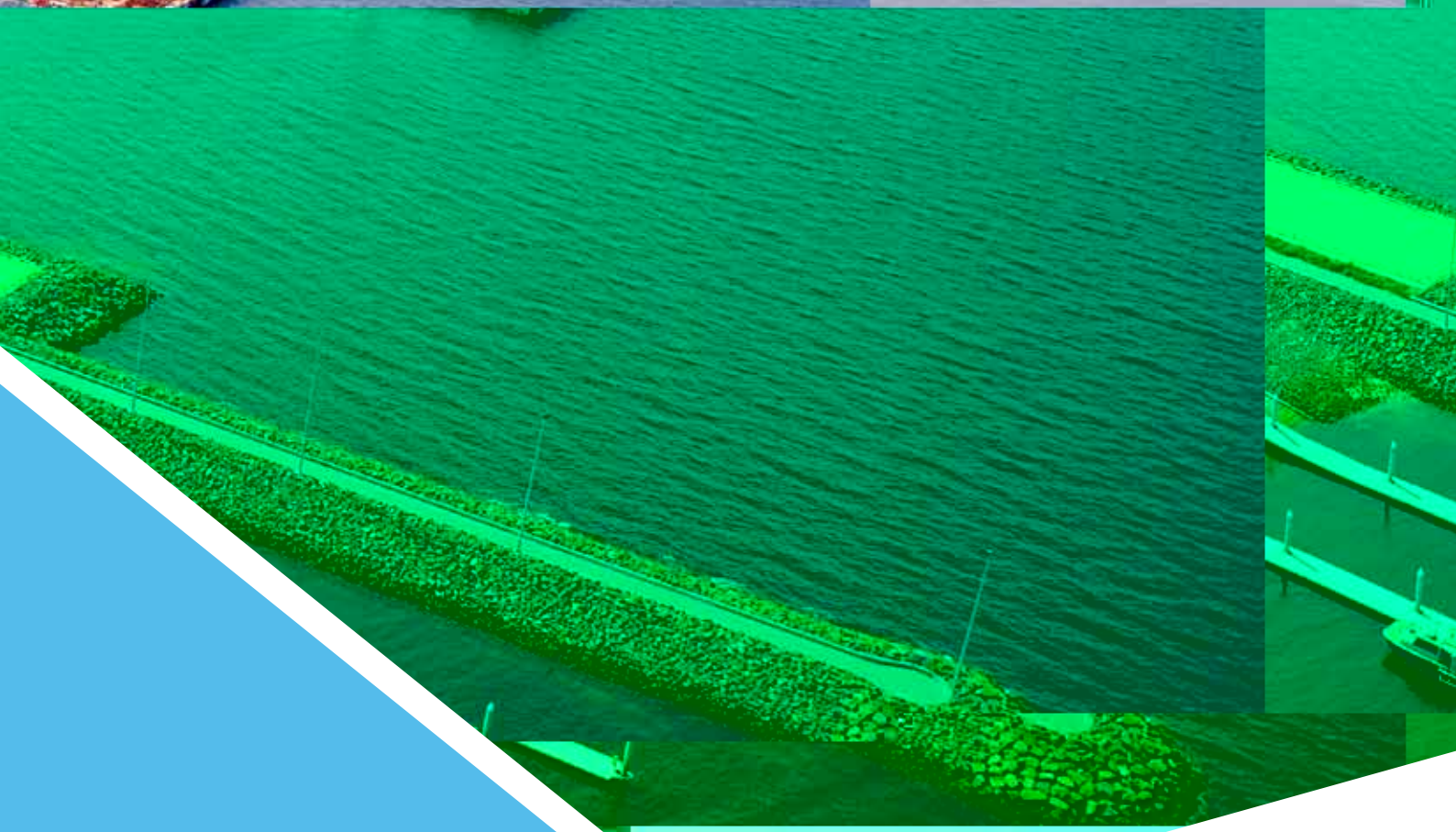
# LEND LEASE ANNUAL REPORT 2011



Lend Lease

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Lend Lease Corporation Limited ABN 32 000 226 228

Lend Lease Responsible Entity Limited ABN 72 122 883 185

AFS License 308983 as responsible entity for

Lend Lease Trust ABN 39 944 184 773 ARSN 128 052 595


Cover Image: Port Botany Container Terminal Expansion, Sydney, Australia. Photo courtesy of Sydney Ports Corporation

# CHIEF EXECUTIVE OFFICER'S REPORT

Over the past financial year, Lend Lease has made significant inroads towards a position of international leadership in property and infrastructure. While there is further work to be done, we have materially enhanced our operating platforms and are now well placed to deliver growth in our chosen market sectors and segments. The management team and employees are strongly focused on safely executing our strategy and driving returns for securityholders.

**We have clear priorities to achieve our aim of becoming the leading international property and infrastructure group. Over the next two years you will see the Group focus on delivery and execution of our development pipeline, successful integration of the infrastructure business in Australia, active portfolio management and positioning our offshore businesses in preparation for a market recovery.**

## Progress on strategy

Lend Lease has a clear Restore-Build-Lead strategy to realise the long term growth potential of the Group. Fundamental to our ongoing success is the ability to operate Incident & Injury Free, and we are working hard to achieve this goal.

The first stage of the Group strategy, Restore, is coming to completion, with our businesses now restructured and realigned across four core regions. We have now moved into the next phase of our strategy, Build, where we have also achieved some significant milestones, including the acquisition of Valemus, which now forms our Australian infrastructure business. We are now focused on extracting the maximum value from the unique combination of businesses across the Group.

## People

We recognise that the talent and the ongoing commitment of our employees is critical to Lend Lease achieving a leadership position. We have implemented a goal-focused performance management system and invested in senior manager training as part of our program to develop a high performance culture across the Group. In addition, the combined knowledge and experience of the Group's senior management team has been further enhanced with a number of strategic internal and external appointments which underpin the Group's ability to deliver on its key priorities and projects over the short to medium term.

## Infrastructure acquisition

For some time we have talked about the key growth trends that will impact and shape our business. These include urban regeneration, the ageing population, sustainability, infrastructure and growth in sovereign wealth funds and pension funds.

In 2011, we significantly advanced our position in the infrastructure sector by acquiring Valemus Australia, the parent company of Abigroup, Baulderstone and Conneq. The acquisition materially increases Lend Lease's capabilities and activities in the engineering and construction market in Australia. Integration of the new business is progressing well and it is on track to be a significant driver of earnings for Lend Lease from financial year 2012 onwards.

## Building a platform for growth

During 2011, Lend Lease continued to add to its significant development pipeline and progress key projects. In Australia, the New South Wales Government approved the Concept Plan amendment for the $6 billion redevelopment of Barangaroo South in Sydney, as well as the first commercial building and basement and bulk excavation works on the site. In addition, all conditions precedent were met for the project agreement on the $2.5 billion Royal National Agricultural and Industrial Association (RNA) of Queensland urban regeneration project in Brisbane.

In Asia, we completed the purchase of the Jurong Gateway mixed-use site, renamed Jem™, in conjunction with the Lend Lease managed Asian Retail Investment Fund. In Europe, we launched the Lend Lease managed UK Infrastructure Fund raising £220 million of capital, and we continued to progress major projects, signing a conditional regeneration agreement with the London Borough of Southwark for the £1.5 billion regeneration of Elephant & Castle and meeting all conditions on the Framework Agreement for the £1.3 billion second stage of The International Quarter, Stratford City, London.

In the Americas, Lend Lease added to our pipeline in the US military housing privatization and lodgings sectors and we acquired DASCO, a developer of medical office buildings and outpatient care facilities with a strong development pipeline that will position Lend Lease in a rapidly growing sector. We also sold our 50 per cent interest in the King of Prussia retail centre as part of the Group's focus on active portfolio management.

Lend Lease is well placed to deliver growth for securityholders. The integration of the infrastructure business, delivery of our exceptional development pipeline, particularly Barangaroo South, and continued recycling of capital will drive the Group's growth over the coming years. As always, our commitment to safety and sustainability will underpin all our activities, and with the ongoing hard work and dedication of our people, we look forward to progressing on our path to becoming the leading international property and infrastructure group.

**Steve McCann**
GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

# CORPORATE GOVERNANCE

## Commitment to Governance

This statement sets out the principle features of Lend Lease's corporate governance framework and main governance practices.

Lend Lease is committed to exceptional corporate governance policies and practices which are fundamental to the long term success and prosperity of Lend Lease and its subsidiaries **(the Group)**. Lend Lease continually reviews its governance practices to address its obligations as a responsible corporate entity.

A reference in this Corporate Governance Statement to the Board is a reference to the Boards of Directors of Lend Lease Corporation Limited (**LLC**) and Lend Lease Responsible Entity Limited (**LLREL**) which is the responsible entity of the Lend Lease Trust, unless indicated otherwise.

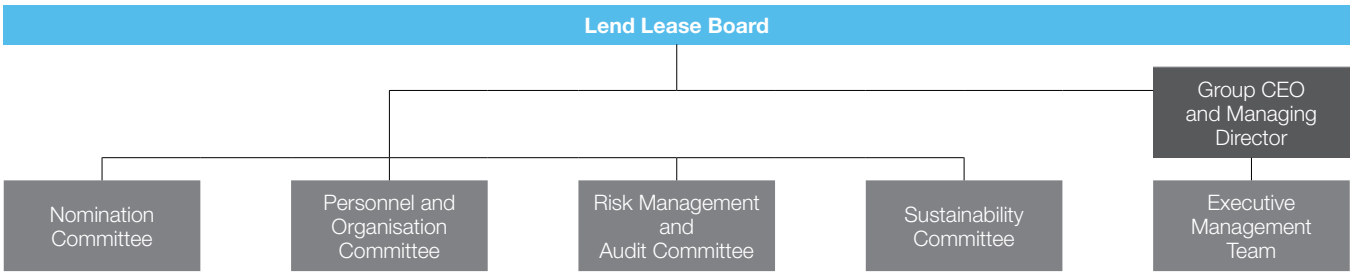
Throughout the year, Lend Lease's corporate governance framework complied fully with the ASX Corporate Governance Council's Principles and Recommendations. The table indicates where specific principles are dealt with in this statement.

| ASX Principle | | Reference in statement |
|---|---|---|
| **Principle 1** | **Lay solid foundations for management and oversight** | **2.1 and 2.6** |
| **Principle 2** | **Structure the board to add value** | **1.1, 1.2, 1.3, 2.3 and 3.1** |
| **Principle 3** | **Promote ethical and responsible decision-making** | **5.2, 6.1 and 6.2** |
| **Principle 4** | **Safeguard integrity in financial reporting** | **3.1** |
| **Principle 5** | **Make timely and balanced disclosure** | **5.1** |
| **Principle 6** | **Respect the rights of shareholders** | **5.1** |
| **Principle 7** | **Recognise and manage risk** | **4.1, 4.2, 4.3, 4.4 and 4.5** |
| **Principle 8** | **Remunerate fairly and responsible** | **3.1** |

**Date of this Corporate Governance Statement**

This Corporate Governance Statement reflects the corporate governance and other related policies and practices in place for the Group as at 1 September 2011. Further details can be found in the corporate governance area of the Lend Lease website at www.lendlease.com.

**Governance Structure**




## 1. Composition of the Board

**Relevant governance documents (see www.lendlease.com)**

- Lend Lease Corporation Limited Constitution
- Board Charter
- Policy on Independence of Directors

### 1.1 Composition and Membership

The Board has a majority of independent Directors and an independent Chairman. Membership of the Board as at 1 September 2011 comprises:

- David Crawford, AO – Chairman and Independent Non-Executive Director
- Stephen McCann – Group Chief Executive Officer (CEO) and Managing Director
- Phillip Colebatch – Independent Non-Executive Director
- Gordon Edington – Independent Non-Executive Director
- Peter Goldmark – Independent Non-Executive Director
- Jane Hemstritch – Independent Non Executive Director
- Julie Hill – Independent Non-Executive Director
- David Ryan, AO – Independent Non-Executive Director

Profiles of each Director can be found in the Directors' Report.

The Directors have a range of local and international experience and expertise, as well as specialised skills to assist with decision making and leading the Group for the benefit of securityholders.

### 1.2 Independent Directors

The Board's Policy on the Independence of Directors sets out the criteria and guidelines for assessing the independence of Directors and assists the Board in determining whether a Director is to be regarded as independent.

The predominant test used by the Board is whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. This general test of independence is supplemented by specific criteria and thresholds which encompass the definition of independence set out in the ASX Recommendations.

The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case-by-case basis having regard to the circumstances of each Director. Where the Board is satisfied in the circumstances that the Director meets the general test of independence the Board may, in its absolute discretion, determine that a Director is independent even though not all of the criteria under the Policy are satisfied. Appropriate disclosures will be made to the market where the Board considers that an independent Director has ceased to be independent.

The Board assesses the independence of each Director annually and on disclosure by a Director of any new interests or relationships.

The Board considers that all the Non Executive Directors are independent. Executive Director, Stephen McCann Group CEO and Managing Director is not considered to be an independent Director due to his integral involvement in the day-to-day management of the Group's businesses.

### 1.3 Chairman of the Board

The Chairman of the Board is elected by the Directors and serves as the primary link between the Board and management. It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities. The Board Charter prohibits the current or any former CEO of the Group from becoming Chairman.

David Crawford has been Chairman of the Board since May 2003.

### 1.4 Retirement and Re-election of Directors

In accordance with the Constitution of LLC, one-third of the Directors and any other Director who will have been in office for three or more Annual General Meetings since he or she was last elected (excluding the Managing Director) must retire from office and may offer themselves for re-election at each Annual General Meeting (AGM).

Peter Goldmark and David Ryan are standing for re-election at the 2011 AGM and the Board unanimously endorses their re-election.

### 1.5 Selection and Appointment of New Directors

The Nomination Committee is responsible for the selection and appointment of new Directors. Directors are selected having regard to, among other things, an individual's skills, experience and expertise.

The process of selecting a new Director usually involves commissioning an international recruitment firm to identify and present appropriate candidates following a briefing as to the Board's requirements. Candidates undergo a thorough recruitment process which involves formal interviews with each of the Directors of the Board and background checks. In making its selection the Board considers the breadth of experience and diversity of skills of the candidate as well as the ability to devote the time necessary to fulfil their duties as a Director. New Directors are nominated by the Board and then stand for election at the AGM following their appointment in order to be confirmed into office.

Jane Hemstritch is standing for election at the 2011 AGM and the Board unanimously endorses her election.

### 1.6 Induction and Briefing Programmes

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

All Directors have access to Group information, senior management and employees as required to enable them to fulfil their responsibilities. Management briefings are given at every Board meeting, and Directors are regularly briefed on key business and industry developments and matters material to their role. Directors are also encouraged to attend externally administered training seminars and programmes.

### 1.7 Directors' Remuneration

Details of the Group's Remuneration Policy and the remuneration of Directors is contained in the Directors' Report.

#### Retirement Benefits Plan

In recognition of feedback from securityholders the Directors resolved in 2010 to discontinue the further award of retirement securities. Any accrued securities will be preserved and paid to the Director on retirement, except if the securities need to be sold at an earlier time to meet a tax liability in respect of the securities.

Further details of the retirement plan for Non Executive Directors are provided in the Directors' Report.

## 2. Role and Responsibilites

**Relevant policies and charters (see www.lendlease.com)**

- Board Charter
- Performance evaluation process

### 2.1 Board Responsibilities

The Board Charter sets out the role, structure, responsibilities and operation of the Board as well as the function and division of responsibilities between the Board and senior management.

The main responsibilities reserved to the Board include the following:

- approval of business strategy
- approval of business plans
- approval and monitoring of major investments or divestitures
- determining capital structure and distribution policy
- overseeing and approving half year and annual reporting
- overseeing risk management, internal control and compliance systems
- reviewing performance of the Group CEO and Executive Management Team
- succession planning for the Group CEO
- Non Executive Director selection
- reviewing Board performance
- reviewing certain governance policies

The Board Charter sets out these responsibilities in further detail.

The Board delegates authority for all other functions and matters necessary for the day-to-day management of the Group to the Group CEO. The Group CEO then delegates to senior management as required.

Limits of authority have been put in place by the Board for the Group CEO and senior management and the Group CEO is accountable to the Board for the authority delegated to other levels of management.

# CORPORATE GOVERNANCE CONTINUED

## 2.2 Meetings

The number of Board and Committees meetings held during the financial year and the attendance of Directors at those meetings, is disclosed in the Directors' Report on page 31. There are nine scheduled meetings each year and additional meetings are held in between scheduled meetings as required. Members of senior management may be invited to attend and present at Board meetings.

The number of Directors required to constitute a quorum is three.

### 2.3 Board Performance

The Board conducts an annual review of its performance, the Chairman and individual Directors retiring and seeking re-election at the AGM.

#### External Review

The last external review was conducted in March 2010 by Heidrick & Struggles. The findings of the external review were considered by the Board and appropriate action taken where required.

#### Internal Review and Assessment

The review process includes interviews with the Directors and senior management, may involve interviews with key stakeholders, and generates recommendations to ensure the Board continues to operate effectively with the requisite mix of skills, experience, and appropriate organisation and procedures.

The Chair of the Nomination Committee, acting in consultation with other Board members, is responsible for conducting an annual evaluation of the Group CEO and the Chairman of the Board.

## 2.4 Independent Decision Making

Any Director may seek external, independent, professional advice at the expense of Lend Lease. The policy of the Board is that external advice will be made available to all Directors, unless the Chairman of the Board determines otherwise. It is expected that a Director will consult the Chairman of the Board, Managing Director or Group Company Secretary before obtaining external advice. A copy of the advice is made available to all Directors.

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

## 2.5 Group Company Secretary

Appointed by the Board, the Group Company Secretary works with the Chairman of the Board to monitor and enhance corporate governance processes and to ensure that Board policies and procedures are followed.

## 2.6 Senior Management

#### Structure

The management structure of Lend Lease consists of the Group CEO and the Executive Management Team (EMT).

The EMT comprises the Group CEO, the Group Director of Operations, the Group Chief Financial Officer, the Group Head of Strategy and Mergers & Acquisitions, the Group General Counsel and Company Secretary, the 4 regional CEOs, the heads of the development and investment management businesses, the Managing Director of the project management and construction business in Australia, the Managing Director of Lend Lease's infrastructure business in Australia and the Group Head of Sustainability. The EMT is responsible for managing the Group's performance and key business issues in line with the Group's long term strategy.

The EMT meet face-to-face on a regular basis and each meeting is chaired by the Group CEO.

#### Performance Review

The Group CEO is responsible for setting financial targets, operational and management goals for senior executives in consultation with the Personnel and Organisation Committee. Immediate, short term and long term goals form part of the performance management for most senior executives.

The Group CEO and the Personnel and Organisation Committee conduct a detailed review of the performance of senior executives against these goals on an annual basis at the end of each financial year. In addition, each senior executive also conducts a performance evaluation of their own performance.

A review of the performance of all senior executives was conducted in the financial year and was in accordance with the procedure described above.

#### Remuneration

Further information on executive incentive programmes and remuneration of senior executives is set out in the Directors' Report.

## 3. Board Committees

**Relevant policies and charters (see www.lendlease.com)**

- Audit and Risk Committee Charter
- Personnel and Organisation Committee Charter
- Sustainability Committee Charter
- Nomination Committee Charter

## 3.1 Overview of Board Committees

The Board has established four permanent Board Committees to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility. The performance of the Committees, its membership and the Charters are periodically reviewed.

Each Committee is governed by a formal Charter setting out its objectives, roles and responsibilities, composition, structure, membership requirements and operation. Directors who are not members of the committees have a standing invitation to meetings of the Committees.

Further detail of these Committees is set out in the accompanying table.

| | Nomination | Personnel & Organisation | Risk Management & Audit | Sustainability |
|---|---|---|---|---|
| MEMBERS | Peter Goldmark (Chair)<br>Phillip Colebatch<br>David Crawford<br>Gordon Edington<br>Julie Hill<br>David Ryan | Phillip Colebatch (Chair)<br>Julie Hill<br>David Ryan | David Ryan (Chair)<br>Phillip Colebatch<br>Gordon Edington<br>All members are financially literate | Julie Hill (Chair)<br>Gordon Edington<br>Peter Goldmark |
| COMPOSITION | Minimum of three, non executive Directors<br>Chair must be an independent director and not the Chair of the Board<br>*All requirements were met in the reporting period* | Minimum of three Directors<br>Majority of the Committee to be independent<br>Chair must be an independent director<br>*All requirements were met in the reporting period* | Minimum of three, non executive and independent Directors<br>Chair must not be Chair of the Board<br>All members must be financially literate and at least one member has accounting or relevant financial expertise<br>*All requirements were met in the reporting period* | Minimum of three Directors<br>Majority of the Committee to be independent<br>Chair must be an independent director<br>*All requirements were met in the reporting period* |
| MAIN AREAS OF RESPONSIBILITY | Reviews size and composition of the Board<br>Identifies and evaluates Board candidates<br>Evaluates the performance of the Board and the performance of any directors standing for re-election at an AGM<br>Establishes processes for the review of Board succession planning<br>Reviews continuing education and development plan for Non Executive Directors | Reviews and makes recommendations to the Board on contractual arrangements for the Group CEO and EMT<br>Reviews and makes recommendations to the Board on remuneration programs and performance targets for the Group CEO and EMT and assessment of performance against these targets<br>Monitors and advises the Board on succession planning for the Group CEO and members of the EMT<br>Reviews and approves the strategies and practices for people management<br>Reviews and makes recommendations to the Board on the remuneration framework for Non Executive Directors<br>Reviews and makes recommendations to the Board on remuneration and required disclosures | Makes recommendations to the Board on External Auditor appointment and rotation of audit partner<br>Oversees quality and effectiveness of audits<br>Reviews performance of the Internal Audit function<br>Reviews the parameters of the Group's risk/reward strategy<br>Reviews the effectiveness of the Group's Enterprise Risk Management System and be assured that material risk are identified and appropriate risk management processes are in place<br>Reviews significant financial reporting issues and assess the appropriateness of accounting policies and methods chosen by management<br>Makes recommendations to the Board as to whether financial statements should be approved<br>Monitors the effectiveness of Group policies and practices that relate to compliance with laws, regulations and accounting standards | Oversees the Group's Health & Safety and Environment function<br>Reviews the effectiveness of Group polices on corporate social responsibility, workplace diversity and equal opportunity<br>Monitors the activities and programs of the Lend Lease Foundation<br>Assists the Board in its oversights of the Group's compliance with application regulatory requirements in relation to environmental matters, socially responsibility initiatives and health and safety issues |
| INTERACTION WITH MANAGEMENT | The Committee has unrestricted access to senior management of the Group. The committee reviews and recommends in cooperation with management, a process for the induction and education of new Directors and a continuing education and development plan for all Non-Executive Directors. | The Chairman of the Committee liaises regulary with the Group Head of Human Resources on matters related to the Committee to ensure that the Committee is appropriately briefed on matters relating to employees. | The Group CFO, the Group Head of Risk and Insurance and the Head of Internal Audit have a separate direct reporting relationship to the Chairman. One-on-one meetings are held on at least a quarterly basis as required.<br>The Committee meets with the external auditor without management present as appropriate. | The Chair liaises with the Group Director of Operations, the Group Head of Environment, Health and Safety, the Global Head of Sustainability and the Global Head of Diversity on at least a quarterly basis or as required. These positions supply the Committee with the information relevant to the Committee's function. |

# CORPORATE GOVERNANCE CONTINUED

## 4. Risk Management

**Relevant governance documents (see www.lendlease.com)**
- Risk and Audit Committee Charter
- Risk Management Policy

### 4.1 Enterprise Risk Management

The Group uses an Enterprise Risk Management approach to identify, evaluate, address, monitor, quantify and report material business risks to the Risk Management and Audit Committee. The objective of this approach is to enhance stakeholder value through continuous improvement in the Group's management of risk. The Group's Corporate Risk Management is led by the Group Head of Risk and Insurance. Corporate Risk Management liaises with regional CEOs and risk specialists on both business specific and enterprise-wide risks. Corporate Risk Management's objective is to assist the Group's businesses to further develop their risk management processes. Its role includes:

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

### 4.2 Risk Management Reporting

Management is responsible for keeping the Board's Risk Management and Audit Committee informed on a regular basis of material business risks. In the reporting period, the Committee has received regular reports on material risks facing Lend Lease businesses worldwide, and management has reported to the Board as to the effectiveness of Lend Lease's management of its known material business risks.

Lend Lease uses an online risk matrix to report and monitor risks in the following categories:

- Financial
- Legal / Regulatory
- Health & Safety
- Performance
- Environment & Community
- People
- Property / Business Continuity
- Information Technology

The categorisation drives functional accountability for managing the primary cause or consequence of the risk noting that all risks may impact our reputation or have a secondary effect.

The risk matrix defines the risk tolerance of Lend Lease by setting thresholds for impact and likelihood and defining the material business risks required to be reported to the Board.

### 4.3 Key Risk Management Practices

Operational businesses are responsible for risk management outcomes and implementing self-assurance programs to assess the effectiveness of risk management procedures. Formal internal and external audit procedures are utilised to provide supplementary assurance. The Group uses sensitivity analysis and value at risk modelling to identify the most important assumptions affecting the delivery of the Group's business plans. Project control groups are set up as required to focus attention on particular risks. Some PCGs set up this year focused attention on:

- Integration of Lend Lease's infrastructure business in Australia
- Group Policies and Procedures
- Global Environment Health & Safety Management System
- Succession Planning
- Operational Efficiency

The Group's approach to risk management is guided by the International Standard on Risk Management, ISO 31000 on Risk Management.

### 4.4 Key Policies

In addition to Board delegated Limits of Authority, a number of key global and business unit specific policies govern the way Lend Lease conducts its business and manages material business risks. These policies (including the Risk Management Policy) are available at the corporate governance area of the Lend Lease website at www.lendlease.com.

### 4.5 Integrity in Financial Reporting, Risk Management and Internal Control

The Group CEO and the Group Chief Financial Officer have declared in writing to the Board that, for the year ended 30 June 2011:

> With regard to the financial reports of the consolidated entity comprising Lend Lease Corporation Limited and its consolidated entities ("the Consolidated Entity"):
>
> - the Consolidated Entity's financial records have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
> - the Consolidated Entity's Financial Report present a true and fair view of the Consolidated Entity's financial position and performance and comply relevant Accounting Standards.

With regard to risk management and internal compliance and control systems of the Consolidated Entity, the statements made with respect to the integrity of the Consolidated Entity's Financial Reports for the year ended 30 June 2011 are founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risk.

Since 30 June 2011, nothing has come to the attention of the Group CEO and the Group Chief Financial Officer that would indicate any material change to any of the statements made above.

### 4.6 External Auditor

KPMG is the external auditor of Lend Lease and its controlled entities. KPMG and its predecessor firms were appointed at the first Lend Lease AGM in 1958.

#### Performance Management

The Risk Management and Audit Committee has the responsibility to oversee and appraise the quality and effectiveness of the audits conducted by the external auditor.

### Selection, Appointment and Rotation

The Risk Management and Audit Committee is responsible for making recommendations to the Board as to the selection, re-appointment or replacement of the auditor and the rotation of the lead audit partner. The audit partner is rotated every five years. The current lead audit partner is Chris Hall who was appointed with effect from 1 July 2006. Stuart Marshall has been appointed as the new lead audit partner with effect from 1 July 2011.

### Provision of Non Audit and Other Services

Lend Lease has a comprehensive policy to ensure that services provided by the external auditor do not impact or have the potential to impact upon their independence. All non-audit services need to be approved by both the Chairman of the Risk Management and Audit Committee and the KPMG lead audit partner to ensure that the proposed arrangement does not, or will not be viewed as compromising KPMG's independence.

For the year ended 30 June 2011 KPMG did not provide any non-audit and non-assurance services.

### Attendance at Annual General Meeting

The external auditor is required to attend the AGM and is available to answer any questions on the conduct of any audits and the preparation and content of the Auditor's Report.

### Auditor's Independence

The external auditor is required to provide to Lend Lease a written declaration that, to the best of the auditor's knowledge and belief, there have been no contraventions of the auditor independence requirements set out in the Corporations Act or any applicable code of professional conduct in relation to the conduct of the audit.

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act has been included in the Directors' Report.

### Fees

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

## 5. Governance Policies

**Relevant governance documents (see www.lendlease.com)**

- External Communications and Continuous Disclosure Policy
- Securities Trading Policy
- Code of Conduct
- Political Donations Policy

### 5.1 Securityholder Communications and Continuous Disclosure

The Group has an External Communications and Continuous Disclosure Policy designed to ensure that Lend Lease complies with the continuous disclosure obligations set out in the ASX Listing Rules.

The Policy explains the continuous disclosure obligations of Lend Lease, the procedure to be followed when information needs to be disclosed to the market, contains guidance on how to identify information which may fall within the disclosure requirements and the consequences of breaching the Policy. The Policy sets out the protocols applicable to Directors, executive officers and employees designed to ensure that Lend Lease complies with these continuous disclosure obligations.

The Policy also sets out management accountabilities for ensuring that the market is fully informed, as well as procedures governing analyst briefings and public comment by Group spokespersons.

The Corporate Disclosure Manager is responsible for employee education on continuous disclosure obligations, external communications, monitoring of market information in relation to Lend Lease, maintaining records of information released to the market and ensuring that information on the Lend Lease website is up to date.

The Policy was updated in February 2011.

### Communications with Securityholders

Lend Lease also recognises that whilst there is a legal obligation of disclosure, there is also an ethical obligation to securityholders to ensure that investor confidence is maintained through full and timely communication and disclosure to securityholders and the market.

The External Communications and Continuous Disclosure Policy is designed to facilitate this objective, and promotes effective communication with securityholders by ensuring that information (in addition to information that may otherwise be required to be disclosed pursuant to legal continuous disclosure obligations) may otherwise be important to a securityholder, such as information about the Group's activities, is available to the investor in a timely and readily accessible manner.

The Policy ensures that any announcements made on the ASX are posted on the Lend Lease website as soon as practicable following confirmation of receipt by the ASX.

The Lend Lease website is the key information dissemination point to the broader market. In addition to including on the website all announcements to the market,

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

### Annual General Meeting

The Annual General Meeting (AGM) is the primary opportunity for securityholders to meet face-to-face with the Board and senior executives. Lend Lease encourages participation at the AGM and securityholders are invited to submit questions ahead of, and during the AGM. Directors also make themselves available after the formal part of the AGM to meet with securityholders.

For securityholders who are unable to attend in person, the proceedings of the AGM are webcast live on the Lend Lease website and later archived for three months. Presentations made at the AGM are also available on the website for access by interested stakeholders. In addition, representatives of the media are invited to attend the AGM to enable a report of the proceedings to reach as wide an audience as possible.

# CORPORATE GOVERNANCE CONTINUED

## 5.2 Lend Lease Core Values and Code of Conduct

### Core Values

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

| | |
|---|---|
| **Respect** | We respect the ideas, culture, views and the health and safety of all people. |
| **Integrity** | Integrity is non-negotiable. We don't do it if it compromises the individual or Lend Lease's integrity. In particular, we will not compromise on safety either within our organisation or in doing business with any of our clients or suppliers. |
| **Innovation** | We challenge and seek to find a better solution, think outside the box and dare to do things differently. We are innovative and creative – we don't just do it because we did it yesterday. |
| **Collaboration** | We redefine the way our business works by truly sharing knowledge, building on this and drawing insights. Through teamwork we value the insights of others and build on them – we truly take the time to help. |
| **Excellence** | We strive for excellence in all we do. It is evident not only in the products and services we deliver, but in how we deliver them. Our employees embody excellence – whether it be in the decisions they make, the products they build, or the service they deliver. On construction sites in particular, but everywhere, excellence equals zero incidents. |
| **Trust** | We insist on transparency and accountability from our people so that our business can achieve its goals. We build trusted relationships with our clients, partners and colleagues. We earn each other's trust and the trust of our shareholders, partners and the communities in which we operate to do our best to deliver in their best interests. |

### Code of Conduct

The Lend Lease Code of Conduct sets out the standards of conduct expected of our businesses and people, regardless of location. It applies to all Directors and employees of Lend Lease and operates in conjunction with our Core Values and the Employee Conduct Guide. A copy of the Code of Conduct can be found on the Lend Lease website.

Employees are encouraged to apply the following "Lend Lease Test" when in doubt as to whether any action might breach the Code of Conduct:

*"Would I be willing to see what I'm doing or about to do described in detail on the front page of a national newspaper to be read by family and friends?"*

Employees must not undertake any action that fails the Lend Lease Test, even if it is not expressly prohibited by the Code of Conduct.

The Code is supported by various global, regional and local business unit policies and procedures.

### Code of Conduct Breach Reporting

The Code of Conduct Breach Reporting Policy supports the Code of Conduct, and provides a mechanism for employees to raise concerns about unethical or illegal business conduct, including behaviour which seems to depart from the Core Values or Code of Conduct. This policy applies to all officers, employees and contractors of the Lend Lease Group in all jurisdictions where the Group operates. The action taken to investigate disclosures under this Policy depends on the particular circumstances. Generally, disclosures made under this Policy are treated confidentially.

The Policy also offers protection to anyone who reports concerns in good faith. If an individual's identity is disclosed during the investigation process, the individual will not be disadvantaged in their employment by any Group company.

## 5.3 Conflicts of Interest

Directors are required, upon their appointment, to disclose to Lend Lease any interests or directorships which they have with other organisations and update this information if it changes during the course of the Directorship. Directors and senior executives are also required to identify any conflicts of interest they may have in dealing with the Group's affairs and refrain, as appropriate, from participating in any discussion or voting on these matters. Directors are required to raise with the Group Company Secretary any matters that may give rise to a conflict of interest.

General guidelines in relation to managing conflicts of interest can be found in the Code of Conduct, and a range of procedures designed to ensure compliance have been implemented at a Group and business level.

## 5.4 Trading in Lend Lease Securities

The Lend Lease Securities Trading Policy was updated in November 2010 and sets out the circumstances in which Directors and employees may deal in Lend Lease securities. The policy complies with the requirements of the ASX Listing Rules in relation to Securities Trading Policies.

Directors and designated executives may only deal in Lend Lease securities during the six-week period commencing on the third business day after:

- the announcement of the annual results;
- the announcement of the half year results; and
- the AGM.

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

The Policy reinforces the insider trading provisions of the Corporations Act. Trading in securities when in the possession of inside information that is not generally available to the public is prohibited at all times.

Lend Lease also prohibits Directors, designated executives and employees from entering into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lend Lease securities. In addition, the Policy prohibits Directors and designated executives from entering into margin loan arrangements in respect of Lend Lease securities.

### 5.5 Political Donations

The Lend Lease Group Political Donations Policy was updated in May 2011. Lend Lease sets a firm and consistent standard across the Group that aims to ensure that public confidence is maintained in the Group and its relationships with governments and community leaders.

Lend Lease will not make any donations whether in cash or in kind, to political parties or individuals holding or standing for public office. Lend Lease does however participate in public policy debate and policy development on issues that may impact the Group's businesses and the interests of securityholders, employees and other stakeholders. At times, we do pay fees for Group employees to attend functions which involve discussion of issues relevant to the Group. Employees are required to obtain the prior approval of their Regional CEO before attending any function on behalf of Lend Lease which has political objectives. Where the function is primarily a political fundraiser or where the amount paid for attending the event is in excess of the reasonable value, these are considered to be donations and are not permitted under this Policy.

## 6. Diversity and Inclusion Governance

**Relevant governance documents (see www.lendlease.com)**

- Diversity and Inclusion Policy
- Sustainability Committee Charter
- Nomination Committee Charter

Lend Lease operates in some professional fields that have not traditionally been hospitable to women and minorities. The Group is committed to seeking out, valuing and rewarding the highest level of professional achievement by all individuals regardless of their gender, ethnicity or other background. Improving the diversity of our workforce is a key objective across our business.

There are five key goals that underpin the delivery of Lend Lease's diversity agenda:

1. Become a leader in establishing and maintaining a diverse and inclusive workplace
2. Include and embed diversity principles in the Lend Lease culture so that they are followed in the Lend Lease community
3. Provide career development opportunities for every employee, irrespective of any differences.
4. Continually educate all employees about the importance of a diverse and inclusive workplace
5. Ensure fairness and parity in creating and maintaining a diverse and inclusive workplace.

Lend Lease operates in many countries around the world with regional headquarters servicing key markets in Australia, Asia, the Americas and Europe, Middle East and Africa. Within each of these regions that Lend Lease operates in, a Diversity and Inclusion leader oversees all diversity activities. Each region has its own 'Diversity Council', which are steering committees to facilitate a diverse, collaborative and inclusive culture. Diversity Councils oversee a number of Employee Resource Groups (ERGs). ERGs engage with employees directly, to further drive our diversity agenda and represent key diversity groups including women in the workplace, age & intergenerational diversity, all abilities ending any Tih Lend LecTagi
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# OVERVIEW

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## Introduction

From 1 July 2010, the Group moved to a regional management structure focused on four major geographic regions: Australia, Asia, Europe and the Americas, to better support the Group's integrated model and provide a platform to develop regional investment opportunities. The regional business units operate across four lines of business, as follows:

- The Development business operates in all four major geographic regions and is involved in the development of master-planned urban communities, inner-city mixed-use developments, apartments, retail and the retirement living and aged care sector;
- The Construction business operates in all four major geographic regions providing project management, engineering and construction services;
- The Investment Management business operates in all four major geographic regions and provides real estate investment management, retail property management and asset management services. This business includes the Group's ownership interests in property investments held directly or indirectly through investments in the Group managed funds; and
- The Infrastructure Development business operates in Australia, Europe and the Americas and manages and invests in Public Private Partnership (PPP) projects.

## Results Summary

| | REVENUE | | EBITDA | | PROFIT/(LOSS) AFTER TAX[1,2] | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Australia | 5,099.5 | 3,730.3 | 385.7 | 323.7 | 281.4 | 246.9 |
| Asia | 422.3 | 423.9 | 54.4 | 41.0 | 46.1 | 33.2 |
| Europe | 1,488.5 | 2,498.0 | 149.3 | 166.9 | 137.4 | 118.6 |
| Americas | 1,934.7 | 3,862.2 | 247.8 | 53.5 | 156.6 | 30.7 |
| **Total Operating Businesses** | **8,945.0** | **10,514.4** | **837.2** | **585.1** | **621.5** | **429.4** |
| Group Services | 12.7 | 14.5 | (114.9) | (103.5) | (84.0) | (75.2) |
| Group Treasury | 56.4 | 41.1 | (11.6) | 0.9 | (49.3) | (26.9) |
| Group Amortisation | | | | | (2.9) | (3.7) |
| **Total Corporate** | **69.1** | **55.6** | **(126.5)** | **(102.6)** | **(136.2)** | **(105.8)** |
| **Total Operating** | **9,014.1** | **10,570.0** | **710.7** | **482.5** | **485.3** | **323.6** |
| Property Investment Revaluations | | | 10.7 | 33.7 | 7.5 | 22.0 |
| **Total Statutory** | **9,014.1** | **10,570.0** | **721.4** | **516.2** | **492.8** | **345.6** |

1 Profit after tax is after adjusting for the profit after tax attributable to non controlling interests of A$0.4 million (June 2010: A$2.6 million).
2 The foreign exchange rates applied are A$1 = £0.63 (June 2010: A$1 = £0.57), A$1 = US$1.00 (June 2010: A$1 = US$0.90) and A$1 = S$1.28 (June 2010: A$1 = S$1.25).

The Group's operating profit after tax increased by 50% to A$485.3 million. Profit after tax includes A$101.7 million resulting from the agreement to sell the Group's 50% interest in the King of Prussia shopping mall in the United States (US). Operating profit after tax was negatively impacted by foreign exchange movements of A$29.1 million due to a strengthening of the Australian dollar compared with the prior year.

The Group's statutory profit after tax for the year ended 30 June 2011 was A$492.8 million (June 2010: A$345.6 million), which includes net property investment revaluations of A$7.5 million after tax (June 2010: A$22.0 million).

The Group made progress implementing its strategy through key acquisitions in Australia and the Americas, recycling mature assets and achieving key trading milestones on a number of its development projects in Australia, Asia and Europe.

## Australia

In Australia, profit after tax increased by A$34.5 million to A$281.4 million due to higher profit from the development and construction businesses. The higher profit from development reflects the Group's 100% ownership interest in Lend Lease Primelife for a full year and a profit on sale of the Group's interest in the Hyatt Coolum development on the Queensland Sunshine Coast. The higher construction profit after tax reflects the acquisition of Valemus Australia (Valemus) in the second half of the financial year.

On 21 December 2010, the Group entered into an agreement with Bilfinger Berger SE to acquire 100% of Valemus, the parent company of Abigroup, Baulderstone and Conneq, which together now form the Group's infrastructure business in Australia. The businesses are leading providers of services in the engineering, engineering services and construction markets in Australia. The acquisition has increased the Group's capabilities and activities in the engineering and construction market and diversified its position in this sector. The acquisition was completed on 10 March 2011.

The Australian business continued to progress its development pipeline. In particular, approval was received from the New South Wales (NSW) Government for the Barangaroo South Concept Plan amendment, along with approval for the first commercial building and basement and bulk excavation works on the site. On 8 August 2011, the NSW Government released the Barangaroo Review. The Review confirmed that Barangaroo South has valid planning consent and that the Group followed all due process. The Review findings provide certainty that the A$6 billion project will proceed on schedule. The Group is on program to commence work in coming weeks on the construction of the basement and begin the first commercial tower before the end of the 2011 calendar year. Discussions with major tenants and capital partners continue to progress well.

# OVERVIEW CONTINUED

MD&A

## Asia

In Asia, profit after tax increased by A$12.9 million to A$46.1 million primarily due to the sale of the Group's 25% ownership interest in the PoMo retail shopping centre in Singapore. During the year, the Group secured the Jurong Gateway site, a large mixed use suburban development in Singapore. This was a joint bid between the Group and one of its managed funds, the Asian Retail Investment Fund 3 (ARIF 3).

## Europe

In Europe, profit after tax increased by A$18.8 million to A$137.4 million reflecting the sale of the Group's interest in UK Infrastructure Development assets to the Lend Lease PFI/PPP Infrastructure Fund LP (the UKIF). During the year, the UKIF was launched with £220 million in committed capital available to invest in social infrastructure assets over the next five years. The UKIF purchased established healthcare, education and accommodation PPP assets from the Group and has committed capital to fund the acquisition of future assets currently being delivered by the Group. The Group has a 10% co-investment in the UKIF. The Group also sold its interest in the Pier Walk office building at Greenwich Peninsula and its stake in the Lend Lease Overgate Partnership in the year.

A Conditional Regeneration Agreement was signed with the London Borough of Southwark for the £1.5 billion regeneration of Elephant and Castle. In addition, all conditions were met in relation to the Conditional Framework Agreement between the Group and London and Continental Railways (LCR) for the second stage of the Stratford City development, Stratford International Quarter. The development comprises 382,000 square metres (sqm) of commercial space and 300 residential units to be developed following the London 2012 Olympic and Paralympic Games. Work on stage one of the project, the Athletes' Village for the Olympic Games, has continued to progress well in the year.

## Americas

In the Americas, profit after tax increased by A$125.9 million to A$156.6 million. This includes A$101.7 million from the agreement to sell the Group's 50% ownership interest in the King of Prussia shopping mall.

On 17 February 2011, the Group acquired The DASCO Companies LLC. This business focuses on the development, financing, leasing and management of property in the healthcare sector. The acquisition will create one of the US's premier healthcare property platforms by combining DASCO's expertise in the development and delivery of medical office buildings and outpatient care facilities with Lend Lease's expertise in project management and construction, financial structuring and asset management.

While trading conditions in the construction business remain difficult, there was a significant improvement in the year, with a A$40.2 million reduction in the reported loss to A$4.8 million. The business substantially reduced its exposure in relation to the World Trade Center litigation following the James Zadroga 9/11 Health and Compensation Act (Zadroga Act) being passed by the US Congress and signed into law by the US President on 2 January 2011. The Zadroga Act establishes substantial limitations on the liability of certain entities that participated in the rescue, recovery and debris removal following the 11 September 2001 attacks on the World Trade Center. For the Group, liabilities, if any, arising out of the debris removal effort are now limited to available insurance.

The volume of construction projects secured in the year increased, reflecting some positive signs that market conditions are improving. The Infrastructure Development business was successful in reaching financial close with the US Department of the Army on North Haven Communities in Alaska and being appointed to implement the second phase of the US Department of the Army Privatisation of Army Lodging (PAL) program.

## Corporate

Group Services costs after tax increased by A$8.8 million to A$84.0 million. This includes costs associated with the redesign of the organisation structure and business processes.

Group Treasury costs increased principally due to the consolidation of Lend Lease Primelife and its associated debt, an increase in net debt following the acquisition of Valemus and upfront costs associated with refinancing maturing credit facilities.

## Securityholder Returns

| | | June 2011 | June 2010 |
|---|---|---|---|
| Earnings per security (EPS) on statutory profit after tax[1] | cents | 86.9 | 69.5 |
| EPS on operating profit after tax[1] | cents | 85.6 | 65.1 |
| Return on equity (ROE) on statutory profit after tax[2] | % | 14.2 | 12.6 |

1 EPS is calculated using the weighted average number of securities on issue, including treasury securities.
2 ROE is calculated as the statutory profit after tax divided by the weighted average equity for the year.

## Distributions

A final distribution of 15 cents per security, unfranked, will be paid on 30 September 2011 (June 2010: 12 cents per security 100% franked). Together with the interim distribution of 20 cents per security, 50% franked (December 2009: 20 cents per security 100% franked), this represents a payout ratio of 41% of operating profit after tax for the year ended 30 June 2011.

## Group Funding

| | | June 2011 | June 2010 |
|---|---|---|---|
| Net debt/(cash)[1,5] | A$m | 875.4 | (19.7) |
| Gross borrowings to total tangible assets[2,5] | % | 17.7 | 15.1 |
| Net debt to total tangible assets, less cash[3,5] | % | 8.9 | Note 3 |
| Interest coverage[4] | times | 6.7 | 6.7 |

1 Borrowings, including certain other financial liabilities, less cash.
2 Borrowings, including certain other financial liabilities, divided by total tangible assets.
3 Net debt divided by total tangible assets, less cash. This ratio was not relevant in the prior year as the Group was in a net cash position.
4 Operating EBITDA plus interest income divided by interest finance costs, including capitalised finance costs.
5 The foreign exchange rates applied are A$1 = £0.65 (June 2010: A$1 = £0.56), A$1 = US$1.07 (June 2010: A$1 = US$0.85) and A$1 = S$1.32 (June 2010: A$1 = S$1.23).

The Group had net debt as at 30 June 2011 of A$875.4 million, including certain other financial liabilities of A$227.7 million (June 2010: A$169.6 million). Interest coverage for the year ended 30 June 2011 is 6.7 times, consistent with the prior year. As at 30 June 2011 the Group was in compliance with all of the financial covenants contained within its credit facilities.

The average maturity of the Group's drawn debt at 30 June 2011 is five years, with the earliest maturity date being October 2012. As at 30 June 2011, the mix of borrowings, adjusted for interest rate swaps and including other financial liabilities, is 51% at fixed rates and 49% at floating rates. Subsequent to the year end a number of interest rate swaps were implemented which increases the proportion of fixed rate interest borrowings to 62%.

In March 2011, the Group established a new five year A$225 million loan facility to partly fund the Valemus acquisition. On 3 June 2011, the Group also established a A$975 million syndicated loan facility which comprises a three year term tranche with a limit of A$595 million maturing in July 2014 and a five year term tranche with a limit of A$380 million maturing in July 2016. The proceeds were used to refinance the Group's fully drawn A$570 million club facility that was due to mature in December 2011. Both of these new facilities are consistent with the Group's standard terms and conditions and there are no changes to the Group's existing financial covenants. The Group also secured a three year bonding facility maturing in July 2014; this facility replaced a bridge facility put in place at the time of the Valemus acquisition.

The Group is in a strong liquidity position with cash and cash equivalents of A$1,046.2 million as at 30 June 2011. In addition, the Group had undrawn committed bank facilities of A$815.7 million.

## Cash Flow

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| Net cash (used in)/provided by operating activities | (42.2) | 167.7 |
| Net cash (used in) investing activities | (687.0) | (249.6) |
| Net cash provided by financing activities | 216.3 | 652.5 |
| Effect of foreign exchange rate movements on cash and cash equivalents | (76.8) | (55.5) |
| **Net (decrease)/increase in cash and cash equivalents** | **(589.7)** | **515.1** |

Operating cash outflows of A$42.2 million represent the underlying cash flows from the Group's operating businesses. Operating cash flows include A$584.3 million of investment in new development projects and have been impacted by lower revenue and the timing of cash receipts and payments on construction contracts in all regions. There was a significant improvement in operating cash flows in the second half of the financial year with a net inflow of A$95.3 million compared to an outflow of A$137.5 million in the first half of the year.

Investing cash outflows of A$687.0 million includes A$1,040.9 million of investments, including the acquisition of Valemus, the Jurong Gateway project in Singapore, The DASCO Companies LLC in the US and investment in PPP assets in Australia and the UK. This is partly offset by inflows of A$411.5 million from the sale of investments, including the Group's interest in UK PPP assets, the Lend Lease Overgate Partnership in the UK and the PoMo shopping centre in Singapore.

Financing cash inflows of A$216.3 million relates to a net inflow from refinancing of the Group's borrowings, financing of acquisitions and distribution payments in the year.

# OVERVIEW CONTINUED

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## Investments

| | Lend Lease Share of Income[1] June 2011 A$m | Lend Lease Share of Income[1] June 2010 A$m | Market Value[2] June 2011 A$m | Market Value[2] June 2010 A$m |
|---|---|---|---|---|
| Australia | 19.5 | 39.0 | 315.8 | 328.0 |
| Asia | 11.5 | 11.8 | 322.0 | 253.1 |
| Europe | 42.8 | 59.3 | 851.4 | 972.1 |
| Americas | 27.1 | 27.2 | 496.5 | 410.0 |
| **Total** | **100.9** | **137.3** | **1,985.7** | **1,963.2** |

1 Represents the Group's share of income before tax from investments, net of direct expenses and allocated overhead. The Group's share of income includes gains on the disposal or redemption of available for sale financial assets and investments in associates accounted for using the equity method and excludes property investment revaluations.
2 Market value represents the Group's assessment of the value of its interest in the underlying assets and is net of project specific debt.

The Group held property investments, directly or indirectly, with a market value of A$2.0 billion as at 30 June 2011. The market value of property investments has been impacted by negative foreign exchange movements of A$258.2 million during the year.

The decrease in value of the Australia investments is primarily due to the negative impact of foreign exchange movements on the New Zealand Retail Portfolio and the partial redemption of capital in the Real Estate Partnership Funds.

The increase in value of the Asia investments is due to the Group acquiring an interest in the Jurong Gateway project in Singapore, partly offset by the negative impact of exchange rate movements of A$20.4 million.

The decrease in the Europe assets is due to the sale of the Group's 30.7% interest in the Lend Lease Overgate Partnership and the negative impact of exchange rate movements of A$133.6 million.

The value of 100% of Bluewater at 30 June 2011 increased by 9.3% to £1,574.4 million (A$2,422.2 million). The value of the Group's 30% direct interest in Australian dollars, however, decreased by A$44.8 million to A$726.6 million, due to negative foreign exchange movements. As Bluewater is held as inventory, the asset is recorded at cost in the financial statements, which at 30 June 2011 was A$400.0 million (June 2010: A$451.9 million).

The value of the Group's 50% interest in King of Prussia at 30 June 2011 of US$531.3 million (June 2010: US$348.5 million) reflects the revaluation increment arising from the conditional agreement reached on 24 May 2011 to sell the asset. The Australian dollar equivalent value of A$496.5 million has been impacted by a negative foreign exchange movement of A$96.3 million. Given the conditional agreement to sell this asset, the revaluation increment of A$101.7 million, which is net of associated sale transaction costs, is included within operating profit after tax and as at 30 June 2011 the investment is classified as a non current asset held for sale.

## Property Investment Revaluations

| | Unrealised Revaluation Gain/(Loss) Before Tax June 2011 A$m | Unrealised Revaluation Gain/(Loss) Before Tax June 2010 A$m | Unrealised Revaluation Gain/(Loss) After Tax June 2011 A$m | Unrealised Revaluation Gain/(Loss) After Tax June 2010 A$m |
|---|---|---|---|---|
| Australia | 1.0 | (4.4) | 1.0 | (4.0) |
| Asia | 13.6 | 44.2 | 9.5 | 31.0 |
| Europe | (3.9) | (1.3) | (3.0) | (2.2) |
| Americas | | (4.8) | | (2.8) |
| **Total Property Investment Revaluations** | **10.7** | **33.7** | **7.5** | **22.0** |

# AUSTRALIA

MD&A

## Key Financial Results

The key financial results for the Australia region are summarised below.

| | REVENUE | | EBITDA | | PROFIT/(LOSS) AFTER TAX | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Development | 729.4 | 617.4 | 189.7 | 133.9 | 159.0 | 122.9 |
| Construction | 4,278.8 | 3,033.1 | 164.0 | 136.4 | 101.9 | 87.1 |
| Investment Management | 90.6 | 72.5 | 44.5 | 62.5 | 30.0 | 43.3 |
| Infrastructure Development | 0.7 | 7.3 | (12.5) | (9.1) | (9.5) | (6.4) |
| **Total Australia** | **5,099.5** | **3,730.3** | **385.7** | **323.7** | **281.4** | **246.9** |

In Australia, profit after tax increased by A$34.5 million to A$281.4 million. The current year results include the Group's 100% ownership of Lend Lease Primelife for a full year, profit from the sale of development land at Hyatt Coolum and sale of 50% of the Group's interest in the Hyatt Coolum Resort on the Queensland Sunshine Coast, and income from the New Zealand Retail Portfolio assets acquired in April 2010. The construction segment includes the results of the infrastructure business following the Valemus acquisition on 10 March 2011, net of acquisition costs.

## Development

### Residential and Commercial

Residential and Commercial includes the development of residential land lots; residential built-form (including houses, terraces and apartments); and commercial (including retail, office, hotels, light industrial and social infrastructure). Sales results by product line are detailed below.

| | RESIDENTIAL LAND LOTS | | RESIDENTIAL BUILT-FORM | | COMMERCIAL[3] | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 | June 2010 | June 2011 | June 2010 | June 2011 | June 2010 | June 2011 | June 2010 |
| Settlements[1] | | | | | | | | |
| Number of units | 2,299 | 2,658 | 172 | 234 | | | 2,471 | 2,892 |
| Gross sales value (A$m) | 497.2 | 510.6 | 205.6 | 165.1 | 208.1 | 114.1 | 910.9 | 789.8 |
| Pre-sales[1,2] | | | | | | | | |
| Number of units | 1,443 | 1,046 | 517 | 469 | | | 1,960 | 1,515 |
| Gross sales value (A$m) | 312.1 | 233.6 | 501.9 | 438.9 | 85.6 | 33.3 | 899.6 | 705.8 |

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
2 Pre-sales represents contracts entered into prior to 30 June 2011 that have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future years.
3 The number of units settled and pre-sales number of units are not relevant measures for Commercial.

| | June 2011 | June 2010 |
|---|---|---|
| Number of projects | 37 | 32 |
| Backlog residential (number of units)[1] | | |
| – Zoned | 56,040 | 38,595 |
| – Unzoned | 17,540 | 33,035 |
| Backlog – Residential (units) | 73,580 | 71,630 |
| Backlog – Commercial (sqm/000s) | 6,131.7 | 3,500.5 |

1 Backlog residential includes the total number of units in both Group-owned and joint venture projects. The actual number of units for any particular project can vary as planning applications are approved.

# AUSTRALIA CONTINUED

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### Retirement Living and Aged Care

Retirement living and aged care includes the development, management and ownership of retirement villages and aged care facilities. The key statistics for the business are detailed below.

| | June 2011 | June 2010 |
|---|---|---|
| **Retirement Living** | | |
| Number of retirement villages[1] | 70 | 70 |
| Number of retirement units[1] | 12,408 | 12,357 |
| Number of primary retirement units settled[1,2] | 224 | 234 |
| Gross sales value of primary retirement units settled (A$m)[1,2] | 89.7 | 78.8 |
| Number of resale retirement units settled[1,2] | 707 | 828 |
| Gross sales value of resale retirement units (A$m)[1,2] | 218.5 | 255.1 |
| **Aged Care** | | |
| Number of aged care facilities[1] | 30 | 32 |
| Number of aged care beds[1] | 2,317 | 2,370 |
| Aged care occupancy (%)[1] | 94.5 | 94.5 |
| **Development backlog[1]** | | |
| – Retirement village units (with planning approval) | 1,257 | 1,310 |
| – Aged care beds (with licences) | 299 | 179 |

1 The number of retirement villages and aged care facilities includes 100% of Group owned, joint venture and managed properties.
2 The June 2010 comparative has been adjusted to include 100% of Lend Lease Primelife.

Summary of trading for the development businesses in the year:

- The total number of residential land lots settled decreased by 14% from the prior year to 2,299 units principally as a result of lower settlements in South Australia and Queensland, reflecting current market conditions and a number of projects approaching completion. The number of residential land lot pre-sales however increased by 38% on the prior year to 1,443 units and these will be recognised as sales in the next financial year;
- The average sales price per residential land lot increased by 13% from A$192,100 to A$216,300, reflecting price increases in Victoria and an increased proportion of sales from the higher value NSW and ACT regions;
- Residential built-form unit settlements declined due to the timing of project completions. The prior year included settlements on Rouse Hill and The Merchant building at Victoria Harbour. The current year primarily includes settlements on Sugar Dock at Jacksons Landing;
- The average sales price per residential built-form unit increased by 69% from A$706,000 to A$1,195,000 reflecting the number of high value apartments at Sugar Dock settled in the current year. The prior year included a larger proportion of mid-market apartments at Rouse Hill and The Merchant in Victoria Harbour;
- The gross sales value of commercial projects of A$208.1 million includes the sale of Hyatt Coolum development land on the Sunshine Coast, along with 50% of the Group's interest in the adjoining Hyatt Coolum Resort;
- Retirement living and aged care achieved resales of 707 units across its owned and managed retirement village portfolio. As at 30 June 2011, retirement living and aged care held contracts for 195 retirement unit resales and held contracts for 100 primary retirement unit sales;
- The aged care operations were 94.5% occupied as at 30 June 2011.

Key trading events in the year include:

- Approval was received from the NSW Government for the Barangaroo South Concept Plan amendment. Approval was also received for the first commercial building and basement and bulk excavation works on the site. On 8 August 2011, the NSW Government released the Barangaroo Review. The Review confirmed that Barangaroo South has valid planning consent and that the Group followed all due process. The Review findings provide certainty that the A$6 billion project will proceed on schedule. The Group is on program to commence work on the construction of the basement and the first commercial tower before the end of the 2011 calendar year. Discussions with major tenants and capital partners continue to progress well;
- The redevelopment of the Royal National Agricultural and Industrial Association of Queensland's urban regeneration project has commenced with all conditions precedent now satisfied. The A$2.5 billion project will deliver new facilities for Queensland's premier showground, with 340,000 sqm of residential, commercial and retail to be developed over the next 15 years;

- The commercial component of the Darling Quarter project in Sydney achieved practical completion during the year. The project is a campus-style commercial development across two eight-storey buildings, providing accommodation for over 6,000 employees of the Commonwealth Bank of Australia. The development also includes a new youth theatre, cafes, restaurants, new parkland, a children's illuminated playground and public car parking;
- The Group signed a development agreement with LandCorp in Western Australia for the first stage of the 710 hectare Alkimos community development with an estimated end value of A$400 million. Development of the initial 224 hectare stage is expected to commence in the 2012 financial year;
- The Group was selected by the Melton Shire Council as preferred proponent for the Atherstone (previously named Toolern) master-planned urban community project in Melton, Victoria during the year. Subsequent to 30 June 2011, the development agreement was signed. The project will comprise circa 4,500 dwellings with an estimated end value of A$1.2 billion;
- Sekisui House acquired a 50% interest in the 145 apartment development, Serrata, at Victoria Harbour in Melbourne. The Group has retained the remaining 50% interest and will provide development, project management and construction services to the joint venture;
- The Queensland Government endorsed the Urban Land Development Authority's (ULDA) declaration to include Yarrabilba as one of three South East Queensland 'model cities'. Yarrabilba is a master-planned urban community with potential for over 17,000 lots. The endorsement included the identification of an 'Early Release Area' involving the zoning of the first 520 lots at Yarrabilba. This allows the initial development to commence over the next 12 months while the ULDA finalises the Development Scheme for the entire site;
- The Group signed a land management agreement for a 438 hectare site at Werribee, Melbourne. The project will include approximately 4,000 homes and community infrastructure including four schools, sport and recreation facilities and a neighbourhood shopping centre;
- The Group acquired the freehold title to the Medina Manor aged care facility and the five retirement villages in the APN portfolio (which were previously leased to and managed by the Group);
- The Group entered into an unconditional option agreement to acquire the remaining 50% joint venture interest in the Claremont retirement village and aged care facility, which was subsequently executed and settled in July 2011.

## Construction

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 101.9 | 87.1 |
| Gross profit margin (GPM) (A$m) | 317.2 | 188.3 |
| New work secured revenue (A$m) | 3,365.1 | 1,340.6 |
| Backlog revenue (A$m) | 8,615.0 | 4,177.5 |
| Backlog GPM (A$m) | 631.3 | 209.9 |

Key trading events in the year include:

- On 21 December 2010, the Group entered into an agreement with Bilfinger Berger SE to acquire 100% of Valemus, the parent company of Abigroup, Baulderstone and Conneq, that together now form the Group's infrastructure business in Australia. The businesses are leading providers of services in the engineering, construction, and engineering services markets in Australia. The acquisition has increased the Group's capabilities and activities in the engineering and construction market and diversified its position in this sector. The acquisition was completed on 10 March 2011;
- Profit after tax increased by A$14.8 million to A$101.9 million and includes A$11.8 million profit from the infrastructure business following its acquisition in March 2011. The profit is net of A$20.5 million of transaction costs associated with the acquisition. The results are in line with expectations determined by the Group during the acquisition process;
- Key contributors to GPM in the year included Gold Coast University Hospital, the new Royal Children's Hospital in Melbourne, the Commonwealth New Building Project in Canberra, 420 George Street and Darling Quarter in Sydney and the NSW Building the Education Revolution (BER) program;
- Backlog revenue is the expected revenue to be realised in future financial years from contracts committed at the end of the year. Backlog revenue at 30 June 2011 of A$8.6 billion includes A$6.0 billion backlog revenue from the infrastructure business, with key projects including the Queensland Children's Hospital, upgrade to the Ipswich Motorway and redevelopment of the Mackay Base Hospital in Queensland, the Peninsula Link freeway in Victoria, the Hunter Expressway in NSW and the Adelaide Convention Centre in South Australia;
- Backlog revenue also includes a number of large government infrastructure projects in the project management and construction business such as Gold Coast University Hospital and the new Royal Children's Hospital in Melbourne.

# AUSTRALIA CONTINUED

MD&A

## Investment Management

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 30.0 | 43.3 |
| Funds under management (FUM)[1] (A$b) | 7.7 | 7.1 |
| Assets under management (AUM)[2] (A$b) | 4.8 | 5.3 |

1 FUM represents the gross market value of real estate and other related assets in managed funds and investment mandates of the Group.
2 AUM is based on the Group's assessment of the market value of retail assets for which the Group provides property and asset management services to third-party owners.

Key trading events in the year include:

- Profit after tax decreased by A$13.3 million to A$30.0 million, primarily due to the prior year including a profit from the sale of a proportion of the Group's interest in the Australian Prime Property Funds (APPF). Underlying earnings increased due to higher management fees and income from the New Zealand Retail Portfolio assets acquired in April 2010;
- APPF Commercial (APPFC) raised A$200 million of equity in the year. APPFC will use the equity to pay down debt following the completion of a number of developments;
- Practical completion was reached on the 420 George Street development in Sydney, NSW. APPFC has a 25% interest in the development;
- The commercial component of the Darling Quarter project was completed during the year. The project is owned 50% by APPFC and 50% by a Lend Lease investment mandate client;
- Subsequent to 30 June 2011, APPF Retail had its credit rating raised by Standard & Poor's to A+.

## Infrastructure Development

Key trading events in the year include:

- The loss after tax increased by A$3.1 million to A$9.5 million in the current year reflecting ongoing investment in the business, including costs associated with bidding for new opportunities which had not been awarded as at 30 June 2011;
- The Group, as part of the Pinnacle Education Consortium, completed construction of the South Australian New Schools PPP project during the year. The consortium was contracted to build and maintain six schools in Adelaide. The Group holds a 50% equity interest in the project and provides financial advisory, transaction management and asset management services to the consortium;
- The Capella Parking Consortium was announced as preferred bidder for the A$140 million Queen Elizabeth II Medical Centre Car Park Project in Perth during the year. Subsequent to 30 June 2011, the Consortium achieved financial close on this project. Fees from the project will be recognised in the 2012 financial year. The consortium will operate and manage a new multi-deck car park facility. The Group will hold a 33% equity interest in the project.

# ASIA

MD&A

## Key Financial Results

The key financial results for the Asia region are summarised below.

| | REVENUE | | EBITDA | | PROFIT/(LOSS) AFTER TAX | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Development | 4.4 | 2.7 | (0.4) | (0.4) | (0.3) | (0.4) |
| Construction | 401.7 | 403.4 | 24.0 | 25.2 | 16.0 | 18.3 |
| Investment Management | 16.2 | 17.8 | 30.8 | 16.2 | 30.4 | 15.3 |
| **Total Asia** | **422.3** | **423.9** | **54.4** | **41.0** | **46.1** | **33.2** |

In Asia, profit after tax increased by A$12.9 million to A$46.1 million in the current year primarily due to a profit on sale of the Group's 25% ownership interest in the PoMo retail centre in Singapore. Profit after tax was negatively impacted by foreign exchange movements of A$1.4 million.

## Development

| | June 2011 | June 2010 |
|---|---|---|
| Number of development projects | 2 | 2 |
| Backlog – Commercial/Retail (sqm/000s) | 144.0 | 144.0 |

The development loss after tax of A$0.3 million is due to costs associated with the Jurong Gateway project, which is in the early stages of development. During the year the Group finalised the purchase of the Jurong Gateway site, a large mixed-use suburban development in Singapore. This was a joint bid by the Group and one of its managed funds, the Asian Retail Investment Fund 3 (ARIF 3).

## Construction

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 16.0 | 18.3 |
| Gross profit margin (A$m) | 53.2 | 45.1 |
| New work secured revenue (A$m) | 864.8 | 326.9 |
| Backlog revenue (A$m)[1] | 746.9 | 289.9 |
| Backlog GPM (A$m)[1] | 39.2 | 34.9 |

1 Although backlog revenue and backlog GPM are realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog revenue and backlog GPM balances in their entirety as the average rates for later years cannot be predicted.

Key trading events in the year include:

- Profit after tax decreased by A$2.3 million to A$16.0 million. Key contributions to GPM in Asia included telecommunications rollouts across Japan, REC solar panel plant and Alcon ophthalmic pharmaceutical plant in Singapore and Corning Display Technologies in Taiwan;
- The increase in new work secured revenue is principally due to the Jurong Gateway mixed-use development project in Singapore and the Corning Display Technologies LCD glass manufacturing facility project in Taiwan;
- Backlog revenue as at 30 June 2011 includes Jurong Gateway and Stamford American International School in Singapore, telecommunications rollout projects in Japan, Corning Display Technologies in Taiwan, and KL Eco City and Setia City Mall in Malaysia.

## Investment Management

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 30.4 | 15.3 |
| Funds under management (FUM)[1] (A$b) | 2.0 | 1.6 |
| Assets under management (AUM)[2] (A$b) | 1.6 | 1.8 |

1 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.
2 AUM represent the Group's assessment of the value of the underlying assets.

Key events in the year include:

- Profit after tax increased by A$15.1 million to A$30.4 million due to a profit on sale of the Group's 25% ownership interest in the PoMo retail shopping centre in Singapore;
- Asia FUM increased by A$0.4 billion, as a result of the launch of ARIF 3 following securing of the Jurong Gateway project in Singapore;
- Asia AUM decreased by $0.2 billion due to the sale of the Group's 25% ownership interest in the PoMo retail shopping centre in Singapore.

# EUROPE

MD&A

## Key Financial Results

The key financial results for the Europe region are summarised below.

| | REVENUE | | EBITDA | | PROFIT/(LOSS) AFTER TAX | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Development | 19.7 | 124.5 | 5.0 | 43.9 | 4.7 | 41.5 |
| Construction | 1,288.3 | 2,167.2 | 27.1 | 50.4 | 11.4 | 25.8 |
| Investment Management | 64.6 | 79.6 | 39.1 | 71.6 | 34.7 | 41.1 |
| Infrastructure Development | 115.9 | 126.7 | 78.1 | 1.0 | 86.6 | 10.2 |
| **Total Europe** | **1,488.5** | **2,498.0** | **149.3** | **166.9** | **137.4** | **118.6** |

In Europe, profit after tax increased by A$18.8 million to A$137.4 million reflecting the sale of the Group's interest in UK Infrastructure Development assets to the Lend Lease PFI/PPP Infrastructure Fund LP (the UKIF). Profit after tax was negatively impacted by foreign exchange movements of A$10.9 million.

## Development

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax | 4.7 | 41.5 |
| Number of units settled[1] | 55 | 634 |
| Gross sales value of units settled (A$m)[1,2] | 11.0 | 123.9 |
| Number of pre-sales[1,3] | 234 | 232 |
| Gross sales value of pre-sales (A$m)[1,3] | 13.6 | 11.6 |
| Number of projects | 23 | 24 |
| Backlog (number of units)[4] | | |
| – Zoned (with planning approval) | 12,209 | 12,165 |
| – Unzoned (awaiting planning approvals) | 2,783 | 260 |
| Backlog – Residential (units) | 14,992 | 12,425 |
| Backlog – Commercial (sqm/000s) | 777.9 | 384.0 |

1 Includes 100% of joint venture projects and therefore will not necessarily correlate with the Group's profit after tax.
2 Gross sales value of units settled reflects residential and non residential revenue from projects.
3 Pre-sales represent contracts entered into prior to 30 June 2011 that have not settled and therefore do not form part of profit after tax in the current year. These sales are expected to settle in future years.
4 Backlog includes the total number of units in both Group-owned and joint venture projects. The actual number of units for any particular project can vary as planning approvals are obtained.

Key trading events in the year include:

- Profit after tax decreased by A$36.8 million to A$4.7 million. The result for the year ended 30 June 2010 included profit on sale of the Group's investment in Meridian Delta Dome Limited and higher profits from the Athletes Village project and the UK residential business (formerly known as Crosby Lend Lease);
- Settlements relate to the sale of remaining inventory in the UK residential business. The Group has 24 completed units left to sell;
- The Group signed a Conditional Regeneration Agreement with the London Borough of Southwark for the regeneration of Elephant and Castle comprising more than 300,000 sqm of new build, mixed-use development together with major infrastructure improvements and a range of enhanced community facilities;
- The Group sold its interest in the Pier Walk office building at Greenwich Peninsula;
- All conditions were met in relation to the Conditional Framework Agreement between the Group and London and Continental Railways (LCR) for the second stage of the Stratford City development, Stratford International Quarter. The development comprises 382,000 sqm of commercial space and 300 residential units to be developed following the London 2012 Olympic and Paralympic Games.

## Construction

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 11.4 | 25.8 |
| Gross profit margin (A$m) | 116.4 | 163.8 |
| New work secured revenue (A$m) | 1,435.5 | 1,138.5 |
| Backlog revenue (A$m)[1] | 1,454.6 | 1,473.9 |
| Backlog GPM (A$m)[1] | 120.7 | 126.8 |

1 Although backlog revenue and backlog GPM are realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog revenue and backlog GPM balances in their entirety as the average rates for later years cannot be predicted.

Key trading events in the year include:

- Profit after tax decreased by A$14.4 million to A$11.4 million reflecting challenging trading conditions across both the UK and Continental Europe. Key contributions to GPM included the Athletes' Village project for the 2012 Olympic and Paralympic Games in London, the new BBC broadcasting centre, UK Ministry of Defence projects and the BP Global Alliance project across Europe;
- New work secured revenue increased by A$0.3 billion to A$1.4 billion and includes the Scottish National Arena in Glasgow, Bulford Housing for the UK Ministry of Defence and Manchester Creative & Media Academy.

## Investment Management

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 34.7 | 41.1 |
| Funds under management (FUM)[1] (A$b) | 1.2 | 1.4 |
| Assets under management (AUM)[2] (A$b) | 3.1 | 3.5 |

1 FUM represents the gross market value of real estate and other related assets managed on behalf of investors.
2 AUM represent the Group's assessment of the value of the underlying assets.

Key trading events in the year include:

- Profit after tax decreased by A$6.4 million to A$34.7 million. The current year profit includes a profit on sale of the Group's interest in the Lend Lease Overgate Partnership. The Lend Lease Overgate Partnership was sold in December 2010, with the Group realising proceeds of A$71.5 million for its 30.7% stake in the partnership. The June 2010 result included a profit on the sale of the Group's 33.3% ownership interest in Performance Retail Limited Partnership;
- The Group launched the UKIF with £220 million in committed capital available to invest in social infrastructure assets over the next five years. The UKIF purchased established healthcare, education and accommodation PPP assets from the Group for A$125.9 million, with further consideration of approximately A$50.0 million due on transfer of certain other Group PPP assets still under construction and commissioning. The Group has a 10% co-investment in the UKIF;
- The Lend Lease Retail Partnership (LLRP) was extended for a further seven year period until November 2017. LLRP is a close-ended unlisted wholesale limited partnership in the UK that owns 25% of Bluewater in Kent and 100% of Touchwood shopping centre in Solihull. In addition to extending the life of LLRP, LLRP now has the potential to undertake selective acquisitions. The Group provides development, asset and property management services to LLRP and has a 4.01% investment in the partnership.

## Infrastructure Development

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 86.6 | 92o 0 |
| | | |
| | | |
| | | |
| | | |
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| | | |

## Investment Management

Profit after tax increased by A$103.0 million to A$123.3 million.

On 24 May 2011, the Group entered into a conditional agreement to sell its 50% ownership interest in the King of Prussia shopping mall. The current year profit after tax includes A$101.7 million resulting from revaluation of the asset in anticipation of this transaction, net of associated costs. In addition, the result includes the Group's share of operating income from the mall up until the date the sale was announced totalling US$26.8 million (before tax), compared to US$24.5 million (before tax) in the prior year.

The value of the Group's 50% interest in King of Prussia as at 30 June 2011 was US$531.3 million (June 2010: US$348.5 million). The Australian dollar equivalent value of A$496.5 million has been impacted by a negative foreign exchange movement of A$96.3 million.

## Infrastructure Development

The key financial results for Infrastructure Development are detailed below.

| | June 2011 | June 2010 |
|---|---|---|
| Profit after tax (A$m) | 43.8 | 55.3 |
| Gross profit margin (A$m)[1] | 76.0 | 113.5 |
| Equity returns (A$m) | 3.8 | 3.9 |
| New work secured revenue (A$m) | 845.4 | 46.7 |
| Number of projects[2] | 26 | 20 |
| Invested equity (A$m)[3] | 50.8 | 61.3 |
| Committed equity (A$m) | 46.5 | 50.5 |
| Backlog revenue[4] | 2,685.7 | 2,670.2 |
| Backlog GPM[4] | 328.1 | 364.5 |
| Backlog (number of units under management) | | |
| – Operational (secured) | 44,285 | 41,700 |
| – Preferred bidder (awarded) | 5,430 | 2,350 |
| Total Backlog | 49,715 | 44,050 |

1 Gross profit margin relates to development, construction and asset management services provided.
2 Number of projects includes extensions of existing projects and projects where the Group is the preferred bidder.
3 The reduction in invested equity reflects the return of equity invested in the Hickham Phase 1 project.
4 Backlog disclosed includes 10 years of backlog from facilities management, even though the contracts run for up to 50 years. Although backlog is realised over several years, the average foreign exchange rate for the current year has been applied to the closing backlog balance in its entirety as the average rates for later years cannot be predicted. In local currency the backlog revenue is US$2,685.7 million (June 2010: US$2,403.2 million) and the backlog GPM is US$328.1 million (June 2010: US$328.0 million).

Key trading events in the year include:

- Reaching financial close with the US Department of the Army on North Haven Communities in Alaska. North Haven involves the development of family housing at two Army installations, Fort Wainwright and Fort Greely. The project has an initial development budget of US$377.0 million over the first seven years of the project;
- Being appointed to implement the second phase (Group B) of the US Department of the Army Privatisation of Army Lodging (PAL) program, which has a project value of US$350.0 million. The Group will also undertake additional work on the previously awarded first phase program, Group A, which has a project value of US$250.0 million;
- Profit after tax for the year includes costs incurred in bidding for project opportunities in Canada.

# CORPORATE

MD&A

## Key Financial Results

The key financial results for Corporate are summarised below.

| | REVENUE | | EBITDA | | PROFIT/(LOSS) AFTER TAX | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Group Services | 12.7 | 14.5 | (114.9) | (103.5) | (84.0) | (75.2) |
| Group Treasury | 56.4 | 41.1 | (11.6) | 0.9 | (49.3) | (26.9) |
| Group Amortisation | | | | | (2.9) | (3.7) |
| **Total Corporate** | **69.1** | **55.6** | **(126.5)** | **(102.6)** | **(136.2)** | **(105.8)** |

## Group Services

Group Services costs after tax increased by A$8.8 million to A$84.0 million and include costs associated with the redesign of the organisation structure and business processes.

## Group Treasury

Group Treasury manages the Group's liquidity, foreign exchange exposures, interest rate risk and debt. The result for the year is detailed in the table below.

| | PROFIT/(LOSS) BEFORE TAX | | PROFIT/(LOSS) AFTER TAX | |
|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Interest revenue | 56.4 | 41.1 | 37.4 | 29.3 |
| Interest expense and other costs | (132.3) | (85.0) | (87.8) | (56.3) |
| Net hedge benefit | 1.7 | 0.9 | 1.1 | 0.1 |
| **Total Group Treasury** | **(74.2)** | **(43.0)** | **(49.3)** | **(26.9)** |

## Interest Revenue and Expenses

- Interest revenue after tax increased by A$8.1 million to A$37.4 million in the current year, due to a combination of higher average cash balances prior to the acquisition of Valemus in March 2011 and higher average interest rates on invested cash. The interest rate on invested cash averaged 4.6% per annum for the year (June 2010: 3.1%);
- Interest expense and other costs after tax increased by A$31.5 million to A$87.8 million in the current year, due to the consolidation of Lend Lease Primelife and its associated debt, an increase in net debt following the acquisition of Valemus and upfront costs associated with refinancing maturing credit facilities.

## Hedging and Foreign Exchange Exposure

- The Group hedges material foreign currency cash flows. Any foreign exchange gains or losses arising on the underlying cash flow or the hedging of business unit cash flows are allocated to the business unit's operating profit;
- The Group uses natural hedging, where possible, to minimise its exposure to movement in foreign currency denominated net assets. The impact of foreign exchange movements on the Group's net assets is accounted for in the Foreign Currency Translation Reserve (FCTR). In the year, the FCTR decreased by A$162.3 million due to a strengthening of the Australian dollar.

## Group Liquidity

- At 30 June 2011, the Group was in a strong liquidity position, with cash and cash equivalents of A$1,046.2 million and undrawn committed bank facilities of A$815.7 million. The Group's net debt position as at 30 June 2011 was A$875.4 million, including certain other financial liabilities of A$227.7 million;
- In March 2011, the Group established a new five year A$225 million loan facility to partly fund the Valemus acquisition. On 3 June 2011, the Group also established a A$975 million syndicated loan facility which comprises a three year term tranche with a limit of A$595 million maturing in July 2014 and a five year term tranche with a limit of A$380 million maturing in July 2016. The proceeds were used to refinance the Group's fully drawn A$570 million club facility that was due to mature in December 2011. Both of these new facilities are consistent with the Group's standard terms and conditions and there are no changes to the Group's existing financial covenants. The Group also secured a three year bonding facility maturing in July 2014; this facility replaced a bridge facility put in place at the time of the Valemus acquisition.

# APPENDIX 1

MD&A

## Operating Results by Region Detail

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[1] | | PROFIT/(LOSS) AFTER TAX[2] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Australia | | | | | | | | |
| Development | 729.4 | 617.4 | 189.7 | 133.9 | 182.4 | 122.3 | 159.0 | 122.9 |
| Construction | 4,278.8 | 3,033.1 | 164.0 | 136.4 | 147.4 | 133.7 | 101.9 | 87.1 |
| Investment Management | 90.6 | 72.5 | 44.5 | 62.5 | 42.7 | 61.2 | 30.0 | 43.3 |
| Infrastructure Development | 0.7 | 7.3 | (12.5) | (9.1) | (13.3) | (9.1) | (9.5) | (6.4) |
| **Total Australia** | **5,099.5** | **3,730.3** | **385.7** | **323.7** | **359.2** | **308.1** | **281.4** | **246.9** |
| Asia | | | | | | | | |
| Development | 4.4 | 2.7 | (0.4) | (0.4) | (0.4) | (0.4) | (0.3) | (0.4) |
| Construction | 401.7 | 403.4 | 24.0 | 25.2 | 23.8 | 25.0 | 16.0 | 18.3 |
| Investment Management | 16.2 | 17.8 | 30.8 | 16.2 | 30.7 | 16.2 | 30.4 | 15.3 |
| **Total Asia** | **422.3** | **423.9** | **54.4** | **41.0** | **54.1** | **40.8** | **46.1** | **33.2** |
| Europe | | | | | | | | |
| Development | 19.7 | 124.5 | 5.0 | 43.9 | 4.2 | 41.5 | 4.7 | 41.5 |
| Construction | 1,288.3 | 2,167.2 | 27.1 | 50.4 | 21.8 | 44.6 | 11.4 | 25.8 |
| Investment Management | 64.6 | 79.6 | 39.1 | 71.6 | 39.0 | 70.2 | 34.7 | 41.1 |
| Infrastructure Development | 115.9 | 126.7 | 78.1 | 1.0 | 91.3 | 13.9 | 86.6 | 10.2 |
| **Total Europe** | **1,488.5** | **2,498.0** | **149.3** | **166.9** | **156.3** | **170.2** | **137.4** | **118.6** |
| Americas | | | | | | | | |
| Development | 1.1 | | (9.9) | 0.2 | (10.0) | 0.1 | (5.7) | 0.1 |
| Construction | 1,366.2 | 2,927.1 | (5.0) | (66.7) | (7.3) | (71.0) | (4.8) | (45.0) |
| Investment Management | 0.3 | 0.1 | 204.5 | 30.1 | 204.4 | 30.2 | 123.3 | 20.3 |
| Infrastructure Development | 567.1 | 935.0 | 58.2 | 89.9 | 59.8 | 92.8 | 43.8 | 55.3 |
| **Total Americas** | **1,934.7** | **3,862.2** | **247.8** | **53.5** | **246.9** | **52.1** | **156.6** | **30.7** |
| **Total Operating Businesses** | **8,945.0** | **10,514.4** | **837.2** | **585.1** | **816.5** | **571.2** | **621.5** | **429.4** |
| Corporate | | | | | | | | |
| Group Services | 12.7 | 14.5 | (114.9) | (103.5) | (118.6) | (107.4) | (84.0) | (75.2) |
| Group Treasury | 56.4 | 41.1 | (11.6) | 0.9 | (74.2) | (43.0) | (49.3) | (26.9) |
| Group Amortisation | | | | | (2.9) | (3.7) | (2.9) | (3.7) |
| **Total Corporate** | **69.1** | **55.6** | **(126.5)** | **(102.6)** | **(195.7)** | **(154.1)** | **(136.2)** | **(105.8)** |
| **Total Operating** | **9,014.1** | **10,570.0** | **710.7** | **482.5** | **620.8** | **417.1** | **485.3** | **323.6** |
| Property Investment Revaluations | | | 10.7 | 33.7 | 10.7 | 33.7 | 7.5 | 22.0 |
| **Total Statutory** | **9,014.1** | **10,570.0** | **721.4** | **516.2** | **631.5** | **450.8** | **492.8** | **345.6** |

1 Profit before tax is before adjusting for the amount attributable to non controlling interests.
2 Profit after tax is after adjusting for the profit after tax attributable to non controlling interests of A$0.4 million (June 2010: A$2.6 million).

# APPENDIX 2

MD&A

## Operating Results by Line of Business Detail

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[1] | | PROFIT/(LOSS) AFTER TAX[2] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Development | | | | | | | | |
| Australia | 729.4 | 617.4 | 189.7 | 133.9 | 182.4 | 122.3 | 159.0 | 122.9 |
| Asia | 4.4 | 2.7 | (0.4) | (0.4) | (0.4) | (0.4) | (0.3) | (0.4) |
| Europe | 19.7 | 124.5 | 5.0 | 43.9 | 4.2 | 41.5 | 4.7 | 41.5 |
| Americas | 1.1 | | (9.9) | 0.2 | (10.0) | 0.1 | (5.7) | 0.1 |
| **Total Development** | **754.6** | **744.6** | **184.4** | **177.6** | **176.2** | **163.5** | **157.7** | **164.1** |
| Construction | | | | | | | | |
| Australia | 4,278.8 | 3,033.1 | 164.0 | 136.4 | 147.4 | 133.7 | 101.9 | 87.1 |
| Asia | 401.7 | 403.4 | 24.0 | 25.2 | 23.8 | 25.0 | 16.0 | 18.3 |
| Europe | 1,288.3 | 2,167.2 | 27.1 | 50.4 | 21.8 | 44.6 | 11.4 | 25.8 |
| Americas | 1,366.2 | 2,927.1 | (5.0) | (66.7) | (7.3) | (71.0) | (4.8) | (45.0) |
| **Total Construction** | **7,335.0** | **8,530.8** | **210.1** | **145.3** | **185.7** | **132.3** | **124.5** | **86.2** |
| Investment Management | | | | | | | | |
| Australia | 90.6 | 72.5 | 44.5 | 62.5 | 42.7 | 61.2 | 30.0 | 43.3 |
| Asia | 16.2 | 17.8 | 30.8 | 16.2 | 30.7 | 16.2 | 30.4 | 15.3 |
| Europe | 64.6 | 79.6 | 39.1 | 71.6 | 39.0 | 70.2 | 34.7 | 41.1 |
| Americas | 0.3 | 0.1 | 204.5 | 30.1 | 204.4 | 30.2 | 123.3 | 20.3 |
| **Total Investment Management** | **171.7** | **170.0** | **318.9** | **180.4** | **316.8** | **177.8** | **218.4** | **120.0** |
| Infrastructure Development | | | | | | | | |
| Australia | 0.7 | 7.3 | (12.5) | (9.1) | (13.3) | (9.1) | (9.5) | (6.4) |
| Europe | 115.9 | 126.7 | 78.1 | 1.0 | 91.3 | 13.9 | 86.6 | 10.2 |
| Americas | 567.1 | 935.0 | 58.2 | 89.9 | 59.8 | 92.8 | 43.8 | 55.3 |
| **Total Infrastructure Development** | **683.7** | **1,069.0** | **123.8** | **81.8** | **137.8** | **97.6** | **120.9** | **59.1** |
| **Total Operating Businesses** | **8,945.0** | **10,514.4** | **837.2** | **585.1** | **816.5** | **571.2** | **621.5** | **429.4** |
| Corporate | | | | | | | | |
| Group Services | 12.7 | 14.5 | (114.9) | (103.5) | (118.6) | (107.4) | (84.0) | (75.2) |
| Group Treasury | 56.4 | 41.1 | (11.6) | 0.9 | (74.2) | (43.0) | (49.3) | (26.9) |
| Group Amortisation | | | | | (2.9) | (3.7) | (2.9) | (3.7) |
| **Total Corporate** | **69.1** | **55.6** | **(126.5)** | **(102.6)** | **(195.7)** | **(154.1)** | **(136.2)** | **(105.8)** |
| **Total Operating** | **9,014.1** | **10,570.0** | **710.7** | **482.5** | **620.8** | **417.1** | **485.3** | **323.6** |
| Property Investment Revaluations | | | 10.7 | 33.7 | 10.7 | 33.7 | 7.5 | 22.0 |
| **Total Group** | **9,014.1** | **10,570.0** | **721.4** | **516.2** | **631.5** | **450.8** | **492.8** | **345.6** |

1 Profit before tax is before adjusting for the amount attributable to non controlling interests.
2 Profit after tax is after adjusting for the profit after tax attributable to non controlling interests of A$0.4 million (June 2010: A$2.6 million).

# APPENDIX 3

MD&A

## Operating Results by Region Detail in Local Currency[1]

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[2] | | PROFIT/(LOSS) AFTER TAX[3] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Australia | | | | | | | | |
| Development | 729.4 | 617.4 | 189.7 | 133.9 | 182.4 | 122.3 | 159.0 | 122.9 |
| Construction | 4,278.8 | 3,033.1 | 164.0 | 136.4 | 147.4 | 133.7 | 101.9 | 87.1 |
| Investment Management | 90.6 | 72.5 | 44.5 | 62.5 | 42.7 | 61.2 | 30.0 | 43.3 |
| Infrastructure Development | 0.7 | 7.3 | (12.5) | (9.1) | (13.3) | (9.1) | (9.5) | (6.4) |
| Group Services and Amortisation | 12.7 | 14.5 | (114.9) | (103.5) | (121.5) | (111.1) | (86.9) | (78.9) |
| Group Treasury | 50.2 | 33.4 | (9.7) | 0.7 | (18.2) | 8.2 | (12.6) | 6.7 |
| **Total Australia** | **5,162.4** | **3,778.2** | **261.1** | **220.9** | **219.5** | **205.2** | **181.9** | **174.7** |

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[2] | | PROFIT/(LOSS) AFTER TAX[3] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Asia | | | | | | | | |
| Development | 4.4 | 2.7 | (0.4) | (0.4) | (0.4) | (0.4) | (0.3) | (0.4) |
| Construction | 401.7 | 403.4 | 24.0 | 25.2 | 23.8 | 25.0 | 16.0 | 18.3 |
| Investment Management | 16.2 | 17.8 | 30.8 | 16.2 | 30.7 | 16.2 | 30.4 | 15.3 |
| Group Treasury | 0.4 | 0.6 | | | 0.4 | 0.6 | 0.3 | 0.6 |
| **Total Asia** | **422.7** | **424.5** | **54.4** | **41.0** | **54.5** | **41.4** | **46.4** | **33.8** |

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[2] | | PROFIT/(LOSS) AFTER TAX[3] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 £m | June 2010 £m | June 2011 £m | June 2010 £m | June 2011 £m | June 2010 £m | June 2011 £m | June 2010 £m |
| Europe | | | | | | | | |
| Development | 12.4 | 70.9 | 3.2 | 25.0 | 2.6 | 23.7 | 3.0 | 23.7 |
| Construction | 811.6 | 1,235.3 | 17.1 | 28.7 | 13.7 | 25.4 | 7.2 | 14.7 |
| Investment Management | 40.7 | 45.4 | 24.6 | 40.8 | 24.6 | 40.0 | 21.9 | 23.4 |
| Infrastructure Development | 73.0 | 72.2 | 49.2 | 0.6 | 57.5 | 7.9 | 54.6 | 5.8 |
| Group Treasury | 0.3 | 1.0 | (1.6) | | (28.1) | (21.8) | (19.5) | (15.7) |
| **Total Great British Pounds** | **938.0** | **1,424.8** | **92.5** | **95.1** | **70.3** | **75.2** | **67.2** | **51.9** |
| **Total Australian Dollars[4]** | **1,488.9** | **2,499.7** | **146.9** | **166.8** | **111.6** | **131.9** | **106.7** | **91.1** |

| | REVENUE | | EBITDA | | PROFIT/(LOSS) BEFORE TAX[2] | | PROFIT/(LOSS) AFTER TAX[3] | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 US$m | June 2010 US$m | June 2011 US$m | June 2010 US$m | June 2011 US$m | June 2010 US$m | June 2011 US$m | June 2010 US$m |
| Americas | | | | | | | | |
| Development | 1.1 | | (9.9) | 0.2 | (10.0) | 0.1 | (5.7) | 0.1 |
| Construction | 1,366.2 | 2,634.4 | (5.0) | (60.0) | (7.3) | (63.9) | (4.8) | (40.5) |
| Investment Management | 0.3 | 0.1 | 204.5 | 27.1 | 204.4 | 27.2 | 123.3 | 18.2 |
| Infrastructure Development | 567.1 | 841.5 | 58.2 | 80.9 | 59.8 | 83.5 | 43.8 | 49.8 |
| Group Treasury | 5.4 | 4.8 | 0.5 | 0.2 | (11.7) | (12.2) | (6.3) | (6.0) |
| **Total US Dollars** | **1,940.1** | **3,480.8** | **248.3** | **48.4** | **235.2** | **34.7** | **150.3** | **21.6** |
| **Total Australian Dollars[4]** | **1,940.1** | **3,867.6** | **248.3** | **53.8** | **235.2** | **38.6** | **150.3** | **24.0** |

1 Local currency results exclude foreign exchange movements other than Great British Pounds and US Dollars.
2 Profit before tax is before adjusting for the amount attributable to non controlling interests.
3 Profit after tax is after adjusting for the profit after tax attributable to non controlling interests of A$0.4 million (June 2010: A$2.6 million profit).
4 The foreign exchange rates applied are A$1 = £0.63 (June 2010: A$1 = £0.57), A$1 = US$1.00 (June 2010: A$1 = US$0.90) and A$1 = S$1.28 (June 2010: A$1 = S$1.25).

# DIRECTORS' REPORT

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The Directors present their Report together with the Annual Consolidated Financial Report of the consolidated entity, being Lend Lease Corporation Limited ('the Company') and its controlled entities including Lend Lease Trust ('LLT') (together referred to as the 'Consolidated Entity' or the 'Group'), for the financial year ended 30 June 2011 and the Auditors' Report thereon.

Following shareholder approval on 12 November 2009, the shares of the Company and the units in LLT were combined as stapled securities. From 13 November 2009, the shares in the Company and the units in LLT have been traded as one security under the name of Lend Lease Group on the Australian Securities Exchange ('ASX').

# 1. GOVERNANCE

DIRECTORS' REPORT

*From top to bottom:*
*D A Crawford*
*S B McCann*
*P M Colebatch*
*G G Edington*

## a. Board/Directors

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

### D A Crawford AO, Chairman (Independent Non Executive Director)

Age 67

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. Mr Crawford was appointed an Officer of the Order of Australia (AO) in June 2009 in recognition for service in various fields including to business as a Director of public companies, to sport particularly through the review and restructure of national sporting bodies, and to the community through contributions to arts and educational organisations.

#### Experience and Qualifications

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

#### Other Directorships and Positions

Mr Crawford is Non Executive Chairman of Foster's Group Limited (appointed Director August 2001 and Chairman October 2007) and a Non Executive Director of BHP Billiton Limited (appointed May 1994). He was formerly a Non Executive Director of Westpac Banking Corporation (appointed May 2002, resigned December 2007) and National Foods Limited (appointed November 2001, resigned June 2005).

### S B McCann, Group Chief Executive Officer and Managing Director (Executive Director)

Age 46

Mr McCann was appointed Group Chief Executive Officer and Managing Director in December 2008 and joined the Board in March 2009.

#### Experience and Qualifications

Mr McCann joined Lend Lease in 2005. Prior to his current role, Mr McCann was Group Finance Director, appointed in March 2007 and Chief Executive Officer for Lend Lease's Investment Management business from September 2005 to December 2007.

Mr McCann has more than 15 years experience in funds management and capital markets transactions. Prior to joining Lend Lease, Mr McCann spent six years at ABN AMRO, where his roles included Head of Property, Head of Industrial Mergers & Acquisitions and for the last three years, Head of Equity Capital Markets for Australia and New Zealand.

Previous roles also include Head of Property at Bankers' Trust, four years as a mergers and acquisitions lawyer at Freehills, Melbourne and four years in taxation accounting.

Mr McCann holds a Bachelor of Economics (Finance major) and a Bachelor of Laws from Monash University in Melbourne, Australia.

#### Other Directorships and Positions

Nil.

### P M Colebatch (Independent Non Executive Director)

Age 66

Mr Colebatch joined the Board in December 2005 and is Chairman of the Personnel and Organisation Committee and a member of the Risk Management and Audit Committee.

#### Experience and Qualifications

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

#### Other Directorships and Positions

Mr Colebatch is a Non Executive Director of Insurance Australia Group Limited (appointed January 2007), a Non Executive Director of Man Group plc (appointed September 2007) and is on the Board of Trustees for the Prince of Liechtenstein Foundation and the LGT Group Foundation (appointed September 2009).

### G G Edington CBE (Independent Non Executive Director)

Age 65

Mr Edington joined the Board in 1999 and is a member of the Risk Management and Audit Committee and the Sustainability Committee.

#### Experience and Qualifications

Qualified as a Chartered Surveyor, Mr Edington brings to the Board extensive UK and international experience in the property sector. Mr Edington was a Director of BAA plc and Chairman of BAA International. He joined BAA plc in 1988, became a member of the Board in 1991 and has been the Chairman of six BAA companies. He is a past President of the British Property Federation, was the Chairman of UK property company Greycoat Estates Limited and was a member of the Bank of England Property Forum. Mr Edington was formerly Chairman of the Council of Trustees of the UK children's charity, Action for Children, and was awarded a CBE for services to children.

#### Other Directorships and Positions

Mr Edington is on the Board of Trustees for the Fulham Palace Trust, based in the UK (appointed May 2011).

# 1. GOVERNANCE CONTINUED

DIRECTORS' REPORT

*From top to bottom:*
*P C Goldmark*
*J A Hill*
*D J Ryan*

### P C Goldmark (Independent Non Executive Director)

Age 70

Mr Goldmark joined the Board in 1999 and is Chairman of the Nomination Committee and a member of the Sustainability Committee.

#### Experience and Qualifications

Until his retirement in December 2010, Mr Goldmark was Director, Climate and Air Program at Environmental Defense, a US based non-profit environmental advocacy organisation. He was the Chairman and Chief Executive Officer of The International Herald Tribune in Paris between 1998 and 2003. Prior to this, he was the President and Chief Executive Officer of the Rockefeller Foundation in New York for 10 years. Mr Goldmark has held positions including Senior Vice President of the Times-Mirror Corporation, Executive Director of the Port Authority of New York and New Jersey, and Director of the Budget for the State of New York. He now works as an independent consultant and columnist and is a writer and speaker on world affairs. Mr Goldmark graduated with a BA from Harvard College, Government Department, magna cum laude. He brings to Lend Lease his wide experience as a Chief Executive Officer and senior executive in the private and public sectors, both in the USA and internationally.

#### Other Directorships and Positions

Mr Goldmark is on the Board of Solar Outdoor Lighting in the US (appointed January 2011).

### J A Hill (Independent Non Executive Director)

Age 65

Ms Hill joined the Board in May 2006. She is Chairperson of the Sustainability Committee and a member of the Personnel and Organisation Committee.

#### Experience and Qualifications

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

#### Other Directorships and Positions

Ms Hill is a Non Executive Director of Wellpoint, Inc. (appointed March 1994). She was formerly a Non Executive Director of Resources Connection, Inc. (appointed January 2003, resigned December 2006) and Holcim (US) Inc (appointed February 2004, resigned January 2007). Ms Hill also sits on the Board of Directors of the Lord Abbett family of mutual funds, which is the trustee of 31 mutual funds of publicly held companies.

### D J Ryan AO (Independent Non Executive Director)

Age 59

Mr Ryan joined the Board in December 2004. He is Chairman of the Risk Management and Audit Committee and a member of the Personnel and Organisation Committee.

#### Experience and Qualifications

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

#### Other Directorships and Positions

Mr Ryan is the Non Executive Chairman of Tooth & Co Limited (appointed Director September 1999 and Chairman January 2003) and ABC Learning Centres Limited (administrators appointed, receivers and managers appointed) (appointed Director June 2003 and Chairman 30 May 2008). He was formerly the Non Executive Chairman Transurban Holdings Limited (appointed Director April 2003, Chairman February 2007 and retired August 2010).

### Former Directors

Mr M W Selway retired on 10 February 2010, having joined the Board on 17 June 2008.

## b. Company Secretaries' Qualifications and Experience

### W Hara

Mr Hara was appointed Company Secretary in July 2007. Prior to his appointment as Group General Counsel and Company Secretary of Lend Lease in January 2007, Mr Hara was company secretary for another company listed on the ASX. Mr Hara has a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and is a member of the Law Society of New South Wales.

### W Lee

Ms Lee was appointed Assistant Company Secretary in January 2010. Prior to her appointment, Ms Lee was a company secretary for several subsidiaries of a publicly listed financial institution. Ms Lee has a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, and is an Associate of Chartered Secretaries Australia.

## c. Officers Who Were Previously Partners of the Audit Firm

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

## d. Directors' Meetings

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

There are four permanent Committees of the Board.

### Nomination Committee

The Nomination Committee consists entirely of Non Executive Directors. The Committee assists the Board by considering nominations to the Board to ensure that there is an appropriate mix of expertise, skills and experience on the Board. During the financial year 1 July 2010 to 30 June 2011, all seven meetings of the Nomination Committee were held in conjunction with Board meetings and all Non Executive Directors routinely attend.

### Risk Management and Audit Committee

The Risk Management and Audit Committee consists entirely of Non Executive Directors. The principal purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, internal and external audit functions and financial reporting. During the financial year 1 July 2010 to 30 June 2011, four meetings of the Risk Management and Audit Committee were held.

### Personnel and Organisation Committee

The Personnel and Organisation Committee consists entirely of Non Executive Directors. The Committee's agenda reflects the importance of human capital to the Group's strategic and business planning and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. During the financial year 1 July 2010 to 30 June 2011, seven meetings of the Personnel and Organisation Committee were held.

### Sustainability Committee

The Sustainability Committee consists entirely of Non Executive Directors. The Committee assists the Board in monitoring the decisions and actions of management in achieving Lend Lease's aspiration to be a sustainable organisation. During the financial year 1 July 2010 to 30 June 2011, four meetings of the Sustainability Committee were held.

### Attendance at Meetings of Directors 1 July 2010 to 30 June 2011

| | BOARD MEETINGS[1] | | RISK MANAGEMENT AND AUDIT COMMITTEE MEETINGS | | PERSONNEL AND ORGANISATION COMMITTEE MEETINGS | | SUSTAINABILITY COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|---|---|
| Director | Held[2] | Attended | Held[2] | Attended | Held[2] | Attended | Held[2] | Attended |
| D Crawford | 12 | 12 | | | | | | |
| P Colebatch | 12 | 12 | 4 | 4 | 7 | 7 | | |
| G Edington | 12 | 12 | 4 | 4 | | | 4 | 4 |
| P Goldmark | 12 | 11 | | | | | 4 | 4 |
| J Hill | 12 | 10 | | | 7 | 7 | 4 | 4 |
| S McCann | 12 | 12 | | | | | | |
| D Ryan | 12 | 12 | 4 | 4 | 7 | 7 | | |

1 Three of the 12 meetings were out of schedule board teleconferences constituted to address specific issues. J Hill was unable to attend two of these teleconferences, both of which were called at short notice.
2 Reflects the number of meetings held during the time the Director held office during the year.

In addition, matters were dealt with as required by circular resolution.

## e. Interest in Capital

The interest of each of the Directors (in office at the date of this report) in the issued securities of the Company at 26 August 2011 and 17 August 2010 is set out below.

| Director | Securities held directly 2011 | Securities held beneficially/ indirectly 2011[1] | Total 2011 | Securities held directly 2010 | Securities held beneficially/ indirectly 2010[1] | Total 2010 |
|---|---|---|---|---|---|---|
| D Crawford | | 73,723 | 73,723 | | 73,593 | 73,593 |
| P Colebatch | 5,023 | 13,300 | 18,323 | 5,023 | 13,300 | 18,323 |
| G Edington | 19,643 | 20,425 | 40,068 | 19,643 | 20,425 | 40,068 |
| P Goldmark | 3,000 | 21,794 | 24,794 | 3,000 | 21,794 | 24,794 |
| J Hill | 2,000 | 12,324 | 14,324 | 2,000 | 12,324 | 14,324 |
| D Ryan | | 31,273 | 31,273 | | 31,273 | 31,273 |
| S McCann | 83,269 | 61,367 | 144,636 | 181,339 | 4,470 | 185,809 |

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

# 2. OPERATIONS

DIRECTORS' REPORT

## a. Principal Activities

From 1 July 2010, the Group moved to a regional management structure focused on four major geographic regions: Australia, Asia, Europe and the Americas, to better support the Group's integrated model. The regional business units operate across four lines of business, as follows:

- The Development business operates in all four major geographic regions and is involved in the development of master-planned urban communities, inner-city mixed-use developments, apartments, retail and the retirement living and aged care sector;
- The Construction business operates in all four major geographic regions providing project management, engineering and construction services;
- The Investment Management business operates in all four major geographic regions and provides real estate investment management, retail property management and asset management services. This business includes the Group's ownership interests in property investments held directly or indirectly through investments in the Group managed funds; and
- The Infrastructure Development business operates in Australia, Europe and the Americas and manages and invests in Public Private Partnerships (PPP) projects.

## b. Review and Results of Operations

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

## c. Distributions

The 2010 final distribution of A$67.9 million (12 cents per security, 100% franked) referred to in the Directors' Report dated 16 August 2010 was paid on 24 September 2010.

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

| | A$m |
|---|---|
| Interim distribution of 20 cents per security (50% franked) paid on 30 March 2011 | 113.1 |
| Final distribution of 15 cents per security (nil% franked) declared by Directors to be paid on 30 September 2011 | 85.6 |
| Total distributions declared | 198.7 |

## d. Significant Changes in State of Affairs

On 21 December 2010, the Group entered into an agreement with Bilfinger Berger SE to acquire 100% of Valemus, the parent company of Abigroup, Baulderstone and Conneq, which together now form the Group's infrastructure business in Australia. The businesses are leading providers of services in the engineering, engineering services and construction markets in Australia. The acquisition has increased the Group's capabilities and activities in the engineering and construction market and diversified its position in this sector. The acquisition was completed on 10 March 2011. Other than the acquisition of Valemus, there have been no significant changes in the Group's state of affairs.

## e. Events Subsequent to Balance Date

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

## f. Likely Developments

Details of likely developments in the Group's operations in subsequent financial years are contained in the reports from the Chairman and Group Chief Executive Officer and Managing Director in the Annual Report. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

## g. Environmental Regulation

The Lend Lease Group is subject to various state and federal environmental regulations in Australia.

The Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this Report. In addition, the Lend Lease Group is registered and publicly reports the annual performance of its Australian operations under the requirements of the National Greenhouse and Energy Reporting (NGER) Act 2007 and Energy Efficiency Opportunities (EEO) Act 2006.

All Lend Lease businesses continue to operate an integrated Environment, Health and Safety Management System ensuring that non compliance risks and opportunities for environmental improvement are identified, managed and reported accordingly.

# 3. REMUNERATION REPORT



## Message from the Board

Dear Securityholder,

In 2010, the Board completed an extensive review of Lend Lease's Executive Reward Strategy. The objective of the Executive Reward Strategy is to enable the Group to attract, retain and motivate exceptional people, and to create value for our securityholders. The delivery of reward components over periods of up to four years encourages sustainable long term performance.

During the year ended 30 June 2011 the Group finalised implementation of the Executive Reward Strategy by implementing the following actions that were described in the 2010 Remuneration Report:

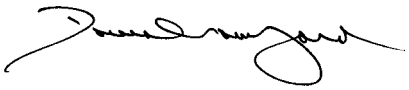
- a review of fixed remuneration to ensure market competitiveness. This follows two years of fixed remuneration freezes for executives (except for those who assumed different roles with greater responsibilities)
- a more robust Short Term Incentive (STI) program which provides a direct link between reward, profit generation and securityholder value creation
- re-weighting of the remuneration mix to focus on the elements where executives have the greatest influence while maintaining an appropriate balance between short and long term focus
- greater levels of deferral for our executives (50% of Short Term Incentives) over one and two years, delivered as securities, to align executives' interests to those of our securityholders and reduce the risks associated with paying STI in cash immediately
- assessing Long Term Incentives (LTI) against a single performance hurdle which measures return to securityholders compared to the performance of the companies in the S&P ASX100 Index.

During the year we also expanded our business through the acquisition of Valemus Australia (Valemus), the parent company of Abigroup, Baulderstone and Conneq, which together now form the Group's infrastructure business in Australia. Valemus employees will move to our Lend Lease reward strategy as soon as possible.

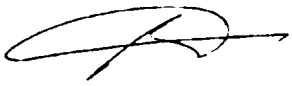
We will ensure that our Executive Reward Strategy continues to align to our business strategy and supports further sustainable growth. We will continue to listen to you and consider refinements to our reward strategy.

We have made a number of changes to this year's Remuneration Report to improve its presentation and readability.

We continue to welcome your feedback on how we can further improve the Remuneration Report for the future.



**David Crawford, AO**
Chairman



**Phillip Colebatch**
Chairman, Personnel and Organisation Committee

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

To assist readers, key terms and abbreviations used in the remuneration report are set out below.

| Term | Definition |
|---|---|
| Earnings per Security (EPS) | Profit/(loss) after tax divided by the weighted average number of ordinary securities (excluding treasury securities). For some earlier LTI allocations the definition of profit/(loss) after tax may have specific inclusions or exclusions. |
| Executive Reward Strategy (ERS) | A framework and policy that governs how the most senior employees in the organisation are remunerated. |
| Fixed remuneration | Annual remuneration paid regularly with no performance conditions. May include benefits depending on the location of the individual and the specific requirements of each jurisdiction. Benefits may include a car, medical insurance, superannuation or retirement contributions, life insurance and disability insurance. |
| Good Leaver | An employee who is ceasing employment for reasons such as retirement or redundancy and who may remain eligible for a part of an incentive opportunity. |
| Group | Lend Lease Corporation Limited and all of its subsidiaries. |
| Key Management Personnel | Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly (as per Accounting Standard AASB 124 *Related Party Disclosures*). |
| Long Term Incentive (LTI) | An incentive scheme which grants benefits to participating executives that may vest, in whole or part, should specified performance measures be met over a 3 or 4 year period. |
| Other Executives | Those executives who are Key Management Personnel or are among the five highest paid executives of the Group or one of the five highest paid of the Company, excluding the Executive Director. |
| PAT | Profit after tax. |
| Personnel and Organisation Committee | A Board sub-committee made up entirely of independent Non-Executive Directors which assists the Board fulfil its responsibilities in people management and reward polices. |
| Region | The organisational unit responsible for all operations within a geography (with the objective of providing integrated property related services). |
| Remuneration mix | The relative weighting of each component of remuneration. |
| Short Term Incentive (STI) | Incentives awarded to individuals with direct reference to the achievement of Group, regional and individual performance over one year. |
| Target performance | A level of financial performance measured using profit after tax set by the Board. |
| Total Securityholder Return (TSR) | Measures the movement in a Company's security price, dividend yield and any return of capital over a specific period. It is often expressed in percentage terms. |

## a. Snapshot of Changes

In 2011, Lend Lease implemented the changes described in the 2010 remuneration report. These changes are consistent with our Executive Reward Strategy, the objectives of which are set out below.

**LEND LEASE STRATEGIC VISION**

Our strategic vision is to be the leading international property and infrastructure company. We are committed to being Incident and Injury Free, creating and building innovative and sustainable solutions, forging partnerships and delivering strong investment returns.

**Our Executive Reward Strategy objectives will assist us to achieve our strategic vision**

**EXECUTIVE REWARD STRATEGY OBJECTIVES**

| | | | |
|---|---|---|---|
| Creating an appropriate remuneration level and mix for executives | Partnering the interests of securityholders and executives | Encouraging a balanced focus on short and long term performance | Implementing sustainable remuneration programs |

**OUR GUIDING PRINCIPLES DETERMINE HOW WE SEEK TO ACHIEVE OUR REWARD OBJECTIVES**

| | | | |
|---|---|---|---|
| Simple, transparent and easy to communicate | Consider and, as appropriate, respond to the interests of internal and external stakeholders | A significant portion of remuneration is at risk but can be earned through achieving outstanding performance | Clear governance practices to minimise potential conflicts of interest and enable effective decision making by the Board and management |

**IMPLEMENTING REWARD OBJECTIVES – ENHANCEMENTS MADE DURING 2011**

**Remuneration mix:** Incentive opportunities and remuneration mix have been defined for each executive. The remuneration mix has been weighted towards elements where the executive has greatest influence whilst balancing short and long term focus. These changes support a strong link between pay, performance and returns to securityholders.

**Fixed remuneration:** Levels have been increased to maintain market competitive remuneration levels. Market benchmark groups have been refined to recognise comparable companies by size, complexity, scope, industry and location.

**Short term incentives (STIs):** Half of STI payments are to be delivered as securities and deferred for up to two years to create alignment with securityholders' interests. Changes to STI pool funding provide a direct link to Lend Lease's capacity to pay and value created for securityholders by linking the pool to profitability. Use of a balanced scorecard ensures performance is assessed holistically. An increase in STI opportunity to reward outstanding performance has been balanced by a high level of STI deferral and lower weighting to LTI.

**Long term incentives (LTIs):**

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

## b. Actual Executive Remuneration Outcomes – Audited

Consistent with our intention to provide ongoing transparency and aligned with the recommendations of the Productivity Commission and the Corporations and Markets Advisory Committee, we have outlined below the actual amounts received during the year ended 30 June 2011 by the Executive Director and Other Executives. The table below also includes cash STI payments that relate to performance in the year ended 30 June 2011 which are due to be paid in September 2011.

Please refer to Section h for the statutory remuneration tables which are prepared consistent with the Accounting Standards and Corporations Act.

Deferred STI amounts from prior years that have vested during the year have been included (based on the security price at the relevant vesting date). As no LTI vested during the year, no value has been included. This table does not include any 'at-risk' awards that are still subject to performance or employment conditions.

| $A000s | Year | Fixed remun-eration[1] | Cash STI[2] | Deferred STI[3] | LTI | Retention, granted in prior years | Other incentives[4] | Total[5] | Amount forfeited during the year STI[6] | Amount forfeited during the year LTI[7] |
|---|---|---|---|---|---|---|---|---|---|---|
| Executive Director | | | | | | | | | | |
| Stephen McCann | 2011 | 2,069 | 1,927 | 416 | | | | 4,412 | (770) | |
| | 2010 | 1,726 | 1,368 | 122 | | 965 | | 4,181 | (224) | (438) |
| Other Executives | | | | | | | | | | |
| Scott Charlton | 2011 | 1,303 | 780 | | | | | 2,083 | (173) | |
| (Part year only) | 2010 | 349 | 191 | | | | | 540 | (68) | |
| Tarun Gupta | 2011 | 812 | 462 | 84 | | | 250 | 1,608 | (66) | |
| David Hutton | 2011 | 865 | 384 | 147 | | | 60 | 1,456 | (328) | |
| | 2010 | 679 | 258 | 274 | | | | 1,211 | (133) | (171) |
| Daniel Labbad | 2011 | 1,046 | 483 | 85 | | | | 1,614 | | |
| Rod Leaver | 2011 | 1,220 | 481 | 146 | | | | 1,847 | (350) | |
| | 2010 | 860 | 481 | 149 | | | | 1,490 | (111) | |
| Anthony Lombardo | 2011 | 814 | 510 | 107 | | | | 1,431 | | |
| | 2010 | 659 | 320 | 59 | | 93 | | 1,131 | (59) | (93) |
| Robert McNamara | 2011 | 747 | 439 | | | | | 1,186 | (97) | |
| Mark Menhinnitt | 2011 | 876 | 456 | 105 | | | | 1,437 | (228) | |
| | 2010 | 784 | 354 | 250 | | | | 1,388 | (244) | (223) |
| Eng-Peng Ooi | 2011 | 591 | 304 | 68 | | | | 963 | (305) | |
| Brad Soller | 2011 | 893 | 500 | 101 | | | | 1,494 | (200) | |
| | 2010 | 736 | 414 | 73 | | 116 | | 1,339 | (148) | (115) |

1 Fixed remuneration consists of salary, non-monetary benefits, superannuation and other long-term benefits, in line with statutory remuneration disclosure requirements.
2 Cash STI refers to 50% of the actual STI that was earned in the year ended 30 June 2011, which will be paid to the executive in cash in September 2011.
3 Deferred STI is the value of deferred securities granted on 1 September 2009 that vested on 1 September 2010. This value is based on the closing price on the vesting date (1 September 2010). Deferred STI also includes the value of any dividends received on deferred STI securities. The deferred portion of the STI relating to performance in the year ended 30 June 2011 is not included in this table as it has not yet vested.
4 Other incentives includes a performance based incentive for Tarun Gupta that vested during the year and a cash retention for David Hutton that recognised his contribution to the Barangaroo development project.
5 Total remuneration disclosed in this table is different from that disclosed in the statutory remuneration table in Section h as the statutory remuneration disclosure includes an amortised value for the STI deferred securities and a valuation of long term incentives that have not yet been paid and that are subject to meeting performance conditions and ongoing employment.
6 STI forfeited refers to the unearned component of each Executive's maximum STI for the year ended 30 June 2011 and any STI that was earned in a prior year and forfeited during the year ended 30 June 2011.
7 LTI forfeited includes the value of LTI that lapsed during the year ended 30 June 2010 (for whatever reason e.g. termination or not meeting performance hurdles). The value has been determined based on the Lend Lease security price at the date of lapsing. No long term incentive awards were tested or vested during the year ended 30 June 2011.

## c. About this Report – Audited

This report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

### Who this report covers

This report presents the remuneration arrangements for Lend Lease's Key Management Personnel and five highest paid Company and Group executives.

| | |
|---|---|
| **Non Executive Directors** | |
| David Crawford | Chairman, Independent Non Executive Director |
| Phillip Colebatch | Independent Non Executive Director |
| Gordon Edington | Independent Non Executive Director |
| Peter Goldmark | Independent Non Executive Director |
| Julie Hill | Independent Non Executive Director |
| David Ryan | Independent Non Executive Director |
| **Executive Director** | |
| Stephen McCann | Group Chief Executive Officer and Managing Director |
| **Other Executives** | |
| Scott Charlton | Group Director of Operations |
| Tarun Gupta[1] | Group Head of Investment Management (appointed to this position on 1 July 2010) |
| David Hutton[1] | Group Head Centres of Excellence (appointed to this position on 1 July 2010) |
| Daniel Labbad | Chief Executive Officer, Europe, Middle East and Africa (appointed to this position on 1 July 2010) |
| Rod Leaver | Chief Executive Officer, Asia (appointed to this position on 1 April 2011, previously Chief Executive Officer, Australia) |
| Anthony Lombardo[1] | Group Head of Strategy and Mergers & Acquisitions |
| Robert McNamara | Chief Executive Officer, Americas (appointed to this position on 1 July 2010) |
| Mark Menhinnitt | Chief Executive Officer, Australia (appointed to this position on 1 April 2011, previously Group Head of Public-Private Partnerships) |
| Eng-Peng Ooi | Chief Executive Officer, Asia (appointed to this position on 1 July 2010. Ceased in this position on 31 March 2011) |
| Brad Soller | Group Chief Financial Officer |
| **Previously disclosed Executives[2]** | |
| Michael Bellaman | Chief Executive Officer, Bovis Lend Lease Americas (resigned on 20 August 2010) |
| Murray Coleman | Managing Director Australia Project Management and Construction and Group Head of Environment, Health & Safety, Risk and Insurance (appointed to this position on 7 February 2011 previously Group Head of Project Management, Design and Construction Centre of Excellence) |
| William Hara | Group General Counsel and Company Secretary |
| Neil Martin | Director of Operations EMEA (appointed to this position on 1 January 2010); former Group Head of Health and Safety, Risk and Insurance |

1 Included in this report as one of the five highest paid executives of the Company and the Group.
2 Previously disclosed executives are no longer required to be disclosed as they are neither Key Management Personnel nor in the top five highest paid Executives in the Group or Company during the year ended 30 June 2011.

## d. Our Governance Policy

The Board is ultimately responsible for determining executive remuneration at Lend Lease. It is assisted in this regard by the Personnel and Organisation (P&O) Committee.

To support effective governance, the P&O Committee:

- consists entirely of independent Non-Executive Directors;
- has unrestricted access to senior management and company records; and
- can obtain independent legal or other professional advice.

In 2010, the Board appointed PwC to assist the P&O Committee in fulfilling its duties. PwC is engaged by the P&O Committee and provide advice and reports directly to the Committee.

The P&O Committee's charter is available on the Lend Lease website: www.lendlease.com

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

## e. Reward Strategy and Practice – Audited

Our Executive Reward Strategy provides Lend Lease with simple and transparent remuneration practices which have regard to the interests of both internal and external stakeholders (refer to table in Section a). In addition, to encourage strong performance, a significant portion of individual's remuneration should be 'at risk', and underpinned by clear and balanced metrics.

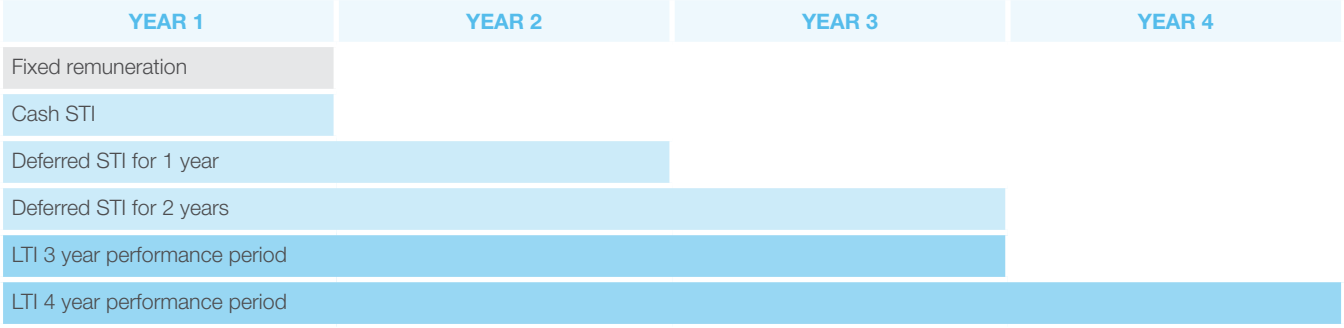
### Remuneration mix

For the year ended 30 June 2011, the Board set a target level of remuneration for each Executive having regard to market benchmarking completed by PwC. Target remuneration is made up of a mix of fixed remuneration, cash STI, deferred STI and LTI. The table below shows the target remuneration mix for the Group CEO and Other Executives.

The remuneration mix and levels of remuneration are set so that on-target performance will deliver total rewards close to the market median, with total rewards above the median for superior performance.

| Role | Fixed remuneration | Cash STI | Deferred STI (1-2 years) | LTI (3-4 years) | |
|---|---|---|---|---|---|
| Group CEO | 30% – 35% | 20% – 25% | 20% – 25% | 20% – 30% | Percentage of target remuneration |
| Other Executives | 40% – 45% | 20% – 25% | 20% – 25% | 15% – 20% | |

The mix of executive reward is also designed to be aligned with the company's long-term financial performance:




A target level of remuneration is set for each Executive having regard to market benchmarking reports that are provided by external advisers. PwC completed market benchmarking during the year ended 30 June 2011.

The three elements of our executive remuneration – that is, fixed remuneration, short-term incentives and long-term incentives are described over the following pages.

### Fixed remuneration

Fixed remuneration is a guaranteed annual salary. It may include benefits depending on the individual's location and the specific requirements of each jurisdiction. Benefits might include a car, medical insurance, superannuation or retirement contributions, life insurance and disability insurance. International assignees may have additional benefits such as housing, schooling and tax return preparation.

Fixed remuneration for the Group CEO is recommended by the P&O Committee and approved by the Board. The P&O Committee approves the fixed remuneration of Other Executives. Fixed remuneration is reviewed annually and changes take effect from 1 September each year, except in the case of a new appointment.

Fixed remuneration is set toward the middle of the market of comparable roles in companies of a similar size and level of complexity to Lend Lease:

1. for Australian based Executives, in roles with an Australian focus, reference is made to companies listed on the ASX that are ranked between 26 and 75 by market capitalisation (excluding Companies domiciled overseas and property trusts where management is not typically employed by the trust);
2. for Executives in roles with global responsibilities, reference is made to a peer group of companies listed on the ASX that are ranked in the first 75 by market capitalisation and which have significant global operations. This reflects the complexity involved in running a company such as Lend Lease with a global footprint; and
3. relevant local comparator groups are used for Executives based in other countries.

### Short-Term Incentives (STI)

STI is an 'at risk' component. At the start of the year executives are assigned a scorecard of measures which are aligned to the Group's overall strategic objectives. The scorecard represents a balance of financial and non-financial measures (see examples on page 39). Executives' performance against their individual scorecard objectives is assessed at the end of the financial year to determine their overall performance achievement.

### STI opportunity

Target STI opportunities are set using the remuneration mix guidelines outlined above and are tested against the relevant market levels for each executive role.

Executives receive notification of a target STI opportunity annually. Each executive's actual STI award may be higher (capped at 150% of target) or lower than their target award and will be determined by considering the company's financial performance and also the individual's overall performance achievement. Executives have the opportunity to earn up to 150% of their target opportunity for outstanding performance. This is to reinforce a strong link between performance and executive remuneration.

This represents a change from previous practice, where STI 'target' was the maximum award available. The P&O Committee approves the assessment of performance against objectives and the final STI outcomes for Other Executives. The Board assesses the performance of and determines the STI outcome for the Group CEO.

The pool of funds available to reward executives under the STI plan is determined by direct reference to Group financial performance and, where relevant, regional financial performance. Pool funding levels have been set by the Board and correspond to threshold, target and stretch levels of profit achievement. If profit performance is above target, sufficient funds will be available to pay average awards above target. Payments to individual executives are capped at 150% of target and total pool funding is capped at 125% of the target pool. Conversely, if profit performance is below target, average STI awards will be below target. An individual executive's award will be determined based on their overall performance rating and contribution, relative to other executives. The total STI pool may be either partially or fully allocated to Executives each year.

### STI deferral

Higher maximum STI opportunities have been coupled with a longer deferral period than in previous years to further align the interests of executives and securityholders. 50% of STI awards paid to the Group CEO and Other Executives are deferred into Lend Lease securities. 50% of the deferred portion (i.e. 25% of the total award) vests to recipients one year after payment of the non-deferred portion; the remaining 50% vests after two years. Securities are forfeited by the individual if they resign or are terminated for cause during the vesting period. Distributions are received by executives during the vesting period, subject to the executive continuing in employment.

These changes avoid the risks associated with paying STI awards entirely as cash and motivate executives to deliver sustainable performance as they have a substantial interest in Lend Lease securities.

### STI measures

#### a. Group CEO scorecard

The Group CEO's scorecard is approved annually by the Board to reflect Lend Lease's key strategic priorities. The scorecard balances both financial and non-financial measures to enable the Board to assess achievement on a holistic basis, including management of risk and capital used to achieve profitability.

Financial measures focus on profit after tax (PAT), growth and capital management. Non-financial measures include achievement of strategic and operational excellence objectives as well as the successful implementation of safety and people leadership goals.

During the year ended 30 June 2011 the Group CEO made significant progress across these multi-dimensional areas. Financial performance exceeded targets.

The Group CEO led the acquisition of the Valemus business; drove heightened attention to profit and commercial advantage throughout the business; and oversaw the introduction of a group-wide pay for performance and succession planning process.

#### b. Other Executives scorecard

Executive performance is also measured using a balanced scorecard. Examples of the measures used are:

| Category | Measure | Reason Chosen |
|---|---|---|
| Financial | Growth – secured work in key business areas<br>Capital – return on equity or return on capital<br>Profitability – achievement of profit and margin targets | Recognises the importance of delivering returns for securityholders and securing future revenue. |
| People and Leadership | Employee engagement measured using an independently run employee survey.<br>Develop and retain top talent through leadership development and succession planning.<br>Drive a performance culture by differentiating pay based on performance.<br>Demonstrate Lend Lease leadership standards including safety, diversity, behaviour and environment. | Employee engagement, effective leadership, safety and a performance culture are key to delivering sustainable performance. |
| Operational Excellence | Improve our service delivery, efficiency and effectiveness, for example:<br>▪ support transformation cost saving target to reduce overhead;<br>▪ improved client feedback scores; and<br>▪ achieve supply chain and procurement targets. | Client satisfaction and cost management are important drivers of current and future business performance. |
| Strategic | Individual specific objectives based on key deliverables for role. | Ensures executives are focussed on initiatives that deliver future growth and improved business performance. |

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

### Long-Term Incentives (LTI)

An annual grant of 'performance securities' is made to a limited number of executives. Performance securities can be converted to Lend Lease securities if the performance hurdle is achieved over a three-year and four-year period. For performance securities granted during the year, the performance hurdle is Lend Lease's total securityholder return (TSR) compared to the companies in the S&P ASX 100 Index. The Board intends that LTI awards be settled in Lend Lease securities; however they may be settled in cash or other means at the Board's discretion.

### 2010/11 LTI Plan

The key features of the 2010/11 LTI Plan are:

| | |
|---|---|
| Eligibility | Eligibility is limited to 12 senior executives who were identified as most able to influence the strategic direction and long-term performance of Lend Lease. |
| Grant date | 1 September 2010 |
| Performance hurdle | Relative TSR was selected as the performance measure to link LTI awards to the delivery of superior securityholder returns relative to other S&P/ASX 100 companies over the performance period. This method was chosen after consultation with securityholders. |
| Performance period | 50% of the 2010/2011 LTI grant is tested at three years. If the hurdle is not fully achieved at this time, those performance securities with a three year performance period will lapse. The remaining 50% of the performance securities are tested after four years. There is no opportunity to re-test any portion of the LTI grant. |
| Peer group | The relative TSR peer group consists of the S&P/ASX 100 companies determined at the start of the performance period. Participants only receive value if Lend Lease's TSR is at or above the 50th percentile of companies in the peer group, reflecting a focus on delivery of superior securityholder returns.<br>The vesting schedule is: |

| Relative TSR percentile ranking | Percentage of performance securities that vest if the relative TSR hurdle is met |
|---|---|
| Below the 50th percentile | No vesting |
| At the 50th percentile | 50% vesting |
| Above the 50th percentile but below the 75th percentile | Pro-rated vesting on a straight line basis between 50% and 100% |
| At 75th percentile or greater | 100% vesting |

| | |
|---|---|
| Termination and forfeiture | For 'good leavers', a pro-rata award may be paid after termination, subject to the original performance hurdle, unless there are exceptional circumstances (e.g. death or total and permanent disability) where the Board may determine and pay the award at the time of termination.<br>If an executive is terminated for cause or resigns, unvested LTI is forfeited.<br>Unvested LTI grants will be forfeited if an executive enters into a prohibited pre-vesting hedging arrangement in relation to their LTI awards. |

### Previous LTI plans

No LTI grants vested during the year ended 30 June 2011. LTI grants in prior years that are yet to be tested and are yet to vest are described below:

| | 2008/2009 LTI Plan | 2009/2010 LTI Plan |
|---|---|---|
| Eligibility | Key executives and other senior management approved by the Board. | |
| Award type | Performance and Retention. ⅓ Retention, ⅓ relative TSR and ⅓ EPS. | Performance. ½ EPS and ½ relative TSR. |
| Performance securities | Vesting of performance securities is subject to relative TSR and EPS performance. | |
| Retention securities | Vesting of retention securities is subject to the participant's continuous employment with Lend Lease over the performance period. | No retention securities. |
| Grant date | 1 September 2008 | 1 September 2009 |
| First vesting date | 1 September 2011. If the grant does not fully vest at September 2011, the unvested relative TSR portion of performance securities may be tested at 1 March 2012 and 3 September 2012. Any unvested EPS portion of performance securities may be tested at September 2012. | 1 September 2012 (50%)<br>1 September 2013 (50%)<br>No further testing. |
| Relative TSR targets | The relative TSR peer group consists of S&P/ASX 100 Index companies. The vesting schedule for relative TSR is the same as the 2010/2011 grant, refer to above. | |
| Relative TSR performance period | Performance is tested three years from the date of grant and subsequently 3½ and 4 years from the date of grant if required. If any part of the performance hurdle is achieved at the relevant testing dates, the corresponding payout will be delivered following the vesting date if employment conditions are satisfied. | Half the grant is tested at three years and the remaining half is tested at four years. Any part of the grant that is tested and does not meet the performance hurdle will lapse. There is no opportunity to retest the TSR grant. |

## EPS Targets

### 2008/2009 LTI Plan

EPS is calculated on the basis of the following: statutory profit/(loss) after tax adjusted for exclusion of treasury securities, unrealised carrying value adjustments (but not excluding unrealised adjustments on the value of inventory held for sale); write-off of goodwill; movements in the value of investment properties; savings implementation costs; and one-off benefits from the UK pension plan. EPS tested performance securities will vest subject to performance against compound annual growth rate targets set by the Board.

The EPS annual growth target set by the Board for the year ending 30 June 2011 was 12.1%.

| | EPS (AS DEFINED FOR LTI PURPOSES) | |
|---|---|---|
| | Target | Actual |
| EPS for 30 Jun 08 base | N/A | 87.8c |
| EPS for 30 Jun 09 | 80.9c | 30.0c |
| – % growth from prior year | -7.9% | -65.8% |
| EPS for 30 June 10 | 90.7c | 68.3c |
| – % growth from prior year | 12.1% | 127.7% |
| – two year compound annual growth rate | 2.0% | -12.0% |
| EPS for 30 June 11 | 101.7 | 90.3 |
| – % growth from prior year | 12.1% | 32.2% |
| – three year compound annual growth rate | 5.0% | 0.9% |

### 2009/2010 LTI Plan

EPS is based on Statutory EPS, defined as the statutory profit/(loss) after tax, attributable to members of Lend Lease Corporation Limited, divided by the weighted average number of ordinary securities (excluding treasury securities). EPS tested performance securities will vest subject to performance against targets set by the Board.

The Board set both a minimum and a stretch aggregate EPS target, and a final year EPS target for the three-year and four-year performance periods.

| | |
|---|---|
| Aggregate EPS target | The aggregate target was set at the start of the performance period, and actual performance is measured by the sum of three-year and four-year EPS performance compared to the aggregate EPS target. |
| Final year EPS target | This is calculated by dividing the aggregate EPS target over the relevant performance period by the number of years in the performance period (i.e. three or four years) ('qualifying condition'). |

## EPS performance period and vesting

### 2008/2009 LTI Plan

EPS will be assessed over the period 1 July 2008 to 30 June 2011 and (if required) over the period 1 July 2008 to 30 June 2012. For vesting to occur, Lend Lease's compound EPS growth rate over the test period must be equal to the compounded annual target rate over that period. The vesting schedule for EPS is as follows:

| Compound EPS growth | Payout (% of award to vest) |
|---|---|
| Less than the compound of target rates | 0% |
| Equal to the compound of target rates | 50% |
| Greater than the compound of target rates but less than 20% more than the compound of target rates | Proportion of EPS grant vesting increases in a straight line between 50% and 100% |
| At least 20% more than the compound of target rates | 100% |

If full payout for the EPS component has not been achieved at 30 June 2011, the Board will determine a target EPS growth rate for the year ending 30 June 2012.

The EPS target (if required) set by the Board for the year ending 30 June 2012 will be disclosed in the 2012 Remuneration Report.

### 2009/2010 LTI Plan

For vesting to occur, Lend Lease's actual aggregate EPS must be equal to or greater than the aggregate EPS target. Vesting is, however, subject to a qualifying condition. Vesting will only occur where Lend Lease's actual EPS in year three (or four) of the performance period is equal to or greater than the respective final year EPS target.

Subject to meeting the final year EPS target at year three or year four, the table below shows how vesting will occur based on Lend Lease's actual EPS performance at the vesting dates.

| EPS performance levels | Percentage of EPS tested performance securities that will vest |
|---|---|
| Less than minimum aggregate EPS target | 0% |
| Equal to minimum aggregate EPS target | 50% |
| Greater than minimum aggregate EPS target, less than stretch target | Pro-rated vesting (on a straight line basis) between 50% and 100% |
| At or above stretch aggregate EPS target | 100% |

Participants were advised of the EPS targets at the time the LTI grant was made in September 2009. The Board has committed to disclosing the EPS targets retrospectively in the Remuneration Report following the end of the relevant performance periods (being 30 June 2012 and 30 June 2013).

In setting the minimum and stretch aggregate EPS targets, the Board has taken into account the forecast business plan performance as well as market expectations to determine robust but achievable performance targets for the 50% and 100% vesting thresholds of the EPS component of the LTI.

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

| | 2008/2009 LTI Plan | 2009/2010 LTI Plan |
|---|---|---|
| Termination and forfeiture | The retention securities component is forfeited if the individual is not in employment at the first vesting date (including for 'good leaver' reasons).<br>For 'good leavers', the individual may, subject to Board discretion and in specified circumstances, receive a pro rata award for performance securities tested against relative TSR and EPS performance at the time of termination. Where an employee is terminated for cause or resigns, unvested LTI is forfeited.<br>Unvested LTI grants will be forfeited if an executive enters into a prohibited pre-vesting hedging arrangement in relation to their LTI awards. | For 'good leavers', a pro-rata award may be paid after termination and be subject to the original performance conditions, unless there are exceptional circumstances (e.g. death or total and permanent disability) where the Board may determine and pay the award at the time of termination.<br>Where an employee is terminated for cause or resigns, unvested LTI is forfeited.<br>Unvested LTI grants will be forfeited if an executive enters into a prohibited pre-vesting hedging arrangement in relation to their LTI awards. |

## Other incentive plans

Where appropriate, the Board will provide targeted incentives for specific business areas or individuals.

### a. Performance awards – Other Executives

Mr McNamara CEO Americas, participates in an additional incentive plan that operates for the years ending 30 June 2011 and 30 June 2012 only, related to the performance of the Americas and is in addition to the STI plan.

During the year an opportunity to earn up to A$650,000 in deferred securities was granted. This plan was created in order to support the significant turnaround required in the Americas business. The plan requires achievement of financial and non-financial measures that are in addition to those set under the STI plan. The plan stipulates that this award is deferred so that 50% is provided after two years and the remaining 50% after three years subject to continuing in employment. It is intended that this award be settled in Lend Lease securities. Based on performance under the plan A$585,000 will be granted in deferred securities on 1 September 2011.

Mr Ooi, CEO Asia, participated in an additional incentive plan that concluded during the year ended 30 June 2011. Performance targets related to the performance of the Asian Retail Investment Fund were not met and no award was paid.

Mr Gupta, Group Head of Investment Management, participates in an additional incentive plan that operates for the years ending 30 June 2011 and 30 June 2012 only. Mr Gupta may earn up to A$500,000 each year based upon achievement of key performance indicators relating to growth in global funds under management, incremental profits from external equity and gross profit margin. This is reflective of market practice with regard to investment management incentive plans and recognises the relative contribution of Mr Gupta to the business. For the year ended 30 June 2011 Mr Gupta received A$250,000 under this plan.

### b. Project Management and Construction incentive plan

A performance related incentive plan has been implemented for 12 critical employees in the Australian project management and construction business. In total awards made under the plan have a maximum value of A$3.3 million, earned over three years which are subject to achievement of profit targets. The first payment under this plan may be earned in the year ending 30 June 2012. The remuneration of these employees is not disclosed in this report.

### c. Infrastructure incentive plans

During the year, Lend Lease acquired Valemus Australia (Valemus) the parent company of Abigroup, Baulderstone and Conneq which together now form the Group's infrastructure business in Australia (infrastructure). The Board has approved a profit share plan for 55 infrastructure employees. Payments under the plan are subject to profit before tax targets and continuing employment. Payments to individual employees will be made over periods ranging from 18 months to 4½ years depending on the employee's role and level in the Group. If all targets are met, the total value paid to all participants over the relevant periods will be approximately A$12 million.

STI deferral periods in line with the Lend Lease Executive Reward Strategy are being implemented for the most senior infrastructure employees.

A number of infrastructure employees have employment contracts that provide for a notice period that is longer than 12 months or a payment in lieu of notice that is greater than 12 months of fixed pay. These contract terms were put in place by Valemus prior to the acquisition by Lend Lease. Lend Lease is reviewing these contracts on a case by case basis to monitor compliance with the new Corporations Act limits on termination benefits.

### d. Retention awards

When the Board believes an executive is an outstanding performer and the Group and securityholders would gain by encouraging them to remain with the Group, a retention award may be made.

No new retention awards were granted or paid in the current year to the Group CEO.

Mr Hutton was awarded a special cash retention award in recognition of his contribution to the Barangaroo development project. During the year a payment of A$60,000 was paid under this award with a further payment of A$80,000 due in June 2012 subject to continuing in employment.

The Board approved retention payments for the Managing Director of Infrastructure in Australia that total less than A$1.0 million spread over three years to offset an agreed reduction in fixed remuneration.

Details of the retention awards which have previously been granted to the Group CEO and Other Executives and which have not yet vested are shown in Section h.

### Securities Trading Policy

The Lend Lease Securities Trading Policy applies to all employees of the Lend Lease group of companies. In accordance with the policy, directors and executives may only deal in Lend Lease securities during designated periods. Directors and executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lend Lease securities. No director or executive may enter into a margin loan arrangement in respect of Lend Lease securities.

## f. How Rewards are Influenced by Performance – Audited

### Key financial indicators: Group performance over the past five years

The table below outlines some key indicators of Group performance over the past five years.

| | | June 2011 | June 2010 | June 2009 | June 2008 | June 2007 |
|---|---|---|---|---|---|---|
| Statutory profit/(loss) after tax | A$m | 492.8 | 345.6 | (653.6) | 265.4 | 497.5 |
| Operating profit after tax | A$m | 485.3 | 323.6 | 307.5 | 447.1 | 413.7 |
| EPS on operating profit after tax[1] | cents | 90.3 | 68.3 | 77.5 | 120.9 | 120.5 |
| Total distributions[2] | A$m | 198.7 | 160.6 | 186.7 | 308.9 | 308.5 |
| (Decrease)/increase in closing price[3] | A$ | 1.64 | 0.32 | (2.54) | (8.99) | 4.55 |

1 EPS (Earnings per security) is calculated using the weighted average number of securities on issue excluding treasury securities.
2 The June 2011 distribution of A$85.6 million was declared subsequent to the reporting date.
3 Represents the movement in the security price over the year calculated using the closing security price at 30 June.

### Linking rewards and performance

a. Fixed remuneration

Fixed remuneration is primarily set with reference to the individual's role, responsibilities, performance and the remuneration paid to comparable roles in the external market. It is not generally linked with annual Group performance.

b. Short-term incentive (STI)

STIs are awarded to individuals based on an assessment of the executive's overall performance and the profitability of the Group and Region where relevant. The Board determines the aggregate pool available to fund STIs based on the Group's profit after tax.

On average, STI awards for the year ended 30 June 2011 are above target. This outcome reflects the Group's profit after tax result, that was significantly above target performance. In line with performance for the year ended 30 June 2011, STI awards are presented in the table below:

| | Total target STI opportunity A$000s | % OF STI OPPORTUNITY | | % of Target STI Paid | % of Maximum STI Paid | Total A$ STI awarded | STI awarded as cash | Value of deferred STI to vest in Sept 2012[1] | Value of deferred STI to vest in Sept 2013[1] |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash component | Deferred component | | | | | | |
| **Executive Director** | | | | | | | | | |
| Stephen McCann | 3,083 | 50 | 50 | 125 | 83 | 3,854 | 1,927 | 964 | 964 |
| **Other Executives** | | | | | | | | | |
| Scott Charlton | 1,155 | 50 | 50 | 135 | 90 | 1,560 | 780 | 390 | 390 |
| Tarun Gupta | 660 | 50 | 50 | 140 | 93 | 924 | 462 | 231 | 231 |
| David Hutton | 730 | 50 | 50 | 105 | 70 | 767 | 384 | 192 | 192 |
| Daniel Labbad | 644 | 50 | 50 | 150 | 100 | 967 | 484 | 242 | 242 |
| Rod Leaver | 875 | 50 | 50 | 110 | 73 | 963 | 482 | 241 | 241 |
| Anthony Lombardo | 680 | 50 | 50 | 150 | 100 | 1,020 | 510 | 255 | 255 |
| Robert McNamara | 650 | 50 | 50 | 135 | 90 | 878 | 439 | 220 | 220 |
| Mark Menhinnitt | 760 | 50 | 50 | 120 | 80 | 912 | 456 | 228 | 228 |
| Eng-Peng Ooi[2] | 406 | 100 | – | 75 | 50 | 304 | 304 | – | – |
| Brad Soller | 800 | 50 | 50 | 125 | 83 | 1,000 | 500 | 250 | 250 |

1 Deferred STI is delivered as Lend Lease securities which are scheduled to be granted in September 2011.
2 Mr Ooi's STI will be settled entirely as cash. This was agreed as part of Mr Ooi's cessation arrangements.

### c. Long-term incentive (LTI)

No long term incentive awards vested during the year.

Lend Lease's relative TSR performance over the performance period for each outstanding LTI grant is shown below.

### Relative TSR performance for Sept 2008 Grant

*Comparative TSR performance from 1 September 2008 to 30 June 2011*

## g. Executive Contracts – Audited

### Group CEO and Managing Director's contract – Stephen McCann

| | |
|---|---|
| Contract duration | No fixed term. Appointment as Managing Director not to exceed five years, effective 4 March 2009. |
| Benefits | Total package includes fixed remuneration and superannuation.<br>Additional benefits include vehicle lease cost, parking space at Lend Lease headquarters and life insurance to the value of three times fixed remuneration. |
| Variable remuneration eligibility | Eligible for STI and LTI plan at Board discretion. |
| Non-compete period | 12 months |
| Non-solicitation period | 12 months |
| Notice by Lend Lease | 12 months |
| Notice by Group CEO | 6 months |
| Treatment on termination | Payment in lieu of notice: Where the Group CEO is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice includes pro rata fixed remuneration and the cash value of statutory entitlements and benefits, and pro rata STI based on the level of performance achievement in the previous year.<br>Treatment of incentives: The Group CEO may receive a pro rata STI award for the latest financial year based on assessment of his performance by the Board. LTIs will be treated according to ordinary award terms, and for the most recent LTI award before termination, the pro-rata period is increased by 12 months. |
| Other | The Group CEO has previously been granted retention awards. A number of these have not yet vested. They are described in Section h. |

Executives are typically employed on contracts that have no fixed term. Benefits may include participation in the Employee Share Acquisition Plan, health/life insurance, car allowances, motor vehicle leases and salary continuance.

Lend Lease ensures that any termination benefits provided under the contract of any newly employed executive falls within the limits set by the Corporations Act so that the level of termination benefits does not require securityholder approval. There are some existing employment contracts within the Group that provide for a notice period that is longer than 12 months or a payment in lieu of notice that is greater than 12 months of fixed pay. These contracts were put in place prior to the changes to the Corporations Act in 2009 which changed the limit for termination benefits and complied with the limits in place at the time the contract was entered into. Lend Lease is reviewing these contracts on a case by case basis to monitor compliance with the new Corporations Act limits on termination benefits.

| Executive | Notice by Lend Lease | Notice by executive | Treatment on termination for notice |
|---|---|---|---|
| Scott Charlton | 6 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration, superannuation and accrued leave. |
| Tarun Gupta | 6 months | 6 months | Payment may be made in lieu of notice. |
| David Hutton | 12 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration, superannuation plus projected STI (if eligible in that year) of 60% of the target cash opportunity. |
| Daniel Labbad | 12 months | 6 months | Payment may be made in lieu of notice. Company will provide repatriation support to Australia if not a resignation. |
| Rod Leaver | 6 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration and accrued but untaken leave. |
| Anthony Lombardo | 12 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration, superannuation plus projected STI (if eligible in that year) of 60% of the target cash opportunity. |
| Robert McNamara | 3 months | 3 months | Payment may be made in lieu of notice. Notice payment is based on base salary and other minimum benefits as required by applicable US legislation. |
| Mark Menhinnitt | 12 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration, superannuation plus projected STI (if eligible in that year) of 60% of the target cash opportunity. |
| Eng-Peng Ooi | 6 months | 6 months | Payment may be made in lieu of notice. Company will provide repatriation support to Australia if not a resignation. |
| Brad Soller | 12 months | 6 months | Payment may be made in lieu of notice. Notice payment is based on fixed remuneration, superannuation plus projected STI (if eligible in that year) of 60% of the target cash opportunity. |

Executives are also eligible for participation in the STI and LTI plans subject to Board discretion.

Termination clauses are specified in each contract describing treatment on termination based on the reason for termination (e.g. resignation, with notice, due to illness, or immediate termination for cause).

# 3. REMUNERATION REPORT CONTINUED

DIRECTORS' REPORT

## h. Statutory Executive Remuneration Disclosures – Audited

| | | SHORT-TERM BENEFITS | | | POST-EMPLOYMENT BENEFITS | SECURITY-BASED PAYMENT | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| A$000s | Year | Cash salary[1] | Cash STI | Non-monetary benefits[2] | Super-annuation[3] | LTI equity-settled[4] | STI equity-settled | Retention[5] | Other long-term benefits[6] | Total |
| **Executive Director** | | | | | | | | | | |
| Stephen McCann | 2011 | 1,786 | 1,927 | 224 | 32 | 821 | 648 | 655 | 27 | 6,120 |
| | 2010 | 1,518 | 1,368 | 159 | 27 | 642 | 546 | 1,031 | 22 | 5,313 |
| **Other Executives** | | | | | | | | | | |
| Scott Charlton | 2011 | 1,199 | 780 | 66 | 20 | 128 | 82 | | 18 | 2,293 |
| (Part year only) | 2010 | 335 | 191 | 3 | 6 | 23 | | | 5 | 563 |
| Tarun Gupta | 2011 | 690 | 712 | 34 | 77 | 124 | 124 | 22 | 11 | 1,794 |
| | 2010[9] | | | | | | | | | – |
| David Hutton | 2011 | 784 | 384 | 49 | 81 | 203 | 258 | 44 | 11 | 1,814 |
| | 2010 | 594 | 258 | 10 | 67 | 168 | 189 | 44 | 8 | 1,338 |
| Daniel Labbad | 2011 | 820 | 483 | 165 | 61 | 199 | 128 | 45 | | 1,901 |
| | 2010[9] | | | | | | | | | – |
| Rod Leaver | 2011 | 1,043 | 481 | 120 | 17 | 61 | 259 | | | 1,981 |
| | 2010 | 829 | 481 | 6 | 14 | 562 | 187 | | 11 | 2,090 |
| Anthony Lombardo | 2011 | 727 | 510 | 59 | 17 | 152 | 160 | 21 | 11 | 1,657 |
| | 2010 | 632 | 320 | 3 | 16 | 115 | 137 | 21 | 8 | 1,252 |
| Robert McNamara | 2011 | 713 | 439 | 34 | | 273 | 35 | | | 1,494 |
| | 2010[9] | | | | | | | | | – |
| Mark Menhinnitt[7] | 2011 | 778 | 456 | | 86 | 230 | 152 | 51 | 12 | 1,765 |
| | 2010 | 697 | 354 | | 77 | 208 | 135 | 51 | 10 | 1,532 |
| Eng-Peng Ooi[8] | 2011 | 510 | 304 | 29 | 52 | 86 | 205 | 11 | | 1,197 |
| | 2010[9] | | | | | | | | | – |
| Brad Soller | 2011 | 847 | 500 | 14 | 19 | 193 | 178 | 26 | 13 | 1,790 |
| | 2010 | 672 | 414 | 32 | 22 | 151 | 130 | 26 | 10 | 1,457 |
| **Previously disclosed executives[10]** | | | | | | | | | | |
| Michael Bellaman[11] | 2010 | 556 | 139 | 54 | 8 | 50 | 112 | 473 | | 1,392 |
| Murray Coleman | 2010 | 683 | 345 | 30 | 72 | 159 | 117 | 530 | 8 | 1,944 |
| William Hara | 2010 | 563 | 267 | | 14 | 160 | 175 | 39 | 7 | 1,225 |
| Neil Martin | 2010 | 399 | 134 | 183 | 136 | 92 | 78 | 19 | 6 | 1,047 |

1 Cash Salary includes the payment of cash allowances such as motor vehicle, superannuation and housing allowance. Rod Leaver does not include payment of accrued annual leave A$40,054 on transfer to the Singapore employing entity. David Hutton includes a cash retention payment of A$60,000.
2 Non-monetary benefits include car parking, relocation and expatriate benefits (such as health insurance, shipping of goods and tax return preparation), motor vehicle costs and annual leave.
3 Superannuation for defined benefit members in Australia (Tarun Gupta, David Hutton, Mark Menhinnitt, Eng-Peng Ooi) reflects the cost of contributions based on the long-term contribution rate applied to the notional salary in respect of each executive. Superannuation includes the value of life insurance premiums (Scott Charlton A$4,381, Tarun Gupta A$2,148, David Hutton A$3,758, Rod Leaver A$2,148, Anthony Lombardo A$2,148, Stephen McCann A$9,634, Mark Menhinnitt A$2,148, Eng-Peng Ooi A$2,020, Brad Soller A$3,532).
4 Fair value expense of LTI awards that are equity settled.
5 These amounts represent the amortisation of previous retention awards made including the retention component of the September 2008 LTI award.
6 Other long term benefits represent the accrual of statutory employee entitlements i.e. long service leave.
7 Mr Menhinnitt is included for the full year as he is in the top five highest paid for the Company and a Key Management Personnel (KMP) from 1 April 2011.
8 Mr Ooi ceased to be Key Management Personnel effective 1 April. Disclosures represent part-year remuneration from 1 July 2010 to 31 March 2011 while he was a KMP.
9 Individuals who were not Key Management Personnel or the five highest paid in the Group or the five highest paid in the Company during the year ended 30 June 2010 have no remuneration related to the year ended 30 June 2010 disclosed in this table.
10 Previously disclosed executives are no longer required to be disclosed as they are neither Key Management Personnel nor in the top five highest paid Executives in the Group or Company during the year ended 30 June 2011.
11 Michael Bellaman agreed to his employment terminating 20 August 2010 and received a termination payment of A$1,268,328 in relation to contractual entitlements.

### Remuneration components as a proportion of reported total remuneration[1]

| | | PERFORMANCE-BASED | |
|---|---|---|---|
| | Fixed | STI[2] | LTI |
| **Executive Director** | | | |
| Stephen McCann | 30% | 58% | 12% |
| **Other Executives** | | | |
| Scott Charlton | 43% | 53% | 4% |
| Tarun Gupta | 43% | 50% | 7% |
| David Hutton | 48% | 41% | 11% |
| Daniel Labbad | 47% | 44% | 9% |
| Rod Leaver | 53% | 44% | 3% |
| Anthony Lombardo | 40% | 52% | 8% |
| Robert McNamara | 39% | 46% | 15% |
| Mark Menhinnitt | 43% | 45% | 12% |
| Eng-Peng Ooi | 60% | 31% | 9% |
| Brad Soller | 43% | 48% | 9% |

1 Excludes retention awards.
2 STI includes the cash amount and the deferred amount accrued for performance for the year ended 30 June 2011.

### Equity-based payments

a. Outstanding LTI awards

No LTI awards outlined below vested during the year ended 30 June 2011.

| Name | Plan (for the year ended) | Grant date | Vesting date[1] | Number granted | Fair value per equity instrument[2] A$ | Total fair value at grant date A$ | Expense for the year ended 30 June 2011 A$ |
|---|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | | |
| Stephen McCann | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 120,235 | 6.35 | 763,566 | 190,892 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 60,135 | 7.01 | 421,464 | 140,488 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 124,535 | 6.08 | 757,173 | 232,880 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 124,535 | 6.31 | 785,816 | 182,444 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 87,680 | 4.92 | 431,386 | 119,830 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 87,680 | 5.20 | 455,936 | 94,987 |
| **Total** | | | | | | | **961,521** |
| **Other Executives** | | | | | | | |
| Scott Charlton | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 16,220 | 6.08 | 98,615 | 30,330 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 16,220 | 6.31 | 102,345 | 23,762 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 30,222 | 4.92 | 148,692 | 41,304 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 30,222 | 5.20 | 157,154 | 32,741 |
| **Total** | | | | | | | **128,137** |
| Tarun Gupta | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 18,947 | 6.35 | 120,313 | 30,082 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 9,477 | 7.01 | 66,434 | 22,139 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 14,594 | 6.08 | 88,732 | 27,291 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 14,594 | 6.31 | 92,088 | 21,380 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 18,489 | 4.92 | 90,966 | 25,268 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 18,489 | 5.20 | 96,143 | 20,030 |
| **Total** | | | | | | | **146,190** |

Refer to footnotes on page 49.

| Name | Plan (for the year ended) | Grant date | Vesting date[1] | Number granted | Fair value per equity instrument[2] A$ | Total fair value at grant date A$ | Expense for the year ended 30 June 2011 A$ |
|---|---|---|---|---|---|---|---|
| **Other Executives continued** | | | | | | | |
| David Hutton | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 37,538 | 6.35 | 238,363 | 59,591 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 18,769 | 7.01 | 131,569 | 43,856 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 28,910 | 6.08 | 175,773 | 54,062 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 28,910 | 6.31 | 182,422 | 42,353 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 19,200 | 4.92 | 94,464 | 26,240 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 19,200 | 5.20 | 99,840 | 20,800 |
| **Total** | | | | | | | **246,902** |
| Daniel Labbad | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 38,324 | 6.35 | 243,357 | 60,845 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 19,168 | 7.01 | 134,368 | 44,779 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 27,339 | 6.08 | 166,221 | 51,124 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 27,339 | 6.31 | 172,509 | 40,052 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 19,200 | 4.92 | 94,464 | 26,240 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 19,200 | 5.20 | 99,840 | 20,800 |
| **Total** | | | | | | | **243,840** |
| Rod Leaver[6] | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 24,889 | 4.92 | 122,454 | 34,015 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 24,889 | 5.20 | 129,423 | 26,963 |
| **Total** | | | | | | | **60,978** |
| Anthony Lombardo | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 18,045 | 6.35 | 114,598 | 28,649 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 9,025 | 7.01 | 63,254 | 21,085 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 23,351 | 6.08 | 141,974 | 43,666 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 23,351 | 6.31 | 147,345 | 34,210 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 18,489 | 4.92 | 90,966 | 25,268 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 18,489 | 5.20 | 96,143 | 20,030 |
| **Total** | | | | | | | **172,908** |
| Robert McNamara | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 43,285 | 6.08 | 263,173 | 80,943 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2013 | 43,285 | 6.31 | 273,128 | 63,412 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2013 | 52,533 | 4.92 | 258,462 | 71,795 |
| | June 2011 LTI (50%)[5] | Sept 2010 | Sept 2014 | 52,533 | 5.20 | 273,171 | 56,910 |
| **Total** | | | | | | | **273,060** |
| Mark Menhinnitt | June 2009 LTI – A[3] | Sept 2008 | August 2012 | 43,308 | 6.35 | 275,034 | 68,759 |
| | June 2009 LTI – B[3] | Sept 2008 | August 2011 | 21,661 | 7.01 | 151,810 | 50,603 |
| | June 2010 LTI (50%)[4] | Sept 2009 | August 2012 | 33,358 | 6.08 | 202,817 | -1,272,817 |

# 4. OTHER

## a. Security Options

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

## b. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on pages 29 to 30 of this Report; the Company Secretary, Mr W Hara; and officers of the Company or of wholly owned subsidiaries or related entities of the Company ('Officers') to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

In conformity with Rule 12 of the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors named on pages 29 to 30 of this Report. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. The Company is not aware of any liability having arisen, and no claims have been made, during or since the financial year under the Deeds of Indemnity, Insurance and Access.

For related entities, the indemnification is provided under Rule 12 of the Company's Constitution unless the Directors determine otherwise. For unrelated entities in which the Group has an interest, deeds of indemnity may be entered into between Lend Lease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate deeds of indemnity with a Director or officer of an unrelated entity.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

In accordance with the *Corporations Act 2001*, Rule 12 of the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an Officer of the Company or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal, and whatever their outcome. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

## c. Non Audit Services

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

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

- All other services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Risk Management and Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The other services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

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

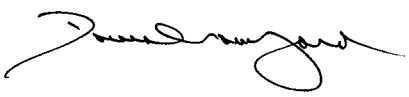
Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and other services provided during the year are set out below.

| | CONSOLIDATED | |
|---|---|---|
| | June 2011 A$000s | June 2010 A$000s |
| Audit and Other Assurance Services | | |
| Audit services | 7,286 | 7,122 |
| Other assurance services | 2,105 | |
| **Total audit and other assurance services** | **9,391** | **7,122** |
| Other Services | | |
| International assignees tax services | | 38 |
| Other | | 78 |
| **Total other services** | **–** | **116** |
| **Total audit and other services** | **9,391** | **7,238** |

## d. Rounding Off

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

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



**D A Crawford, AO**
Chairman

**S B McCann**
Group Chief Executive Officer and Managing Director

Sydney, 26 August 2011

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

To: the Directors of Lend Lease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial

# FIVE YEAR PROFILE[1]

| | | June 2011 | June 2010 | June 2009 | June 2008 | June 2007 |
|---|---|---|---|---|---|---|
| **Profitability** | | | | | | |
| Revenue | A$m | 8,927 | 10,502 | 14,683 | 14,581 | 14,180 |
| Statutory profit/(loss) before tax | A$m | 632 | 451 | (749) | 310 | 628 |
| Operating profit before tax[2] | A$m | 621 | 417 | 365 | 501 | 545 |
| Statutory profit/(loss) after tax | A$m | 493 | 346 | (669) | 254 | 498 |
| Operating profit after tax[2] | A$m | 485 | 324 | 292 | 436 | 446 |
| Operating EBITDA[2] | A$m | 711 | 483 | 396 | 517 | 551 |
| Earnings per security on statutory profit/(loss)[3] | cents | 86.9 | 69.5 | (154.7) | 63.4 | 124.3 |
| Earnings per security on operating profit[2,3] | cents | 85.6 | 65.1 | 67.4 | 108.7 | 111.4 |
| Statutory profit/(loss) after tax to securityholders' equity for the period (ROE)[4] | % | 14.2 | 12.6 | (25.1) | 8.2 | 15.7 |
| Distribution per security[5] | cents | 35.0 | 32.1 | 41.0 | 77.0 | 77.0 |
| Distribution payout ratio on operating profit after tax[2,5] | % | 41 | 50 | 64 | 71 | 69 |
| **Corporate Strength** | | | | | | |
| Total assets | A$m | 12,149 | 11,366 | 8,291 | 8,550 | 9,336 |
| Cash | A$m | 1,046 | 1,636 | 1,121 | 843 | 550 |
| Borrowings | A$m | 1,694 | 1,447 | 1,125 | 929 | 1,076 |
| Current assets | A$m | 4,097 | 4,171 | 4,106 | 4,085 | 4,514 |
| Non current assets | A$m | 8,052 | 7,196 | 4,186 | 4,465 | 4,822 |
| Current liabilities | A$m | 5,794 | 5,541 | 4,087 | 3,915 | 3,869 |
| Non current liabilities | A$m | 2,722 | 2,465 | 1,790 | 1,653 | 2,224 |
| Total equity | A$m | 3,633 | 3,361 | 2,414 | 2,981 | 3,243 |
| Cash flow (used in)/provided by operations | A$m | (42) | 168 | 382 | 269 | 357 |
| Net asset backing per security | A$ | 6.36 | 5.94 | 5.27 | 7.43 | 8.09 |
| Ratio of current assets to current liabilities[6] | times | 0.71 | 0.75 | 1.00 | 1.04 | 1.17 |
| Net debt to total tangible assets, less cash[7] | % | 8.9 | n/a | 2.9 | 4.1 | 9.8 |
| Borrowings to total equity | % | 46.6 | 43.0 | 46.6 | 31.2 | 33.2 |
| Borrowings to total equity plus borrowings | % | 31.8 | 30.1 | 31.8 | 23.8 | 24.9 |
| Gross borrowings to total tangible assets[8] | % | 17.7 | 15.1 | 16.9 | 14.5 | 15.7 |
| Borrowings to total market capitalisation | % | 33.1 | 34.9 | 35.1 | 24.3 | 14.5 |
| Securities on issue | m | 571 | 566 | 458 | 401 | 401 |
| Number of securityholders | no. | 54,370 | 55,492 | 52,684 | 51,632 | 49,051 |
| Number of equivalent full-time employees | no. | 17,181 | 11,094 | 10,656 | 12,039 | 10,817 |
| **Securityholders' Returns and Statistics** | | | | | | |
| Proportion of securities on issue to top 20 securityholders | % | 76.3 | 75.3 | 74.3 | 75.4 | 76.9 |
| Securityholdings relating to employees[9] | % | 6.4 | 6.1 | 7.9 | 9.3 | 9.5 |
| Total distributions[10] | A$m | 199 | 161 | 187 | 309 | 309 |
| Security price as at 30 June as quoted on the Australian Securities Exchange | A$ | 8.97 | 7.33 | 7.01 | 9.55 | 18.54 |

1 Comparative information in respect of June 2007, June 2008 and June 2009 reflect the results in Lend Lease Corporation Limited and its controlled entities prior to stapling of the Lend Lease Trust (LLT) in November 2009. Refer to Note 1 'Significant Accounting Policies' of the Consolidated Financial Statements. June 2010 and June 2009 have been adjusted to reflect the impact of aligning the accounting policies of an associate to those of the Group with respect to prior period adoption of AASB Interpretation 12 '*Service Concession Arrangements*'.
2 Operating profit excludes unrealised property investment revaluations of A$10.7 million gain before tax, A$7.5 million gain after tax (June 2010: A$33.7 million gain before tax, A$22.0 million gain after tax).
3 Calculated using the weighted average number of securities on issue including treasury securities. June 2009 has been adjusted by a factor of 1.02 in respect of new securities issued during March and April 2010 via a 5 for 22 single bookbuild accelerated renounceable entitlement offer at A$7.70 per new security.
4 Return on equity is calculated on average equity.
5 Distributions include interim and final distributions. June 2010 also includes the 'in specie' dividend of 0.1 cent following the stapling of LLT units to shares in the company in November 2009.
6 June 2011 and June 2010 ratio includes resident and accommodation bond liabilities recognised following the Primelife acquisition. These are required to be classified as current liabilities as any resident may depart within 12 months. The investment properties, property, plant and equipment, and intangible assets to which they relate, however, are required to be classified as non current.
7 The June 2010 ratio is not relevant as the Group was in a net cash position.
8 Net debt and gross borrowings include certain other financial liabilities of A$227.7 million (June 2010: A$169.6 million).
9 Securities held through employee benefit vehicles.
10 The June 2011 distribution of A$85.6 million was declared subsequent to the reporting date.

# CONSOLIDATED FINANCIAL STATEMENTS

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# INCOME STATEMENT

## YEAR ENDED 30 JUNE 2011

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| Revenue | 2 | 8,926.7 | 10,501.5 |
| Cost of sales | | (7,894.2) | (9,617.1) |
| **Gross profit** | | **1,032.5** | **884.4** |
| Other income | 3 | 182.2 | |

# STATEMENT OF FINANCIAL POSITION

YEAR ENDED 30 JUNE 2011

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 9 | 1,046.2 | 1,635.9 |
| Loans and receivables | 10 | 1,724.0 | 1,769.7 |
| Inventories | 11 | 692.5 | 587.8 |
| Other financial assets | 14 | 94.2 | 91.4 |
| Current tax assets | | | 9.8 |
| Other assets | | 43.6 | 76.0 |
| Non current asset held for sale | 18 | 496.5 | |
| **Total current assets** | | **4,097.0** | **4,170.6** |
| **Non Current Assets** | | | |
| Loans and receivables | 10 | 330.3 | 365.2 |
| Inventories | 11 | 1,578.7 | 1,576.0 |
| Equity accounted investments | 12 | 541.4 | 913.9 |
| Investment properties | 13 | 3,216.0 | 2,820.9 |
| Other financial assets | 14 | 272.0 | 273.7 |
| Deferred tax assets | 6c | 115.7 | 95.7 |
| Property, plant and equipment | 15 | 595.2 | 352.7 |
| Intangible assets | 16 | 1,319.1 | 694.1 |
| Defined benefit plan asset | 17, 24 | 32.6 | 27.3 |
| Other assets | | 51.0 | 76.3 |
| **Total non current assets** | | **8,052.0** | **7,195.8** |
| **Total assets** | | **12,149.0** | **11,366.4** |
| **Current Liabilities** | | | |
| Trade and other payables | 19 | 3,263.1 | 3,295.1 |
| Resident and accommodation bond liabilities | 20 | 2,231.4 | 1,995.8 |
| Current tax liabilities | | 0.8 | |
| Provisions | 22 | 262.0 | 198.8 |
| Other financial liabilities | 23 | 37.1 | 51.5 |
| **Total current liabilities** | | **5,794.4** | **5,541.2** |
| **Non Current Liabilities** | | | |
| Trade and other payables | 19 | 625.8 | 709.5 |
| Provisions | 22 | 74.2 | 84.1 |
| Borrowings and financing arrangements | 21 | 1,693.9 | 1,446.6 |
| Other financial liabilities | 23 | 201.4 | 146.9 |
| Deferred tax liabilities | 6c | 126.7 | 59.6 |
| Defined benefit plan liability | 24 | | 18.0 |
| **Total non current liabilities** | | **2,722.0** | **2,464.7** |
| **Total liabilities** | | **8,516.4** | **8,005.9** |
| **Net assets** | | **3,632.6** | **3,360.5** |
| **Equity** | | | |
| Issued capital | 25 | 2,063.7 | 2,019.2 |
| Treasury securities | 25 | (83.3) | (74.4) |
| Reserves | 26 | (108.4) | (29.0) |
| Retained earnings | | 1,725.6 | 1,404.5 |
| **Total equity attributable to members of Lend Lease Corporation Limited** | | **3,597.6** | **3,320.3** |
| Non controlling interests attributable to unitholders of Lend Lease Trust | | 0.6 | 0.6 |
| **Total equity attributable to securityholders** | | **3,598.2** | **3,320.9** |
| Other non controlling interests | | 34.4 | 39.6 |
| **Total equity** | | **3,632.6** | **3,360.5** |

The accompanying notes form part of these consolidated financial statements.

# STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2011

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **Issued Capital and Treasury Securities** | | | |
| **Issued Capital** | | | |
| Opening balance at beginning of financial year | | 2,019.2 | 1,195.9 |
| Transactions with owners for the year | | | |
| Equity issue via institutional placement (net of transaction costs) | | (0.7) | 792.6 |
| Equity issue – other | | | 0.3 |
| Distribution Reinvestment Plan (DRP) | | 45.2 | 30.4 |
| **Closing balance at end of financial year** | 25 | **2,063.7** | **2,019.2** |
| **Treasury Securities** | | | |
| Opening balance at beginning of financial year | | (74.4) | (63.2) |
| Transactions with owners for the year | | | |
| Treasury securities acquired | | (16.3) | (2.6) |
| Treasury securities vested | | 7.4 | 11.0 |
| Movement on allocated treasury securities recognised directly in retained earnings and equity compensation reserve | | | (19.6) |
| **Closing balance at end of financial year** | 25 | **(83.3)** | **(74.4)** |
| **Total issued capital and treasury securities** | | **1,980.4** | **1,944.8** |
| **Reserves (After Tax)** | | | |
| **Fair Value Revaluation Reserve** | | | |
| Opening balance at beginning of financial year | | 37.8 | 44.5 |
| Movements during the year | | 2.1 | (6.7) |
| **Closing balance at end of financial year** | 26 | **39.9** | **37.8** |
| **Hedging Reserve** | | | |
| Opening balance at beginning of financial year | | (88.2) | (58.1) |
| Movements during the year | | 42.8 | (30.1) |
| **Closing balance at end of financial year** | 26 | **(45.4)** | **(88.2)** |
| **Foreign Currency Translation Reserve** | | | |
| Opening balance at beginning of financial year | | (80.5) | (24.4) |
| Movements during the year | | (162.3) | (56.1) |
| **Closing balance at end of financial year** | 26 | **(242.8)** | **(80.5)** |
| **Non Controlling Interest Acquisition Reserve** | | | |
| Opening balance at beginning of financial year | | (110.9) | (121.0) |
| Movements during the year | | 24.6 | 10.1 |
| **Closing balance at end of financial year** | 26 | **(86.3)** | **(110.9)** |
| **Other Reserve** | | | |
| Opening balance at beginning of financial year | | 110.4 | 104.6 |
| Transaction with owners for the year | | | |
| Net proceeds from renounceable entitlement offer received by Lend Lease sponsored employee security plans | | | 7.1 |
| Effect of foreign exchange rate/other movements | | 1.3 | (1.3) |
| **Closing balance at end of financial year** | 26 | **111.7** | **110.4** |
| **Equity Compensation Reserve** | | | |
| Opening balance at beginning of financial year | | 48.0 | 35.6 |
| Transactions with owners for the year | | | |
| Movements attributable to allocation and vesting of securities | | 12.1 | 12.4 |
| **Closing balance at end of financial year** | 26 | **60.1** | **48.0** |
| **Other Compensation Reserve** | | | |
| **Closing balance at beginning and end of financial year** | | **54.4** | **54.4** |
| **Total reserves** | 26 | **(108.4)** | **(29.0)** |

The accompanying notes form part of these consolidated financial statements.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **Retained Earnings** | | |
| Opening balance at beginning of financial year | 1,404.5 | 1,238.5 |
| Prior year adjustment[1] | | (34.6) |
| Profit attributable to members of Lend Lease Corporation Limited | 492.8 | 345.6 |
| Transactions with owners for the year | | |
| Distributions paid | (135.8) | (135.5) |
| Distributions on treasury securities | 8.6 | 8.4 |
| Distributions under DRP | (45.2) | (30.4) |
| Movement on allocated treasury securities recognised directly in retained earnings | 0.7 | 15.0 |
| Other | | (2.5) |
| **Closing balance at end of financial year** | **1,725.6** | **1,404.5** |
| **Non Controlling Interests Attributable to Unitholders of Lend Lease Trust** | | |
| Opening balance at beginning of financial year | 0.6 | |
| Transactions with owners for the year | | |
| Movements attributable to the stapling of Lend Lease Trust units to Company shares | | 0.5 |
| Security issue via institutional placement | | 0.1 |
| **Closing balance at end of financial year** | **0.6** | **0.6** |
| **Other Non Controlling Interests** | | |
| Opening balance at beginning of financial year | 39.6 | 41.8 |
| Profit attributable to non controlling interests | 0.4 | 2.6 |
| Transactions with owners for the year | | |
| Movements attributable to dividends/distributions received | (1.7) | (1.4) |
| Effect of foreign exchange rate/other movements | (3.9) | (3.4) |
| **Closing balance at end of financial year** | **34.4** | **39.6** |
| **Total equity** | **3,632.6** | **3,360.5** |
| **Total Comprehensive Income After Tax for the Financial Year** | | |
| Attributable to: | | |
| Members of Lend Lease Corporation Limited | 403.8 | 263.6 |
| Non controlling interests attributable to unitholders of Lend Lease Trust | – | – |
| **Total comprehensive income after tax attributable to securityholders** | **403.8** | **263.6** |
| Other non controlling interests | (3.4) | (0.7) |
| **Total comprehensive income after tax** | **400.4** | **262.9** |

1 Refer to Note 1.2 'Basis of Preparation' for further details.

The accompanying notes form part of these consolidated financial statements.

# STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2011

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Cash receipts in the course of operations | | 9,331.3 | 10,677.0 |
| Cash payments in the course of operations | | (9,306.7) | (10,545.3) |
| Property development receipts | | 454.3 | 504.4 |
| Property development expenditure | | (584.3) | (491.7) |
| Interest received | | 73.6 | 46.3 |
| Interest paid | | (113.4) | (80.1) |
| Dividends/distributions received | | 126.1 | 139.2 |
| Income tax paid in respect of operations | | (23.1) | (82.1) |
| **Net cash (used in)/provided by operating activities** | 33 | **(42.2)** | **167.7** |
| **Cash Flows from Investing Activities** | | | |
| Sale/redemption of investments | | 398.2 | 374.3 |
| Acquisition of investments | | (263.7) | (256.0) |
| Sale of investment properties | | 3.1 | |
| Acquisition of/capital expenditure on investment properties | | (139.2) | (46.8) |
| Net loans to related parties | | (12.8) | (21.7) |
| Acquisition of consolidated entities (net of cash acquired) | 28b | (638.0) | (171.9) |
| Disposal of consolidated entities (net of cash disposed) | 28c | 10.2 | |
| Disposal of property, plant and equipment | | 14.4 | 3.4 |
| Acquisition of property, plant and equipment | | (47.5) | (15.8) |
| Acquisition of intangible assets | | (7.7) | (71.7) |
| Other investing activities | | (4.0) | (43.4) |
| **Net cash (used in) investing activities** | | **(687.0)** | **(249.6)** |
| **Cash Flows from Financing Activities** | | | |
| Net proceeds from equity issue | | | 789.1 |
| Proceeds from borrowings | | 957.9 | 566.7 |
| Repayment of borrowings | | (566.7) | (577.2) |
| Distributions paid | | (127.3) | (126.1) |
| Other financing activities | | (47.6) | |
| **Net cash provided by financing activities** | | **216.3** | **652.5** |
| **Other Cash Flow Items** | | | |
| Effect of foreign exchange rate movements on cash and cash equivalents | | (76.8) | (55.5) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(589.7)** | **515.1** |
| **Cash and cash equivalents at beginning of financial year** | | **1,635.9** | **1,120.8** |
| **Cash and cash equivalents at end of financial year** | 9 | **1,046.2** | **1,635.9** |

The accompanying notes form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Significant Accounting Policies

Lend Lease Corporation Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2011 comprises the Company and its controlled entities including Lend Lease Trust ('LLT') (together referred to as the 'consolidated entity' or the 'Group').

Shares in the Company and units in LLT are traded as one security under the name of Lend Lease Group on the Australian Securities Exchange ('ASX'). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented as non controlling interests in the consolidated entity statement of financial position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company.

The consolidated financial report was authorised for issue by the Directors on 26 August 2011.

### 1.1 Statement of Compliance

The consolidated financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board.

### 1.2 Basis of Preparation

The financial report is presented in Australian dollars and is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, available for sale investments, investment properties, resident liabilities and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies in Note 1 for the basis of valuation of assets and liabilities measured at fair value.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Information about critical accounting judgements in applying the Group's accounting policies is set out in Note 1.31.

From 1 July 2010, the Group moved to a regional structure as outlined in Note 29 'Segment Reporting'. Accordingly, the presentation format of the income statement has been changed from the prior year. The Group considers the revised presentation to be more appropriate having regard to the change in the segmental financial information reviewed by the Group Chief Executive Officer and Managing Director (the chief operating decision maker). Certain comparative amounts have been reclassified to conform with the current year's income statement presentation. The change in presentation format of the income statement has no impact on the measurement of the Group's financial result.

At 30 June 2011, the Group has adopted the amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. The change relates only to disclosure and had no impact on consolidated earnings per share or net profit. The changes have been applied retrospectively and allow the Group to disclose transactions recognised in 'Other Comprehensive Income' in Note 26 'Reserves'.

The opening retained earnings as at 1 July 2009 has been adjusted from A$1,238.5 million to A$1,203.9 million as a result of aligning the accounting policies of an associate to those of the Group with respect to the adoption of AASB Interpretation 12 *Service Concession Arrangements* in prior years. There is no significant impact on the consolidated income statement for the prior year as a result of this alignment, however the prior year statement of financial position has been adjusted to decrease loans and receivables by A$4.7 million from A$2,139.6 million to A$2,134.9 million, increase trade and other payables by A$23.8 million from A$3,980.8 million to A$4,004.6 million and increase hedging reserves by A$6.1 million from negative A$94.3 million to negative A$88.2 million.

The accounting policies set out below have been consistently applied to all financial years presented in the consolidated financial statements and by all entities in the consolidated entity, except as explained in Note 1.3 which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation.

#### Basis of Consolidation

The Group consolidation comprises all entities controlled by the Company. Control exists when the Company 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.

The Group invests in special purpose entities ('SPEs') for trading and investment purposes. The SPEs are consolidated if the substance of the relationship with the Group is such that the Group controls the SPE. The Group will also consolidate the SPE if the Group is expected to obtain the majority of the benefits and/or is exposed to the majority of the residual risks of an SPE or its net assets.

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements. The Company sponsors a number of employee benefit vehicles, including employee share plans. Under AASBs, these vehicles, while not legally controlled, are required to be consolidated for accounting purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Significant Accounting Policies continued

### 1.3 Impact of Acquisition and New/Revised Accounting Standards

#### New and Revised Accounting Standards

A number of new amendments to standards and interpretations became operative for the financial year ended 30 June 2011 and have been applied in preparing these consolidated financial statements. None of these has materially impacted the Group and its policies.

#### New Accounting Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2011 but are available for early adoption and have not been applied in preparing this report. None of these is expected to have a significant effect on the Group and its policies, other than the following standards where the potential effect is yet to be determined:

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-17 Amendments to Australian Accounting Standards arising from AASB 9* (December 2010). These standards address the classification, measurement and derecognition of financial assets and financial liabilities.
- IFRS 10 *Consolidated Financial Statements* introduces a new definition of control and addresses whether an entity should be included within the consolidated financial statements of the parent company.
- IFRS 11 *Joint Arrangements* establishes principles for financial reporting by parties to a joint arrangement.
- IFRS 12 *Disclosure of Interests in Other Entities* relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- IFRS 13 *Fair Value Measurements* introduces new guidance on fair value measurement and disclosure requirements when fair value is permitted by accounting standards.
- The amendments to IAS 19 *Employee Benefits* (June 2011) introduce changes to the accounting for and presentation of pensions and other post-employment benefits.

The standards above become mandatory for the June 2014 financial year and are to be applied retrospectively.

### 1.4 Revenue, Other Income and Profits

#### Revenue from the Provision of Services

Revenue from 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 and management fee entitlements for services rendered.

For aged care and retirement living:

- Deferred Management Fees (DMF):

  DMF are earned in the retirement village business from both owned facilities and those which are leased/managed for third parties. A typical DMF contract provides for an annual retainer for a fixed period (e.g. 3% per annum of purchase or resale price for a period up to 12 years, or 36% in total) plus a share of the capital gain realised on turnover. The resulting DMF receivable is classified differently on balance sheet, between owned and managed retirement villages.

  For both owned retirement villages (Investment Property) and managed retirement villages, DMF income is recognised on an annual accrual basis based upon the expected term of the resident's licence and estimates of capital growth since the resident first occupied the unit.

  For owned retirement villages, the DMF receivable is offset against the resident liabilities balance in current liabilities as they are net settled in the same future transaction.

  In relation to leased and managed retirement villages, the DMF receivable is recognised as a receivable split between current and non current assets based on the expected rate of resident turnover.

- Aged Care Revenue:

  Aged Care revenue comprises daily resident living contributions, retention fees and government funding, which are all determined in accordance with Federal Government authorised rates. This revenue is recognised as the services are provided. The Group is entitled to charge an annual retention fee to hostel residents. These annual fees are regulated by the Federal Government and are paid by a resident on departure. These fees are accrued during the resident's period of occupancy.

#### Revenue and Profits from the Sale of Development Properties

Revenue and profits from the sale of development properties are recognised in the income statement when:

- The significant risks and rewards have been transferred to the buyer;
- The Group 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 the Group will receive the consideration due; and
- The Group can measure reliably the costs incurred or to be incurred.

#### Rental Revenue

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.

#### Dividends/Distributions

Dividend/distribution income is recognised when the right to receive payment is established, usually on declaration of the dividend.

### Net Gains or Losses on Sale of Investments

Net gains or losses on sale of investments are recognised when an unconditional contract is in place.

### Finance Revenue

Finance revenue is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group 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.

## 1.5 Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is measured using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Measurement of deferred tax 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or to be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the Australian wholly owned subsidiaries of the Australian Tax Consolidated Group (after elimination of intragroup transactions).

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

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

## 1.6 Impairment

The carrying amounts of the Group's assets, including investment properties (see Note 1.8), inventories (see Note 1.13) and deferred tax assets (see Note 1.5) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in the income statement unless an asset has been previously revalued through reserves.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro-rata basis.

### Calculation of Recoverable Amount

The recoverable amount of the Group's investments in held to maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial (see Note 1.11 'Trade and Other Receivables').

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Significant Accounting Policies continued

### 1.6 Impairment continued

#### Reversals of Impairment

An impairment loss in respect of a held to maturity security or receivable is reversed if a subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed (other than goodwill) only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.7 Investments

The Group classifies its investments in debt and equity securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired.

#### Financial Assets at Fair Value through Profit or Loss

This category has two subcategories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management either to eliminate a measurement or recognition inconsistency, or where a group of financial assets is managed, and its performance is evaluated, on a fair value basis (at inception). 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 which are included in non current assets.

#### Held to Maturity Investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity.

#### Available for Sale Financial Assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other category. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

#### Recognition and Measurement Criteria

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the financial year in which they arise. Unrealised gains or losses arising from changes in the fair value of non monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis. Refer to Note 31e 'Fair Values of Financial Assets and Liabilities' for a summary of the basis of valuation of investments measured at fair value.

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 but are recognised through other comprehensive income.

### 1.8 Investment Properties

Investment properties are measured at cost on initial recognition and then stated at fair value. The fair value for all properties, except those under development and valued at less than A$10 million, is based on periodic, but at least triennial, valuations by qualified external independent valuers. It is the policy of the Group to review the fair 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, recent prices on less active markets or capitalised income projections. Capitalised income projections are based on perpetuity of net operating income and deferred management fees using a capitalisation rate derived from market evidence. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income and deferred management fees from investment properties are accounted for as described in Note 1.4 'Revenue, Other Income and Profits'.

Retirement living investment properties, principally comprising retirement villages (both operating villages and villages under development) are held for long-term income yields and are not occupied by the Group. The Group makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include whether the property generates property related cash flows largely independent of other services provided to residents of the properties; whether the property is held for long-term capital appreciation rather than for short-term sale in the ordinary course of business; and the probable future use of land that is not currently generating cash flows.

When an item of owner occupied property, plant and equipment (see Note 1.14 'Property, Plant and Equipment') 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 immediately in the income statement.

When an item of self constructed property, plant and equipment becomes an investment property following a change in its use, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishments, redevelopments, borrowing costs and fees incurred.

## 1.9 Equity Accounted Investments (Associates and Joint Venture Entities)

Investments in associates and joint venture entities are accounted for using the equity method. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control, over financial and operating policies.

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.

The consolidated financial statements include the Group's share of the total recognised gains or losses of associates and joint venture entities on an equity accounted basis. For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint venture entities, this is from the date joint control commences until the date joint control ceases. Other movements in associates' and joint venture entities' reserves are recognised directly in consolidated reserves. Investments in associates and joint venture entities are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate or joint venture entity), 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 or joint venture entity. Dividends from associates and joint venture entities represent a return on 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 equity accounted investments are eliminated against the investment in the associate or joint venture entity to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Venture Capital Exemption

Investments held by Venture Capital's investment portfolio are carried at fair value even though the Group may have significant influence or joint control over those entities. This accounting is permitted by AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures* which require investments held by venture capital organisations to be excluded from their scope when those investments are designated as at 'fair value through profit or loss' from inception.

The investments made by Venture Capital are considered to be venture capital in nature due to management of the investments on a portfolio basis and are unrelated to the Group's key business activities. The application of this exemption is assessed on each investment made by Venture Capital. Refer to Note 1.7 'Investments' for an analysis of recognition and measurement criteria of investments classified and measured at 'fair value through profit or loss'.

## 1.10 Non Current Assets Held For Sale

Non current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell.

## 1.11 Trade and Other Receivables

### Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of estimated future cash flows, discounted at the effective interest rate where relevant. The amount of the provision is recognised in the income statement.

### Deferred Management Fees Receivable

Deferred management fees receivable represent amounts owed to the Group in connection with resident occupancy at retirement villages subject to long-term management agreements. Deferred management fees receivable are calculated in accordance with resident contracts, refer to Note 1.4 'Revenue, Other Income and Profits'.

### Accommodation Bond Retentions Receivable

Accommodation bond retentions receivable represent amounts owed to the Group in connection with resident occupancy at aged care facilities or nursing homes, and are calculated in accordance with resident contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Significant Accounting Policies continued

### 1.12 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.

### 1.13 Inventories

#### Property Held for Sale

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of property held for sale is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including borrowing costs incurred. Property expected to be sold within 12 months of the end of the financial year is classified as current inventory.

The recoverable amount of each holding is assessed at each balance date and a provision for diminution in value is raised where cost (including costs to complete) exceeds net realisable value. In determining the recoverable amount, regard is given to the market conditions affecting each property and the underlying strategy for selling the property.

#### 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.

### 1.14 Property, Plant and Equipment

#### Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see Note 1.6 'Impairment'). The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises components having different useful lives, they are accounted for as separate items of property, plant and equipment. The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

#### 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 the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see Note 1.6 'Impairment'). Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### Subsequent Expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

#### Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over three to 15 years, motor vehicles over four to eight years and computer equipment over three years. Land is not depreciated.

### 1.15 IT Software Systems

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs directly associated with producing identifiable and unique software products that will generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

### 1.16 Intangible Assets

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition 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.

### Approved Provider Aged Care Places (Bed Licences)

Bed licences held by the Group include owned and managed bed licences. Of the owned bed licences, only those acquired from third parties are recognised on balance sheet and are initially recorded at cost. All owned bed licences are assessed as having an indefinite useful life as these licences are issued for an unlimited period and therefore are not subject to amortisation but tested annually for impairment (at the same time every year) in accordance with AASB 136 *Impairment of Assets*. These licences are issued by the Federal Government to approved providers and can also be purchased from third parties or managed on their behalf as approved by the Federal Government. Holders of bed licences receive Federal Government funding in accordance with predetermined rates. Managed bed licences that revert to aged care facility owners on expiration of long-term leasehold/management agreements have a finite life and are amortised over the term of the agreements, generally 20 years.

### Management Agreements and Other Intangible Assets

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 1.6 'Impairment'). Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years.

The recoverable amount of management agreements and other intangible assets is assessed at least annually using independent valuations or alternative calculation methods, such as discounted cash flow projections.

## 1.17 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 the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

In calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised in the income statement, it is recognised in the balance sheet against the defined benefit plan asset or liability.

Past service costs are recognised immediately in the income statement, 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 balance sheet date, including related on-costs. Non accumulating non monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

### Non Current Employee Entitlements

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance sheet 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 security price. The fair value of the employee services received in exchange for the grant is recognised as an expense and a corresponding liability (if cash settled) or a corresponding increase in equity (if equity settled). The total amount to be expensed over the vesting period is determined by reference to the fair value of the services granted. At each balance sheet date, the entity revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the income statement, and a corresponding adjustment to a liability (in the case of cash settled) or equity (in the case of equity settled) over the remaining vesting period. Changes in entitlement for equity settled plans are not recognised if they fail to vest due to market conditions not being met.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Significant Accounting Policies continued

### 1.17 Employee Benefits continued

#### 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 sheet 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 Group's securityholders after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

### 1.18 Trade and Other Payables

#### Trade Creditors

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

#### Insurance Claims

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

#### Financial Guarantee Contracts

Financial guarantee contracts, including the Company guarantees of Group entities' borrowings, are recognised when issued as a financial liability. The liability is measured initially at fair value and subsequently at the higher of the best estimate to settle the obligation (see Note 1.23 'Provisions') and the initial fair value less accumulated amortisation. Fair value is determined using a probability weighted discounted cash flow approach.

### 1.19 Resident and Accommodation Bond Liabilities

#### Resident Liabilities

This represents an amount paid by residents to occupy apartments and units classified as investment property. Resident liabilities are measured at face value, representing the principal amount plus the resident's share of capital gains based on market values of the underlying property at balance date, less deferred management fees.

Resident liabilities are non interest bearing and are classified as current liabilities because any resident may depart within 12 months, notwithstanding that history has shown that residents stay for an average period of 11 years in independent living units (ILUs) and seven years in serviced apartments.

#### Accommodation Bonds

Accommodation bonds are paid typically by residents of low care aged care beds. Accommodation bonds are recognised at an amount equal to the proceeds received and are non interest bearing liabilities. Accommodation bonds are also classified as current liabilities because they are repayable following departure of the resident from the facility, notwithstanding that history has shown that residents stay for an average period of three years.

### 1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

### 1.21 Foreign Currency Translation

#### Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

#### Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges in foreign operations.

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 revaluation 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 1. Significant Accounting Policies continued

### 1.27 Issued Capital

Ordinary shares are classified as equity. Preference issued 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. Distributions on preference share capital classified as equity are recognised as distributions within equity.

Preference issued capital is classified as a liability if it is redeemable on a specific date or at the option of the securityholders, or if dividend payments are not discretionary. Distributions thereon are recognised in the income statement as interest expense.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends on redeemable preference shares are recognised as a liability on an accrual basis. Other dividends are recognised as a liability in the financial year in which they are declared.

### 1.28 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 statement of financial position. 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.

### 1.29 Service Concession Arrangements (SCAs)

The Group has investments providing SCAs, originating through public private partnerships, in the areas of healthcare, education and government facilities. These arrangements provide facilities management and maintenance services for a fixed payment per annum (subject to inflationary increases per year) with terms generally 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw-downs from the relevant government authorities.

The Group equity accounts its investment in project companies with SCAs. In the project company holding the SCA the consideration receivable in respect of construction and services in the operational phase of the SCA is accounted for as a 'loan or receivable' and measured at amortised cost. Revenue arising from services provided will be recognised based on the fair value of each service provided. Borrowing costs and lifecycle costs are expensed as incurred.

### 1.30 Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 1.31 Key Sources of Estimation Uncertainty

**Impairment of Goodwill and Other Intangible Assets**

Note 16a 'Goodwill' contains information about the assumptions and their risk factors relating to goodwill impairment testing.

The Group assesses whether goodwill is impaired at least annually in accordance with Note 1.6 'Impairment'. These calculations involve an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

The recoverable amount of other intangible assets (including management agreements and aged care bed licences) are assessed annually in accordance with Note 1.16 'Intangible Assets'.

**Valuation of Assets and Recoverable Amounts**

The Group assesses the fair value of certain assets by using estimation techniques where there is no available market price. The Group assesses the recoverability of the carrying value of assets held at cost or amortised cost using estimations of their recoverable amount. For current and deferred tax assets refer to Note 1.5 'Income Taxes'. For investment properties, loans and receivables and inventories refer to Notes 1.8 'Investment Properties', 1.11 'Trade and Other Receivables' and 1.13 'Inventories'. Refer to Note 31e 'Fair Values of Financial Assets and Liabilities' for a summary of the basis of valuation of financial assets measured at fair value.

**Defined Benefit Superannuation Fund Obligations**

Various actuarial assumptions are utilised in determining the Group's defined benefit superannuation/pension fund obligations. These assumptions are discussed in Notes 17g and 24g 'Principal Actuarial Assumptions'.

**Share Based Compensation**

The Group assesses the fair value of its cash settled and equity settled share based compensation plans. The fair value assigned represents an estimate of the value of the award to employees, which requires judgements on Lend Lease's security price and whether vesting conditions will be satisfied. Refer to Note 1.17 'Employee Benefits' for the accounting policy for share based compensation.

**Critical Accounting Judgements in Applying the Group's Accounting Policies**

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

- When all the significant risks and rewards of ownership of development properties are substantially transferred to the purchaser;
- The percentage of completion on construction work performed; and
- Whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity should be consolidated by the Group.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **2. Revenue** | | |
| **Revenue from the provision of services** | | |
| Construction | 7,333.6 | 8,530.6 |
| Infrastructure Development | 665.9 | 1,048.7 |
| Development | 334.8 | 234.0 |
| Investment Management | 97.0 | 91.5 |
| **Total revenue from the provision of services** | **8,431.3** | **9,904.8** |
| Revenue from the sale of development properties | 369.1 | 454.4 |
| Rental revenue | 70.8 | 60.9 |
| Dividends/distributions received | 7.8 | 22.1 |
| Other revenue | 47.7 | 59.3 |
| **Total revenue** | **8,926.7** | **10,501.5** |
| **3. Other Income** | | |
| Net gain on disposal of equity accounted investments | 127.3 | 53.0 |
| Fair value gain on remeasurement of investment properties | 22.3 | |
| Net gain on disposal of controlled entities | 4.7 | |
| Fair value gain on derivative contracts | 12.2 | 12.5 |
| Net gain on disposal of other assets and liabilities | 2.4 | 11.8 |
| Discount on acquisition of controlled entity | | 48.3 |
| Net gain on disposal of available for sale financial assets | 0.2 | 24.0 |
| Other | 13.1 | |
| **Total other income** | **182.2** | **149.6** |
| **4. Operating Expenses** | | |
| **Profit before income tax includes the following operating expense items:** | | |
| Employee benefit expenses | 1,641.3 | 1,269.7 |
| Superannuation accumulation plan expense | 27.6 | 27.3 |
| Net defined benefit plan expense | 16.5 | 30.6 |
| Expenses include impairments/provisions raised/(written back) relating to: | | |
| Loans and receivables | (9.0) | 10.4 |
| Other financial assets | 1.2 | 12.1 |
| Property inventories | 2.4 | (2.2) |
| Operating lease expense | 67.7 | 60.5 |
| Depreciation and amortisation | 52.1 | 39.8 |
| Net foreign exchange gain | (5.7) | (3.7) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$000s | June 2010 A$000s |
|---|---|---|
| **4. Operating Expenses** continued | | |
| **Auditors' Remuneration** | | |
| Amounts received or due and receivable by the auditors of Lend Lease Group for: | | |
| **Audit and Other Assurance Services** | | |
| Audit services | 7,286 | 7,122 |
| Other assurance services | 2,105 | |
| **Total audit and other assurance services** | **9,391** | **7,122** |
| **Other Services** | | |
| International assignees tax services | | 38 |
| Other | | 78 |
| **Total other services** | **–** | **116** |

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **5. Finance Revenue and Finance Costs** | | |
| Finance Revenue | | |
| Related parties | 23.0 | 31.6 |
| Other corporations | 55.8 | 33.2 |
| **Total interest finance revenue** | **78.8** | **64.8** |
| Interest discounting | 8.6 | 3.7 |
| **Total finance revenue** | **87.4** | **68.5** |
| Finance Costs | | |
| Related parties | | 0.3 |
| Other corporations | 117.4 | 81.9 |
| *Less:* Capitalised interest finance costs | (2.4) | |
| **Total interest finance costs** | **115.0** | **82.2** |
| Non interest finance costs | 10.0 | 6.4 |
| Interest discounting | 0.2 | 5.5 |
| **Total finance costs** | **125.2** | **94.1** |
| **Net finance (costs)** | **(37.8)** | **(25.6)** |

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **6. Taxation** | | |
| a. Income Tax Expense | | |
| Recognised in the Income Statement | | |
| **Current Tax Expense** | | |
| Current year | 57.4 | 115.5 |
| Adjustments for prior years | (10.3) | (40.9) |
| Benefits of tax losses recognised | (15.4) | (21.5) |
| | **31.7** | **53.1** |
| **Deferred Tax Expense** | | |
| Origination and reversal of temporary differences | 106.6 | 49.5 |
| **Total income tax expense** | **138.3** | **102.6** |
| Reconciliation of Income Tax Expense | | |
| Profit before tax | 631.5 | 450.8 |
| **Income tax using the domestic corporation tax rate (30%)** | **189.4** | **135.2** |
| Non assessable dividends/income | (8.9) | (2.8) |
| Loss accounted for using the equity method | (0.8) | (4.0) |
| Non allowable expenses | 17.6 | 16.3 |
| Other net recovery of tax losses | (21.5) | (4.7) |
| Tax temporary differences not recognised in the year | (3.7) | (5.9) |
| Temporary differences (recognised/recovered)/written off | (6.6) | 15.9 |
| Variation in tax rates | 27.6 | 3.8 |
| Non assessable gain on disposal of investments | (32.7) | (16.1) |
| Over provision in prior years | (10.3) | (40.9) |
| Other | (11.8) | 5.8 |
| **Income tax expense** | **138.3** | **102.6** |
| Deferred Tax Recognised Directly in Equity | | |
| Relating to: | | |
| Equity issue costs | 1.6 | (6.6) |
| Fair value revaluation reserve | 1.5 | (4.4) |
| Hedging reserve | (0.5) | (0.6) |
| Foreign currency translation reserve on equity accounted investments | (2.5) | (1.5) |
| **Total deferred tax recognised directly in equity** | **0.1** | **(13.1)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | JUNE 2011 | | | JUNE 2010 | | |
|---|---|---|---|---|---|---|
| | Before Tax A$m | Tax (Expense) /Benefit A$m | Net of Tax A$m | Before Tax A$m | Tax (Expense) /Benefit A$m | Net of Tax A$m |
| **6. Taxation** continued | | | | | | |
| b. Tax Effect Relating to Other Comprehensive Income | | | | | | |
| Movements in Fair Value Revaluation Reserve | 3.6 | (1.5) | 2.1 | (11.1) | 4.4 | (6.7) |
| Movements in Hedging Reserve | 42.3 | 0.5 | 42.8 | (30.7) | 0.6 | (30.1) |
| Movements in Foreign Currency Translation Reserve | (164.8) | 2.5 | (162.3) | (57.6) | 1.5 | (56.1) |
| Movements in Non Controlling Interest Acquisition Reserve | 21.4 | 3.2 | 24.6 | 7.3 | 2.8 | 10.1 |
| Other Movements | | | | (2.5) | | (2.5) |
| **Total other comprehensive income net of tax** | **(97.5)** | **4.7** | **(92.8)** | **(94.6)** | **9.3** | **(85.3)** |

| | JUNE 2011 | | JUNE 2010 | |
|---|---|---|---|---|
| | Assets A$m | Liabilities A$m | Assets A$m | Liabilities A$m |
| c. Deferred Tax Assets and Liabilities | | | | |
| **Recognised Deferred Tax Assets and Liabilities** | | | | |
| Deferred tax assets and liabilities are attributable to the following: | | | | |
| Loans and receivables | 17.9 | (7.1) | 22.4 | (16.0) |
| Inventories | 45.6 | (295.5) | 45.0 | (367.0) |
| Other financial assets | 4.2 | (26.2) | 10.1 | (27.3) |
| Other assets | 1.6 | (0.1) | 0.2 | (0.5) |
| Equity accounted investments | 5.5 | (71.4) | 7.7 | (169.4) |
| Non current asset held for sale | | (140.2) | | |
| Investment properties | | (36.4) | | (17.7) |
| Property, plant and equipment | 16.8 | (7.6) | 21.1 | (0.3) |
| Intangible assets | (1.0) | (0.1) | 0.5 | |
| Defined benefit plan asset | | (9.1) | | (8.2) |
| Trade and other payables | 236.0 | (6.7) | 259.7 | (0.2) |
| Resident and accommodation bond liabilities | 16.3 | | 10.4 | |
| Provisions | 87.6 | | 75.4 | |
| Other financial liabilities | 2.0 | | 2.6 | |
| Defined benefit plan liability | | (0.6) | 5.1 | |
| Unused revenue tax losses recognised | 138.2 | | 147.2 | |
| Items with a tax base but no carrying value | 37.9 | (18.6) | 51.2 | (15.9) |
| **Total deferred tax assets/(liabilities)** | **608.6** | **(619.6)** | **658.6** | **(622.5)** |
| **Deferred tax set off** | **(492.9)** | **492.9** | **(562.9)** | **562.9** |
| **Net deferred tax assets/(liabilities)** | **115.7** | **(126.7)** | **95.7** | **(59.6)** |

| | 1 July 2010 A$m | Recognised in Income A$m | Recognised in Equity A$m | Foreign Exchange/ Other A$m | 30 June 2011 A$m |
|---|---|---|---|---|---|
| Movement in temporary differences during the financial year: | | | | | |
| **June 2011** | | | | | |
| Loans and receivables | 6.4 | 5.2 | 0.4 | (1.2) | 10.8 |
| Inventories | (322.0) | 38.3 | | 33.8 | (249.9) |
| Other financial assets | (17.2) | (5.8) | (1.6) | 2.6 | (22.0) |
| Other assets | (0.3) | 9.0 | | (7.2) | 1.5 |
| Equity accounted investments | (161.7) | (0.8) | 2.7 | 93.9 | (65.9) |
| Non current asset held for sale | | (84.6) | | (55.6) | (140.2) |
| Investment properties | (17.7) | (18.7) | | | (36.4) |
| Property, plant and equipment | 20.8 | (1.7) | | (9.9) | 9.2 |
| Intangible assets | 0.5 | (1.6) | | | (1.1) |
| Defined benefit plan asset | (8.2) | (0.9) | | | (9.1) |
| Trade and other payables | 259.5 | (51.7) | | 21.5 | 229.3 |
| Resident and accommodation bond liabilities | 10.4 | 5.9 | | | 16.3 |
| Provisions | 75.4 | (3.0) | | 15.2 | 87.6 |
| Other financial liabilities | 2.6 | (0.6) | | | 2.0 |
| Defined benefit plan liability | 5.1 | (5.1) | | (0.6) | (0.6) |
| Unused revenue tax losses recognised | 147.2 | 23.0 | | (32.0) | 138.2 |
| Items with a tax base but no carrying value | 35.3 | (13.5) | (1.6) | (0.9) | 19.3 |
| **Total deferred tax assets/(liabilities)** | **36.1** | **(106.6)** | **(0.1)** | **59.6** | **(11.0)** |

| | 1 July 2009 A$m | Recognised in Income A$m | Recognised in Equity A$m | Foreign Exchange/ Other A$m | 30 June 2010 A$m |
|---|---|---|---|---|---|
| **June 2010** | | | | | |
| Loans and receivables | 10.0 | (6.0) | | 2.4 | 6.4 |
| Inventories | (153.6) | (14.6) | | (153.8) | (322.0) |
| Other financial assets | (26.0) | 4.0 | 4.4 | 0.4 | (17.2) |
| Other assets | (0.7) | 0.4 | | | (0.3) |
| Equity accounted investments | (145.8) | (24.8) | 2.1 | 6.8 | (161.7) |
| Investment properties | | (17.7) | | | (17.7) |
| Property, plant and equipment | 22.4 | 0.3 | | (1.9) | 20.8 |
| Intangible assets | 0.1 | 0.4 | | | 0.5 |
| Defined benefit plan asset | (9.0) | 0.8 | | | (8.2) |
| Trade and other payables | 96.8 | (2.1) | | 164.8 | 259.5 |
| Resident and accommodation bond liabilities | | (3.3) | | 13.7 | 10.4 |
| Provisions | 69.1 | 11.5 | | (5.2) | 75.4 |
| Other financial liabilities | | 2.6 | | | 2.6 |
| Defined benefit plan liability | 12.8 | (6.0) | | (1.7) | 5.1 |
| Unused revenue tax losses recognised | 169.8 | (12.2) | | (10.4) | 147.2 |
| Items with a tax base but no carrying value | 7.0 | 17.2 | 6.6 | 4.5 | 35.3 |
| **Total deferred tax assets/(liabilities)** | **52.9** | **(49.5)** | **13.1** | **19.6** | **36.1** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **6. 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: | | |
| Capital losses | 62.0 | 68.8 |
| Revenue losses | 69.5 | 96.9 |
| Deductible temporary differences | 277.4 | 300.2 |
| **Total unrecognised deferred tax assets** | **408.9** | **465.9** |

The unrecognised deferred tax asset of A$408.9 million includes A$8.5 million that will expire by 2030.

| | Cents Per Share | Franked Amount Per Share % | June 2011 A$m | June 2010 A$m |
|---|---|---|---|---|
| **7. Distributions[1,2]** | | | | |
| **Interim Dividend** | | | | |
| December 2010 – paid 30 March 2011 | 20.0 | 50 | 113.1 | |
| December 2009 – paid 31 March 2010 | 20.0 | 100 | | 92.2 |
| November 2009 – dividend 'in specie' of Lend Lease Trust units | 0.1 | 100 | | 0.5 |
| **Final Dividend** | | | | |
| June 2011 – declared subsequent to reporting date[3] | 15.0 | | 85.6 | |
| June 2010 – paid 24 September 2010 | 12.0 | 100 | | 67.9 |
| | | | **198.7** | **160.6** |

1 No distributions were declared or paid by Lend Lease Trust in respect of the financial year ended 30 June 2011 (June 2010: nil).
2 Includes distributions paid on treasury securities.
3 No provision for this distribution has been recognised in the statement of financial position at 30 June 2011 as it was declared after the end of the financial year.

## Dividend Franking

The dividend franking account balance at 30 June 2011 is A$30.6 million based on a 30% tax rate (30 June 2010: A$56.7 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised in the current financial year. The Group has outstanding claims with the Australian Tax Office in relation to the year ended 30 June 2011, and prior years, which are not reflected in the above franking account balance. Should these claims be successful this will result in the franking account balance being reduced as a consequence.

| | | JUNE 2011 | | JUNE 2010 | |
|---|---|---|---|---|---|
| | | Shares Excluding Treasury Shares | Shares on Issue | Shares Excluding Treasury Shares | Shares on Issue |
| **8. Earnings Per Stapled Security/Share[1]** | | | | | |
| Basic/Diluted Earnings Per Share (EPS) | | | | | |
| Profit attributable to members of Lend Lease Corporation Limited used in calculating basic/diluted EPS | A$m | 492.8 | 492.8 | 345.6 | 345.6 |
| Weighted average number of ordinary shares | m | 537.4 | 566.9 | 473.8 | 497.2 |
| Basic/diluted EPS | Cents | 91.7 | 86.9 | 72.9 | 69.5 |

1 The earnings per stapled security are equivalent to the earnings per share for the year to 30 June 2011 as the earnings attributable to Lend Lease Trust for the year were nil (June 2010: nil).

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **9. Cash and Cash Equivalents** | | |
| Cash | 863.2 | 390.8 |
| Short term investments | 183.0 | 1,245.1 |
| **Total cash and cash equivalents** | **1,046.2** | **1,635.9** |

Short term investments earned variable rates of interest which averaged 4.6% per annum during the year ended 30 June 2011 (30 June 2010: 3.1%).

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **10. Loans and Receivables** | | |
| Current | | |
| Trade debtors | 1,258.9 | 1,112.7 |
| *Less:* Impairment | (31.3) | (40.2) |
| | **1,227.6** | **1,072.5** |
| Related parties | 60.1 | 50.9 |
| *Less:* Impairment | | (1.3) |
| Managed property funds | 56.7 | 40.1 |
| Retentions | 134.9 | 269.9 |
| Other receivables | 253.3 | 358.0 |
| *Less:* Impairment | (8.6) | (20.4) |
| **Total current** | **1,724.0** | **1,769.7** |
| Non Current | | |
| Related parties | 313.3 | 383.0 |
| *Less*: Impairment | (109.1) | (170.1) |
| Retentions | 31.3 | 14.0 |
| Other receivables | 96.2 | 138.8 |
| *Less:* Impairment | (1.4) | (0.5) |
| **Total non current** | **330.3** | **365.2** |
| **Total loans and receivables** | **2,054.3** | **2,134.9** |

As at the reporting date, A$984.7 million of the trade debtors were current (30 June 2010: A$890.5 million) and A$274.2 million were past due (30 June 2010: A$222.2 million). Of the past due amount, A$242.9 million was not impaired (30 June 2010: A$182.0 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 10.9% (30 June 2010: 13.5%) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2011 (30 June 2010: A$13.4 million).

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| Impairment | | |
| Carrying amount at beginning of financial year | 232.5 | 228.0 |
| Bad and doubtful debts impairment loss net of provisions (written back)/raised | (9.6) | 9.1 |
| Other movements (including foreign exchange rate movements) | (72.5) | (4.6) |
| **Carrying amount at end of financial year** | **150.4** | **232.5** |
| **Total impairment as a percentage of total loans and receivables** | **6.8%** | **9.8%** |

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis.

To determine the impairment provision for the financial year, the Group considers how economic and market conditions will affect the credit worthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an equity accounted investment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **11. Inventories** | | | |
| Current | | | |
| Development properties | 11a | 361.0 | 369.7 |
| Construction work in progress | 11b | 319.5 | 218.1 |
| Other | | 12.0 | |
| **Total current** | | **692.5** | **587.8** |
| Non Current | | | |
| Development properties | 11a | 1,578.7 | 1,576.0 |
| **Total inventories** | | **2,271.2** | **2,163.8** |
| a. Development Properties | | | |
| Australia | | 1,399.6 | 1,330.3 |
| Europe | | 528.9 | 600.3 |
| Americas | | 11.2 | 15.1 |
| **Total development properties** | | **1,939.7** | **1,945.7** |
| b. Construction Work in Progress | | | |
| Construction work in progress comprises: | | | |
| Contract costs incurred to date | | 56,438.6 | 59,315.7 |
| Profit recognised to date | | 6,722.0 | 2,651.3 |
| | | **63,160.6** | **61,967.0** |
| *Less:* Progress billings received and receivable on contracts | | (63,928.6) | (62,952.9) |
| **Net construction work in progress** | | **(768.0)** | **(985.9)** |
| Costs in excess of billings – inventories | | 319.5 | 218.1 |
| Billings in excess of costs – trade payables | 19 | (1,087.5) | (1,204.0) |
| | | **(768.0)** | **(985.9)** |
| **12. Equity Accounted Investments** | | | |
| Associates | | | |
| Investment in associates | | 349.4 | 368.8 |
| *Less:* Impairment | | (14.2) | (14.9) |
| **Total associates** | | **335.2** | **353.9** |
| Joint Ventures | | | |
| Investment in joint ventures | | 222.4 | 580.0 |
| *Less:* Impairment | | (16.2) | (20.0) |
| **Total joint ventures** | | **206.2** | **560.0** |
| **Total equity accounted investments** | | **541.4** | **913.9** |

| | INTEREST | | SHARE OF PROFIT/(LOSS) AFTER TAX | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|
| | June 2011 % | June 2010 % | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| a. Associates | | | | | | |
| **Australia** | | | | | | |
| Lend Lease Primelife Group[1] | 100.0 | 100.0 | | 3.7 | | |
| Lend Lease Real Estate Partners 3 | 25.0 | 25.0 | 3.3 | 0.3 | 51.8 | 51.4 |
| Lend Lease Communities Fund 1 | 20.8 | 20.8 | (2.1) | (1.0) | 16.6 | 17.8 |
| Other | | | 4.7 | 6.8 | 5.4 | 5.3 |
| **Total Australia** | | | **5.9** | **9.8** | **73.8** | **74.5** |
| **Asia** | | | | | | |
| Asia Pacific Investment Company No. 2 Limited | 21.1 | 21.1 | 20.0 | 16.5 | 121.7 | 116.6 |
| CDR JV Ltd (313@somerset) | 25.0 | 25.0 | 4.8 | 36.4 | 91.4 | 96.8 |
| Triple Eight JV Ltd (Jurong Gateway) | 25.0 | | | | 50.4 | |
| Other | | | 0.4 | 0.8 | 7.7 | 7.5 |
| **Total Asia** | | | **25.2** | **53.7** | **271.2** | **220.9** |
| **Europe** | | | | | | |
| Lend Lease Overgate Partnership[2] | | 30.7 | 1.8 | 16.6 | | 68.4 |
| Other | | | | 2.5 | 3.9 | 4.5 |
| **Total Europe** | | | **1.8** | **19.1** | **3.9** | **72.9** |
| **Americas** | | | | | | |
| Other | | | 1.4 | 1.3 | 0.5 | 0.5 |
| **Total Americas** | | | **1.4** | **1.3** | **0.5** | **0.5** |
| **Total** | | | **34.3** | **83.9** | **349.4** | **368.8** |
| *Less:* Impairment | | | | | (14.2) | (14.9) |
| **Total associates** | | | **34.3** | **83.9** | **335.2** | **353.9** |

1 In December 2009, the Group acquired the remaining 56.8% interest in Primelife which is now classified as a controlled entity. Share of profit represents the amount attributable to the period prior to acquisition when the investment was classified as an associate.
2 In December 2010 the Group's interest in the Lend Lease Overgate Partnership was sold.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | INTEREST | | SHARE OF PROFIT/(LOSS) AFTER TAX | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|
| | June 2011 % | June 2010 % | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| **12. Equity Accounted Investments** continued | | | | | | |
| b. Joint Ventures[1] | | | | | | |
| **Australia** | | | | | | |
| Caroline Springs Joint Venture | 50.0 | 50.0 | 15.7 | 15.4 | 7.6 | 23.9 |
| Casey 2 Joint Venture (Springbank) | 50.0 | 50.0 | 4.6 | 0.8 | 23.3 | 20.6 |
| Forde Development (ACT) | 50.0 | 50.0 | 4.4 | 3.6 | 4.0 | 6.6 |
| McKinnon Road Development | 51.0 | 51.0 | 3.2 | 0.4 | 7.0 | 7.4 |
| Pyrmont Trust (Jacksons Landing) | 50.0 | 50.0 | 3.7 | (2.1) | 13.3 | 14.5 |
| D2G Joint Venture | 64.0 | | 12.5 | | 12.7 | |
| V5 Trust – Convesso | 50.0 | 50.0 | (0.1) | (0.9) | 21.8 | 14.9 |
| Other | | | 16.8 | 32.5 | 54.6 | 27.3 |
| **Total Australia** | | | **60.8** | **49.7** | **144.3** | **115.2** |
| **Europe** | | | | | | |
| Catalyst Healthcare (Manchester) Holdings Ltd | 50.0 | 50.0 | 1.3 | (0.3) | 6.7 | 6.6 |
| Majadahonda Hospital | 25.0 | 25.0 | 2.2 | 1.6 | 16.4 | 11.6 |
| Waste 2 Resources Ltd Liability Partnership | 50.0 | 50.0 | | (6.0) | | |
| Global Renewables Lancashire Holdings Limited | 50.0 | | (5.4) | | 20.0 | |
| Other | | | (7.3) | 11.1 | 30.3 | 32.3 |
| **Total Europe** | | | **(9.2)** | **6.4** | **73.4** | **50.5** |
| **Americas** | | | | | | |
| King of Prussia Associates[2] | 50.0 | 50.0 | 217.8 | 23.3 | | 410.0 |
| Other | | | 6.3 | 6.1 | 4.7 | 4.3 |
| **Total Americas** | | | **224.1** | **29.4** | **4.7** | **414.3** |
| **Total** | | | **275.7** | **85.5** | **222.4** | **580.0** |
| *Less:* Impairment | | | | | (16.2) | (20.0) |
| **Total joint ventures** | | | **275.7** | **85.5** | **206.2** | **560.0** |

1 Where the Group has an ownership interest in a joint venture greater than 50% but does not have the capacity to control financial and operating decisions, the joint venture is not consolidated.

2 In May 2011 the Group entered into an agreement to dispose of its 50% interest in King of Prussia Associates, which was subsequently reclassified within the statement of financial position. Refer to Note 18 'Non Current Asset Held for Sale'.

| | JUNE 2011 | | JUNE 2010 | |
|---|---|---|---|---|
| | Associates A$m | Joint Ventures A$m | Associates A$m | Joint Ventures A$m |
| c. Associates and Joint Ventures Additional Disclosures | | | | |
| **Lend Lease's Share of Results** | | | | |
| Revenue | 114.3 | 771.3 | 142.8 | 719.8 |
| Fair value revaluations | 14.5 | 16.4 | 64.8 | 43.5 |
| Expenses | (94.0) | (696.9) | (130.1) | (643.5) |
| **Share of profit before tax** | **34.8** | **90.8** | **77.5** | **119.8** |
| Income tax (expense)/benefit | (0.6) | 3.4 | 6.4 | (2.2) |
| **Share of profit after tax** | **34.2** | **94.2** | **83.9** | **117.6** |
| **Other Adjustments** | | | | |
| Adjustments due to differences in accounting policies[1] | | 189.9 | | (4.8) |
| Movement in share of unrecognised losses | | 11.3 | | (25.8) |
| Fair value adjustments/other | 0.1 | (19.7) | | (1.5) |
| **Profit of equity accounted investments** | **34.3** | **275.7** | **83.9** | **85.5** |
| **Lend Lease's Share of Balance Sheet** | | | | |
| Current assets | 72.8 | 652.3 | 36.6 | 708.6 |
| Non current assets | 741.0 | 1,387.9 | 630.2 | 2,266.1 |
| **Total assets** | **813.8** | **2,040.2** | **666.8** | **2,974.7** |
| Current borrowings | 36.6 | 19.6 | 157.0 | 53.9 |
| Current other liabilities | 52.0 | 386.2 | 28.1 | 342.5 |
| Non current borrowings | 343.7 | 1,147.6 | 103.9 | 2,096.1 |
| Non current other liabilities | 28.9 | 437.7 | 6.5 | 609.2 |
| **Total liabilities** | **461.2** | **1,991.1** | **295.5** | **3,101.7** |
| **Share of net assets/(liabilities)** | **352.6** | **49.1** | **371.3** | **(127.0)** |
| **Other Adjustments** | | | | |
| Due to differences in accounting policies and fair value adjustments on acquisitions[1] | | | | 397.6 |
| Impairment | (14.2) | (16.2) | (14.9) | (20.0) |
| Unrecognised share of losses | | 84.2 | | 152.2 |
| Other | (3.2) | 89.1 | (2.5) | 157.2 |
| **Net assets attributable to equity accounted investments** | **335.2** | **206.2** | **353.9** | **560.0** |
| **Commitments** | | | | |
| Share of capital expenditure and lease commitments contracted but not provided for and payable are as follows: | | | | |
| Due within one year | | 3.8 | | 2.4 |
| Due between one and five years | | 1.0 | | 0.1 |
| Due later than five years | | | | |

1 Primarily relates to adjustments to King of Prussia Associates to align the investment property accounting policies with Australian Accounting Standards. In May 2011, the Group entered into an agreement to dispose of its 50% interest in King of Prussia Associates, which was subsequently reclassified within the statement of financial position. Refer to Note 18 'Non Current Asset Held for Sale'.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **13. Investment Properties** | | |
| Retirement living properties | 2,965.3 | 2,579.9 |
| Retail properties | 99.8 | 115.5 |
| Assets under construction | 150.9 | 125.5 |
| **Total investment properties** | **3,216.0** | **2,820.9** |

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| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **14. Other Financial Assets** | | | |
| Current Measured at Fair Value | | | |
| **Available for Sale** | | 12.1 | 11.7 |
| **Fair Value Through Profit or Loss – Designated at Initial Recognition** | | | |
| Negotiable instruments | | 69.6 | 75.8 |
| **Derivatives** | | 12.5 | 3.9 |
| **Total current** | | **94.2** | **91.4** |
| Non Current Measured at Fair Value | | | |
| **Available for Sale** | | | |
| Australian Prime Property Fund | | 48.0 | 46.9 |
| Lend Lease Core Plus Fund | | 43.3 | 43.5 |
| Lend Lease Retail Partnership | | 41.3 | 41.8 |
| Other | | 95.8 | 107.8 |
| | | **228.4** | **240.0** |
| **Fair Value Through Profit or Loss – Designated at Initial Recognition** | | | |
| Unlisted equity investments | | 36.9 | 33.7 |
| **Held to Maturity** | | 6.7 | |
| **Total non current** | | **272.0** | **273.7** |
| **Total other financial assets** | | **366.2** | **365.1** |
| **15. Property, Plant and Equipment** | | | |
| Land, buildings and leasehold improvements | | 360.9 | 319.2 |
| *Less:* Accumulated depreciation and impairment | | (53.8) | (43.5) |
| | | **307.1** | **275.7** |
| Plant and equipment | | 548.8 | 196.9 |
| *Less:* Accumulated depreciation and impairment | | (260.7) | (119.9) |
| | | **288.1** | **77.0** |
| **Total property, plant and equipment** | | **595.2** | **352.7** |
| Reconciliations | | | |
| Reconciliations of the carrying amounts for each class of property, plant and equipment are as follows: | | | |
| **Land, Buildings and Leasehold Improvements** | | | |
| Carrying amount at beginning of financial year[1] | | 275.7 | 86.3 |
| Acquisition of consolidated entities | 28b | 38.6 | 229.2 |
| Additions | | 19.7 | 3.6 |
| Disposals | | (7.4) | (3.2) |
| Transfer to investment properties | | | (21.9) |
| Depreciation | | (8.9) | (13.4) |
| Effect of foreign exchange rate/other movements | | (10.6) | (4.9) |
| **Carrying amount at end of financial year** | | **307.1** | **275.7** |

1 The carrying amount at 1 July 2009 (opening June 2010 balance) of A$86.3 million represents A$127.8 million of costs and A$41.5 million of accumulated depreciation and impairment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **15. Property, Plant and Equipment** continued | | | |
| **Plant and Equipment** | | | |
| Carrying amount at beginning of financial year[1] | | 77.0 | 43.8 |
| Acquisition of consolidated entities | 28b | 216.7 | 32.4 |
| Additions | | 42.0 | 12.1 |
| Disposals | | (13.2) | (1.6) |
| Transfer to investment properties | | | (0.3) |
| Depreciation | | (32.4) | (15.6) |
| Effect of foreign exchange rate/other movements | | (2.0) | 6.2 |
| **Carrying amount at end of financial year** | | **288.1** | **77.0** |

1 The carrying amount at 1 July 2009 (opening June 2010 balance) of A$43.8 million represents A$149.0 million of costs and A$105.2 million of accumulated depreciation and impairment.

| | | | |
|---|---|---|---|
| **16. Intangible Assets** | | | |
| Goodwill | 16a | 1,077.3 | 437.3 |
| Aged care bed licences | 16b | 168.6 | 159.0 |
| Management agreements | 16c | 60.1 | 77.2 |
| Other intangibles | 16d | 13.1 | 20.6 |
| **Total intangible assets** | | **1,319.1** | **694.1** |
| a. Goodwill | | | |
| Construction | | 1,056.3 | 437.3 |
| Development | | 21.0 | |
| **Total goodwill** | | **1,077.3** | **437.3** |
| Reconciliations | | | |
| Reconciliations of the carrying amounts for each category of goodwill are: | | | |
| **Construction** | | | |
| Carrying amount at beginning of financial year | | 437.3 | 477.1 |
| Acquisition of consolidated entity | 28b | 681.7 | |
| Effect of foreign exchange rate/other movements | | (62.7) | (39.8) |
| **Carrying amount at end of financial year** | | **1,056.3** | **437.3** |
| **Development** | | | |
| Acquisition of consolidated entity | 28b | 24.0 | |
| Effect of foreign exchange rate | | (3.0) | |
| **Carrying amount at end of financial year** | | **21.0** | **–** |

## Goodwill Allocation

Goodwill relating to the Construction business is allocated to cash generating units ('CGUs') identified according to regions as set out below.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **Construction** | | |
| Australia | 701.8 | 20.1 |
| Asia | 7.3 | 7.3 |
| Americas | 131.5 | 165.6 |
| Europe | 215.7 | 244.3 |
| **Total goodwill** | **1,056.3** | **437.3** |

### Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use ('VIU') calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the year ended 30 June 2011. Based on information available and market conditions at 30 June 2011, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGUs.

#### Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five-year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

#### Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five-year period is 3.0% (June 2010: 3.0%). The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

#### Discount Rate

The discount rate applied to the cash flow projections is between 13.0% and 16.5% (June 2010: between 14.0% and 16.0%). The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **b. Aged Care Bed Licences** | | |
| **Reconciliation** | | |
| Reconciliation of the carrying amounts of aged care bed licences are as follows: | | |
| Carrying amount at beginning of financial year | 159.0 | |
| Acquisition of consolidated entities | | 95.0 |
| Additions | 9.6 | 64.0 |
| **Carrying amount at end of financial year** | **168.6** | **159.0** |

### Impairment Tests and Key Assumptions Used – Aged Care Bed Licences

The recoverable amount of bed licences is determined based on VIU calculations with the aged care portfolio as the relevant cash generating unit. The assumptions used for determining the recoverable amount are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of aged care bed licences for the year ended 30 June 2011. Based on information available and market conditions at 30 June 2011, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of the carrying value of aged care bed licences.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to aged care bed licences.

#### Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five-year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure, bond movements and other cash flows associated with aged care bed licences.

#### Growth Rate

The forecast accommodation bond growth rate on bondable beds is 5.0% (June 2010: 5.0%). This is based on historical bond growth achieved across the portfolio and expected future growth. The growth rate on other cash flows is 3.0% (June 2010: 3.0%). These growth rates reflect the forecast long term average growth rate for aged care.

#### Discount Rate

The discount rate applied to the cash flow projections is 11.0% (June 2010: 11.0%). The Group's weighted average cost of capital is used as a start point for determining the discount rate, with appropriate adjustments for the risk profile relating to the CGU and the sector in which it operates. The discount rate used is pre tax.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **16. Intangible Assets** continued | | |
| c. Management Agreements | | |
| Management agreements | 72.9 | 87.1 |
| *Less:* Accumulated amortisation | (12.8) | (9.9) |
| **Total management agreements** | **60.1** | **77.2** |
| Reconciliation | | |
| Reconciliation of the carrying amounts of management agreements are as follows: | | |
| Carrying amount at beginning of financial year[1] | 77.2 | 28.9 |
| Acquisition of consolidated entities | | 64.9 |
| Amortisation | (3.6) | (4.2) |
| Other | (13.5) | (12.4) |
| **Carrying amount at end of financial year** | **60.1** | **77.2** |
| d. Other Intangibles | | |
| Other intangibles | 37.9 | 37.9 |
| *Less:* Accumulated amortisation and impairment | (24.8) | (17.3) |
| **Total other intangibles** | **13.1** | **20.6** |
| Reconciliations | | |
| Reconciliations of the carrying amounts of other intangibles are as follows: | | |
| Carrying amount at beginning of financial year[2] | 20.6 | 20.0 |
| Additions | 2.7 | 9.3 |
| Amortisation | (8.6) | (7.4) |
| Impairment | | (0.5) |
| Effect of foreign exchange rate/other movements | (1.6) | (0.8) |
| **Carrying amount at end of financial year** | **13.1** | **20.6** |

1 The carrying amount at 1 July 2009 (opening June 2010 balance) of A$28.9 million represents A$46.9 million of costs and A$18.0 million of accumulated amortisation.
2 The carrying amount at 1 July 2009 (opening June 2010 balance) of A$20.0 million represents A$30.4 million of costs and A$10.4 million of accumulated amortisation and impairment.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **17. Defined Benefit Plan Asset[1]** | | |
| a. Balance Sheet Amounts | | |
| The amounts recognised in the balance sheet are determined as follows: | | |
| Fair value of plan assets | 152.9 | 148.2 |
| Present value of defined benefit obligations | (143.9) | (137.0) |
| Unrecognised actuarial loss | 21.3 | 16.1 |
| **Recognised asset for defined benefit obligations** | **30.3** | **27.3** |
| b. Reconciliation of the Fair Value of Plan Assets | | |
| Fair value of plan assets at beginning of financial year | 148.2 | 128.5 |
| Expected return on plan assets | 9.2 | 6.7 |
| Actuarial (losses)/gains | (0.3) | 14.6 |
| Contributions by Group companies | 6.2 | 6.3 |
| Contributions by plan participants | 1.6 | 1.9 |
| Taxes and premiums paid | (1.2) | (1.5) |
| Transfers in | 0.1 | |
| Accumulation insurance premium met from surplus | (1.2) | |
| Benefits paid | (9.7) | (8.3) |
| **Fair value of plan assets at end of financial year** | **152.9** | **148.2** |
| c. Reconciliation of the Present Value of Funded Obligations | | |
| Present value of funded obligations at beginning of financial year | 137.0 | 133.4 |
| Current service cost | 6.1 | 5.5 |
| Interest cost on benefit obligation | 6.0 | 5.7 |
| Contributions by plan participants | 1.6 | 1.9 |
| Actuarial losses | 5.2 | 0.3 |
| Taxes and premiums paid | (1.2) | (1.5) |
| Transfers in | 0.1 | |
| Accumulation insurance premium met from surplus | (1.2) | |
| Benefits paid | (9.7) | (8.3) |
| **Present value of funded obligations at end of financial year** | **143.9** | **137.0** |
| d. Expense Recognised in the Income Statement | | |
| Current service cost | 6.1 | 5.5 |
| Interest cost on benefit obligation | 6.0 | 5.7 |
| Expected return on plan assets | (9.2) | (6.7) |
| Actuarial loss recognised | 0.3 | 4.5 |
| **Net defined benefit plan expense** | **3.2** | **9.0** |
| e. Actual Return on Plan Assets | **9.0** | **21.3** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 % | June 2010 % |
|---|---|---|
| **17. Defined Benefit Plan Asset** continued | | |
| f. Categories of Plan Assets | | |
| Cash | 1.2 | 6.0 |
| Equity instruments[1] | 56.4 | 50.8 |
| Fixed interest securities | 38.7 | 39.0 |
| Property | 3.7 | 4.2 |
| | **100.0** | **100.0** |
| g. Principal Actuarial Assumptions | | |
| Discount rate (net) | 4.5 | 4.4 |
| Expected rate of return on assets[2] | 7.0 | 6.5 |

1 The fair value of plan assets includes Lend Lease securities to the value of A$0.1 million (June 2010: A$0.1 million).
2 The expected rate of return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of tax, investment fees and administration expenses.

### h. Employer Contributions

For the year ending 30 June 2012, total employer contributions to the plan are expected to be A$6.7 million.

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2009 A$m | June 2008 A$m | June 2007 A$m |
| i. Historical Summary | | | | | |
| Plan assets | 152.9 | 148.2 | 128.5 | 156.3 | 167.3 |
| Defined benefit plan obligation | (143.9) | (137.0) | (133.4) | (126.4) | (116.1) |
| **Surplus/(deficit)** | **9.0** | **11.2** | **(4.9)** | **29.9** | **51.2** |
| Experience (losses)/gains arising on plan assets | (0.3) | 14.6 | (32.9) | (19.2) | 17.2 |
| Experience (losses)/gains arising on plan liabilities | (5.8) | 1.4 | 3.0 | (8.3) | (6.8) |

## 18. Non Current Asset Held for Sale

In May 2011 the Group announced it had entered into a conditional agreement to dispose of its 50% interest in King of Prussia Associates, the owner of the King of Prussia shopping mall in the United States. Prior to commencing the disposal process, this investment was classified as an equity accounted investment (joint venture) by the Group. The transaction is subject to customary conditions and is expected to complete within the next 12 months.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **King of Prussia Associates** | **496.5** | **–** |

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **19. Trade and Other Payables** | | | |
| Current | | | |
| Trade creditors | | 1,651.4 | 1,413.6 |
| Construction revenue – amounts due to customers[1] | 11b | 1,087.5 | 1,204.0 |
| Unearned premium reserve[2] | | 3.1 | 15.8 |
| Insurance claim reserve[2] | | 19.8 | 8.9 |
| Related parties | | 65.2 | 54.8 |
| Retentions and deferred payments | | 324.2 | 520.6 |
| Other | | 111.9 | 77.4 |
| **Total current** | | **3,263.1** | **3,295.1** |
| Non Current | | | |
| Insurance claim reserve[2] | | 30.7 | 41.9 |
| Related parties | | 4.3 | 1.2 |
| Retentions and deferred payments | | 438.8 | 510.3 |
| Other | | 152.0 | 156.1 |
| **Total non current** | | **625.8** | **709.5** |
| **Total trade and other payables** | | **3,888.9** | **4,004.6** |

1 Represents construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract.
2 Unearned premium and insurance claim reserves relate to Lend Lease's wholly owned special purpose captive insurance subsidiary. The 'cost' of the liability for outstanding claims (insurance claim reserves) is measured as the current estimate of the present value of expected future payments against claims incurred at the reporting date under insurance contracts issued by the special purpose captive insurance subsidiary. These expected future payments are discounted using a risk-free rate.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **20. Resident and Accommodation Bond Liabilities** | | |
| Current | | |
| Gross resident liabilities | 2,446.1 | 2,054.2 |
| Deferred management fees receivable on owned sites | (368.4) | (197.5) |
| **Total resident liabilities**[3] | **2,077.7** | **1,856.7** |
| Accommodation bond liabilities | 153.7 | 139.1 |
| **Total resident and accommodation bond liabilities**[4] | **2,231.4** | **1,995.8** |

3 For retirement village properties, deferred management fees receivable on owned sites are offset against the gross resident liabilities as these amounts are settled net in the same transaction.
4 Resident and accommodation bond liabilities are required to be classified as current liabilities under Australian Accounting Standards, as residents may depart the accommodation at any time, notwithstanding that history has shown that residents stay for an average period of 11 years in independent living units (ILU), seven years in serviced apartments (SA) and three years in aged care facilities. Retirement village total resident liabilities of A$2,077.7 million, which is net of deferred management fees receivable, are repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living and aged care properties (comprising both ILU and SA). The gross value of these retirement living properties, which are classified as non current assets, was A$2,965.3 million at 30 June 2011 (refer Note 13 'Investment Properties'). The fair value of retirement living properties was A$825.3 million, representing the gross investment property value, less resident liabilities and related deferred revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **21. Borrowings and Financing Arrangements** | | |
| a. Borrowings – Measured at Amortised Cost | | |
| Non Current | | |
| Commercial notes | 735.0 | 879.9 |
| Bank credit facilities | 958.9 | 566.7 |
| **Total borrowings** | **1,693.9** | **1,446.6** |
| b. Finance Facilities | | |
| The Group has access to the following lines of credit. | | |
| **Commercial Notes** | | |
| Facility available | 735.0 | 879.9 |
| Amount of facility used | (735.0) | (879.9) |
| **Amount of facility unused** | **–** | **–** |
| **Bank Credit Facilities** | | |
| Facility available | 1,756.9 | 1,245.3 |
| Amount of facility used | (958.9) | (566.7) |
| **Amount of facility unused** | **798.0** | **678.6** |
| **Bank Overdrafts** | | |
| Facility available | 17.7 | 10.0 |
| Amount of facility used | | |
| **Amount of facility unused** | **17.7** | **10.0** |

Commercial notes include £300.0 million of 6.125% annual coupon guaranteed notes due 12 October 2021 that were issued in October 2006 in the UK public bond market and US$300.0 million of guaranteed senior notes at 5.75% (all in rate) issued in the US private placement debt market maturing in October of 2012, 2015 and 2017.

Bank credit facilities include a committed bank facility maturing in July 2013 of £360.0 million (A$553.8 million) in the UK which was drawn to £150.0 million (A$230.8 million) at 30 June 2011, an A$975.0 million committed bank facility maturing in July 2014 (A$595.0 million) and July 2016 (A$380.0 million) which was drawn to A$500.0 million at 30 June 2011 and a fully drawn A$225.0 million term facility maturing in December 2015.

The bank overdraft facilities may be drawn at any time and are repayable on demand.

Consistent with prior years, the Group has not defaulted on any obligations of principal or interest in relation to its borrowing and financing arrangements and other financial liabilities (refer Note 23 'Other Financial Liabilities').

Refer to Note 31d 'Liquidity Risk' for analysis of the management of the Group's liquidity risk.

The following schedule profiles the borrowings by currency and interest exposure.

| | INTEREST EXPOSURE | | | CURRENCY | | | |
|---|---|---|---|---|---|---|---|
| | Fixed A$m | Floating A$m | Total A$m | A$ A$m | US$ A$m | £ A$m | Total A$m |
| **June 2011** | | | | | | | |
| Less than one year | | | | | | | |
| Between one and five years | 256.5 | 816.6 | 1,073.1 | 585.8 | 256.5 | 230.8 | 1,073.1 |
| More than five years | 478.5 | 142.3 | 620.8 | 133.8 | 23.4 | 463.6 | 620.8 |
| **Total** | **735.0** | **958.9** | **1,693.9** | **719.6** | **279.9** | **694.4** | **1,693.9** |
| **June 2010** | | | | | | | |
| Less than one year | | | | | | | |
| Between one and five years | 117.3 | 566.7 | 684.0 | 566.7 | 117.3 | | 684.0 |
| More than five years | 762.6 | | 762.6 | | 234.8 | 527.8 | 762.6 |
| **Total** | **879.9** | **566.7** | **1,446.6** | **566.7** | **352.1** | **527.8** | **1,446.6** |

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **22. Provisions** | | |
| Current | | |
| Employee benefits | 177.6 | 104.3 |
| Maintenance and warranty[1] | 16.0 | 19.3 |
| Restructure (including employee terminations) | 31.3 | 22.4 |
| Other | 37.1 | 52.8 |
| **Total current** | **262.0** | **198.8** |
| Non Current | | |
| Employee benefits | 24.1 | 14.0 |
| Other | 50.1 | 70.1 |
| **Total non current** | **74.2** | **84.1** |
| **Total provisions** | **336.2** | **282.9** |
| Reconciliations | | |
| Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are as follows: | | |
| Current | | |
| **Maintenance and Warranty** | | |
| Carrying amounts at beginning of financial year | 19.3 | 28.7 |
| Provisions written back during financial year | (4.0) | (2.2) |
| Payments made during financial year | (1.0) | (5.7) |
| Effect of foreign exchange rate/other movements | 1.7 | (1.5) |
| **Carrying amount at end of financial year** | **16.0** | **19.3** |
| **Restructure (Including Employee Terminations)** | | |
| Carrying amounts at beginning of financial year | 22.4 | 55.2 |
| Provisions raised during financial year | 37.2 | 10.9 |
| Payments made during financial year | (27.2) | (40.9) |
| Effect of foreign exchange rate/other movements | (1.1) | (2.8) |
| **Carrying amount at end of financial year** | **31.3** | **22.4** |
| **Other** | | |
| Carrying amounts at beginning of financial year | 52.8 | 46.0 |
| Provisions raised during financial year | 23.0 | 26.3 |
| Payments made during financial year | (33.2) | (37.2) |
| Effect of foreign exchange rate/other movements | (5.5) | 17.7 |
| **Carrying amount at end of financial year** | **37.1** | **52.8** |
| Non Current | | |
| **Other** | | |
| Carrying amounts at beginning of financial year | 70.1 | 39.0 |
| Provisions raised during financial year | | 9.6 |
| Payments made during financial year | (12.3) | (10.8) |
| Effect of foreign exchange rate/other movements | (7.7) | 32.3 |
| **Carrying amount at end of financial year** | **50.1** | **70.1** |

1 Represents maintenance and warranty provisions to cover specific or estimated claims that arise due to defects or legal disputes in relation to completed projects. The timing of the utilisation of these provisions varies across each completed project.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **23. Other Financial Liabilities** | | |
| Current | | |
| Derivatives (measured at fair value) | | |
| Forward foreign exchange contracts | 4.1 | 19.6 |
| Interest rate swap contracts | 6.7 | 8.4 |
| Finance leases | 26.3 | 0.2 |
| Other (measured at amortised cost) | | 23.3 |
| **Total current** | **37.1** | **51.5** |
| Non Current | | |
| Bluewater lease liability (measured at amortised cost) | 126.4 | 146.7 |
| Finance leases | 75.0 | 0.2 |
| **Total non current** | **201.4** | **146.9** |
| **Total other financial liabilities** | **238.5** | **198.4** |
| **24. Defined Benefit Plan (Asset)/Liability[1]** | | |
| a. Balance Sheet Amounts | | |
| The amounts recognised in the balance sheet are determined as follows: | | |
| Present value of defined benefit obligations | 593.1 | 671.2 |
| Fair value of plan assets | (586.7) | (592.5) |
| Unrecognised actuarial losses | (8.7) | (60.7) |
| **Recognised (assets)/liability for defined benefit obligations** | **(2.3)** | **18.0** |
| b. Reconciliation of the Present Value of Defined Benefit Obligations | | |
| Present value of defined benefit obligations at beginning of financial year | 671.2 | 691.2 |
| Current service cost | 11.4 | 12.6 |
| Interest cost on benefit obligation | 31.6 | 35.5 |
| Contributions by plan participants | 0.2 | 0.2 |
| Actuarial (gains)/losses | (3.5) | 49.6 |
| Benefits paid | (24.4) | (32.6) |
| Effect of foreign exchange rate movements | (93.4) | (85.3) |
| **Present value of defined benefit obligations at end of financial year** | **593.1** | **671.2** |
| c. Reconciliation of the Fair Value of Plan Assets | | |
| Fair value of plan assets at beginning of financial year | 592.5 | 559.2 |
| Expected return on plan assets | 29.7 | 27.9 |
| Actuarial gains | 41.4 | 62.8 |
| Contributions by Group companies | 31.7 | 43.2 |
| Contributions by plan participants | 0.2 | 0.2 |
| Benefits paid | (24.4) | (32.6) |
| Effect of foreign exchange rate movements | (84.4) | (68.2) |
| **Fair value of plan assets at end of financial year** | **586.7** | **592.5** |
| d. Expense Recognised in the Income Statement | | |
| Current service cost | 11.4 | 12.6 |
| Interest cost on benefit obligation | 31.6 | 35.5 |
| Expected return on plan assets | (29.7) | (27.9) |
| Net actuarial loss recognised in the period | | 1.4 |
| **Net defined benefit plan expense** | **13.3** | **21.6** |
| e. Actual Return on Plan Assets | **68.9** | **92.3** |

1 Relates to the Lend Lease Construction UK Pension Scheme.

| | June 2011 % | June 2010 % |
|---|---|---|
| **f. Categories of Plan Assets** | | |
| Equity instruments | 38.8 | 34.2 |
| Debt instruments | 44.6 | 47.9 |
| Other assets | 16.6 | 17.9 |
| | **100.0** | **100.0** |
| **g. Principal Actuarial Assumptions** | | |
| Discount rate (net) | 5.4 | 5.4 |
| Expected rate of return on assets[1] | 6.4 | 6.3 |

1 The long term rate of return on the pension plan assets is determined by looking at the expected long term return on each asset class based on analysis of historical markets. Assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The expected returns are net of investment manager expenses. The overall expected rate of return on assets is derived by weighting the expected rate of return for each asset over the asset allocation for the scheme.

## h. Employer Contributions

For the year ending 30 June 2012, total employer contributions to the plan are expected to be A$15.7 million. In addition, a deficit contribution of A$13.8 million is expected to be paid.

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2009 A$m | June 2008 A$m | June 2007 A$m |
| **i. Historical Summary** | | | | | |
| Plan assets | 586.7 | 592.5 | 559.2 | 627.7 | 661.0 |
| Defined benefit plan obligation | (593.1) | (671.2) | (691.2) | (686.2) | (778.3) |
| **(Deficit)** | **(6.4)** | **(78.7)** | **(132.0)** | **(58.5)** | **(117.3)** |
| Experience gains/(losses) arising on plan assets | 41.4 | 62.8 | (115.5) | (12.7) | 18.5 |
| Experience gains/(losses) arising on plan liabilities | (4.3) | 17.2 | (27.4) | (0.9) | (7.1) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| | LEND LEASE CORPORATION LIMITED | | | | LEND LEASE TRUST | | | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 | | June 2010 | | June 2011 | | June 2010 | |
| | No. of Shares m | A$m | No. of Shares m | A$m | No. of Units m | A$m | No. of Units m | A$m |
| **25. Issued Capital and Treasury Securities** | | | | | | | | |
| Issued Capital | | | | | | | | |
| Issued capital at beginning of financial year | 565.6 | 2,019.2 | 457.6 | 1,195.9 | 565.6 | 0.6 | | |
| Movements during financial year | | | | | | | | |
| Equity issue net of transaction costs | | (0.7) | 104.7 | 792.6 | | | 104.7 | 0.1 |
| Equity issue – other | | | 0.1 | 0.3 | | | 0.1 | |
| Distribution Reinvestment Plan | 5.3 | 45.2 | 3.2 | 30.4 | 5.3 | | | |
| Equity issue to effect stapling of the Company's shares to Lend Lease Trust units | | | | | | | 460.8 | 0.5 |
| **Issued capital at end of financial year** | **570.9** | **2,063.7** | **565.6** | **2,019.2** | **570.9** | **0.6** | **565.6** | **0.6** |

### Issuance of Securities

As at 30 June 2011 the Group had 570.9 million stapled securities on issue equivalent to the number of Lend Lease Corporation shares and Lend Lease Trust units on issue as at that date. The issued units of Lend Lease Trust are not owned by the Company and are therefore presented as non controlling interests in the consolidated statement of financial position within equity.

### Security Accumulation Plans

The Group's Distribution Reinvestment Plan ('DRP') was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 15 September 2011. The issue price is the arithmetic average of the daily volume weighted average price of Lend Lease stapled securities traded (on the Australian Securities Exchange) for the period of six consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

### Terms and Conditions

Issued capital for Lend Lease Corporation Limited comprises ordinary shares fully paid.

A stapled security represents one share in the Company stapled to one unit in Lend Lease Trust.

Stapled securityholders have the right to receive declared dividends from the Company and distributions from Lend Lease Trust and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

| | LEND LEASE CORPORATION LIMITED | | | | LEND LEASE TRUST | | | |
|---|---|---|---|---|---|---|---|---|
| | June 2011 | | June 2010 | | June 2011 | | June 2010 | |
| | No. of Shares m | A$m | No. of Shares m | A$m | No. of Units m | A$m | No. of Units m | A$m |
| Treasury Securities[1] | | | | | | | | |
| Balance at beginning of financial year | 29.9 | 74.4 | 30.8 | 63.2 | 29.9 | | | |
| Movements during financial year: | | | | | | | | |
| Treasury securities acquired | 1.9 | 16.3 | 0.3 | 2.6 | 1.9 | | | |
| Treasury securities vested | (0.9) | (7.4) | (1.2) | (11.0) | (0.9) | | | |
| Movement on allocated treasury securities recognised directly in retained earnings and equity compensation reserve | | | | 19.6 | | | | |
| Issue of Lend Lease Trust units upon stapling of Company shares to Lend Lease Trust units[2] | | | | | | | 29.9 | |
| **Balance at end of financial year** | **30.9** | **83.3** | **29.9** | **74.4** | **30.9** | **–** | **29.9** | **–** |

1 Represents unallocated Lend Lease stapled securities held by employee benefit vehicles, including employee security plans, which Lend Lease sponsors. The value reflects the original historical cost to the Group. The consolidated balance represents the Company shares which are disclosed in the statement of financial position as treasury securities as a reduction of equity. The Lend Lease Trust balance is disclosed in the statement of financial position within non controlling interests attributable to unitholders of Lend Lease Trust.

2 Units in Lend Lease Trust were issued at 0.1 cents per unit.

| | Note | June 2011 A$m | June 2010 A$m |
|---|---|---|---|
| **26. Reserves** | | | |
| **Fair Value Revaluation Reserve** | | | |
| Opening balance at beginning of financial year | | 37.8 | 44.5 |
| Comprehensive income for the year | | | |
| Revaluation gain recognised in equity | | 2.6 | 6.7 |
| Revaluation gain transferred to income statement on asset disposal | | | (17.0) |
| Revaluation loss on asset impairment transferred to the income statement | | | 4.0 |
| Effect of foreign exchange rate movements/other movements | | (0.5) | (0.4) |
| **Closing balance at end of financial year** | 26a | **39.9** | **37.8** |
| **Hedging Reserve** | | | |
| Opening balance at beginning of financial year | | (88.2) | (58.1) |
| Comprehensive income for the year | | | |
| Movements attributable to effective cash flow hedges on equity accounted investments | | (10.0) | (37.3) |
| Transfer of ineffective cash flow hedge movement to income statement | | | (1.1) |
| Hedging loss transferred to income statement on asset disposal | | 35.7 | |
| Effect of foreign exchange rate/other movements | | 17.1 | 8.3 |
| **Closing balance at end of financial year** | 26b | **(45.4)** | **(88.2)** |
| **Foreign Currency Translation Reserve** | | | |
| Opening balance at beginning of financial year | | (80.5) | (24.4) |
| Comprehensive income for the year | | | |
| Movements attributable to translation of foreign operations | | (162.3) | (57.6) |
| Transfer of foreign currency translation reserve to income statement on return of capital | | | 1.5 |
| **Closing balance at end of financial year** | 26c | **(242.8)** | **(80.5)** |
| **Non Controlling Interest Acquisition Reserve** | | | |
| Opening balance at beginning of financial year | | (110.9) | (121.0) |
| Comprehensive income for the year | | | |
| Effect of foreign exchange rate/other movements | | 24.6 | 10.1 |
| **Closing balance at end of financial year** | 26d | **(86.3)** | **(110.9)** |
| **Other Reserve** | | | |
| Opening balance at beginning of financial year | | 110.4 | 104.6 |
| Transaction with owners for the year | | | |
| Net proceeds from renounceable entitlement offer received by Lend Lease sponsored employee security plans | | | 7.1 |
| Effect of foreign exchange rate/other movements | | 1.3 | (1.3) |
| **Closing balance at end of financial year** | 26e | **111.7** | **110.4** |
| **Equity Compensation Reserve** | | | |
| Opening balance at beginning of financial year | | 48.0 | 35.6 |
| Transactions with owners for the year | | | |
| Movements attributable to allocation and vesting of securities | | 12.1 | 12.4 |
| **Closing balance at end of financial year** | 26f | **60.1** | **48.0** |
| **Other Compensation Reserve** | | | |
| **Closing balance at beginning and end of financial year** | 26g | **54.4** | **54.4** |
| **Total reserves** | | **(108.4)** | **(29.0)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 26. Reserves continued

### Nature and Purpose of Reserves

#### a. Fair Value Revaluation Reserve

Unrealised gains or losses arising from changes in the fair value and foreign exchange rate differences on translation of non monetary securities classified as available for sale financial assets are recognised in the fair value revaluation reserve. Amounts are recognised in the income statement when the associated securities are sold, redeemed or impaired.

#### b. 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.

#### c. Foreign Currency Translation Reserve

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

#### d. Non Controlling Interest Acquisition Reserve

The non controlling interest acquisition reserve arises from the additional acquisition of non controlling interests, subsequent to obtaining control of the acquired 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.

#### e. Other Reserve

Other reserve includes realised capital profits on the disposal of assets which did not attract capital gains tax. In addition, gains realised by Lend Lease sponsored employee security plans upon renouncing their rights to participate in the Group's single bookbuild accelerated renounceable entitlement offer in March 2010 have been recognised in other reserve.

#### f. Equity Compensation Reserve

The fair value of equity settled share-based compensation is recognised in the income statement and the equity compensation reserve over the vesting period of the underlying grant. Additionally, unallocated Lend Lease securities held by consolidated employee benefit vehicles that are used to meet equity related employee arrangements are recognised in the equity compensation reserve at

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 28. Consolidated Entities continued

### b. Acquisitions continued

### Acquisition of The DASCO Companies, LLC

On 17 February 2011, the Group obtained control of The DASCO Companies, LLC ('DASCO'), a provider of development, financing, leasing and management services in the healthcare real estate sector in the United States. The acquisition is in line with the Group's continuing strategy to leverage its integrated property delivery model.

| | Fair value A$m |
|---|---|
| Net identifiable assets | 0.1 |
| Total purchase consideration | 24.1 |
| **Goodwill on acquisition** | **24.0** |

The total purchase consideration comprises A$8.6 million cash and A$15.5 million estimated contingent consideration. The contingent consideration represents the fair value of deferred earn out payments linked to future financial performance of DASCO. The goodwill is attributable to the development of future investment projects and is expected to be deductible on a straight line basis over a period of up to 15 years for tax purposes.

| | Ownership Interest Disposed % | Date Disposed | Consideration Received A$m |
|---|---|---|---|
| c. Disposals | | | |
| **June 2011** | | | |
| During the year the consolidated entity disposed of its interest in the following entities. The operating results to the date of disposal have been included in consolidated profit. | | | |
| **Australia** | | | |
| LLD (Coolum Western) Pty Limited | 100 | 23 Dec 10 | 13.4 |
| Coeur de Lion Holdings Pty Limited[1] | 50 | 23 Dec 10 | 5.0 |
| **June 2010** | | | |
| During the year, the consolidated entity disposed of its interests in the following entity. The operating results to that date were included in consolidated profit. | | | |
| **Europe** | | | |
| First Base Adelaide Wharf | 45 | 29 Jun 10 | 0.2 |

1 The Group still holds 100% in Coeur de Lion Holdings Pty Limited but due to the agreement in place where the economic outcomes are shared with Sekisui House Australia, this has been deconsolidated and is now classified as an equity accounted investment.

| | CONSOLIDATED June 2011 A$m | June 2010 A$m |
|---|---|---|
| Details of the disposals of consolidated entities are as follows: | | |
| **Sale Proceeds** | | |
| Cash received | 13.4 | 0.2 |
| **Total sale proceeds** | **13.4** | **0.2** |
| **Net Assets of Entities Disposed** | | |
| Cash and cash equivalents | 3.2 | 0.2 |
| Trade and other receivables | 2.4 | 1.1 |
| Inventories | 9.8 | |
| Property, plant and equipment | 14.9 | |
| Deferred tax assets | 4.5 | |
| Other assets | 1.8 | |
| Trade and other payables | (9.6) | (1.3) |
| Deferred tax liabilities | (1.8) | |
| Provisions | (16.5) | |
| **Net assets disposed** | **8.7** | **–** |
| **Cash Flows Resulting from Sale** | | |
| Cash consideration | 13.4 | 0.2 |
| Cash disposed | (3.2) | (0.2) |
| **Net inflows of cash** | **10.2** | **–** |

## 29. 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.

From 1 July 2010, the Group moved to a regional management structure focused on four major geographic regions: Australia, Asia, Europe and the Americas, to better support the Group's integrated model and provide a platform to develop regional investment opportunities. The Group has identified these operating segments based on the internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The regional business units operate across four lines of business, as follows:

### Development

The Development business operates in all four major geographic regions and is involved in the development of master-planned urban communities, inner-city mixed-use developments, apartments, retail and the retirement living and aged care sector.

### Construction

The Construction business operates in all four major geographic regions providing project management, engineering and construction services.

### Investment Management

The Investment Management business operates in all four major geographic regions and provides real estate investment management, retail property management and asset management services. This business includes the Group's ownership interests in property investments held directly or indirectly through investments in the Group's managed funds.

### Infrastructure Development

The Infrastructure Development business operates in Australia, Europe and the Americas and manages and invests in large public private partnership projects.

Segment performance is based on operating profit after tax. Operating profit after tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment. Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

| | OPERATING RESULT BEFORE TAX | | INCOME TAX EXPENSE | | OPERATING RESULT AFTER TAX | |
|---|---|---|---|---|---|---|
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| Australia | 359.2 | 308.0 | (77.8) | (61.1) | 281.4 | 246.9 |
| Asia | 54.0 | 40.6 | (7.9) | (7.4) | 46.1 | 33.2 |
| Europe | 156.0 | 167.7 | (18.6) | (49.1) | 137.4 | 118.6 |
| Americas | 246.5 | 51.9 | (89.9) | (21.2) | 156.6 | 30.7 |
| **Total segment** | **815.7** | **568.2** | **(194.2)** | **(138.8)** | **621.5** | **429.4** |
| Reconciling items | | | | | | |
| Corporate activities | (195.7) | (154.1) | 59.5 | 48.3 | (136.2) | (105.8) |
| Property investment revaluations | 10.7 | 33.7 | (3.2) | (11.7) | 7.5 | 22.0 |
| **Statutory result attributable to securityholders** | **630.7** | **447.8** | **(137.9)** | **(102.2)** | **492.8** | **345.6** |
| Other non controlling interests | 0.8 | 3.0 | (0.4) | (0.4) | 0.4 | 2.6 |
| **Statutory result** | **631.5** | **450.8** | **(138.3)** | **(102.6)** | **493.2** | **348.2** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 29. Segment Reporting continued

The following tables set out other financial information by reportable segment.

| | Segment Revenue June 2011 A$m | Interest Revenue June 2011 A$m | Interest Expense June 2011 A$m | Share of Results EAI[1] June 2011 A$m | Depreciation and Amortisation June 2011 A$m | Material Non Cash Items[2] June 2011 A$m | Non Current Segment Assets[3] June 2011 A$m | Group Total Assets June 2011 A$m |
|---|---|---|---|---|---|---|---|---|
| Australia | 5,099.5 | 2.5 | | 66.7 | (31.1) | (66.2) | 5,910.0 | 8,200.9 |
| Asia[4] | 422.3 | | | 25.2 | (0.3) | (6.2) | 297.5 | 532.9 |
| Europe[5] | 1,488.5 | 18.7 | (1.6) | (7.4) | (10.0) | (18.8) | 1,095.6 | 1,649.3 |
| Americas | 1,934.7 | | | 225.5 | (3.1) | (13.2) | 262.4 | 1,462.2 |
| **Total segment** | **8,945.0** | **21.2** | **(1.6)** | **310.0** | **(44.5)** | **(104.4)** | **7,565.5** | **11,845.3** |
| Corporate activities | 69.1 | 57.6 | (113.4) | | (7.6) | 23.2 | 66.2 | 303.7 |
| **Statutory result** | **9,014.1** | **78.8** | **(115.0)** | **310.0** | **(52.1)** | **(81.2)** | **7,631.7** | **12,149.0** |

| | Segment Revenue June 2010 A$m | Interest Revenue June 2010 A$m | Interest Expense June 2010 A$m | Share of Results EAI[1] June 2010 A$m | Depreciation and Amortisation June 2010 A$m | Material Non Cash Items[2] June 2010 A$m | Non Current Segment Assets[3] June 2010 A$m | Group Total Assets June 2010 A$m |
|---|---|---|---|---|---|---|---|---|
| Australia | 3,730.3 | 4.0 | (2.2) | 59.5 | (12.0) | (30.0) | 4,484.9 | 5,581.1 |
| Asia[4] | 423.9 | | | 53.7 | (0.3) | (2.2) | 229.0 | 446.1 |
| Europe[5] | 2,498.0 | 19.2 | (1.5) | 25.5 | (14.3) | (26.9) | 1,257.5 | 2,030.5 |
| Americas | 3,862.2 | 0.1 | | 30.7 | (5.1) | (30.5) | 742.9 | 1,771.0 |
| **Total segment** | **10,514.4** | **23.3** | **(3.7)** | **169.4** | **(31.7)** | **(89.6)** | **6,714.3** | **9,828.7** |
| Corporate activities | 55.6 | 41.5 | (78.5) | | (8.1) | (40.9) | 84.8 | 1,537.7 |
| **Statutory result** | **10,570.0** | **64.8** | **(82.2)** | **169.4** | **(39.8)** | **(130.5)** | **6,799.1** | **11,366.4** |

1 Equity accounted investments.
2 Excludes depreciation and amortisation.
3 Non current segment assets exclude deferred tax assets, financial instruments and pension assets and are based on the geographical location of assets.
4 The majority of revenue and non current assets from Asia are attributable to Singapore.
5 The majority of revenue and non current assets from Europe are attributable to the UK.

### Line of Business

The analysis of revenue by line of business is as follows:

| | REVENUE | |
|---|---|---|
| | June 2011 A$m | June 2010 A$m |
| Development | 754.6 | 744.6 |
| Construction | 7,335.0 | 8,530.8 |
| Investment Management | 171.7 | 170.0 |
| Infrastructure Development | 683.7 | 1,069.0 |
| **Total segment** | **8,945.0** | **10,514.4** |
| Corporate Activities | 69.1 | 55.6 |
| **Total revenue** | **9,014.1** | **10,570.0** |

No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue.

## 30. Capital Risk Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including return on equity, earnings growth and borrowing capacity. The Group also monitors its gearing ratio, interest coverage ratio and weighted average cost of debt. These are all taken into account when the Group makes decisions on how to invest its capital and evaluate its existing investments.

The Group's capital includes total equity, borrowings, and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total securityholder returns and to maintain an investment grade credit rating by maintaining an appropriate financial profile. The S&P/ Moody's long term credit rating at 30 June 2011 is BBB-/Baa3 (June 2010: BBB-/Baa3). The Group was also in compliance with its financial covenants in respect of its borrowing facilities.

The capital structure of the Group can be changed by equity issuance, paying distributions to securityholders, the distribution reinvestment plan and changing the level of debt.

## 31. International Currency Management and Financial Instruments

The Group operates across numerous jurisdictions and markets. The Lend Lease Financial Markets Risk Committee oversees the management of the Group's foreign currency, credit, interest rate and liquidity risk exposures, within the parameters of a Board approved policy. The Lend Lease Risk Management and Audit Committee maintains a Group-wide framework for risk management and reviews issues of material risk exposure.

### a. Foreign Currency

#### Foreign Currency Risk

Foreign currency risk is the risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates.

The Group is exposed to foreign currency risk primarily from foreign currency earnings, net investments in foreign operations, and transactions settled in foreign currency. The Group manages these exposures using both physical (this includes borrowings in the relevant foreign currency which act as a natural hedge for the net investments held in these foreign currencies) and derivative financial instruments (mainly forward foreign exchange contracts) to hedge foreign currency exposures. Speculative trading is not permitted.

The Group currently applies hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement* on a very limited basis as the majority of forward foreign exchange contracts relate to cross border intercompany loans and transactions which mainly net off in the income statement. The Group has minimal hedges designated as fair value and cash flow hedges (refer to Note 1.22 'Derivative Financial Instruments and Hedging Activities' for the accounting treatment of such hedges).

#### Net Investments in Foreign Operations

Net investments in foreign operations are exposed to foreign currency translation risk. Foreign currency gains and losses arising from translation of net investments in foreign operations are recognised in the Foreign Currency Translation Reserve until realised. The Group does not generally use derivatives to hedge net investments in foreign operations.

The net asset exposure by currency is detailed below:

| | AUD m | USD m | GBP m | SGD m | EUR m | NZD m | Other m |
|---|---|---|---|---|---|---|---|
| **June 2011** | | | | | | | |
| Net asset exposure (local currency) | 2,585.8 | 66.0 | 113.7 | 410.6 | 100.1 | 369.3 | 84.0 |
| **June 2010** | | | | | | | |
| Net asset exposure (local currency) | 2,100.1 | 46.8 | 211.0 | 327.2 | 88.7 | 312.9 | 185.7 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 31. International Currency Management and Financial Instruments continued

### a. Foreign Currency continued

#### Foreign Currency Derivatives (Not Hedge Accounted)

The Group's foreign exchange derivative contracts held at reporting date to hedge specific foreign currency exposures are as follows:

| | WEIGHTED AVERAGE EXCHANGE RATE | | GROSS RECEIVABLE/(PAYABLE) UNDER CONTRACTS | |
|---|---|---|---|---|
| | June 2011 (A$1=) | June 2010 (A$1=) | June 2011 A$m | June 2010 A$m |
| Contracts to (buy)/sell the following currencies at an agreed exchange rate : | | | | |
| buy GBP | 0.66 | 0.60 | (59.0) | (69.9) |
| sell GBP | 0.65 | 0.59 | 117.2 | 450.1 |
| buy USD | 1.05 | 0.86 | (365.6) | (328.5) |
| sell USD | 1.07 | 0.88 | 32.2 | 38.0 |
| buy EUR | 0.76 | 0.71 | (24.7) | (32.0) |
| sell EUR | 0.75 | 0.70 | 59.0 | 70.0 |
| buy SGD | 1.29 | 1.20 | (38.7) | (32.4) |
| sell SGD | 1.30 | 1.21 | | 16.6 |
| sell New Zealand dollars | 1.30 | 1.27 | 201.7 | 205.9 |
| sell Canadian dollars | 1.03 | 0.90 | 8.8 | 6.8 |
| buy Canadian dollars | 1.02 | 1.02 | (3.1) | |
| **Total** | | | **(72.2)** | **324.6** |

All contracts to buy or sell foreign currency mature within one year.

#### Sensitivity Analysis

The sensitivity analysis of the Group's Australian dollar denominated income statement and balance sheet to foreign currency movements is based on a 10% fluctuation (June 2010: 10% fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% movement in the average foreign exchange rates would have impacted the Group's profit after tax as follows:

| | 10% WEAKENING | | 10% STRENGTHENING | |
|---|---|---|---|---|
| | Increase/ (Decrease) in Profit After Tax June 2011 A$m | Increase/ (Decrease) in Profit After Tax June 2010 A$m | Increase/ (Decrease) in Profit After Tax June 2011 A$m | Increase/ (Decrease) in Profit After Tax June 2010 A$m |
| USD | 14.9 | 2.4 | (13.7) | (1.9) |
| GBP | 12.6 | 10.7 | (10.2) | (8.8) |
| SGD | 5.8 | 7.2 | (5.1) | (5.9) |
| EUR | (1.5) | (0.8) | 1.2 | 0.7 |
| | **31.8** | **19.5** | **(27.8)** | **(15.9)** |

A 10% movement in the foreign exchange spot rates at balance date would have impacted the Group's net assets as follows:

| | 10% WEAKENING | | 10% STRENGTHENING | |
|---|---|---|---|---|
| | Increase in Net Assets | | Decrease in Net Assets | |
| | June 2011 A$m | June 2010 A$m | June 2011 A$m | June 2010 A$m |
| USD | 7.1 | 6.1 | (5.8) | (5.0) |
| GBP | 17.8 | 41.9 | (17.0) | (34.2) |
| SGD | 31.1 | 29.6 | (27.9) | (24.2) |
| EUR | 14.2 | 14.1 | (11.6) | (11.5) |
| NZD | 28.0 | 27.8 | (25.1) | (22.8) |
| | **98.2** | **119.5** | **(87.4)** | **(97.7)** |

## b. Credit Risk

Credit risk represents the risk that a counterparty will not be able to complete its obligations in respect of a financial instrument, resulting in a financial loss to the Group. The Group has exposure to credit risk from recognised financial assets.

The maximum exposure to credit risk at balance date on financial instruments recognised in the balance sheet (excluding investments of the Group) equals the carrying amount, net of any impairment.

The Group has no significant concentrations of credit risk on either a geographic or industry specific basis and has policies in place so that sales of products and services are made to customers with an appropriate credit history.

Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment grade credit rating as determined by a recognised rating agency. The policy sets out credit limits for each counterparty based on these ratings.

There was an impairment of A$1.2 million recorded during the year against other financial assets (June 2010: A$8.1 million).

Refer to Note 10 'Loans and Receivables' for information relating to impairment on loans and receivables.

### Collateral

In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. During the period, the Group did not hold financial or non financial assets as collateral to mitigate potential credit risk as a result of default by a counterparty or otherwise (June 2010: a trade debtor of A$27.0 million was secured by a first registered mortgage over land parcels).

## c. Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. The Group uses physical and derivative financial instruments to assist in managing its interest rate risk. Speculative trading is not permitted.

The Group's exposure to interest rate risk on its financial assets and liabilities is set out as follows:

| | CARRYING AMOUNT | |
|---|---|---|
| | June 2011 A$m | June 2010 A$m |
| **Fixed Rate** | | |
| Financial assets | 220.7 | 239.7 |
| Financial liabilities | (1,235.6) | (902.4) |
| | **(1,014.9)** | **(662.7)** |
| **Variable Rate** | | |
| Financial assets | 1,043.3 | 1,661.6 |
| Financial liabilities | (1,103.9) | (728.6) |
| | **(60.6)** | **933.0** |

### Sensitivity Analysis

At 30 June 2011 it is estimated that an increase of one percentage point in interest rates would have increased the Group's profit after tax and retained earnings by A$5.0 million (June 2010: A$4.4 million increase in the Group's profit after tax and retained earnings). A one percentage point decrease in interest rates would have decreased the Group's profit after tax and retained earnings by A$3.9 million (June 2010: A$4.1 million decrease in the Group's profit after tax and retained earnings). The increase or decrease in interest income/expense is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

## d. Liquidity Risk

Liquidity risk is the risk of having insufficient funds to settle financial liabilities as and when they fall due. This includes having insufficient levels of committed credit facilities.

The Group aims to manage its liquidity risk exposure by maintaining sufficient levels of cash and committed credit facilities to meet financial commitments as and when they fall due.

Liquidity risk is reduced through prudent cash management which ensures sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by matching maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

The Group's main liquidity risk is the ability to refinance its current borrowings; at 30 June 2011 all borrowings are non current. During the period, the A$570.0 million club facility maturing in December 2011 was replaced with an A$975.0 million facility comprising two tranches:

i. A$595 million tranche maturing in July 2014; and
ii. A$380 million tranche maturing in July 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 31. International Currency Management and Financial instruments continued

### d. Liquidity Risk continued

As disclosed in Note 27 'Contingent Liabilities', in certain circumstances the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider. At 30 June 2011, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months.

The Group has provided collateral of A$16.2 million (June 2010: A$114.1 million) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities (excluding financial guarantees), including estimated interest payments and excluding the impact of netting agreements.

| | Note | Carrying Amount A$m | Contractual Cash Flows A$m | Less than One Year A$m | One to Two Years A$m | Two to Five Years A$m | More than Five Years A$m |
|---|---|---|---|---|---|---|---|
| **June 2011** | | | | | | | |
| **Non Derivative Financial Liabilities** | | | | | | | |
| Trade and other payables | 19[1,2] | 2,699.7 | 2,729.0 | 2,180.0 | 123.3 | 240.1 | 185.6 |
| Resident and accommodation bond liabilities[3] | 20 | 2,231.4 | 2,231.4 | 2,231.4 | | | |
| Borrowings and financing arrangements | 21 | 1,693.9 | 2,335.6 | 97.1 | 200.5 | 1,222.0 | 816.0 |
| Other financial liabilities | 23 | 227.7 | 251.8 | 36.1 | 38.3 | 175.8 | 1.6 |
| **Total** | | **6,852.7** | **7,547.8** | **4,544.6** | **362.1** | **1,637.9** | **1,003.2** |
| **Derivative Financial Liabilities** | | | | | | | |
| Foreign exchange contracts: | 23 | | | | | | |
| Outflow | | (9.9) | (718.2) | (718.2) | | | |
| Inflow | | 5.8 | 715.0 | 715.0 | | | |
| Interest rate derivatives: | 23 | | | | | | |
| Outflow | | (6.7) | (6.7) | (2.3) | (1.8) | (2.6) | |
| **Total** | | **(10.8)** | **(9.9)** | **(5.5)** | **(1.8)** | **(2.6)** | **–** |
| **June 2010** | | | | | | | |
| **Non Derivative Financial Liabilities** | | | | | | | |
| Trade and other payables | 19[1,2] | 2,623.5 | 2,744.7 | 2,041.6 | 136.4 | 253.9 | 312.8 |
| Resident and accommodation bond liabilities[3] | 20 | 1,995.8 | 1,995.8 | 1,995.8 | | | |
| Borrowings and financing arrangements | 21 | 1,446.6 | 2,018.3 | 97.9 | 650.2 | 259.4 | 1,010.8 |
| Other financial liabilities | 23 | 170.4 | 179.7 | 27.3 | 2.6 | 149.8 | |
| **Total** | | **6,236.3** | **6,938.5** | **4,162.6** | **789.2** | **663.1** | **1,323.6** |
| **Derivative Financial Liabilities** | | | | | | | |
| Foreign exchange contracts: | 23 | | | | | | |
| Outflow | | (36.5) | (850.8) | (850.8) | | | |
| Inflow | | 16.9 | 832.9 | 832.9 | | | |
| Interest rate derivatives: | 23 | | | | | | |
| Outflow | | (8.4) | (9.5) | (2.7) | (2.3) | (4.5) | |
| **Total** | | **(28.0)** | **(27.4)** | **(20.6)** | **(2.3)** | **(4.5)** | **–** |

1 The carrying amount of trade and other payables excludes A$1,111.0 million of current and A$78.2 million of non current amounts (June 2010: A$1,259.2 million of current and A$121.9 million of non current amounts) as they do not meet the definition of a financial liability under the Australian Accounting Standards.
2 The repayment of these amounts will be funded through collection of outstanding loans and receivables: June 2011: A$2,054.3 million (June 2010: A$2,134.9 million).
3 Resident and accommodation bond liabilities are required to be classified as less than one year as any resident may depart at any time. The balance includes retirement village total resident liabilities of A$2,077.7 million (June 2010: A$1,856.7 million), which is net of deferred management fees receivable, and is repayable out of the amounts paid to the Group by incoming retirement village residents for the right to occupy retirement living and aged care properties. (Refer Note 13 'Investment Properties' and Note 20 'Resident and Accommodation Bond Liabilities').

Other contractually committed cash flows the Group is exposed to are detailed in Note 32 'Commitments'.

## e. Fair Values of Financial Assets and Liabilities

### Financial Instruments

All financial instruments recognised on the balance sheet, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following non current borrowings.

| | | JUNE 2011 | | JUNE 2010 | |
|---|---|---|---|---|---|
| | Note | Carrying Amount A$m | Fair Value A$m | Carrying Amount A$m | Fair Value A$m |
| **Liabilities** | | | | | |
| **Non Current** | | | | | |
| Commercial notes | 21 | 735.0 | 750.1 | 879.9 | 904.6 |

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margin applicable to the relevant term of the commercial note.

### Basis of Determining Fair Value

The determination of fair values of financial instruments that are not measured at cost or amortised cost in the financial report are summarised as follows:

- The fair value of unlisted equity investments is determined based on an assessment of the underlying net assets, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair value of unlisted investments in property funds has been determined by reference to the fair value of the underlying properties which are valued by independent appraisers;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques, these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates.

### Fair Value Measurements

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical instrument in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical instrument; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

| | | CONSOLIDATED CARRYING AMOUNT | | | |
|---|---|---|---|---|---|
| | Note | Level 1 A$m | Level 2 A$m | Level 3 A$m | Total A$m |
| **June 2011** | | | | | |
| **Financial Assets** | | | | | |
| Available for sale | | 11.7 | 0.4 | 228.4 | 240.5 |
| Fair value through profit and loss – negotiable instruments | | 69.6 | | | 69.6 |
| Fair value through profit and loss – unlisted equity investments | | | | 36.9 | 36.9 |
| Held to maturity non current receivable | | | | 6.7 | 6.7 |
| Derivatives | | | 12.5 | | 12.5 |
| | 14 | **81.3** | **12.9** | **272.0** | **366.2** |
| **Financial Liabilities** | | | | | |
| Derivatives | 23 | | **10.8** | | **10.8** |

During the year there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 31. International Currency Management and Financial instruments continued

### e. Fair Values of Financial Assets and Liabilities continued

**Fair Value Measurements continued**

| | | CONSOLIDATED CARRYING AMOUNT | | | |
|---|---|---|---|---|---|
| | Note | Level 1 A$m | Level 2 A$m | Level 3 A$m | Total A$m |
| **June 2010** | | | | | |
| **Financial Assets** | | | | | |
| Available for sale | | 9.8 | 1.9 | 240.0 | 251.7 |
| Fair value through profit and loss – negotiable instruments | | 75.8 | | | 75.8 |
| Fair value through profit and loss – unlisted equity investments | | | | 33.7 | 33.7 |
| Derivatives | | | 3.9 | | 3.9 |
| | 14 | **85.6** | **5.8** | **273.7** | **365.1** |
| **Financial Liabilities** | | | | | |
| Derivatives | 23 | | **28.0** | | **28.0** |

**Reconciliation**

Reconciliation of the carrying amount for Level 3 financial instruments is set out as follows:

| | Available for Sale June 2011 A$m | Unlisted Equity Investments June 2011 A$m | Held to Maturity June 2011 A$m | Available for Sale June 2010 A$m | Unlisted Equity Investments June 2010 A$m | Held to Maturity June 2010 A$m |
|---|---|---|---|---|---|---|
| Carrying amount at beginning of financial year | 240.0 | 33.7 | | 372.0 | 12.4 | |
| Additions | 24.6 | 3.2 | 6.7 | 20.9 | 27.7 | |
| Disposals | | | | (153.1) | | |
| Revaluation gain recognised in other comprehensive income | 3.1 | | | 9.2 | | |
| Effect of foreign exchange rate/other movements | (39.3) | | | (9.0) | (6.4) | |
| **Carrying amount at end of financial year** | **228.4** | **36.9** | **6.7** | **240.0** | **33.7** | **–** |

### f. Equity Price Risk

Equity price risk is the risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future. The Group is exposed to equity price risk on all traded and or non traded financial instruments measured at fair value.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|

## 32. Commitments[1]

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 34. Employee Benefits continued

### c. Share Based Payments continued

#### Arrangements for LTI Awards Granted in the June 2009 Financial Year

For awards granted 1 September 2008 the performance hurdle is based on three equal measures: long term profitability as measured by EPS; TSR compared to the TSR of the individual ASX 100 listed companies as at the commencement of the performance period; and a retention component. The performance measures are:

- TSR measured against the ASX 100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance);
- EPS on the basis of EPS reported in the Group's financial statements adjusted for exclusion of treasury shares, and exclusion of unrealised carrying value adjustments, write-off of goodwill, movements in the value of investment properties, savings implementation costs and one-off benefits from the UK Pension Plan; and
- Retention component which will vest if the executive remains in employment with Lend Lease for three years from the grant date.

Each of the three components is measured and can vest independently. The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive is a 'good leaver'.

#### Arrangements for LTI Awards Granted in the June 2010 Financial Year

For awards granted 1 September 2009 the performance hurdle is based on two equal measures: long term profitability as measured by EPS and TSR compared with the TSR of the individual ASX 100 listed companies as at the commencement of the performance period. The performance measures are:

- TSR measured against the ASX 100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance); and
- EPS on the basis of EPS reported in the Group's financial statements adjusted for exclusion of treasury shares.

Each of the two performance hurdles is measured and can vest independently. 50% of the award is measured after three years, the remaining 50% of the award is measured after four years. The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Personnel & Organisation Committee a pro-rata award may be retained subject to the original vesting date and performance conditions.

#### Arrangements for LTI awards in the June 2011 Financial Year

For awards granted 1 September 2010 the performance hurdle is based on TSR compared with the TSR of the individual ASX 100 listed companies at the commencement of the performance period. TSR is measured against ASX 100 companies (with 50% vesting at median performance, rising proportionately to 100% on reaching top quartile performance). 50% of the award is measured after three years, the remaining 50% of the award is measured after four years. The executive must remain with the Group until vesting date for the award to vest. The period may be shortened if an executive leaves employment by reason of death or total and permanent disability. Where employment ceases for redundancy or other circumstances as determined by the Personnel & Organisation Committee a pro-rata award may be retained subject to the original vesting date and performance conditions.

#### Other LTI Awards

A limited number of other LTI awards have been granted to executives by the Personnel & Organisation Committee. These awards tend to have performance hurdles based on internal business unit performance targets, such as earnings before tax, operating margin and funds under management. The relevant performance hurdles must be satisfied in order for awards to vest, but the hurdles can vest independently. The executive must remain with the Group until vesting date for the award to vest.

The Board has approved a profit share plan for 55 senior infrastructure business employees. Payments under the plan are subject to earnings before tax targets and continuing employment. Payments to individual employees will be made over periods ranging from 18 months to four and a half years depending on the employee's role and level in the Group. If all targets are met, the total value paid to all participants will be approximately A$12.0 million. In addition, the Board has approved retention payments totalling less than A$1.0 million spread over three years to offset agreed reductions in fixed remuneration at acquisition.

#### Retention Awards

When the Board believes an employee is an outstanding performer and Lend Lease and its security holders will gain from incentivising him or her to remain with Lend Lease, a retention award may be made. As an incentive to remain with the Group requires a degree of certainty of value delivered to the individual at the end of the retention period, performance conditions are not generally applied to the ultimate payment of such an award.

#### Amounts Recognised in the Financial Statements

LTI awards are valued using a Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lend Lease Group security price, a risk free interest rate, expected volatility and dividend yield.

During the financial year ended 30 June 2011, an A$18.3 million expense was recognised in the income statement in relation to equity settled security based payment awards (June 2010: A$17.5 million).

## 35. Key Management Personnel Disclosures

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

### Equity Holdings and Transactions

**Security Holdings Financial Year Ended 30 June 2011**

| | Year | Securities Held at Beginning of Financial Year | Securities Received During the Year[1,2] | Other Net Change to Securities | Securities Held at End of Financial Year |
|---|---|---|---|---|---|
| **Non Executive Directors** | | | | | |
| D Crawford | **2011** | **73,593** | | **130** | **73,723** |
| | 2010 | 48,128 | 25,465 | | 73,593 |
| P Colebatch | **2011** | **18,323** | | | **18,323** |
| | 2010 | 10,891 | 7,432 | | 18,323 |
| G Edington | **2011** | **40,068** | | | **40,068** |
| | 2010 | 31,323 | 8,745 | | 40,068 |
| P Goldmark | **2011** | **24,794** | | | **24,794** |
| | 2010 | 20,703 | 4,091 | | 24,794 |
| J Hill | **2011** | **14,324** | | | **14,324** |
| | 2010 | 10,233 | 4,091 | | 14,324 |
| D Ryan | **2011** | **31,273** | | | **31,273** |
| | 2010 | 21,242 | 10,031 | | 31,273 |
| **Former** | | | | | |
| M Selway[3] | 2010 | 6,488 | 4,089 | (10,577) | |
| **Executive Director** | | | | | |
| S McCann | **2011** | **185,809** | **58,827** | **(100,000)** | **144,636** |
| | 2010 | 73,301 | 112,508 | | 185,809 |
| **Executives** | | | | | |
| S Charlton | **2011** | **5,000** | | | **5,000** |
| | 2010 | | 5,000 | | 5,000 |
| B Soller | **2011** | **37,824** | **13,826** | | **51,650** |
| | 2010 | 12,407 | 25,417 | | 37,824 |
| D Labbad | **2011** | **431** | **11,667** | | **12,098** |
| R Leaver | **2011** | **25,875** | **19,991** | **(25,165)** | **20,701** |
| M Menhinnitt | **2011** | **107,846** | **14,399** | | **122,245** |
| R McNamara | **2011** | | **4,706** | | **4,706** |
| E Ooi[4] | **2011** | **160,787** | **33,485** | **(6,042)** | **188,230** |
| **Total** | **2011** | **725,947** | **156,901** | **(131,077)** | **751,771** |
| **Total** | 2010 | 234,716 | 206,869 | (10,577) | 431,008 |

1 Non Executive Directors' security allocations relating to retirement benefits were made in arrears on 1 January each year. This plan was discontinued from 1 January 2010. Refer to Section 3i. of the Directors' Report for further details.
2 For the Executive Director and executives, relates to security entitlements under employee benefit vehicles.
3 M Selway retired effective 10 February 2010.
4 E Ooi ceased to be key management personnel effective 1 April 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 35. Key Management Personnel Disclosures continued

### Key Management Personnel Compensation

The key management personnel compensation included in 'Employee Benefit Expenses' (refer to Note 4 'Operating Expenses') is as follows:

| | June 2011 A$000s | June 2010 A$000s |
|---|---|---|
| Short term employee benefits | 15,817 | 6,971 |
| Post employment benefits | 377 | 148 |
| Share based payments | 4,466 | 2,917 |
| Other long term benefits | 70 | 37 |
| | **20,730** | **10,073** |

### Loans to Key Management Personnel

No loans were made to key management personnel or their related parties during the current year or prior year.

### Other Transactions with Key Management Personnel

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

## 36. Non Key Management Personnel Related Party Information

### Consolidated Entities

**Lend Lease Corporation Limited**

Lend Lease Corporation Limited provides a wide range of corporate services to its consolidated entities. Corporate management fees are charged to these entities for these services. These services principally relate to:

- Administration, company secretarial, accounting, legal, tax, insurance, information technology and public relations;
- Human resources and employee services including the administration of salaries and superannuation, the provision of a defined benefit plan for a number of Australian employees (refer to Note 17 'Defined Benefit Plan Asset') and security based payment plans (refer to Note 26 'Reserves' and Note 34 'Employee Benefits'); and
- Finance and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically repayable on demand. In addition, financial guarantees are provided on the borrowings of subsidiaries for which guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at the year end between Lend Lease Corporation Limited and its consolidated entities.

| | COMPANY | |
|---|---|---|
| | June 2011 A$m | June 2010 A$m |
| **Transactions** | | |
| Corporate management fees | 36.8 | 34.0 |
| Guarantee fees | 11.2 | 12.1 |
| Dividend income | 12.7 | 73.1 |
| Interest income | 3.5 | |
| Interest expense | 4.0 | |
| **Outstanding balances (net of provisions raised)** | | |
| Receivables | 4,876.9 | 4,084.6 |
| Payables | 2,113.6 | 1,353.3 |

### Consolidated Entities

Transactions that occurred during the financial year between entities in the Lend Lease Group included:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of payroll, transaction and management services;
- Provision of investment management services;
- Receipt and payment of superannuation contributions;
- Reimbursements of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

### Associates and Joint Venture Entities

Interests held in associates and joint venture entities by Lend Lease are set out in Note 12 'Equity Accounted Investments' to the financial statements.

Transactions between the Lend Lease Group and its associates and joint venture entities principally relate to:

- Development business: development management services and the sale and purchase of development properties with Lend Lease managed funds;
- Investment Management: provision of strategic investment advice, asset management, retail property management and investment portfolio management services;
- Construction: provision of construction, project management and design services; and
- Infrastructure Development business: provision of construction, project management and design services, asset and facilities management services. Loan stock is also provided to projects on which interest is earned based upon project specific risks and returns.

A subordinated non interest bearing loan has been provided to a joint venture and at 30 June 2011 the loan balance was A$25.4 million (June 2010: A$31.3 million). A non interest bearing loan has also been provided to a joint venture and at 30 June 2011 the loan balance was A$30.3 million (June 2010: A$26.4 million).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lend Lease during the year as a result of transactions with its associates and joint venture entities is as follows:

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **Revenue** | | |
| Provision of services | | |
| Associates | 15.5 | 141.4 |
| Joint venture entities | 322.3 | 550.0 |

Other transactions and outstanding balances with associates and joint venture entities have been disclosed in Note 2 'Revenue', Note 3 'Other Income', Note 4 'Operating Expenses', Note 5 'Finance Revenue and Finance Costs', Note 10 'Loans and Receivables' and Note 19 'Trade and Other Payables'.

### Managed Funds

Lend Lease holds investments in a number of property funds for which it is also the fund manager. In addition to those property funds classified as associates and joint venture entities (refer to above and Note 12 'Equity Accounted Investments'), Lend Lease holds interests in property funds which are classified as available for sale financial assets (refer to Note 14 'Other Financial Assets').

Transactions between the Lend Lease Group and such property funds classified as available for sale are priced on a commercial basis. These transactions relate principally to:

- Investment management: provision of strategic investment advice, asset management and investment portfolio management services;
- Asset management: provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services; and
- Development businesses: provision of property capital works, design and construction services, development and refurbishment, and the sale of development properties.

During the year the following transactions occurred.

| | June 2011 A$m | June 2010 A$m |
|---|---|---|
| **Revenue** | | |
| Provision of services | 65.4 | 51.2 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 37. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lend Lease Corporation Limited ('the Company'), as at and for the year ended 30 June 2011.

| | COMPANY | |
|---|---|---|
| | June 2011 A$m | June 2010 A$m |
| **Results** | | |
| Loss after tax | (55.7) | (49.6) |
| Other comprehensive expense after tax | | (0.2) |
| **Total comprehensive expense after tax** | **(55.7)** | **(49.8)** |
| **Financial Position** | | |
| Assets/Liabilities | | |
| Current assets | 4,861.8 | 4,269.3 |
| Non current assets | 840.9 | 836.3 |
| **Total assets** | **5,702.7** | **5,105.6** |
| Current liabilities | 2,186.5 | 1,419.5 |
| Non current liabilities | 53.0 | 30.4 |
| **Total liabilities** | **2,239.5** | **1,449.9** |
| **Net assets** | **3,463.2** | **3,655.7** |
| Issued capital | 2,063.7 | 2,019.2 |
| Treasury securities | (90.5) | (79.9) |
| Reserves | 213.5 | 203.3 |
| Retained earnings | 1,276.5 | 1,513.1 |
| **Total equity** | **3,463.2** | **3,655.7** |

### Parent Entity Contingencies

In respect of the contingent liabilities of the Group disclosed in Note 27 'Contingent Liabilities', the Company participates in the provision of guarantees of Group entities and manages the legal action in relation to the World Trade Center.

## 38. Events Subsequent to Balance Date

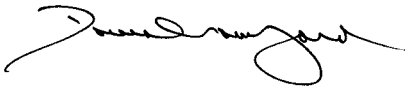
There were no material events subsequent to the end of the financial year.

# DIRECTORS' DECLARATION

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

1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
   a. Giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2011 and of their performance for the financial year ended on that date; and
   b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.1.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors:



**D A Crawford, AO**
Chairman

**S B McCann**
Managing Director

Sydney, 26 August 2011

KPMG

## Independent auditor's report to the members of Lend Lease Corporation Limited

### Report on the financial report

We have audited the accompanying financial report of the Group comprising Lend Lease Corporation Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view with our understanding of the Group's financial position and of its performance.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

# SECURITYHOLDER INFORMATION

## Securities Exchange Listings and Code

Lend Lease Group is listed on the Australian Securities Exchange and trades under the code LLC.

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

Lend Lease requested to be de-listed from the New Zealand Securities Exchange during the year, effective 29 April 2011.

## Share Accumulation Plan

The Share Accumulation Plan is designed to be a convenient way for securityholders with a registered address in Australia or New Zealand to build their securityholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer securities in this way. Lend Lease securityholders are able to reinvest their distributions to acquire more Lend Lease securities through the Distribution Reinvestment Plan (DRP) or the Share Election Plan (SEP). Securityholders may also make contributions of between A$500 and A$2,500 to acquire new Lend Lease securities under the Share Purchase Plan (SPP). Together the DRP, SEP and SPP constitute the Share Accumulation Plan.

The rules of each of these plans are set out in the Share Accumulation Plan Information Sheet. Copies are available on the Lend Lease website. Please note that the Share Election Plan and the Share Purchase Plan are currently suspended.

## Key sources of information for securityholders

We report the following to securityholders each year:

- Securityholder Review
- Annual Report
- Sustainability Report (online only)

We report each March and September to securityholders with the distribution statements.

## Electronic communications

Securityholders have the option of receiving the following communications and all other company-related information electronically:

- Securityholder Review;
- Annual Report and Securityholder Review;
- Distribution statements; and
- Notice of Annual General Meetings.

## Notice of Annual General Meetings

Lend Lease makes both the Annual Report and the Securityholder Review available in an interactive version online. A hard copy of the Annual Report and/or the Securityholder Review will only be sent to those securityholders who elect to receive them in that form. In addition, you may elect to receive notification that the Annual Report and the Securityholder Review are available online.

Securityholders who wish to register their email address should go to the website of the Lend Lease share registry www.investorcentre.com/ecomms.

For registry contact details see page 124.

## Privacy Legislation

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

## Distribution and Share Accumulation Plan Issue Price History

| Payment Date | Distribution | Distribution Per Security | Franking Rate | Company Tax Rate | DRP Price A$ | SEP Price A$ | SPP Price A$ |
|---|---|---|---|---|---|---|---|
| 30 Sept 2011 | Final | 15 cents | 0% | 30% | [1] | suspended | suspended |
| 30 Mar 2011 | Interim | 20 cents | 50% | 30% | $8.4298 | suspended | suspended |
| 24 Sep 2010 | Final | 12 cents | 100% | 30% | suspended | suspended | suspended |
| 31 Mar 2010 | Interim | 20 cents | 100% | 30% | suspended | suspended | suspended |
| 20 Nov 2009 | In specie | 0.1 cents | 100% | 30% | N/A | N/A | N/A |
| 25 Sept 2009 | Final | 16 cents | 100% | 30% | $9.4997 | suspended | suspended |
| 01 Apr 2009 | Interim | 25 cents | 60% | 30% | $5.292 | suspended | suspended |
| 26 Sept 2008 | Final | 34 cents | 45% | 30% | $9.357 | suspended | suspended |
| 26 Mar 2008 | Interim | 43 cents | 40% | 30% | suspended | suspended | suspended |
| 12 Sept 2007 | Final | 42 cents | 50% | 30% | suspended | suspended | suspended |
| 27 Mar 2007 | Interim | 35 cents | 50% | 30% | suspended | suspended | suspended |
| 13 Sept 2006 | Final | 31 cents | 100% | 30% | suspended | $15.50 | suspended |
| 14 Mar 2006 | Interim | 30 cents | 100% | 30% | suspended | $13.32 | suspended |
| 14 Sep 2005 | Final | 29 cents | 100% | 30% | suspended | $13.14 | suspended |
| 08 Mar 2005 | Interim | 28 cents | Nil | N/A | suspended | suspended | suspended |
| 15 Sep 2004 | Final | 26 cents | Nil | N/A | suspended | suspended | suspended |
| 17 Mar 2004 | Interim | 18 cents | Nil | N/A | suspended | suspended | suspended |
| 18 Sep 2003 | Final | 20 cents | Nil | N/A | $10.64 | suspended | suspended |
| 19 Mar 2003 | Interim | 10 cents | 100% | 30% | $8.71 | $8.71 | $8.71 |
| 19 Sep 2002 | Final | 9 cents | 100% | 30% | $11.02 | $11.02 | $11.02 |
| 20 Mar 2002 | Interim | 9 cents | 100% | 30% | $11.79 | $11.79 | $11.79 |
| 13 Sep 2001 | Final | 8 cents | 100% | 30% | $10.97 | suspended | $10.97 |
| 14 Mar 2001 | Interim | 13 cents | Nil | N/A | $14.85 | suspended | $14.85 |
| 14 Sep 2000 | Final | 32 cents | 100% | 34% Class C | $19.82 | $19.82 | suspended |
| 15 Mar 2000 | Interim | 32 cents | 100% | 36% Class C | $20.34 | $20.34 | $20.34 |
| 16 Sep 1999 | Final | 31 cents | 100% | 36% Class C | $19.66 | $19.66 | $19.66 |
| 17 Mar 1999[2] | Interim | 29 cents | 100% | 36% Class C | $21.46 | $21.46 | $21.46 |
| 17 Sep 1998 | Final | 54 cents | 100% | 36% Class C | $34.12 | $34.12 | $34.12 |
| 18 Mar 1998 | Interim | 53 cents | 100% | 36% Class C | $35.06 | $35.06 | $35.06 |
| 18 Sep 1997 | Final | 50 cents | 100% | 36% Class C | $30.48 | $30.48 | $30.48 |
| 19 Mar 1997 | Interim | 48 cents | 100% | 36% Class C | $23.41 | $23.41 | $23.41 |
| 01 Nov 1996 | Final | 47 cents | 100% | 36% Class C | $20.71 | $20.71 | $20.71 |
| 29 Mar 1996 | Interim | 43 cents | 100% | 36% Class C | $17.47 | $17.47 | N/A |
| 03 Nov 1995 | Final | 38 cents | 100% | 39% Class A | $16.89 | $16.89 | N/A |
| 28 Jun 1995 | 2nd Interim | 11 cents | 100% | 39% Class A | $16.84 | $16.84 | N/A |
| 31 Mar 1995 | Interim | 36 cents | 100% | 39% Class A | $15.08 | $15.08 | N/A |
| 28 Oct 1994 | Final | 36 cents | 100% | 39% | $15.18 | $15.18 | N/A |
| 27 Jun 1994 | 2nd Interim | 10 cents | 100% | 39% | $15.10 | $15.10 | N/A |
| 13 Apr 1994 | Interim | 34 cents | 100% | 39% | $16.10 | $16.10 | N/A |
| 22 Oct 1993 | Final | 33 cents | 100% | 39% | Suspended | Suspended | N/A |
| 15 Jul 1993 | Special | 10 cents | Nil | N/A | $12.79 | $12.79 | N/A |
| 29 Mar 1993 | Interim | 33 cents | 100% | 39% | Suspended | Suspended | N/A |

1 The DRP Price for 30 September 2011 was not available at the time of printing.
2 1:1 bonus issue was implemented in December 1998.

# SECURITYHOLDER INFORMATION CONTINUED

## Security Information at a Glance at 31 August 2011 (31 August 2010)

| | 2011 | 2010 |
|---|---|---|
| Number of securityholders | 53,819 | 55,619 |
| Units issued | 571 million | 566 million |
| Percentage owned by 20 largest securityholders | 76.45% | 75.47% |
| Interim distribution | 20 cents per security (50% franked) | 20 cents per security (100% franked) |
| Final distribution | 15 cents per security (0% franked) | 12 cents per security (100% franked) |
| Total distribution | 35.0 cents per security | 32.1 cents per security[1] |
| Distribution payout ratio[2] | 41% | 50%[1] |

1 Total dividend includes ' in specie' dividend of Lend Lease Trust (LLT) units of 0.1 cents per security.
2 Distribution payout ratio is based on Operating Profit after Tax which excludes unrealised property investment revaluations.

## Spread of Securityholdings

Details of the spread of securityholdings at 31 August 2011 (31 August 2010) are as follows:

| | 2011 | 2010 |
|---|---|---|
| 1 – 1,000 securities | 27,378 | 28,765 |
| 1,001 to 5,000 | 21,788 | 22,059 |
| 5,001 to 10,000 | 3,031 | 3,089 |
| 10,001 to 100,000 | 1,533 | 1,606 |
| 100,001 and over | 89 | 100 |
| **Total number of securityholders** | **53,819** | **55,619** |
| **Securityholders with less than a marketable parcel** | **3,079 (representing 65,478 securities)** | **3,491 (representing 99,002 securities)** |

## Twenty Largest Securityholders at 31 August 2011

| Name | No. of units | % of Issued Capital |
|---|---|---|
| NATIONAL NOMINEES LIMITED | 126,193,074 | 22.10 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 102,680,491 | 17.99 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 93,294,485 | 16.34 |
| CITICORP NOMINEES PTY LIMITED | 25,649,437 | 4.49 |
| COGENT NOMINEES PTY LIMITED | 16,498,537 | 2.89 |
| LEND LEASE EMPLOYEE HOLDINGS CUSTODIAN PTY LIMITED | 14,914,384 | 2.61 |
| LEND LEASE EMPLOYEE HOLDINGS CUSTODIAN PTY LTD | 10,944,343 | 1.92 |
| LEND LEASE EMPLOYEE HOLDINGS CUSTODIAN PTY LIMITED | 7,066,467 | 1.24 |
| QUEENSLAND INVESTMENT CORPORATION | 5,579,035 | 0.98 |
| JP MORGAN NOMINEES AUSTRALIA LIMITED | 5,113,564 | 0.90 |
| AMP LIFE LIMITED | 5,045,283 | 0.88 |
| AUSTRALIAN REWARD INVESTMENT ALLIANCE | 4,556,914 | 0.80 |
| ARGO INVESTMENTS LIMITED | 3,843,609 | 0.67 |
| UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD | 2,919,121 | 0.51 |
| TASMAN ASSET MANAGEMENT LTD | 2,706,353 | 0.47 |
| CITICORP NOMINEES PTY LIMITED | 2,553,651 | 0.45 |
| UBS NOMINEES PTY LTD | 2,058,016 | 0.36 |
| CITICORP NOMINEES PTY LIMITED | 1,941,244 | 0.34 |
| RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 1,451,516 | 0.25 |
| QUESTOR FINANCIAL SERVICES LIMITED | 1,441,801 | 0.25 |
| | | **76.45** |

## Substantial Securityholders in the Company's Register at 31 August 2011

| Name | Date of last notice received | No. of units | % of Issued Capital |
|---|---|---|---|
| Franklin Resources Inc and its affiliates[1] | 6 July 2011 | 46,427,733 | 8.13% |
| National Australia Bank Limited | 16 March 2011 | 43,224,472 | 7.64% |
| Lend Lease Employee Holdings Custodian Pty Limited[2] | 15 March 2010 | 34,626,669 | 6.63% |
| Ausbil Dexia Limited | 15 March 2010 | 27,495,153 | 5.27% |

1 Franklin Resources Inc acquired Balanced Equity Management Pty Limited.
2 This is a Lend Lease employee benefit vehicle.

# CORPORATE DIRECTORY

## Annual General Meeting 2011

The 2011 General Meeting of Lend Lease Corporation Limited and Meeting of Securityholders of Lend Lease Trust will be held at 10am on Wednesday 9 November 2011 at the Palladium at Crown, Level 1, 8 Whiteman Street, Southbank, Victoria. Full details are contained in the Notice of Meetings sent with this Report.

## Contact Details

Lend Lease Corporation Limited ABN 32 000 226 228
Incorporated in NSW Australia and
Lend Lease Responsible Entity Limited ABN 72 122 883 185
AFS Licence 308983 as responsible entity for Lend Lease Trust
ABN 39 944 184 773 ARSN 128 052 595

## Registered Office

Level 4, 30 The Bond,
30 Hickson Road
Millers Point
NSW 2000 Australia

## Contact

T: 61 (2) 9236 6111
F: 61 (2) 9252 2192
W: www.lendlease.com

## 2012 Financial Calendar

**February:** Announcement of Half Year Results
**March:** Interim distribution payable
**August:** Announcement of Full Year Results
**September:** Final distribution payable
**November:** Annual General Meeting

## Share Registry Information

**Computershare Investor Services Pty Limited**
ABN 48 078 279 277
GPO Box 242, Melbourne,
Victoria 3001 Australia

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

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