About Lend Lease

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

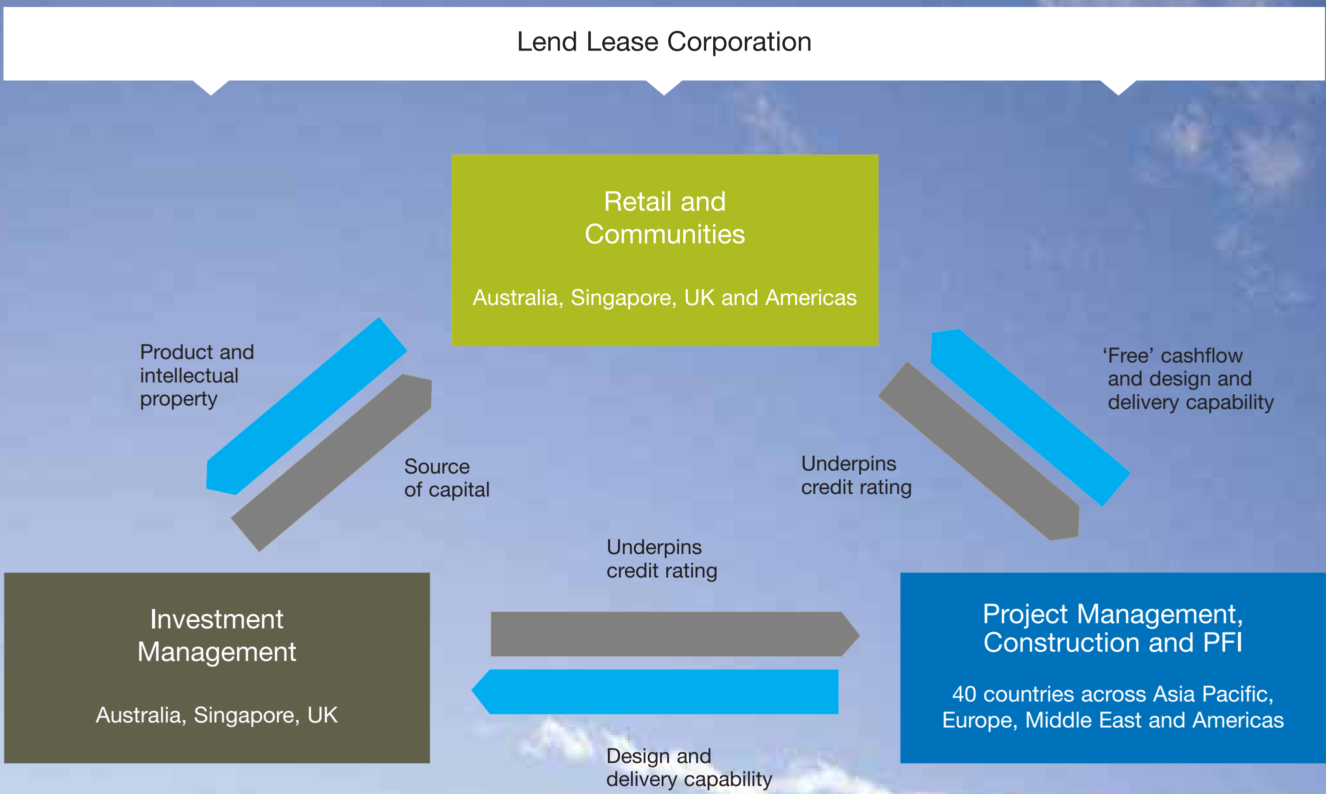
Headquartered in Australia, we operate in three key regions around the world and three core sectors: retail and residential property, property investment management and construction.

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

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

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

Operating model



Quick facts

Operating profit after tax	Total number of employees	Shareholders	Funds under management (including joint ventures)
A$354.2M	9,815	50,179	A$9.7B

We are targeting sustainable growth through:

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

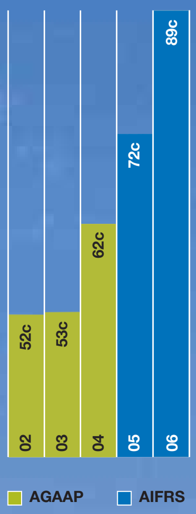
Five-year performance

Operating profit after tax (A$m) [1,2]

A$354M

Earnings per share on operating profit (cents) [1,2,3]

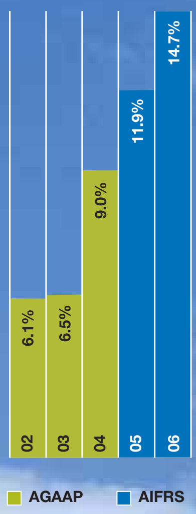
89c



Return on equity [1,2]

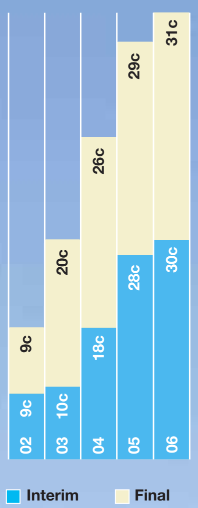
Statutory profit after tax to shareholders' equity (ROE) for the period excluding one-off items

14.7%



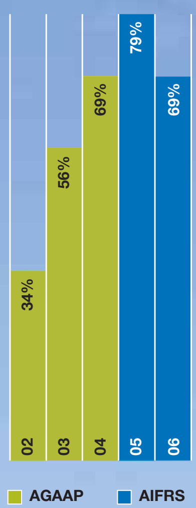
Dividends per share (cents)

61c



Dividend payout ratio on operating profit [1,2,4]

69%



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

[2] The Group's statutory profit after tax at June 2006 was A$415.2 million, up 84% on June 2005. Operating profit excludes unrealised property investment revaluations (June 2006: A$99.4 million before tax, A$61.0 million after tax; June 2005: A$64.5 million before tax, A$39.5 million after tax) and one-off items (June 2006: A$nil; June 2005: A$107.3 million before tax, A$99.7 million after tax).

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

[4] Dividends include interim and final dividends.

Operational highlights

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

Financial highlights

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

Chairman's Report

“…your Directors are optimistic about the Company’s outlook”

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

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

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

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

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

Corporate governance

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

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

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

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

New Board Members

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

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

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

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

Outlook

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

David Crawford
Chairman

Chief Executive Officer's Report

Focused property model

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

Global diversity

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

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

The year to June 2006 was a step change.

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

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

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

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

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

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

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

"…earnings per share... continued the positive trend of recent years in line with management's objective"

Disciplined capital management

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

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

Financial Parameters	Target	FY 2006
Earnings per share growth	Circa 10%+ p.a. average over 5 years	24%
Dividend payout ratio	60 – 80%	69%
Proportion of recurring/annuity style earnings	15 – 20%	28%
Debt ratios:		
Gross Debt as a percentage of total tangible assets	30 – 40%	14.4%
Interest cover	6 times+	7.8 times
Return on Equity on statutory profit excluding one-off items	15%+	14.7%

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

Strong financial position

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

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

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

Roger Burrows
Chief Financial Officer

Overview of businesses

Retail and Communities

Ross Taylor
Chief Executive Officer,
Retail and Communities

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

Investment Management

Steve McCann
Chief Executive Officer,
Investment Management

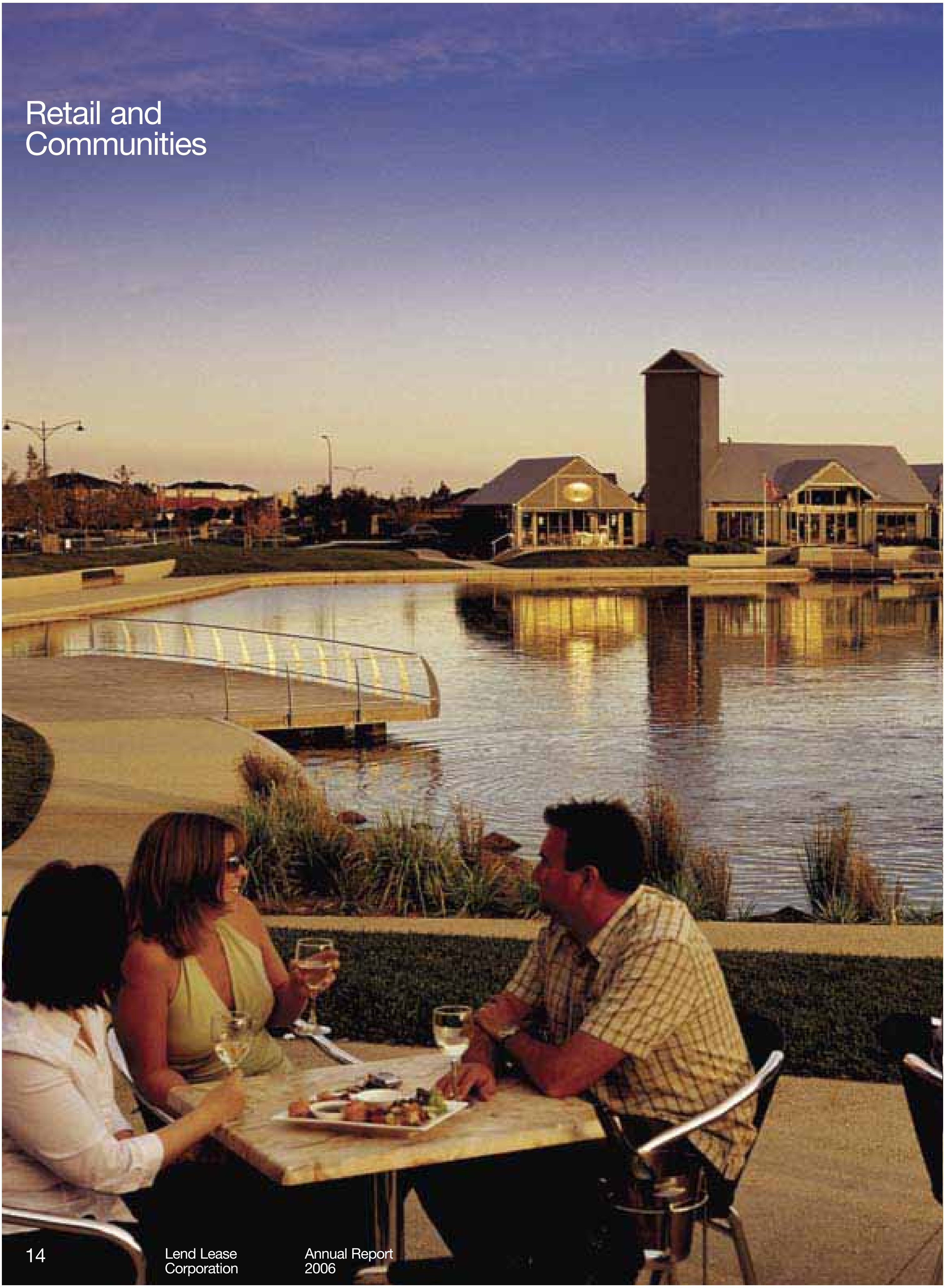
Manages and co-invests in property funds across Asia Pacific, the UK and Europe. Also invests directly in selected retail property assets.

Project Management, Construction and PFI

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

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

Retail and Communities



Snapshots

Army Family Housing
Hawaii, United States

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

Clarence Dock
Leeds, United Kingdom

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

Caroline Springs
Melbourne, Australia

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

Lakeside at Pakenham has quickly established a reputation as the signature community development in Melbourne's south-eastern growth corridor.

Retail Report

Results

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

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

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

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

Year in brief

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

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

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

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

The Meadows is an excellent example of the total retail strategy in action. It is a 14,000 square metre centre occupying a strategic location on Chelmsford's high street, just 40 minutes by train from central London. However, its poor current retail offering means it is losing significant retail sales to other regional centres. The site has potential to be substantially enlarged by joining with other landowners to develop a circa 60,000 square metre retail centre and around 450 residential apartments.

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

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

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

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

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

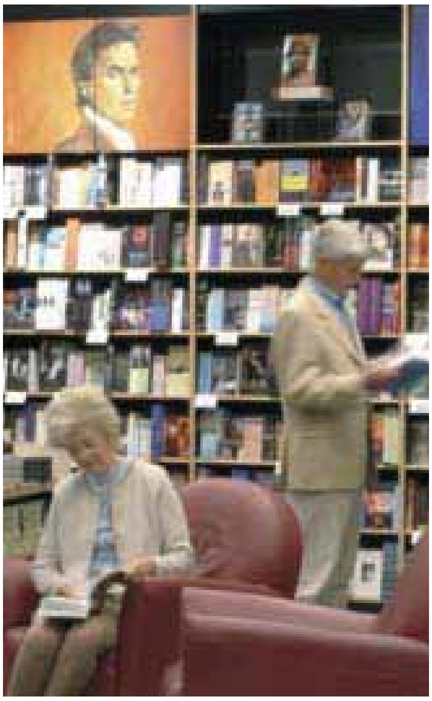
Following year end the Group secured the last remaining prime retail development site on Singapore's Orchard Road, Somerset Central. The site is being acquired for approximately A$514 million and substantially strengthens the Group's position in Singapore's dynamic retail market. It is anticipated that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

Outlook

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

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

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



A$4.2B

Estimated size of development pipeline

763,100sqm

Gross Lettable Area under management

Above: Our premier retail centres are award winning people places.

Communities Report

Results

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

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

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

Year in brief

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

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

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

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

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

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

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

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

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

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

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

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

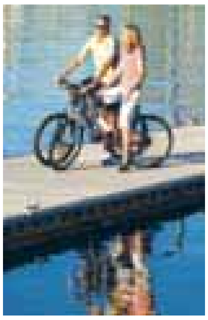
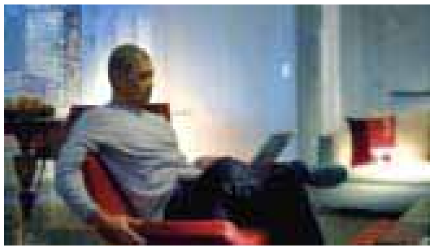
Outlook

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

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

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

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


93,405
Total number of zoned and unzoned backlog units (excludes Actus Lend Lease)

A$1.5B
Gross sales value of units settled (excludes Actus Lend Lease)

68
Number of projects underway around the world (excludes Actus Lend Lease)

US$4.4B
Value of Actus Lend Lease projects awarded so far

Above: We create sustainable communities where people live, work, learn and play.