MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

(Note: In this announcement all figures are expressed in Australian dollars unless otherwise specified)

The following discussion and analysis is based on the Group's Consolidated Financial Statements at 31 December 1999, and should be read in conjunction with those Financial Statements.

OVERVIEW

As a diversified real estate and financial services group with operations in Australia, North and South America, Europe, Asia and New Zealand, Lend Lease's businesses are influenced by a broad range of factors. Some of the key factors are the state of investment markets, property markets, global economic conditions, interest rates, taxation and regulatory legislation. However, owing to the size and diversity of the Group's operations, no one factor, in management's opinion, determines the Group's financial condition or the profitability of its operations.

The Group's Consolidated Financial Statements at 31 December 1999 include the 4 recent acquisitions and changes in Accounting Standards.

1. ACQUISITIONS

Acquisitions totalling A$1.3 billion were made in the six months to 31 December 1999.

	Initial Acquisitio Payments A$m	Deferred Payments A$m	Restructur Provision A$m	Other Acquisitio Costs A$m	Total Acquisitio Cost A$m
Bovis	725		13	13	751
Boston Financial	203	55	17	5	280
CEF Life	246			4	250
Godfrey Pembroke	40				40
Total Acquisitions made to 31 December 1999 included in Financial Statements	**1,214**	**55**	**30**	**22**	**1,321**
AMRESCO (1)	348	54			402

(1) On 9 December 1999 Lend Lease announced its intent to acquire certain businesses of AMRESCO. This acquisition is subject to regulatory and other approvals and has not been included in the 31 December 1999 Financial Statements.

The acquisitions were funded by a combination of existing cash reserves and new debt. The Group's gross borrowings increased to A$2.1 billion at 31 December 1999 from A$1.2 billion at 30 June 1999.

The acquisitions result in a significant amortisation charge against earnings.

	Managemen Agreements Amount A$m	Goodwill Amount A$m	Amortisati Charge Dec 1999 A$m	Annual Amortisati Charge (1) A$m
Bovis		646	5.4	32.3
Boston Financial	195	27	0.5	5.3
CEF Life (2)				
Godfrey Pembroke (2)				
Total included in 31 December 1999 Financial Statements	**195**	**673**	**5.9**	**37.6**

(1) Goodwill is amortised over 20 years; Management Agreements are amortised over 50 years.

(2) No goodwill is recognised as CEF Life and Godfrey Pembroke were acquired by the Shareholders' Fund of MLC Limited (Refer to Section "Accounting Treatment of Assets held in Shareholders' Fund of MLC Limited").

OVERVIEW continued

2. CONSOLIDATION OF STATUTORY FUNDS

The Group's Consolidated Financial Statements at 31 December 1999 include for the first time the Statutory Funds of MLC Limited ("MLC") and MLC Lifetime Company Limited ("MLC Lifetime"). The inclusion of the Statutory Funds is required under the Australian Accounting Standard AASB1038 Life Insurance Business which was made effective from 1 July 1999.

The requirement to consolidate the Statutory Funds has a material effect on how the financials are reported though this has no impact on the operating strength of Lend Lease.

The consolidation of the Statutory Funds had the following impacts on the half year Financial Statements:

- Operating revenue increased by $2.0 billion.
- Operating profit before tax increased by $258 million.
- Operating profit after tax increased $2 million, reflecting additional profit from MLC Lifetime of $5 million offset by amortisation of $3 million.
- Assets increased by $24.0 billion.
- Liabilities increased by $23.6 billion.
- Shareholders Equity of the Lend Lease Group reduced by $1.5 billion. This is a result of the following:
  - The investment in MLC and MLC Lifetime was previously recorded (30 June 1999) at the embedded value of $1,852 million in the Consolidated Balance Sheet. This has been reversed against:
    - the elimination of the Asset Revaluation Reserve ($1,054 million); and
    - an adjustment to retained earnings ($456 million) (refer to Note 2 of the Consolidated Financial Statements for further details).
- The recognition of a residual amount of Goodwill ($33 million). This will result in an amortisation charge of $5.5 million per annum over the next 6 years.

Care needs to be taken when interpreting the consolidation of the Statutory Funds. Assets and liabilities of the Statutory Funds are subject to the provisions of the Life Insurance Act 1995 (the “Life Act”), as described below.

The products offered by MLC and MLC Lifetime are currently allocated to separate Statutory Funds established under the Life Act. MLC has four Statutory Funds, whilst MLC Lifetime has one Statutory Fund. Each Statutory Fund includes all the assets and liabilities that relate to the business conducted in that Statutory Fund. The assets of the Statutory Funds are legally owned by MLC and MLC Lifetime (both 100% owned subsidiaries of Lend Lease) and the liabilities of the Statutory Funds are legal obligations of MLC and MLC Lifetime. Under Australian law, MLC and MLC Lifetime are required to keep the assets of each Statutory Fund distinct and separate from the assets of each other Statutory Fund and any other assets of MLC and MLC Lifetime, and the assets of each Statutory Fund are available only to satisfy the liabilities and expenses relating to that Statutory Fund. In general, subject to the rights to allocate and distribute profits (refer Financial Statements), this means that the assets of any Statutory Fund will not be available to meet any liabilities or expenses of MLC or MLC Lifetime outside that Statutory Fund (including those in the other Statutory Funds) and that the assets included in a Statutory Fund cannot be applied by MLC or MLC Lifetime for any purpose other than conducting the class of business carried on within that Statutory Fund. The liabilities relating to a Statutory Fund (ie, those which can be satisfied from the assets of the fund) include essentially all liabilities incurred by MLC or MLC Lifetime in connection with the operation of the business conducted by that Fund. Statutory Fund assets can only be used for distributions of a profit to the shareholder when solvency and capital adequacy requirements are met and otherwise in accordance with the regime set out in the Life Act.

Given the restrictions imposed by the Life Act, the Directors are of the opinion that the inclusion of the Statutory Funds in the Consolidated Financial Statements of Lend Lease as required by the Australian Accounting Standards may lead to a distorted impression of the Group’s position. Whilst the Directors recognise the importance of complying with Australian Accounting Standards, it has been considered prudent to restate the financials in order to provide what is considered by the Directors to be a more useful view. The appendix in this statement consists of a Profit and Loss Statement, Balance Sheet and Cash Flow Statement, prepared on a consistent basis to that of previous years, ie prior to the introduction of AASB1038 Life Insurance Business.

OPERATING PERFORMANCE

Operating profit after tax was $276 million for the six months to 31 December 1999, representing an increase of 34% compared to $206 million for the six months to 31 December 1998. This result included $91 million in relation to the sale of 20% of Bluewater. There are no additional sales of Bluewater planned in the second half of the June 2000 fiscal year. Consequently, the second half operating profit after tax for fiscal 2000 is expected to be less than the first half. Operating profit before tax increased by 133% over the corresponding period.

OVERVIEW continued

OPERATING PERFORMANCE continued

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the six months to 31 December 1999 was $589 million compared to $262 million for the six months to 31 December 1998, an increase of 125%. The increase in EBITDA mainly related to the consolidation of the Statutory Funds. EBITDA, excluding the Statutory Funds for the six months to 31 December 1999, was $423 million an increase of 61%. The latter EBITDA result was derived on the same basis as the comparative December 1998 EBITDA result.

The profit result was achieved after raising provisions for diminution of value of property inventories and investments of $13.2 million after tax. The acquisitions made during the six months resulted in a net increase of $3 million profit after tax, which consisted of operating earnings since acquisition of $18 million offset by amortisation charges of $6 million, interest costs of $8 million and integration costs of $1 million.

Return on equity for the six months to 31 December 1999 was 13% compared to 6% reported for the corresponding period. The increase in the return on equity was principally due to the $1.5 billion reduction in net assets as a result of consolidating the Statutory Funds of MLC and MLC Lifetime (discussed above). If the Statutory Funds were not consolidated, return on equity for the six months to 31 December 1999 would be 8%.

Earnings per share for the six months to 31 December 1999 was 54.3 cents compared to 40.7 cents for the six months to 31 December 1998, an increase of 33%.

The interim dividend of 32 cents per share will be paid on 15 March 2000 (prior period 17 March 1999). The dividend payout ratio of 59% (December 1998 71%) is calculated by dividing the dividends paid or declared in the period by the consolidated operating profit after tax attributable to members of Lend Lease Corporation. Lend Lease expects to maintain a payout ratio of between 70% to 75% for the year to June 2000.

SEGMENT RESULTS

The key contributors to profit after tax were Financial Services with $111 million (40% of total) and Real Estate with $180 million (65% of total) before taking into account Corporate costs.

Total assets increased by $24.5 billion (336%) to $31.8 billion at 31 December 1999. The principal contributors to the increase were the inclusion of the MLC Statutory Funds and the acquisitions of Bovis, Boston Financial and CEF Life.

The following table provides an overview of the various components of the December 1999 result. Each segment is then reviewed in detail. It should be noted that the segment results of the operating businesses exclude financing costs such as interest and hedging (which are included in Group Financing) and amortisation charges.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
BUSINESS SEGMENT SUMMARY	**Dec 1999 $m**	**Dec 1998 $m**	**Dec 1999 $m**	**Dec 1998 $m**	**Dec 1999 $m**	**Dec 1998 $m**	**Dec 1999 $m**	**June 1999 $m**
Financial Services								
Statutory Funds	1,982	103	258	101	92	101	23,968	
Financial Services - Other	146	190	28	28	19	17	712	2,323
Total Financial Services	**2,128**	**293**	**286**	**129**	**111**	**118**	**24,680**	**2,323**
Real Estate								
Real Estate Investments	308	301	95	50	64	45	1,736	1,345
Property Development	616	123	114	2	90	(4)	2,342	2,797
Project Management	2,196	691	46	32	26	24	2,697	379
Real Estate Services		320		17		11		
Total Real Estate	**3,120**	**1,435**	**255**	**101**	**180**	**76**	**6,775**	**4,521**
Investments								
IT+T Investments	6	6	5	2	3	3	110	94
Equity Investments	69	24	41	18	36	20	149	176
Corporate								
Group Services	9	23	(19)	1	(22)	4		
Amortisation			(17)	(3)	(17)	(3)		
Group Financing	14	16	(25)	(22)	(15)	(12)	78	177
Total	**5,346**	**1,797**	**526**	**226**	**276**	**206**	**31,792**	**7,291**

The Financial Services operating profit after tax for December 1999 is not directly comparable to December 1998 (refer to section on "Profits after Tax" within "Financial Services" on page 5).

FINANCIAL SERVICES

The principal activities of this business segment are:

- Funds Management operations, including superannuation and investment services for both retail and corporate clients; management of investment and unit trusts; investment management and portfolio management services for corporate and institutional clients;
- Life Insurance operations covering traditional life insurance business and wealth protection;
- Funds Administration businesses which operate as fund administrators, providing customers with the ability to direct their investments to fund managers and investment products of their choice (not just MLC), with the fund administrators providing one point of service for their customers; and
- Investment Management which provides strategic investment advice, asset management and investment portfolio management services.

Funds Management and Life Insurance services are mainly provided under the brand name MLC (and the recently launched brand name MasterKey). Funds Administration services are provided under the brand names "FlexiPlan", "Plum", "Your Prosperity", "Heritage" and "OneSource" (the latter two being brand names of Godfrey Pembroke Financial Services Limited ("Godfrey Pembroke").

The Group's Financial Services activities are currently concentrated in Australia and are affected by trends in the Australian financial services market, including the growth in funds invested in superannuation and unit trust products, competitive forces on fees, government regulation affecting the funds management and life insurance sectors, taxation, the impact of major mergers and acquisitions by competitors, changing sentiment by investors in anticipation of evolving economic and investment market conditions, and product and service initiatives.

The Financial Services business is continuing to explore acquisition opportunities both in Australia and overseas, as well as pursuing a number of strategic initiatives to grow the businesses organically. A 100% interest in Godfrey Pembroke, (a financial planning and funds administration group), was acquired on 15 July 1999 for $40 million and a 55% interest in the Hong Kong based Canadian Eastern Life Assurance ("CEF Life") was acquired on 21 October 1999 for A$250 million.

MLC utilises a multi distribution channel approach. This includes the operation of several Dealerships including, MLC Private Client Services, MLC Financial Planning, Garvan Financial Planning, Lend Lease Financial Planning, Godfrey Pembroke Financial Services and AdvantEdge. Independent financial planners also support MLC's product range. The above dealers in some cases utilise the services provided through the business platforms MasterKey and FlexiPlan.

Ownership in FlexiPlan was recently increased. FlexiPlan is one of the largest participants in the rapidly growing Master Fund industry.

Distribution capacity has also been expanded with initiatives including the "Plum" joint venture with the Vanguard group (providing employee choice superannuation) and "Your Prosperity" (an online investing and administrative service) which has established a partnership with ninemsn (refer to "Significant Events" in this section).

RESULTS

The operating results of the Financial Services business are summarised in the table below.

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
AUSTRALIA & PACIFIC								
Funds Management								
Statutory Funds [1]	1,628	79	200	79	65	79	19,609	
Other [2]	89	154	6	6	7	3	185	1,724
Life Insurance								
Statutory Funds [3]	318	24	58	22	27	22	4,260	
Other [4]			(2)		(1)		10	509
Funds Administration [5]	32	7	12	3	6	2	149	57
Investment Management	22	23	11	18	7	12	51	21
Total Australia & Pacific	**2,089**	**287**	**285**	**128**	**111**	**118**	**24,264**	**2,311**
ASIA [6]								
Statutory Funds [7]	36						99	
Financial Services	3	6	1	1			317	12
Total Financial Services	**2,128**	**293**	**286**	**129**	**111**	**118**	**24,680**	**2,323**
% of Total Group	40%	16%	54%	57%	40%	57%	78%	32%

(Footnotes located on next page.)

FINANCIAL SERVICES continued

RESULTS continued

(1) Funds Management is mainly conducted through the Statutory Funds of MLC Limited. The December 1998 result relates to the profit distribution from the Statutory Funds to Lend Lease. The December 1999 result relates to Lend Lease's share of the profit earned by the Statutory Funds. For the Statutory Funds of MLC there was no difference in the operating profit after tax attributable to Lend Lease in either period under the two methods. There were no segment assets at June 1999 as the Statutory Funds were consolidated for the first time in December 1999.

(2) Funds Management Other relates to contributions from the Shareholders' Fund of MLC Limited, MLC Investments Limited, Lend Lease Corporate Services Limited, Lend Lease Advisor Services Limited, Lend Lease Financial Planning Limited and Medfin Australia Pty Limited. The June 1999 segment assets included the embedded value of MLC Limited ($1,439 million) which was reversed at December 1999.

(3) The Life Insurance business is conducted through the Statutory Fund of MLC Lifetime Company Limited. The December 1998 result relates to the profit distribution from the Statutory Fund to Lend Lease. The December 1999 result relates to Lend Lease's share of the profit from the Statutory Fund. For the Statutory Fund of MLC Lifetime, the two approaches produce a different operating profit after tax attributable to Lend Lease (refer "Life Insurance" below). There were no segment assets at June 1999 as the Statutory Fund was consolidated for the first time in December 1999.

(4) Life Insurance Other relates to overheads recharged to the Shareholders' Fund of MLC Lifetime. The June 1999 segment assets included the embedded value of MLC Lifetime ($413 million) which was reversed at December 1999.

(5) Funds Administration business comprises Your Prosperity Limited, FlexiPlan Australia Limited, Godfrey Pembroke Financial Services Limited and Plum Financial Services Limited.

(6) Asian Financial Services is conducted through the 55% interest in CEF Lend Lease Life Assurance in Hong Kong, the 80% interest in PT Simas Lend Lease Life and the 50% interest in BII Lend Lease Investment Services (both in Indonesia).

(7) The Asian Statutory Funds relate to the revenues, profits and assets of the CEF Life and Simas policyholders, on a similar basis to the Statutory Fund of MLC Lifetime.

REVENUE

The increase in total operating revenue to $2,128 million for the six months to December 1999 as compared to $293 million for the six months to December 1998, is primarily a consequence of consolidating the revenue of the Statutory Funds for the first time, including investment income, premium revenue and management fees.

PROFIT AFTER TAX

Financial Services contributed $111 million to Lend Lease’s operating profit after tax for the six months to 31 December 1999, a decrease of 6%, compared to $118 million for the six months to 31 December 1998. The results for both December 1998 and 1999 included the following items:

December 1998

- a tax refund of $10 million (refer “Funds Management” below); and
- incentive fees of $3 million after tax (refer “Investment Management” below).

December 1999

- an increase in the segment profit after tax of $5 million due to the elimination of corporate recharges, as a result of the consolidation of the Statutory Funds. (The exclusion of corporate recharges from Financial Services increased by an equal amount, Corporate Group Services overheads.);
- an additional $5 million after tax due to the consolidation of the MLC Lifetime Statutory Fund (refer to “Life Insurance” below); and
- The reversal of provisions of $15 million after tax ($21 million before tax) (refer to section “Profit and Value Drivers” on page 7).

Increased investment expenditures contributed to the decrease in the Financial Services profit after tax (foreshadowed in the June 1999 MD&A), however, the business fundamentals are strong with increasing funds under management and positive net cash flows.

FUNDS MANAGEMENT

The profit after tax from the funds management business decreased 12% to $72 million (1998 $82 million). The result reflected:

- An increase in funds management fees earned as a result of an 19% growth in funds under management since 31 December 1998, offset by significantly higher expenditure on IT, compliance and strategic business initiatives. This expenditure trend is likely to continue in the second half.
- The December 1998 result included a tax refund of $10 million following a favourable ruling from the Australian Taxation Office in respect of prior years.

FINANCIAL SERVICES continued

PROFIT AFTER TAX continued

LIFE INSURANCE

The profit after tax from life insurance for the six months to 31 December 1999 was $26 million, an increase of 18% compared to $22 million for the six months ended 31 December 1998. The result reflected:

- The December 1998 result recorded Lend Lease's share of the profit distributed by MLC Lifetime of $22 million compared to a share of operating profit after tax of $26 million.
- The December 1999 result recorded Lend Lease's share of the operating profit after tax of the Statutory Fund of MLC Lifetime of $27 million offset by overheads recharged to the Shareholders' Fund of MLC Lifetime of $1 million after tax. Lend Lease's share of the profit distributed by MLC Lifetime for the six months to 31 December 1999 was $22 million.
- The relationship of distributions of profit to the operating profit of MLC Lifetime will vary from period to period. In some cases the distribution of profit can exceed the operating profit.

FUNDS ADMINISTRATION

An operating profit after tax of $6 million was derived in the six months to December 1999 (December 1998 $2 million) which reflected:

- An increase in fees earned as a result of a 208% growth in Funds Under Administration since 31 December 1998;
- Additional revenues earned on $790 million of Funds Under Administration following acquisition of Godfrey Pembroke;
- An $8 million profit after tax from the revaluation of the investment in FlexiPlan (December 1998 $1 million); and
- Significant expenditure on growing the funds administration businesses of $16 million after tax on FlexiPlan, Plum, Your Prosperity and other initiatives, which were expensed in the six months to December 1999 though much of the benefit will emerge in future years.

INVESTMENT MANAGEMENT

- The profit after tax from Investment Management for the six months to 31 December 1999 was $7 million, compared to $12 million for the six months ended 31 December 1998. The decrease mainly reflected $3 million after tax of incentive fees received in the six months 31 December 1998 which did not occur in the current period.

ASIA

- The profit after tax from Asian operations of nil for the six months to 31 December 1999 mainly comprised $2 million from the revaluation of PT Simas Lend Lease Life ("Simas") due to foreign exchange movement, offset by overhead costs in building the Asian Financial Services operations. There was no contribution from CEF Life during the period.

PROFIT AND VALUE DRIVERS

The profit of the Financial Services business was a result of the following:

- Sales for the six months to December 1999 were $3.4 billion, a 48% increase (December 1998 $2.3 billion).
- Retail sales increased 36% for the six months to $1.9 billion (December 1998 $1.4 billion), mainly due to a 93% increase in sales of the MasterKey Unit Trust to $516 million (December 1998 $268 million) and a 104% increase in sales of the MLC Investment Trust to $208 million (December 1998 $102 million). The retail funds management business recorded a net funds inflow of $627 million for the six months to December 1999 (December 1998 $403 million), a 56% increase. Retail funds under management increased to $17.9 billion at 31 December 1999 (December 1998 $15.1 billion).
- Corporate sales decreased by 17% for the six months to December 1999 to $567 million (December 1998 $680 million), and recorded a net outflow of funds of $375 million for the six months to December 1999 (December 1998 $253 million) reflecting a continued shift by investors from diversified funds to sector specialist mandates. The profit impact of this net outflow is relatively minor as average fees are lower than for retail funds under management. Corporate funds under management were $8.1 billion at 31 December 1999 (31 December 1998 $8 billion).
- Funds under administration sales for the six months to December 1999 increased by 239% to $913 million (December 1998 $324 million), mainly due to strong FlexiPlan sales of $587 million (December 1998 $320 million) and the inclusion of Godfrey Pembroke sales since July 1999 of $122 million.
- Profit derived from Funds Management, Life Insurance and Administration Fund businesses is generally determined by the extent to which the ongoing fees earned exceed operating expenses. A specific measure of efficiency is the level of those expenses which are not directly related to sales relative to funds under management and administration. The table below shows the ratio for the six months to 31 December 1999 was 0.89%, an improvement on the ratio of 0.93% at June 1999. The ratio for the funds under management business was 0.84% for the six months to 31 December 1999; the increase in this ratio since 30 June 1999 is due to significantly higher levels of expenditure on IT, compliance and strategic business initiatives.

FINANCIAL SERVICES continued

PROFIT AND VALUE DRIVERS continued

	Dec 1999	June 1999	June 1998	June 1997	June 1996
Total non-sales related expenses as % of funds under management and administration	0.89%	0.93%	0.89%	1.00%	1.42%
Total non-sales related funds management expenses as % of funds under management	0.84%	0.80%	0.86%	1.00%	1.42%

The current focus of Financial Services is to continue to manage the expense levels of the underlying business while at the same time prudently reinvesting so as to generate continued growth for the Financial Services business.

- The level of reported expenses are also impacted by provisions that had been created and subsequently used for known strategic expenditure and technology remediation. The table below summarises the use of these provisions.

	6 months Dec 1999 $m	12 months June 1999 $m	12 months June 1998 $m
Strategic expenditure and technology remediation provisions:			
Balance at beginning of period	35	53	33
Provisions raised		24	30
Provisions utilised	(21)	(42)	(10)
Balance at end of period	**14**	**35**	**53**

- A significant portion of Financial Services' revenue is fee income which is determined by funds under management and administration. Funds under management and administration increased by 19% to $33.8 billion at December 1999 compared to December 1998 ($28.5 billion):

	Growth Dec 98 - Dec %	Dec 1999 $b	Dec 1998 $b	June 1999 $b
FUNDS UNDER MANAGEMENT AND ADMINISTRATION				
Funds Under Management				
Retail	19%	17.9	15.1	16.2
Corporate	1%	8.1	8.0	7.9
Life Insurance and Wealth Protection	(2%)	4.1	4.2	4.1
Funds Under Administration	208%	3.7	1.2	1.9
	19%	**33.8**	**28.5**	**30.1**

Of the $33.8 billion in Funds Under Management and Administration ("FUMA"), $23.1 billion are included within the Statutory Funds Investment Assets on the consolidated Lend Lease Balance Sheet. The balance of the FUMA relates to unlisted trusts managed by MLC Investments and Administration Funds administered by FlexiPlan and Godfrey Pembroke. The growth of 208% in Funds Under Administration is mainly due to growth in FlexiPlan and the acquisition of Godfrey Pembroke.

SEGMENT ASSETS

Segment assets increased by $22.4 billion to $24.7 billion which mainly reflected the inclusion of Statutory Fund assets.

ACCOUNTING TREATMENT OF ASSETS HELD IN SHAREHOLDERS' FUND OF MLC LIMITED

Under applicable Australian regulations, investments held in the Shareholders' Fund of Life Insurance entities are valued at their net market value with any gain or loss recorded in the profit and loss statement. This accounting treatment added $10 million to Lend Lease's profit after tax for the six months ended 31 December 1999 (1998: $1 million).

Under this accounting treatment, no goodwill on acquisition is recognised and no annual amortisation charge is recorded in relation to controlled entities acquired by either MLC or MLC Lifetime.

For entities that are not life insurers, unrealised gains on investments are only able to be recognised in the financial statements as an increase in the Asset Revaluation Reserve and not as part of earnings. Unrealised losses are recorded in the profit and loss account.

The investments of CEF Life and Godfrey Pembroke were made through the Shareholders' Fund of MLC. Given the accounting treatments discussed above no goodwill in respect of the acquisitions have been recognised and therefore no amortisation charge has been recorded in the six months ended 31 December 1999. No revaluation adjustment for CEF Life or Godfrey Pembroke has been recorded in the 31 December 1999 Financial Statements.

FINANCIAL SERVICES continued

ACQUISITIONS

CEF LIFE

On 21 October 1999, MLC acquired a 55% interest in the Hong Kong based Canadian Eastern Life Assurance Limited ("CEF Life") for $250 million. CEF Life will operate as CEF Lend Lease Life from 1 February 2000.

CEF Life has operated for five years and is ranked seventh in Hong Kong in terms of new business generation. In 1999 CEF Life recorded premium income of A$150 million and was represented by over 1600 agents selling its products throughout Hong Kong. CEF Life offers individual traditional life insurance and protection products to the Hong Kong market. It also offers group retirement products to employers in Hong Kong for the benefit of their employees.

The acquisition is consistent with Lend Lease's financial services strategy. Management believe the Hong Kong life insurance market has significant growth potential. The planned introduction of the "Mandatory Provident Fund" by the Hong Kong Government in 2000, which is similar to Australia's Superannuation Guarantee Charge represents an additional business opportunity. A licence has been obtained by CEF Lend Lease Life to operate as a Trustee for the Hong Kong Mandatory Provident Fund.

The investment in CEF Life has been made through the Shareholders' Fund of MLC. No revaluation adjustment for CEF Life was made for the 31 December 1999 Financial Statements (refer above) and hence the impact on the Lend Lease half year result was effectively nil.

GODFREY PEMBROKE

On 15 July 1999, MLC acquired a 100% interest in Godfrey Pembroke Financial Services Limited ("Godfrey Pembroke") for $40 million. Godfrey Pembroke is one of the leading financial planning and funds administration business with a network of over 130 consultants operating in 50 offices throughout Australia. Godfrey Pembroke has in excess of $790 million of funds under administration in its Heritage and OneSource Master Funds. The acquisition has increased the distribution capacity for securing funds under administration.

SIGNIFICANT EVENTS

AUSTRALIA

- In July 1999 MLC launched MasterKey, a business system for financial advisers and a total investment solution for investors. The MasterKey system is repositioning MLC in the market, from a provider of products to a provider of investment solutions. Sales of products included within the MasterKey business system have increased by 28% to $1,321 million (December 1998 $1,036 million).
- Ownership of FlexiPlan was increased from 76% to 96% in July 1999 at a cost of $14.6 million. FlexiPlan achieved sales of $587 million for the period to December 1999, an increase of 83% (December 1998 $320 million), and had funds under administration of $2,230 million at 31 December 1999, a 35% increase compared to 30 June 1999.
- Master Funds continue to be one of the fastest growing areas within the Financial Services industry. Lend Lease Financial Services' growth in discretionary master funds’ assets under management for the twelve months to September 1999 was 145%, primarily through FlexiPlan and the acquisition of Godfrey Pembroke, exceeding the industry growth rate of 47% (Source: Assirt Market Share Report September Quarter 1999).
- MLC has achieved the number one ranking for returns generated by its Growth Fund and a number five ranking for returns generated by its Balanced Fund over the 12 months to December 1999 (Source: Mercer Pooled Funds Survey - All Funds at 31 December 1999).
- Sales of Plum have been slower than anticipated, primarily due to the delay in the introduction of the proposed Australian legislation for superannuation choice for employees. Plum achieved sales of $46 million for the six months to December 1999 (December 1998 $3 million).
- Your Prosperity has achieved sales of $6 million for the six months to 31 December 1999 (December 1998 $1 million).

  A partnership between ninemsn and Your Prosperity was established in December 1999, which will include the provision of links to the Your Prosperity internet site within key ninemsn internet sites. The ninemsn partnership coupled with recent upgrades to the Your Prosperity offering to include transaction services for investment directly in shares and managed funds, is expected to increase Your Prosperity sales and customer numbers.

REAL ESTATE

The Group's real estate business encompasses three major business activities: Lend Lease Real Estate Investments (REI), Lend Lease Property Development and Bovis Lend Lease (Project Management & Construction).

REAL ESTATE INVESTMENTS (REI)

The principal activities of this business segment are management of real estate investment funds, limited partnerships and trusts on behalf of clients (including acquiring, managing and selling investments), co-investment in funds, portfolio management, originating and servicing of commercial and residential mortgages, shopping centre leasing, management and re-development (in Australia) and acting as financial advisor and arranger of project finance and related services.

Lend Lease acquired The Boston Financial Group Limited Partnership ("Boston Financial") on 3 November, 1999 for USD130 million ($203 million), with additional contingent payments of up to USD35 million ($55 million) over a three year period subsequent to the acquisition. The operating results for Boston Financial for the two months since acquisition have been included in Lend Lease's half year result.

Lend Lease has also signed agreements on 9 December, 1999 to acquire five of AMRESCO Inc's ("AMRESCO") commercial mortgage businesses for a total amount of USD258 million ($402 million). The acquisition is subject to regulatory and other approvals and is expected to be finalised in March 2000. This acquisition has not been included in Lend Lease's half year result.

Further details of the acquisitions are set out later in this section.

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
REI								
Australia & Pacific	38	38	11	9	7	5	158	109
North America	198	237	52	37	36	40	1,324	999
Asia	2	1	5	(8)	3	(6)	78	51
Europe	32	3	17	(3)	12	(2)	70	101
Total REI	**270**	**279**	**85**	**35**	**58**	**37**	**1,630**	**1,260**
CAPITAL SERVICES								
Australia & Pacific	1	9	(2)	4	(2)	2	23	18
Asia							9	8
Europe	37	13	12	11	8	6	74	59
Total Capital Services	**38**	**22**	**10**	**15**	**6**	**8**	**106**	**85**
Total	**308**	**301**	**95**	**50**	**64**	**45**	**1,736**	**1,345**
% of Total Group	6%	17%	18%	22%	23%	22%	5%	18%

As foreshadowed at 30 June 1999, the Capital Services business unit has been included within the REI business segment since 1 July 1999.

REI

The December 1999 profit after tax for REI was $58 million, an increase of 57% from December 1998. The result reflected the inclusion of Boston Financial, a part reversal of the provision raised in December 1998 on Lend Lease's investment in APIC and net operating income from the Group's 40% interest in Bluewater. The REI results are analysed by region below.

AUSTRALIA & PACIFIC

	Six Months to Dec 1999		Six Months to Dec 1998	
REVENUE	$m	%	$m	%
Asset management fees	21	56	20	53
Transaction revenue	3	8	2	5
Leasing and development management fees	5	13	8	21
Retail property management fees	7	18	7	18
Investment income	2	5	1	3
Total	**38**	**100**	**38**	**100**

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

AUSTRALIA & PACIFIC continued

REVENUE continued

Fee revenue from asset management for the Australia and Pacific business for the six months ended 31 December 1999 increased by 5% to $21 million, mainly due to an increase in funds under management of 10%.

Transaction revenue for the six months ended December 1999 was $3 million (December 1998 $2 million), which reflected increased fees earned by the Project Finance division.

The increase in investment income by $1 million to $2 million mainly reflected the inclusion of distributions of $1 million from the APPF Retail Units (relating to Greensborough Shopping Centre).

PROFIT AFTER TAX	**Six Months to Dec 1999 $m**	**Six Months to Dec 1998 $m**
Profit/(loss) before tax of underlying fee based business	9	8
Investment income before tax	2	1
Total profit before tax for period	**11**	**9**
Income tax expense	(4)	(4)
Profit after tax	**7**	**5**

The underlying fee based profit of the Australia and Pacific business increased by 13% from $8 million in December 1998 to $9 million in December 1999, reflecting the increased asset management fees.

NORTH AMERICA

	Six Months to Dec 1999					**Six Months to Dec 1998**		
REVENUE	**Existing REI USDm**	**Boston Financial USDm**	**Total USDm**	**A$m**	**%**	**USDm**	**A$m**	**%**
Transaction Fees	37	18	55	86	43	55	90	38
Annuity Fees								
Asset management fees	53	7	60	93	47	54	90	38
Property and Facilities Management Fees		4	4	6	3	4	6	3
Total Annuity Fees	**53**	**11**	**64**	**99**	**50**	**58**	**96**	**41**
INVESTMENT REVENUE								
Investment income	8		8	13	7	6	10	4
Sale of investments						25	41	17
Total	**98**	**29**	**127**	**198**	**100**	**144**	**237**	**100**

The existing REI US business has three main sources of revenue:

- Transaction fees - relate to fees earned from managing the acquisition, disposition and financing of clients' real estate equity and debt portfolios, including incentive fees.
- Asset Management fees - annuity fees earned from managing the real estate equity and debt portfolios of clients.
- Investment Revenue - income and capital returns from REI's portfolio of co-investments.

Following the acquisition of the Equitable Real Estate ("ERE") business in 1997, The Equitable announced a program to dispose a significant proportion of their real estate portfolio from the General Account. REI has since been managing that disposition program. The prior period's result incorporated significant dispositions under the program. The program is now winding down and consequently has led to lower transaction fees this period.

Acquisition fees increased by US$4 million this period. At December 1999, Assets under Management increased 3% over June 1999. A number of new business initiatives are currently in progress which should lead to further growth in Assets under Management at June 2000.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

NORTH AMERICA continued

REVENUE continued

Asset management fees in the existing REI business declined 3% to USD53 million in December 1999 reflecting lower average US assets under management for the six months ended 31 December 1999 as compared to the corresponding period to December 1998 primarily due to The Equitable General Account disposition program.

The elimination of property and facilities management fees in the existing REI business reflected the sale in October 1998 of the US retail property management operations in conjunction with the sale of COMPASS.

US investment income for the six months to December 1999 was USD8 million (December 1998 USD6 million) which reflected increased returns from its portfolio of investments, including the 50% ownership interest in the King of Prussia Shopping Center and its interest in the YCPII limited partnership.

Sale of investments during the six months to December 1998 represented the sale of the Park City Shopping Center in the USA.

The Boston Financial revenues related to the two months ended 31 December 1999. Asset management fees primarily related to revenue earned from management of client portfolios of multi-family (apartment) investments, including a significant portfolio of tax-credit assisted properties. Transaction fees were earned from the acquisition and financing of such investments. USD17 million of transaction fees were derived from the Housing and Community Investing business (referred to later in this Section). Property and facilities management fees were earned from the day to day management (including leasing) of a large portfolio of multi-family assets.

	Six Months to Dec 1999		Six Months to Dec 1998	
PROFIT AFTER TAX	**North America USDm**	**North America A$m**	**North America USDm**	**North America A$m**
Profit/(loss) before tax of underlying fee based business				
Existing	8	13	24	40
Boston Financial	17	26		
Investment income before tax	8	13	6	10
Profit/(loss) before tax on sale of investments				(1)
Less: Provisions raised:				
Chastain Capital Corporation investment (refer below)			(7)	(12)
Total profit before tax for year	**33**	**52**	**23**	**37**
Income tax expense	(10)	(16)	1	3
Profit after tax	**23**	**36**	**24**	**40**

The reduced underlying profitability of the existing REI US business from USD24 million in the six months to December 1998 to USD8 million in the six months to December 1999 was due to:

- A significant reduction in transaction fees of USD18 million, primarily as a result of the slowdown of The Equitable General Account disposition program.
- The prior period's result incorporated USD4 million of fees related to the retail property management operations which have been sold; and
- The US business has embarked on a major business transformation project ("Project Enterprise"). Project Enterprise is designed to build a platform for the long term growth and development of the REI business by transforming business processes through the use of enhanced and integrated IT solutions. Project Enterprise contributed additional costs of USD5 million this period.

The Boston Financial profit of USD17 million (A$26 million) related to the two months of ownership up to 31 December 1999. The major contributor to this result was the Housing and Community Investing business which traditionally delivers the bulk of the profits in the December quarter when tax driven transactions are completed in advance of the US tax year end of 31 December.

SEGMENT ASSETS

The increase in segment assets in North America is mainly due to the acquisition of the Boston Financial Group (refer below).

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

ASIA

REVENUE
Revenue in Asia of $2 million for December 1999 was higher than the December 1998 revenue of $1 million due to higher funds under management in Asia Pacific Investment Company (APIC).

PROFIT AFTER TAX
The profit after tax of $3 million in Asia for December 1999 included a $3 million after tax reversal of the provision of $8 million before tax ($5 million after tax) raised against Lend Lease's investment in APIC at 31 December 1998 as a result of the Asian economic crisis. The reversal was due to the recovery in value of investments held by APIC.

SEGMENT ASSETS
The increase in segment assets in Asia related to an additional USD15 million (A$23 million) investment in APIC and the reversal of the provision.

EUROPE

	Six Months to Dec 1999			Six Months to Dec 1998		
REVENUE	**GBPm**	**A$m**	**%**	**GBPm**	**A$m**	**%**
Funds under management fees	1	2	6			
Retail property management fees	2	5	16	1	3	100
Investment income	10	25	78			
	13	**32**	**100**	**1**	**3**	**100**

The funds under management fees in Europe of GBP1 million in December 1999 mainly related to fees earned from the management of the Lend Lease Retail Partnership and Bluewater asset management fees. The retail property management fees in December 1999 of GBP2 million related to fees earned by the Larry Smith Group of GBP1 million (December 1998 GBP1 million) and fees earned for the property management of Bluewater of GBP1 million. European investment income in December 1999 of GBP10 million related to the net operating income of Bluewater, derived from Lend Lease's remaining 40% ownership interest in Bluewater (GBP9 million) and earnings from Lend Lease's investment in the Lend Lease Retail Partnership.

Lend Lease will continue to receive a 40% share of the net operating income of Bluewater until 30 June 2000. On 1 July 2000 Prudential will acquire a further 10% interest, from which point Lend Lease will receive a 30% share of the net operating income of Bluewater. The majority of rent free periods granted to tenants in Bluewater had expired at 31 December 1999. The net operating income of Bluewater is largely comprised of a base rent and therefore is not dependent upon sales turnover rent. There are some tenants that are subject to a turnover rent "top-up". These two considerations are expected to have the effect of increasing the total net operating income of Bluewater. The first major rent review for Bluewater's tenants is during 2004.

	Six Months to Dec 1999		Six Months to Dec 1998	
PROFIT AFTER TAX	**Europe GBPm**	**Europe A$m**	**Europe GBPm**	**Europe A$m**
Profit/(loss) before tax of underlying fee based business	(3)	(8)	(1)	(3)
Investment income before tax	10	25		
Total profit before tax for year	**7**	**17**	**(1)**	**(3)**
Income tax expense	(2)	(5)		1
Profit after tax	**5**	**12**	**(1)**	**(2)**

The loss before tax of the underlying European fee based business of GBP3 million for December 1999 (December 1998 GBP1 million) reflects a loss before tax by the Larry Smith business of GBP1 million (December 1998 GBP1 million loss) and a loss before tax of GBP2 million by the Funds Management, Asset Management and Property Management businesses. The loss in the Larry Smith business related to the establishment of a new business team in Madrid, and increased IT investment expenditure to support the expansion of the European business into Continental Europe. The loss by the Funds Management business reflected the establishment of a business unit to manage Bluewater and other retail assets in the future.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

CAPITAL SERVICES

AUSTRALIA & PACIFIC

The reduction in Australian revenue from $9 million in December 1998 to $1 million in December 1999 reflected the inclusion of $8 million for the sale of the Tower and Appin Power Partnership in December 1998.

The December 1998 profit after tax also included $4 million after tax for the sale of Tower and Appin Power Partnership, whilst the loss of $2 million for December 1999 mainly reflected overheads.

ASIA

The segment assets in Asia related to the investment in the Lend Lease Asia Water Trust.

EUROPE

The increase in revenue from $13 million in December 1998 to $37 million in December 1999, mainly related to the sale of Lend Lease's interest in the Fareham Shopping Centre Partnership for $26 million. The balance of the December 1999 revenue mainly related to guarantee fees earned from loans guaranteed for Chelverton. The profit after tax of $8 million in December 1999 included the sale of Fareham for a profit after tax of $5 million.

BOSTON FINANCIAL ACQUISITION

Boston Financial was a privately owned institutional funds manager and real estate services company, and is one of the largest apartment (multi-family) investment managers in the US. Its operations include multi-family portfolio management, asset management, capital markets, development, low income housing tax-credit financing, residential property management, senior housing and property management.

Boston Financial had funds under management of USD8.0 billion at 31 December 1999, which increased the funds managed by Lend Lease in the US to USD32.3 billion.

The most profitable arm of the Boston Financial business is the Housing and Community Investing function (formerly Investment Tax Credit). This business aggregates, syndicates and then manages multi-family investment funds which enjoy significant tax advantages due to their investment in low-income (tax credit supported) projects.

Due to the US tax year ending on 31 December, this business unit traditionally completes a significant schedule of transactions in the December quarter and consequently derives the bulk of its profit contribution in that quarter.

The acquisition consideration was:

	USDm	A$m
Initial payment	130	203
Deferred payments	35	55
Total acquisition price	**165**	**258**
Other acquisition costs	3	5
Provision for restructure	11	17
Total Acquisition Cost	**179**	**280**

The fair market value of the assets of Boston Financial at the time of acquisition were:

	USDm	A$m
Management Agreements acquired	125	195
Other Net Assets acquired	36	58
Total Net Assets acquired	**161**	**253**
Goodwill	18	27
Total Net Assets	**179**	**280**

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

BOSTON FINANCIAL ACQUISITION continued

Annual amortisation expense arising from the acquisition will be as follows:

	USDm	A$m	Period of Amortisation
Management Agreements	2.5	3.9	50 Years
Goodwill	0.9	1.4	20 Years
Total Amortisation Charges per annum	**3.4**	**5.3**	

ACQUISITION OF CERTAIN AMRESCO BUSINESSES

AMRESCO is a diversified financial services company headquartered in Dallas, Texas, specialising in commercial and residential real estate lending, asset management and commercial finance. Lend Lease is not buying the AMRESCO holding company or any of its commercial finance, residential mortgage lending or home equity lending businesses, nor is Lend Lease assuming any of AMRESCO's corporate liabilities.

The five AMRESCO business lines to be purchased by Lend Lease are:

- **AMRESCO CAPITAL LIMITED PARTNERSHIP**: Originates loans for Government Sponsored programs, eg. Fannie Mae, Freddie Mac, as well as for institutional clients
- **HOLLIDAY FENOGLIO FOWLER ("HFF")**: Provides financial brokerage services for commercial real estate owners, including the arrangement of first-lien mortgages and mezzanine capital. HFF is the leader in US commercial loan transactions and will operate as an independent, wholly-owned business of Lend Lease.
- **REAL ESTATE STRUCTURED FINANCE**: Arranges high-yield debt financing for real estate ventures unable to access traditional lending sources.
- **AMRESCO SERVICES**: Administers USD35 billion in servicing volume for commercial mortgage-backed securities (CMBS) issuers and owners of whole loan portfolios. This business will be integrated with Lend Lease's current commercial mortgage servicing business which currently administers USD5.5 billion of mortgage loans and HFF's servicing business which handles USD9.0 billion of loans.
- **ASSET MANAGEMENT**: Acquires, administers and resolves non-performing and sub-performing loan and real estate portfolios for governmental agencies, institutional investors, banks, insurance companies and private investors. This unit has recently expanded operations to Japan, Thailand, Mexico and Canada with plans to begin operations shortly in South Korea.

The acquisition of the AMRESCO commercial mortgage businesses will further strengthen Lend Lease's global real estate investment management platform. It moves the Group into leadership positions within key segments of the US institutional real estate debt market, which is approximately four times larger than the institutional real estate equity market. The acquisition also significantly expands Lend Lease's real estate debt-related products and services in the areas of loan origination, lender representation, loan servicing and asset management/resolution.

The businesses being acquired have approximately USD6.3 billion of funds under management and USD44.0 billion of loan servicing assets.

The acquisition consideration is as follows:

	USDm	A$m
Initial cash payment	223	348
Deferred payment (up to three years)	25	39
Management Incentives	10	15
Total Acquisition Price	**258**	**402**

The acquisition is still subject to regulatory and other approvals. Subject to the receipt of all the necessary approvals, the transaction is expected to close in March 2000. The acquisition has consequently been excluded from the Lend Lease half year Financial Statements

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

REAL ESTATE INVESTMENTS FUNDS UNDER MANAGEMENT

Real Estate Investments funds under management (REI FUM) at 31 December 1999 were $60.9 billion, compared to $45.1 billion at 30 June 1999.

	Dec 1999 North Americ A$b	Dec 1999 Aust & Pacific A$b	Dec 1999 Asia A$b	Dec 1999 Europe A$b	Dec 1999 Total A$b	12 June 1999 Total A$b	6 Dec 1998 Total A$b
FUM AT BEGINNING OF PERIOD	36.5	6.9	0.3	1.4	45.1	47.5	47.5
Exchange (loss)/gain	0.5				0.5	(3.1)	(2.2)
Additions (1)	7.5	1.3	0.4	0.6	9.8	9.3	4.9
Acquisition of Boston Financial	12.5				12.5		
Reductions	(6.5)	(0.5)			(7.0)	(8.6)	(5.9)
FUM at end of period (31 Dec 1999)	**50.5**	**7.7**	**0.7**	**2.0**	**60.9**	**45.1**	**44.3**
	USD32.3		**USD0.4**	**GBP0.8**			

(1) Additions include both new funds and revaluations of assets within existing funds.

The US REI FUM totalled $50.5 billion representing approximately 83% of the total REI FUM.

	6 months Dec 1999 North USDb	6 months June 1999 North USDb	6 months Dec 1998 North USDb
FUM AT BEGINNING OF PERIOD	23.7	23.7	24.4
Additions (1)	4.8	1.7	2.6
Acquisition of Boston Financial	8.0		
Reductions	(4.2)	(1.7)	(3.3)
FUM at end of period (31 Dec 1999)	**32.3**	**23.7**	**23.7**

(1) Additions include both new funds and revaluations of assets within existing funds.

Funds under management in North America increased from US$23.7 billion at 30 June 1999 to US$32.3 billion at 31 December 1999, mainly reflecting the acquisition of Boston Financial. The Boston Financial acquisition has added US$8.0 billion to Funds under Management. Net of acquisitions, the US REI business had an increase of $0.6 billion in Funds under Management. The US management team have a number of major new initiatives in process to grow the existing business and increase funds under management.

The increase in funds under management in Europe related to the management of the 20% of Bluewater sold to Prudential and Hermes in July 1999.

The increase in funds under management in Australia of $0.7 billion is mainly due to the acquisition of assets by the various Australian real estate funds managed by Lend Lease, the launch of Real Estate Partners and the Lend Lease US Office Trust (refer to section on "Significant Events" below).

SIGNIFICANT EVENTS

UNITED STATES

- For the year ended 31 December 1999 the Group's USD2.4 billion core property fund (Prime Property Fund) delivered a total return of 13.4% to clients, the third highest in its peer group. Other top performing co-mingled funds were Value Enhancement Fund I (in disposition phase) 70.6% and Value Enhancement Fund III 15.6%.
- The North American business has continued to be successful in attracting new funds for investment. In the six months to 31 December 1999 the business generated commitments totalling USD2.0 billion for investment including funds for Corporate Pension Funds (USD1.2 billion), commitments for its suite of co-mingled funds (USD0.3 million) and the Global Property Fund (USD0.2 billion).
- Property acquisitions, dispositions, mortgage origination and financing for clients totalled USD6.1 billion for the six months.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

SIGNIFICANT EVENTS continued

UNITED STATES continued

- The liquidation of Chastain Capital Corporation's ("Chastain") assets is expected to be completed in the first quarter of 2000. An initial distribution of USD7.45 per share was made to shareholders in December 1999 reducing the carrying value of Lend Lease's investment at 31 December 1999 to nil. The final distribution to unit holders is scheduled for the first quarter of 2000.
- Lend Lease Global Properties SICAF (“Global Properties”), is the Lend Lease flagship global real estate investment fund and has approximately USD750 million (through a combination of USD395 equity commitments and debt) available for investment in Europe, South America and Asia. Lend Lease has committed USD50 million as an investment in Global Properties. At 31 December Global Properties had invested USD105 million.

EUROPE

- Lend Lease completed the acquisition of its 50% interest in Arrabida Shopping Centre in Portugual during the period. The interest is held in a joint venture with Global Properties and will be equity accounted. Lend Lease's 50% interest in the joint venture was acquired for A$2 million. The majority of the acquisition was funded by a A$52 million debt facility within the joint venture. Lend Lease has provided a guarantee for this debt.

AUSTRALIA

- Lend Lease Real Estate Partners ("LLREP”), the first in a series of wholesale equity real estate funds, is an unlisted property fund that has been established to invest in real estate assets in the Australian market. LLREP, which was launched on 30 November 1999, raised approximately A$70 million in equity commitments from eight major institutions and superannuation funds. LLREP will seek acquisitions up to A$180 million utilising the equity commitments and debt. On 1 December 1999 LLREP acquired a five unit industrial complex in Lidcombe, Sydney for approximately $7 million.
- The Lend Lease US Office Trust ("LLUSOT") was floated on the Australian Stock Exchange on 14 December 1999. The float raised $524 million in total commitments. The LLUSOT was established to give Australian investors the opportunity to invest in prime US office buildings through a listed Australian Trust.

  The LLUSOT acquired interests in seven commercial office properties located in six different commercial office markets throughout the US. The interests were acquired from Equity Office Properties Trust ("EOPT"). EOPT will remain a joint owner of the properties in a joint venture arrangement with LLUSOT. Equity Office Properties will continue as the property manager for the portfolio.

REAL ESTATE continued

PROPERTY DEVELOPMENT

The activities of this business involve all aspects of property development from concept through design, planning, construction, financing and leasing to eventual sale.

Properties for development are generally acquired initially by Lend Lease in order to retain control over the planning and early development phases of each project. Co-investors are then introduced which limits the Group's risk to each project.

For each project Lend Lease conducts cash flow, profit and return analyses, and aims to exceed the parameters specified at the time of approval to commit. Timely return of capital is an added objective. Accordingly, Lend Lease's economic exposure to a project may change from time to time. In addition, Lend Lease has an internal discipline which generally commits funds on a progressive basis, reviewing each project's economics and potential profitability at the time of each funding application.

RESULTS

	Operating Revenue		Operating Before Tax		Operating After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
Australia	78	72	1	10	11	6	1,101	1,004
North America	2		(1)				41	
Asia	3	4	(3)	(16)	(2)	(16)	71	77
Europe	533	47	117	8	81	6	1,129	1,716
Total Property Development	**616**	**123**	**114**	**2**	**90**	**(4)**	**2,342**	**2,797**
% of Total Group	11%	7%	22%	1%	33%	(2%)	7%	38%

REVENUE

Australian revenue for the six months ended 31 December 1999 primarily related to progressive sales of residential projects. The North American revenue mainly related to fees earned on the Vestar Glendale and Vestar Long Beach projects. The Asian revenue mainly related to sales of factory units at Admiralty Industrial Park, Singapore ("AIP"). European revenue mainly comprised the sale of Bluewater to Prudential (10% interest) and Hermes (10% interest).

PROFIT AFTER TAX

The substantial increase in profit for the six months (compared to a loss in the previous six months) mainly reflected the profit from the sale of 20% of Bluewater (refer below), and a smaller loss in Asia.

The profit after tax in Australia of $11 million mainly comprised profits from the sale of residential projects and a $9 million tax benefit from the restatement of Deferred Tax balances (due to prospective reduction in the Australian corporate tax rate), offset by a $13 million after tax general provision raised to cover exposures to Australian development projects due to recent rises in interest rates.

The loss in Asia mainly related to expenditure of $1 million on Cempaka and business overheads. The December 1998 loss included provisions raised on AIP ($8 million) and Tuas View ($7 million).

The European profit after tax of $81 million for the six months to December 1999 mainly related to the divestment of 20% of Bluewater (10% to Prudential and 10% to Hermes) totalling $91 million, offset by business overheads.

	Revenue		Profit After Tax		Inventory Balance	
BLUEWATER SALES	GBPm	A$m	GBPm	A$m	Dec 1999 GBPm	Dec 1999 A$m
Sales in previous periods [1]	396	1,029	70 [5]	183		
Sales in six months to December 1999						
Prudential - 10%	98	247	15	38		
Hermes - 10%	112	282	24	61		
	210	**529**	39	99		
Loan break costs [2]			(3)	(8)		
			36	**91**		
Committed sales for year ended June 2001						
Prudential - 10% [3]					76	194
Retained 30%					228	577
					304	**771**

(Footnotes located on next page)

REAL ESTATE continued

PROPERTY DEVELOPMENT continued

PROFIT AFTER TAX continued

(1) Including Prudential - initial 15%, development fees and Cinema, Retail Partnership - 25%.
(2) Relates to costs incurred in early repayment of Bluewater loan facilities.
(3) The details of the sale to Prudential are confidential.
(4) At cost.
(5) Including GBP3 million loan break cost.

SEGMENT ASSETS

The decrease in segment assets of $455 million to $2,342 million at 31 December 1999 mainly related to the sale of 20% of Bluewater and appreciation of the Australian dollar relative to the Pound Sterling, offset by continued expenditures on development projects.

Bluewater represented 43% ($771 million) of property development inventories on the Balance Sheet at 31 December 1999. A further 10% of Bluewater is subject to a committed forward sale to Prudential. Following this sale there will be a remaining inventory balance for Bluewater of $577 million. This relates to the 30% interest being retained by Lend Lease. Lend Lease will receive its share of the net operating income of Bluewater on the stake retained.

The balance of property development inventories ($1,038 million at 31 December 1999) primarily relates to the four major projects in Australia (Aurora Place/155 Macquarie Street, Jacksons Landing, Olympic Village/Newington and Darling Park, all of which are in Sydney) and the Dundee retail project in the UK.

The investment in the Fox Studios development of $132 million is included in investments on the balance sheet.

Further details of the development projects can be found in the Group's Consolidated Financial Statements at 31 December 1999.

SIGNIFICANT EVENTS

Since 30 June 1999 there has been considerable leasing and disposition activity on the major projects (all statistics as at 31 December 1999):

AUSTRALIA & PACIFIC

Project	Current Year Significant Events	Status
Aurora Place (88 Phillip Street)	▪ 66% of space leased in line with leasing plan.	▪ Key risks are successful leasing of high rise and capitalisation rate at exit. ▪ Current plan to divest as soon as practical.
155 Macquarie Street	▪ All 62 residential units sold.	▪ Committed sale revenue to date exceeds costs. ▪ No further valuation risks.
Darling Park	▪ 100% of space in Darling Park Stage II leased (subject to exercise of options) to Nestle and PricewaterhouseCoopers.	▪ Asset currently being marketed for sale. ▪ Risk is completing sale on acceptable terms in a rising interest rate environment.
Olympic Village/Newington	▪ 68% of units released to market in Stages I and II are now sold.	▪ If current selling prices are maintained budgeted profits will be achieved. ▪ Key risk is the strength of the Sydney residential market.
Jacksons Landing	▪ 52% of total units released to market sold.	▪ Key risk is the strength of the Sydney residential market.
Fox Studios	▪ 100% of total available space leased. ▪ Opened on schedule in November 1999.	▪ Trading to date has been below budget, however, the complex only opened in November 1999.

The Sydney residential market remains buoyant and consequently Newington/Olympic Village and Jacksons Landing are trading well. However, with recent rises in Australian interest rates, demand and hence valuation of commercial property inventories could be adversely impacted.

REAL ESTATE continued

PROPERTY DEVELOPMENT continued

SIGNIFICANT EVENTS continued

EUROPE

The market for retail inventories is reasonably robust, though the poor trading results reported by some retailers in the UK may adversely impact rental levels.

Project	Current Year Significant Events	Status
Bluewater, England	▪ Centre sales in line with expectations. ▪ Sale of 10% interest to Prudential. ▪ Sale of 10% interest to Hermes.	▪ Current holding is 40% (31/12/99). ▪ Additional 10% subject to pre-sale in July 2000 at agreed price. ▪ Lend Lease will retain 30% interest in Centre and be entitled to a proportionate share of net operating income of Centre.
Dundee, Scotland	▪ Dundee leased to 85% of total space (68% of rental value).	▪ The risks are the remaining leasing and capitalisation rate at exit. ▪ Due to open in March 2000. ▪ Centre is currently being marketed for sale.
Solihull, England	▪ 60% of space (32% of rental value) leased in line with leasing plan.	▪ Pre-sold to Lend Lease Retail Partnership at an agreed capitalisation rate. ▪ The risks are the remaining leasing and completion of the Centre. ▪ Due to open in September 2001.
Norwich, England	▪ Preliminary design for Centre being prepared.	▪ No commitment to commence construction. ▪ Commencement is subject to receiving planning approval (expected by September 2000). ▪ The only exposure at this stage is land acquisition cost ($16 million).
Carlos III, Spain	▪ Joint venture to develop regional retail centre established in July 1999.	▪ No anchor tenant yet committed and the construction will not commence until anchor tenant signed. ▪ The risks are the leasing and capitalisation rate at exit.

REAL ESTATE continued

BOVIS LEND LEASE (Project Management and Construction)

The principal activities of this business segment are real estate project management, project design and construction management.

Profit for the Bovis Lend Lease business is generally calculated on a margin over cost basis. Construction costs are typically funded by progress payments from clients and accordingly the business does not require significant amounts of capital. The profitability of this business is most directly related to the level of construction activity and margins negotiated on a contract by contract basis.

Lend Lease acquired Bovis Group plc ("Bovis") from the Penninsular and Oriental Steam Navigation Company ("P&O") on 29 October 1999 for GBP285 million (A$725 million). The operating results of Bovis for the two months since acquisition have been included in Lend Lease's half year result.

RESULTS

	Operating Revenue		Operating Before Tax		Operating After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
Australia & Pacific	795	647	34	16	22	13	298	247
North America	821		5		3		931	
Asia	90	44	1	17	(1)	12	181	104
Europe	490		6	(1)	2	(1)	1,287	28
Total Bovis Lend Lease	**2,196**	**691**	**46**	**32**	**26**	**24**	**2,697**	**379**
% of Total Group	41%	39%	9%	14%	9%	12%	9%	5%

REVENUE

	LL Projects Dec 1999 $m	Bovis Dec 1999 $m	Total Dec 1999 $m
Australia & Pacific	778	17	795
North America	31	790	821
Asia	75	15	90
Europe	6	484	490
Total Bovis Lend Lease	**890**	**1,306**	**2,196**

Revenue is up 218% to $2,196 million primarily due to the inclusion of 2 months of Bovis revenue ($1,306 million).

The mix of business undertaken by Bovis is different to that undertaken by Lend Lease Projects. Much of the business undertaken by Bovis is fee based whereby payments pass directly from the client to subcontractors with no revenue being recognised in Bovis. Some contracts are purely fee based whereby the revenue is equal to the margin on the contract. This contrasts to the “lump sum” business that has been traditionally undertaken by Lend Lease Projects. Refer to the later section on business definitions.

The following comments are based on the revenue for the existing Lend Lease Projects business which is comparable to the revenue in December 1998.

LEND LEASE PROJECTS

Revenue for the Australian business increased by 20% to $778 million for the six months to 31 December 1999 as compared to $647 million for the six months to 31 December 1998, which reflected the current high level of construction activity, particularly in Sydney with Olympics-related work.

The North American revenue relates to the Lend Lease Actus joint venture formed in August 1999 to focus on military housing for the US Defence Department.

Revenue for the Asian business increased by 70% to $75 million for the six months to 31 December 1999 as compared to $44 million for the six months to 31 December 1998, which mainly reflected increased construction activity on the Coca-Cola contracts in India.

The European revenue in December 1999 of $6 million related to the Crystal Group, which was acquired in January 1999.

BOVIS

Bovis revenue for the period to 31 December 1999 of $1,306 million related to the two months since acquisition.

REAL ESTATE continued

BOVIS LEND LEASE (Project Management and Construction)

PROFIT AFTER TAX

	LL Projects Dec 1999 $m	Bovis Dec 1999 $m	Total Dec 1999 $m
Australia & Pacific	21	1	22
North America	(1)	4	3
Asia		(1)	(1)
Europe	(2)	4	2
Total Bovis Lend Lease	**18**	**8**	**26**

Bovis Lend Lease's contribution to the Group's operating profit after tax was $26 million for the six months to 31 December 1999, an 8% increase on the six months to 31 December 1998 earnings of $24 million. This is due primarily to strong growth from the Australian business, the inclusion of Bovis' earnings since 29 October 1999, offset by a small loss in Asia.

LEND LEASE PROJECTS

Profit after tax for the Australian business was $21 million in December 1999, a 62% increase as compared to $13 million in December 1998. The increase reflected the higher construction activity and the benefit of higher margins as a result of focussing on particular market segments. In addition the Australian business generated a further $10 million after tax on projects that Lend Lease has an equity interest in (such as Fox Studios, Jacksons Landing, Aurora Place and Olympic Village) which under Australian accounting rules were eliminated from the Lend Lease consolidated result. This eliminated profit will be included in the Lend Lease consolidated profit in future periods when the equity interests in those projects are sold.

The after tax loss of $1 million in December 1999 for the North American business reflected a break-even result for the Lend Lease Actus joint venture and US establishment costs prior to the Bovis acquisition.

The profit after tax for the Asian business was nil in December 1999, compared to $12 million in December 1998, which reflected lower margins on contracts since the recent Asian economic downturn and the early stages of the majority of the current workload. The December 1998 period included profits on the completion of a number of large construction contracts, including the reversal of project warranty provisions that were no longer required.

The loss after tax of $2 million for the European business primarily related to a break even operating result for Crystal offset by a prior period tax adjustment.

BOVIS

The profit after tax of $8 million to 31 December 1999 related to the two months since acquisition and was in line with expectations. The result included expensing of approximately $1 million after tax of integration costs. The Bovis Group also contributed after tax interest earnings of $1 million which are included in the Corporate Group Financing result.

SEGMENT ASSETS

Segment Assets increased from $379 million at 30 June 1999 to $2,697 million at 31 December 1999 which mainly reflected the acquisition of Bovis in October 1999.

BOVIS ACQUISITION

Bovis has approximately 5,300 employees and operates in 38 countries, including a strong presence in the UK, Europe and the USA, as well as operations in the Asia Pacific region, including Australia. The acquisition has strong synergies as it extends Lend Lease's real estate project management, design and construction capabilities globally, particularly to Europe and the USA. It has significantly accelerated the creation of a multi-country, multi-industry project management, design and construction operation, and will considerably enhance the overall Real Estate strategy by adding strong recurrent profit streams, providing instant global scale and capacity, a global brand, an enhanced client pipeline and the ability to leverage Lend Lease's integrated real estate synergy opportunities worldwide. Through the Bovis Group's unique industry/client/geographic diversification, their earnings have traditionally been less volatile than some of their peers.

REAL ESTATE continued

BOVIS LEND LEASE (Project Management and Construction) continued

BOVIS ACQUISITION continued

COST OF ACQUISITION	GBPm	A$m
Acquisition Price	285	725
Other acquisition Costs	5	13
Restructure Costs Provision	5	13
Total Acquisition Cost	**295**	**751**
Comprising:		
Fair Value of Net Tangible Assets Acquired	40	105
Goodwill on Consolidation	255	646
Total Net Assets	**295**	**751**

Annual amortisation will be approximately A$32 million.

Total integration and strategic positioning costs are expected to be in the order of GBP20 million (A$51 million), of which GBP5 million relating to the integration of the acquired Bovis business was provided for at 31 December 1999 (Restructure Costs Provision).

The acquisition of Bovis is expected to be immediately cash earnings accretive to Lend Lease. However, the amortisation of goodwill and significant up front integration costs are expected to result in a reduction in accounting profit after tax for one to two years.

At the time of completion of the acquisition of Bovis a review of both completed projects and projects in progress was performed to identify any projects which could have a negative impact on the results of the business in the future. The review determined that the reserves and provisions in Bovis, coupled with undertakings, representations and warranties from P&O, were adequate.

WORKING CAPITAL

The Bovis business is a significant generator of cash. At the date of acquisition, Bovis had GBP64 million (A$163 million) in cash, which subsequently rose to GBP103 million (A$259 million) at 31 December 1999.

BOVIS BUSINESS MIX

The Bovis business can be segregated into two broad categories:

- Fee Services Contracts
- Construction Services Contracts

Historically, approximately 60% of Bovis' profit has been derived from fee services contracts.

FEE SERVICE CONTRACTS

Under fee services contracts, Bovis provides management services on a construction project or projects for clients.

Under a standard form of fee services contract, Bovis has no contractual responsibility for cost, although it may be subject to reputational risk for the failure of contractors to meet specific targets. Reflecting the lower level of risk involved, fees negotiated for this type of business usually represent a lower margin than those received for construction services contracts.

Bovis enters into a number of types of fee services contract, including consultancy, alliance, project management/program management and construction management/management contracting.

CONSTRUCTION SERVICES BUSINESS

Under a construction services contract, Bovis commits to the delivery of a completed project to its client, in accordance with negotiated time, cost and quality specifications. Typically, Bovis will be paid a fixed fee for its services or a fee which is linked to the ultimate size of the contract. In addition, incentives are sometimes negotiated under this type of contract. This business is similar to the majority of Lend Lease's pre-existing construction business, in that Bovis may take some performance risk. In line with the risk profile, a higher contract margin is typically earned on this type of contract.

Bovis enters into a number of types of construction services contract, including Guaranteed Maximum Price ("GMP") and lump sum (two stage), design and build (two stage) and lump sum (single stage).

REAL ESTATE continued

BOVIS LEND LEASE (Project Management and Construction) continued

BOVIS ACQUISITION continued

CONSTRUCTION SERVICES BUSINESS continued

The following table gives a historical view of the mix of the two categories of business for Bovis over the past two calendar years. The percentages indicate the approximate split of gross margin by business mix and geographic region.

	1998 January - December			1999 January - December		
	Fee Service Contracts	Construction Services	Total	Fee Service Contracts	Construction Services	Total
Europe	75%	25%	100%	76%	24%	100%
America	31%	69%	100%	53%	47%	100%
Asia Pacific (incl Australia)	69%	31%	100%	99%	1%	100%
Total	**57%**	**43%**	**100%**	**66%**	**34%**	**100%**

PRIVATE FINANCE INITIATIVES ("PFI") AND INFRASTRUCTURE INVESTMENTS

Build, Operate, Transfer ("BOT")/PFI contracts are a developing part of Bovis' business and involve the partnership of various companies and sector specialists who together design, build, finance and operate major facilities over a number of years, before handing them over to another party or public ownership. BOT type contracts are particularly suited to major infrastructure projects developed by governments. BOT/PFI projects are normally non-recourse projects, which are primarily financed using debt, with equity and mezzanine finance comprising the difference. Bovis participates in the equity finance component of a BOT/PFI project. The returns from any equity participation are paid, subject to performance, during the life of the project. Bovis' equity contribution to PFI's in the UK is A$1 million for the construction of two hospitals. Bovis has contributed A$19 million equity in a BOT project - the construction of the Da Chang Water Treatment Plant in China.

Bovis' role in BOT/PFI contracts is that of construction manager; typically a higher margin is earned due to the more complex risk profile of these projects.

FORWARD WORKLOAD

Bovis Lend Lease's committed forward workload as at 31 December 1999 was $7.8 billion, compared to $2.2 billion at June 1999. The increase was due to the inclusion of Bovis.

	LL Projects Dec 1999 $m	Bovis Dec 1999 $m	Total Dec 1999 $m	June 1999 $m	Dec 1998 $m
Australia & Pacific	1,002	55	1,057	1,738	2,241
North America	162	4,071	4,233		
Asia	83	69	152	76	59
Europe	271	2,125	2,396	344	658
Total	**1,518**	**6,320**	**7,838**	**2,158**	**2,958**

The reduction in forward workload for the Australian Lend Lease Projects business from $1.7 billion at 30 June 1999 to $1.0 billion at 31 December 1999 mainly reflects the run-off of Olympics-related projects in Sydney.

Profits arising from the committed forward workload are anticipated to emerge over the next 2-3 years.

SIGNIFICANT EVENTS

- Bovis has a contract with BP Amoco plc ("BP") which has recently been extended. Bovis Lend Lease is to manage the BP retail outlet building programme across 15 countries over the next five years. The programme will involve the construction of over 1300 new outlets in Europe, USA, Japan and Venezuela. It extends by a further five years the three-year contract awarded to Bovis in April 1997 to manage a major expansion programme of new BP retail outlets in Europe. The contract includes an on-going maintenance programme on new and existing stations.

REAL ESTATE continued

BOVIS LEND LEASE (Project Management and Construction) continued

SIGNIFICANT EVENTS continued

- Crystal's first turn key project located in Hsin Chu Taiwan for USD20 million is now underway and due for completion in July 2000.
- The Lend Lease Actus joint venture was formed in August 1999 to focus on the design and construction of military housing for the US Department of Defence. Lend Lease Actus is currently managing lump sum contracts with the US Department of Defence on behalf of Actus Corporation and the Actus Corporation/Sundt Construction joint venture.
- The Jacobs/Lend Lease joint venture has been successful in securing 3 major contracts for the project management and construction of pharmaceutical plants in Singapore and Ireland.

INVESTMENTS

IT+T INVESTMENTS

These investments related to holdings in information technology (IT) and telecommunication services companies which provide an IT service to corporations and governments.

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
AUSTRALIA & PACIFIC								
IBM Global Services Australia (IBMGSA)	6	6	6	6	4	6	43	41
Expenses/Investments			(1)	(4)	(1)	(3)	67	53
Total IT+T Investments	**6**	**6**	**5**	**2**	**3**	**3**	**110**	**94**
% of Total Group			1%	1%	1%	1%		1%

PROFIT AFTER TAX

IT+T Investments contributed $3 million for the period, which reflected reduced overheads and lower income from the investment in IBMGSA.

Distributions from IBMGSA totalled $6 million before tax, which relate to royalty payments. No dividend was received from IBMGSA.

There were no dividends expected or received from SITEL, coolsavings.com or Advantra during the six months.

An additional investment was made in coolsavings.com during the six months to December 1999 for USD8 million ($13 million).

coolsavings.com registered a Form S-1 with the US Securities and Exchange Commission on 14 January 2000, which is the first step for an IPO, which coolsavings.com plans to occur in March 2000.

The market value of the investment in Sitel was $30 million at 31 December 1999 against the cost of $17 million.

Lend Lease has signed heads of terms to sell its interest in Advantra to Telstra, which will realise a profit after tax of $13 million. The potential sale has not been reflected in the December 1999 Financial Statements and if completed will be included in the 30 June 2000 Financial Statements.

SEGMENT ASSETS

Segment assets include investments in SITEL, Inc ($17 million), Advantra ($6 million) and coolsavings.com ($44 million).

INVESTMENTS continued

EQUITY (LISTED) INVESTMENTS

Lend Lease's strategy has been from time to time to make and hold investments in companies where a strategic business rationale existed, and where a mutually beneficial business relationship with these companies could be developed. The decision to invest or divest equity investments is determined after consideration of both strategic and valuation factors.

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
AUSTRALIA & PACIFIC								
Sales of investments								
Hoyts Cinemas				(6)		(4)		
Westpac Banking Corporation:								
- dividend income from shares subject to forward sale	24	22	24	22	24	22		
Mirvac	44		16		11			
Dividend Income								
Westpac Banking Corporation		1		1		1	149	149
Mirvac	1	1	1	1	1	1		27
Total Equity Investments	**69**	**24**	**41**	**18**	**36**	**20**	**149**	**176**
% of Total Group	1%	1%	8%	8%	13%	10%	1%	3%

PROFIT AFTER TAX

Equity Investments' contribution to the profits of the Group was $36 million for the six months to 31 December 1999, compared to $20 million for the six months to 31 December 1998. The increase was mainly due to the sale of Lend Lease's interest in Mirvac Limited for a profit after tax of $11 million.

WESTPAC SHARES HEDGE ARRANGEMENT

In December 1998 Lend Lease entered into share lending and hedging arrangements ("the Arrangements") in relation to 40 million Westpac shares which effectively locked-in a $10.05 per share price. The Arrangements involved Lend Lease receiving approximately $402 million in cash (as collateral under the Arrangements). The Arrangements protect the unrealised profits of $165 million after tax which will not be recognised until the Arrangements are terminated, the timing of which is at Lend Lease's discretion. One consequence of the Arrangements is that Lend Lease no longer receives the dividends and franking credits from the 40 million shares.

Lend Lease is proposing to terminate the Arrangements over approximately 10 million of the Westpac shares. The termination results in a profit after tax which will approximate the expected total amortisation charge for the year ended 30 June 2000, the majority of which is due to the acquisitions of Bovis and Boston Financial. This has not been included in the 31 December 1999 Financial Statements. In addition, if the acquisition of the AMRESCO businesses is completed, the resultant amortisation charge will be offset by an unwind of the Westpac hedge equivalent to the amortisation charge. As amortisation is an accounting entry, which does not in the Directors' view reflect the true valuations of the assets being amortised, the Directors have decided to offset the amortisation charge by an equivalent accounting gain on the Westpac shares. It is the Directors' current intention to adopt a similar policy for the financial year ended 30 June 2001.

The December 1999 result includes the final dividend received under the 100 million Westpac warrants.

CORPORATE

The principal activities of Corporate are Group Services which includes corporate administration services and Group Treasury which encompasses all financing costs that are not directly related to a real estate development project, irrespective of where those costs are incurred. Amortisation charges are also included within Corporate.

GROUP SERVICES

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
GROUP SERVICES								
Corporate Services	9	23	(4)	5	(13)	7		
Group IT Costs			(15)	(4)	(9)	(3)		
Group Overheads	**9**	**23**	**(19)**	**1**	**(22)**	**4**		

Corporate Services

The loss after tax of $13 million for the six months to 31 December 1999 as compared to a profit after tax of $7 million for the six months to 31 December 1998 reflected:

- An additional tax expense of $8 million in relation to the restatement of Deferred Tax balances (due to prospective reduction in the Australian corporate tax rate);
- The inclusion in December 1999 of $5 million in relation to corporate overheads that were previously recharged to the Financial Services business. This is offset by an equal increase in the profit for the Financial Services business.
- Costs incurred in implementing a global HR system of $3 million.
- A net increase in other corporate overheads of $4 million.

Group IT Costs

Group IT costs, which exclude IT costs incurred directly by the operating businesses, increased from $3 million after tax for the six months ended 31 December 1998 to $9 million after tax for the six months ended 31 December 1999. The increase reflected an increase in corporate costs on Year 2000 and Group IT investments. The total Group (including operating businesses) expenditure on Year 2000 was $24 million for the six months. This level of Group wide IT expenditure is expected to continue with the monies being directed at other IT initiatives.

GROUP AMORTISATION

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
Management Agreements								
ERE Yarmouth			(3)		(3)			
Boston Financial			(1)		(1)			
MLC Investments			(1)		(1)			
			(5)		**(5)**			
Goodwill								
Bovis			(5)		(5)			
Boston Financial			(1)		(1)			
ERE Yarmouth			(1)	(1)	(1)	(1)		
Rosen Consulting			(1)		(1)			
MLC			(3)		(3)			
Crystal Group			(1)		(1)			
COMPASS				(2)		(2)		
			(12)	**(3)**	**(12)**	**(3)**		
Total Group Amortisation			**(17)**	**(3)**	**(17)**	**(3)**		

The increase in amortisation charges mainly related to the acquisitions of Bovis and Boston Financial and the amortisation of goodwill in relation to MLC which has arisen due to the consolidation of the Statutory Funds.

CORPORATE continued

GROUP FINANCING

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	Dec 1998 $m	Dec 1999 $m	June 1999 $m
FX Hedge Costs			(4)	(11)	(2)	(6)		
Interest Revenue	14	16	14	16	9	10		
Interest Expense			(35)	(27)	(22)	(16)		
Group Financing	**14**	**16**	**(25)**	**(22)**	**(15)**	**(12)**	**78**	**177**

Foreign Exchange Hedge Costs
Foreign exchange hedge costs after tax decreased by $4 million to $2 million for the six months to 31 December 1999. The lower costs reflected the discontinuance of hedges on the Indonesian and Thailand assets, and a reduction in the cost associated with maintaining the hedges on US dollar and GBP assets due to narrowing interest differentials.

Interest
Interest expense increased by $6 million to $22 million after tax for the six months to 31 December 1999, due to the increase in borrowings used to fund the acquisitions of Bovis, Boston Financial and CEF Life.

Interest expense incurred by the Statutory Funds of $8 million before tax are not included in the Group Financing result as they relate to the policyholders only and therefore are included as an operating expense of the Statutory Funds.

BALANCE SHEET

	Reported Dec 1999 $m	Alternative [3] Dec 1999 $m	June 1999 $m
BALANCE SHEET SUMMARY BY MAJOR COMPONENT			
Cash	615	615	621
Investment in MLC and MLC Lifetime (embedded value)		1,852	1,852
Financial Services Investments [1]	503	503	219
Management Agreements	600	600	404
Real Estate Developments	1,809	1,809	1,969
Real Estate Investments	760	760	732
Other Investments	141	141	134
Goodwill	783	753	86
Borrowings	(2,034)	(2,034)	(1,210)
Statutory Funds Net Assets	415		
Other Net Assets/Liabilities [2]	(1,455)	(1,354)	(1,338)
Shareholders' Equity	**2,137**	**3,645**	**3,469**

(1) Financial Services Investments comprises excess of market value of net assets of subsidiaries held by MLC of $354 million (including FlexiPlan, CEF Life and Godfrey Pembroke) and Westpac $149 million.

(2) Other net assets/liabilities includes trade creditors and receivables, provisions and other liabilities including deferred tax.

(3) The alternative Balance Sheet relates to the Balance Sheet in the Appendix which excludes the Statutory Funds.

Lend Lease's Balance Sheet continues to be strong with many assets stated on the Balance Sheet at a significant discount to realisable or market value.

BALANCE SHEET continued

CREDIT STRENGTH

Borrowings were $2,100 million at 31 December 1999 of which $2,034 million related to Lend Lease ($1,210 million at 30 June 1999) and $66 million related to the Statutory Funds. The increase related to debt used in the acquisitions of Bovis, Boston Financial and CEF Life.

Traditional gearing ratios such as the ratio of Net Debt to Shareholders' Equity are largely irrelevant given the significantly understated recorded value of Lend Lease's assets. Lend Lease Shareholders' Equity does not reflect unrealised gains in several of Lend Lease's assets: shareholdings in Westpac are carried at cost, not market value; investments in MLC and MLC Lifetime are recorded on the consolidated Balance Sheet, at net assets and not market value; Management Agreements are recorded at cost less accumulated amortisation, not at independent valuation and Property Development assets are recorded at cost. The effect is to understate Lend Lease's Shareholders' Equity and therefore overstate the ratio of Debt to Shareholders' Equity. The ratio of Net Debt to Shareholders' Equity for Lend Lease excluding the Statutory Funds' cash and borrowings was 66% at 31 December 1999 (17% at 30 June 1999). If the Statutory Funds' cash and borrowings are included, the ratio of Net Debt to Shareholders Equity was 45% at 31 December 1999. The above illustrates how arbitrary traditional gearing ratios are, in that they can be influenced by a change in accounting standards without any fundamental change in business operations. The ratio of Net Debt to Market Capitalisation excluding the Statutory Funds' cash and borrowings was 13% at 31 December 1999 (6% at 30 June 1999). The Alternative Balance Sheet provided, enables a direct comparison to previous years, in that the ratio of Net Debt to Shareholders' Equity was 39% at 31 December 1999, compared to 17% at 30 June 1999.

Management analyses credit strength in terms of interest coverage (i.e. ratio of EBITDA to interest expense). The ratio was 16.8 times for the six months ended 31 December 1999 (9.7 times December 1998). However, as explained previously, EBITDA is influenced by the consolidation of the Statutory Funds. If the Statutory Funds are excluded the interest coverage ratio was 12.1 times for the six months ended 31 December 1999.

CASH FLOW

	Reported Dec 1999 $m	Alternative Dec 1999 $m (1)	Dec 1998 $m
CASH FLOW SUMMARY			
Cash was generated from:			
Sale of Bluewater interests	531	531	
Operations	377	377	177
Sale of investments	94	94	78
Sale of COMPASS			296
Cash collateral from Westpac share lending and hedging arrangements			402
Increase in borrowings	830	830	
Statutory Funds (net)	152		
Total cash generated	**1,984**	**1,832**	**953**
This cash was deployed to:			
Property development expenditure	477	477	499
Purchase of investments	76	76	42
Acquisitions (net of cash in acquired companies)	1,030	1,030	173
Payment of dividends	156	156	136
Repayment of borrowings			30
Other net items	99	99	123
Total cash deployed	**1,838**	**1,838**	**1,003**
Cash generated for the period	**146**	**(6)**	**(50)**
Cash at beginning of period	621	621	482
Cash within Statutory Funds at beginning of period	371		
Cash at end of period	**1,138**	**615**	**432**

(1) The Alternative Cash Flow summary relates to the Cash Flow Statement in the Appendix which excludes the Statutory Funds.

Cash generation was strong for the December 1999 half year. However, due to acquisitions totalling $1.3 billion, net borrowings increased by $0.8 billion.

TAXATION

EFFECTIVE TAX RATE

The effective tax rate for the six months ended 31 December 1999 was 47% (31 December 1998 9%). The increase over December 1998 principally relates to the consolidation of the Statutory Funds. The tax expense for the Statutory Funds included the tax expense applicable to the policyholders, which has the effect of grossing up the effective tax rate. If the Statutory Funds are excluded, the effective tax rate would have been 23%.

REVIEW OF BUSINESS TAXATION

On 21 September 1999 the Government released The Review of Business Taxation Report "A Tax System Redesigned". At the same time the Government announced that it was adopting many of the Review's recommendations. The key recommendations adopted by the Government impacting Lend Lease involve changes to the corporate tax rate (34% 2001; 30% 2002) and changes to the basis of taxation of life insurance companies commencing for year ended 30 June 2001. The Government has announced specific transitional provisions to phase in the introduction of the new basis of taxation for life insurers. However, the specific basis on which life insurers will be taxed is still being reviewed by Government in consultation with the industry.

GOODS AND SERVICES TAX ("GST")

On 8 July 1999 legislation was passed to introduce a GST. The GST will have effect from 1 July 2000.

Lend Lease has established a GST implementation team to manage the business, product, contractual, systems and communications implications of this significant legislation and to have Lend Lease ready to deal with the GST by 1 July 2000.

Notwithstanding the legislation was passed on 8 July 1999 some uncertainties exist in the interpretation of the legislation and the full impact of the GST is still being determined. However, the principal areas where the GST may impact Lend Lease are set out below:

- MLC will be substantially input taxed and unable to claim an input credit for supplies. This will probably lead to some increase in operating costs.
- Residential housing prices will increase by the GST. The impact on residential sales is unknown.
- Commercial and retail rents and asset values will be impacted if the property owner cannot pass GST onto the Lessee. The application of the transitional rules dealing with long term contracts is currently being reviewed by Government.
- IT systems modifications will be required to deal with GST leading to increased IT capex.

DEFINITIONS

Sales

- Funds management and life insurance sales represent the value of monies received for investment and policies sold by our Life Insurance businesses, which increase funds under investment management.
- Property sales represent the estimated construction cost to Lend Lease of property projects secured during the period. When formal contracts are signed, the sales become contracted forward workload.

Committed Forward Construction Workload represents the balance of work to be completed under existing construction contracts. As the construction contracts are progressively completed, forward workload declines. As project sales are made and contracts signed, forward workload is replenished.

Gross Gearing — borrowings as a percentage of shareholders' equity.

Net Gearing —borrowings less cash held, as a percentage of shareholders' equity.

ALTERNATIVE FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENTS (Excluding Statutory Funds)

Half Year ended 31 December 1999

	Consolidated	
	Dec 1999 $m	**Dec 1998 $m**
OPERATING REVENUE	3,570	1,797
OPERATING PROFIT	358	226
Income tax expense attributable to operating profit	83	20
Operating profit after income tax	275	206
Outside equity interests in operating profit	1	
OPERATING PROFIT AFTER INCOME TAX		
attributable to members of Lend Lease Corporation Limited	**274**	**206**
Retained profits at beginning of financial period	1,028	892
Adjustment resulting from change in accounting policy for investments in associates		(5)
Dividends foregone pursuant to share election plan	12	16
Total available for appropriation	**1,314**	**1,109**
Dividends paid or proposed	163	146
Retained profits at end of financial period	**1,151**	**963**
Dividend payout ratio (%)	59	71
Dividends per share (cents)	32	29
Basic earnings per share (cents)	53.9	40.7

ALTERNATIVE FINANCIAL STATEMENTS

BALANCE SHEETS (Excluding Statutory Funds)

Half Year ended 31 December 1999

	Consolidated	
	Dec 1999 $m	**June 1999 $m**
ASSETS		
Cash and cash equivalents	615	621
Receivables	1,969	929
Inventories	2,053	1,969
Embedded Value of MLC and MLC Lifetime	1,852	1,852
Investments	1,404	1,085
Future income tax benefit	277	230
Property, plant and equipment	160	78
Goodwill	753	86
Management agreements	600	404
Other assets	64	36
Total assets	**9,747**	**7,291**
LIABILITIES		
Creditors	2,311	1,080
Borrowings	2,034	1,210
Provisions	584	402
Provision for deferred income tax	168	129
Other liabilities	1,005	1,001
Total liabilities	**6,102**	**3,822**
NET ASSETS	**3,645**	**3,469**
SHAREHOLDERS' EQUITY		
Share capital	1,292	1,262
Reserves	1,152	1,162
Retained profits	1,151	1,028
Shareholders' equity attributable to the members of the company	3,595	3,452
Outside equity interests in controlled entities	50	17
Total shareholders' equity	**3,645**	**3,469**

ALTERNATIVE FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS (Excluding Statutory Funds)

Half Year ended 31 December 1999

	Consolidated	
	Dec 1999 $m	**Dec 1998 $m**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	2,654	1,263
Cash payments in the course of operations	(2,556)	(1,151)
Property development receipts	672	86
Property development expenditures	(477)	(499)
Interest received	19	16
Dividends received	9	24
Distributions from partnerships received	4	
Distribution of profits to shareholder from Statutory Funds	108	25
Income tax paid	(42)	(68)
Interest paid	(48)	(18)
Net cash (used in)/provided by operating activities	**343**	**(322)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments in financial services institutions	23	21
Proceeds from sale/redemption of investments	71	57
Purchases of investments	(76)	(42)
Cash collateral on Westpac hedge		402
Loan made to associate	(2)	(45)
Loan made to IBM Global Services Australia	(35)	(12)
Proceeds from sale of controlled entities		296
Payment for acquisition of controlled entities	(1,233)	(173)
Proceeds from sale of property, plant and equipment	1	
Purchases of property, plant and equipment	(19)	(7)
Net cash (used in)/provided by investing activities	**(1,270)**	**497**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,520	848
Repayment of borrowings	(690)	(878)
Net proceeds from share issues	54	57
Payments for share buy backs	(13)	(94)
Dividends paid	(156)	(136)
Increase in financing of controlled entities		
Net cash provided by/(used in) financing activities	**715**	**(203)**
OTHER CASH FLOW ITEMS		
Effect of exchange rate changes on cash and cash equivalents	3	(6)
Cash balances in controlled entities acquired/(sold)	203	(16)
Net increase/(decrease) from other items	**206**	**(22)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(6)**	**(50)**
Cash and cash equivalents at beginning of periods	622	482
Cash and cash equivalents at end of periods	**615**	**432**