

Consolidated Financial Statements

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Consolidated Financial Statements

Income Statement

Half Year Ended 31 December 2005

	Note	6 months December 2005 A\$m	Consolidated 6 months December 2004 A\$m	12 months June 2005 A\$m
Revenue				
Revenue from the sale of development properties	3a	1,156.2	148.7	355.3
Revenue from the provision of services	3b	4,775.6	3,940.2	8,616.0
Finance revenue	3c	16.3	27.4	53.3
Other revenues	3d	127.4	190.7	425.6
Total revenue		6,075.5	4,307.0	9,450.2
Expenses				
Project management, construction and PFI activities		(4,479.3)	(3,675.0)	(8,090.8)
Retail and communities activities		(1,322.9)	(317.5)	(725.2)
Investment management activities		(7.4)	(72.2)	(197.0)
Corporate and administrative activities expenses		(30.0)	(54.9)	(168.6)
Finance costs	4	(34.5)	(23.2)	(56.6)
Total expenses		(5,874.1)	(4,142.8)	(9,238.2)
Share of net profit of associates accounted for using the equity method	10a	38.9	29.2	106.5
Share of net profit of joint venture entities accounted for using the equity method	10b	7.1	22.6	31.7
Profit before tax		247.4	216.0	350.2
Income tax expense	5a	(69.2)	(71.3)	(114.3)
Profit after tax		178.2	144.7	235.9
Profit after tax attributable to minority interests		(1.6)	(4.0)	(10.4)
Net profit after tax attributable to members of Lend Lease Corporation Limited		176.6	140.7	225.5
Earnings per share				
Basic (cents)	6	48.0	38.5	61.6
Diluted (cents)	6	48.0	38.5	61.6

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Balance Sheet

As at 31 December 2005

	Note	Consolidated December 2005 A\$m	June 2005 A\$m
Current Assets			
Cash and cash equivalents	7	510.3	569.6
Receivables	8	1,596.8	1,169.0
Inventories	9	912.9	687.1
Other investments	12	18.8	16.9
Other assets	17	158.4	169.6
Total current assets		3,197.2	2,612.2
Non Current Assets			
Receivables	8	170.7	149.3
Inventories	9	1,187.2	1,463.6
Equity accounted investments	10	815.8	673.3
Investment property	11	83.1	83.1
Other investments	12	816.8	713.5
Deferred tax assets	5c	364.3	369.4
Property, plant and equipment	13	119.7	102.4
Goodwill	14	763.8	582.7
Management agreements	15	22.7	24.1
Defined benefit plan asset	16	20.6	20.0
Other assets	17	32.8	131.0
Total non current assets		4,397.5	4,312.4
Total assets		7,594.7	6,924.6
Current Liabilities			
Creditors	18	2,706.3	2,497.1
Borrowings	19	10.6	500.0
Current tax liabilities	5b	69.2	69.4
Provisions	20	362.8	284.3
Other financial liabilities	21	15.4	11.3
Other non financial liabilities	22	8.6	21.5
Total current liabilities		3,172.9	3,383.6
Non Current Liabilities			
Creditors	18	93.8	37.8
Borrowings	19	716.1	
Provisions	20	28.5	25.8
Deferred tax liabilities	5c	303.4	263.0
Other financial liabilities	21	203.4	220.4
Other non financial liabilities	22	86.4	89.4
Defined benefit plan liability	23	189.2	194.2
Total non current liabilities		1,620.8	830.6
Total liabilities		4,793.7	4,214.2
Net assets		2,801.0	2,710.4
Equity			
Issued capital	24	834.6	834.6
Treasury shares	24	(67.2)	(68.1)
Reserves	25	133.2	142.6
Retained profits	26	1,882.0	1,782.5
Total equity attributable to equity holders of the parent		2,782.6	2,691.6
Minority interests	27	18.4	18.8
Total equity		2,801.0	2,710.4

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Changes in Equity

Half Year Ended 31 December 2005

	Note	December 2005 A\$m	December 2004 A\$m	June 2005 A\$m
Total Equity Reconciliation				
Equity at the beginning of the financial period		2,710.4	2,733.8	2,733.8
Movements comprise:				
Movements in contributed equity	24			0.2
Movements in treasury shares	24	0.9	(0.7)	13.1
Dividends foregone pursuant to share election plan	26	7.1		
Dividends paid	26	(115.6)	(103.7)	(215.3)
Less: Dividends on treasury shares	26	9.4	9.0	18.4
Share buybacks	26		(17.0)	(17.0)
Net profit attributable to members of Lend Lease Corporation Limited	26	176.6	140.7	225.5
Adoption of Accounting Standards AASB 132 and AASB 139	26	(0.6)		
Gain/(loss) on utilisation of treasury shares recognised directly in retained profits ¹	26	22.6	(18.5)	(10.3)
Other changes in equity				
Movement in fair value revaluation reserve	25	102.6		
Movement in equity compensation reserve	25	0.7	0.6	1.2
Movement in other compensation reserve	25	(12.7)	12.5	(8.8)
Movement in hedging reserve	25	(3.3)		
Movement in minority interest acquisition reserve	25	(91.5)	(22.4)	(22.4)
Movement in foreign currency translation reserve	25	(5.2)	(15.5)	(13.5)
Total revenues, expenses and valuation adjustments attributable to members of Lend Lease Corporation Limited				
		91.0	(15.0)	(28.9)
Total changes in minority interests in controlled entities	27	(0.4)	(0.1)	5.5
Total movement in equity for the financial period				
		90.6	(15.1)	(23.4)
Equity at the end of the financial period				
		2,801.0	2,718.7	2,710.4

1 Difference between the cost of the treasury shares to the Group and the fair value expensed to the income statement on settlement.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Half Year Ended 31 December 2005

	Note	6 months December 2005 A\$m	Consolidated 6 months December 2004 A\$m	12 months June 2005 A\$m
Cash Flows from Operating Activities				
Cash receipts in the course of operations ¹		4,335.0	4,312.5	9,119.3
Cash payments in the course of operations ¹		(4,213.0)	(4,335.8)	(8,838.9)
Property development receipts		946.6	204.3	540.3
Property development expenditure		(527.7)	(297.6)	(746.9)
Interest received		15.2	28.6	50.2
Interest paid		(42.1)	(30.5)	(75.7)
Dividends		20.1	19.0	52.5
Distributions from partnerships received		1.5	1.3	5.5
Income tax paid in respect of operations		(74.6)	(77.8)	(161.0)
Net cash provided by/(used in) operating activities		461.0	(176.0)	(54.7)
Cash Flows from Investing Activities				
Proceeds from sale/redemption of current investments		97.3	10.4	25.5
Purchases of current investments		(2.8)	(8.1)	(36.9)
Proceeds from sale/redemption of non current investments		20.7	205.6	355.8
Purchases of non current investments		(165.4)	(27.2)	(462.8)
Proceeds from sale of other assets				16.0
Payments for other assets				(22.7)
Loans from/(loans to) associates/related parties		6.2	(16.0)	(48.1)
Payment for acquisition of controlled entities		(595.3)		
Payment for acquisition of minority interest		(92.5)	(23.6)	(23.6)
Proceeds from sale/capital redemption of controlled entities			38.0	36.5
Proceeds from sale of property, plant and equipment		0.5	2.1	12.8
Purchases of property, plant and equipment		(15.0)	(18.2)	(31.0)
Net cash (used in)/provided by investing activities		(746.3)	163.0	(178.5)
Cash Flows from Financing Activities				
Proceeds from borrowings		2,076.8	105.0	105.0
Repayment of borrowings		(1,763.1)	(105.5)	(435.3)
Payments for share buybacks			(21.1)	(21.1)
Dividends paid		(106.2)	(94.7)	(196.9)
Increase/(decrease) in capital of minority interest		0.2	(1.4)	(0.2)
Net cash provided by/(used in) financing activities		207.7	(117.7)	(548.5)
Other Cash Flow Items				
Effect of exchange rate changes on cash and cash equivalents		7.7	(30.2)	(28.9)
Cash balances in controlled entities sold			(7.9)	(7.9)
Net decrease from other items		7.7	(38.1)	(36.8)
Net decrease in cash and cash equivalents		(69.9)	(168.8)	(818.5)
Cash and cash equivalents at the beginning of the financial period		569.6	1,388.1	1,388.1
Cash and cash equivalents at the end of the financial period²	7,19	499.7	1,219.3	569.6

1 Includes net inflow relating to Lend Lease's foreign exchange hedging activities including the hedging of receivables, payables, revenues, expenses and intercompany transactions and loans.

2 Represented as follows:

	December 2005 A\$m
Cash and cash equivalents (note 7)	510.3
Bank overdraft (Crosby, note 19)	(10.6)
	499.7

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 interim financial report of the Company for the period ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The interim financial report was authorised for issue by the directors on 16 February 2006.

a. Statement of Compliance

The consolidated interim financial report has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) adopted by the Australian Accounting Standards Board (AASB).

This is the Lend Lease Group's (The Group's) first consolidated interim 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 interim 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 32. Refer to Note 1(b) for a list of the voluntary exemptions the Group has adopted.

b. Basis of Preparation

The interim financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group ("UIG") Interpretations adopted by the AASB and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The consolidated interim financial report does not include all of the information required for a full financial report. The interim financial report 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 an interim financial report that complies with AASB 134 "Interim Financial Reporting" 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 Complied Accounting Standard AASB 119 "Employee Benefits" (July 2005).

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 30 June 2006 are still subject to change and therefore cannot be determined with certainty. Accordingly, the accounting policies for the year ending 30 June 2006 that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The accounting policies set out below have been applied consistently to all periods 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.

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 3 "Business Combinations" – prospective application elected;
- AASB 121 "The Effects of Changes in Foreign Exchange Rates" – cumulative translation differences reset to zero;
- AASB 2 "Share-Based Payment" – no expense to profit or loss before 1 January 2005;
- AASB 4 "Insurance Contracts" – prospective application elected; and
- AASB 119 "Employee Benefits" – corridor approach elected prospectively for defined benefit plans.

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".

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

b. Basis of Preparation continued

Basis of Consolidation

The Group consolidation comprises all entities controlled 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.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Company sponsors a number of employee benefit vehicles, including employee share plans. Under AIFRS, these vehicles, while not legally controlled, are required to be consolidated for accounting purposes. The Company has consolidated the employee benefit vehicles effective 1 July 2004.

c. Revenue

Revenue from the Sale of Development Properties:

Revenue 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 measured reliably and it is probable that Lend Lease will receive the consideration due; and
- 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, property development, management fee entitlement for services rendered; and
- 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.

Proceeds on Sale of Investments

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

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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

d. Profits

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;
- for the sale of development properties 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 measured reliably and it is probable that Lend Lease will receive the consideration due; and
 - Lend Lease can measure reliably the costs incurred or to be incurred.

e. Income Taxes

Income tax on the profit or loss for the financial period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial periods.

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: goodwill not deductible for tax purposes, 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.

f. Impairment

The carrying amounts of the Group's assets, investment property (see accounting policy 1(h)), inventories (see accounting policy 1(n)) and deferred tax assets (see accounting policy 1(e)), 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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

f. Impairment continued

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. Receivables with a short duration are not discounted.

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 if 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 sub-categories: 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 1(l)).

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 de-recognised 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 period 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 and 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 Period 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 32.

h. Investment Property

Investment property is 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 property is accounted for as described in accounting policy 1(c).

When an item of owner occupied property, plant and equipment (see accounting policy 1(o)) 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 profit or loss.

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. 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 to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. 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' net profit or loss after tax is recognised in the income statement for the period. Other movements in joint venture entities' reserves are recognised directly in consolidated reserves.

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; and
- revenue earned in relation to the joint venture.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

l. Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables with a short duration are not discounted.

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.

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

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 (see below) and impairment losses (see accounting policy 1(f)). 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.

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 (see below) and impairment losses (see accounting policy 1(f)).

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 period 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 ten years, furniture and fittings over 15 years, motor vehicles over eight years and computer equipment over three years.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

p. IT Software Systems

Direct costs incurred in the development of major IT systems are capitalised on the Balance Sheet. A major IT software system is one that has a total cost in excess of A\$10.0 million and that will provide demonstrable ongoing benefits to the Group. IT systems are amortised on a straight-line basis over a period not exceeding five years. The carrying amount is reviewed to determine whether it is in excess of the recoverable amount.

q. Management Agreements

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see accounting policy note 1(f)). 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. 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.

s. 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 Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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 AIFRSs, 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.

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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

s. Employee Benefits continued

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 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) 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.

t. Creditors

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade accounts payable are normally settled within 60 days. Trade and other payables are stated at cost or amortised cost.

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.

u. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; 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.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

v. 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 interim 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 and 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); and
- 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 shareholders' equity. 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.

w. Derivative Financial Instruments and Hedging Activities

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 creditworthiness 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.

Comparative Period 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 the accruals basis in the income statement as an adjustment to interest expense during the financial period, or capitalised within inventories when incurred in relation to property acquired for development and sale.

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 and losses are taken to the income statement for hedge contracts that relate to the current financial period, or held on the balance sheet as an asset or liability for hedge contracts that relate to future financial periods, provided that sufficient excess of revenue over expenses is anticipated to be made by the foreign operations. The effect is to record revenue after expenses from foreign operations at the hedged exchange rate.

The quantitative effect of the change in accounting policy is set out in Note 32.

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

w. Derivative Financial Instruments and Hedging Activities continued

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 periods 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 and 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 and losses accumulated in equity are included in the income statement when the foreign operation is disposed.

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.

x. 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.

y. Borrowing Costs

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

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

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

z. Earnings Per Share

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

Notes to the Consolidated Financial Statements continued

1. Significant Accounting Policies continued

aa. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a current liability on the balance sheet.

ab. 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 period in which they are declared.

ac. Goods and Services Tax

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.

ad. Service Concession Arrangements (Private Financing Initiatives)

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 the Note 1(y). Pre contract and project bidding costs are capitalised in accordance with Note 1(m).

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 ³		Segment Result Before Tax ⁴		Share of Net Profit of Equity Accounted Investments		Other Unallocated Revenues & Expenses ⁵		Group Operating Profit/(Loss) Before Tax ⁶		Group Operating Profit/(Loss) After Tax ⁶	
	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	6 months December 2004 A\$m	6 months December 2005 A\$m	
Retail and Communities	1,438.9	357.8	13.8	7.4	1,452.7	365.2	115.9	44.1	8.6	23.1	13.6	6.6	138.1	73.8	99.6	51.7
Investment Management	65.3	92.0	14.7	60.5	80.6	152.5	62.0	26.7	33.7	25.2	13.2	53.6	108.9	105.5	79.7	67.0
Project Management, Construction and PFIs	4,524.3	3,749.9	2.3	2.9	4,526.6	3,752.8	44.9	73.7	3.7	3.5	2.3	1.3	50.9	78.5	37.7	59.5
Total Segment	6,028.5	4,199.7	30.8	70.8	6,059.9	4,270.5	222.8	144.5	46.0	51.8	29.1	61.5	297.9	257.8	217.0	178.2
Unallocated			15.6	36.5	15.6	36.5					(50.5)	(41.8)	(50.5)	(41.8)	(38.8)	(33.5)
Total Group			46.4	107.3	6,075.5	4,307.0					(21.4)	19.7	247.4	216.0	178.2	144.7

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 Presentation and classification is consistent with MD&A.

4 Group operating profit/(loss) before tax excluding cost savings implementation and Lend Lease/GPT merger scheme costs in December 2004 are A\$77.2 million for Retail and Communities, A\$86.6 million for Investment Management, A\$103.1 million for Project Management, Construction and PFIs, and a loss of A\$6.1 million for Unallocated.

5 Represents Group net profit/(loss) before minority interest.

6 Group operating profit/(loss) after tax excluding cost savings implementation and Lend Lease/GPT merger scheme costs in December 2004 are A\$50.1 million for Retail and Communities, A\$56.2 million for Investment Management, A\$75.7 million for Project Management, Construction and PFIs, and a loss of A\$2.7 million for Unallocated.

Notes to the Consolidated Financial Statements continued

2. Segment Reporting continued

Business Segments

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

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, management and 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 assets.

Project Management, Construction & 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 Private Finance Initiatives (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.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	December 2004 A\$m
3. Revenue		
Total comprising:		
a. Revenue from the Sale of Development Properties¹	1,156.2	148.7
b. Revenue from the Provision of Services		
Project management, construction and PFIs	4,524.0	3,718.6
Retail and communities	231.6	148.5
Investment management	20.0	73.1
Total revenue from the provision of services	4,775.6	3,940.2
c. Finance Revenue		
Interest Received		
Related parties	1.4	0.6
Other corporations ²	13.8	26.8
	15.2	27.4
Financial Asset Discounting		
Non Current Receivable	1.1	
Total finance revenue	16.3	27.4
d. Other Revenue		
Dividends Received		
Related parties	1.3	1.4
Net Gain on Disposal of Investment³		
Foundry	12.5	
VEF Series III, IV & V	12.0	
Other	1.5	
	26.0	-
Proceeds on Sale of Investments³		
Exit of REI businesses (including controlled entities)		39.4
Other		29.9
	-	69.3
Share of Partnerships' Result		
Lend Lease Retail Partnership	1.5	1.3
Other Revenue		
Hotel revenue (Hyatt Coolum and Twin Waters)	39.6	43.5
Rental income	33.6	33.0
Distributions received	12.2	9.3
Other	13.2	32.9
	98.6	118.7
Total other revenue	127.4	190.7
Total revenue	6,075.5	4,307.0

1 Relates primarily to Urban Communities projects and sale of Chapelfield, Norwich (A\$646.8 million).

2 Interest revenue includes interest earned on cash and cash equivalents of A\$510.3 million (December 2004 A\$1,216.3 million).

3 Lend Lease has taken the exemption available under AASB 1 and applied AASB 132 and AASB 139 from 1 July 2005. As a result, for the current period, the net gains on disposal of investments is taken to revenue. Prior year comparative information discloses total proceeds in revenue.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated	
		December 2005 A\$m	December 2004 A\$m
4. Other Operating (Income) and Expenses			
(Profit) before income tax has been determined after:			
Depreciation and amortisation			
Depreciation of property, plant and equipment		10.9	9.9
Less: Capitalised depreciation		(1.3)	(0.8)
Amortisation of leased plant and equipment		0.1	0.2
Amortisation of management agreements		1.4	0.6
Amortisation of other intangibles			0.1
Total depreciation and amortisation		11.1	10.0
Finance costs			
Non interest finance costs		5.5	4.3
Less: capitalised non interest finance costs		(1.3)	
Net non interest finance costs		4.2	4.3
Interest finance costs			
Related parties		1.0	
Other corporations		35.6	26.2
Less: Capitalised interest finance costs		(6.3)	(7.3)
Net interest finance costs		30.3	18.9
Total finance costs		34.5	23.2
Net (gain) on sale of financial assets			
Available for sale investments		(26.0)	
Investments held at cost			(13.2)
Total net (gain) on sale of investments		(26.0)	(13.2)
(Profit) on sale of REI businesses		-	(17.1)
Net loss on sale of property, plant and equipment		0.5	0.1
Net fair value (gain) on re-measurement of investment properties		-	(7.3)
Net provisions raised/(written back)			
Diminution in value of property inventories		(0.4)	(0.2)
Diminution in value of equity accounted investments ¹		5.9	(0.1)
Employee benefits		9.9	12.4
Construction risks		62.9	8.5
Restructure provisions		(4.8)	
Group employee termination provisions		0.1	1.6
Other provisions		5.4	11.2
Total net provisions raised/(written back)		79.0	33.4
Bad and doubtful debts expense net of provisions written back		(0.8)	(1.0)
Net foreign exchange gain ²		(9.5)	(8.5)
Operating lease rental expense		28.3	28.7
Finance lease expense		-	0.1
Employee expenses		158.4	192.0
Net defined benefit plan expense (DBP)			
Current service cost		20.6	19.8
Interest on obligation		18.4	18.6
Expected return on plan assets		(20.2)	(18.5)
Past service cost		0.2	
Loss on curtailments or settlement		0.2	1.7
Total net defined benefit plan expense (DBP)	16, 23	19.2	21.6

1 An impairment loss of A\$6.0 million relating to 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 before tax in the period ended December 2005.

2 Includes A\$6.1 million gains (December 2004 A\$7.4 million gains) in relation to foreign exchange contract hedges on foreign denominated revenues in excess of expenses.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	December 2004 A\$m
4. Other Operating (Income) and Expenses continued		
Individually significant items included in (profit) before income tax expense:		
Lend Lease/GPT merger scheme costs		28.0
Cost savings implementation expenses		
Employee terminations		28.5
Other		9.2
	-	65.7
5. Taxation		
a. Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense		
Current year	74.3	93.3
Adjustments for prior years	(1.4)	(5.0)
	72.9	88.3
Deferred Tax Expense		
Origination and reversal of temporary differences	(3.7)	(17.0)
Total income tax expense in income statement	69.2	71.3
Reconciliation of Tax Expense		
Profit before tax	247.4	216.0
Income tax using the domestic corporation tax rate (30%)	74.3	64.8
Rebateable dividends	(0.7)	(0.5)
Non assessable income	(2.1)	(1.6)
Non deductible losses		0.4
Equity accounted profits	(1.5)	(2.8)
Amortisation expense	(0.9)	0.2
Non allowable expenses	3.3	10.1
Non deductible provisions	0.9	5.2
Recovery of tax losses	(13.3)	(8.9)
Variation in tax rates	7.4	2.7
Other	3.2	6.7
Over provided in prior years	(1.4)	(5.0)
	69.2	71.3
Deferred Tax Recognised Directly in Equity		
Relating to available for sale investments	14.5	-

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
b. Current Tax Liabilities	69.2	69.4

The current tax liability of A\$69.2 million represents the amount of income taxes payable in respect of current and prior periods that exceeds payments.

Notes to the Consolidated Financial Statements continued

	Consolidated			
	December 2005 Assets A\$m	December 2005 Liabilities A\$m	June 2005 Assets A\$m	June 2005 Liabilities A\$m
5. Taxation continued				
c. Deferred Tax Assets and Liabilities				
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Receivables	9.0	(6.3)	15.2	4.8
Inventories	15.6	(57.3)	12.2	(49.3)
Other investments	1.8	(36.2)	3.5	(13.5)
Other assets		(19.0)		(28.7)
Equity accounted investments	6.0	(147.3)	4.3	(133.6)
Investment property		(24.9)		(24.9)
Property, plant and equipment	16.8	(0.1)	11.7	(0.4)
Defined benefit plan asset		(6.2)		(6.0)
Creditors	46.0	(6.1)	62.5	(17.2)
Provisions	78.7		62.7	
Other liabilities	26.5		24.9	5.8
Defined benefit plan liability	56.8		58.3	
Unused tax losses recognised (revenue)	33.4		34.9	
Items with a tax base but no carrying value	73.7		79.2	
Total deferred assets/(liabilities)	364.3	(303.4)	369.4	(263.0)

	June 2005 A\$m	Recognised in Income A\$m	Consolidated		December 2005 A\$m
			Recognised in Equity A\$m	FX/Other ¹ A\$m	
Movement in temporary differences during the period:					
Receivables	20.0	(17.5)		0.2	2.7
Inventories	(37.1)	18.8		(23.4)	(41.7)
Other investments	(10.0)	(9.3)	(14.5)	(0.6)	(34.4)
Other assets	(28.7)	9.7			(19.0)
Equity accounted investments	(129.3)	(6.2)		(5.8)	(141.3)
Investment property	(24.9)				(24.9)
Property, plant and equipment	11.3	5.1		0.3	16.7
Defined benefit plan asset	(6.0)	(0.2)			(6.2)
Creditors	45.3	(5.9)		0.5	39.9
Provisions	62.7	16.1		(0.1)	78.7
Other liabilities	30.7	(4.2)			26.5
Defined benefit plan liability	58.3			(1.5)	56.8
Unused tax losses recognised (revenue)	34.9	7.0		(8.5)	33.4
Items with a tax base but no carrying value	79.2	(9.7)		4.2	73.7
Total deferred assets/(liabilities)	106.4	3.7	(14.5)	(34.7)	60.9

1 Includes the deferred tax balances on acquisition of the Crosby Group, inclusive of the tax effect on fair value adjustments.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
5. Taxation continued		
c. Deferred Tax Assets and Liabilities continued		
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences		
Other deductible temporary differences	20.0	19.6
Tax losses		
Capital losses arising from Australian Tax Consolidations	15.8	15.4
Relating to REI operations	203.5	190.7
Other	76.1	81.4
Total unrecognised deferred tax assets	315.4	307.1

Notes to the Consolidated Financial Statements continued

	Cents per share		Company	
			December 2005 A\$m	December 2004 A\$m
6. Dividends and Earnings Per Share				
Dividends ¹				
Interim Dividend				
December 2005 – declared subsequent to reporting date (payable 14 March 2006)	30	Franked	119.8	
December 2004 – paid 8 March 2005	28	Unfranked		111.6
			119.8	111.6

1 Dividends includes dividends paid on treasury shares. Refer to Note 26 Retained Profits for further details regarding impact of treasury shares on dividend payments and retained profits.

	Consolidated			
	December 2005		December 2004	
	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 on issue	399.2	44.2	398.8	35.3
Shares excluding treasury shares	368.3	48.0	365.5	38.5

	Consolidated	
	December 2005 A\$m	December 2004 A\$m
Reconciliation of Alternative Earnings		
Net profit after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS	176.6	140.7
<i>Exclude after tax impact of:</i>		
Gain on exit of REI businesses		(12.2)
Cost savings implementation expenses		25.3
Lend Lease/GPT merger costs		25.5
Earnings used in calculating alternative basic and diluted EPS	176.6	179.3

	Cents	Cents
Alternative Earnings Per Share (Basic/Diluted)		
Shares on issue	44.2	45.0
Shares excluding treasury shares	48.0	49.1

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
7. Cash and Cash Equivalents		
Cash	184.8	129.9
Short term investments	325.5	439.7
	510.3	569.6
<p>Short term investments earn variable rates of interest which averaged 4.1% per annum during the half year period to 31 December 2005 (31 December 2004 4.6%).</p> <p>Cash is managed through a Board approved credit policy. Throughout the period, cash was mostly invested in financial instruments (such as commercial paper and bank bills) issued by financial intermediaries and corporates with an acceptable investment grade credit rating.</p> <p>Financial instruments with a maturity of less than three months are classified above in Cash and Cash Equivalents. Those with maturity greater than three months (A\$13.5 million) (June 2005 A\$16.9 million) are classified as Held to Maturity Financial Assets (refer to Note 12). These financial instruments have an average maturity of eight months.</p>		
8. Receivables		
Current		
Trade debtors	1,381.1	1,090.2
Less: Provision for impairment loss	(10.6)	(29.2)
	1,370.5	1,061.0
Related party receivables		
Managed property trusts	21.8	12.6
Associate entities	37.9	24.3
Other receivables	170.3	76.2
Less: Provision for impairment loss	(3.7)	(5.1)
	1,596.8	1,169.0
Non Current		
Loans to employees	1.1	1.9
Related party receivables		
Associate entities	144.5	134.3
Less: Provision for impairment loss	(16.2)	(16.7)
Other receivables	41.3	29.8
	170.7	149.3
Total receivables	1,767.5	1,318.3

Notes to the Consolidated Financial Statements continued

	Note	Consolidated December 2005 A\$m	June 2005 A\$m
9. Inventories			
Current			
Construction work in progress		214.2	462.4
Property held for sale at cost		700.2	226.3
Less: Provision for diminution in value		(1.5)	(1.6)
Total current		912.9	687.1
Non Current			
Property held for sale at cost		1,187.2	1,463.9
Less: Provision for diminution in value			(0.3)
Total non current		1,187.2	1,463.6
Total inventories		2,100.1	2,150.7
Property Held for Sale			
Total property held for sale is comprised of:			
Bluewater, Kent		536.5	550.0
Chapelfield, Norwich			474.8
Urban Communities (Crosby), UK		607.3	
Urban Communities, Australia		432.1	407.7
Victoria Harbour, Melbourne		90.0	54.8
Twin Waters Resort, Sunshine Coast		49.5	59.9
Hyatt Coolum Resort, Sunshine Coast		49.1	46.7
Senior Living Development Projects, Australia		27.5	27.3
St Patricks, Sydney		26.1	18.1
North Weald, London		17.8	17.5
Bluewater Valley, Kent		12.2	12.5
Caneland, Sunshine Coast		9.7	9.5
Other		29.6	11.4
		1,887.4	1,690.2
Less: Provision for diminution in value		(1.5)	(1.9)
Total property held for sale		1,885.9	1,688.3
Current			
Construction work in progress is comprised of:			
Contract costs incurred to date		40,167.7	37,453.1
Profit recognised to date		2,065.8	2,034.3
		42,233.5	39,487.4
Less: Progress billings received and receivable on completed contracts		(42,758.0)	(39,837.0)
Net construction work in progress		(524.5)	(349.6)
Amounts due from customers – inventories ¹		214.2	462.4
Amounts due to customers – trade creditors ²	18	(738.7)	(812.0)
		(524.5)	(349.6)
Advances on construction projects in progress included in trade creditors		678.1	626.8
Retentions on construction projects included in progress billings		320.5	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.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated December 2005 A\$m	June 2005 A\$m
10. Equity Accounted Investments			
Non Current			
Associates			
Investment in associates		644.6	523.3
Less: Provision for impairment loss		(6.0)	(5.9)
	10a	638.6	517.4
Joint Venture Entities			
Investment in joint venture entities		198.3	171.1
Less: Provision for impairment loss		(21.1)	(15.2)
	10b	177.2	155.9
Total equity accounted investments		815.8	673.3

	Country of Incorporation	Balance Date	Interest		Consolidated Share of Profit/(Loss) After Tax ¹		Consolidated Net Book Value	
			December 2005 %	June 2005 %	December 2005 A\$m	December 2004 A\$m	December 2005 A\$m	June 2005 A\$m
a. Associates								
Project Management, Construction and PFIs								
Catalyst Healthcare (Worcester)	UK	30 Sep	50.0%	50.0%	2.4	1.1	8.3	7.1
Exchequer Partnership	UK	31 Dec	50.0%	50.0%	0.3	1.3	6.6	6.5
Other ²					1.0	0.4	0.9	2.3
					3.7	2.8	15.8	15.9
Retail and Communities								
Wattle Grove Development	Aust	30 Jun	50.0%	50.0%	2.6	1.3	3.9	1.2
First Base Limited	UK	30 Jun	24.1%	24.1%	(0.5)		1.0	1.5
Other ²							0.5	0.4
					2.1	1.3	5.4	3.1
Investment Management								
King of Prussia	USA	31 Dec	50.0%	50.0%	13.3	7.6	382.3	358.4
Lend Lease Overgate Partnership	UK	31 Dec	30.7%	30.7%	16.3	15.2	128.9	117.3
Performance Retail Limited Partnership	UK	31 Dec	33.3%		2.4		89.8	
Lend Lease International Distressed Debt Fund	Bermuda	31 Dec	28.0%	28.0%	0.8	(1.4)	20.1	25.6
Other ²					0.3	3.7	2.3	3.0
					33.1	25.1	623.4	504.3
Less: Provision for impairment loss							(6.0)	(5.9)
					38.9	29.2	638.6	517.4

1 Reflects the contribution to profit after tax of equity accounted profits and losses only. Does not include any provision raised against the investments in associates.

2 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

	Country of Incorporation	Balance Date	Interest		Consolidated Share of Profit/(Loss) After Tax ¹		Consolidated Net Book Value		
			December 2005 %	June 2005 %	December 2005 A\$m	December 2004 A\$m	December 2005 A\$m	June 2005 A\$m	
10. Equity Accounted Investments continued									
b. Joint Venture Entities									
Project Management, Construction and PFIs									
Majadahonda Hospital	UK	31 Dec	25.0%	25.0%		0.7	7.3	1.9	
Jacobs Lend Lease, Ireland	UK	30 Jun	50.0%	50.0%			1.9	1.9	
Other ³							0.9	1.0	
						-	0.7	10.1	
								4.8	
Retail and Communities									
Caroline Springs Joint Venture	Aust	30 Jun	50.0%	50.0%	0.7	4.8	24.1	25.6	
Piers Project, San Francisco ²	USA	30 Jun	55.0%	55.0%			24.9	24.0	
Mawson Lakes Economic Development Project	Aust	30 Jun	50.0%	50.0%	3.2	3.3	21.6	17.7	
Mirvac Lend Lease Village Consortium (Newington Precincts 1 & 3)	Aust	30 Jun	50.0%	50.0%	2.0	3.1	17.5	15.5	
Forde Development (ACT)	Aust	30 Jun	50.0%	50.0%			14.4	13.8	
Pymont Trust	Aust	30 Jun	50.0%	50.0%	(0.4)	9.6	19.2	19.6	
Forest Gardens Residential Land Development	Aust	30 Jun	50.0%	50.0%	1.0	0.8	7.2	6.2	
Ician Developments Limited	UK	30 Nov	50.0%	50.0%	(0.4)		6.1		
Burwood Terraces	Aust	30 Jun	50.0%	50.0%			3.3	4.1	
Other ³					0.4	0.3	2.6	1.8	
					6.5	21.9	140.9	128.3	
Investment Management									
Warrington Retail Partnership	UK	30 Jun	50.0%	50.0%	0.6		47.3	38.0	
<i>Less: Provision for impairment loss⁴</i>								(21.1)	(15.2)
Total					7.1	22.6	177.2	155.9	

1 Reflects the contribution to profit after tax of equity accounted profits and losses only. Does not include any provision raised against the investment in the joint ventures.

2 Under the Joint Venture Agreement, Lend Lease does not have control.

3 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.

4 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 period ended December 2005 (June 2005 A\$13.0 million).

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
11. Investment Property		
Senior Living Properties¹		
Keperra Retirement Village	69.9	69.9
Fiddlers Green Serviced Apartments	7.0	7.0
Forest Hills Serviced Apartments	3.3	3.3
Abervale Retirement Village	2.9	2.9
Total investment property	83.1	83.1

1 Relates to retirement villages held under leasehold arrangements that do not satisfy the revised revenue recognition criteria under AIFRS. There is a corresponding non financial liability in Note 22. For further details refer to Note 32(e).

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Consolidated December 2005 A\$m	June 2005 A\$m
12. Other Investments			
Current			
Available for Sale			
Other		1.1	
		1.1	-
Held to Maturity			
Money market investments	USA	11.7	-
Fair Valued through Profit or Loss			
Forward foreign exchange contracts	Australia	6.0	-
Investments Held at Cost¹			
Money market investments	USA	-	16.9
Total current		18.8	16.9
Non Current			
Available for Sale			
Australian Prime Property Fund (APPF)	Australia	392.8	
Lend Lease Global Property Fund, SICAF	Luxembourg	175.4	
Lend Lease Retail Partnership	UK	72.2	
Asia Pacific Investment Company II (APIC II)	Singapore	58.0	
Asia Pacific Investment Company (APIC)	Singapore	20.3	
Cohen & Steers (formerly Lend Lease) SICAV	Luxembourg	30.1	
Hickam Community Housing ²	USA	22.6	
Army Hawaii Housing ²	USA	11.0	
Atlantic Marine Corps Communities ²	USA	10.3	
Catalyst Calderdale	UK	6.0	
Tri-Command Military Housing ²	USA	4.5	
Lend Lease REP II	Australia	2.7	
Lend Lease REP I	Australia	1.8	
Other		6.1	
		813.8	-
Held to Maturity			
Other		1.9	
		1.9	-
Fair Valued through Profit or Loss			
Forward foreign exchange contracts	Australia	1.0	
Other		0.1	
		1.1	-

1 Reflects financial assets held at cost prior to the transition to AASB 132 and AASB 139 on 1 July 2005.

2 These investments are held at cost as fair value cannot be reliably determined.

Notes to the Consolidated Financial Statements continued

	Country of Incorporation	Consolidated December 2005 A\$m	June 2005 A\$m
12. Other Investments continued			
Non Current continued			
Investments Held at Cost¹			
Shares in Other Corporations, Interests in Trusts and Partnerships			
Australian Prime Property Fund (APPF)	Australia		350.9
Lend Lease Global Property Fund, SICAF	Luxembourg		142.2
Lend Lease Retail Partnership	UK		46.7
Asia Pacific Investment Company II (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
Other			22.9
		-	752.5
<i>Less: Provision for impairment loss</i>			(39.0)
Total investments held at cost		-	713.5
Total non current		816.8	713.5
Total other investments		835.6	730.4

1 Reflects financial assets held at cost prior to the transition to AASB 132 and AASB 139 on 1 July 2005.

Lend Lease has taken the exemption available under AASB 1 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 Note 1(g) and Note 32.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated December 2005 A\$m	June 2005 A\$m
13. Property, Plant and Equipment			
Land		8.2	8.4
Buildings and leasehold improvements at cost		83.4	63.8
<i>Accumulated depreciation</i>		(22.7)	(19.0)
		60.7	44.8
Plant and equipment at cost		148.5	139.1
<i>Accumulated depreciation</i>		(97.8)	(90.1)
		50.7	49.0
Leased plant and equipment at cost		0.2	0.5
<i>Accumulated amortisation</i>		(0.1)	(0.3)
		0.1	0.2
Total property, plant and equipment		119.7	102.4
14. Goodwill			
Bovis Lend Lease Group		519.8	518.0
Delfin Lend Lease Group		64.7	64.7
Crosby Group	31	179.3	
Total goodwill		763.8	582.7
15. Management Agreements			
Management Agreements		29.4	29.4
<i>Accumulated amortisation and impairment losses</i>		(6.7)	(5.3)
Total management agreements		22.7	24.1
16. Defined Benefit Plan Asset¹			
Fair value of plan assets		140.9	139.8
Present value of funded obligations		(106.9)	(111.3)
Unrecognised actuarial gains		(13.4)	(8.5)
Recognised asset for defined benefit obligations		20.6	20.0
Movement in Defined Benefit Plan Asset Recognised in the Balance Sheet			
Net asset for defined obligation at the beginning of the financial period		20.0	25.5
Contributions received		3.1	4.6
Expense recognised in the income statement (see below)		(2.5)	(10.1)
Net asset for defined benefit obligation at the end of the financial period		20.6	20.0
Expense Recognised in the Income Statement			
Current service cost		3.7	4.1
Interest cost on benefit obligation		2.4	2.2
Expected return on plan assets		(3.8)	(3.6)
Past service cost		0.2	
Net defined benefit plan expense	4	2.5	2.7

¹ Relates to the Lend Lease Superannuation Fund (Australia).

Notes to the Consolidated Financial Statements continued

	Note	Consolidated December 2005 A\$m	June 2005 A\$m
17. Other Assets			
Current			
Prepayments		41.7	25.2
Deferred bid costs on projects at preferred bidder status		12.7	9.6
Net marked to market forward foreign exchange contracts			25.7
Marked to market cross currency swap			89.0
Deferred management fee – Retirement by Design		6.5	6.6
Other ¹		97.5	13.5
		158.4	169.6
Non Current			
Prepayments		8.8	7.8
Net marked to market forward foreign exchange contracts			5.9
Deferred management fee – Retirement by Design		19.1	17.4
Other		4.9	99.9
		32.8	131.0
Total other assets		191.2	300.6
18. Creditors			
Current			
Trade creditors		1,823.2	1,519.8
Revenue in excess of costs (BIE)	9	738.7	812.0
Deposits received in advance		65.5	99.7
Unearned premium reserve ²		6.7	2.8
Insurance claim reserve (IBNR) ²		1.8	1.6
Related party payables		20.8	1.6
Other		49.6	59.6
		2,706.3	2,497.1
Non Current			
Insurance claim reserve (IBNR) ²		22.1	16.7
Deposits received in advance		0.8	
Related party payables		21.5	
Other		49.4	21.1
		93.8	37.8
Total creditors		2,800.1	2,534.9

1 Other current assets totalling A\$97.5 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 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 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 period as legal proceedings are due to be finalised by December 2006.

2 Unearned premium and insurance claim reserves relate to Lend Lease's wholly owned special purpose captive insurance subsidiary.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
19. Borrowings and Financing Arrangements		
a. Borrowings		
Current		
Commercial notes		500.0
Bank overdrafts	10.6	
Total current	10.6	500.0
Non Current		
Bank credit facilities	305.1	
Commercial notes	411.0	
Total non current	716.1	-
Total borrowings	726.7	500.0
b. Finance Facilities		
Lend Lease operating businesses have access to the following lines of credit:		
Bank Overdrafts		
Facility available	35.1	23.2
Amount of facility used	(10.6)	
Amount of facility unused	24.5	23.2
Bank Credit Facilities		
Facility available	990.7	1,539.3
Amount of facility used	(305.1)	
Amount of facility unused	685.6	1,539.3

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, ten and 12 years. In November 2005 Lend Lease established a committed five year syndicated bank facility of £350.0 million in the UK, of which £130.0 million is drawn as at 31 December 2005. During the period 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 a A\$500 million Australian Commercial Paper programme and a A\$1,500 million Multi Issuer Debt programme. The amounts drawn under these facilities as at 31 December 2005 was nil and the availability of these facilities is subject to market conditions.

The following schedule profiles the 31 December 2005 borrowings by currency and interest exposure after interest rate swaps and currency swaps have been taken into consideration.

	Interest Exposure ¹			Currency		
	Fixed A\$m	Floating A\$m	Total A\$m	US\$ A\$m	GBP A\$m	Total A\$m
Not greater than one year		10.6	10.6		10.6	10.6
Between one and five years	58.7	246.4	305.1		305.1	305.1
Greater than five years	411.0		411.0	411.0		411.0
Total	469.7	257.0	726.7	411.0	315.7	726.7

¹ Resulting interest rate exposure after interest rate swaps.

c. Financing Guarantees

Lend Lease currently has two primary forms of finance guarantees:

Guarantee of Recourse Debt Obligations

Lend Lease has given A\$726.7 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 controlled entities. These guarantees are issued in respect of controlled 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 31 December 2005 was A\$65.8 million (June 2005 A\$66.9 million).

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
20.Provisions		
Current		
Employee benefits	72.4	69.6
Construction risks ¹	221.2	129.9
Restructure provisions – Investment management businesses ²	20.3	26.1
Employee termination provisions	5.9	9.1
Other	43.0	49.6
	362.8	284.3
Non Current		
Employee benefits	21.1	23.0
Other	7.4	2.8
	28.5	25.8
Total provisions	391.3	310.1
21.Other Financial Liabilities		
Current		
Derivative Financial Liabilities		
Forward foreign exchange contracts	3.9	
Other Interest Bearing Liabilities		
Bluewater lease liability	11.5	11.1
Other		0.2
	15.4	11.3
Non Current		
Other Interest Bearing Liabilities		
Bluewater lease liability	173.5	184.1
Other	29.9	36.3
	203.4	220.4
Total other financial liabilities	218.8	231.7
22.Other Non Financial Liabilities		
Current		
Deferred gain on foreign currency hedges	8.3	13.3
Deferred income		4.3
Other	0.3	3.9
	8.6	21.5
Non Current		
Deferred payments – Retirement Villages	83.1	83.1
Deferred gain on foreign currency hedges	3.0	5.9
Other	0.3	0.4
	86.4	89.4
Total other non financial liabilities	95.0	110.9

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.

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.

Notes to the Consolidated Financial Statements continued

	Note	Consolidated	
		December 2005 A\$m	June 2005 A\$m
23. Defined Benefit Plan Liability¹			
Present value of unfunded obligations		694.1	640.2
Fair value of plan assets		(511.5)	(454.2)
Unrecognised actuarial gains		6.6	8.2
Recognised liability for defined benefit obligations		189.2	194.2
Movements in Defined Benefit Liability Recognised in the Balance Sheet			
Net liability for defined obligation at the beginning of the financial period		194.2	199.3
Foreign exchange translation movement		(5.0)	(12.2)
Contributions received		(16.7)	(30.8)
Expense recognised in the income statement (see below)		16.7	37.9
Net liability for defined benefit obligation at the end of the financial period		189.2	194.2
Expense Recognised in the Income Statement			
Current service costs		16.9	15.7
Interest on obligation		16.0	16.4
Expected return on plan assets		(16.4)	(14.9)
Curtailment loss		0.2	1.7
Net defined benefit plan expense	4	16.7	18.9

1 Relates to the Bovis UK Pension Scheme.

	Consolidated			
	December 2005		June 2005	
	No. of shares m	A\$m	No. of shares m	A\$m
24. Issued Capital and Treasury Shares				
Issued Capital - Ordinary Shares				
Ordinary shares issued at the beginning of the financial period	398.6	834.6	400.2	834.4
Movements during the financial period				
Issues for:				
Share Election Plan (SEP)	0.6			
Other				0.2
Share buybacks ¹			(1.6)	
Ordinary shares issued at the end of the financial period	399.2	834.6	398.6	834.6

1 Payments made under the share buyback are recognised in Retained Profits (refer to Note 26).

As per Lend Lease's Australian Stock Exchange announcement of 23 June 2005, future dividends are expected to be fully franked in the short-term. The Company has re-introduced 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.

Notes to the Consolidated Financial Statements continued

	Consolidated			
	December 2005		June 2005	
	No. of shares m	A\$m	No. of shares m	A\$m
24. Issued Capital and Treasury Shares continued				
Treasury Shares¹				
Treasury shares at the beginning of the financial period	30.8	68.1	34.7	81.2
Movements during the financial period				
Treasury shares acquired	0.1		0.6	3.8
Treasury shares vested	(0.2)	(0.9)	(4.8)	(17.1)
Other shares			0.3	0.2
Treasury shares at the end of the financial period	30.7	67.2	30.8	68.1

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.

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
25. Reserves		
Capital Reserve	104.6	104.6
Fair Value Revaluation Reserve		
Adjustment on adoption of AASB132 and AASB139 (net of tax)	113.9	
Revaluation (gross)	11.4	
Fair value to profit or loss on asset disposal	(25.7)	
Deferred tax	7.9	
Other	(4.9)	
Closing balance at the end of the financial period	102.6	-
Equity Compensation Reserve		
Opening balance at the beginning of the financial period	6.0	4.8
Movements attributable to unallocated treasury shares	0.7	1.2
Closing balance at the end of the financial period	6.7	6.0
Other Compensation Reserve		
Opening balance at the beginning of the financial period	67.9	76.7
Movements attributable to unallocated treasury shares		10.3
Movements attributable to allocated treasury shares	(12.7)	(19.1)
Closing balance at the end of the financial period	55.2	67.9
Hedging Reserve		
Adjustment on adoption of AASB 132 and AASB 139	(3.4)	
Movements attributable to effective cash flow hedges	0.1	
Closing balance at the end of the financial period	(3.3)	-
Minority Interest Acquisition Reserve		
Opening balance at the beginning of the financial period	(22.4)	
Movements attributable to acquisition ¹	(92.7)	(23.2)
Foreign exchange movements	1.2	0.8
Closing balance at the end of the financial period	(113.9)	(22.4)
Foreign Currency Translation Reserve		
Opening balance at the beginning of the financial period	(13.5)	
Currency fluctuation attributable to translation and hedging of self sustaining foreign operations	(5.2)	(13.5)
Closing balance at the end of the financial period	(18.7)	(13.5)
Total reserves	133.2	142.6

1 The movement represents the acquisition of an additional 12.5% interest in Actus Lend Lease (June 2005 12.5%).

Notes to the Consolidated Financial Statements continued

25. Reserves continued

Nature and Purpose of Reserves

Capital Reserve

The capital reserve comprises realised capital profits on the disposal of assets which did not attract capital gains tax.

Fair Value Revaluation Reserve

Unrealised gains and 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.

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."

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.

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.

Foreign Currency Translation Reserve

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

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
26. Retained Profits		
Retained profits at the beginning of the financial period	1,782.5	1,781.2
Adjustment on adoption of AASB 132 and AASB 139	(0.6)	
Gain/(loss) on utilisation of treasury shares recognised directly in retained profits ¹	22.6	(10.3)
Net profit attributable to members of Lend Lease Corporation Limited	176.6	225.5
Dividends foregone pursuant to share election plan	7.1	
Share buyback		(17.0)
	1,988.2	1,979.4
Dividends paid ²	(115.6)	(215.3)
Less: Dividends on treasury shares	9.4	18.4
Total retained profits at the end of the financial period	1,882.0	1,782.5

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 and 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.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2005 A\$m	June 2005 A\$m
27.Minority Interests in Controlled Entities		
Minority interests in controlled entities comprise:		
Lend Lease Twin Waters (49%)	9.2	8.2
Lend Lease Rouse Hill (49%)	4.1	3.4
Crosby (3%) (June 2005 0%)	4.7	
Actus Lend Lease (0%) (June 2005 12.5%)		7.0
Other	0.4	0.2
	18.4	18.8
Represented by:		
Interest in retained profit at the end of the financial period	4.4	9.3
Interest in share capital	14.0	9.5
Total minority interests	18.4	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 due 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 November 2002 the Australian Taxation Office (ATO) issued an amended assessment in connection with the 1996 forward sale agreement for Westpac shares. This is disclosed further in Note 17 Other Assets.

Notes to the Consolidated Financial Statements continued

29. International Currency Management and Financial Instruments

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:

	December 2005		June 2005	
	Average Rate	Spot Rate	Average Rate	Spot Rate
US Dollars	0.747	0.730	0.757	0.770
Pounds Sterling	0.426	0.426	0.406	0.415
Euros	0.626	0.630	0.590	0.600

Foreign Currency Risk

Lend Lease's policy is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the Lend Lease Group's consolidated result. A Financial Markets Risk Committee oversees the management of the Group's foreign currency exposures within the parameters of the 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 Note 1(v) Significant Accounting Policies).

	Interest		Consolidated Share of Profit After Tax		Consolidated Book Value	
	December 2005 %	June 2005 %	December 2005 A\$m	December 2004 A\$m	December 2005 A\$m	June 2005 A\$m
30. Interest in Joint Venture Operations						
Project Construction Management						
Manukau Wastewater Services (NZ)	20.0%	20.0%	0.2		12.8	12.5
Seaview Project Limited	50.0%	50.0%			4.2	4.2
			0.2	-	17.0	16.7

Notes to the Consolidated Financial Statements continued

	Interest Acquired %	Date Acquired	Consideration Paid A\$m	Contribution to Consolidated Revenue A\$m	Contribution to Consolidated Profit/(Loss) After Tax ¹ A\$m
31. Controlled Entities					
December 2005					
Acquisitions					
Retail and Communities					
International					
The Crosby Group plc	97.0%	8 July 05	617.7	156.7	0.5

The fair value of the identifiable assets and liabilities of The Crosby Group plc as at the date of acquisition are:

	Total Fair Value on Acquisition 6 months December 2005 A\$m
Acquisition of Controlled Entities	
Acquisition Cost	
Cash paid for acquisition	588.6
Deferred payment for acquisition (discounted)	22.4
Cash paid for acquisition costs	6.7
Total acquisition cost	617.7
Cash consideration	595.3
Net outflow of cash	595.3
Net Assets of Entities Acquired²	
Inventories	574.8
Receivables	8.6
Other investments	7.4
Property, plant and equipment	14.1
Deferred tax assets	0.9
Deferred tax liabilities	(22.5)
Creditors and borrowings	(141.3)
Provisions	(2.4)
Net assets acquired	439.6
Goodwill on acquisition	178.1
Total acquisition cost	617.7

1 Excludes any intercompany transactions for the financial period.

2 No other intangibles that have a value have been identified on acquisition.

Notes to the Consolidated Financial Statements continued

	Interest Acquired/ Disposed %	Date Acquired/ Disposed	Consideration Paid/Received A\$m	Contribution to Consolidated Revenue A\$m	Contribution to Consolidated Profit/(Loss) After Tax ¹ A\$m
31. Controlled Entities continued					
December 2004					
Disposals					
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 Construction Management					
International					
Larry Smith, SA	100.0%	11 Nov 04	2.9	(0.5)	(0.3)

1 Excludes any intercompany transactions for the financial period.

2 Represents the controlled entities sold as part of the sale of the Investment Management businesses.

Notes to the Consolidated Financial Statements continued

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

As stated in Note 1(a), these are the consolidated entity's first consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

The accounting policies in Note 1 have been applied in preparing the consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the 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, comparative information for the six months ended 31 December 2004 and financial statements for the 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 statement, balance sheet and cash flows is set out in the following tables and the accompanying notes.

Reconciliation of Profit for 2005

	Note 32	Previous GAAP December 2004 A\$m	Effect of Transition to AIFRS December 2004 A\$m	AIFRS December 2004 A\$m	Previous GAAP June 2005 A\$m	Effect of Transition to AIFRS June 2005 A\$m	AIFRS June 2005 A\$m
Revenue							
Revenue from the sale of development properties	b	159.5	(10.8)	148.7	378.4	(23.1)	355.3
Revenue from the provision of services	b	3,940.6	(0.4)	3,940.2	8,637.3	(21.3)	8616.0
Finance revenue		28.4	(1.0)	27.4	49.9	3.4	53.3
Other revenues	a,b,c,d,e	203.3	(12.6)	190.7	472.9	(47.3)	425.6
Total revenue		4,331.8	(24.8)	4,307.0	9,538.5	(88.3)	9,450.2
Expenses²							
Project management, construction and PFI activities	b,c,e,g,h	(3,686.6)	11.6	(3,675.0)	(8,118.9)	28.1	(8,090.8)
Retail and communities activities	d,g	(322.0)	4.5	(317.5)	(723.8)	(1.4)	(725.2)
Investment management activities	g,j	(53.4)	(18.8)	(72.2)	(178.4)	(18.6)	(197.0)
Corporate and administrative expenses	a,h,j	(56.3)	1.4	(54.9)	(151.1)	(17.5)	(168.6)
Finance costs		(23.2)		(23.2)	(56.6)		(56.6)
Total expenses		(4,141.5)	(1.3)	(4,142.8)	(9,228.8)	(9.4)	(9,238.2)
Share of net profit of associates accounted for using the equity method	b,d	5.3	23.9	29.2	11.8	94.7	106.5
Share of net profit of joint venture entities accounted for using the equity method	b	14.3	8.3	22.6	22.6	9.1	31.7
Profit before tax		209.9	6.1	216.0	344.1	6.1	350.2
Income tax expense	a,f	(77.5)	6.2	(71.3)	(123.4)	9.1	(114.3)
Profit after tax		132.4	12.3	144.7	220.7	15.2	235.9
Profit after tax attributable to minority interests	c	(3.9)	(0.1)	(4.0)	(10.0)	(0.4)	(10.4)
Net profit after tax attributable to members of Lend Lease Corporation Limited		128.5	12.2	140.7	210.7	14.8	225.5
Earnings per share							
Basic (cents)		32.2	6.3	38.5¹	52.8	8.8	61.6¹
Diluted (cents)		32.2	6.3	38.5¹	52.8	8.8	61.6¹

1 Earnings per share calculation excludes treasury shares.

2 Previous AGAAP has been restated in line with the revised management structure.

Notes to the Consolidated Financial Statements continued

32.Explanation of Transition to AIFRS continued

Reconciliation of Equity

	Note 32	Effect of Transition to AIFRS July 2004 A\$m		Effect of Transition to AIFRS December 2004 A\$m		Effect of Transition to AIFRS June 2005 A\$m	
		Previous GAAP July 2004 A\$m	AIFRS July 2004 A\$m	Previous GAAP December 2004 A\$m	AIFRS December 2004 A\$m	Previous GAAP June 2005 A\$m	AIFRS June 2005 A\$m
Balance Sheet							
Current Assets							
Cash and cash equivalents	a	1,380.1	1,388.1	1,216.3	1,219.3	569.0	569.6
Receivables	a,b	1,593.3	1,544.1	1,387.2	1,349.6	1,288.9	1,169.0
Inventories	b	380.1	405.2	414.3	445.0	556.8	687.1
Other investments		9.0	9.0	6.0	6.0	16.9	16.9
Other assets		112.7	112.7	198.7	198.7	169.6	169.6
Total current assets		3,475.2	3,459.1	3,222.5	3,218.6	2,601.2	2,612.2
Non Current Assets							
Receivables	a,b,c	95.2	85.7	102.2	92.5	123.7	149.3
Inventories		1,268.4	1,268.4	1,346.2	1,346.2	1,463.6	1,463.6
Equity accounted investments	b,c,d	140.1	647.3	141.4	600.0	190.1	673.3
Investment property	e		71.4		78.7		83.1
Other investments	d	888.7	516.8	786.6	462.1	1,021.9	713.5
Deferred tax assets	f	255.1	336.7	260.8	324.4	289.3	369.4
Property, plant and equipment		102.8	102.8	105.8	105.8	102.4	102.4
Goodwill	g	634.3	679.5	585.2	627.8	565.6	582.7
Management agreements	g	57.1	9.0	56.5	8.4	28.3	24.1
Defined benefit plan asset	h		25.5		26.3		20.0
Other assets	e	213.8	177.2	172.9	135.4	171.3	131.0
Total non current assets		3,655.5	3,920.3	3,557.6	3,807.6	3,956.2	4,312.4
Total assets		7,130.7	7,379.4	6,780.1	7,026.2	6,557.4	6,924.6

Notes to the Consolidated Financial Statements continued

32.Explanation of Transition to AIFRS continued

Reconciliation of Equity continued

	Note 32	Effect of Transition to AIFRS July 2004 A\$m		Effect of Transition to AIFRS December 2004 A\$m		Effect of Transition to AIFRS June 2005 A\$m	
		Previous GAAP July 2004 A\$m	AIFRS July 2004 A\$m	Previous GAAP December 2004 A\$m	AIFRS December 2004 A\$m	Previous GAAP June 2005 A\$m	AIFRS June 2005 A\$m
Balance Sheet							
Current Liabilities							
Creditors	a,b,i	2,519.6	2,515.8	2,279.8	2,286.6	2,416.1	2,497.1
Borrowings		357.1	357.1	824.7	824.7	500.0	500.0
Current tax liabilities	a	98.4	108.6	81.6	91.9	67.9	69.4
Provisions	i	281.8	281.8	239.0	239.0	264.3	284.3
Other financial liabilities		28.1	28.1	20.0	20.0	11.3	11.3
Other non financial liabilities		43.0	43.0	25.7	25.7	21.5	21.5
Total current liabilities		3,328.0	3,334.4	3,470.8	3,487.9	3,281.1	3,383.6
Non Current Liabilities							
Creditors	c	51.4	51.4	79.0	79.7	45.5	37.8
Borrowings		504.9	504.9	4.1	4.1		
Provisions		37.3	37.3	32.8	32.8	25.8	25.8
Deferred tax liabilities	f	153.1	226.9	158.2	228.8	187.2	263.0
Other financial liabilities		214.0	214.0	192.7	192.7	220.4	220.4
Other non financial liabilities	e	6.1	77.5	9.5	88.2	6.3	89.4
Defined benefit plan liability	h		199.2		193.3		194.2
Total non current liabilities		966.8	1,311.2	476.3	819.6	485.2	830.6
Total liabilities		4,294.8	4,645.6	3,947.1	4,307.5	3,766.3	4,214.2
Net assets		2,835.9	(102.1)	2,833.0	(114.3)	2,791.1	(80.7)
Equity							
Issued capital		834.4	834.4	834.4	834.4	834.6	834.6
Treasury shares	a		(81.2)		(81.9)		(68.1)
Reserves	a,j	71.9	114.2	61.8	161.3	44.0	142.6
Retained profits	k	1,915.5	1,781.2	1,923.3	1,791.7	1,893.9	1,782.5
Total equity attributable to equity holders of the parent		2,821.8	(101.3)	2,819.5	(114.0)	2,772.5	(80.9)
Minority interests	c	14.1	13.3	13.5	13.2	18.6	18.8
Total equity		2,835.9	(102.1)	2,833.0	(114.3)	2,791.1	(80.7)

Notes to the Consolidated Financial Statements continued

32. Explanation of Transition to AIFRS continued

Notes to the Reconciliation of 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 creditors, 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, creditors and retained earnings (at July 2004) or profit (at 31 December 2004 and 30 June 2005). Equity accounted investments that hold inventory have also been adjusted to reflect the change in policy. The reclassification between inventory, receivables and creditors during June 2005 is materially higher than July 2004 and December 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 equity accounted investments 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 partnership 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 Equity Accounted Investments". 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 "Equity Accounted Investments" on transition.

Adjustments at June 2005 include an impairment loss of A\$13.0 million 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. This resulted in a provision of A\$13.0 million before tax in the period ended June 2005.

- (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

32.Explanation of Transition to AIFRS continued

Notes to the Reconciliation of 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 December 2004 and June 2005 periods, additional tax losses relating to the US operations of A\$8.3 million and A\$20.5 million respectively 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 effective 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 Lend Lease Foundation was reclassified to "Provisions" from "Creditors".

(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 December 2004 and 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 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 was reclassified to the minority interest acquisition reserve.

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

	Note	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 equity accounted investments 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	h	(173.7)
Resetting of foreign currency translation reserve	j	(32.7)
Other adjustments		(0.1)
Retained earnings under AIFRS		1,781.2

Notes to the Consolidated Financial Statements continued

32. Explanation of Transition to AIFRS continued

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

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.

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 AIFRSs, these derivatives are now recognised at fair value. The effect in the consolidated entity was to decrease equity accounted investments 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.

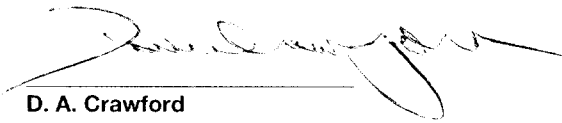
Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited (the Company):

1. the financial statements and notes set out on pages 1 to 46, are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - b. complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Sydney, 16 February 2006.

Signed in accordance with a resolution of the Directors:



D. A. Crawford
Chairman



G. A. Clarke
Managing Director



Independent review report to the members of Lend Lease Corporation Limited

Scope

We have reviewed the financial report of Lend Lease Corporation Limited ("the Company") for the half-year ended 31 December 2005, consisting of the consolidated interim statement of income, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes 1 to 32 and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. The Company's directors are responsible for the financial report including the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lend Lease Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

KPMG

G. R. Wilson
Partner

Sydney, 16 February 2006