	2005	135	130					12		21			298
D Ryan ⁶	2006	169						12		28			209
	2005	100						9		13			122
Total Non Executive Directors		1,160	–	–	–	–	–	64	–	191	–	–	1,415
	2005	1,020	347	–	–	–	–	55	–	164	–	–	1,586

¹ 'Supplementary Fees' represents fees paid to Non Executive Directors when a Non Executive Director renders or is called upon to perform additional services in connection with the affairs of the Company. Supplementary fees are payable at A\$2,800 per day. Refer to Section 3b. of this Report. In the case of Mr Longes, fees of A\$50,000 (2005) for his directorship of GPT Management Limited are included as supplementary fees.

² Comprises entitlements under the Non Executive Directors Retirement Benefit Plan.

³ Mr Colebatch was appointed as a Non Executive Director on 1 December 2005.

⁴ Ms Hill was appointed as a Non Executive Director on 8 May 2006.

⁵ Mr Longes resigned as Deputy Chairman and Non Executive Director on 17 November 2005.

⁶ Mr Ryan was appointed as a Non Executive Director on 10 December 2004.

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the Directors of Lend Lease Corporation Limited are set out below. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Directors continued	Year	Short Term					Post Employment			Share Based Payment		Other Long Term ^f	Termination	Total AS000s	Proportion of Remuneration Performance Related %	
		Salary and Fees Base AS000s	Supplementary AS000s	Incentive Bonus ^a AS000s	STIs AS000s	Other Bonuses ^b AS000s	Non Monetary ^c AS000s	Super-annuation AS000s	Life Insurance AS000s	LTIs ^d Cash Settled AS000s	ESP Equity Settled AS000s					
Executive Directors																
G Clarke	2006	1,783		1,967	2,211	450	491	41		1,280				8,223	54.8	
	2005	1,682		1,877		636	441	25		1,407				6,068	40.0	
R Taylor ^e	2006	841		713	793	30	134	3		(157)	34	378		2,769	48.7	
	2005	731		784		6	116	1		396	30	622		2,686	43.9	
A Chamberlain ^g	2006	252					365	11		540		397	1,353	2,918	18.5	
	2005	1,014		667		43	303	7		620		612		3,266	39.4	
J Curtin ^h	2006													-		
	2005	589		303		59	175	37		1,509			1,755	4,427	40.9	
Total Executive Directors	2006	2,876	-	2,680	3,004	480	990	55		1,663	34	775	1,353	13,910		
	2005	4,016	-	3,631		744	1,035	70		3,932	30	1,234	1,755	16,447		
Total Directors	2006	4,036	-	2,680	3,004	480	1,054	55		1,663	225	775	1,353	15,325		
	2005	5,036	347	3,631		744	1,090	70		3,932	194	1,234	1,755	18,033		

1 'Supplementary Fees' represents fees paid to Non Executive Directors when a Non Executive Director renders or is called upon to perform additional services in connection with the affairs of the Company.

2 All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.

3 'Other Bonusses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report.

4 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel and tax return advice) and motor vehicle leases.

5 'Accrued value of LTI benefit' for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest.

6 Refer to Section 3d. of this Report.

7 'Other Long Term' represents retention bonuses. Amounts due are expensed over the period of the retention.

8 Equity remuneration is in respect of Mr Taylor's participation in the Employee Share Acquisition Plan (ESAP). Mr Taylor was appointed as an Executive Director on 10 December 2004.

9 Mr Chamberlain was appointed as an Executive Director on 10 December 2005. Mr Chamberlain's superannuation remuneration includes contributions on base salary to 30 September 2005 and contributions due on Mr Chamberlain's termination payments. Mr Chamberlain received a retention award of AS\$1,009,559 of which AS\$97,451 was accrued in the 2006 financial year, an LTI granted in July 2003 of AS\$51,894 of which AS\$371,051 was accrued in the June 2006 financial year and an LTI granted in July 2004 of AS\$22,333 of which AS\$169,131 was accrued in the June 2006 financial year.

10 Ms Curtin resigned as an Executive Director on 20 January 2005.

Directors' Report continued

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the executives of the Lend Lease Group are set out below and on the following page. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Executives	Year	Five Most Highly Remunerated Group	Short Term				Post Employment			Share Based Payment		Termination	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus AS\$000s	STIs	Other Bonuses AS\$000s	Non Monetary AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTI's Cash AS\$000s	ESP Equity Settled AS\$000s		
S McCann	2006	✓	638	850	3	3	668	57	1	172	6	1,727	59.2
	2005	✓	456	595	380	45	668	214	2	(64)	11	2,251	40.5
R Johnston	2006	✓	330	308	45	45	45	29	2	153	11	988	46.7
	2005	✓	596	482	155	8	286	286	1	22	24	1,574	41.9
R Burrows	2006	✓	388	318	6	6	6	114	1	78	15	920	43.0
	2005	✓	475	250	15	15	15	12	1	95	6	853	40.4
R Lourey	2006	✓	79	42	275	275	275	2	2	99	1	498	28.3
	2005	✓	252	76	30	30	56	46	3	30	1	460	23.0
J Daniel	2006	✓	244	67	32	32	32	40	3	32	1	386	25.6
	2005	✓	387	339	496	496	496	66	5	(258)	16	2,709	3.0
P Crewes	2006	✓	394	326	337	337	337	45	5	209	25	1,391	38.5
	2005	✓	390	222	193	4	35	35	2	(18)	17	845	47.0
R Fehring	2006	✓	362	212	3	3	3	44	2	200	11	834	49.4
	2005	✓	342	173	134	445	445	6	2	(58)	10	1,054	23.6
M Bellaman	2006	✓	117	414	3	3	3	6	5	(38)	16	82	(46.3)
	2005	✓	463	368	1,006	17	17	126	5	225	34	1,153	55.4
P Kozloli	2006	✓	519	140	357	42	42	9	5	(203)	486	2,244	19.8
	2005	✓	517	295	46	46	46	9	5	295	11	855	34.4
J Spanswick	2006	✓	692	523	522	445	445	9	5	(167)	486	1,153	51.2
	2005	✓	640	514	40	40	40	9	5	271	11	2,515	34.9
P Marchetto	2006	✓	640	514	40	40	40	9	5	271	11	2,135	36.8
	2005	✓	640	514	40	40	40	9	5	271	11	2,135	36.8

1 All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.

2 With the exception of Mr Hugill, 'Other Bonuses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report. The amount of A\$1,006,000 for Mr Hugill represented a one-off payment on completion of the Shareholders' Agreement following the acquisition of The Crosby Group. Refer to Section 3e. of this Report.

3 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel, tax equalisation and tax return advice) and motor vehicle leases. Mr Bellaman's and Mr Marchetto's non monetary benefits for the 2006 year primarily represent the value of loans that were forgiven for A\$405,080 (US\$303,000) and A\$401,070 (US\$300,000) respectively.

4 Accrued value of LTI benefit for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest. Refer to Section 3d. of this Report.

5 'Other Long Term' primarily represents retentions. Amounts due are expensed over the period of the retention.

6 Mr McCann commenced as Chief Executive Officer of Investment Management on 5 September 2005.

7 Mr Bellaman commenced as Chief Executive Officer of Lend Lease Communities and Retail Americas on 1 October 2005.

8 Mr Kozloli transferred from the role of Chief Executive Officer Lend Lease Communities on 1 October 2005.

9 Mr Hugill commenced as Chief Executive Officer Lend Lease Communities Europe, Middle East and Africa on 15 August 2005.

3. Remuneration Report continued

c. Remuneration Details – Audited continued

Details of the total remuneration of the executives of the Lend Lease Group are set out below. In accordance with the requirements of AASB 124 'Related Party Disclosures', the remuneration disclosures in the remuneration tables are calculated on an accruals basis and only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

Executives continued	Year	Five Most Highly Remunerated	Short Term				Post Employment			Share Based Payment			Termination	Total AS\$000s	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus AS\$000s	STIs	Other Bonuses AS\$000s	Non Monetary AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTIs ¹ Cash Settled AS\$000s	ESP Equity Settled AS\$000s	Other Long Term ² AS\$000s			
R Oakley ³	2006	✓	315	219			58							5,221	4.2
	2005														
S Bird ⁴	2006	✓	517	270			4	116	4					2,123	12.7
	2005														
R Fisher ⁵	2006	✓	395	273			13	76	5	94				1,962	18.7
	2005														
D Marks ⁶	2006	✓	91	123			5	31		46	5			1,513	11.2
	2005														
Total executives	2006		5,509	4,018	2,747	2,202	857	23	23	(410)	555	10	1,658	17,169	
	2005		4,735	3,381	-	893	512	22	22	1,702	68	805	8,159	20,277	

Details of the total remuneration of other executives in the category of five highest paid Group or Company executives are set out below.

Other Executives in the Category of Five Highest Paid	Year	Five Most Highly Remunerated	Short Term				Post Employment			Share Based Payment			Termination	Total AS\$000s	Proportion of Remuneration Performance Related %
			Salary and Fees AS\$000s	Incentive Bonus AS\$000s	STIs	Other Bonuses AS\$000s	Non Monetary AS\$000s	Super-annuation AS\$000s	Life Insurance AS\$000s	LTIs ¹ Cash Settled AS\$000s	ESP Equity Settled AS\$000s	Other Long Term ² AS\$000s			
R Butler ⁷	2006	✓	653	383		1,006	1	125	4	48				2,200	18.7
	2005														
B Soller	2006	✓	503	283		351	258	12	4	(150)		126		1,387	34.9
	2005		494	317			276	12	3	204		126		1,432	36.4
C Cree ⁸	2006	✓	339	114			43	144	3	(51)				910	6.9
	2005	✓	386	237			2	72	3	51				751	38.3
Total other executives	2006		1,495	760	1,357	302	281	11	11	(153)	-	126	318	4,497	
	2005		880	554	-	278	84	6	6	255	-	126	-	2,183	

1 All STI bonuses have been paid in cash and are based upon the performance criteria as outlined in Section 3b. of this Report.

2 With the exception of Mr Butler, 'Other Bonuses' represent additional payments payable to employees who participated in the 2003 LTI grant and were employed on 30 June 2006 (the original vesting date of the grant). The 2003 LTI award did not vest and lapsed in accordance with the rules of the LTI programme. The Lend Lease Corporation Board has awarded the additional payment in recognition of the performance achieved. Refer to Section 3b. of this Report. The amount of A\$1,006,000 for Mr Butler represented a one-off payment on completion of the Shareholders' Agreement following the acquisition of The Crosby Group. Refer to Section 3e. of this Report.

3 'Non Monetary' primarily represents relocation benefits (such as housing, home leave travel and tax return advice) and motor vehicle leases.

4 Accrued value of LTI benefit for the year as determined by actuarial analysis. The LTIs are expected to be settled in cash. Negative amounts represent an accrual reversal for the 2003 LTI which did not vest. Refer to Section 3d. of this Report.

5 'Other Long Term' primarily represents retentions. Amounts due are expensed over the period of the retention.

6 Mr Oakley resigned as an executive on 30 November 2004. Mr Bird resigned as an executive on 31 May 2005. Mr Fisher resigned as an executive on 31 December 2004. Mr Marks resigned as an executive on 15 October 2004.

7 Mr Butler commenced as Development Director, Lend Lease Crosby Group on 15 August 2005.

8 Ms Cree resigned as Group Head of Risk on 15 April 2006.

Directors' Report continued

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited

Directors	Grant Date	Vesting Date	Granted Number	Award Value at Grant Date AS	Award Value at June 2006 AS	Current Award Expensed 2006 ¹ AS	% Vested in the Year	% Forfeited in the Year ²	Value Yet to Vest Minimum ⁴	Value Yet to Vest Maximum ⁵	Service Criteria	Performance Criteria	PS/ Retention
G Clarke	Dec 2002	Dec 2007	279,728	2,797,281	3,667,234	950,236	20.0	0.0	nil	n/a	Criteria 3	none	Retention
	Dec 2002	Jun 2006	210,604	2,112,676		(93,267)	0.0	100.0	nil	n/a	Criteria 2	Criteria 5	PS
	Dec 2002	Jun 2007	210,604	2,112,676	92,666	(131,745)	0.0	0.0	nil	n/a	Criteria 2	Criteria 5	PS
	Jul 2004	Jun 2007	212,939	2,199,340	1,154,129	225,715	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	194,845	2,434,783	985,916	328,639	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Taylor	Sep 2004	Dec 2005	n/a	1,000,000		378,556	100.0	0.0	nil	nil	Criteria 1	none	Retention
	Jul 2003	Jun 2006	75,492	645,117		(327,635)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	63,959	660,601	346,658	67,797	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	60,819	759,994	307,744	102,591	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
A Chamberlain	Oct 2004	Sep 2005	n/a	1,000,000		397,451 ⁶	100.0	0.0	nil	nil	Criteria 1 ⁶	none	Retention
	Jul 2003	Sep 2005	115,633	988,142		371,051 ⁶	75.07	24.93	nil	n/a	Criteria 4 ⁶	Criteria 5	PS
	Jul 2004	Sep 2005	103,243	1,066,345		169,131 ⁶	41.68	58.32	nil	n/a	Criteria 4 ⁶	Criteria 5	PS
Total Directors				17,776,955	6,554,347	2,438,510							

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 vesting 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. (Refer to Section 3e. of this Report for details of Mr Clarke's retention).

Criteria 4: Forfeiture on resignation. Pro rata on other service cessation.

Criteria 5: Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns (with 25% vesting at median performance rising to 100% on reaching top quartile performance).

1 Performance shares are paid out at the share price at vesting date.

2 Current award expensed represents the 2006 year accrued value of the LTI on retentions determined by actuarial analysis. The aggregate for each key person's grant is shown in Section 3c. of this Report under 'LTIs Cash Settled' or 'Other Long Term'. Negative amounts represent an accrual reversal for the 2003 LTI, which did not vest. Mr Clarke's December 2002 LTI is measured against the Total Shareholder Returns of 18 comparator companies. The December 2002 LTI that was due to vest in June 2006 lapsed and the value of the accrued benefit was reversed. The December 2002 LTI that is due to vest in June 2007 has reduced in value creating an over accrual in prior years, that has been reversed in the June 2006 financial year.

3 The percentage forfeited during the year represents a reduction in the number of performance shares available to vest due to the highest level performance criteria not being achieved.

4 The minimum value of grants yet to vest is ASnil as the performance criteria may not be met and consequently the grant may not vest.

5 The maximum value of grants yet to vest is not determinable as it is dependent on the market price of shares of the Company on the Australian Stock Exchange at the date the grant vests.

6 Mr Chamberlain resigned as an Executive Director on 30 September 2005. On that date he received a retention award granted in October 2004 of AS\$1,009,559 (100% vested) of which AS\$397,451 was expensed in the current financial year, an LTI granted in July 2003 of AS\$51,894 (75.07% vested) of which AS\$371,051 was expensed in the current financial year, and an LTI granted in July 2004 of AS\$422,333 (41.68% vested) of which AS\$169,131 was expensed in the current financial year.

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited continued

Executives	Grant Date	Vesting Date	Granted Number	Award Value at Grant Date AS	Award Value at June 2006 AS	Current Award Expensed 2006 ⁵ AS	% Vested in the Year ⁶	% Forfeited in the Year ⁶	Value Yet to Vest Minimum ⁴	Value Yet to Vest Maximum ⁴	Service Criteria	Performance Criteria	PS/ Retention
S McCann	Jul 2005	Jun 2008	102,033	1,275,004	516,287	172,096	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Johnston	Sep 2004	Jul 2005	n/a	110,000			100.0	0.0	nil	nil	Criteria 1	none	Retention
	Jul 2003	Jun 2006	36,226	309,569		(157,221)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	16,266	168,003	88,162	17,242	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	45,134	563,994	228,378	76,126	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Burrows	Jul 2003	Jun 2006	14,765	126,174		(64,060)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	12,766	131,854	69,192	13,532	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	43,278	540,802	218,987	72,996	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
R Lourey	Jul 2004	Jun 2007	38,728	400,002	209,906	41,082	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	32,010	399,997	161,971	53,990	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
J Daniel	Jul 2004	Jun 2007	12,591	130,046	68,243	13,346	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	9,978	124,695	50,489	16,830	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
P Crewes	Jul 2003	Jun 2006	39,736	339,564		(172,454)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2006	33,668	347,740		(85,966)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
R Fehring	Jul 2003	Jun 2006	18,424	157,442		(79,960)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	30,501	515,030	165,315	32,331	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	17,804	222,479	90,088	30,029	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
M Bellaman	Jul 2003	Jun 2006	32,861	280,814		(106,963)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	27,201	280,946	147,429	21,625	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	21,252	265,565	107,535	26,884	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
P Kozl	Jul 2003	Jun 2006	43,377	370,678		(47,064)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	35,662	368,335	193,288	9,450	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
N Hugill	Jul 2005	Jun 2008	45,810	572,442	231,799	77,266	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
J Spanswick	Jul 2003	Jun 2006	46,688	398,972		(202,626)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
P Marchetto	Jul 2003	Jun 2006	49,696	424,592		(215,637)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	46,200	477,177	250,404	48,972	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jul 2008	110,664	1,453,834	1,548,189	486,076	0.0	0.0	nil	n/a	Criteria 2	none	Retention
Total executives				10,555,740	4,345,662	77,812							

Footnotes and Criteria are on the following page.

Directors' Report continued

3. Remuneration Report continued

d. Long Term Incentives and Retentions – Audited continued

Other Executives in the Category of Five Highest Paid	Grant Date	Expiry or Exercise Date	Granted Number	Award Value at Grant Date A\$	Award Value at June 2006 A\$	Current Award Expensed ¹ 2006 A\$	% Vested in the Year	% Forfeited in the Year ²	Value Yet to Vest Minimum ³	Value Yet to Vest Maximum ³	Service Criteria	Performance Criteria	PS/ Retention
R Butler	Jul 2005	Jun 2008	28,238	352,862	142,884	47,628	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
B Soller	Jul 2003	Jun 2006	48,566	415,021		(210,776)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2004	Jun 2007	21,499	222,052	116,525	22,789	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Jun 2008	22,608	282,510	114,396	38,132	0.0	0.0	nil	n/a	Criteria 4	Criteria 5	PS
C Cree	Jul 2004	Apr 2006	20,145	208,068		(51,437)	0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
	Jul 2005	Apr 2006	15,813	197,599			0.0	100.0	nil	n/a	Criteria 4	Criteria 5	PS
Total other executives				1,678,112	373,805	(153,664)							

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 vesting 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: Forfeiture on resignation. Pro rata on other service cessation.

Criteria 5: Lend Lease's Total Shareholder Return is greater than the median of 18 comparator Total Shareholder Returns (with 25% vesting at median performance rising to 100% on reaching top quartile performance).

1 Performance shares are paid out at the share price at vesting date.

2 Current award expensed represents the 2006 year accrued value of the LTI or retention, determined by actuarial analysis. The aggregate for each key person or other executive is shown in Section 3c. of this Report under 'LTIs Cash Settled', 'ESP Equity Settled' (for Mr P Marchetto's retention only) or 'Other Long Term'. Negative amounts represent an accrual reversal for the 2003 LTI, which did not vest.

3 The percentage forfeited during the year represents a reduction in the number of performance shares available to vest due to the highest level performance criteria not being achieved.

4 The minimum value of grants yet to vest is A\$nil as the performance criteria may not be met and consequently the grant may not vest.

5 The maximum value of grants yet to vest is not determinable as it is dependent on the market price of shares of the Company on the Australian Stock Exchange at the date the grant vests.

3. Remuneration Report continued

e. Service Agreements – Audited

Executive Directors and Executives

Remuneration and other terms of employment for the key management personnel and other executives in the category of five highest paid are formalised in service agreements. All of the employment contracts contain the conditions below:

Length of contract	–	No fixed term.
Remuneration review period	–	Annually by the Personnel and Organisation Committee.
Benefits	–	Australian resident executives are entitled to participate in the Lend Lease Employee Share Acquisition Plan.
	–	Other benefits vary, but typically include health insurance, life insurance, car allowances or motor vehicles leases and benefits provided by the Lend Lease Foundation.
	–	Executives that are relocated receive relocation packages. Benefits provided vary but typically include accommodation, transfer allowances, visas, shipping costs, school fees, home leave travel and tax advisory services.
STI participation	–	Executives are eligible for an award of STI remuneration. Refer to Section 3b. of this Report for further details and conditions.
LTI participation	–	Executives are eligible for an award of LTI remuneration. Refer to Section 3b. of this Report for further details and conditions.
Non compete and non solicitation clauses	–	Non compete or non solicitation terms vary in each individual's employment contract.
Termination of employment	–	Unless otherwise stated below, termination payments include base salary for the remainder of the notice period not served (up to 12 months), pro rated STI entitlements and LTI entitlements in accordance with the LTI programme rules.
	–	All contracts with executives may be terminated early by either party.
	–	Immediate termination for misconduct or a serious breach of any of the terms of employment.

Other major provisions of the agreements relating to remuneration are set out below.

G Clarke

- Term of agreement: No fixed term; however, under the Lend Lease Corporation Constitution Mr Clarke has been appointed for a term of five years.
- Notice period: 12 months.
- Termination payments provided for under the contract: Base salary for the remainder of any notice period not served, cash value of pro rated benefits, pro rated STI entitlements (based on 60% achievement of objectives), LTI entitlements in accordance with the LTI programme rules and the value of the retention award.
- Retention award:
 - Award date: 9 December 2002
 - Vest date: 9 December 2007
 - Grant number and value: 279,728 Lend Lease shares, valued at A\$2,797,281 (£1,000,000) at grant date. The end payment is referable to the market value of 279,728 shares at vest date. Refer to Section 3d. of this Report for further details.
 - Vesting conditions: Mr Clarke must remain in employment with Lend Lease until 9 December 2007. Payment is due if the Company terminates his employment without cause prior to that date.
 - Forfeiture: The retention award is forfeited if Mr Clarke resigns prior to 9 December 2007, or if Lend Lease terminates Mr Clarke's employment for cause.
 - Early vesting conditions: A pro rata amount will be payable if the Company determines that Mr Clarke's employment should be terminated for poor performance.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.
- Additional benefits: Golf club membership (which is transferable within the Group if Mr Clarke resigns).

Directors' Report continued

3. Remuneration Report continued

e. Service Agreements – Audited continued

Executive Directors and Executives continued

R Taylor

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.

A Chamberlain

- Notice period: 12 months.
- Termination payments provided for under the contract: Base salary for the remainder of any 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 in accordance with the LTI programme rules.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.

S McCann

- Notice period: Three months (if instigated by the employee) or 12 months (if instigated by the Company).
- Termination payments provided for under the contract: If Lend Lease terminates Mr McCann's employment, Mr McCann's most recent LTI award will be extended by 12 months from the date on which the Company provided him with notice of termination.

R Johnston

- Notice period: Six months.
- Termination payments provided for under the contract: The Company will relocate Mr Johnston back to Australia consistent with the Group's policy for international assignments.

P Crewes

- Notice period: Six months.
- Termination payments provided for under the contract: Mr Crewes is entitled to a lump sum termination payment which includes base salary for six months, a pro rata bonus amount and the cash value of prescribed/non monetary benefits.
- Non compete period post termination: Six months.
- Non solicitation period post termination: 12 months.

M Bellaman

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- Loans payable: Mr Bellaman had a loan payable of US\$303,000, payable at call. The loan was forgiven on 30 June 2006. In the event Mr Bellaman resigns from employment prior to 31 July 2009, Mr Bellaman must pay to the Company an amount equal to the forgiven principal plus interest accruing from 30 June 2006.
- Additional benefits: Country club membership. The initial membership fee plus monthly dues of up to US\$500 per month are payable by the Company under Mr Bellaman's employment contract.

P Koziol

- Notice period: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- STI participation: Mr Koziol ceased to be eligible to participate in the STI programme from 1 October 2005.
- Benefits: Mr Koziol ceased to be eligible for vacation and sick leave accruals from 1 October 2005.

N Hugill

- Notice period: 12 months.
- STI Participation: In addition to the annual STI potential, Mr Hugill was entitled to the payment of a one-off amount of £423,730 on completion of the Shareholders' Agreement between Lend Lease Crosby Group Limited, Lend Lease Europe Holdings Limited and Mr N Hugill, Mr G Hutchinson and Mr R Butler. It was a condition of this payment that Mr Hugill purchase B Ordinary Shares in the share capital of Lend Lease Crosby Group Limited with an aggregate value of £500,000. The payment was made on 30 August 2005.
- Additional benefits:
 - Mr Hugill may co-invest with any company in the Lend Lease Group in respect of future projects or deals. The details of such investments are determined on a case by case basis at the time.
 - The cost of annual subscriptions in respect of Mr Hugill's membership of two relevant professional institutions.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

P Marchetto

- Notice period: Six months.
- Termination payments provided for under the contract: If the Company terminates Mr Marchetto's service agreement without cause, or Mr Marchetto terminates the service agreement for 'good reason' (as defined by Mr Marchetto's service agreement), Mr Marchetto is entitled to all accrued obligations as well as a severance payment that is:
 - 1.5 times Mr Marchetto's annual base salary as of the termination date;
 - 1.5 times the greater of: (a) the STI paid to Mr Marchetto during his last full year of employment by the Company; or (b) the average of the STI paid to Mr Marchetto during each of the last three full years Mr Marchetto has been paid an STI by the Company;
 - A pro rata share of Mr Marchetto's STI and LTI as calculated on the termination date in the sole discretion of the Company;
 - All other benefits that have accrued as of the termination date;
 - Payments are made less applicable taxes, withholdings and deductions;
 - In addition to the severance payment, Mr Marchetto is entitled to a release benefit equal to six months of base salary as of the termination date if the Company terminates Mr Marchetto's service agreement without cause. The release benefit will be reduced by any applicable taxes, withholdings and deductions.
- Loans payable: Mr Marchetto had a loan payable of US\$300,000, payable at call. The loan was forgiven on 1 November 2005. In the event that prior to 31 July 2009 Mr Marchetto resigns from employment for other than 'good reason' (as defined in Mr Marchetto's employment contract) or the Company terminates Mr Marchetto's employment for cause, Mr Marchetto must pay to the Company as liquidated damages an amount equal to the forgiven principal plus interest accruing from 1 November 2005. The principal amount required to be repaid is reduced by US\$6,250 each month from August 2005 to July 2009 while Mr Marchetto is employed by the Company.
- Additional benefits: Mr Marchetto will be reimbursed up to US\$8,500 per annum for membership dues at a club of Mr Marchetto's choosing that is suitable for business entertaining.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

Directors' Report continued

3. Remuneration Report continued

e. Service Agreements – Audited continued

Executive Directors and Executives continued

R Butler

- Notice period: 12 months.
- STI participation: In addition to the annual STI potential, Mr Butler was entitled to the payment of a one-off amount of £423,730 on completion of the Shareholders' Agreement between Lend Lease Crosby Group Limited, Lend Lease Europe Holdings Limited and Mr N Huglll, Mr G Hutchinson and Mr R Butler. It was a condition of this payment that Mr Butler purchase B Ordinary Shares in the share capital of Lend Lease Crosby Group Limited with an aggregate value of £500,000. The payment was made on 30 August 2005.
- Additional benefits:
 - Mr Butler may co-invest with any company in the Lend Lease Group in respect of future projects or deals. The details of such investments are determined on a case by case basis at the time.
- Non compete period post termination: 12 months.
- Non solicitation period post termination: 12 months.

B Soller

- Notice period: 12 months.
- Termination payments provided for under the contract: The Company will relocate Mr Soller back to the UK consistent with the Group's policy for international assignments.

C Cree

- Notice period: 12 months.
- Non compete period post termination: Three months.
- Non solicitation period post termination: Three months.

Other executive's notice periods:

- R Burrows: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.
- R Lourey: Six months (if instigated by the employee) or 12 months (if instigated by the Company).
- J Daniel: Six months.
- R Fehring: Three months.
- J Spanswick: Not specified in employment contract. It is expected that the required notice would be in the range of that given to other executives having regard to seniority and length of service.

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.

f. Additional Information – Audited

Additional information in relation to key management personnel's equity holdings and transactions, loans and other transactions is contained in Note 35 of the Consolidated Financial Statements.

4. Other

a. Share Options

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

b. Indemnification and Insurance of Directors and Officers

The Company's Constitution provides for indemnification in favour of each of the Directors named on pages 2 to 4 of this Report, the Company Secretary, Ms Sharpe, and officers of the Company or of wholly owned subsidiaries or related entities of the Company (Officers) to the extent permitted by the *Corporations Act 2001*.

For related entities, the indemnification is provided unless the Directors determine otherwise. For unrelated entities in which Lend Lease has an interest, deeds of indemnity may be entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate deeds of indemnity.

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, whatever their outcome. During the year, Lend Lease paid insurance premiums of A\$1,128,139 in respect of its Directors' and Officers' liability policies. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

c. Non Audit Services

During the year KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the non audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Risk Management and Audit Committee, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor;
- The non audit services provided do not undermine the general principles relating to the auditor's independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Lead Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is included at the end of this Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non audit services provided during the year, are set out below.

	Consolidated	
	June 2006 A\$000s	June 2005 A\$000s
Auditing and Review of Financial Reports	5,638	5,067
Other Services		
KPMG		
International assignees tax services	1,508	1,877
Tax services	1,052	1,748
Accounting advice	417	384
Other services	272	173
KPMG related practices		
Due diligence		3,545
Total other services	3,249	7,727
Total audit and other services	8,887	12,794

Directors' Report continued

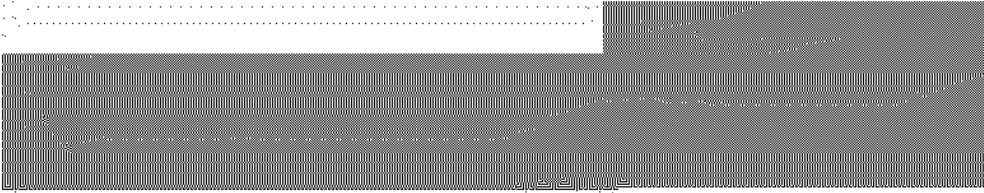
4. Other continued

d. 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, 16 August 2006.



D A Crawford
Chairman

G A Clarke
Managing Director



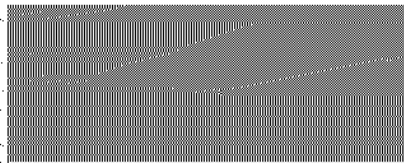
Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: The Directors of Lend Lease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit;
- No contraventions of any applicable code of professional conduct in relation to the audit.



G R Wilson
Partner

KPMG

Five Year Profile

		AIFRS ¹		Previous GAAP ¹		
		June 2006	June 2005	June 2004	June 2003	June 2002
Profitability						
Revenue	A\$m	12,127	9,435	9,726	10,114	12,478
Statutory profit/(loss) before tax	A\$m	573	350	466	(567)	391
Operating profit before tax ²	A\$m	473	393	385	315	391
Statutory profit/(loss) after tax	A\$m	415	226	334	(715)	226
Operating profit after tax ³	A\$m	354	286	256	230	226
Operating EBITDA ³	A\$m	527	411	430	474	593
Earnings per share on statutory profit ⁴	cents	104.0	56.5	80.6	(163.1)	52.1
Earnings per share on operating profit ^{2,4}	cents	88.7	71.6	61.8	52.5	52.1
Statutory profit after tax to shareholders' equity (ROE) for the period, excluding one-off items ⁵	%	14.7	11.9	9.0	6.5	6.1
Dividend per share ⁵	cents	61	57	44	30	18
Dividend payout ratio on operating profit ^{2,5}	%	68.8	79.5	69.2	56.0	34.4
Corporate Strength						
Total assets	A\$m	8,155	6,925	7,131	7,409	8,587
Cash	A\$m	560	570	1,380	867	904
Borrowings	A\$m	846	500	862	885	939
Current assets	A\$m	3,379	2,612	3,455	3,703	4,015
Current liabilities	A\$m	3,179	3,384	3,328	2,993	3,245
Shareholders' equity	A\$m	3,011	2,710	2,836	3,008	3,752
Cash flows from operations	A\$m	660	(55)	443	191	557
Net asset backing per share ⁴	A\$	7.53	6.80	7.08	6.86	8.63
Ratio of current assets to current liabilities	times	1.06	0.77	1.04	1.24	1.24
Borrowings to shareholders' equity	%	28.1	18.4	30.4	29.4	25.0
Borrowings to shareholders' equity plus borrowings	%	21.9	15.6	23.3	22.7	20.0
Net debt to shareholders' equity	%	9.5	(2.6)	(18.3)	0.6	0.9
Borrowings to total market capitalisation	%	15.1	9.7	20.9	24.2	20.5
Shares on issue	m	400	399	400	439	435
Number of shareholders	no.	50,179	52,878	63,143	74,878	86,003
Number of equivalent full-time employees	no.	9,652	8,791	9,060	9,982	10,554
Shareholders' Returns and Statistics						
Proportion of shares on issue to top 20 shareholders	%	76.4	75.6	69.8	61.5	59.9
Staff shareholdings	%	9.6	10.8	11.9	13.5	13.7
Total dividends paid or declared	A\$m	244	227	177	129	78
Share price as at 30 June as quoted on the Australian Stock Exchange	A\$	13.99	12.96	10.28	8.35	10.54

1. June 2006 and 2005 reflect results prepared under Australian equivalents to International Financial Reporting Standards (AIFRS). The years prior to June 2005 represent Lend Lease's results under previous Generally Accepted Accounting Principles (GAAP).

2. Operating profit excludes unrealised property investment revaluations (June 2006: A\$99.4 million before tax, A\$61.0 million after tax; June 2005: A\$64.5 million before tax, A\$39.5 million after tax) and one-off items (June 2006: A\$nil; June 2005: A\$107.3 million before tax, A\$99.7 million after tax).

3. The June 2005 one-off items are gains on exiting the Real Estate Investment (REI) businesses (A\$26.9 million before tax, A\$11.6 million after tax), cost savings implementation expenses (A\$65.8 million before tax, A\$47.7 million after tax) and Lend Lease/GPT merger and net separation costs (A\$24.2 million before tax, A\$19.4 million after tax), and the write-off of GPT and Homemaker management agreements (before and after tax of A\$44.2 million).

4. Calculated using the weighted average number of shares on issue including Treasury shares.

5. Dividends include interim and final dividends.

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) continued

All currency amounts in the MD&A 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 2006 and should be read in conjunction with those financial statements.

Overview

Introduction

The Group is organised into three global operating businesses which are in turn focused on three key geographic regions: Asia Pacific, Americas and Europe.

- Retail and Communities operates across all regions. Retail comprises retail property management, asset management and development in Australia, Singapore and the UK. The Communities business is involved in the development of large scale urban communities through Delfin Lend Lease, Lend Lease Development and Senior Living in Australia, through Actus Lend Lease in the USA, and in the UK principally through The Crosby Group;
- Investment Management provides real estate investment management services in Asia Pacific and the UK;
- Project Management, Construction and Private Finance Initiatives (PFIs) provides construction, project management and design services across all regions through Bovis Lend Lease and includes the PFI business in Europe;
- The Group also has direct and indirect ownership interests in property investments in Asia Pacific, Europe and the USA.

Segment Results Summary

	Revenue		EBITDA		Profit/(Loss) After Tax ¹	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Retail and Communities	2,384.9	819.3	245.3	152.3	167.5	94.0
Investment Management	134.8	225.6	174.8	164.5	129.5	117.0
Project Management, Construction and PFIs	9,576.6	8,183.8	187.0	191.0	134.6	140.6
Total operating businesses	12,096.3	9,228.7	607.1	507.8	431.6	351.6
Group Services	8.1	7.5	(85.3)	(88.6)	(52.0)	(62.5)
Group Treasury	22.4	44.9	4.7	(8.5)	(22.4)	(1.7)
Group Amortisation					(3.0)	(1.7)
Total corporate	30.5	52.4	(80.6)	(97.1)	(77.4)	(65.9)
Total operating	12,126.8	9,281.1	526.5	410.7	354.2	285.7
Property investment revaluations ²			99.4	64.5	61.0	39.5
Total Group results before one-off items	12,126.8	9,281.1	625.9	475.2	415.2	325.2
One-off items ³		154.2		(101.4)		(99.7)
Total statutory	12,126.8	9,435.3	625.9	373.8	415.2	225.5

¹ Profit after tax is after deducting the amount attributable to minority interests of A\$7.4 million (June 2005: A\$10.4 million).

² Represents the unrealised valuation increases on property investments.

³ One-off items of A\$99.7 million after tax in June 2005 related to restructuring costs and costs incurred in relation to the proposed merger with GPT of A\$67.1 million and the write-down of management agreements of A\$44.2 million. These costs were partially offset by a profit from the sale of Real Estate Investment businesses in the USA of A\$11.6 million.

Profit After Tax

The Group's statutory profit after tax increased by 84% to A\$415.2 million. The Group recognised revaluation uplifts on its interests in retail investments of A\$61.0 million (June 2005: A\$39.5 million). There were no one-off items in the current year; however, the prior year included a loss after tax relating to one-off items of A\$99.7 million. Excluding one-off items and property investment revaluations, the Group's operating profit increased by 24%.

Retail and Communities profit after tax increased by 78% in the year.

The Retail business profit after tax increased following the successful completion and sale of the Chapelfield retail centre in Norwich, UK.

The Communities business profit after tax increased following a strong performance in Australia which included profit from the sale of the entitlement to deferred management fees from two Senior Living retirement villages to the Lend Lease managed Core Plus Fund (LLCPF), continued sales of non residential land lots in line with Delfin Lend Lease's strategy for large projects, profit from the sale of the Gotham 80/20 housing project in the USA and the inclusion of The Crosby Group for the first time this year. These increases were partially offset by the write-down of the Group's interest in a UK Communities project, North Weald, following an unfavourable planning ruling.

Investment Management profit after tax increased due to higher earnings from the Group's investment in the Australian Prime Property Fund (APPF) and strong performance from the Group's property investments. Also, June 2005 included the recognition of a foreign exchange provision following the implementation of AIFRS. In Asia Pacific, the business was repositioned to focus on its wholesale investor base following Lend Lease ceasing its role as manager of GPT.

Project Management, Construction and PFIs' profit after tax declined slightly in the year. Bovis Lend Lease's profit after tax increased in both Asia Pacific and Americas. However, this was more than offset by a decline in profit in Europe due to margin deterioration on certain projects in the UK. The PFIs' profit after tax increased following the sale of a proportion of Lend Lease's equity interest in 11 PFI projects on entering into a 50/50 joint venture with the Bank of Scotland.

Corporate costs declined as the prior year included a charge, following the implementation of AIFRS, relating to the Lend Lease employee share plans and a lower effective tax rate. Underlying corporate costs have remained broadly flat.

The Group Treasury loss after tax increased principally due to lower interest revenue reflecting the lower average cash balance during the year.

The revaluation gain of A\$61.0 million after tax relates to King of Prussia, Lend Lease Overgate Partnership and the Performance Retail Limited Partnership. The valuation of the Group's interest in Bluewater also increased; however, as Bluewater is held as inventory the asset is recorded at historical cost in the financial statements.

Shareholder Returns

		June 2006	June 2005
Earnings per share (EPS) on operating profit ¹	cents	88.7	71.6
Earnings per share (EPS) on statutory profit ¹	cents	104.0	56.5
Return on equity (ROE) on statutory profit excluding one-off items ²	%	14.7	11.9

1 EPS is calculated using the weighted average shares on issue including Treasury shares. Under AIFRS, shares held in employee benefit vehicles including employee share plans, which Lend Lease sponsors, are treated as Treasury stock and are excluded from the calculation. This would have the effect of increasing the EPS calculations above if applied.

2 ROE is calculated based on average equity.

Dividends

A final fully franked dividend of 31 cents per share will be paid on 13 September 2006 (June 2005: 29 cents per share fully franked). On a full year basis this equates to a total dividend of 61 cents which is a payout ratio of 68.8% of profit after tax excluding property investment revaluations.

Credit Strength

		June 2006	June 2005
Net debt/net (cash) ¹	A\$m	286.5	(69.6)
Net debt/(cash) to total tangible assets	%	3.9	(1.1)
Net debt/(cash) to shareholders' equity plus net debt/(cash)	%	8.7	(2.6)
Interest coverage ²	times	7.8	6.6
Credit rating (Standard & Poor's/Moody's)	rating	BBB-/Baa3	BBB-/Baa3

1 Net debt/net (cash) is calculated as borrowings less cash.

2 Calculated as EBITDA (excluding one-off items and revaluation gains from investments) plus interest revenue divided by gross borrowing costs (which includes capitalised borrowing costs) excluding the allocation of hedge gains/losses.

The Group's gearing remained low throughout the year and interest coverage at 7.8 times is above the Group's internal targets. The Group continues to maintain an investment grade credit rating.

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

Overview continued

Total Equity

	June 2006 A\$m	June 2005 A\$m
Retail and Communities	1,587.6	1,255.4
Investment Management	1,961.9	1,574.6
Project Management, Construction and PFIs	204.4	252.5
Corporate	(742.6)	(372.1)
Total equity	3,011.3	2,710.4

The increase in Retail and Communities reflects the acquisition of The Crosby Group offset by the sale of the Chapelfield retail centre, Norwich.

Investment Management increased due to property investment revaluations and the acquisition of the Group's investments in the Performance Retail Limited Partnership and the Chelmsford Meadows Unit Trust, offset by the sale of the Value Enhancement Funds III, IV and V, and capital returns from the Lend Lease Global Properties, SICAF.

Corporate equity decreased due to an A\$346.0 million increase in borrowings.

Cash Flow

	June 2006 A\$m	June 2005 A\$m
Net cash provided by/(used in) operating activities	660.3	(54.7)
Net cash (used in)/provided by investing activities	(910.1)	(186.4)
Net cash provided by/(used in) financing activities	233.8	(548.5)
Net increase/(decrease) from other items	5.9	(28.9)
Net decrease in cash and cash equivalents	(10.1)	(818.5)

Operating cash flows of A\$660.3 million reflects the proceeds from the sale of the Chapelfield retail centre of A\$532.0 million and strong underlying cash flows from the Group's operating businesses, offset by continued investment in property developments.

Investing cash outflows of A\$910.1 million include the acquisition of The Crosby Group of A\$619.3 million, the acquisition of the final minority interest in Actus Lend Lease of A\$92.5 million, investment in the Chelmsford Meadows Unit Trust of A\$142.8 million and investment in the Performance Retail Partnership of A\$89.8 million.

Net cash provided by financing activities of A\$233.8 million includes the issue of US\$300.0 million of guaranteed senior notes in the US Private Placement debt market and the establishment of a committed five year syndicated bank facility of £350.0 million in the UK, which was drawn down to £185.0 million as at 30 June 2006. These proceeds were offset by the repayment of the A\$500.0 million Medium Term Notes in July 2005.

Retail and Communities

Key Financial Results

The key financial results for the Retail and Communities business are summarised below.

	Revenue		EBITDA		Profit After Tax ¹	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Retail	724.1	60.8	44.6	9.7	30.9	6.1
Communities	1,660.8	758.5	200.7	142.6	136.6	87.9
Total Retail and Communities	2,384.9	819.3	245.3	152.3	167.5	94.0

1. Profit after tax is after deducting the amount attributable to minority interests of A\$7.0 million (June 2005: A\$10.3 million).

Retail

Overview of Business

Lend Lease has continued to expand its retail operations in Australia, Singapore, the UK and the USA to include:

- An ownership interest, directly or indirectly via managed funds, in 18 centres (June 2005: 15 centres), of which Lend Lease's share is valued at A\$3.0 billion (June 2005: A\$2.3 million);
- Development management positions on 12 centres (June 2005: nine centres), with the potential to redevelop more than 320,000 square metres of retail space;
- Property management of 763,100 square metres of retail space across 12 centres (June 2005: 11 centres);
- Total assets under management of A\$9.8 billion at June 2006 (June 2005: A\$8.5 billion).

The key financial results for the Retail business are summarised below.

	Revenue		EBITDA		Profit After Tax	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Asia Pacific	25.3	41.3	1.7	8.2	1.0	5.4
Europe	698.8	19.5	42.9	1.5	29.9	0.7
Total Retail	724.1	60.8	44.6	9.7	30.9	6.1

Profit after tax for the year of A\$30.9 million comprises Lend Lease's retail development and property management activities. Income and property investment revaluations from ownership of retail investments are reported as part of Investment Management and income from the construction of retail centres is reported as part of Project Management, Construction and PFIs.

Europe includes a profit after tax of A\$33.3 million relating to the successful completion and sale of the Chapelfield retail centre.

Profit after tax declined in Asia Pacific principally due to the termination, with effect from 15 August 2005, of the property management agreements relating to retail centres wholly owned by GPT.

Retail – Asia Pacific

In Asia Pacific, Lend Lease's retail interests include an ownership interest in 10 retail centres (June 2005: 10 centres). The Group's ownership interests are held indirectly through investments in Lend Lease managed funds, APPF Retail in Australia and Asia Pacific Investment Company No. 2 (APIC II) in Singapore. The business is currently undertaking master planning of development opportunities for five centres and carries out property management of six centres in Australia and one in Asia with a total gross lettable area of 472,300 square metres.

Performance highlights for the year included:

- Increasing the net operating income of the Lend Lease managed centres by 6.3%;
- Completing the Macarthur Square development which delivered an additional 30,000 square metres of retail space;
- Continued master planning of a pipeline of future development opportunities relating to the Lend Lease managed centres with an approximate value of A\$645.0 million;
- Entering into a conditional sales agreement on 28 June 2006 to acquire a 25% interest in the Paradiz Centre in Singapore for a consideration of A\$28.8 million.

Retail – Europe

In Europe, Lend Lease's retail business includes an ownership interest in seven centres in the UK (June 2005: four centres). The business also has development opportunities which are expected to deliver an additional 243,600 square metres of retail space. Lend Lease is responsible for asset and property management of five centres with total retail space of 290,800 square metres.

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

Retail and Communities continued

Retail continued

Retail – Europe continued

Performance highlights for the year included:

- Completion and sale of the Chapelfield retail centre for a profit after tax of A\$33.3 million;
- An increase in the value of the four Lend Lease managed retail centres held throughout the year (Bluewater, Touchwood, Overgate and Golden Square) of A\$0.7 billion to A\$6.3 billion;
- Securing development management positions on four centres including Park Place, Croydon; Arndale, Eastbourne; Cameron Toll, Edinburgh; and The Meadows, Chelmsford, thereby increasing the potential development pipeline to around A\$3.5 billion subject to planning consent and acceptable commercial viability;
- Securing asset and property management rights for The Meadows, Chelmsford;
- Increasing assets under management by 16% to A\$6.5 billion.

Communities

Overview of Business

Lend Lease continued to expand its community development operations. Lend Lease has a market leading position in Australia and now has a growth platform in both the UK and the USA following the acquisition of The Crosby Group in the UK and having secured its first communities project in the USA, Horizon City Center in Denver.

The key financial results of the Communities business are summarised below.

	Revenue		EBITDA		Profit After Tax	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Asia Pacific	724.2	491.6	144.3	90.8	92.6	52.3
Europe	508.4	7.0	19.1	3.2	12.9	3.0
Americas	428.2	259.9	37.3	48.6	31.1	32.6
Total Communities	1,660.8	758.5	200.7	142.6	136.6	87.9

The Communities profit after tax of A\$136.6 million reflects the diversified earnings from this business and includes:

- In excess of 4,200 new homes or land unit settlements;
- The sale of the entitlement to deferred management fees from two Lend Lease retirement villages to the LLCPF;
- Gross sales revenue of A\$330.0 million from the sale of a number of non residential sites on Communities projects in Australia;
- The results for The Crosby Group for the first time following its acquisition in July 2005.

Profit after tax includes a write-down of A\$13.8 million after tax relating to Lend Lease's investment in North Weald in the UK following an unfavourable planning ruling.

Communities Backlog

	June 2006 Backlog Units	June 2005 Backlog Units
Zoned Backlog		
Asia Pacific	36,000	36,133
Europe	13,700	10,000
Americas	3,025	
Total	52,725	46,133
Unzoned Backlog		
Asia Pacific	40,400	41,800
Europe	280	5,000
Total	40,680	46,800
Units Under Management		
Americas ¹	34,200	27,700
Total	127,605	120,633

¹ Includes projects where Lend Lease is the preferred bidder, including extensions of two existing projects.

Communities – Asia Pacific

Communities – Asia Pacific operates through three main business sectors:

- Delfin Lend Lease, which undertakes the development of large scale, master planned urban communities;
- Lend Lease Development, which is focused on inner urban mixed use regeneration projects;
- Senior Living, which is focused on the development and management of retirement villages.

The key financial results of the Communities – Asia Pacific business are detailed below.

	Delfin Lend Lease		Lend Lease Development ¹		Senior Living ²		Total	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
Profit after tax (A\$m)	60.2	50.0	20.4	1.7	12.0	0.6	92.6	52.3
Number of projects	22	21	9	9	13	13	44	43
Number of units settled	2,736	3,301	219	429	24	34	2,979	3,764
Gross sales value of units settled (A\$m) ³	490.4	439.3	370.1	367.8	32.4	18.0	892.9	825.1
Pre-sales (A\$m) ⁴	149.2	118.4	251.4	171.7	2.1	3.2	402.7	293.3
Backlog (number of units)⁵								
Zoned (with planning approval)	27,250	27,500	8,100	8,100	650	533	36,000	36,133
Unzoned (awaiting planning approvals)	40,400	41,800					40,400	41,800
Total backlog	67,650	69,300	8,100	8,100	650	533	76,400	77,933

1 Profit after tax in June 2005 includes a A\$3.9 million prior period tax expense relating to Asia. The Group has no current developments in Asia.

2 Units settled for Senior Living refers to primary sales (new development sites) and excludes any resales.

3 Gross sales value reflects residential and non-residential revenue from projects, including revenue earned from joint venture projects and the sale of deferred management fees.

4 Pre-sales represent contracts entered into prior to 30 June 2006, including contracts from joint venture projects which have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future periods.

5 Backlog includes the total number of units in both company owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

Performance highlights for the year included:

- Profit after tax increasing by A\$40.3 million (77%) to A\$92.6 million;
- The average sale price per residential land lot increasing by 7% (A\$139,000 to A\$149,000). This was partially offset by the number of units settled declining by 21%, reflecting the portfolio's weighting to start up projects;
- Gross sales revenue of A\$330.0 million (June 2005: A\$10.2 million) from the sale of non residential units;
- Further geographic diversification of the portfolio as trading commenced on Ropes Crossing (NSW) and Forde (ACT). Also, the Laurimar Park (VIC) and Wilton Parkland projects (NSW) were secured, adding 3,040 backlog units;
- The sale of deferred management fees of two retirement villages to the LLC PF generating a profit after tax of A\$10.2 million. The Senior Living business will continue to operate the villages and earn management fees from the LLC PF;
- The completion of the Darling Park Stage III project, delivering a profit after tax of A\$15.1 million;
- The sale of the Twin Waters Resort (Lend Lease ownership interest 51%) for a profit after tax of A\$8.8 million;
- Zoned backlog of 36,000 units remaining consistent with the prior year (June 2005: 36,133 units).

The Lend Lease Development result includes a loss of A\$4.2 million after tax relating to Jacksons Landing. This has been recognised following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment.

Subsequent to the year end, three projects (Woodlands, Ropes Crossing and Lakeside) were sold into the Lend Lease Communities Fund 1 for a total consideration of A\$186.1 million. Lend Lease has a 20.8% co-investment in the fund and will earn ongoing management fees from these projects.

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

Retail and Communities continued

Communities continued

Communities – Europe

In Europe, the Communities business primarily consists of The Crosby Group, the Greenwich Peninsula project and First Base.

The key financial results of the Communities – Europe business are detailed below.

	Crosby		Other		Total	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
Profit/(loss) after tax (A\$m)	27.8		(14.9)	3.0	12.9	3.0
Number of projects	20		2	2	22	2
Number of units settled	1,193				1,193	
Gross sales value of units settled (A\$m) ¹	550.0				550.0	
Pre-sales (A\$m) ²	452.9				452.9	
Backlog (number of units)³						
Zoned (with planning approval)	3,550		10,150	10,000	13,700	10,000
Unzoned (awaiting planning approvals)	280			5,000	280	5,000
Total backlog	3,830	–	10,150	15,000	13,980	15,000

1 Gross sales value reflects revenue from projects, including revenue earned from joint venture projects.

2 Pre-sales represent contracts entered into prior to 30 June 2006, including contracts from joint venture projects which have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future periods.

3 Backlog includes the total number of units in both company owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are obtained.

The Crosby Group

Lend Lease acquired its interest in The Crosby Group on 8 July 2005 for a consideration of A\$618.9 million. The Crosby Group is an urban regeneration specialist operating in major northern UK cities such as Manchester, Leeds and Birmingham. The majority of The Crosby Group's earnings are derived from mid to high rise apartment developments on brownfield urban regeneration sites.

The Crosby Group performance highlights for the year included:

- A contribution to profit after tax of A\$27.8 million. This profit is in line with management's expectations at the time The Crosby Group was acquired. The reported profit after tax has been reduced by A\$46.3 million after tax due to a fair value adjustment recognised on acquisition;
- A gross profit margin on revenue in excess of 20%, which is in line with expectations;
- Closing backlog representing approximately three years sales. This is considered appropriate given that The Crosby Group typically secures projects by purchasing land. The Crosby Group is expected to replenish and build its backlog through a combination of site acquisitions and leveraging mixed use development opportunities from within Lend Lease;
- Acquiring a new development site at Potato Wharf, Manchester during the year. This site has an existing planning approval for 230 residential units with the potential to significantly expand the scheme by acquiring adjacent sites.

Other Communities – UK

Other Communities – UK operating loss after tax of A\$14.9 million was primarily due to a provision made against the North Weald investment of A\$13.8 million after tax. Lend Lease invested in this project based on the draft East of England Regional Spatial Strategy (RSS) which identified North Weald within a major residential growth zone. In June 2006 a Government Planning Inspector's report in relation to the RSS was published recommending withdrawal of support for North Weald as a location for major development. Given this policy shift away from the draft RSS, the investment has been fully provided for and management is now undertaking a full review of options for the site. Unzoned backlog has accordingly been reduced by 5,000 units.

The Greenwich Peninsula project (undertaken in a joint venture with Quintain Estates and Development plc and English Partnerships) involves the development of 10,000 apartments, 340,000 square metres of commercial and 33,000 square metres of retail space on 59 hectares of land on the Greenwich Peninsula in London. The project will be developed through a combination of land sales to third party developers and direct development with joint venture partner Quintain. Discussions with third party developers for the sale of the first plot of land are well advanced.

First Base is a company specialising in affordable housing and community projects in London. During the year Lend Lease increased its equity stake in the business from 24.1% to 45.0%. As a preferred partner of English Partnerships' London Wide Initiative, First Base has secured a backlog of 1,000 units. In addition to its equity stake in First Base, Lend Lease has directly invested in the company's first project, Adelaide Wharf, which comprises 150 apartments and commenced construction in April 2006.

Communities – Americas

In the USA, the Communities business consists of Actus Lend Lease, the San Francisco Piers development project and the newly acquired Horizon City Center project in Denver. The Group sold its interest in the Gotham 80/20 housing project in New York during the year.

Actus Lend Lease

The primary focus of Actus Lend Lease is the military housing privatisation initiative (MHPI) for all branches of the US military. The MHPI includes family housing, lodging and barracks and is a A\$55.0 billion programme, of which approximately A\$19.0 billion in projects has been released to date. Under the MHPI, Actus Lend Lease is selected to own, finance, construct and operate family housing projects for 50 years. To date Actus Lend Lease has been awarded projects valued at A\$6.0 billion, which represents over 25% of the value of projects released.

The key financial results for Actus Lend Lease are detailed below.

	June 2006	June 2005
Profit after tax (A\$m)	18.1	30.7
Construction gross profit margin (GPM) (A\$m)	25.8	6.3
Development GPM (A\$m)	20.8	58.7
Asset management GPM (A\$m)	5.3	5.6
Equity returns (A\$m)	1.6	0.2
Number of projects ¹	11	7
Backlog (number of units under management)		
Projects in operational status (secured)	27,700	24,300
Projects in preferred bidder status (awarded)	6,500	3,400
Total backlog	34,200	27,700

1. Number of projects includes projects where Lend Lease is the preferred bidder, including extensions of two existing projects.

Performance highlights for the year included:

- Lend Lease acquiring the final 12.5% minority interest stake in Actus Lend Lease, with effect from 1 July 2005. The profit after tax represents Lend Lease's 100% holding in Actus Lend Lease (June 2005: 87.5%);
- Construction on secured projects progressing in accordance with contract obligations and as a result, GPM recognised reflects contracted margins. The Fort Hood project reached substantial completion five months ahead of schedule;
- Development fees represent a fee for service and are not at risk for project performance. Development fee income declined due to fewer projects reaching financial close in the year. Development fees were high in the prior year due to financial close of the Army RCI and Hickam AFB projects in Hawaii and the Fort Drum project in New York;
- Units under management increasing by 6,500 units. Occupancy levels across the portfolio continued to meet project expectations, despite ongoing deployment of military personnel, ensuring that asset management fees were earned as planned;
- The Marine Corps Installation reaching financial close with a construction value of A\$460.0 million;
- Selection as the preferred bidder on the privatisation contracts for Fort Knox in Kentucky and the Air Combat Command Group II in Arizona and New Mexico. The combined construction value of these two projects is A\$658.0 million;
- Selection as the preferred bidder on the second phases of the privatisation of Hickam AFB and the Marine Corps Installation. The combined construction value of these two projects is A\$625.0 million.

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

Retail and Communities continued

Communities continued

New Work Secured and Backlog GPM

	Opening Backlog GPM at June 2005 ¹ A\$m	Foreign Exchange Adjustment A\$m	New Work Secured GPM to June 2006 A\$m	Backlog GPM Realised to June 2006 A\$m	Closing Backlog GPM at June 2006 ² A\$m
Projects in operational status (secured)	363.5	(49.8)	75.2	(51.9)	337.0
Projects in preferred bidder status (awarded)	44.6	(6.1)	100.8		139.3
Total backlog GPM	408.1	(55.9)	176.0	(51.9)	476.3

- 1 Opening backlog GPM has been adjusted from the June 2005 MD&A to reallocate the San Francisco Piers development project, which is now included in the Communities Americas business.
- 2 Backlog GPM disclosed includes 10 years backlog from facilities management even though the contracts run for up to 50 years.

Backlog GPM Run Off

	Year Ending June 2007 %	Year Ending June 2008 %	Post June 2008 %	Total %
Projects in operational status (secured)	23	15	62	100
Projects in preferred bidder status (awarded)	25	13	62	100
Total backlog GPM	24	14	62	100

Other Communities – Americas

Other Communities – Americas includes the Piers development project in San Francisco and the newly acquired community development project, Horizon City Center in Denver. The Group sold its interest in the Gotham 80/20 housing project in New York in the year.

The key financial results for Other Communities – Americas are detailed below.

	Total	
	June 2006	June 2005
Profit after tax (A\$m)	13.0	1.9
Number of projects	2	2
Number of units settled	61	
Gross sales value of units (A\$m) ¹	88.1	
Pre-sales (A\$m) ²	36.5	
Backlog (number of units) ³		
Zoned	3,025	

- 1 Gross sales reflects revenue from projects, including revenue earned from joint venture projects.
- 2 Pre-sales represent contracts entered into prior to 30 June 2006, including contracts from joint venture projects which have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future periods.
- 3 The actual number of backlog units for any particular project can vary as planning applications are obtained.

Performance highlights for the year included:

- Acquisition of a 203-hectare development parcel known as Horizon City Center in Denver, Colorado in June 2006. A mixed use housing, retail and commercial community proposed for the site is scheduled to commence in the first half of the June 2007 financial year, with first settlements expected in 2008;
- Sale of 61 of the 136 condominiums developed in joint venture with the San Francisco Cruise Terminal. The remaining 75 condominiums are expected to be sold in the June 2007 financial year;
- Sale on 9 August 2005 of the Foundry in New York, an 80/20 housing project held in partnership with Gotham, resulting in a profit after tax of A\$9.8 million.

Investment Management

Overview of Business

The Investment Management business has A\$9.7 billion of funds under management (FUM) (June 2005: A\$8.1 billion). Lend Lease holds investments directly and indirectly in property assets with a market value of A\$3.2 billion (June 2005: A\$2.7 billion). The Group's interest in these property investments generated investment income EBITDA (excluding gains on sale of investments) of A\$133.4 million during the year, representing 22% of the Group's EBITDA from operating businesses.

Key Financial Results

The key financial results of the Investment Management business are summarised below.

	Revenue ¹		EBITDA		Profit After Tax	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Funds Management						
Asia Pacific	34.6	64.5	8.7	29.8	6.5	21.4
Europe	3.8	3.6	0.8	2.4	0.5	1.2
Americas	0.4	13.5	4.9	6.5	3.1	3.8
Total	38.8	81.6	14.4	38.7	10.1	26.4
Investment Income^{2,3,4}						
Asia Pacific	29.2	27.9	24.3	8.6	16.1	5.7
Europe	66.4	66.1	94.9	60.2	70.4	38.6
Americas	0.4	50.0	41.2	57.0	32.9	46.3
Total	96.0	144.0	160.4	125.8	119.4	90.6
Total Operating						
Asia Pacific	63.8	92.4	33.0	38.4	22.6	27.1
Europe	70.2	69.7	95.7	62.6	70.9	39.8
Americas	0.8	63.5	46.1	63.5	36.0	50.1
Total	134.8	225.6	174.8	164.5	129.5	117.0
Property Investment Revaluations⁵						
Europe			25.3	14.5	17.7	10.2
Americas			74.1	50.0	43.3	29.3
Total	–	–	99.4	64.5	61.0	39.5

1 Revenue excludes Lend Lease's share of profits from associates and joint ventures accounted for using the equity method.

2 Represents Lend Lease's share of income from properties and investments net of direct expenses, including the allocation of hedge gains/losses and excluding any adjustments to the investment carrying value.

3 EBITDA and profit after tax includes gains from the sale of investments of \$27.0 million (June 2005: \$6.8 million) and \$24.6 million (June 2005: \$4.9 million) respectively.

4 The June 2005 result included a foreign exchange provision of A\$18.9 million after tax following the implementation of AIFRS.

5 Represents the unrealised valuation increases on property investments. Relates only to Lend Lease's property investments that are accounted for using the equity method.

Performance highlights for the year included:

- In Asia Pacific, the Funds Management business was repositioned to focus on its wholesale investor base following Lend Lease ceasing its role as manager of GPT in Australia. Profit after tax was A\$6.5 million, with FUM (excluding joint venture interests) increasing by 15% during the year;
- The profit after tax from investment income in Asia Pacific increased to A\$16.1 million. The increase is predominantly due to Lend Lease's additional investment in APPF Retail, acquired in two tranches in April and October 2005;
- In Europe, profit after tax from investment income increased to A\$70.4 million, reflecting the Group's new investments in the Warrington Retail Limited Partnership and the Performance Retail Limited Partnership which were acquired in February 2005 and August 2005 respectively. In addition, the Group's investment in Lend Lease Global Properties, SICAF contributed A\$11.8 million after tax. Also, the prior year included a foreign exchange provision of A\$13.3 million after tax following the introduction of AIFRS;
- In the Americas, total profit after tax declined to A\$36.0 million due to lower investment income as Real Estate Investment businesses were sold. The ongoing sale of these businesses (Value Enhancement Funds III, IV and V in July 2005) generated a profit after tax of A\$7.5 million. In addition, the Americas business had a low effective tax rate due to the recognition of a A\$6.6 million (June 2005: A\$6.9 million) tax benefit relating to previously unrecorded tax losses;

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

Investment Management continued

Key Financial Results continued

- Unrealised valuation increases on property investments were A\$99.4 million before tax. In Europe, this represented a A\$16.1 million increase in the value of the Group's 30.7% interest in the Lend Lease Overgate Partnership and a A\$9.2 million increase in the value of the Group's 33.3% interest in the Performance Retail Limited Partnership. In the Americas, the A\$74.1 million property investment revaluation related to Lend Lease's 50% interest in King of Prussia. In addition, the value of the Group's 30% direct interest in Bluewater increased by 12% to \$1,482.8 million. However, Bluewater is treated as inventory in the financial statements and is therefore reflected at cost, which at June 2006 was A\$559.2 million.

Funds Under Management (FUM)

	Asia Pacific A\$b	Europe £b	Total June 2006 A\$b	Total June 2005 A\$b
FUM at beginning of financial year	3.9	0.9	6.0	13.3
Additions	0.4	0.1	0.6	1.3
Reductions ²	(0.1)		(0.1)	(9.5)
Net revaluations	0.3	0.1	0.5	0.9
FUM at end of financial year (excluding joint ventures)¹	4.5	1.1	7.0	6.0
FUM from joint venture interests	1.5	0.5	2.7	2.1
FUM at end of financial year (including joint ventures)¹	6.0	1.6	9.7	8.1

¹ FUM represents the gross market value of real estate assets managed on behalf of investors.

² Reductions in the June 2005 year are due to Lend Lease ceasing to manage GPT.

FUM increased by A\$1.6 billion due to property acquisitions by APPF in Australia and revaluation gains in existing managed assets. In addition, Investment Management launched the Lend Lease Core Plus Fund in June 2006, adding A\$0.1 billion of FUM in Australia, and was appointed as manager of the Chelmsford Meadows Partnership in March 2006, adding A\$0.2 billion of FUM in Europe.

Investments

	Region	Lend Lease Share of Income ^{1,2} June 2006 A\$m	Lend Lease Share of Income ^{1,2} June 2005 A\$m	Market Value ³ June 2006 A\$m	Market Value ³ June 2005 A\$m
Bluewater	UK	64.5	64.5	1,482.8	1,318.3
King of Prussia	USA	25.1	27.9	445.3	358.4
Other retail investments	Various	42.8	14.8	1,029.6	661.6
Other investments	Various	28.0	18.6	210.9	331.2
Total direct and indirect investments		160.4	125.8	3,168.6	2,669.5

¹ Represents Lend Lease's share of income before tax from properties and investments net of direct expenses, including the allocation of hedge gains/losses and excluding any adjustment to investment carrying value.

² Lend Lease share of income includes gains from the sale of investments of A\$27.0 million (June 2005: A\$6.8 million).

³ Market value is the gross value based on independent valuations.

Lend Lease held property investments, directly or indirectly, with a market value of A\$3.2 billion at June 2006:

- Lend Lease maintains a 30% direct interest in Bluewater. The independent market value at June 2006 of 100% of Bluewater was £2,026.5 million (A\$4,942.7 million);
- The value of Lend Lease's investment in the King of Prussia Partnership increased to A\$445.3 million (June 2005: A\$358.4 million);
- Other retail investments increased by A\$368.0 million due predominantly to the acquisition of a 33.3% interest in the Performance Retail Limited Partnership (June 2006 market value: A\$103.3 million) and a 75% interest in the Chelmsford Meadows Unit Trust (June 2006 market value: A\$146.6 million);
- Other investments decreased by A\$120.3 million due to the sale of the Value Enhancement Funds III, IV and V, and capital returns from the Lend Lease Global Properties, SICAF and the Lend Lease International Distressed Debt Fund.

Property Investment Revaluations

	Region	Unrealised Revaluations Before Tax June 2006 A\$m	Unrealised Revaluations Before Tax June 2005 A\$m
Lend Lease Overgate Partnership	UK	16.1	14.5
Performance Retail Limited Partnership (acquired August 2005)	UK	9.2	
King of Prussia	USA	74.1	50.0
Total property investment revaluations		99.4	64.5

Project Management, Construction and Private Finance Initiatives (PFIs)

Key Financial Results

	Revenue		Realised Gross Profit Margin		EBITDA		Profit After Tax	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Bovis Lend Lease								
Asia Pacific	1,718.6	1,553.4	123.5	98.8	43.1	26.8	23.8	14.2
Americas	4,587.6	3,662.7	190.3	183.3	87.3	70.9	59.3	55.7
Europe	3,193.5	2,866.4	154.8	218.0	48.0	94.5	33.3	66.9
Total Bovis Lend Lease	9,499.7	8,082.5	468.6	500.1	178.4	192.2	116.4	136.8
Private Finance Initiatives (PFIs)	76.9	101.3	9.1	0.6	8.6	(1.2)	18.2	3.8
Total Project Management, Construction and PFIs	9,576.6	8,183.8	477.7	500.7	187.0	191.0	134.6	140.6

Project Management, Construction and PFIs profit after tax was A\$134.6 million, a 4% decrease on the prior year. Profit after tax was negatively affected by foreign exchange movements of A\$9.4 million. Excluding currency movement, profit after tax increased by 2%.

Total revenue increased A\$1.4 billion due to higher volumes in Asia Pacific and the Americas and a continuing change in the mix from fee services to construction services contracts in the UK.

Bovis Lend Lease

Asia Pacific

Profit after tax for the Asia Pacific business increased by A\$9.6 million (68%) due to the Australian business completing a number of large projects including 126 Phillip Street, Darling Park Stage III and the Macarthur Square and Penrith Plaza shopping centres in Sydney, together with Herald & Weekly Times, Melbourne Central and MAB Conder in Victoria. In Asia, Japan and Taiwan performed strongly off the back of telecommunication and technology projects. The effective tax rate for Asia Pacific is high due to the proportion of profits emerging from Japan, a high tax jurisdiction.

Americas

Profit after tax for the Americas business of A\$59.3 million was negatively impacted by foreign exchange movements of A\$9.4 million. Excluding currency movements, profit increased 23%. Gross profit margin increased A\$7.0 million (A\$37.2 million excluding currency movements) due to higher volumes of work, particularly in Miami, Washington and San Francisco, and performance bonuses received on two large projects: 731 Lexington Avenue, New York and 111 South Wacker Street, Chicago. The Americas business has a low effective tax rate due to the recognition of an A\$11.2 million (June 2005: A\$8.2 million) tax benefit relating to previously unrecorded tax losses.

Europe

Operating profit after tax for the European business decreased by A\$33.6 million and realised GPM decreased A\$63.2 million primarily due to margin deteriorations on certain UK projects. The European business had a solid performance in the second half of the financial year due to continued growth in the Gulf States and Continental Europe and the recognition of previously deferred profit in the UK relating to the Chapelfield development and the Leeds PFI hospital as the project was more than 50% complete.

Profitability Ratio

The profitability ratio (defined as EBITDA divided by realised GPM) of Bovis Lend Lease for the year was 38% (June 2005: 38%) with strong performances in the Asia Pacific and Americas offsetting a decline in Europe.

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

Project Management, Construction and PFIs continued

New Work Secured and Backlog GPM

	Opening Backlog GPM at June 2005 A\$m	Foreign Exchange and Other Adjustments ¹ A\$m	New Work Secured GPM to June 2006 A\$m	Backlog GPM Realised to June 2006 A\$m	Closing Backlog GPM at June 2006 ^{2,3} A\$m
Asia Pacific	84.1	0.4	144.2	(123.5)	105.2
Americas	228.0	(31.4)	213.4	(190.3)	219.7
Europe	369.2	(53.3)	139.0	(154.8)	300.1
Total Bovis Lend Lease	681.3	(84.3)	496.6	(468.6)	625.0
Facilities Management ³	57.7		10.8	(8.0)	60.5
Total operational projects	739.0	(84.3)	507.4	(476.6)	685.5
Projects in preferred bidder status (awarded) ⁴	20.6		4.2		24.8
Total including projects in preferred bidder status	759.6	(84.3)	511.6	(476.6)	710.3

1 Foreign-exchange and other adjustments include exchange rate movements from the prior year's effective hedge rate to the current year's rate and margin deterioration on projects in the UK referred to above.

2 Although closing backlog GPM is run off over several years, the effective hedge rate for the current year has been applied to the closing backlog GPM balance in its entirety as the exchange rates for later periods cannot be predicted accurately. In local currency, the Americas backlog GPM was US\$160.4 million (June 2005: US\$143.6 million) and the European backlog GPM was £120.0 million (June 2005: £147.7 million).

3 Backlog GPM disclosed includes only 10 years backlog from facilities management even though PFIs contracts run for longer periods of up to 35 years. Facilities management GPM is reported in PFIs.

4 New work secured of A\$4.2 million for projects in preferred bidder status reflects A\$28.3 million of GPM on projects that were awarded preferred bidder status during the year less A\$24.1 million of GPM transferred from preferred bidder to operational projects following financial close.

New work secured is the total project GPM to be earned from projects secured during the financial year. Backlog GPM is the expected GPM to be realised in future financial periods from contracts committed at the end of the financial year.

New work secured of A\$496.6 million for Bovis Lend Lease was higher than realised GPM of A\$468.6 million. However, after adjusting for foreign exchange movements and the margin deterioration on UK projects, total Bovis Lend Lease backlog GPM declined 8% to A\$625.0 million.

Backlog GPM Realisation as at June 2006

	Year Ending June 2007 %	Year Ending June 2008 %	Post June 2008 %	Total %
Asia Pacific	72	24	4	100
Americas	59	29	12	100
Europe	49	22	29	100
Total Bovis Lend Lease	56	25	19	100

As at June 2006, 56% of backlog GPM is projected to be realised as profit in the year to June 2007. The proportion of Bovis Lend Lease secured backlog GPM to be realised beyond 12 months decreased marginally to 44% (June 2005: 48%). While the trend towards longer duration projects continued, this statistic is affected by the timing of new projects.

Private Finance Initiatives (PFIs)

The PFIs result includes net bid costs, facilities management GPM, and returns on equity and loan stock contributions. The PFIs result does not include construction GPM, which is included in Bovis Lend Lease.

The profit after tax for PFIs increased to A\$18.2 million (June 2005: A\$3.8 million). The profit includes a gain arising from the Lend Lease and Bank of Scotland PFI joint venture of A\$19.6 million after tax. Lend Lease and the Bank of Scotland equalised their investments in 11 PFI projects, which resulted in Lend Lease and the Bank of Scotland each holding a 50% interest.

Corporate

	Revenue		EBITDA		Profit/(Loss) After Tax	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Group Services	8.1	7.5	(85.3)	(88.6)	(52.0)	(62.5)
Group Treasury	22.4	44.9	4.7	(8.5)	(22.4)	(1.7)
Group Amortisation					(3.0)	(1.7)
Total Corporate	30.5	52.4	(80.6)	(97.1)	(77.4)	(65.9)

Group Services

Group Services costs after tax decreased by A\$10.5 million due to the prior year including a charge on the implementation of AIFRS in relation to the Lend Lease employee share plans and a lower effective tax rate. Underlying costs have remained broadly flat compared to the prior year.

Amortisation charges are in respect of management agreements. The amortisation charge increased by A\$1.3 million due to the increase in Lend Lease's investment in APPF.

Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange, interest rate risk and debt. The result for the year is detailed in the table below.

	Profit/(Loss) Before Tax		Profit/(Loss) After Tax	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Interest revenue	22.8	45.4	15.3	32.3
Interest expense and borrowing costs	(63.6)	(60.6)	(42.5)	(37.6)
Net hedge benefit	6.8	5.2	4.8	3.6
Total Group Treasury	(34.0)	(10.0)	(22.4)	(1.7)

Interest Revenue and Expenses

- Interest revenue decreased by A\$22.6 million before tax due to lower average cash balances. Interest on invested cash averaged 4.2% per annum for the year (June 2005: 5.2% per annum);
- Interest expense and borrowing costs increased by A\$3.0 million before tax, largely due to the amount of interest capitalised reducing by A\$10.8 million following the completion of the Chapelfield retail centre in September 2005. This increase was partly offset by a reduction in non interest borrowings costs of A\$8.1 million. The prior period included non interest borrowing costs principally related to the proposed merger with GPT;
- At 30 June 2006 the mix of borrowings was 54% at fixed rates and 46% at floating rates.

Hedging and Foreign Exchange Exposure

- A net hedge benefit of A\$6.8 million before tax was earned on the Group's hedging of foreign exchange exposures. The hedge benefit arises from the interest rate differential between US and UK interest rates against Australian interest rates;
- Due to an amendment to the hedge accounting requirements under AIFRS, Lend Lease's hedging of foreign currency revenues less expenses from foreign operations will no longer qualify for hedge accounting from the June 2007 financial year. Consequently, the hedges relating to the June 2007 and June 2008 financial years were terminated during the year;
- A net foreign exchange gain of A\$11.1 million before tax (June 2005: gain of A\$15.9 million) was recognised from hedging foreign denominated earnings in the year. This gain was allocated to the relevant business unit's operating profit, interest revenue and interest expense. Lend Lease hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- Lend Lease uses natural hedging, where possible, to minimise its exposure to 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 accounted for in the Foreign Currency Translation Reserve (FCTR). In the year the FCTR increased by A\$17.9 million, primarily due to changes in UK and USA exchange rates.

Other

Summary of Major Differences between AIFRS Profit After Tax and Previous GAAP Profit After Tax.

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

Other

Summary of Major Differences between AIFRS Profit After Tax and Previous GAAP Profit After Tax.

	Notes	AIFRS June 2005 A\$m	Previous GAAP June 2005 A\$m	Difference June 2005 A\$m
Retail – Asia Pacific		5.4	5.4	
Retail – Europe		0.7	0.7	
Delfin Lend Lease	1	50.0	59.4	(9.4)
Lend Lease Development	1,2	1.7	17.5	(15.8)
Senior Living	1,3	0.6	3.1	(2.5)
Communities – Europe		3.0	1.8	1.2
Actus Lend Lease	2,4	30.7	22.5	8.2
Other Communities – Americas	4	1.9	1.6	0.3
Total Retail and Communities		94.0	112.0	(18.0)
Investment Management Asia Pacific	5	27.1	32.7	(5.6)
Investment Management Europe ¹⁰	5,6	50.0	52.3	(2.3)
Investment Management America ¹⁰	4,6	79.4	43.1	36.3
Total Investment Management		156.5	128.1	28.4
Bovis Lend Lease Asia Pacific		14.2	14.4	(0.2)
Bovis Lend Lease Americas	4	55.7	47.3	8.4
Bovis Lend Lease Europe	7	66.9	73.7	(6.8)
PFI's		3.8	3.8	
Total Project Management, Construction and PFI's		140.6	139.2	1.4
Total Operating		391.1	379.3	11.8
Group Services	8	(62.5)	(23.0)	(39.5)
Group Treasury		(1.7)	(1.9)	0.2
Amortisation	9	(1.7)	(44.0)	42.3
Total Corporate		(65.9)	(68.9)	3.0
Total Group result before one-off items		325.2	310.4	14.8

- 1 Revenue and profit from the sale of inventory require additional conditions to be satisfied under AIFRS 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. Revenue and profit recognition on pre sold residential projects were previously accounted for using the percentage completion method. This change results in inventory that was sold under previous GAAP being returned to inventory with a corresponding adjustment to profit at June 2005.
- 2 AIFRS adjustment to discount deferred consideration on Jacksons Landing and Actus Lend Lease projects to present value.
- 3 Includes the recognition of profit on deferred management fees discounted to a present value basis.
- 4 Recognition of tax benefits relating to previously unrecorded tax losses (mainly arising from the exit of US REI businesses).
- 5 Foreign exchange provisions on investments previously taken to reserves but recognised against profit in June 2005.
- 6 Includes the fair value adjustment arising on the reclassification of King of Prussia and Lend Lease Overgate Partnership from 'Other Investments' to 'Investments Accounted for Using the Equity Method' under AIFRS.
- 7 Primarily relates to the recognition of additional expenses of the Bovis UK Pension Scheme determined on an actuarial basis.
- 8 Under AIFRS, employee benefit vehicles sponsored by Lend Lease are consolidated, effective 1 July 2004. AIFRS adjustments have been made to recognise the administration costs of the Funds and to eliminate dividends.
- 9 Under AIFRS, goodwill amortisation ceased effective 1 July 2004. APPF Management agreements are amortised at an accelerated rate (10 years).
- 10 Includes property investment revaluations.

Consolidated Financials

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Consolidated Financial Statements

Income Statements

Year Ended 30 June 2006

		Consolidated		Company	
	Note	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Revenue					
Revenue from the sale of development properties	3a	1,773.4	355.3		
Revenue from the provision of services	3b	10,129.9	8,616.0		1.7
Finance revenue	3c	33.5	53.3	19.8	36.4
Other revenue	3d	190.0	410.7	237.9	308.0
Total revenue		12,126.8	9,435.3	257.7	346.1
Other Income	4	92.7	14.9	-	-
Expenses					
Project Management, Construction and PFI activities					
Cost of inventories sold		(9,103.7)	(7,656.3)		
Other expenses		(323.2)	(434.5)		
Retail and Communities activities					
Cost of properties sold		(1,831.4)	(435.9)		
Other expenses		(387.7)	(289.3)		
Investment Management activities		(31.1)	(197.0)		
Corporate and administrative activities expenses		(94.9)	(168.6)	(60.1)	(300.6)
Finance costs	5	(61.8)	(56.6)	(16.2)	(32.4)
Total expenses		(11,833.8)	(9,238.2)	(76.3)	(333.0)
Share of profit of associates accounted for using the equity method	11a	150.5	106.5		
Share of profit of joint venture entities accounted for using the equity method	11b	36.5	31.7		
Profit before tax		572.7	350.2	181.4	13.1
Income tax (expense)/benefit	6a	(150.1)	(114.3)	18.4	(8.7)
Profit after tax		422.6	235.9	199.8	4.4
Profit after tax attributable to minority interests		(7.4)	(10.4)		
Profit after tax attributable to members of Lend Lease Corporation Limited	26	415.2	225.5	199.8	4.4
Earnings Per Share (Basic/Diluted)					
Shares excluding Treasury shares (cents)	7	112.7	61.6		
Shares on issue (cents)	7	104.0	56.5		

The accompanying notes form part of these consolidated financial statements.

Balance Sheets

As at 30 June 2006

		Consolidated		Company	
	Note	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Current Assets					
Cash and cash equivalents	8	559.5	569.6	1.5	1.9
Trade and other receivables	9	1,662.6	1,169.0	1,304.5	1,763.7
Inventories	10	940.8	687.1		
Current tax assets	6b	3.1		3.5	
Other financial assets	13	24.2	16.9	1.2	
Other assets	17	188.3	169.6		
Total current assets		3,378.5	2,612.2	1,310.7	1,765.6
Non Current Assets					
Other receivables	9	193.4	149.3	19.5	76.3
Inventories	10	1,217.5	1,463.6		
Investments accounted for using the equity method	11	999.8	673.3		
Investment properties	12	287.0	83.1		
Other financial assets	13	723.8	713.5	1,502.0	1,486.1
Deferred tax assets	6c	389.3	369.4	36.8	84.0
Property, plant and equipment	14	110.1	102.4	0.4	0.7
Intangible assets	15	793.9	608.9		
Defined benefit plan asset	16	21.7	20.0	21.7	20.0
Other assets	17	39.9	128.9		
Total non current assets		4,776.4	4,312.4	1,580.4	1,667.1
Total assets		8,154.9	6,924.6	2,891.1	3,432.7
Current Liabilities					
Trade and other payables	18	2,832.5	2,497.1	366.5	737.6
Borrowings and financing arrangements	19		500.0		
Current tax liabilities	6b		69.4		53.8
Provisions	20	343.6	284.3	54.8	38.5
Other financial liabilities	21		11.3		
Other non financial liabilities	22	3.0	21.5		
Total current liabilities		3,179.1	3,383.6	421.3	829.9
Non Current Liabilities					
Other payables	18	209.9	37.8	1.1	47.5
Borrowings and financing arrangements	19	846.0			
Provisions	20	26.1	25.8	0.3	0.1
Deferred tax liabilities	6c	404.5	263.0	7.0	79.9
Other financial liabilities	21	211.2	220.4		
Other non financial liabilities	22	92.2	89.4		
Defined benefit plan liability	23	174.6	194.2		
Total non current liabilities		1,964.5	830.6	8.4	127.5
Total liabilities		5,143.6	4,214.2	429.7	957.4
Net assets		3,011.3	2,710.4	2,461.4	2,475.3
Equity					
Issued capital	24	834.7	834.6	834.7	834.6
Treasury shares	24	(64.5)	(68.1)	(89.6)	(94.2)
Reserves	25	149.7	142.6	168.3	178.5
Retained earnings	26	2,018.2	1,782.5	1,548.0	1,556.4
Total equity attributable to equity holders of the parent		2,938.1	2,691.6	2,461.4	2,475.3
Minority interests	27	73.2	18.8		
Total equity		3,011.3	2,710.4	2,461.4	2,475.3

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statements of Changes in Equity

Year Ended 30 June 2006

	Note	Consolidated June 2006	Consolidated June 2005	Company June 2006	Company June 2005
		A\$m	A\$m	A\$m	A\$m
Issued Capital and Treasury Shares					
Issued Capital	24				
Opening balance at beginning of financial year		834.6	834.4	834.6	834.4
Ordinary share issues		0.1	0.2	0.1	0.2
Closing balance at end of financial year		834.7	834.6	834.7	834.6
Treasury Shares	24				
Opening balance at beginning of financial year		(68.1)	(81.2)	(94.2)	(107.0)
Treasury shares acquired			(3.8)	(0.1)	(7.1)
Treasury shares vested		3.6	17.1	4.7	21.7
Other share movements			(0.2)		(1.8)
Closing balance at end of financial year		(64.5)	(68.1)	(89.6)	(94.2)
Total issued capital and Treasury shares		770.2	766.5	745.1	740.4
Reserves					
Fair Value Revaluation Reserve	25a				
Opening balance at beginning of financial year					
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)		113.9		0.8	
Net revaluation gain taken to equity		30.7			
Fair value to profit or loss on asset disposal		(43.1)			
Other		0.2			
Closing balance at end of financial year		101.7	-	0.8	-
Hedging Reserve	25b				
Opening balance at beginning of financial year					
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)		(3.4)			
Movements attributable to effective cash flow hedges		(10.6)			
Foreign exchange movements		(0.4)			
Closing balance at end of financial year		(14.4)	-	-	-
Foreign Currency Translation Reserve	25c				
Opening balance at beginning of financial year		(13.5)			
Movements attributable to translation and hedging of foreign operations		17.9	(13.5)		
Closing balance at end of financial year		4.4	(13.5)	-	-
Equity Compensation Reserve	25d				
Opening balance at beginning of financial year		6.0	4.8	6.0	4.8
Movements attributable to unallocated Treasury shares		1.6	1.2	1.6	1.2
Closing balance at end of financial year		7.6	6.0	7.6	6.0
Other Compensation Reserve	25e				
Opening balance at beginning of financial year		67.9	76.7	67.9	76.7
Movements attributable to unallocated Treasury shares			10.3		10.3
Movements attributable to allocated Treasury shares		(12.6)	(19.1)	(12.6)	(19.1)
Closing balance at end of financial year		55.3	67.9	55.3	67.9

The accompanying notes form part of these consolidated financial statements.

	Note	Consolidated		Company	
		June 2006	June 2005	June 2006	June 2005
		A\$m	A\$m	A\$m	A\$m
Capital Reserve	25f				
Opening balance at beginning of financial year		104.6	104.6	104.6	104.6
Movements during financial year					
Closing balance at end of financial year		104.6	104.6	104.6	104.6
Minority Interest Acquisition Reserve	25g				
Opening balance at beginning of financial year		(22.4)			
Movements attributable to acquisition		(92.7)	(23.2)		
Foreign exchange movements		5.6	0.8		
Closing balance at end of financial year		(109.5)	(22.4)	-	-
Total reserves		149.7	142.6	168.3	178.5
Retained Earnings	26				
Opening balance at beginning of financial year		1,782.5	1,781.2	1,556.4	1,787.8
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)		(0.2)			
Gain/(loss) on utilisation of Treasury shares recognised directly in retained earnings		23.9	(10.3)	13.6	(3.5)
Profit for the financial year		415.2	225.5	199.8	4.4
Dividends forgone pursuant to share election plan		13.6		13.6	
Share buyback			(17.0)		(17.0)
Dividends paid		(235.4)	(215.3)	(235.4)	(215.3)
Less: Dividends on Treasury shares		18.6	18.4		
Closing balance at end of financial year		2,018.2	1,782.5	1,548.0	1,556.4
Minority Interests	27				
Opening balance at beginning of financial year		18.8	14.1		
Share of movement in profit for financial year		7.4	10.4		
Share of movement in share capital		53.4	(0.7)		
Foreign exchange/other movements		(6.4)	(5.0)		
Closing balance at end of financial year		73.2	18.8	-	-
Total equity		3,011.3	2,710.4	2,461.4	2,475.3
Total Recognised Income and Expense for Financial Year					
Non profit items recognised directly in equity		45.4	(3.1)		
Profit for financial year		415.2	225.5	199.8	4.4
		460.6	222.4	199.8	4.4
Total income and expense for financial year attributable to:					
Members of Lend Lease Corporation Limited		453.2	212.0	199.8	4.4
Minority interests		7.4	10.4		
		460.6	222.4	199.8	4.4

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statements of Cash Flows

Year Ended 30 June 2006

	Note	Consolidated		Company	
		June 2006	June 2005	June 2006	June 2005
		A\$m	A\$m	A\$m	A\$m
Cash Flows from Operating Activities					
Cash receipts in the course of operations		9,853.0	9,119.3	53.5	117.9
Cash payments in the course of operations		(9,623.6)	(8,838.9)	(80.4)	(72.5)
Property development receipts	30b	1,704.7	634.5		
Property development expenditure	30b	(1,169.5)	(841.1)		
Interest received		30.3	50.2	24.0	34.7
Interest paid		(60.8)	(75.7)	(16.3)	(28.3)
Dividends/distributions received		60.0	52.5	168.7	90.2
Distributions from partnerships and other investments received		4.6	5.5		
Income tax paid in respect of operations		(138.4)	(161.0)	(27.4)	(73.3)
Net cash provided by/(used in) operating activities	30a	660.3	(54.7)	122.1	68.7
Cash Flows from Investing Activities					
Sale/redemption of investments		260.3	381.3		178.1
Acquisition of investments		(274.9)	(499.7)		(40.0)
Sale of other assets			16.0		
Acquisition of other assets			(22.7)		
Loans from/(loans to) associates/related parties		(26.7)	(48.1)		
Acquisition of subsidiaries		(762.1)			
Acquisition of minority interest		(92.5)	(23.6)		
Disposal of subsidiaries (net of cash disposed)	33c	1.9	28.6		
Sale of property, plant and equipment		10.4	12.8		
Acquisition of property, plant and equipment		(26.5)	(31.0)		(0.3)
Net cash (used in)/provided by investing activities		(910.1)	(186.4)	-	137.8
Cash Flows from Financing Activities					
Proceeds from borrowings		2,549.2	105.0		
Repayment of borrowings		(2,111.9)	(435.3)		
Payments for share buybacks			(21.1)		(21.1)
Dividends paid		(203.2)	(196.9)	(221.8)	(215.3)
Decrease/(increase) in financing of subsidiaries				99.3	25.4
Increase/(decrease) in capital of minority interest		(0.3)	(0.2)		
Net cash provided by/(used in) financing activities		233.8	(548.5)	(122.5)	(211.0)
Other Cash Flow Items					
Effect of exchange rate changes on cash and cash equivalents		5.9	(28.9)		
Net decrease in cash and cash equivalents		(10.1)	(818.5)	(0.4)	(4.5)
Cash and cash equivalents at beginning of financial year		569.6	1,388.1	1.9	6.4
Cash and cash equivalents at end of financial year	8	559.5	569.6	1.5	1.9

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

Lend Lease Corporation Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as 'the consolidated entity') and the consolidated entity's interest in associates and subsidiaries.

The financial report was authorised for issue by the Directors on 16 August 2006.

a. Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP.

This is the Lend Lease Group's ('the Group's') first consolidated financial report prepared in accordance with AIFRS.

AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards', has been applied in the preparation of the Group's consolidated financial report.

An explanation of how the transition to AIFRS has affected the reported balance sheet, income statement and cash flows of the Group is provided in Note 37. Explanation of transition to AIFRS. Refer to Note 1b. for a list of the voluntary exemptions the Group has adopted.

b. Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, investments held for trading, investments available for sale and investment property. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

The preparation of a financial report that complies with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group has elected to early adopt the following Australian Accounting Standards:

- AASB 119 'Employee Benefits' (December 2004);
- AASB 2004 - 3 'Amendments to Australian Accounting Standards' (December 2004) amending:
 - AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards'
 - AASB 101 'Presentation of Financial Statements'
 - AASB 124 'Related Party Transactions';
- AASB 2005 - 3 'Amendments to Australian Accounting Standards' (June 2005) amending:
 - AASB 119 'Employee Benefits';
- AASB 2005 - 6 'Amendments to Australian Accounting Standards' (June 2005) amending:
 - AASB 3 'Business Combinations';
- AASB 2006 - 1 'Amendments to Australian Accounting Standards' (January 2006) amending:
 - AASB 121 'The Effects of Changes in Foreign Exchange Rates'.

The accounting policies set out below have been applied consistently to all financial years presented in these consolidated financial statements and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS, with the exception of the standards listed below

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

b. Basis of Preparation continued

All changes in the accounting policies have been made in accordance with the transitional provisions under AASB 1 and in the respective standards. All standards adopted by the Group require retrospective application other than those covered by the exemptions and elections within AASB 1. The Group has applied the mandatory exceptions, and has elected to apply the following voluntary exemptions contained within AASB 1 on transition to AIFRS:

- AASB 2 'Share-based Payment' – no expense to profit or loss before 1 January 2005;
- AASB 3 'Business Combinations' – prospective application elected;
- AASB 119 'Employee Benefits' – corridor approach elected prospectively for defined benefit plans;
- AASB 121 'The Effects of Changes in Foreign Exchange Rates' – cumulative translation differences reset to zero.

The Group has elected to apply the exemption from the requirement to restate comparative information for AASB 132 'Financial Instruments: Disclosure and Presentation', AASB 139 'Financial Instruments: Recognition and Measurement', AASB 4 'Insurance Contracts' and AASB 1023 'General Insurance Contracts'.

The accounting policies have been applied consistently by all entities in the consolidated entity.

Basis of Consolidation

The Group consolidation comprises all entities consolidated by Lend Lease Corporation Limited ('Lend Lease Corporation'). Control exists when Lend Lease Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements. The Company sponsors a number of employee benefit vehicles, including employee share plans. Under AIFRS, these vehicles, while not legally consolidated, are required to be consolidated for accounting purposes. The Company has consolidated the employee benefit vehicles effective 1 July 2004.

c. New Accounting Standards

Certain new accounting standards and Urgent Issues Group (UIG) interpretations have been published that are not mandatory for the 30 June 2006 financial year but are available for early adoption. The Group has not applied these standards and its assessment of these new standards and interpretations is set out below:

- UIG 4 'Determining whether an Arrangement contains a Lease' and AASB 2005-5 'Amendments to Australian Accounting Standards' (AASB 1).
UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 and AASB 2005-5 in its 2007 financial statements. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.
- UIG 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.
The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.
- AASB 2005-1 'Amendments to Australian Accounting Standards' (AASB 139).
AASB 2005-1 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendment permits the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and the foreign currency risk will affect consolidated financial statements. The amendment also specifies that if the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised directly in equity in accordance with AASB 139 must be reclassified into profit or loss in the same period or periods during which the foreign currency risk of the hedged transaction affects consolidated profit or loss. These amendments deem revenue less expenses hedging where there is no real cash flow ineffective. As a result, Lend Lease expects to qualify for hedge accounting in the current financial year and has closed out its revenue hedges for the 2007 and 2008 financial years. The impact to the Lend Lease Group is that A\$3.3 million after tax gains have been deferred on the balance sheet and will be amortised to the income statement over the period of the hedge.

- AASB 2005-4 'Amendments to Australian Accounting Standards' (AASB 139, AASB 132, AASB 1023, AASB 1038). AASB 2005-4 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments add additional restrictions to the ability to designate financial assets and liabilities at 'fair value through profit or loss' (fair value option designation) in accordance with AASB 139 (July 2004). The Group has currently not made any fair value option designations and has not elected to adopt these amendments early. It will apply the revised standard in its financial statements for the year ending 30 June 2007. Lend Lease Group will not have any impact from this change as the Group has not designated any financial assets at fair value through profit or loss.
- AASB 2005-9 'Amendments to Australian Accounting Standards' (AASB 4, AASB 1023, AASB 139 and AASB 132). AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has not elected to adopt the amendments early. It will apply the revised standards in its year ending June 2007 financial statements. Application of the revised rules may result in the recognition of financial liabilities in the financial statements of the parent entity, Lend Lease Corporation Limited, under guarantees given in respect of amounts payable by wholly owned subsidiaries and investments accounted for using the equity method. An assessment of the fair value of these guarantees has not yet been performed.
- AASB 7 'Financial Instruments: Disclosures' and AASB 2005-10 'Amendments to Australian Accounting Standards' (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038). AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted these standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.
- U/G 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'. U/G 6 is applicable to annual reporting periods beginning on or after 1 December 2006. This interpretation will not affect the Group's financial statements.

d. Revenue, Other Income and Profits

Revenue and Profits from the Sale of Development Properties

Revenue and profits from the sale of development properties is recognised in the income statement when:

- The significant risks and rewards have been transferred to the buyer;
- Lend Lease retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the development properties sold;
- The revenue can be reliably measured and it is probable that Lend Lease will receive the consideration due;
- Lend Lease can measure reliably the costs incurred or to be incurred.

Revenue from the Provision of Services

Revenue for the provision of services is recognised in the income statement in proportion to the stage of completion of the transactions at the balance sheet date:

- 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 and property development: Management fee entitlement for services rendered;
- For management of retirement villages: Deferred management fees are recognised on an accruals basis based on a present value (or discounted) assessment of revenue earned from the management agreements on retirement villages at current sales values.

Dividends

Dividend income is recognised when the right to receive payment is established, usually on declaration of the dividend.

Rental Income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease unless another systematic basis is more appropriate. Lease incentives granted are recognised as an integral part of the total rental income.

Net Gains or Losses on Sale of Investments

Net gains or losses on sale of investments are recognised when an unconditional contract is in place.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

d. Revenue, Other Income and Profits continued

Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, Lend Lease reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost recovery basis as conditions warrant.

Profits from Property Construction

Profits are brought to account for property construction, progressively at an amount equivalent to general indirect 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). An expected loss on a contract is recognised immediately in the income statement.

e. Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Australian wholly owned subsidiaries of the Australian Tax Consolidated Group (after elimination of intra-group transactions).

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 (at call) with a consequential adjustment to income tax expense/revenue.

f. Impairment

The carrying amounts of the Group's assets, investment properties (see Accounting Policy Note 1h.), inventories (see Accounting Policy Note 1n.) and deferred tax assets (see Accounting Policy Note 1e.), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless an asset has been previously revalued through reserves.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis.

Calculation of Recoverable Amount

The recoverable amount of the Group's investments in held to maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Cashflows relating to short term receivables are not discounted if the effect of discounting is immaterial (see Accounting Policy Note 1l.).

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which each asset belongs.

Reversals of Impairment

An impairment loss in respect of a held to maturity security or receivable is reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed (other than goodwill) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g. Investments

The Group classifies its investments in debt and equity securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired.

Financial Assets at Fair Value through Profit or Loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and Receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are included in trade and other receivables in the balance sheet (see Accounting Policy Note 11).

Held to Maturity Investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

Available for Sale Financial Assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other category. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and Measurement Criteria

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the financial year in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

g. Investments continued

Recognition and Measurement Criteria continued

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Comparative Financial Year Policy

Investments are carried at the lower of cost or recoverable amount. The quantitative effect of the change in accounting policy is set out in Note 37 'Explanation of Transition to AIFRS'.

h. Investment Properties

Investment properties are stated at fair value based on periodic, but at least triennial, valuations by external independent valuers. It is the policy of the Group to review the carrying value of each property every six months. Fair value is based on current prices in an active market for similar properties in the same location and condition. If this information is not available, the Group uses alternative calculation methods such as discounted cash flow projections or recent prices on less active markets. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment properties is accounted for as described in Accounting Policy Note 1d.

When an item of owner occupied property, plant and equipment (see Accounting Policy Note 1o.) becomes an investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

When an item of self constructed property, plant and equipment becomes an investment property following a change in its use, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and fees incurred.

i. Associates

Associates (including partnerships) are entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

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.

Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

j. 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' profit or loss after tax is recognised in the income statement from the date joint control commenced until the date joint control ceases. Other movements in joint venture entities' reserves are recognised directly in consolidated reserves.

Unrealised gains arising from transactions with joint venture entities are eliminated against the investment in the joint venture to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

k. 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 balance sheet and income statement:

- 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;
- Revenue earned in relation to the joint venture.

l. Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

m. Pre Contract and Project Bidding Costs

The Group 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.

n. Inventories

Property Held for Sale

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of property held for sale is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including borrowing costs incurred. Property expected to be sold within 12 months of the end of the financial year is classified as current inventories.

The net realisable value of each holding is assessed each financial year 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 Accounting Policy Note 1h.

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.

o. Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and impairment losses (see Accounting Policy Note 1f.). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment, and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Where an item of property, plant and equipment comprises components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The residual value, the useful life and the depreciation method applied to an asset is reassessed at least annually.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

o. Property, Plant and Equipment continued

Leased Assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see Accounting Policy Note 1f.).

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Subsequent Expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining period of the lease. Most plant is depreciated over a period not exceeding 10 years, furniture and fittings over 15 years, motor vehicles over eight years and computer equipment over three years. Land is not depreciated.

p. IT Software Systems

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products consolidated by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

q. Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisitions of associates is included in the carrying value of investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (or groups of cash generating units) that are expected to benefit from the synergies of the combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Management Agreements and Other Intangible Assets

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Accounting Policy Note 1f.). Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the intangible assets, which is 10 years for management rights.

r. Employee Benefits

Superannuation/Pension Obligations

Group companies operate various superannuation and pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

All actuarial gains and losses as at 1 July 2004, the date of transition to AIFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 July 2004 in calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised in the income statement, it is recognised in the balance sheet against the defined benefit plan asset or liability.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered superannuation/pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Current Employee Entitlements

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 the Group expects to pay at each reporting date, including related on costs. Non accumulating non monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Non Current Employee Entitlements

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.

Share Based Compensation

The Group operates cash settled and equity settled share based compensation plans that are referable to Lend Lease's share price. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding liability (if cash settled) or a corresponding increase in equity (if equity settled). The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each balance sheet date, the entity revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the income statement, and a corresponding adjustment to a liability (in the case of cash settled) or equity (in the case of equity settled) over the remaining vesting period.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

Profit Sharing and Bonus Plans

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

s. Trade and Other Payables

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days. Trade and other payables are stated at amortised cost or cost where the impact of discounting would be immaterial.

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, claims incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured at 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 discount rates used are a risk free rate.

t. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on preference shares are recognised in the income statement as interest expense.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. The amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

u. Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

Group Companies

The results and balance sheet of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (A\$) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the Foreign Currency Translation Reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its Treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit-worthiness of the swap counterparties. The fair value of forward exchange contracts is their value at the current quoted forward price at the balance sheet date.

v. Derivative Financial Instruments and Hedging Activities

Comparative Financial Year Policy

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 income statement as an adjustment to interest expense during the financial year, or capitalised within inventories when incurred in relation to property acquired for development and sale.

Forward foreign exchange contracts are entered into to cover the anticipated excess of revenue less expenses within foreign operations. These foreign exchange contracts are converted at the rates of exchange at balance date. The resulting foreign exchange gains or losses are taken to the income statement for hedge contracts that relate to the current financial year, or held on the balance sheet as an asset or liability for hedge contracts that relate to future financial years, 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.

The quantitative effect of the change in accounting policy is set out in Note 37. 'Explanation of Transition to AIFRS'.

Hedging

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the years when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net Investment Hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains or losses accumulated in equity are included in the income statement when the foreign operation is disposed.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

v. Derivative Financial Instruments and Hedging Activities continued

Hedging continued

Derivatives that do not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

w. Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

x. 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 that take more than six 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. To the extent that funds are borrowed generally, the amount of borrowing costs capitalised is calculated by applying a capitalisation rate to the expenditures on that asset.

y. Earnings Per Share

Basic earnings per share is determined by dividing 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 (adjusted for Treasury shares) outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

z. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Banks overdrafts (if applicable) are shown as a current liability on the balance sheet and are shown as a reduction to the cash balance in the statement of cash flows.

aa. Share Capital

Ordinary shares are classified as equity. Preference share capital is classified as equity if it is non redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends on redeemable preference shares are recognised as a liability on an accrual basis. Other dividends are recognised as a liability in the financial year in which they are declared.

ab. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

ac. Service Concession Arrangements (Private Financing Initiatives and Public Private Partnerships)

Contract obligations and related rights are recognised and measured in accordance with the Construction Contracts standard and the Revenue standard. Obligations are recognised when consideration is received in advance of performance. Consideration receivable in respect of construction or other services is accounted for in accordance with the Financial Instruments standard as a 'loan or receivable' and is measured at amortised cost. Borrowing costs are capitalised in accordance with Accounting Policy Note 1x. Pre contract and project bidding costs are capitalised in accordance with Accounting Policy Note 1m.

ad. Accounting Estimates and Judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key Sources of Estimation Uncertainty

Note 15a. 'Goodwill' contains information about the assumptions and their risk factors relating to goodwill impairment. In Note 31a. 'Foreign Currency' detailed analysis is given of the foreign exchange exposure of the consolidated entity and risks in relation to foreign exchange movements.

Impairment of Goodwill

The Group assesses whether goodwill is impaired at least annually in accordance with Accounting Policy Note 1f. These calculations involve an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

Defined Benefit Superannuation Fund Obligations

Various actuarial assumptions are utilised in the determination of the Group's defined benefit superannuation/pension fund obligations. These assumptions are discussed in Notes 16f. 'Principal Actuarial Assumptions' and 23f. 'Principal Actuarial Assumptions'.

Critical Accounting Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the consolidated financial report. These include:

- When substantially all the significant risks and rewards of ownership of development properties are transferred to the purchaser;
- When construction work performed is greater than 50% complete;
- Whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is consolidated by the Group.

Notes to the Consolidated Financial Statements continued

2. Segment Reporting

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

Business Segment Summary

Segment	Segment Revenue ^{1,2}		Other Unallocated Revenue ³		Group Operating Revenue		Segment Result Before Tax ^{4,5}		Share of Profit of Investments Accounted for Using the Equity Method		Other Unallocated Revenues and Expenses ⁶		Group Operating Profit/(Loss) Before Tax ⁷		Group Operating Profit/(Loss) After Tax ⁸	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m	
Segment																
Retail and Communities	2,382.1	812.0	2.8	7.3	2,384.9	819.3	207.0	107.4	34.7	30.3	2.1	6.5	243.8	144.2	174.5	167.5
Investment Management	128.6	131.7	6.2	93.9	134.8	225.6	129.7	82.0	141.4	100.2	3.2	40.9	274.3	223.1	190.7	190.5
Project Management, Construction and PFIs	9,572.2	8,183.8	4.4		9,576.6	8,183.8	165.2	120.1	10.9	7.7	4.7	3.6	180.8	131.4	134.8	103.6
Total segment	12,082.9	9,127.5	13.4	101.2	12,096.3	9,228.7	501.9	309.5	187.0	138.2	10.0	51.0	698.9	498.7	500.0	492.6
Unallocated			30.5	206.6	30.5	206.6					(126.2)	(148.5)	(126.2)	(148.5)	(77.4)	(106.6)
Total Group			43.9	307.8	12,126.8	9,435.3					(116.2)	(97.5)	572.7	350.2	422.6	235.9
																415.2
																225.5

¹ AASB 114 '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 do not include inter-segment transfers between business segments. Inter-segment transfers are priced on an arm's length basis.

³ Includes A\$6.0 million impairment losses for Retail and Communities (June 2006: A\$13.0 million) in relation to Jackson's Landing. Refer to Note 5 'Other Operating (Income) and Expenses'.

⁴ Group operating profit/(loss) before tax excluding cost savings implementation and Land Lease/GPT merger scheme costs in June 2005 are A\$147.8 million for Retail and Communities, A\$228.6 million for Investment Management,

A\$182.0 million for Project Management, Construction and PFIs and a loss of A\$100.9 million for 'Unallocated'

⁵ Represents Group profit/(loss) before minority interests.

⁶ Group operating profit/(loss) after tax excluding cost savings implementation and Land Lease/GPT merger scheme costs in June 2005 is A\$94.0 million for Retail and Communities, A\$156.5 million for Investment Management,

A\$140.6 million for Project Management, Construction and PFIs, and a loss of A\$65.9 million for 'Unallocated'.

2. Segment Reporting continued

Business Segment Summary continued

Segment	Depreciation and Amortisation ¹		Non Cash Expenses Other than Depreciation and Amortisation ²		Segment Assets ³		Investments Accounted for Using the Equity Method ⁴		Unallocated Corporate Assets ³		Total Group Assets ⁴		Acquisition of Non Current Assets ⁵		Segment Liabilities ³		Unallocated Corporate Liabilities ³		Total Group Liabilities ⁴	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	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	A\$m	A\$m
Segment																				
Retail and Communities	7.0	6.0	76.3	11.1	2,306.2	1,823.7	137.3	114.4	87.9	44.4	2,531.4	1,982.5	11.2	12.0	739.2	676.1	204.6	51.0	943.8	727.1
Investment Management	3.0	2.0	(5.9)	128.1	1,569.9	1,342.3	843.2	537.9	18.1	94.6	2,429.2	1,974.8	0.2	16.7	288.5	275.4	178.8	124.8	467.3	400.2
Project Management, Construction and PFI	11.3	12.2	57.3	145.4	2,774.8	2,399.0	19.3	21.0	144.5	136.1	2,938.6	2,548.1	13.9	18.4	2,512.3	2,077.1	221.9	218.5	2,734.2	2,295.6
Total segment	21.3	20.2	127.7	284.6	6,650.9	5,555.0	999.8	673.3	248.5	277.1	7,899.2	6,505.4	25.3	47.1	3,540.0	3,028.6	605.3	394.3	4,145.3	3,422.9
Unallocated									255.7	419.2	255.7	419.2					998.3	791.3	998.3	791.3
Total Group									504.2	696.3	8,154.9	6,924.6					1,603.6	1,185.6	5,143.6	4,214.2

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.

³ AASB 114 '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, borrowings and liabilities related to assets that are the subject of finance lease liabilities.

⁴ Presentation and classification is consistent with the 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.

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 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia Pacific	2,526.4	2,167.4	2,531.9	2,178.7	216.5	107.4	140.0	56.4	2,072.0	1,920.4	9.6	34.3
Americas	5,016.6	3,905.8	5,016.6	3,986.1	239.4	239.7	169.7	170.3	1,654.1	1,461.1	6.5	7.9
Europe	4,539.9	3,054.3	4,547.8	3,063.9	243.0	151.6	182.9	105.4	2,924.8	2,173.5	9.2	4.9
Total segment	12,082.9	9,127.5	12,096.3	9,228.7	698.9	498.7	492.6	332.1	6,650.9	5,555.0	25.3	47.1
Unallocated corporate			30.5	206.6	(126.2)	(148.5)	(77.4)	(106.6)				
Total Group			12,126.8	9,435.3	572.7	350.2	415.2	225.5				

Business Segments

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

Retail and Communities

Retail relates to property development from concept through to design, planning, construction, financing, leasing, property management and the eventual sale. Communities relates to urban community development including military housing. This includes all aspects from acquisition, design, development and management to eventual sale.

Investment Management

Investment management relates to the management of real estate investment funds and real estate associated debt on behalf of clients. This also includes all investments in real estate and other investments.

Project Management, Construction and Private Finance Initiatives (PFIs)

This business segment relates to project management, design services, construction management and engineering. In addition, this business segment is responsible for PFIs.

Unallocated Business Segments

Corporate

Corporate includes 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 globally. 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 across the following regions: Asia Pacific, Americas and Europe.

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
3. Revenue				
Total comprising:				
a. Revenue from the Sale of Development Properties ¹	1,773.4	355.3	–	–
b. Revenue from the Provision of Services				
Project Management, Construction and PFIs	9,571.3	8,076.8		
Retail and Communities	519.8	404.1		
Investment Management	38.8	135.1		1.7
Total revenue from the provision of services	10,129.9	8,616.0	–	1.7
c. Finance Revenue				
Interest Income				
Subsidiaries			18.7	34.8
Related parties	8.7	5.4		
Other corporations ²	21.6	44.8	1.1	1.6
	30.3	50.2	19.8	36.4
Financial Asset Discounting				
Non current receivable	3.2	3.1		
Total finance revenue	33.5	53.3	19.8	36.4
d. Other Revenue				
Dividend Income				
Subsidiaries			168.2	70.2
Related parties	2.7	11.0		
Other corporations	0.8	1.4		0.1
	3.5	12.4	168.2	70.3
Proceeds on Sale of Investments³				
General Property Trust units		98.4		98.4
Exit of REI businesses (including subsidiaries)		39.8		
Lend Lease US Real Estate Securities Fund		24.5		
Other		24.7		
	–	187.4	–	98.4
Other				
Hotel revenue (Hyatt Coolum and Twin Waters)	72.1	72.8		
Rental income and sub-lease rents	69.5	69.6		
Distributions received	22.2	21.5	15.7	28.7
Corporate management fee			41.9	71.9
Guarantee fees			12.0	37.3
Other	22.7	47.0	0.1	1.4
	186.5	210.9	69.7	139.3
Total other revenue	190.0	410.7	237.9	308.0
Total revenue	12,126.8	9,435.3	257.7	346.1

1 Relates primarily to Communities projects (A\$1,090.6 million) and sale of Chapelfield, Norwich (A\$682.8 million).

2 Interest revenue includes interest earned on cash and cash equivalents of A\$20.8 million (June 2005: A\$44.5 million).

3 Prior year comparative information discloses total proceeds in revenue. Net gains on disposal of these investments was A\$19.8 million. Current year net gains on disposal of investments is taken to Other Income (refer to Note 4).

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
4. Other Income				
Net Gain on Disposal/Redemption of Available for Sale Financial Assets				
Foundry	12.5			
VEF Series III, IV and V	12.0			
Lend Lease Global Property Fund SICAF	12.6			
Other	3.6			
	40.7	-	-	-
Net Gain on Disposal of Investment Properties¹				
Fiddlers Green Serviced Apartments	7.9			
Abervale	6.6			
	14.5	-	-	-
Net Gain on Disposal of Investments Accounted for Using the Equity Method²	16.3	-	-	-
Fair Value Gain on Remeasurement of Investment Properties³	14.8	11.7	-	-
Share of Partnerships' Result⁴				
Lend Lease Retail Partnership	3.1	3.0		
Other		0.2		
	3.1	3.2	-	-
Other	3.3	-	-	-
Total other income	92.7	14.9	-	-
5. Other Operating (Income) and Expenses				
(Profit) before income tax has been determined after:				
Depreciation and amortisation				
Depreciation of property, plant and equipment	23.1	19.5	0.3	0.2
Less: Capitalised depreciation	(1.9)	(1.2)		
Amortisation of leased plant and equipment		0.2		
Amortisation of management agreements ⁵	2.9	1.6		
Amortisation of other intangibles ⁶	0.8	0.2		
Total depreciation and amortisation	24.9	20.3	0.3	0.2
Finance costs				
Non interest finance costs	10.2	17.0		4.1
Less: Capitalised non interest finance costs ⁷	(1.3)			
Net non interest finance costs	8.9	17.0	-	4.1
Interest finance costs				
Consolidated entities			16.2	28.3
Related parties	3.7	1.9		
Other corporations	57.5	56.8		
Less: Capitalised interest finance costs ⁷	(8.3)	(19.1)		
Net interest finance costs	52.9	39.6	16.2	28.3
Total finance costs	61.8	56.6	16.2	32.4
Net (gain) on sale of available for sale investments	(40.7)	-	-	-
Net (gain) on sale of investments held at cost	-	(19.8)	-	(1.1)
Net loss/(profit) on sale of property, plant and equipment	0.5	(3.6)	-	-

1. Relates to deferred management fees from two Senior Living properties sold to the Lend Lease Core Plus Fund.

2. Relates to the sale of UK PFI interests to the Bank of Scotland joint venture.

3. There is an offsetting expense to fair value of the non interest bearing liability.

4. Represents results from partnerships in which Lend Lease does not have significant influence and is therefore not accounted for using the equity method.

5. Reflected in the expenses of Investment Management activities.

6. Reflected in the expenses of Project Management, Construction and PFIs and Retail and Communities activities.

7. The capitalisation rate used to determine the amount of borrowing costs capitalised is 6.4% (June 2005: 6.4%).

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
Net provisions raised/(written back)				
Write-down of property inventories	18.3	(0.4)		
Impairment of investments accounted for using the equity method ¹	6.6	12.7		
Impairment of other investments		12.6	(16.0)	76.1
Employee benefits	35.7	26.4	1.8	1.0
Construction risks	27.9	49.8		
Restructuring provisions	(4.8)	(3.8)		
Group employee termination provisions	(2.9)	14.4		
Other provisions	48.3	37.4	23.5	18.5
Total net provisions raised	129.1	149.1	9.3	95.6
Bad and doubtful debts impairment loss net of provisions written back	2.1	1.6		
Net foreign exchange (gain)/loss²	(12.8)	(15.4)	(0.2)	2.2
Operating lease expense				
Operating lease rental expense	53.9	49.5		
Operating lease equipment expense	6.2	3.3		
Total operating lease expense	60.1	52.8	-	-
Employee benefit expenses³	775.5	716.8	26.2	42.4
Superannuation accumulation plan expense	12.7	8.5	0.4	0.2
Net defined benefit plan expense (DBP) impacting all business segment expenses is as follows:				
Current service cost	42.0	43.9	7.3	13.1
Interest on obligation	36.8	38.0	4.5	5.5
Expected return on plan assets	(40.6)	(37.8)	(7.3)	(8.5)
Past service cost	0.2		0.2	
Loss on curtailments or settlement	0.7	3.9		
Total net defined benefit plan expense (DBP)	16.23	39.1	4.7	10.1
Exceptional items included in (profit) before income tax expense:				
Lend Lease/GPT merger scheme costs		68.4		29.7
Cost savings implementation expenses				
Employee terminations		33.3		7.3
Other		32.5		5.2
	-	134.2	-	42.2

1. The impairment loss of A\$6.6 million includes A\$6.0 million relating to Jacksons Landing. This has been recognised following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment.
2. Includes A\$11.1 million gains (June 2005: A\$15.9 million gains) in relation to foreign exchange contract hedges on foreign denominated revenues in excess of expenses.
3. Excludes provisions for employee benefits and terminations, superannuation accumulation and defined benefit plan expenses which are disclosed as separate items.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$000s	A\$000s	A\$000s	A\$000s
5. Other Operating (Income) and Expenses continued				
Auditor's Remuneration				
Amounts received or due and receivable by the auditors of Lend Lease Corporation for:				
Audit and Review of Financial Reports	5,638	5,067	936	648
Other Services				
KPMG				
International assignees tax services	1,508	1,877	100	
Tax services	1,052	1,748	163	296
Accounting advice	417	384	316	384
Other services	272	173		32
KPMG related practices				
Due diligence		3,545		2,742
	3,249	7,727	579	3,454

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
6. Taxation				
a. Income Tax Expense				
Recognised in the Income Statement				
Current Tax Expense				
Current year	91.2	153.9	(3.3)	24.9
Adjustments for prior years	(17.9)	(15.5)	(15.3)	(11.1)
Benefits of tax losses recognised	(1.2)	(2.8)		
	72.1	135.6	(18.6)	13.8
Deferred Tax Expense				
Origination and reversal of temporary differences	78.0	(21.3)	0.2	(5.1)
Total income tax expense/(benefit) in the income statement	150.1	114.3	(18.4)	8.7
Reconciliation of Tax Expense/(Benefit)				
Profit before tax	572.7	350.2	181.4	13.1
Income tax using the domestic corporation tax rate (30%)	171.8	105.1	54.4	3.9
Rebateable dividends	(0.9)	(4.0)	(55.1)	(21.1)
Non assessable income	(7.2)	(6.1)		0.2
Profits accounted for using the equity method	(3.2)	(4.1)		
Amortisation expense	0.8	0.5		
Non allowable expenses	7.9	16.5	0.8	9.8
Expenses allowable for tax	(4.1)			
Non deductible provisions	1.4	9.4	(4.8)	22.8
Recovery of tax losses	(20.8)	(21.2)		
Write-off of tax temporary differences	3.2			
Variation in tax rates	20.9	11.5		
Income tax expense relating to wholly owned Australian subsidiaries			53.0	58.8
Recovery of income tax expense from wholly owned Australian subsidiaries			(53.0)	(58.8)
Other	(1.8)	22.2	1.6	4.2
Over-provided in prior years	(17.9)	(15.5)	(15.3)	(11.1)
	150.1	114.3	(18.4)	8.7

Deferred Tax Recognised Directly in Equity

Relating to available for sale investments	21.0	-	0.4	-
b. Current Tax Assets/(Liabilities)	3.1	(69.4)	3.5	(53.8)

Current tax assets/(liabilities) represent the amount of income taxes refundable/(payable) in respect of current and prior financial years where payments exceed income taxes payable/(income taxes payable exceeds payments). At 30 June 2006 payments exceeded income taxes payable.

6. Taxation continued

c. Deferred Tax Assets and Liabilities

	Consolidated				Company			
	June 2006 Assets A\$m	June 2006 Liabilities A\$m	June 2005 Assets A\$m	June 2005 Liabilities A\$m	June 2006 Assets A\$m	June 2006 Liabilities A\$m	June 2005 Assets A\$m	June 2005 Liabilities A\$m
Recognised Deferred Tax Assets and Liabilities								
Deferred tax assets and liabilities are attributable to the following:								
Trade and other receivables	11.0	(10.8)	15.2	4.8		(0.1)	0.6	(1.4)
Inventories	16.5	(115.8)	12.2	(49.3)				
Other financial assets	0.9	(45.9)	3.5	(13.5)		(0.4)	0.4	(0.1)
Other assets	0.1	(19.8)		(28.7)				
Investments accounted for using the equity method	7.5	(177.9)	4.3	(133.6)				
Investment properties		(27.4)		(24.9)				
Property, plant and equipment	13.7	(0.3)	11.7	(0.4)				
Defined benefit plan asset		(6.5)		(6.0)		(6.5)		(6.0)
Trade and other payables	69.7		62.5	(17.2)	19.2		24.5	
Provisions	70.4		62.7		16.5		11.0	
Other financial and non financial liabilities	28.9		24.9	5.8				
Defined benefit plan liability	52.4		58.3					
Unused tax losses recognised (revenue)	52.6		34.9					
Items with a tax base but no carrying value	65.6	(0.1)	79.2					
Deferred tax assets and liabilities transferred to the Company from wholly owned Australian subsidiaries in the Australian Tax Consolidated Group due to tax consolidation					1.1		47.5	(72.4)
Total deferred tax assets/(liabilities)	389.3	(404.5)	369.4	(263.0)	36.8	(7.0)	84.0	(79.9)

Notes to the Consolidated Financial Statements continued

6. Taxation continued

c. Deferred Tax Assets and Liabilities continued

	Consolidated									
	1 July 2005 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	FX/Other ¹ A\$m	30 June 2006 A\$m	1 July 2004 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	FX/Other A\$m	30 June 2005 A\$m
Recognised Deferred Tax Assets and Liabilities continued										
Movement in temporary differences during the financial year:										
Cash						(1.4)	1.4			
Trade and other receivables	20.0	(19.9)		0.1	0.2	12.2	8.3		(0.5)	20.0
Inventories	(37.1)	(38.3)		(23.9)	(99.3)	(30.9)	(9.0)		2.8	(37.1)
Other financial assets	(10.0)	(13.8)	(21.0)	(0.2)	(45.0)	9.2	(18.4)		(0.8)	(10.0)
Other assets	(28.7)	8.7		0.3	(19.7)	(14.7)	1.9		(15.9)	(28.7)
Investments accounted for using the equity method	(129.3)	(39.6)		(1.5)	(170.4)	(104.2)	(33.4)		8.3	(129.3)
Investment properties	(24.9)	(2.5)			(27.4)	(21.5)	(3.4)			(24.9)
Property, plant and equipment	11.3	1.8		0.3	13.4	12.0	0.2		(0.9)	11.3
Defined benefit plan asset	(6.0)	(0.5)			(6.5)	(7.6)	1.6			(6.0)
Trade and other payables	45.3	24.4			69.7	11.6	32.5		1.2	45.3
Provisions	62.7	7.8		(0.1)	70.4	57.9	7.0		(2.2)	62.7
Other financial and non financial liabilities	30.7	(1.8)			28.9	25.8	4.9			30.7
Defined benefit plan liability	58.3	(6.6)		0.7	52.4	59.8	2.1		(3.6)	58.3
Unused tax losses recognised (revenue) ²	34.9	17.0		0.7	52.6	27.7	13.9		(6.7)	34.9
Items with a tax base but no carrying value	79.2	(14.7)		1.0	65.5	73.9	11.7		(6.4)	79.2
Total deferred tax assets/(liabilities)	106.4	(78.0)	(21.0)	(22.6)	(15.2)	109.8	21.3	-	(24.7)	106.4

1 Includes the deferred tax balances on acquisition of The Crosby Group, inclusive of the tax effect on fair value adjustments.

2 Primarily represents the recognition of deferred tax assets based on future forecast taxable income (over a three-year period) in excess of the profits arising from the reversal of the existing taxable temporary differences.

6. Taxation continued

c. Deferred Tax Assets and Liabilities continued

	Company									
	1 July 2005 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	FX/Other A\$m	30 June 2006 A\$m	1 July 2004 A\$m	Recognised in Income A\$m	Recognised in Equity A\$m	FX/Other A\$m	30 June 2005 A\$m
Recognised Deferred Tax Assets and Liabilities continued										
Movement in temporary differences during the financial year:										
Trade and other receivables	(0.8)	0.7			(0.1)	5.1	(5.9)			(0.8)
Other financial assets	0.3	(0.3)	(0.4)		(0.4)	0.3				0.3
Defined benefit plan asset	(6.0)	(0.5)			(6.5)	(7.6)	1.6			(6.0)
Trade and other payables	24.5	(5.4)		0.1	19.2	20.4	3.5		0.6	24.5
Provisions	11.0	5.3		0.2	16.5	3.3	7.7			11.0
Unused tax losses recognised (revenue)						1.8	(1.8)			
Deferred tax assets and liabilities transferred to the Company from wholly owned Australian subsidiaries in the Australian Tax Consolidated Group due to tax consolidation	(24.9)			26.0	1.1	1.2			(26.1)	(24.9)
Total deferred tax assets/(liabilities)	4.1	(0.2)	(0.4)	26.3	29.8	24.5	5.1	-	(25.5)	4.1

Notes to the Consolidated Financial Statements continued

6. Taxation continued

c. Deferred Tax Assets and Liabilities continued

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
Unrecognised Deferred Tax Assets				
Deferred tax assets have not been recognised in respect of the following items:				
Capital losses	83.9	85.3	15.4	15.4
Revenue losses	187.2	202.2		
Deductible temporary differences	16.6	19.6		
Total unrecognised deferred tax assets	287.7	307.1	15.4	15.4

Temporary differences associated with investments in subsidiaries have not been recognised. The unrecognised deferred tax asset of A\$287.7 million includes A\$170.1 million that will expire after 2020.

	Cents Per Share	Franked Amount Per Share %	Company	
			2006 A\$m	2005 A\$m
7. Dividends and Earnings Per Share				
Dividends¹				
Interim Dividend				
December 2005 – paid 14 March 2006	30	100.0	119.8	
December 2004 – paid 8 March 2005	28	0.0		111.6
Final Dividend				
June 2006 – declared subsequent to reporting date (payable 13 September 2006)	31	100.0	123.9	
June 2005 – paid 14 September 2005	29	100.0		115.6
			243.7	227.2

1. Dividends includes dividends paid on Treasury shares. Refer to Note 26 'Retained Earnings' for further details regarding the impact of Treasury shares on dividend payments and retained earnings.

Dividend Franking

The final dividend of 31 cents per share declared since 30 June 2006 will be fully franked. The interim dividend paid on 14 March 2006 (30 cents per share) was fully franked.

The dividend franking account balance at 30 June 2006 was A\$94.6 million based on a 30% tax rate (30 June 2005: A\$155.0 million). 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 financial year and expected franking debits arising from refunds of tax in dispute (refer to Note 17 'Other Assets'). It excludes the A\$53.1 million (June 2005: A\$49.5 million) franking debit impact of the proposed dividend of A\$123.9 million (June 2005: A\$115.6 million) and the franking credits which arose from the payment of tax in dispute in relation to the sale of Westpac shares in 1996 (refer Note 19 'Borrowings and Financing Arrangements').

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	Weighted Average Shares m	Earnings Per Share Basic/Diluted cents	Weighted Average Shares m	Earnings Per Share Basic/Diluted cents
Earnings Per Share (EPS)				
Shares excluding Treasury shares	368.5	112.7	366.3	61.6
Shares on issue	399.1	104.0	398.8	56.5

	Consolidated	
	June 2006	June 2005
	A\$m	A\$m
Reconciliation of Alternative Earnings		
Profit after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS	415.2	225.5
<i>Exclude after tax impact of:</i>		
Cost savings implementation expenses		47.7
Write-off of GPT and Homemaker management agreements		44.2
Lend Lease/GPT merger and net separation costs		19.4
Gain on exit of REI businesses		(11.6)
Earnings used in calculating alternative basic and diluted EPS	415.2	325.2

	Consolidated	
	June 2006	June 2005
	Cents	Cents
Alternative Earnings Per Share (Basic/Diluted)		
Shares excluding Treasury shares	112.7	88.8
Shares on issue	104.0	81.5

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
8. Cash and Cash Equivalents				
Cash	278.5	129.9	1.5	1.9
Short term investments	281.0	439.7		
	559.5	569.6	1.5	1.9

Short term investments earn variable rates of interest which averaged 4.2% per annum during the financial year ended 30 June 2006 (30 June 2005: 5.2%).

Short term investments with a maturity greater than three months (A\$11.4 million) (June 2005: A\$16.9 million) are classified as 'Held to Maturity Financial Assets' (refer to Note 13 'Other Financial Assets'). These short term investments have an average maturity of 11 months.

9. Trade and Other Receivables				
Current				
Trade debtors	1,428.2	1,090.2		
Less: Provision for impairment loss	(16.8)	(29.2)		
	1,411.4	1,061.0	-	-
Related party receivables				
Consolidated entities			1,304.2	1,763.0
Managed property trusts	14.5	12.6		
Associate entities	72.5	24.3		
Other receivables	169.1	76.2	0.3	0.7
Less: Provision for impairment loss	(4.9)	(5.1)		
	1,662.6	1,169.0	1,304.5	1,763.7
Non Current				
Loans to employees	0.8	1.9		
Related party receivables				
Consolidated entities			15.4	72.4
Associate entities	149.8	134.3		
Less: Provision for impairment loss	(17.5)	(16.7)		
Other receivables	60.3	29.8	4.1	3.9
	193.4	149.3	19.5	76.3
Total trade and other receivables	1,856.0	1,318.3	1,324.0	1,840.0

Notes to the Consolidated Financial Statements continued

		Consolidated		Company	
	Note	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
10. Inventories					
Current					
Construction work in progress		212.9	462.4	–	–
Property held for sale at cost		729.5	226.3		
Less: Provision for diminution in value		(1.6)	(1.6)		
		727.9	224.7	–	–
Total current		940.8	687.1	–	–
Non Current					
Property held for sale at cost		1,236.6	1,463.9		
Less: Provision for diminution in value		(19.1)	(0.3)		
Total non current		1,217.5	1,463.6	–	–
Total inventories		2,158.3	2,150.7	–	–
Property Held for Sale					
Total property held for sale is comprises:					
Bluewater, Kent		559.2	550.0		
Chapelfield, Norwich			474.8		
Urban Communities, Australia		578.3	407.7		
Urban Communities (Crosby), UK		437.3			
Victoria Harbour, Melbourne		133.2	54.8		
Hyatt Cooloom Resort, Sunshine Coast		47.9	46.7		
St Patricks, Sydney		46.3	18.1		
Twin Waters Resort, Sunshine Coast		42.5	59.9		
Senior Living Development Projects, Australia		30.9	27.3		
Horizon City Center, US		28.9			
North Weald, London		19.1	17.5		
First Base Adelaide Wharf, UK		14.4			
Bluewater Valley, Kent		12.7	12.5		
Caneland, Sunshine Coast		9.9	9.5		
Other		5.5	11.4		
		1,966.1	1,690.2	–	–
Less: Provision for diminution in value		(20.7)	(1.9)		
Total property held for sale		1,945.4	1,688.3	–	–
Current					
Construction work in progress is comprises:					
Contract costs incurred to date		41,266.4	37,453.1		
Profit recognised to date		2,093.9	2,034.3		
		43,360.3	39,487.4	–	–
Less: Progress billings received and receivable on completed contracts		(43,979.4)	(39,837.0)		
Net construction work in progress		(619.1)	(349.6)	–	–
Amounts due from customers – inventories ¹		212.9	462.4		
Amounts due to customers – trade and other payables ²	18	(832.0)	(812.0)		
		(619.1)	(349.6)	–	–
Advances on construction projects in progress included in trade and other payables					
		759.9	626.8	–	–
Retentions on construction projects included in progress billings					
		374.7	248.6	–	–

1 Represents construction costs incurred on projects in excess (CIE) of that billed to clients.

2 Represents billings raised to clients in excess of costs (BIE) and profits recognised on these projects.

	Note	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m			
11. Investments Accounted for Using the Equity Method								
Non Current								
Associates								
Investment in associates		792.8	523.3					
Less: Provision for impairment loss		(5.8)	(5.9)					
	11a	787.0	517.4	-	-			
Joint Venture Entities								
Investment in joint venture entities		233.4	171.1					
Less: Provision for impairment loss		(20.6)	(15.2)					
	11b	212.8	155.9	-	-			
Total investments accounted for using the equity method		999.8	673.3	-	-			
			Consolidated Share of Profit/(Loss) After Tax ¹	Consolidated Net Book Value				
	Country of Incorporation	Balance Date	Interest June 2006 %	June 2005 %	June 2006 A\$m	June 2005 A\$m		
a. Associates								
Project Management, Construction and PFIs²								
Catalyst Healthcare (Worcester)	UK	30 Sep		50.0	2.3	2.7	7.1	
Exchequer Partnership	UK	31 Dec		50.0	0.5	2.2	6.5	
Catalyst Investments Holding Limited	UK	30 Sep	50.0		1.2		6.8	
Other ⁴					6.2	1.8	0.6	2.7
					10.2	6.7	7.4	16.3
Retail and Communities								
First Base Limited	UK	30 Jun	45.0	24.1	(0.9)	(0.2)	5.6	1.5
Wattle Grove Development	Aust	30 Jun	50.0	50.0	2.6	1.0	0.2	1.2
					1.7	0.8	5.8	2.7
Investment Management								
King of Prussia	USA	31 Dec	50.0	50.0	100.0	74.3	445.3	358.4
Lend Lease Overgate Partnership	UK	31 Dec	30.7	30.7	22.4	19.6	136.7	117.3
Performance Retail Limited Partnership	UK	31 Dec	33.3		13.6		103.3	
Asia Pacific Investment Company 2 ³	Singapore	30 Apr	21.1				77.9	
Lend Lease International Distressed Debt Fund	Bermuda	31 Dec	28.0	28.0	1.4	0.8	13.6	25.6
Other ⁴					1.2	4.3	2.8	3.0
					138.6	99.0	779.6	504.3
Less: Provision for impairment loss							(5.8)	(5.9)
					150.5	106.5	787.0	517.4

- 1 Reflects the contribution to profit after tax of profits and losses accounted for using the equity method including fair value revaluations for King of Prussia of A\$74.1 million (2005: A\$50.0 million), Lend Lease Overgate Partnership of A\$16.1 million (2005: A\$14.5 million) and Performance Retail Limited Partnership of A\$9.2 million (2005: A\$nil). Does not include any provision raised against the investments in associates and is after any tax which is paid by the associates themselves. A majority of Lend Lease's share of the tax relating to the associates is paid by Lend Lease and is reflected in the Lend Lease Group's current tax expense (refer to Note 6a, 'Income Tax Expense').
- 2 Lend Lease provides service concession arrangements, originating through Public Finance Initiatives, in the areas of healthcare, education and government facilities. These arrangements provide facilities management and maintenance services for a fixed payment per annum (subject to inflationary increases per year) with terms generally 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and where necessary overhaul or replace major items of plant and equipment related to the assets, with payment obtained through periodic draw downs from the relevant Government authorities.
- 3 Lend Lease's interest in Asia Pacific Investment Company 2 (APIC II) increased from 18.0% to 21.1% during the financial year and was reclassified from 'Other Financial Assets' (refer to Note 13 'Other Financial Assets').
- 4 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 2006 A\$m	June 2005 A\$m
11. Investments Accounted for Using the Equity Method continued		
a. Associates continued		
Lend Lease's Share of the Results of Associates		
Revenue	176.5	64.7
Fair value revaluations	99.4	64.5
Expenses	(131.9)	(21.9)
Profit before income tax	144.0	107.3
Income tax (expense) ¹	(0.6)	(1.0)
Profit after tax – as disclosed by associates	143.4	106.3
Adjustment arising from accounting using the equity method ²	7.1	0.2
Share of associates' profit – accounted for using the equity method	150.5	106.5
Movements in Carrying Amounts of Investments		
Carrying amount of investments in associates at beginning of financial year	517.4	524.5
Investment in associates acquired during financial year	118.9	19.0
Share of associates' profit	150.5	106.5
Capital redemptions by associates	(16.1)	(58.6)
Dividends received from associates	(29.6)	(24.3)
Disposal of associates	(30.4)	(0.3)
Other adjustments (including effect of exchange rate movements) ²	76.3	(49.4)
Carrying amount of investments in associates at end of financial year	787.0	517.4
Summary of Balance Sheet of Associates		
Current assets	339.7	584.2
Non current assets	1,179.9	1,351.2
Total assets	1,519.6	1,935.4
Current liabilities	64.4	241.9
Non current liabilities	1,175.8	1,541.0
Total liabilities	1,240.2	1,782.9
Net Assets – as Reported by Associates	279.4	152.5
Other adjustments		
Goodwill	7.9	1.7
Provision for diminution in value	(5.8)	(5.9)
Adjustment due to difference in accounting policies ³	452.3	369.3
Other ³	53.2	(0.2)
Net assets – adjusted using the equity method	787.0	517.4
Commitments		
Share of associates' capital expenditure and lease commitments contracted but not provided for and payable		
Due within one year	300.8	259.2
Due between one and five years	422.1	342.0
	722.9	601.2

1 Lend Lease's share of tax relating to the majority of associates is reflected in the Lend Lease Group's current tax expense (refer to Note 6a, 'Income Tax Expense').

2 Relates to adjustments to align the investments' accounting policies with AIFRS (King of Prussia).

3 'Other' primarily represents the reclassification of Asia Pacific Investment Company 2 (APIC II) from Note 13 'Other Financial Assets' during the financial year due to Lend Lease's interest increasing from 18.0% to 21.1%.

	Country of Incorporation	Balance Date	Interest		Consolidated Share of Profit/(Loss) After Tax ¹		Consolidated Net Book Value	
			June 2006 %	June 2005 %	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
b. Joint Venture Entities								
Project Management, Construction and PFIs²								
Majadahonda Hospital	Spain	30 Jun	25.0	25.0			9.0	1.9
Jacobs Lend Lease, Ireland	Ireland	30 Jun	50.0	50.0	0.3	0.4	2.2	1.9
Other ³					0.4	0.6	0.7	1.0
					0.7	1.0	11.9	4.8
Retail and Communities								
Piers Project, San Francisco ⁴	USA	30 Jun	55.0	55.0	7.2		28.0	24.0
Caroline Springs Joint Venture	Australia	30 Jun	50.0	50.0	2.5	7.9	23.9	24.7
Pymont Trust	Australia	30 Jun	50.0	50.0	4.3	9.5	22.9	19.6
Mawson Lakes Economic Development Project	Australia	30 Jun	50.0	50.0	7.7	6.9	21.8	18.6
Forde Development (ACT)	Australia	30 Jun	50.0	50.0	0.3		15.1	13.8
Mirvac Lend Lease Village Consortium (Newington Precincts 1 and 3)	Australia	30 Jun	50.0	50.0	3.5	3.1	14.5	15.5
Ician Developments Limited	UK	30 Nov	50.0	50.0	2.3		9.1	
Forest Gardens Residential Land Development	Australia	30 Jun	50.0	50.0	2.3	1.5	7.1	6.2
Burwood Terraces	Australia	30 Jun	50.0	50.0	0.1	0.6		4.1
Hungate (York) Regeneration Limited	UK	30 Jun	33.0		0.1		6.4	
Other ³					2.7		3.3	0.4
					33.0	29.5	152.1	126.9
Investment Management								
Warrington Retail Partnership	UK	30 Jun	50.0	50.0	1.8	0.3	67.5	38.0
Other ³					1.0	0.9	1.9	1.4
					2.8	1.2	69.4	39.4
Less: Provision for impairment loss ⁵							(20.6)	(15.2)
Total					36.5	31.7	212.8	155.9

- Does not include any provision raised against the investment in the joint ventures. Reflects the contribution to profit after tax of profits and losses accounted for using the equity method only and is after any tax which is paid by the joint venture vehicles themselves. A majority of Lend Lease's share of the tax relating to the joint venture is paid by Lend Lease and is reflected in the Lend Lease Group's current tax expense (refer to Note 8a, 'Income Tax Expense').
- Lend Lease provides service concession arrangements, originating through Public Finance Initiatives, in the areas of healthcare, education and government facilities. These arrangements provide facilities management and maintenance services for a fixed payment per annum (subject to inflationary increases per year) with terms generally 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets, with payment obtained through periodic draw downs from the relevant Government authorities.
- '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.
- Under the Joint Venture Agreement all operating decisions are made jointly. Lend Lease therefore does not have control.
- An impairment loss of A\$6.0 million (June 2005: A\$13.0 million) relating to Pymont Trust (Jacksons Landing) has been recognised following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment. This has resulted in a provision of A\$6.0 million in the year ended June 2006 (June 2005: A\$13.0 million).

Notes to the Consolidated Financial Statements continued

	Consolidated	
	June 2006 A\$m	June 2005 A\$m
11. Investments Accounted for Using the Equity Method continued		
b. Joint Venture Entities continued		
Lend Lease's Share of the Results of Joint Venture Entities		
Revenue	214.9	180.2
Expenses	(175.8)	(147.0)
Profit before tax	39.1	33.2
Income tax expense ¹	(0.3)	(0.5)
Profit after tax disclosed by joint venture entities	38.8	32.7
Other adjustments		
Amortisation of fair value adjustments	(2.3)	(1.0)
Share of joint ventures' profit – accounted for using the equity method	36.5	31.7
Movements in Carrying Amount of Joint Venture Entities		
Carrying amount at the beginning of financial year	155.9	122.7
Investment in joint ventures acquired during financial year	13.4	16.6
Share of joint venture entities' profit	36.5	31.7
Contributions to the joint venture entities	37.5	45.8
Drawings from the joint venture entities	(26.9)	(22.6)
Capital redemptions by joint venture entities	(1.5)	(11.5)
Other adjustments (including effect of exchange rate movement)	(2.1)	(26.8)
Carrying amount at end of financial year	212.8	155.9
Summary of Balance Sheet of Joint Venture Entities		
Lend Lease's share of the assets and liabilities of joint venture entities consists of:		
Current assets	255.9	264.9
Non current assets	296.6	199.1
Total assets	552.5	464.0
Current liabilities	70.8	77.5
Non current liabilities	256.3	223.6
Total liabilities	327.1	301.1
Net assets – as reported by joint venture entities	225.4	162.9
Other adjustments		
Fair value adjustments on acquisition	4.6	5.7
Provision for diminution in value	(20.6)	(15.2)
Other	3.4	2.5
Share of net assets – adjusted using the equity method	212.8	155.9
Commitments		
Share of joint ventures' capital expenditure and lease commitments contracted but not provided for and payable		
Due within one year	14.8	3.5
Due between one and five years	0.5	17.0
Due later than five years	0.2	0.3
	15.5	20.8

1 Lend Lease's share of tax relating to the majority of the joint ventures is reflected in the Lend Lease Group's current tax expense (refer to Note 6a. 'Income Tax Expense').

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
12. Investment Properties				
Senior Living Properties¹				
Keperra Retirement Village	84.6	69.9		
Forest Hills Serviced Apartments	6.9	7.0		
Fiddlers Green Serviced Apartments		3.3		
Abervale Retirement Village		2.9		
	91.5	83.1	-	-
Retail Properties				
Chelmsford Meadow Shopping Centre	195.5			
Total investment properties	287.0	83.1	-	-
Reconciliations				
Reconciliations of the carrying amount for investment properties are set out below:				
Carrying amount at beginning of financial year	83.1	71.4		
Acquisitions	190.3			
Disposals	(6.4)			
Fair value adjustments	14.8	11.7		
Net exchange differences	5.2			
Carrying amount at end of financial year	287.0	83.1	-	-

Valuation Basis

The basis of the valuation of investment properties is the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. If this information is not available, Lend Lease uses alternative calculation methods such as discounted cash flow projections or recent prices on less active markets.

The 2006 valuations for the Senior Living properties are supported by actuarial assessments performed by Lend Lease based on its detailed knowledge and recent experience in the location and category of the property being valued. The Chelmsford Meadow Shopping Centre's carrying value reflects market value based upon Lend Lease's recent acquisition of the centre.

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
Amounts Recognised in Income Statement for Investment Properties²				
Rental income	5.1	2.6		
Direct operating expenses from properties that generated rental income	(3.4)	(2.7)		
	1.7	(0.1)	-	-
Leases as Lessor				
The future minimum lease payments receivable under non cancellable leases in regards to Chelmsford Meadow Shopping Centre are as follows:				
Less than one year	8.8			
Between one and five years	26.8			
More than five years	32.0			
	67.6	-	-	-

1. Relates to retirement villages held under leasehold arrangements that do not satisfy the revised revenue recognition criteria under AIFRS. There is an offsetting non financial liability in Note 22 'Other Non Financial Liabilities' and therefore no profit and loss impact. For further details refer to Note 37e. 'Senior Living Properties'.
2. Excludes profit and loss impact of fair value adjustments and the offsetting non financial liability recognition.

Notes to the Consolidated Financial Statements continued

	Country of Origin/ Incorporation	Consolidated June 2006 A\$m	Consolidated June 2005 A\$m	Company June 2006 A\$m	Company June 2005 A\$m
13. Other Financial Assets					
Current					
Available for Sale					
Sydney Futures Exchange		1.2	–	1.2	–
Held to Maturity					
Money market investments		11.4	–	–	–
Fair Valued through Profit or Loss					
Forward foreign exchange contracts		8.8	–	–	–
Investments Held at Cost					
Money market investments		–	16.9	–	–
Derivative Instruments					
Forward foreign exchange contracts		1.6	–	–	–
Interest rate swaps		1.2	–	–	–
Total derivative instruments		2.8	–	–	–
Total current		24.2	16.9	1.2	–
Non Current					
Available for Sale					
Australian Prime Property Fund (APPF)	Australia	392.9	–	–	–
Lend Lease Global Properties, SICAF	Luxembourg	130.4	–	–	–
Lend Lease Retail Partnership	UK	76.4	–	–	–
Asia Pacific Investment Company (APIC) ²	Singapore	15.6	–	–	–
Cohen & Steers (formerly Lend Lease), SICAV	Luxembourg	35.8	–	–	–
Hickam Community Housing ³	USA	21.7	–	–	–
Lend Lease Core Plus Fund	Australia	11.3	–	–	–
Army Hawaii Housing ³	USA	10.5	–	–	–
Atlantic Marine Corps Communities ³	USA	9.9	–	–	–
Tri-Command Military Housing ³	USA	4.3	–	–	–
Lend Lease REP II	Australia	2.9	–	–	–
Other		6.1	–	–	–
		717.8	–	–	–
Held to Maturity					
Money market investments		5.6	–	–	–
Fair Valued through Profit or Loss					
Forward foreign exchange contracts		0.4	–	–	–

1 Reflects financial assets held at cost prior to the transition to Financial Instruments Standards AASB 132 and AASB 139 on 1 July 2005.

2 Reflects Lend Lease's interest in APIC. Lend Lease's interest in Asia Pacific Investment Company 2 (APIC II) was increased to 21.1% during the financial year and is now classified as an investment accounted for using the equity method (refer to Note 11 'Investments Accounted for Using the Equity Method').

3 Service concession arrangements are provided by these entities under the military housing privatisation initiative for all branches of the US military. These entities have the responsibility to replace, renovate, manage, operate and maintain the existing inventory of housing units and any new or replacement housing units over a 50-year term for a monthly payment determined by the US Government on an annual basis.

	Country of Incorporation	Consolidated June 2006 A\$m	Consolidated June 2005 A\$m	Company June 2006 A\$m	Company June 2005 A\$m
Investments Held at Cost¹					
Shares in Other Corporations, Interests in Trusts and Partnerships					
Australian Prime Property Fund (APPF)	Australia		350.9		
Lend Lease Global Properties, SICAF	Luxembourg		142.2		
Lend Lease Retail Partnership	UK		46.7		
Asia Pacific Investment Company 2 (APIC II)	Singapore		38.6		
Asia Pacific Investment Company (APIC)	Singapore		32.0		
Value Enhancement Fund V	USA		41.3		
Value Enhancement Fund IV	USA		20.2		
Value Enhancement Fund III	USA		2.0		
Cohen & Steers (formerly Lend Lease), SICAV	Luxembourg		20.3		
Real Estate Debt Fund Co-investments	USA		1.6		
Tax Credit Funds Co-investments	USA		0.9		
Hickam Community Housing	USA		21.4		
Army Hawaii Housing	USA		10.4		
Catalyst Calderdale	UK		1.1		
Shares in consolidated entities				2,215.3	2,215.4
Other			22.9		
		-	752.5	2,215.3	2,215.4
Less: Provision for impairment loss			(39.0)	(713.3)	(729.3)
Total investments held at cost		-	713.5	1,502.0	1,486.1
Total non current		723.8	713.5	1,502.0	1,486.1
Total other financial assets		748.0	730.4	1,503.2	1,486.1

1. Reflects financial assets held at cost prior to the transition to *Financial Instruments Standards AASB 132 and AASB 139* on 1 July 2005.

Lend Lease has taken the exemption available under *AASB 1 'First-time Adoption of Australian equivalents to IFRS'* and applied *AASB 132 'Financial Instruments: Disclosure and Presentation'* and *AASB 139 'Financial Instruments: Recognition and Measurement'* from 1 July 2005. At this date A\$730.4 million of investments classified as investments held at cost were reclassified as available for sale (A\$712.7 million), held to maturity (A\$17.6 million) and fair value through profit or loss (A\$0.1 million).

An adjustment of A\$136.1 million was recognised for available for sale investments, representing an initial gain on re-measurement to fair value. These investments had previously been measured under AGAAP at the lower of cost or recoverable amount. For further details refer to Accounting Policy Note 1g. and Note 37 'Explanation of Transition to AIFRS'.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
14. Property, Plant and Equipment				
Land	8.5	8.4	–	–
Buildings and leasehold improvements at cost	76.4	63.8		
Accumulated depreciation	(23.8)	(19.0)		
	52.6	44.8	–	–
Plant and equipment at cost	146.2	139.1	0.9	0.9
Accumulated depreciation	(97.3)	(90.1)	(0.5)	(0.2)
	48.9	49.0	0.4	0.7
Leased plant and equipment at cost	0.3	0.5		
Accumulated amortisation	(0.2)	(0.3)		
	0.1	0.2	–	–
Total property, plant and equipment	110.1	102.4	0.4	0.7
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 financial year ¹	8.4	12.8		
Disposal		(4.0)		
Effect of exchange rate movements/other	0.1	(0.4)		
Carrying amount at end of financial year	8.5	8.4	–	–
Buildings and Leasehold Improvements				
Carrying amount at beginning of financial year ²	44.8	34.8		
Additions	5.6	8.9		
Additions from acquisition of subsidiaries	13.0			
Disposals	(7.9)	(1.6)		
Depreciation	(4.6)	(4.2)		
Effect of exchange rate movements/other	1.7	6.9		
Carrying amount at end of financial year	52.6	44.8	–	–
Plant and Equipment				
Carrying amount at beginning of financial year ³	49.0	54.6	0.7	0.6
Additions	20.9	22.2		0.5
Additions from acquisition of subsidiaries	1.2			
Disposals	(3.0)	(3.3)		(0.2)
Depreciation	(18.4)	(15.3)	(0.3)	(0.2)
Effect of exchange rate movements/other	(0.8)	(9.2)		
Carrying amount at end of financial year	48.9	49.0	0.4	0.7
Leased Plant and Equipment				
Carrying amount at beginning of financial year ⁴	0.2	0.6		
Disposals		(0.2)		
Depreciation	(0.1)			
Amortisation		(0.2)		
Carrying amount at end of financial year	0.1	0.2	–	–
Total carrying amount	110.1	102.4	0.4	0.7

1 The carrying amount at 1 July 2004 of A\$12.8 million represents costs only.

2 The carrying amount at 1 July 2004 of A\$34.8 million represents A\$50.9 million of costs and A\$16.1 million of accumulated depreciation.

3 The carrying amount at 1 July 2004 of A\$54.6 million represents A\$166.6 million of costs and A\$112.0 million of accumulated depreciation. (The Company's amount of A\$0.6 million represents A\$21.0 million of costs and A\$20.4 million of accumulated depreciation.)

4 The carrying amount at 1 July 2004 of A\$0.6 million represents A\$1.5 million of costs and A\$0.9 million accumulated depreciation.

		Consolidated		Company
	Note	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m
15. Intangible Assets				
Goodwill	15a	768.7	582.7	
Management Agreements	15b	21.2	24.1	
Other Intangibles	15c	4.0	2.1	
Total intangible assets		793.9	608.9	-
a. Goodwill				
Bovis Lend Lease Group		524.3	518.0	
Delfin Lend Lease Group		64.7	64.7	
The Crosby Group		179.7		
		768.7	582.7	-
Accumulated impairment losses		-	-	
Total goodwill		768.7	582.7	-
Reconciliations				
Reconciliations of the carrying amounts for each category of goodwill are set out below.				
Bovis Lend Lease Group				
Carrying amount at beginning of financial year		518.0	555.7	
Net exchange differences		6.3	(37.7)	
Carrying amount at end of financial year		524.3	518.0	-
Delfin Lend Lease Group				
Carrying amount at beginning of financial year		64.7	64.7	
Net exchange differences				
Carrying amount at end of financial year		64.7	64.7	-
The Crosby Group				
Carrying amount at beginning of financial year				
Goodwill recognised on acquisition	33b	173.0		
Net exchange differences		6.7		
Carrying amount at end of financial year		179.7	-	-
General Property Trust (GPT) Management Agreements				
Carrying amount at beginning of financial year			45.2	
Goodwill de-recognised on write-off			(45.2)	
Carrying amount at end of financial year		-	-	-
Real Estate Investments Group				
Carrying amount at beginning of financial year			13.9	
Goodwill de-recognised on disposal			(13.3)	
Net exchange differences			(0.6)	
Carrying amount at end of financial year		-	-	-
Total goodwill		768.7	582.7	-

Notes to the Consolidated Financial Statements continued

15. Intangible Assets continued

a. Goodwill continued

Impairment Tests for Goodwill

Goodwill is allocated to the Group's Cash Generating Units (CGUs) identified according to region and business segment.

A summary of the goodwill allocation to CGUs is set out below.

2006	Asia Pacific A\$m	Americas A\$m	Europe A\$m	Total A\$m
Project Management, Construction and PFIs	27.4	185.1	311.8	524.3
Retail and Communities	64.7		179.7	244.4
	92.1	185.1	491.5	768.7
2005	Asia Pacific A\$m	Americas A\$m	Europe A\$m	Total A\$m
Project Management, Construction and PFIs	27.5	182.8	307.7	518.0
Retail and Communities	64.7			64.7
	92.2	182.8	307.7	582.7

Key Assumptions Used for Value in Use Calculations

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using conservative growth rates. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates and is consistent with forecasts included in industry reports.

The Group's weighted average cost of capital is used as a start point for determining the discount rate with appropriate adjustments for the risk profile relating to the relevant segments and the countries in which they operate. The discount rates used are pre tax.

The recoverable amount of CGUs exceeds their carrying value as at June 2006. Management believes that any reasonable possible change in the key assumptions on which the estimates are based would not cause the aggregate carrying amount to exceed the recoverable amount of these CGUs.

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
b. Management Agreements				
Management agreements	29.4	29.4		
<i>Accumulated amortisation and impairment losses</i>	(8.2)	(5.3)		
Total management agreements	21.2	24.1	-	-
Reconciliation				
Reconciliation of the carrying amounts of management agreements is set out below:				
Carrying amount at beginning of financial year	24.1	9.0		
Acquisitions		16.7		
Current financial year amortisation charge	(2.9)	(1.6)		
Current financial year impairment loss				
Carrying amount at end of financial year	21.2	24.1	-	-
c. Other Intangibles				
Other intangibles	5.9	3.2		
<i>Accumulated amortisation</i>	(1.9)	(1.1)		
Total other intangibles	4.0	2.1	-	-
Reconciliation				
Reconciliation of the carrying amounts of other intangibles is set out below:				
Carrying amount at beginning of financial year	2.1	2.6		
Additions	2.7			
Current financial year amortisation charge	(0.8)	(0.2)		
Net exchange differences		(0.3)		
Carrying amount at end of financial year	4.0	2.1	-	-

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
16. Defined Benefit Plan Asset¹				
a. Balance Sheet Amounts				
The amounts recognised in the balance sheet are determined as follows:				
Fair value of plan assets	147.4	139.8	147.4	139.8
Present value of funded obligations	(110.8)	(111.3)	(110.8)	(111.3)
Unrecognised actuarial gains	(15.9)	(8.5)	(15.9)	(8.5)
Unrecognised past service cost	1.0		1.0	
Recognised asset for defined benefit obligations²	21.7	20.0	21.7	20.0
b. Reconciliation of the Fair Value of Plan Assets				
Fair value of plan assets at beginning of financial year	139.8	143.6	139.8	143.6
Expected return on plan assets	7.3	8.5	7.3	8.5
Actuarial gains	9.4	11.3	9.4	11.3
Contributions by Group companies	6.5	4.6	6.5	4.6
Contributions by plan participants	1.7	1.1	1.7	1.1
Taxes and premiums paid	(1.5)		(1.5)	
Transfers in	0.5	0.3	0.5	0.3
Contributions to accumulation fund	(0.9)		(0.9)	
Benefits paid	(15.4)	(29.6)	(15.4)	(29.6)
Fair value of plan assets at end of financial year	147.4	139.8	147.4	139.8
c. Reconciliation of the Present Value of Funded Obligations				
Present value of funded obligations at beginning of financial year	111.3	118.1	111.3	118.1
Current service cost	7.3	13.1	7.3	13.1
Interest cost on benefit obligation	4.5	5.5	4.5	5.5
Contributions by plan participants	1.7	1.1	1.7	1.1
Actuarial losses	2.1	2.7	2.1	2.7
Benefits paid	(16.3)	(29.5)	(16.3)	(29.5)
Taxes and premiums paid	(1.5)		(1.5)	
Transfers in	0.5	0.3	0.5	0.3
Past service cost	1.2		1.2	
Present value of funded obligations at end of financial year	110.8	111.3	110.8	111.3
d. Expense Recognised in the Income Statement				
Current service cost	7.3	13.1	7.3	13.1
Interest cost on benefit obligation	4.5	5.5	4.5	5.5
Expected return on plan assets	(7.3)	(8.5)	(7.3)	(8.5)
Actuarial (gain) recognised in financial year				
Past service cost	0.2		0.2	
Net defined benefit plan expense	4.7	10.1	4.7	10.1
	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	%	%	%	%
e. Categories of Plan Assets				
Cash	4.0	5.0	4.0	5.0
Equity instruments ³	61.0	59.0	61.0	59.0
Fixed interest securities	31.0	30.0	31.0	30.0
Property	4.0	6.0	4.0	6.0
	100.0	100.0	100.0	100.0

1 Relates to the Lend Lease Superannuation Fund (Australia).

2 If a surplus exists in the Fund at any particular point in time, Lend Lease may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary. Lend Lease may at any time, by notice, to the Trustee terminate its contributions. Lend Lease has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for Lend Lease to pay any further contributions, irrespective of the financial condition of the Fund.

3 The fair value of plan assets includes Lend Lease shares to the value of A\$0.3 million.

Notes to the Consolidated Financial Statements continued

16. Defined Benefit Plan Asset continued

	Consolidated		Company	
	June 2006 %	June 2005 %	June 2006 %	June 2005 %
f. Principal Actuarial Assumptions				
Discount rate (net)	4.9	4.4	4.9	4.4
Expected rate of return on assets ¹	5.8	5.6	5.8	5.6
Expected salary increase rate	4.0	4.0	4.0	4.0

1. The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class. In addition, correlations of the investment returns between asset classes are allowed. The returns used for each asset class are net of investment tax and investment fees. An allowance for administration expenses has been deducted from the expected return.

g. Employer Contributions

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Lend Lease Superannuation Fund as at 1 January 2006, are 14.4% of base pay (or ordinary time earnings if applicable) for Defined Benefit Plan members. Lend Lease is currently contributing at these rates.

The method used to determine the employer contribution recommendations at the last actuarial review was the Attained Age Normal method. The method adopted affects the timing of the cost to Lend Lease. Under the Attained Age Normal method, a 'normal' cost is calculated which is the estimated employer contribution rate required to provide benefits in respect of future service after the review date. The 'normal' cost is then adjusted to take into account any surplus (or deficiency) of assets over the value of liabilities in respect of service prior to the review date. Any surplus or deficiency can be used to reduce or increase the 'normal' employer contribution rate over a suitable period of time.

For the financial year ending 30 June 2007, total employer contributions to the plan are expected to be A\$6.1 million.

The long term economic assumptions adopted for the last actuarial review of the Fund were:

	As at 1 January 2006 %
Expected rate of return on assets (discount rate) after investment expense and tax	7.0
Expected salary increase rate	5.0

h. Net Financial Position of Plan

The following is a summary of the most recent financial position of the Lend Lease Superannuation Fund calculated in accordance with AAS 25 'Financial Reporting by Superannuation Plans'. Note that the figures below relate to the Fund as a whole, including the accumulation section.

	As at 1 January 2006 A\$m
Net market value of fund assets	227.9
Accrued benefits	(194.9)
Net surplus	33.0

	Consolidated June 2006 A\$m	Consolidated June 2005 A\$m
i. Historic Summary¹		
Plan assets	147.4	139.8
Defined benefit plan obligation	(110.8)	(111.3)
Surplus	36.6	28.5
Experience adjustments arising on plan assets	9.4	11.3
Experience adjustments arising on plan liabilities	(4.4)	0.1

j. Actual Return on Plan Assets

16.7 **19.8**

1. Lend Lease has taken the exemption provided under AASB 1 paragraph 20A, and only disclosed June 2005 comparative information, rather than the previous four annual reporting periods as required under AASB 119 'Employee Benefits' paragraph 120A.(p).

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
17. Other Assets				
Current				
Prepayments	64.0	25.2		
Deferred bid costs on projects at preferred bidder status	20.2	9.6		
Deferred management fee receivable – Retirement by Design ¹	4.9	6.6		
Net marked to market forward foreign exchange contracts		25.7		
Marked to market cross currency swap		89.0		
Other ²	99.2	13.5		
	188.3	169.6	–	–
Non Current				
Prepayments	17.4	7.8		
Deferred management fee receivable – Retirement by Design	20.1	17.4		
Net marked to market forward foreign exchange contracts		5.9		
Other	2.4	97.8		
	39.9	128.9	–	–
Total other assets	228.2	298.5	–	–
18. Trade and Other Payables				
Current				
Trade creditors	1,874.6	1,519.8	62.3	82.3
Construction revenue in excess of costs (BIE)	832.0	812.0		
Deposits received in advance	37.5	99.7		
Unearned premium reserve ³	4.7	2.8		
Self-insurance claim reserve ³	5.9	1.6		
Related party payables				
Consolidated entities			300.8	652.4
Other	9.1	1.6		
Other	68.7	59.6	3.4	2.9
	2,832.5	2,497.1	366.5	737.6
Non Current				
Insurance claim reserve ³	22.0	16.7		
Deposits received in advance	0.5			
Related party payables				
Consolidated entities			1.1	47.5
Other	29.5			
Deferred land payments	112.4	5.5		
Other	45.5	15.6		
	209.9	37.8	1.1	47.5
Total trade and other payables	3,042.4	2,534.9	367.6	785.1

1 Relates to the underlying RBD management fees which are separate from the A\$21.5 million payment received for the sale of two villages, Abervale and Fiddlers Green. These proceeds were received on 30 June 2006.

2 'Other' totalling A\$99.2 million includes A\$95.3 million paid during the financial year ended 30 June 2003 to the Australian Taxation Office (ATO) in relation to an amended assessment issued for an Australian subsidiary for the financial year ended 30 June 1996. The amendment relates to the forward sale of 100 million Westpac shares pursuant to an agreement with County Natwest Securities Australia Limited 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 ATO has withdrawn its case on penalties and together with some other minor adjustments the amount in dispute has reduced by A\$24.7 million to A\$70.6 million. The amount no longer in dispute has not yet been refunded by the ATO. The Directors are disputing the assessment and an appeal is currently before the Federal Court. Lend Lease continues to regard its tax treatment of the transaction as proper and remains confident of success in this matter and that the amounts under the amended assessment will not be charged to the profit and loss account. The receivable was reclassified to current during the financial year as legal proceedings are due to be finalised by December 2006.

3 Unearned premium and self-insurance claim reserves relate to Lend Lease's wholly owned special purpose captive insurance subsidiary.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
19. Borrowings and Financing Arrangements				
a. Borrowings				
Current				
Commercial notes		500.0		
Total current	-	500.0	-	-
Non Current				
Bank credit facilities	451.2			
Commercial notes	394.8			
Total non current	846.0	-	-	-
Total borrowings	846.0	500.0	-	-
b. Finance Facilities				
Lend Lease operating businesses have access to the following lines of credit:				
Bank Overdrafts				
Facility available	32.2	23.2	20.0	20.0
Amount of facility used				
Amount of facility unused	32.2	23.2	20.0	20.0
Bank Credit Facilities				
Facility available	993.4	1,539.3		
Amount of facility used	(451.2)			
Amount of facility unused	542.2	1,539.3	-	-
Commercial Notes				
Facility available	394.8	500.0		
Amount of facility used	(394.8)	(500.0)		
Amount of facility unused	-	-	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

In October 2005 Lend Lease issued US\$300.0 million of guaranteed senior notes into the US Private Placement debt market with maturities of seven, 10 and 12 years. In November 2005 Lend Lease established a committed five-year syndicated bank facility of A\$853.7 million (£350.0 million) in the UK, of which A\$451.2 million (£185.0 million) is drawn as at 30 June 2006. During the financial year Lend Lease repaid and cancelled the short term bank committed credit facilities for £550.0 million and A\$130.0 million and repaid the A\$500.0 million medium term notes due 15 July 2005.

Lend Lease has an A\$500.0 million Australian Commercial Paper programme and an A\$1,500.0 million Multi Issuer Debt programme. The amount drawn under these facilities as at 30 June 2006 was A\$nil and the availability of these facilities is subject to market conditions.

The following schedule profiles the 30 June 2006 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	GBP A\$m	Total A\$m
Not greater than one year						
Between one and five years	61.0	390.2	451.2		451.2	451.2
Greater than five years	394.8		394.8	394.8		394.8
Total	455.8	390.2	846.0	394.8	451.2	846.0

1 Resulting interest rate exposure after interest rate swaps.

2 Resulting borrowings by currency, including currency swaps.

c. Financing Guarantees

Lend Lease currently has two primary forms of finance guarantees:

Guarantee of Recourse Debt Obligations

Lend Lease has given A\$846.0 million (June 2005: A\$500.0 million) of guarantees in support of utilised financing facilities included within the on balance sheet borrowings disclosed above, which are held by various consolidated entities. These guarantees are issued in respect of consolidated entities of Lend Lease and do not constitute an additional obligation to existing borrowings recognised in the balance sheet.

Guarantee of Related Party Debt Obligations

Lend Lease has guaranteed related party debt. The current balance outstanding as at 30 June 2006 was A\$48.4 million (June 2005: A\$66.9 million).

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
20. Provisions				
Current				
Employee benefits	82.1	69.6	3.0	1.8
Construction risks ¹	167.9	129.9		
Restructure provisions – Investment Management businesses ²	15.4	26.1		
Employee terminations ³	3.4	9.1		
Other ⁴	74.8	49.6	51.8	36.7
	343.6	284.3	54.8	38.5
Non Current				
Employee benefits	20.5	23.0	0.3	0.1
Other ⁴	5.6	2.8		
	26.1	25.8	0.3	0.1
Total provisions	369.7	310.1	55.1	38.6

1 Represents maintenance, warranty and construction risk provisions to cover specific or estimated claims that arise due to defects or legal disputes in relation to completed projects. The timing of the utilisation of these provisions is uncertain.

2 The Investment Management restructuring provision was established to cover expenses relating to the restructuring of the Investment Management business and primarily relates to rationalisation costs. These provisions are expected to be utilised over the next three years.

3 Relates to provisions established to cover terminations arising from the Group's restructuring and cost saving initiatives. The timing of the utilisation of these provisions is uncertain.

4 Primarily represents future obligations on funding received for Lend Lease Foundation programmes and PFI Service Concession arrangements plus various legal provisions. The timing of the utilisation of these provisions is uncertain.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
20. Provisions continued				
Reconciliations				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:				
Current				
Construction Risks				
Carrying amount at beginning of financial year	129.9	119.3		
Provisions raised during financial year	27.9	49.8		
Payments made during financial year	(10.0)	(27.5)		
Other	18.5	(6.3)		
Effects of exchange rate movements	1.6	(5.4)		
Carrying amount at end of financial year	167.9	129.9	–	–
Restructuring – Investment Management Businesses				
Carrying amount at beginning of financial year	26.1	47.9		
Provisions written back during financial year	(4.8)	(1.6)		
Payments made during financial year	(6.4)	(27.8)		
Other		8.2		
Effects of exchange rate movements	0.5	(0.6)		
Carrying amount at end of financial year	15.4	26.1	–	–
Employee Terminations				
Carrying amount at beginning of financial year	9.1	30.1		
Provisions written back during the year – REI restructure	(2.9)	(2.2)		
Provisions raised during financial year – Group restructure		14.4		
Payments made during financial year	(2.8)	(14.9)		
Other		(16.4)		
Effects of exchange rate movements		(1.9)		
Carrying amount at end of financial year	3.4	9.1	–	–
Other				
Carrying amount at beginning of financial year	49.6	10.6	36.7	20.4
Provisions raised during financial year	44.1	40.1	23.5	18.5
Payments made during financial year	(19.2)	(9.0)	(8.6)	(7.9)
Other	(0.5)	8.4		6.8
Effects of exchange rate movements	0.8	(0.5)	0.2	(1.1)
Carrying amount at end of financial year	74.8	49.6	51.8	36.7
Non Current				
Employee Terminations				
Carrying amount at beginning of financial year		2.2		
Other		(2.2)		
Carrying amount at end of financial year	–	–	–	–
Other				
Carrying amount at beginning of financial year	2.8	9.9		
Provisions raised/(written back)	4.2	(2.7)		
Payments made during financial year	(0.6)	(1.8)		
Other	(0.7)	(2.4)		
Effects of exchange rate movements	(0.1)	(0.2)		
Carrying amount at end of financial year	5.6	2.8	–	–

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
21. Other Financial Liabilities				
Current				
Other Interest Bearing Liabilities				
Bluewater lease liability		11.1		
Other		0.2		
	-	11.3	-	-
Non Current				
Other Interest Bearing Liabilities				
Bluewater lease liability	200.4	184.1		
Other	10.8	36.3		
	211.2	220.4	-	-
Total other financial liabilities	211.2	231.7	-	-
22. Other Non Financial Liabilities				
Current				
Deferred gain on foreign currency hedges	2.9	13.3		
Deferred income		4.3		
Other	0.1	3.9		
	3.0	21.5	-	-
Non Current				
Deferred payments – retirement villages	91.5	83.1		
Deferred gain on foreign currency hedges	0.4	5.9		
Other	0.3	0.4		
	92.2	89.4	-	-
Total other non financial liabilities	95.2	110.9	-	-
23. Defined Benefit Plan Liability¹				
a. Balance Sheet Amounts				
The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	722.4	640.2		
Fair value of plan assets	(572.2)	(454.2)		
Unrecognised actuarial gains	24.4	8.2		
Recognised liability for defined benefit obligations ²	174.6	194.2	-	-
b. Reconciliation of the Present Value of Funded Obligations				
Present value of funded obligations at beginning of financial year	640.2	591.3		
Current service cost	34.7	30.8		
Interest cost on benefit obligation	32.3	32.5		
Contributions by plan participants	0.2	8.9		
Actuarial losses	21.1	23.9		
Benefits paid	(16.6)	(13.5)		
Curtailments	0.7	3.9		
Foreign exchange translation movement	9.8	(37.6)		
Present value of funded obligations at end of financial year	722.4	640.2	-	-

1. Relates to the Bovis UK Pension Scheme.

2. If a surplus exists in the Fund at any particular point in time, Lend Lease may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary and agreement from the Trustees. New regulations in place in the UK effective 23 September 2005 have increased the regulator's powers over the sponsoring company in relation to the financing of any deficit. The sponsor company (Bovis Lend Lease Holdings Limited) is obliged to finance the deficit, which is funded through a commitment to a rolling deficit reduction plan. Additional contributions by the sponsor of A\$21.4 million (\$9.0 million) were made during the year. The review date for the current deficit recovery plan is March 2008.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
23. Defined Benefit Plan Liability continued				
c. Reconciliation of the Fair Value of Plan Assets				
Fair value of plan assets at beginning of financial year	454.2	392.1		
Expected return on plan assets	33.3	29.3		
Actuarial gains	36.8	32.3		
Contributions by Group companies	55.8	30.8		
Contributions by plan participants	0.2	8.9		
Benefits paid	(16.6)	(13.5)		
Foreign exchange translation movement	8.5	(25.7)		
Fair value of plan assets at end of financial year	572.2	454.2	-	-
d. Expense Recognised in the Income Statement				
Current service cost	34.7	30.8		
Interest cost on benefit obligation	32.3	32.5		
Expected return on plan assets	(33.3)	(29.3)		
Curtailment cost	0.7	3.9		
Net defined benefit plan expense	34.4	37.9	-	-

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	%	%	%	%
e. Categories of Plan Assets				
Equity instruments	79.0	79.0		
Debt instruments	15.0	15.0		
Fixed interest securities	5.0	5.0		
Other assets	1.0	1.0		
	100.0	100.0	-	-
f. Principal Actuarial Assumptions				
Discount rate (net)	5.3	5.0		
Expected rate of return on assets ¹	7.4	7.2		
Expected salary increase rate	4.5	4.2		
Expected inflation rate	3.0	2.7		
Expected rate of pension increases:				
Post April 2005	2.6	2.3		
April 1997 to April 2005	3.0	2.7		
Pre April 1997	2.6	2.3		

g. Employer Contributions

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Bovis UK Pension Scheme as at 31 March 2006, are 30% of Pensionable Salary for the Final Salary section and 21% of Pensionable Salary for the Index-Linked section. Lend Lease is currently contributing at these rates. In addition, Lend Lease contributes top up contributions from time to time of which A\$21.4 million (£9.0 million) was contributed during the year.

The method used to determine the employer contribution recommendations at the last actuarial review was the Projected Unit Credit method. The method adopted sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

For the year ending 30 June 2007, total employer contributions to the plan are expected to be A\$52.2 million (£21.4 million). Further employer contributions may be paid if there are any redundancies or augmentations during the year.

The long term economic assumptions adopted for the last actuarial review of the Fund were:

	As at 31 March 2006
	%
Expected rate of return on assets (discount rate) after investment expense and tax	7.4
Expected salary increase rate	4.5

1 The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of the Pension Protection Fund levy payable for the 2007 financial year. An allowance for administration expenses has been deducted from the expected return.

h. Net Financial Position of Plan

The following is a summary of the most recent financial position of the Bovis UK Pension Scheme calculated in accordance with AAS 25 'Financial Reporting by Superannuation Plans'.

	As at 31 March 2006 A\$m
Net market value of fund assets	572.2
Accrued benefits	(722.4)
Net (deficit)	(150.2)

	June 2006 A\$m	June 2005 A\$m
i. Historic Summary'		
Plan assets	572.2	454.2
Defined benefit plan obligation	(722.4)	(640.2)
(Deficit)	(150.2)	(186.0)

Experience adjustments arising on plan assets	36.8	32.3
Experience adjustments arising on plan liabilities	(21.1)	(23.9)

j. Actual Return on Plan Assets	70.1	61.6
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1 Lend Lease has taken the exemption provided under AASB 1 paragraph 204, and only disclosed June 2005 comparative information, rather than the previous four annual reporting years as required under AASB 119 'Employee Benefits' paragraph 120A.(p).

	Consolidated				Company			
	June 2006		June 2005		June 2006		June 2005	
	No. of Shares m	A\$m	No. of Shares m	A\$m	No. of Shares m	A\$m	No. of Shares m	A\$m
24. Issued Capital and Treasury Shares								
Issued Capital – Ordinary Shares Fully Paid								
Ordinary shares issued at beginning of financial year	398.6	834.6	400.2	834.4	398.6	834.6	400.2	834.4
Movements during financial year:								
Issues for:								
Share Election Plan (SEP) ¹	1.1				1.1			
Other		0.1		0.2		0.1		0.2
Share buybacks ²			(1.6)				(1.6)	
Ordinary shares issued at end of financial year	399.7	834.7	398.6	834.6	399.7	834.7	398.6	834.6

The Company has reintroduced the Share Election Plan, however, the Dividend Reinvestment Plan and Share Purchase Plan will remain suspended.

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.

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly Lend Lease does not have authorised capital nor par value in respect of its issued shares.

1 The shares issued under the SEP represent dividends forgone by SEP participants. These shares are issued directly from share capital with the number of shares issued based upon the share price at the date that the dividend payments are forgone.

2 Payments made under the share buyback are recognised in Retained Earnings (refer to Note 26 'Retained Earnings').

Notes to the Consolidated Financial Statements continued

	Consolidated		Consolidated		Company		Company	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	No. of Shares m	A\$m	No. of Shares m	A\$m	No. of Shares m	A\$m	No. of Shares m	A\$m
24. Issued Capital and Treasury Shares continued								
Treasury Shares¹								
Treasury shares at beginning of financial year	30.8	68.1	34.7	81.2	30.8	94.2	34.7	107.0
Movements during financial year:								
Treasury shares acquired	0.1		0.6	3.8	0.1	0.1	0.6	7.1
Treasury shares vested	(0.5)	(3.6)	(4.8)	(17.1)	(0.5)	(4.7)	(4.8)	(21.7)
Other share movements			0.3	0.2			0.3	1.8
Treasury shares at end of financial year	30.4	64.5	30.8	68.1	30.4	89.6	30.8	94.2

¹ Represents unallocated Lend Lease shares which are held by employee benefit vehicles, including employee share plans, which Lend Lease sponsors. The value reflects the original historical cost to the Lend Lease Group. The value of Treasury shares for the Company is different to the value for the Lend Lease Group due to internal profits within the Group.

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
25. Reserves				
a. Fair Value Revaluation Reserve				
Opening balance at beginning of financial year				
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i> (net of tax)	113.9		0.8	
Revaluation (gross)	29.0		0.4	
Fair value to profit or loss on asset disposal	(43.1)			
Deferred tax	1.7		(0.4)	
Other	0.2			
Closing balance at end of financial year	101.7	-	0.8	-
b. Hedging Reserve				
Opening balance at beginning of financial year				
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i>	(3.4)			
Movements attributable to effective cash flow hedges	(10.6)			
Foreign exchange movements	(0.4)			
Closing balance at end of financial year	(14.4)	-	-	-
c. Foreign Currency Translation Reserve				
Opening balance at beginning of financial year	(13.5)			
Currency fluctuation attributable to translation and hedging of foreign operations	17.9	(13.5)		
Closing balance at end of financial year	4.4	(13.5)	-	-
d. Equity Compensation Reserve				
Opening balance at beginning of financial year	6.0	4.8	6.0	4.8
Movements attributable to unallocated Treasury shares	1.6	1.2	1.6	1.2
Closing balance at end of the financial year	7.6	6.0	7.6	6.0
e. Other Compensation Reserve				
Opening balance at beginning of financial year	67.9	76.7	67.9	76.7
Movements attributable to unallocated Treasury shares		10.3		10.3
Movements attributable to allocated Treasury shares	(12.6)	(19.1)	(12.6)	(19.1)
Closing balance at end of financial year	55.3	67.9	55.3	67.9

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
f. Capital Reserve	104.6	104.6	104.6	104.6
g. Minority Interest Acquisition Reserve				
Opening balance at beginning of financial year	(22.4)			
Movements attributable to acquisition ¹	(92.7)	(23.2)		
Foreign exchange movements	5.6	0.8		
Closing balance at end of financial year	(109.5)	(22.4)	–	–
Total reserves	149.7	142.6	168.3	178.5

1 The movement represents the acquisition of an additional 12.5% interest in Actus Lend Lease (June 2005; 12.5%).

Nature and Purpose of Reserves

Fair Value Revaluation Reserve

Unrealised gains or losses arising from changes in the fair value and exchange differences on translation of non monetary securities classified as available for sale are recognised in the fair value revaluation reserve. Amounts are recognised in the income statement when the associated securities are sold or impaired.

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not occurred.

Foreign Currency Translation Reserve

The foreign currency translation reserve (FCTR) records the foreign currency differences net of income tax arising from the translation of 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 foreign operation. At 1 July 2004 the FCTR balance was transferred to retained earnings as Lend Lease applied the voluntary exemption permitting the reset of cumulative translation differences to zero under AIFRS.

Equity Compensation Reserve

The fair value of equity settled share based compensation is recognised in the income statement and equity compensation reserve over the vesting period of the underlying grant. Additionally, unallocated Lend Lease shares held by consolidated employee benefit vehicles which are used to meet equity related employee arrangements are recognised in the equity compensation reserve at their original historic cost to the consolidated Group.

Other Compensation Reserve

Unallocated Lend Lease shares held by consolidated employee benefit vehicles that are used to cash settle share based payment arrangements are recognised in the other compensation reserve at their original historic cost to the consolidated group. On settlement, the shares are revalued to their current market value with any increment or decrement recognised in retained earnings as a 'gain/(loss) on utilisation of unallocated shares'.

Capital Reserve

The capital reserve comprises realised capital profits on the disposal of assets which did not attract capital gains tax.

Minority Interest Acquisition Reserve

The minority interest acquisition reserve arises from additional acquisition of minority interests, subsequent to obtaining control of the entity. The reserve represents the premium on the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
26. Retained Earnings				
Retained earnings at beginning of financial year	1,782.5	1,781.2	1,556.4	1,787.8
Adjustment on adoption of <i>Financial Instruments Standards AASB 132 and AASB 139</i>	(0.2)			
Gain/(loss) on utilisation of Treasury shares recognised directly in retained earnings ¹	23.9	(10.3)	13.6	(3.5)
Profit attributable to members of Lend Lease Corporation Limited	415.2	225.5	199.8	4.4
Dividends forgone pursuant to share election plan	13.6		13.6	
Share buyback		(17.0)		(17.0)
	2,235.0	1,979.4	1,783.4	1,771.7
Dividends paid ²	(235.4)	(215.3)	(235.4)	(215.3)
Less: Dividends on Treasury shares	18.6	18.4		
Total retained earnings at end of financial year	2,018.2	1,782.5	1,548.0	1,556.4

1 Difference between the cost of the Treasury shares to the Group and the fair value expensed to the income statement on settlement.

2 Dividends paid includes an amount paid on Treasury shares. Unrealised gains or losses on Treasury shares as well as the dividends on these shares are excluded from the consolidated financial statements and hence the value of dividends paid on Treasury shares is reflected above as a decrease in dividends paid.

	Consolidated		Company	
	June 2006 A\$m	June 2005 A\$m	June 2006 A\$m	June 2005 A\$m
27. Minority Interests				
Minority interests comprise:				
Chelmsford Meadows (25.0%) (June: 2005 0.0%)	49.0			
Lend Lease Twin Waters (49.0%)	13.5	8.2		
Lend Lease Rouse Hill (49.0%)	4.2	3.4		
The Crosby Group (3.0%) (June 2005: 0.0%)	6.0			
Actus Lend Lease (0.0%) (June 2005: 12.5%)		7.0		
Other	0.5	0.2		
	73.2	18.8	-	-
Represented by:				
Interest in retained profit at end of financial year	10.3	9.3		
Interest in share capital	62.9	9.5		
Total minority interests	73.2	18.8	-	-

28. 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 performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Project Construction Management businesses. These guarantees are provided in respect of activities that occur in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

Lend Lease has provided guarantees in relation to certain tax credit funds syndicated by the HCI business (sold to MMA Financial on 1 July 2003). At this time, no payments are due or expected under these guarantees. Following the sale of the HCI businesses, the purchaser, MMA Financial has indemnified Lend Lease for these guarantees.

The Company provides financial guarantees on the bank facilities of certain entities. These are disclosed in Note 19 'Borrowings and Financing Arrangements'.

In connection with the sale of the discontinued Investment Management 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.

In September 2004, a class action was filed against a number of parties who responded to the World Trade Center emergency and debris removal following the events of '9/11', including the City of New York and Bovis Lend Lease LMB Inc (Bovis Lend Lease) (a subsidiary of Lend Lease). The class action has not been certified by the Court at this stage. Before the suits proceed to full litigation, the judge will first determine if the City of New York and contractors are entitled to legal immunity from all, or many, such actions.

Should the litigation proceed beyond this preliminary stage, Bovis Lend Lease is one of the beneficiaries of the US\$1.0 billion captive insurance policy established by the US Congress to protect the City of New York and its contractors against liabilities that may arise from the clean up.

In addition, to establish any liability on the part of Bovis Lend Lease, the claimants must prove that Bovis Lend Lease owed them a duty of care, breached that duty and that their injuries were caused by the conduct of Bovis Lend Lease. The litigation will therefore need to proceed through a number of stages before any liability can attach to Bovis Lend Lease. As with all litigation to the extent that the claimants are able to establish liability against Bovis Lend Lease, it is not possible at this stage to quantify what that liability may or may not be.

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
29. Commitments¹				
a. Operating Lease Commitments				
Estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements:				
Land and buildings – self occupied	228.0	220.2	0.1	0.7
Plant and equipment	14.7	17.1		
	242.7	237.3	0.1	0.7
At balance date commitments in relation to non cancellable operating leases payable are as follows:				
Due within one year	58.5	47.4	0.1	0.6
Due between one and five years	128.5	119.3		0.1
Due later than five years	55.7	70.6		
	242.7	237.3	0.1	0.7

The Group leases various land and buildings and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The above commitments include operating lease commitments in relation to Lend Lease's corporate headquarters in Sydney.

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
b. Finance Lease Commitments²				
At balance date commitments in relation to the finance leases are payable as follows:				
Due within one year	0.1	11.3		
Due between one and five years	0.3	0.1		
Later than five years	200.4	184.1		
Recognised as a liability	200.8	195.5	–	–
Lease liabilities provided for in the financial statements:				
Current	0.1	11.3		
Non Current	200.7	184.2		
	200.8	195.5	–	–

1 The commitments outlined in this note do not include commitments relating to investments accounted for using the equity method (refer to Note 11 'Investments Accounted for Using the Equity Method').

2 Primarily relates to Bluewater lease liability. Finance charges, to be based on future variable interest rates, are excluded.

Notes to the Consolidated Financial Statements continued

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
29. Commitments continued				
c. Capital Expenditure				
At balance date the aggregate amount of capital expenditure contracted but not provided for in the financial statements:				
Property, plant and equipment				
Due within one year	1.0	0.2		
	1.0	0.2	-	-
d. Consolidated Entities				
At balance date the aggregate amount of capital commitments that existed in respect of interests in consolidated entities contracted but not provided for in the financial statements:				
Due within one year				
The Crosby Group plc		612.0		
Actus Lend Lease, LLC		96.1		
	-	708.1	-	-
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				
Warrington Limited Retail Partnership		51.8		
Lend Lease Real Estate Partners II		6.7		
Private Finance Initiatives	29.8	7.0		
Actus Lend Lease	7.9			
Other	4.8	24.6		
Due between one and five years				
Warrington Limited Retail Partnership	27.4			
Private Finance Initiatives	36.2	67.0		
Lend Lease Real Estate Partners II	4.8			
Actus Lend Lease	17.7			
Other	10.4			
Due later than five years				
Lend Lease Overgate Partnership	4.3			
Actus Lend Lease	4.0			
	147.3	157.1	-	-

	Consolidated		Company	
	June 2006	June 2005	June 2006	June 2005
	A\$m	A\$m	A\$m	A\$m
30. Notes to the Statements of Cash Flows				
a. Reconciliation of Profit After Tax from Ordinary Activities to Net Cash Provided by Operating Activities				
Profit After Tax	422.6	235.9	199.8	4.4
Amortisation and depreciation	24.9	20.3	0.3	0.2
Write-off of management agreements		44.2		
Net gain on sale of investments and property, plant and equipment	(71.0)	(40.0)		(1.1)
Net foreign exchange gain and currency hedging costs	(12.8)	(15.4)	0.2	
Profit accounted for using the equity method	(187.0)	(138.2)		
Share of partnership's results	(3.1)			
Dividends/distributions from investments accounted for using the equity method	56.5	46.9		
Dividends/distributions from partnership and other financial assets	4.6	5.5		
Net bad and doubtful debts expense net of provisions raised/(written back)	2.1	1.6		
Other	(9.7)	2.0	(5.6)	6.4
Net cash provided by operating activities before changes in assets and liabilities	227.1	162.8	194.7	9.9
Change in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Subsidiaries and Operations During the Financial Year				
(Increase)/decrease in receivables	(469.9)	392.9	(36.0)	(5.0)
Decrease/(increase) in inventories	563.3	(780.4)		
(Increase)/decrease in other assets	(59.0)	100.5		
(Decrease)/increase in Defined Benefit Plan assets/liabilities	(21.3)	0.5	1.7	5.5
Increase/(decrease) in payables	342.0	17.9	(34.0)	(6.2)
(Decrease)/increase in other liabilities	(36.5)	76.5		
Increase/(decrease) in deferred tax items	144.0	(18.3)	0.6	10.3
Decrease in current tax provision	(72.5)	(29.2)	(7.0)	(38.0)
Increase/(decrease) in other provisions	44.0	22.1	2.1	92.2
(Increase) in other intangibles	(0.9)			
Net cash provided by/(used in) operating activities	660.3	(54.7)	122.1	68.7
b. Supplementary Information				
Property Development Receipts and Expenditure				
Retail				
Chapelfield, Norwich ¹	532.0	(108.0)		(152.4)
Property Development				
Darling Park, Sydney	116.1	(97.6)	94.2	(96.6)
Urban Communities, Australia	575.4	(667.2)	481.4	(477.4)
Urban Communities, UK	451.8	(254.7)	0.7	(17.9)
All Other	29.4	(42.0)	58.2	(96.8)
	1,704.7	(1,169.5)	634.5	(841.1)

¹ Total cash received is reported net of £40.0 million received in advance in December 2002.

Notes to the Consolidated Financial Statements continued

31. 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 2006		June 2005	
	Average Rate	Spot Rate	Average Rate	Spot Rate
US dollars	0.748	0.760	0.757	0.770
Pounds sterling	0.421	0.410	0.406	0.415
Euros	0.615	0.600	0.590	0.600
Singapore dollars	1.230	1.200	1.250	1.250

Foreign Currency Risk

Lend Lease 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 Board-approved currency risk management policy. Speculative trading is not undertaken.

Lend Lease uses both physical and derivative (mainly forward foreign exchange contracts) financial instruments to hedge its foreign currency exposures.

The majority of forward exchange contracts hedge specific foreign currency exposures including receivables, payables, revenues, expenses and intercompany transactions and loans. The contracts are converted using forward rates at balance date with unrealised gains and losses recorded in the income statement or the hedge reserve when the derivative is used in a hedging relationship that satisfies AASB 139 criteria. Exchange gains and losses on these contracts are accounted for in accordance with Lend Lease's accounting policy for foreign currency (refer to Accounting Policy Notes 1a. and 1v.).

Certain derivative transactions qualified as cash flow or fair value hedges, in meeting the appropriate strict hedge accounting criteria outlined in Accounting Policy Note 1v.

Fair Value Hedges

Lend Lease's fair value hedges consist of foreign exchange forward contracts used to protect against changes in the fair value of particular foreign denominated available for sale financial assets due to movements in market foreign exchange rates. As at June 2006 the fair value of the outstanding derivatives held by Lend Lease and designated as fair value hedges are recognised as 'Other Financial Assets' of A\$1.6 million.

Cash Flow Hedges

Lend Lease's cash flow hedges protect against foreign exchange rate fluctuations on highly probable forecast transactions using foreign exchange forward contracts. As at June 2006 the fair value of these outstanding designated derivatives is recognised in equity as an 'in the money' position of A\$0.4 million. It is expected that the current hedged forecast transactions will occur during the financial year ending June 2007.

It is estimated that an increase of one cent/pence in the value of AUD against foreign currencies in which Lend Lease derives its foreign income would have decreased the consolidated entity's profit before tax at 30 June 2006 by approximately A\$6.0 million (2005: A\$5.2 million). No forward exchange contracts have been included in this calculation.

	Weighted Average Exchange Rate		Receivable/(Payable) Under Contracts	
	June 2006 (A\$1=)	June 2005 (A\$1=)	June 2006 A\$m	June 2005 A\$m
Contracts to buy pounds sterling at an agreed exchange rate				
Not later than one year	0.42		(52.4)	
Later than one year but not later than two years	0.41		(19.1)	
Contracts to sell pounds sterling at an agreed exchange rate				
Not later than one year	0.40	0.40	451.1	770.6
Later than one year but not later than two years	0.41	0.41	19.2	82.3
Later than two years but not later than three years		0.41		21.7
Contracts to buy US dollars at an agreed exchange rate				
Not later than one year	0.76	0.77	(119.8)	(14.7)
Later than one year but not later than two years	0.75		(15.8)	
Contracts to sell US dollars at an agreed exchange rate				
Not later than one year	0.75	0.72	157.2	81.3
Later than one year but not later than two years	0.74	0.73	16.0	51.3
Later than two years but not later than three years		0.73		18.1
Contracts to buy euros at an agreed exchange rate				
Not later than one year	0.59	0.62	(7.3)	(6.8)
Contracts to sell euros at an agreed exchange rate				
Not later than one year	0.60	0.56	7.5	8.0
Later than one year but not later than two years		0.56		4.0
Later than two years but not later than three years		0.56		1.5
Contracts to buy Singapore dollars at an agreed exchange rate				
Not later than one year	1.2		(4.2)	
Contracts to sell Singapore dollars at an agreed exchange rate				
Not later than one year	1.17		27.5	
Contracts to sell Japanese yen at an agreed exchange rate				
Not later than one year		81.5		10.8
Total A\$			459.9	1,028.1

b. Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Lend Lease Risk Management and Audit 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 balance sheet (excluding investments of Lend Lease) equals the carrying amount, net of any provision for doubtful debts.

Lend Lease has no significant concentrations of credit risk and has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

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 above at Note 31a. 'Foreign Currency Risk'.

Notes to the Consolidated Financial Statements continued

31. International Currency Management and Financial Instruments continued

c. Interest Rate Risk

Lend Lease's policy is to manage interest rate risk that directly impacts on the Group's assets and liabilities. A Financial Markets Risk Committee oversees the management of the Group's interest rate exposures within the parameters of the Board-approved policy.

Lend Lease uses physical and derivative (mainly interest rate swaps) financial instruments to assist in managing its interest rate exposure. Speculative trading is not undertaken. The profile of the Group's interest rate swaps is detailed in the table below.

Lend Lease has certain derivative transactions that have qualified as cash flow hedges, in meeting the appropriate hedge accounting criteria outlined in Accounting Policy Note 1v. These cash flow hedges are to protect against the variability of the cash flows resulting from floating borrowings using interest rate swaps. As at June 2006, the fair value of these outstanding designated derivatives is recognised in equity as an 'in the money' position of A\$1.2 million. It is expected that the forecast transaction will occur as designated.

At 30 June 2006 it is estimated that an increase of one percentage point in interest rates would have decreased the consolidated entity's profit before tax by approximately A\$5.0 million (2005: A\$9.1 million increase). Interest rate swaps have been included in this calculation.

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	June 2006 Total A\$m
June 2006								
Financial Assets								
Cash	8	4.8	509.7	49.8				559.5
Receivables	9	3.5	4.0	0.8	0.1	57.3	1,793.8	1,856.0
Other financial assets (investments)	13	5.4		11.4	5.6		719.0	736.0
Other financial assets (derivatives)	13						12.0	12.0
			513.7	62.0	5.7	57.3	2,524.8	3,163.5
Financial Liabilities								
Payables	18						2,210.4	2,210.4
Borrowings	19	5.4	390.2			394.8		785.0
Interest rate swaps ²	19	4.6			61.0			61.0
Other financial liabilities ³	21	5.6	200.4		8.0	2.8		211.2
			590.6	-	69.0	397.6	2,210.4	3,267.6
Net financial assets and liabilities			(76.9)	62.0	(63.3)	(340.3)	314.4	(104.1)

1 Does not include non interest bearing financial instruments.

2 Notional principal amount.

3 'Other financial liabilities' includes Bluewater lease of A\$200.4 million which matures in 2013.

		Weighted Average Interest Rate ¹	Floating Interest Rate	Fixed interest Maturing In			Non Interest Bearing	June 2005 Total
	Note	%	A\$m	One Year or Less A\$m	Over One to Five Years A\$m	More Than Five Years A\$m	A\$m	A\$m
June 2005								
Financial Assets								
Cash	8	4.5	559.3	10.3				569.6
Receivables	9	6.6	46.6	1.9		40.8	1,229.0	1,318.3
Other financial assets (investments)	13	10.3	26.8			10.4	693.2	730.4
Other assets	17						31.6	31.6
			632.7	12.2	-	51.2	1,953.8	2,649.9
Financial Liabilities								
Payables	18						1,722.9	1,722.9
Borrowings ²	19	5.9	263.0	237.0				500.0
Other financial liabilities	21	4.5	29.4	0.2	3.0	199.1		231.7
			292.4	237.2	3.0	199.1	1,722.9	2,454.6
Net financial assets and liabilities			340.3	(225.0)	(3.0)	(147.9)	230.9	195.3
Cross currency swaps	17		89.0					89.0

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. Liquidity Risk

The Group's objective is to maintain efficient use of cash and debt facilities in order to minimise the cost of borrowing to the Group. A Financial Markets Risk Committee oversees the management of the Group's liquidity risk within the parameters of the Board-approved policy.

e. 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 11 'Investments Accounted for Using the Equity Method' and Note 13 'Other Financial Assets').

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

	Consolidated June 2006		Consolidated June 2005	
	Carrying Amount A\$m	Net Fair Market Value A\$m	Carrying Amount A\$m	Net Fair Market Value A\$m
Financial Assets				
Cash	559.5	559.5	569.6	569.6
Receivables	1,856.0	1,856.0	1,318.3	1,318.3
Other financial assets (investments)	736.0	736.0	730.4	730.4
Other financial assets (derivatives)	12.0	12.0	31.6	31.6
	3,163.5	3,163.5	2,649.9	2,649.9
Financial Liabilities				
Payables	2,210.4	2,210.4	1,722.9	1,722.9
Borrowings ¹	846.0	846.0	500.0	517.1
Other interest bearing liabilities	211.2	211.2	231.7	231.7
	3,267.6	3,267.6	2,454.6	2,471.7

1 Includes impact of interest rate swap.

Notes to the Consolidated Financial Statements continued

31. International Currency Management and Financial Instruments continued

e. Net Fair Values of Financial Assets and Liabilities continued

Off Balance Sheet Financial Instruments

The gross assets relating to forward foreign exchange contracts are not recorded on the Balance Sheets at 30 June 2006. The balances relating to these contracts are included in 'Other Financial Assets' (refer to Note 13 'Other Financial Assets') and are held at fair value. They represent the net unrealised gain resulting 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 has been determined as the marked to market value.

	Consolidated 2006		Consolidated 2005	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	A\$m	A\$m	A\$m	A\$m
Forward foreign exchange contracts	10.8	10.8	24.4	23.7
Interest rate swaps	1.2	1.2		(4.6)
Cross currency swaps ²			89.0	101.3
	12.0	12.0	113.4	120.4

Lend Lease Corporation and certain of its consolidated entities have potential financial liabilities, which may arise from certain contingencies disclosed in Note 28 'Contingent Liabilities'.

- 1 Net fair value is the marked to market value.
2 Carrying value included in Note 17 'Other Assets'.

	Interest		Consolidated Share of Profit After Tax		Consolidated Book Value	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
	%	%	A\$m	A\$m	A\$m	A\$m
32. Interest in Joint Venture Operations						
Project Management, Construction and PFIs						
Manukau Wastewater Services (NZ)	20.0	20.0	0.9	0.2	12.8	12.5
Seaview Project Limited	50.0	50.0			4.0	4.2
			0.9	0.2	16.8	16.7

	Consolidated	
	June 2006	June 2005
	A\$m	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	0.9	2.2
Receivables	16.2	10.5
Inventories – properties held for resale		4.4
Total assets	17.1	17.1
Accounts payable and borrowings	0.3	0.4
Total liabilities	0.3	0.4
Net assets	16.8	16.7

	Country of Incorporation	Foreign Country of Business Operation	Year End 30 June 2006 Ownership Interest %	Year End 30 June 2005 Ownership Interest %
33. Consolidated Entities				
a. Investments in Consolidated Entities				
The material consolidated entities of the Group are:				
Parent Entity				
Lend Lease Corporation Limited	Australia			
Project Management, Construction and PFIs				
Australia				
Bovis Lend Lease Pty Limited	Australia		100	100
International				
Bovis Lend Lease Holdings Limited	UK	UK	100	100
Bovis Lend Lease Limited	UK	UK	100	100
Bovis Lend Lease Overseas Holdings Limited	UK	UK	100	100
Bovis Lend Lease Group Limited	UK	UK	100	100
Bovis Lend Lease Investments Limited (Jersey)	UK	UK	100	100
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
Retail and Communities				
Australia				
ComLand Limited	Australia		100	100
Delfin Forest Lake Pty Limited	Australia		100	100
Delfin GC Limited	Australia		100	100
Delfin Lend Lease Limited	Australia		100	100
Lend Lease Development Pty Limited	Australia		100	100
International				
Blueco Limited	UK	UK	100	100
Chapelfield GP Limited	UK	UK	100	100
Lend Lease Europe Finance plc	UK	UK	100	100
Lend Lease Europe Holdings Limited	UK	UK	100	100
Lend Lease Europe Limited	UK	UK	100	100
Lend Lease Global Investments plc	UK	UK	100	100
Lend Lease (US) Investments Limited	UK	UK	100	100
Lend Lease Norwich Limited	UK	UK	100	100
The Beaufort Homes Development Group Limited	UK	UK	100	
The Crosby Group plc	UK	UK	100	
Lend Lease Actus, LLC	USA	USA	100	87.5
Lend Lease Capital and Real Estate Services, Inc	USA	USA	100	
Investment Management				
Australia				
Lend Lease Funds Management Limited (formerly GPT Management Limited)	Australia		100	100
Lend Lease Real Estate Investments Limited	Australia		100	100

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Foreign Country of Business Operation	Year End 30 June 2006 Ownership Interest %	Year End 30 June 2005 Ownership Interest %
33. Consolidated Entities continued				
a. Investments in Consolidated Entities continued				
Investment Management continued				
International				
Lend Lease Real Estate Investments Pte Limited	Singapore	Singapore	100	100
Lend Lease Europe Retail Investments Limited	UK	UK	100	100
Lend Lease Asset Management LP	USA	USA	100	100
Lend Lease (US) Capital, Inc.	USA	USA	100	100
Lend Lease (US) Holdings, Inc.	USA	USA	100	100
Lend Lease (US), Inc.	USA	USA	100	100
Lend Lease (US) Services, Inc.	USA	USA	100	100
Equity Investments				
Lend Lease Custodian Pty Limited	Australia		100	100

	Ownership Interest Acquired %	Date Acquired	Consideration Paid A\$m	Contribution to Consolidated Revenue A\$m	Contribution to Consolidated Profit/(Loss) After Tax ⁴ A\$m
b. Acquisitions					
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 2006					
Retail and Communities					
International					
The Crosby Group plc ¹	97.0	8 July 05	618.9	503.4	30.6
Investment Management					
International					
Chelmsford Meadows Limited Partnership ²	75.0	20 Mar 06	142.8	2.0	1.4
Chelmsford Meadows GP Limited	75.0	20 Mar 06			
First Base Adelaide Wharf Limited ³	45.0	6 Dec 05			

1 The Crosby Group plc is a UK-based urban regeneration specialist. The acquisition was 100% debt funded and represented 97% of the voting shares, with management co-investing so as to own the remaining 3%. The revenue and profit of the Crosby Group since the beginning of the June 2006 financial year is not materially different to that since 8 July 2005, the date of acquisition.

2 Chelmsford Meadows Limited Partnership owns the Meadows Centre in Chelmsford, Essex.

3 First Base Adelaide Wharf Limited is involved in the development of Adelaide Wharf in Hackney, East London. Lend Lease is deemed to have control based on its share of the risk and rewards of the project.

4 Excludes any intercompany transactions for the financial year ended June 2006.

The identifiable assets and liabilities of the acquisition are as follows:

		June 2006		June 2005	
	Note	Acquiree's Carrying Value A\$m	Total Fair Value on Acquisition A\$m	Acquiree's Carrying Value A\$m	Total Fair Value on Acquisition A\$m
Acquisition of Consolidated Entities					
Acquisition Cost					
Cash paid for acquisition			754.9		
Cash paid for acquisition costs			6.8		
Total acquisition cost			761.7		-
Cash consideration			761.7		
Overdraft			0.4		
Net outflow of cash			762.1		-
Net Assets of Entities Acquired¹					
Cash and cash equivalents		(0.4)	(0.4)		
Inventories		504.5	579.5		
Receivables		12.4	12.4		
Other investments		5.6	5.6		
Investment properties		190.3	190.3		
Property, plant and equipment		14.1	14.1		
Deferred tax assets		0.3	0.3		
Deferred tax liabilities			(22.5)		
Payables and borrowings		(97.0)	(97.0)		
Provisions		(16.0)	(16.0)		
Other non interest bearing liabilities		(30.1)	(30.1)		
Minority interest		(47.5)	(47.5)		
Net assets acquired		536.2	588.7	-	-
Goodwill on acquisition	15a		173.0		
Total acquisition cost			761.7		-

1 - No other intangibles that have a value have been identified on acquisition.

Goodwill on acquisition as disclosed in the December 2005 Half Year Consolidated Financial Report (A\$178.1 million) has changed as a result of the finalisation of the Crosby Group completion accounts as at the date of acquisition.

The goodwill is attributable to the skills and experience of the management team and the track record of the business.

Notes to the Consolidated Financial Statements continued

	Ownership Interest Disposed %	Date Disposed	Consideration Received A\$m	Contribution to Consolidated Revenue A\$m	Contribution to Consolidated Profit/(Loss) After Tax ¹ A\$m
33. Consolidated Entities continued					
c. Disposals					
June 2006					
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).					
Retail and Communities					
NS Management Services Pty Ltd	100.0	28 Jun 06	2.0	1.9	1.9
The Chapelfield Partnership	100.0	5 Oct 05			
The Chapelfield GP Limited	100.0	5 Oct 05			
June 2005					
Investment Management²					
International					
Lend Lease Rosen Real Estate Securities, LLC	100.0	24 Aug 04	37.3	1.7	1.0
Rosen Consulting Services	100.0	1 Nov 04	2.1	0.3	0.2
Lend Lease Japan and Lend Lease Korea (International Distressed Debt Fund Platform)	100.0	2 Dec 04		2.2	1.3
Project Management, Construction and PFIs					
International					
Larry Smith, SA	100.0	11 Nov 04	2.9	(0.5)	(0.3)

1 Excludes any intercompany transactions for the financial year.

2 Represents the consolidated entities sold as part of the sale of the Investment Management businesses.

	Consolidated June 2006 A\$m	Consolidated June 2005 A\$m	Company June 2006 A\$m	Company June 2005 A\$m
Details of the disposals of consolidated entities are as follows:				
Sale Proceeds				
Cash received	2.0	39.4		
Deferred proceeds		2.9		
Carrying amount on disposal		(20.8)		
Disposal costs	(0.1)	(2.9)		
Profit/(loss) on disposal	1.9	18.6	-	-
Carrying Value of Net Assets of Entities Disposed				
Cash and cash equivalents		7.9		
Receivables	25.8	5.4		
Goodwill		13.2		
Other investments		3.1		
Other assets		0.4		
Payables and provisions	(25.8)	(4.8)		
Lend Lease share of net assets disposed	-	25.2	-	-
Cash Flows Resulting from Sale				
Cash consideration	2.0	39.4		
Disposal costs	(0.1)	(2.9)		
Cash disposed		(7.9)		
Net inflows of cash	1.9	28.6	-	-

34. Employee Benefits

a. 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 at Lend Lease through philosophies such as employee ownership and profit sharing.

Currently employees own approximately 9.6% 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 programme was suspended by the Board in May 2003.

- **Australia: 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. Those subscriptions have been 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 2,072 employees (June 2005: 2,177) were eligible to participate in the plan.
- **USA: Employee Share Plan**
The US Internal Revenue Service approved share plan arrangements previously in place were closed during the June 2005 financial year due to the change to Lend Lease making all profit share payments in cash.
- **UK/Europe/Asia: 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 Corporation 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.
At balance date approximately 2,220 employees (June 2005: 2,608) were eligible to participate in the SIP, should it recommence accepting contributions.
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 currencies and Australian dollar exchange rates.
At balance date, approximately 3,664 UK and European employees (June 2005: 3,234) were eligible to participate in the plan.

Eligibility

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 in the various operating share plans 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 Income Statement

During the year an A\$7.1 million credit (June 2005: A\$2.8 million expense) was recognised in the income statement of the consolidated entity in relation to employee equity based compensation arrangements. The credit to the income statement was due to an accrual release as the LTI granted in July 2003 did not vest at June 2006.

The fair value of the benefits provided to employees through the allocation of shares from the plans was A\$7.3 million (June 2005: A\$40.2 million). The fair value was expensed to the income statements of the consolidated entity.

Refer to Note 34b. 'Long Term Incentives' for the fair value of instruments issued under the LTIs.

Notes to the Consolidated Financial Statements continued

34. Employee Benefits continued

a. Lend Lease Employee Share Plans continued

Summary of Share Movements in Lend Lease Employee Share Plans

	Vested ¹ No. of Shares	Fair Value ⁴ A\$	Unvested ² No. of Shares	Fair Value ⁴ A\$	Unallocated ³ No. of Shares	Fair Value ⁴ A\$	Total No. of Shares	Fair Value ⁴ A\$
June 2006								
No. of shares at beginning of financial year	10,746,967				4,752,108		15,499,075	
Movements during financial year								
Shares acquired/(sold) by the plans					(28,836)	(408,378)		
Shares granted to employees	463,996	6,433,392			(463,996)	(6,433,392)		
Shares vested during financial year								
Shares/cash withdrawn from the plans by employees	(3,222,114)	(43,681,102)						
Shares forfeited by employees								
Cash distribution from the plans								
No. of shares in plans at end of financial year	7,988,849		-		4,269,426		12,248,275	
Fair value at end of financial year ⁵		111,763,998		-		59,589,370		171,353,368
June 2005								
No. of shares at beginning of financial year	13,007,671		227,998		6,539,051		19,774,720	
Movements during financial year								
Shares acquired by the plans					637,579	7,735,790		
Shares granted to employees	787,371	9,206,526	1,501	15,864	(788,872)	(9,222,390)		
Shares vested during financial year	194,026	2,323,727	(194,026)	(2,323,727)				
Shares/cash withdrawn from the plans by employees	(3,242,101)	(38,567,628)						
Shares forfeited by employees			(35,473)	(364,520)				
Cash distribution from the plans					(1,671,123)	(19,232,404)		
No. of shares in plans at end of financial year	10,746,967		-		4,752,108		15,499,075	
Fair value at end of financial year ⁵		139,280,692		-		61,587,320		200,868,012

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 2006 is A\$13.99 per share (June 2005: A\$12.96).

34. Employee Benefits continued

a. Lend Lease Employee Share Plans continued

Vested Share Grants by Month

	No. of Shares	Average A\$ Per Share	Fair Value A\$
June 2006			
July 2005	33,644	13.058	439,323
August 2005	32,929	13.321	438,647
September 2005	35,192	13.586	478,119
October 2005	32,902	13.742	452,139
November 2005	32,101	14.093	452,399
December 2005	31,471	14.072	442,860
January 2006	37,961	14.796	561,671
February 2006	69,527	13.787	958,569
March 2006	43,001	13.626	585,932
April 2006	49,082	14.200	696,964
May 2006	32,578	14.036	457,265
June 2006	33,608	13.970	469,504
	463,996		6,433,392
June 2005			
July 2004	159,472	10.569	1,685,459
August 2004	53,525	10.747	575,233
September 2004	211,792	11.201	2,372,281
October 2004	45,353	11.678	529,632
November 2004	41,311	11.769	486,189
December 2004	48,824	12.900	629,829
January 2005	36,497	13.413	489,534
February 2005	38,234	13.499	516,120
March 2005	38,479	13.018	500,919
April 2005	41,562	12.318	511,960
May 2005	37,240	11.986	446,358
June 2005	35,082	13.198	463,012
	787,371		9,206,526

In addition to the plans discussed on page 111, 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 was known as the Staff Share Scheme. This was established in December 1979 after shareholders agreed at the Annual General Meeting 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 were needed. 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 2006 was 14.9 million (June 2005: 14.9 million). The shares in RBF are not available for allocation 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 the 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 10 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 2006, there were 11.7 million (June 2005: 12.7 million) Lend Lease Corporation shares held by EIT of which 11.5 million shares were available for allocation to employees at the Trustee's discretion. In recent times, the Trustee of EIT, has directed surplus dividends to help fund the Lend Lease Foundation's programmes. In accordance with the Trust Deed, the capital of the Trust is not available to Lend Lease Corporation.

Notes to the Consolidated Financial Statements continued

34. Employee Benefits continued

a. Lend Lease Employee Share Plans continued

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 111.

Access to the Lend Lease Foundation is another important employee benefit. Established in 1983, the Foundation's programmes are administered by employee trustees.

b. Long Term Incentives (LTIs)

Lend Lease's current LTIs for Senior Executives were introduced and approved by the Board in 1999 and were updated and extended for the 2003, 2004 and 2005 Awards.

The LTIs are in the form of a dollar figure 'grant' which is notionally 'invested' over time to deliver value and is normally allocated as Performance Shares (PS). Further details relating to the LTIs are set out in Section 3 of the Directors' Report.

The PS exercised during the June 2006 year had a fair value of A\$1.6 million which represents the market value of the Lend Lease shares at the date of exercise (June 2005: PS A\$6.0 million; share appreciation rights A\$12.3 million). The financial effect of these incentives is accrued in the income statements over the vesting period of the individual grants.

Summary of Performance Shares

Grant Date	Expiry or Exercise Date	Grant Price A\$	Number of Lend Lease Corporation Share Equivalents ¹			
			Granted PS	Lapsed PS	Exercised PS	Closing Balance PS
Dec 2002	Jun 2006	10.0	210,604	210,604		
Dec 2002	Jun 2007	10.0	210,604			210,604
Jul 2003	Jun 2006	8.5	2,611,153	2,380,700	230,453	
Jul 2004	Jun 2007	10.3	1,266,376	123,270	252,078	891,028
Jul 2005	Jun 2008	12.5	1,225,946	20,532	3,164	1,202,250
Total number of PS			5,524,683	2,735,106	485,695	2,303,882

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 Section 3 of the Directors' Report.

35. Key Management Personnel Disclosures

Key management personnel compensation details are set out in Section 3 of the Directors' Report.

Equity Holdings and Transactions

Shareholdings Financial Year Ended 30 June 2006

	Year	Shares Held at Beginning of Financial Year	Shares Received During the Year ¹	Other Net Change to Shares	Shares Held at End of Financial Year
Non Executive Directors					
D Crawford	2006	17,468	5,540		23,008
	2005	10,674	6,794		17,468
P Colebatch – Appointed 1 December 2005	2006		121	2,000	2,121
	2005				–
G Edington	2006	21,373	1,493		22,866
	2005	19,816	1,557		21,373
P Goldmark	2006	9,998	1,800		11,798
	2005	8,441	1,557		9,998
J Hill – Appointed 8 May 2006	2006				–
	2005				–
R Longes – Resigned 17 November 2005	2006	57,304	1,280	(58,584) ²	–
	2005	55,419	1,885		57,304
D Ryan	2006	10,096	1,761		11,857
	2005		96	10,000	10,096

	Year	Shares Held at Beginning of Financial Year	Shares Received During the Year ^{1,2}	Other Net Change to Shares	Shares Held at End of Financial Year
Executive Directors					
G Clarke	2006	1,000			1,000
	2005	1,000			1,000
R Taylor	2006	91,845	10,580		102,425
	2005	89,406	2,439		91,845
A Chamberlain – Resigned 30 September 2005	2006	1,000		(1,000) ³	–
	2005			1,000	1,000
Executives					
S McCann	2006		458		458
	2005				–
R Johnston	2006	58,933			58,933
	2005	58,003	930		58,933
R Burrows	2006	36,231	1,741		37,972
	2005	35,181	1,050		36,231
R Lourey	2006	64	409		473
	2005		64		64
J Daniel	2006	230			230
	2005	230			230
P Crewes – Resigned 30 June 2006	2006	41,020	1,242	(42,262) ³	–
	2005	40,170	850		41,020
R Fehring	2006	20,149	1,164	(12,500)	8,813
	2005	19,196	953		20,149
M Bellaman	2006				–
	2005				–
P Koziol	2006				–
	2005				–
N Hugill	2006				–
	2005				–
J Spanswick	2006	1,130			1,130
	2005	1,130			1,130
P Marchetto	2006	5,555			5,555
	2005	5,555			5,555
Total	2006	373,396	27,589	(112,346)	288,639
Total	2005	344,221	18,175	11,000	373,396

¹ Non Executive Directors' share allocations relating to retirement benefits are made in arrears on 1 January each year. Refer to Section 3b. of the Directors' Report for further details.

² For Executive Directors and executives, relates to share entitlements under employee benefit vehicles.

³ Balance at retirement/resignation.

Notes to the Consolidated Financial Statements continued

35. Key Management Personnel Disclosures continued

Key Management Personnel Compensation

The key management personnel compensation included in 'Employee Benefit Expenses' (refer to Note 5 'Other Operating Income and Expenses') are as follows:

	Consolidated		Company	
	2006 A\$000s	2005 A\$000s	2006 A\$000s	2005 A\$000s
Short term employee benefits	24,676	18,767	12,649	9,039
Post employment benefits	1,989	1,694	1,070	943
Share based payments	2,033	5,896	1,568	3,539
Other long term benefits	785	2,039		
Termination benefits	3,011	9,914	1,658	1,755
	32,494	38,310	16,945	15,276

Loans to Key Management Personnel

Details regarding the aggregate of loans made to key management personnel and other related parties are as follows:

	Consolidated		Company	
	2006 A\$000s	2005 A\$000s	2006 A\$000s	2005 A\$000s
P Marchetto		390		
M Bellaman ¹		394		
	-	784	-	-

1 Mr M Bellaman was not classified as a key person until 1 October 2005.

During the year no repayments were made and the balance of the loans outstanding for Mr P Marchetto and Mr M Bellaman were forgiven by the Company. The loans were interest free and payable at call. Interest on Mr P Marchetto's loan of A\$8,596 (June 2005: \$18,705) would have been charged had the loan been interest bearing. Interest on Mr M Bellaman's loan of A\$19,535 (June 2005: A\$18,901) would have been charged had the loan been interest bearing.

Other Transactions with Key Management Personnel

From time to time Directors and executives of the Company or its consolidated entities, or parties related to them, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

36. Non Director Related Party Information

Ownership Interests in Related Parties and Transactions with Consolidated Entities

Interests held in consolidated entities and associated companies, joint ventures, partnerships and trusts by Lend Lease Corporation Limited, are set out in Notes 33, 11a, 11b, and 13 to the financial statements.

Lend Lease Corporation provides a wide range of corporate services to its consolidated entities, including administrative, advertising, accounting, employee services such as the administration of salaries and superannuation, finance, insurance, legal, public relations, company secretarial and treasury. Costs incurred in providing such services are recovered accordingly from the entities concerned.

Transactions that occurred during the financial year between entities in the Lend Lease consolidated Group were:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of payroll, transaction and management services;
- Receipt and payment of superannuation contributions;
- Reimbursements of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies.

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 2006 A\$m	June 2005 A\$m
Services provided by Lend Lease		
Management of trusts ¹	28.1	121.9
Construction and development ¹	48.0	193.1
Expense reimbursements to Lend Lease		
Administrative and property rental expenses ¹	14.2	17.1

1 General Property Trust (GPT) ceased to be a related party on 8 June 2005, as a result of the internalisation of GPT management. No revenue earned from this date onwards is included.

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;
- **Communities businesses** includes property capital works, design and construction services, development and refurbishment.

37. Explanation of Transition to Australian Equivalents to International Financial Reporting Standards (AIFRS)

As stated in Accounting Policy Note 1a, these are the consolidated entity's first AIFRS annual consolidated financial statements prepared in accordance with AIFRS.

The accounting policies in Note 1 have been applied in preparing the consolidated financial statements for the financial year ended 30 June 2006, the comparative information for the financial year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet as at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet and comparative information for the financial statements for the financial year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's income statements, balance sheets and cash flows is set out in the following tables and the accompanying notes.

Notes to the Consolidated Financial Statements continued

37. Explanation of Transition to AIFRS continued

Reconciliation of Profit for 2005

	Note 37	Previous GAAP June 2005 A\$m	Consolidated Effect of Transition to AIFRS June 2005 A\$m	AIFRS June 2005 A\$m	Previous GAAP June 2005 A\$m	Company Effect of Transition to AIFRS June 2005 A\$m	AIFRS June 2005 A\$m
Revenue							
Revenue from the sale of development properties	b	378.4	(23.1)	355.3			
Revenue from the provision of services	b	8,637.3	(21.3)	8,616.0	1.7		1.7
Finance revenue		49.9	3.4	53.3	36.4		36.4
Other revenue	a, b, c, d, e	438.0	(27.3)	410.7	304.4	3.6	308.0
Total revenue		9,503.6	(68.3)	9,435.3	342.5	3.6	346.1
Other income	e	34.9	(20.0)	14.9			
Expenses							
Project Management, Construction and PFI activities							
Cost of inventories sold	b, c, e, g, h	(7,656.3)		(7,656.3)			
Other expenses		(462.6)	28.1	(434.5)			
Retail and Communities activities	d, g						
Cost of properties sold		(446.8)	10.9	(435.9)			
Other expenses		(277.0)	(12.3)	(289.3)			
Investment Management activities	g, i	(178.4)	(18.6)	(197.0)			
Corporate and administrative activities expenses	a, h, j	(151.1)	(17.5)	(168.6)	(290.3)	(10.3)	(300.6)
Finance costs		(56.6)		(56.6)	(32.4)		(32.4)
Total expenses		(9,238.8)	(9.4)	(9,238.2)	(322.7)	(10.3)	(333.0)
Share of profit of associates accounted for using the equity method	b, d	11.8	94.7	106.5			
Share of profit of joint venture entities accounted for using the equity method	b	22.6	9.1	31.7			
Profit before tax		344.1	6.1	350.2	19.8	(6.7)	13.1
Income tax expense	a, f	(123.4)	9.1	(114.3)	(8.0)	(0.7)	(8.7)
Profit after tax		220.7	15.2	235.9	11.8	(7.4)	4.4
Profit after tax attributable to minority interests	c	(10.0)	(0.4)	(10.4)			
Profit after tax attributable to members of Lend Lease Corporation Limited		210.7	14.8	225.5	11.8	(7.4)	4.4
Earnings per share							
Shares excluding Treasury shares	(cents)	52.8	8.8	61.6¹			
Shares on issue	(cents)	52.8	3.7	56.5			

¹ Previous GAAP has been restated in line with the revised management structure.

Reconciliation of Equity

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Notes to the Consolidated Financial Statements continued

37. Explanation of Transition to AIFRS continued

Reconciliation of Equity continued

	Note 37	Consolidated				Company			
		Previous GAAP July 2004 AS\$m	AIFRS July 2004 AS\$m	Previous GAAP June 2005 AS\$m	Effect of Transition to AIFRS June 2005 AS\$m	Previous GAAP July 2004 AS\$m	Effect of Transition to AIFRS July 2004 AS\$m	Previous GAAP June 2005 AS\$m	Effect of Transition to AIFRS June 2005 AS\$m
Balance Sheets									
Current Liabilities									
Trade and other payables	a, b, l	2,519.6	(3.8)	2,515.8	81.0	2,497.1		1,054.9	
Borrowings and financing arrangements		357.1		357.1		500.0			
Current tax liabilities	a	98.4	10.2	108.6	1.5	69.4	10.8	100.7	
Provisions	i	281.8		281.8	20.0	284.3		21.5	
Other financial liabilities		28.1		28.1	11.3	11.3		18.5	20.0
Other non financial liabilities		43.0		43.0	21.5	21.5			
Total current liabilities		3,328.0	6.4	3,334.4	102.5	3,383.6	10.8	1,177.1	(8.2)
Non Current Liabilities									
Other payables	c	51.4		51.4		37.8		473.7	
Borrowings and financing arrangements		504.9		504.9					
Provisions		37.3		37.3					
Deferred tax liabilities	f	153.1	73.8	226.9	75.8	263.0	6.7	85.4	0.1
Other financial liabilities		214.0		214.0		220.4			
Other non financial liabilities	e	6.1	71.4	77.5	83.1	89.4		100.5	79.9
Defined benefit plan liability	h		199.2	199.2	194.2	194.2			
Total non current liabilities		966.8	344.4	1,311.2	345.4	830.6	15.4	559.1	1.0
Total liabilities		4,294.8	350.8	4,645.6	447.9	4,214.2	26.2	1,736.2	(7.2)
Net assets		2,835.9	(102.1)	2,733.8	(80.7)	2,710.4	7.1	2,701.3	1.0
Equity									
Issued capital		834.4		834.4		834.6		834.4	
Treasury shares	a		(81.2)	(81.2)	(68.1)	(68.1)	(107.0)	(107.0)	(94.2)
Reserves	a, j	71.9	114.2	186.1	98.6	142.6	81.5	186.1	73.9
Retained earnings	k	1,915.5	(134.3)	1,781.2	(111.4)	1,782.5	32.6	1,787.8	21.3
Total equity attributable to equity holders of the parent		2,821.8	(101.3)	2,720.5	(80.9)	2,691.6	7.1	2,701.3	1.0
Minority interests	c	14.1	(0.8)	13.3	0.2	18.8			
Total equity		2,835.9	(102.1)	2,733.8	(80.7)	2,710.4	7.1	2,701.3	1.0

37. Explanation of Transition to AIFRS continued

Notes to the Reconciliation of Profit and Equity

- (a) Under AIFRS, employee benefit vehicles including employee share plans that the Company sponsors, while not legally consolidated, are required to be consolidated for accounting purposes, effective 1 July 2004. The assets of the benefit vehicles are primarily Lend Lease shares held in trust for Lend Lease employees or to fund employee programmes via the Lend Lease Foundation. On transition to AIFRS, unallocated shares held by the plans were recognised at their original historic cost of A\$81.2 million as Treasury shares, with corresponding adjustments to the equity compensation reserve (A\$4.8 million), other compensation reserve (A\$76.7 million) and a reduction in retained earnings (A\$3.0 million).

The consolidation of the vehicles also impacts cash, receivables and payables, reflecting the external balances held within the vehicles.

- (b) Revenue and profit from the sale of inventory requires additional conditions to be satisfied under AIFRS 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. Revenue and profit recognition on presale residential projects under previous GAAP were accounted for using the percentage completion method. This change results in inventory that was sold under previous GAAP being returned to inventory with a corresponding adjustment to receivables, payables and retained earnings (at 1 July 2004) or profit (at 30 June 2005). Investments accounted for using the equity method that hold inventory have also been adjusted to reflect the change in policy. The reclassification between inventory, receivables and payables during June 2005 is materially higher than July 2004 due to the deferral of the sale of Darling Park III until December 2005. During June 2005, receivables were reclassified from current to non current.

- (c) In accordance with AIFRS, deferred consideration is discounted to present value using discount rates appropriate to the risks associated with the underlying cash flows. The Group has recorded a receivable due from the Jacksons Landing project and from the US Government privatisation projects at present value. The discount is recorded initially against retained earnings in the case of the US Government privatisation project, and investments accounted for using the equity method in the case of Pymont Trust (Jacksons Landing).

- (d) Partnerships over which the investor has significant influence are classified as associates under AIFRS. The Group has identified several partnerships which were classified in 'Other Investments' under previous GAAP. The partnerships affected are the King of Prussia, Lend Lease Overgate Partnership, Yarmouth Capital Partners Limited Partnership and the Lend Lease International Distressed Debt Fund. This has resulted in the reclassification of A\$371.9 million from 'Other Investments' to 'Investments Accounted for Using the Equity Method'. Further, as the underlying assets of the King of Prussia and the Lend Lease Overgate Partnership are investment properties, (which are recorded at fair value under AIFRS), an additional incremental adjustment of A\$131.1 million was recorded against 'Investments Accounted for Using the Equity Method' on transition.

Adjustments at June 2005 include an impairment loss of A\$13.0 million before tax relating to Pymont Trust (Jacksons Landing) following the introduction of AIFRS which requires the impairment of joint ventures to be assessed using a market discount rate that reflects the risks specific to the investment.

- (e) Senior Living Properties:

Under AIFRS, villages where Lend Lease has continuing managerial involvement no longer satisfy the revised revenue recognition criteria for sale of inventory. Continuing managerial involvement in the retirement village sector occurs for villages held under leasehold arrangements that have one or more of the following profiles:

- Buy back clauses in the lease agreements;
- Large capital gain sharing arrangements; and/or
- Where the level of care provided is more extensive than independent living, such as serviced apartments.

Retirement villages that satisfied these criteria were recorded at their fair value of A\$71.4 million as 'Investment Properties' with a corresponding amount recognised as 'Other Non Financial Liabilities'.

The calculation of the Group's entitlement to deferred management fees is calculated on a present value basis. The calculation of the fees is based on the anticipated final deferred management fees, utilising the current property value, amortised over the expected tenure of the resident. This represents a reduction in the deferred management fee accrual of A\$36.7 million on transition to AIFRS.

Notes to the Consolidated Financial Statements continued

37. Explanation of Transition to AIFRS continued

Notes to the Reconciliation of Profit and Equity continued

- (f) **Deferred Taxes:**
On transition to AIFRS, deferred tax assets (DTAs) increased primarily due to the establishment of the Bovis UK Pension Scheme defined benefit plan liability of A\$59.8 million and the Senior Living Properties non financial liability of A\$21.4 million. During the year ended June 2005, additional tax losses relating to the USA operations of A\$28.8 million were recognised on application of the revised recognition criteria under AIFRS.

Deferred tax liabilities (DTLs) increased primarily due to the fair value increment relating to the King of Prussia partnership of A\$51.8 million, the establishment of investment property for Senior Living Properties of A\$21.4 million and the creation of the Lend Lease Superannuation Fund defined benefit plan asset of A\$7.6 million.
- (g) As a result of the transition to AIFRS, the carrying value of GPT Management Agreements was reclassified from 'Management Agreements' to 'Goodwill'. GPT management agreements were subsequently written-off under AIFRS and previous GAAP during the June 2005 year. Goodwill amortisation ceased to be effective from 1 July 2004. Consistent with AIFRS, APPF management agreements were amortised at an accelerated rate (reduced to ten years).
- (h) Lend Lease has two defined benefit superannuation/pension schemes requiring initial recognition under AIFRS: the Bovis UK Pension Scheme (A\$199.2 million deficit) and the Lend Lease Superannuation Fund (A\$25.5 million surplus). The corridor method has been applied prospectively.
- (i) During June 2005, the accrual relating to the Lend Lease Foundation was reclassified to 'Provisions' from 'Payables'.
- (j) **Foreign currency translation reserve (FCTR):**
At 1 July 2004 the FCTR balance was transferred to retained earnings as the Group applied the voluntary exemption permitting the reset of cumulative translation differences to zero. During the year to June 2005 all external investments were held at cost. Foreign exchange losses, previously booked against the FCTR, were booked to the income statement to June 2005. On application of *Financial Instruments Standards AASB 132 and AASB 139* from 1 July 2005, movements in the fair value of the asset (both underlying and currency movements) are booked to the fair value revaluation reserve.
- Minority interest acquisition reserve:**
Under AIFRS, additional acquisitions subsequent to achieving control are considered to be transactions between equity holders. Therefore, any premium associated with such acquisitions is recognised in equity. On application of the revised accounting policy, goodwill of A\$22.4 million associated with the July 2004 acquisition of Actus Lend Lease was reclassified to the minority interest acquisition reserve.
- (k) The effect of the above adjustments on retained earnings at 1 July 2004 is:

	Note	Consolidated A\$m	Company A\$m
Retained earnings under previous GAAP		1,915.5	1,755.2
Consolidation of employee benefit vehicles	a,j	7.7	14.6
Derecognition of revenue from pre completion projects	b	(22.2)	
Discounting of deferred revenue (including minority interest adjustment)	c	(2.4)	
Increase in investments accounted for using the equity method share of profits	d	131.1	
Derecognition of Senior Living Properties deferred management fees	e	(36.7)	
Movements in current and deferred taxes	a,f	(2.4)	0.2
Accelerated amortisation of management agreements	g	(2.9)	
Defined benefit plans net (deficit)/surplus	h	(173.7)	17.8
Resetting of FCTR	j	(32.7)	
Other adjustments		(0.1)	
Retained earnings under AIFRS		1,781.2	1,787.8

Explanation of Material Adjustments to the Statement of Cash Flows for the 2005 Financial Year

As previously noted under AIFRS, employee benefit vehicles including employee share plans that the Company sponsors, while not consolidated, are required to be consolidated for accounting purposes. Hence, the Group's statement of cash flows includes the employee benefit vehicles cash balances at each reporting date. The Company has no legal entitlement to the cash. There were no other material differences between the statement of cash flows presented under AIFRS and the statement of cash flows prepared under previous GAAP.

Change in Accounting Policy

Application of Financial Instruments Standards Prospectively from 1 July 2005

In the current financial year, the consolidated entity adopted AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards', which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (fair value revaluation reserve, hedging reserve and retained earnings) at 1 July 2005.

The impact on the balance sheet at 1 July 2005 is as follows:

- Available for sale investments increased by A\$136.1 million. The fair value movement was recorded net of tax against the fair value revaluation reserve in equity. Under previous GAAP, the consolidated entity recorded 'Other Investments' at cost.
- Under previous GAAP, the consolidated entity did not recognise its share of joint venture or associates derivatives at fair value on the balance sheet. In accordance with AIFRS, these derivatives are now recognised at fair value. The effect on the consolidated entity was to decrease investments accounted for using the equity method against the hedging reserve by A\$3.4 million.
- Under previous GAAP, the mark to market on forward foreign exchange contracts incorporated two components: a foreign exchange gain or loss and a straight line amortisation of the total forward points in accordance with the original counterparty contract. Under AIFRS, fair value is determined by the forward points applicable, which is from balance date to the maturity date of the contract. The effect of the revised valuation methodology was a decrease in retained earnings by A\$0.6 million.

38. Events Subsequent to Balance Date

Sale of Three Master Planned Community Developments

On 12 July 2006, Lend Lease sold the development rights to three Australian master planned community developments, being Ropes Crossing in New South Wales, Lakeside in Victoria and Woodlands in South East Queensland, for total proceeds of A\$186.1 million. The buyer was Lend Lease Communities Fund 1, Australia's first wholesale communities fund (see below). Delfin Lend Lease will continue to operate as development manager in relation to the projects on behalf of the fund.

Investment in Lend Lease Communities Fund 1

On 12 July 2006, the Lend Lease Communities Fund 1 was launched, with Lend Lease investing A\$25.0 million into the fund, representing a 20.8% co-investment interest.

The financial effects of the above transactions have not been brought to account in the financial statements for the financial year ended 30 June 2006.

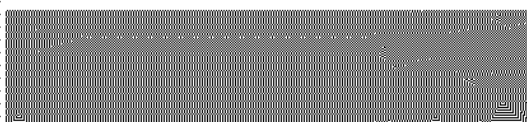
Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited ('the Company'):

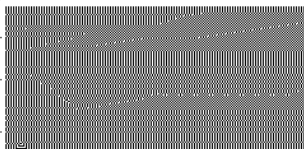
1. The financial statements and notes set out on pages 46 to 123 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - a. Giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and cash flows for the financial year ended on that date;
 - b. Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.
2. The remuneration disclosures that are contained in the Remuneration Report in Section 3 of the Directors' Report comply with *Australian Accounting Standard AASB 124 'Related Party Disclosures'*.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2006.

Sydney, 16 August 2006.

Signed in accordance with a resolution of the Directors:



D A Crawford
Chairman



G A Clarke
Managing Director

Independent Audit Report to the Members of Lend Lease Corporation Limited

Scope

The financial report, remuneration report and Directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statement of cash flows, accompanying notes 1 to 38 to the financial statements and the Directors' declaration for both Lend Lease Corporation Limited ("the Company") and Lend Lease Corporation Limited and its Controlled Entities ("the Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), including those required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration report" in Section 3 of the Directors' Report and not in the financial report.

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. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards. The directors are also responsible for the remuneration report contained in the Directors' 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 and that the remuneration disclosures comply with AASB 124. 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 and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

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.

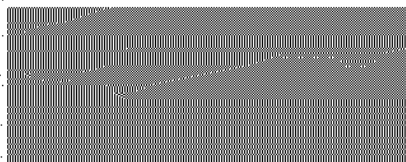
Independent Audit Report to the Members of Lend Lease Corporation Limited continued

Audit opinion

In our opinion:

- (1) 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 2006 and of their performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) Other mandatory financial reporting requirements in Australia; and
- (2) The remuneration report in Section 3 of the directors' report complies with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG



G R Wilson
Partner

Sydney

16 August 2006

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