

Lend Lease Corporation Limited
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 1998

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PROFIT AND LOSS STATEMENTS

Half Year ended 31 December 1998

	<i>Notes</i>	<i>Consolidated</i> <i>Dec</i> <i>1998</i> <i>\$m</i>	<i>Dec</i> <i>1997</i> <i>\$m</i>
OPERATING REVENUE	3	1,939.1	1,371.6
OPERATING PROFIT	4	225.8	217.7
Income tax attributable to operating profit	5(a)	19.7	36.2
OPERATING PROFIT AFTER INCOME TAX			
Attributable to members of Lend Lease Corporation Limited		206.1	181.5
Retained profits at beginning of year		892.6	770.4
Adjustment resulting from change in accounting policy for investments in associates	1(g)	(6.3)	
Dividends foregone pursuant to share election plan		16.1	11.0
Total available for appropriation		1,108.5	962.9
Dividends paid or proposed	6	146.2	133.1
Retained profits at end of half year		962.3	829.8
Dividend payout ratio (%)	6	70.9	73.3
Dividends per share (cents)	6	29.0	26.5
Basic earnings per share (cents)	6	40.9	36.0

The accompanying notes form part of these financial statements.

BALANCE SHEETS

Half Year ended 31 December 1998

		<i>Consolidated</i>		
	<i>Notes</i>	<i>Dec 1998 \$m</i>	<i>June 1998 \$m</i>	<i>Dec 1997 \$m</i>
CURRENT ASSETS				
Cash and cash equivalents	7	431.6	481.6	175.4
Receivables	8	1,099.8	852.6	585.8
Inventories	9	47.8	74.2	98.0
Total current assets		1,579.2	1,408.4	859.2
NON CURRENT ASSETS				
Receivables	8	142.3	153.1	55.5
Inventories	9	1,618.1	1,281.5	975.0
Investments in financial services institutions	10	1,868.9	1,868.9	1,718.0
Investments	11	647.9	718.6	598.2
Property, plant and equipment	12	52.9	55.7	52.2
Management agreements	13	421.8	609.1	583.3
Other	14	342.0	387.6	306.5
Total non current assets		5,093.9	5,074.5	4,288.7
Total assets		6,673.1	6,482.9	5,147.9
CURRENT LIABILITIES				
Creditors	15	837.9	758.8	527.2
Borrowings	16	384.6	214.9	565.5
Provisions	17	277.3	316.6	260.7
Other	18	146.2	173.4	138.1
Total current liabilities		1,646.0	1,463.7	1,491.5
NON CURRENT LIABILITIES				
Creditors	15	57.3	76.7	88.8
Borrowings	16	1,079.1	1,329.5	247.2
Provisions	17	177.1	165.5	121.8
Other	18	442.4	210.1	185.0
Total non current liabilities		1,755.9	1,781.8	642.8
Total liabilities		3,401.9	3,245.5	2,134.3
NET ASSETS		3,271.2	3,237.4	3,013.6
SHAREHOLDERS' EQUITY				
Share capital	19	1,262.6	125.8	125.5
Reserves	20	1,029.6	2,219.0	2,058.3
Retained profits		962.3	892.6	829.8
Shareholders' equity attributable to members of the company		3,254.5	3,237.4	3,013.6
Outside equity interests in controlled entities	21	16.7		
Total shareholders' equity		3,271.2	3,237.4	3,013.6

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

Half Year ended 31 December 1998

	<i>Notes</i>	<i>Consolidated Dec 1998 \$m</i>	<i>Dec 1997 \$m</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations	24(b)	1,262.7	1,028.9
Cash payments in the course of operations	24(b)	(1,083.9)	(752.4)
Property development expenditure	24(b)	(482.5)	(311.0)
Interest received		16.3	7.0
Dividends received	24(b)	26.6	29.5
Share of profit of statutory funds		24.6	34.6
Income tax paid	5(b)	(67.6)	(19.6)
Interest paid	24(b)	(17.9)	(23.9)
Net cash (used in)/provided by operating activities ^{24(a)}		(321.7)	(6.9)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments in financial services institutions	24(b)	21.0	19.0
Proceeds from sale/redemption of investments	24(b)	56.6	125.7
Purchases of investments	24(b)	(42.0)	(74.6)
Cash collateral on Westpac hedge	10	402.2	
Loans issued to Associates	24(b)	(45.4)	
Loan (issued to)/repaid by IBM Global Services Australia	8	(11.5)	
Proceeds from sale of controlled entities	24(b)	296.0	
Payment for acquisition of controlled entities	24(c)	(173.3)	(37.4)
Proceeds from sale of property, plant and equipment		0.1	1.3
Purchases of property, plant and equipment		(7.2)	(10.4)
Net cash provided by/(used in) investing activities		496.5	23.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	24(b)	848.0	184.5
Repayment of borrowings	24(b)	(877.9)	(115.9)
Net proceeds from share issues	24(b)	57.1	45.9
Payments for share buy backs		(93.9)	
Dividends paid	24(b)	(135.6)	(124.8)
Net cash (used in)/provided by financing activities		(202.3)	(10.3)
Effect of exchange rate changes on cash and cash equivalents		(6.2)	3.4
Cash balances in controlled entities (sold)/acquired		(16.3)	
Net (decrease)/increase in cash and cash equivalents		(50.0)	9.8
Cash and cash equivalents at beginning of half year		481.6	165.6
Cash and cash equivalents at end of half year	7	431.6	175.4

The accompanying notes form part of these financial statements

NOTES TO FINANCIAL STATEMENTS....

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been drawn up in accordance with applicable Accounting Standards and the Corporations Law. They have been prepared under the historical cost convention except for certain non-monetary assets which are reflected at independent valuation. The independent valuers determine the recoverable amount of each asset using valuation methodologies appropriate to the particular nature and circumstances of each asset. Such methodologies, where appropriate, include discounting the expected net cash flows to their present value. The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those of the previous year.

(b) PRINCIPLES OF CONSOLIDATION

The Lend Lease Group (Lend Lease) consolidation comprises entities controlled by Lend Lease Corporation Limited (Lend Lease Corporation). The assets of the Life Insurance Statutory Funds (Statutory Funds) of MLC Limited and MLC Lifetime Company Limited (MLC Lifetime) (refer Note 10) are not controlled by Lend Lease Corporation and are therefore excluded from consolidation.

(c) OPERATING REVENUE

Sales revenue represents:

- for property construction, the value of work performed;
- for property held for resale whilst under development where an unconditional sales contract is in place or when all conditions under the sales contract have been met or are reasonably likely to be met, the proportion of the development completed;
- for completed properties held for resale, upon exchange of unconditional sales contract;
- for property and funds management and capital services, fee entitlement for services rendered; and
- for property owned, rental billings issued.

Dividends

Dividends are recognised when declared.

Share of profits of Statutory Funds

MLC Limited and MLC Lifetime prepare their financial statements in accordance with reporting regulations of the Life Insurance Act. The majority of business activity is contained within the statutory funds of these entities. On 30 January 1998, the Australian Securities and Investment Commission executed a Class Order which specifies how profit derived by the statutory funds should be consolidated into Group accounts where consolidation is applied. Lend Lease does not consolidate statutory funds into the Group accounts (Note 1(b)) and hence the Class Order has not been applied. Profit derived by the statutory funds is subject to restrictions on distribution under the provisions of the Life Insurance Act and other limitations. For this reason Lend Lease recognises in operating profit only the amount of share of profit of statutory funds which is available for distribution. This accounting policy is consistent with prior years.

Proceeds on Sale of Investments

Proceeds on sale of investments are recognised when they can be reliably determined. In the case of shares in Westpac Banking Corporation (Westpac) which have been disposed of in accordance with a forward sale agreement (Note 10), the dividend entitlements are recognised as proceeds on sale when the dividends are declared.

(d) PROFITS

Profits are brought to account:

- for property construction, progressively at an amount equivalent to general overheads or an amount equivalent to the value of work performed when the outcome of a contract can be reliably determined (Lend Lease does not consider that the outcome of a construction contract can be reliably determined until it is at least 50% complete);
- for property held for resale whilst under development where an unconditional sales contract is in place or when all conditions under the sales contract have been met or are reasonably likely to be met, progressively at an amount equivalent to the value of work performed when both revenues and costs to complete can be reliably determined (Lend Lease does not consider that revenues and costs can be reliably determined until a development is at least 50% complete);
- for completed properties held for resale, upon exchange of unconditional sales contract;
- for goods and services, when such goods or services have been supplied or rendered; and
- for rental income, when due.

NOTES TO FINANCIAL STATEMENTS....

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES continued

(d) PROFITS continued

Change of Accounting Policy

Property Construction

During the period the basis of profit recognition for property construction was modified. Previously, Lend Lease recognised profits progressively, at an amount equivalent to general overheads, with the balance of profits recognised at completion. Lend Lease now recognises profits progressively to the extent of general overheads until the outcome of a construction contract can be reliably determined (which does not occur until at least 50% complete) and thereafter recognises profit by reference to the percentage of completion of the contract. This method results in an earlier recognition of the profits when compared to the previous basis.

This change is a result of the introduction of a revised Accounting Standard (AASB 1009 "Construction Contracts") which prescribes the basis of profit recognition for long term construction contracts. The revised standard requires that construction profits to be recognised progressively, by reference to the percentage of completion of a contract, once the outcome of the contract can be reliably determined. The new method complies with the revised standard and more closely matches work performed and attributable profit earned. Recognition of contract losses is unchanged in that expected losses are provided for in full as soon as they become apparent.

This change has increased the profit after tax for the 6 months ended 31 December 1998 by \$8.9 million. This increase represents a once-off acceleration in profit recognition.

Property Held for Resale Whilst Under Development

During the period the basis of profit recognition for residential property development was modified. Previously, Lend Lease recognised profits upon settlement. Lend Lease now recognises profits progressively when both revenue and costs to complete can be reliably determined (which does not occur until at least 50% complete), provided that an unconditional sales contract has been exchanged.

This change has been effected so that the basis of profit recognition for residential developments is consistent with that of non residential developments. The change has increased the profit after tax for the 6 months ended 31 December 1998 by \$1.6 million.

(e) INVESTMENTS IN FINANCIAL SERVICES INSTITUTIONS

These investments are valued regularly and fluctuations in value are recorded in the Asset Revaluation Reserve.

- The Lend Lease investment in Westpac Banking Corporation is carried at Directors' valuation which at balance date is based on cost. Gains and costs incurred in relation to hedging of the value of the investment are capitalised into the cost of the investment.
- The Lend Lease investments in MLC limited and MLC Lifetime are carried at amounts equivalent to the value of the interest in the current net worth of the Statutory Funds and the entitlement to participate in future profits generated by in force life insurance contracts.

(f) INVESTMENTS

Investments are carried at the lower of cost or recoverable amount. The assessment of net recoverable amount of each holding is carried out at least annually by an independent valuer for assets carried in the balance sheet at over \$100.0 million and for assets carried in the balance sheet at over \$20.0 million where the last independent valuation was less than 10% higher than balance sheet value; for other assets carried in the balance sheet between \$20.0 million and \$100.0 million at least bi-annually; and for other assets at least once every three years.

(g) ASSOCIATES

Associates are those entities over which the economic entity exercises significant influence, but not control. Investments in associates are accounted for in the consolidated accounts using the equity method. This method requires the carrying amount of investments in associates to be adjusted by the economic entity's share of the associates' net profit or loss after tax and other movements on reserves. These amounts are recognised in the group's consolidated profit and loss account and consolidated reserves respectively.

Dividends from associates represent a return of capital and as such are applied as a reduction to the carrying value of the investment.

NOTES TO FINANCIAL STATEMENTS....

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES continued

(g) ASSOCIATES continued

Change in Accounting Policy

The use of the equity method for investments in associates represents a change in accounting policy. In previous years investments in associates were brought to account at cost and dividend income was recognised in the profit and loss account when declared or received

The changed policy has been adopted due to the issue of AASB 1016: Accounting for Investments in Associates.

Consolidated retained profits at the beginning of the financial year were decreased by \$6.3 million to reflect the impact of adopting equity accounting in the consolidated balance sheet for the first time. A corresponding decrease of \$6.3 million was made to the consolidated carrying amount for investments in associates at the beginning of the period. The change in accounting policy led to a share of associates net loss of \$0.8 million decreasing consolidated operating profit after income tax for the period compared with the previous basis.

(h) RECEIVABLES

Trade Debtors

Trade debtors are carried at amounts due and are generally due for settlement within 30 days. The collectability of debts is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

Bills of Exchange

Bills of exchange have been purchased in the market at a discount to face value. The bills are carried at an amount representing cost and a portion of the discount recognised as income on an effective yield basis. The discount is brought to account on an accruals basis.

(i) INVENTORIES

Property held for resale

Property acquired for development and sale in the ordinary course of business is carried at cost to date, including borrowing costs incurred.

The net recoverable amount of each holding is assessed by independent valuers and a provision for diminution in value is raised by the Directors where cost (including costs to complete) exceeds the valuation. The assessment of net recoverable amount is carried out in accordance with a policy consistent with that applied for investments - refer Note 1(f).

Construction and development work in progress

The gross amount of construction and development work in progress consists of costs attributable to work performed together with emerging profit and after providing for any foreseeable losses.

(j) PROPERTY, PLANT AND EQUIPMENT

Land, buildings and leasehold improvements are included at not more than cost or a previous valuation to which the cost of additions since that valuation is added.

Except for investment properties, depreciation is provided on cost or valuation over the economic lives of the assets. Amortisation is provided on leasehold improvements over the remaining period of the lease. Most plant is depreciated over a period not exceeding 10 years, furniture and fittings over 15 years, motor vehicles over 8 years and computer equipment over 3 years.

(k) MANAGEMENT AGREEMENTS

Management agreements are held at cost. These agreements are independently valued in accordance with a policy consistent with that applied for investments - refer Note 1(f). No amortisation is provided against this carrying amount as the directors believe that the lives of these assets are of such duration, and the residual value would be such, that the amortisation charges, if any, would not be material.

(l) GOODWILL

Goodwill represents the excess of the purchase consideration plus incidental acquisition costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, and is amortised on a straight line basis over a period not exceeding 20 years.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where

NOTES TO FINANCIAL STATEMENTS....

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES continued

(l) GOODWILL continued

there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

The unamortised balance of goodwill is reviewed and where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account.

(m) EMPLOYEE BENEFITS

Employees' superannuation funds and retirement plans provide benefits for employees. In addition, Lend Lease provides an employee profit sharing scheme and share plans for employees, subject to eligibility. Contributions by Lend Lease companies are charged against current income.

(n) INCOME TAX EXPENSE

Lend Lease applies the liability method of tax effect accounting whereby income tax expense is calculated on the pre-tax profit adjusted for permanent differences. Income tax relating to timing differences arising from items being brought to account in different periods for income tax and accounting purposes is carried forward in the Balance Sheets as "Future Income Tax Benefit" or "Provision for Deferred Income Tax". Future income tax benefits relating to income tax losses are only brought to account when their realisation is virtually certain.

(o) TRADE CREDITORS

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to Lend Lease. Trade accounts payable are normally settled within 60 days.

(p) BANK LOANS

Bank loans are carried on the balance sheet at the sum of the drawn principal and accrued interest, which is accrued at the contracted rate.

(q) FOREIGN CURRENCY

Lend Lease's international currency management strategy and policy is detailed in Note 28.

Assets and liabilities of self sustaining foreign operations and, where applicable, the corresponding forward foreign exchange contract hedges are converted at rates of exchange ruling at balance date and the resulting foreign currency gains and losses are recorded net of income tax in the Foreign Currency Translation Reserve. Other Foreign Currency Translation Reserve amounts are transferred to profit and loss when the underlying assets change in nature or are realised.

All other assets and liabilities denominated in foreign currency and where applicable, the corresponding forward foreign exchange contract hedges are converted at rates of exchange at balance date and the resulting foreign currency gains and losses are taken to profit and loss in the period in which they arise.

Forward foreign exchange contract hedges taken out in respect of the projected future profits of foreign operations (Note 28) are converted at the ruling rates of exchange at balance date. The resulting foreign currency gains and losses are taken to profit and loss for hedge contracts that relate to the current period, or held on the balance sheet as an asset or a liability for hedge contracts that relate to future period profits, provided that sufficient profits are expected to be made by the foreign operations. The effect is to record profit from foreign operations at the hedged exchange rate.

(r) DERIVATIVES

Lend Lease is exposed to changes in interest rates and foreign exchange rates and uses interest rate swaps and forward foreign exchange contracts to hedge these risks.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the profit and loss account as an adjustment to interest expense during the period, or capitalised within inventories when incurred in relation to property acquired for development and resale (Note 1(i)).

The accounting for forward foreign exchange contracts is set out in Note 1(q).

(s) COMPARATIVE FIGURES

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures stated in the current period. Comparatives relating to the profit and loss statements or statement of cashflows are for the half year to December 1997 and for the full year to June 1998.

NOTES TO FINANCIAL STATEMENTS....

2. SEGMENT REPORTING

The segment results are discussed and analysed in the Management Discussion and Analysis of Financial Condition and included with the Statutory Report and Financial Statements.

	<i>Operating Revenue</i>		<i>Operating Profit Before Tax</i>		<i>Operating Profit After Tax</i>		<i>Segment Assets</i>	
	<i>Dec 1998</i>	<i>Dec 1997</i>	<i>Dec 1998</i>	<i>Dec 1997</i>	<i>Dec 1998</i>	<i>Dec 1997</i>	<i>Dec 1998</i>	<i>Jun 1998</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
BUSINESS SEGMENT SUMMARY								
Project Management	832.9	607.3	32.2	24.9	24.1	17.2	423.9	328.7
Property Development	122.7	68.1	1.6	(4.5)	(4.6)	(6.5)	2,359.8	2,023.4
Real Estate Investments	278.9	219.3	33.3	51.7	35.7	37.5	1,192.4	1,243.0
Real Estate Services	320.3	48.5	16.1	7.9	9.9	4.5		246.2
Funds Management & Life Insurance	293.0	263.8	128.7	99.6	117.7	92.6	2,082.3	1,984.1
Capital Services	22.1	13.3	15.0	(2.3)	8.0	(3.0)	80.3	109.4
IT + T Investments	5.6	0.7	2.1	(1.8)	3.3	(0.9)	74.9	61.0
Equity Investments	24.5	122.0	17.7	77.7	20.1	61.2	195.2	201.5
Group Services	39.1	28.6	(20.9)	(35.5)	(8.1)	(21.1)	264.3	285.6
Total	1,939.1	1,371.6	225.8	217.7	206.1	181.5	6,673.1	6,482.9
% of Total Group								
Project Management	43.0%	44.3%	14.3%	11.4%	11.7%	9.5%	6.4%	5.1%
Property Development	6.3%	5.0%	0.7%	(2.1%)	(2.2%)	(3.6%)	35.4%	31.2%
Real Estate Investments	14.4%	16.0%	14.7%	23.7%	17.3%	20.7%	17.8%	19.2%
Real Estate Services	16.5%	3.5%	7.1%	3.6%	4.8%	2.5%		3.8%
Funds Management & Life Insurance	15.1%	19.2%	57.0%	45.8%	57.1%	51.0%	31.2%	30.6%
Capital Services	1.1%	1.0%	6.6%	(1.1%)	3.9%	(1.7%)	1.1%	1.7%
IT + T Investments	0.3%	0.1%	0.9%	(0.8%)	1.6%	(0.5%)	1.2%	0.9%
Equity Investments	1.3%	8.9%	7.8%	35.7%	9.8%	33.7%	2.9%	3.1%
Group Services	2.0%	2.0%	(9.1%)	(16.2%)	(4.0%)	(11.6%)	4.0%	4.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BUSINESS GEOGRAPHICAL SEGMENT SUMMARY								
Australia and Pacific	1,108.2	873.3	185.8	185.1	171.1	163.6	3,814.5	3,531.0
North America	554.9	233.8	52.4	51.4	48.6	36.0	1,038.0	1,322.0
Asia	54.9	97.0	(5.6)	(2.6)	(9.9)	(7.8)	280.5	382.0
Europe	205.1	158.9	14.8	10.7	8.7	7.2	1,540.1	1,247.9
Group finance and hedging costs	16.0	8.6	(21.6)	(26.9)	(12.4)	(17.5)		
Total	1,939.1	1,371.6	225.8	217.7	206.1	181.5	6,673.1	6,482.9
% of Total Group								
Australia and Pacific	57.2%	63.7%	82.3%	85.0%	83.0%	90.1%	57.2%	54.5%
North America	28.6%	17.0%	23.2%	23.6%	23.6%	19.8%	15.6%	20.4%
Asia	2.8%	7.1%	(2.5%)	(1.2%)	(4.8%)	(4.3%)	4.2%	5.9%
Europe	10.6%	11.6%	6.6%	4.9%	4.2%	4.0%	23.0%	19.2%
Group finance and hedging costs	0.8%	0.6%	(9.6%)	(12.3%)	(6.0%)	(9.6%)		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Additional Notes:

All interest costs and revenues of the Lend Lease Group not directly relating to a specific project, are reported under Group Services for the purposes of segment reporting.

NOTES TO FINANCIAL STATEMENTS....

2. SEGMENT REPORTING

The principal activities of each industry segment are:

PROJECT MANAGEMENT

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

PROPERTY DEVELOPMENT

The principal activities of this business segment are all aspects of property development from concept through to design, planning, construction, financing and leasing.

REAL ESTATE INVESTMENTS

The principal activities of this business segment are management of investment real estate funds and trusts (including acquiring, managing and selling investments on behalf of clients), co-investment, originating and servicing of commercial mortgages, shopping centre management and leasing.

REAL ESTATE SERVICES

The principal activities of this business segment are property management and facilities management. This business was sold during the period.

FUNDS MANAGEMENT & LIFE INSURANCE

The principal activities of this business segment are Funds Management activities including superannuation, investments and protection business for both retail and corporate clients, traditional life insurance business, management of investment trusts, customer service support and investment management and portfolio management services for corporate and institutional clients.

CAPITAL SERVICES

The principal activities of this business segment are as developer, owner, operator and fund manager of infrastructure assets, the financial advisor and arranger of project finance and related services and provider of investment capital and financing services for property and other equity investments.

IT + T INVESTMENTS

The principal activity of this business segment is to capture emerging opportunities in the information technology (IT) and telecommunication services markets.

EQUITY INVESTMENTS

Lend Lease's strategy is from time to time to make investments in companies where a strategic business rationale exists. The primary objective being to develop a mutually beneficial business relationship with these companies. The duration of the investment will depend upon the success of the strategic relationship and other factors.

GROUP SERVICES

The principal activities of this business segment are Group treasury and corporate administration services. All financing costs that are not capitalised within a property development project's costs are reported in Group Services irrespective of where those costs are incurred.

NOTES TO FINANCIAL STATEMENTS....

Consolidated
Dec *Dec*
1998 **1997**
\$m *\$m*

3. REVENUE**SALES REVENUE**

Project Management	832.6	607.6
Property Development	122.3	62.2
Real Estate Investments	235.8	196.6
Real Estate Services	24.0	48.5
Funds Management and Life Insurance	186.3	150.1
Capital Services	2.8	5.2
Group Services	8.3	10.7
	1,412.1	1,080.9

SHARE OF PROFIT OF STATUTORY FUNDS

MLC Limited	77.0	49.0
MLC Lifetime	23.5	21.5
Australian Eagle ⁽¹⁾		12.0
	100.5	82.5

(1) Australian Eagle merged with MLC Limited 1 April 1998.

DIVIDENDS

Controlled entities		
Related parties		
IBMGSA	5.6	0.7
Other		
Associated entities		
Chelverton Properties Limited		
Other corporations		
Westpac ⁽²⁾	1.0	10.0
Other	6.4	11.7
	13.0	22.4

(2) Westpac dividends received comprise dividends on shares not subject to forward sale. (Refer Note 10).

PROCEEDS ON SALE OF INVESTMENTS

Westpac ⁽³⁾	22.0	20.0
Hoyts		23.9
Mirvac		66.0
Sealcorp Limited (Sealcorp)		22.3
US Prime Property, Inc. (USPPI)		
General Property Trust		
Vornado Realty Trust		14.0
Ord River Dam Hydro Project Partnership		
Park City, Inc	41.1	
Appin Power Partnership	8.0	
Redemption of BILL Investment Funds	4.8	
Other		17.7
	75.9	163.9

(3) Westpac proceeds on investments comprise dividends on shares subject to forward sale. (Refer Note 10).

NOTES TO FINANCIAL STATEMENTS....

Consolidated
Dec 1998 Dec 1997
\$m \$m

3. REVENUE continued**PROCEEDS ON SALE OF CONTROLLED ENTITIES**Sale of Real Estate Services business ⁽⁴⁾296.0

(4) Sale of Real Estate Services to La Salle Partners on 31 October 1998. The sale included entities from North America, Australia and United Kingdom (sale of Compass business).

EQUITY ACCOUNTED SHARE OF ASSOCIATES PROFITS/(LOSSES) AFTER TAX

Other

(0.8)**INTEREST RECEIVED**

Controlled entities

Other related parties

Other corporations

0.6

15.4

8.6

16.08.6**OTHER REVENUE**

26.4

13.3

1,939.1 1,371.6

A reconciliation of revenue for each segment during the period ending 31 December 1998 is set out below. A more detailed analysis of revenue by segment is included within the Management Discussion and Analysis of Financial Condition and Results.

<i>Business Segment</i>	<i>Sales Revenue</i>	<i>Share of Profits of Statutory Funds</i>	<i>Dividends</i>	<i>Proceeds on Sale of Investments</i>	<i>Proceeds On Sale of Controlled Entity</i>	<i>Equity Accounted Share of Accounted Profits/(Losses) After tax</i>	<i>Interest Received</i>	<i>Other Revenue</i>	<i>Total per Segment Revenue</i>
Project Management	832.6							0.3	832.9
Property Development	122.3							0.4	122.7
Real Estate Investments	235.8			41.1		1.8		0.2	278.9
Real Estate Services	24.0				296.0			0.3	320.3
Funds Management & Life Insurance	186.3	100.5		4.8		(1.6)		3.0	293.0
Capital Services	2.8			8.0		(1.0)		12.3	22.1
Group Services	8.3		4.9				16.0	9.9	39.1
IT+T Investments			5.6						5.6
Equity Investments			2.5	22.0					24.5
	<u>1,412.1</u>	<u>100.5</u>	<u>13.0</u>	<u>75.9</u>	<u>296.0</u>	<u>(0.8)</u>	<u>16.0</u>	<u>26.4</u>	<u>1,939.1</u>

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>	
	<i>Dec</i>	<i>Dec</i>
	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>
4. OPERATING PROFIT		
Operating profit before income tax is arrived at after including:		
Amortisation		
Leasehold improvements	1.0	1.1
Goodwill	2.7	3.5
Trade debtors bad debt expense	3.1	
Depreciation of property, plant and equipment	5.3	8.5
Interest expense		
Controlled entities		
Other related parties		
Other corporations	27.4	26.3
Loss/(profit) on sale of property, plant and equipment	0.3	
(Gain) on sale of controlled entity – COMPASS	(18.0)	
Loss/(Gain) on sale of investments		
Westpac	(22.0)	(20.0)
Hoyts		(8.0)
Mirvac		(36.8)
Sealcorp		(9.6)
USPPI		
Other	0.4	(0.5)
Total (gain)/loss on sale of investments	(21.6)	(74.9)
Net foreign exchange (gains)/losses	(3.7)	11.6
Provisions		
Employee benefits	8.6	10.9
Maintenance and warranty		
Diminution in value of property inventories	18.0	6.7
Doubtful debts	1.2	
Writeback of provision for doubtful debts	(3.1)	
Diminution in value of investments	36.7	21.3
Write-back of provision for diminution in value of investments	(0.5)	
Other provisions	7.4	32.9
Write-back of other provisions	(0.7)	
Total movement in provisions	67.6	71.8
Operating lease rental expense	26.5	22.5

Interest expense other corporations of \$27.4 million mainly comprises interest expense in North America \$22.7 million (December 1997 \$21.2 million).

The gain on sale of investment for Westpac of \$22.0 million represents the dividend on 100.0 million shares that have been subject to the forward sale.

The net foreign exchange gain of \$3.7 million (December 1997 \$11.6 million loss) comprised three elements. Firstly, foreign exchange gains on the translation of net assets from non self-sustaining operations were \$11.7 million (December 1997 \$4.2 million loss) and related to Indonesia and Thailand. Secondly, during the year a portion of profits from the UK, US, India and Singapore operations were hedged which resulted in a foreign exchange gain of \$2.2 million (December 1997 \$1.8 million). In practice this gain is included with the profits reported by the foreign operations to result in the foreign profits emerging at the hedged rate. Finally, the cost of hedging net assets for the year was \$10.2 million (December 1997 \$9.2 million). Hedging costs are the difference between spot and forward rates caused by the interest differential between Australia and the country of the currency being hedged.

NOTES TO FINANCIAL STATEMENTS....

4. OPERATING PROFIT continued

Diminution in value of property inventories of \$18.0 million (December 1997 \$6.7 million) are mainly provisions raised against the Cempaka project in Indonesia (\$9.4 million) and Admiralty Industrial Park in Singapore (\$7.7 million). (Refer Note 9). The provision in Cempaka was raised to offset an exchange gain and therefore had no net profit impact in the period. Diminution in value of investments of \$36.7 million mainly comprises provisions raised against investment in Chastain Capital Corporation US (\$12.1 million), Tuas View Singapore (\$7.0 million), APIC (\$8.0 million) and Hoyts Cinemas Limited (\$6.8 million). (Refer Note 11).

5. TAXATION

(a) INCOME TAX EXPENSE

	<i>Consolidated</i>	
	<i>Dec</i>	<i>Dec</i>
	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>
Prima facie income tax expense at 36% of operating profit	81.3	78.4
Tax effect of permanent differences:		
Rebateable dividends	(4.7)	(9.2)
Share of profit of Statutory Funds (tax paid by life insurance entities)	(36.2)	(29.7)
Non taxable income	(8.9)	(7.5)
Variation in overseas tax rates	0.5	0.2
Deductible US amortisation	(2.8)	(5.7)
Non allowable expenses	3.6	5.3
Other	2.3	0.9
	(46.2)	(45.7)
Income tax expense for half year	35.1	32.7
Recognise FITB on carried forward capital tax losses in the United States	(9.9)	
Income tax (over)/under provided in previous years	(5.5)	3.5
Total income tax expense	19.7	36.2
Effective tax expense rate	8.7%	16.6%

Permanent difference for December 1998 non taxable income of \$8.9 million mainly comprises the tax effect of proceeds on disposal of Westpac shares subject to forward sale received as rebateable dividends of \$7.9 million (\$22.0 million at 36%).

The effective income tax expense rate was less than the corporate rate of 36% due to:

1. Lend Lease received approximately 60% (June 1998 73%) of its income in dividends (principally from MLC Limited, MLC Lifetime and Westpac), which are effectively not taxable when received by Lend Lease under the dividend rebate provisions of existing tax legislation. The underlying rationale for this is that the company paying the dividend has already paid tax on these profits; and
2. The \$9.9 million FITB on carried forward capital tax losses arising on the sale of Yarmouth Property Management which was part of the sale of the Compass business.
3. The over provision of tax in previous years of \$5.5 million.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec</i>	<i>June</i>	<i>Dec</i>
	<i>1998</i>	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>

5. TAXATION continued

(b) PROVISION FOR CURRENT INCOME TAX

Movements during the year were as follows:

Balance at beginning of financial year	95.6	18.7	18.7
Income tax paid	(67.6)	(14.5)	(19.6)
Prior period adjustments	(9.6)		
Current year's income tax expense on operating profit after adjusting for timing differences	30.0	91.4	49.9
	48.4	95.6	49.0

(c) PROVISION FOR DEFERRED INCOME TAX

Provision for deferred income tax comprises the estimated liability at current income tax rates on the following items:

Difference in depreciation and amortisation for accounting and income tax purposes	6.1	5.7	5.3
Expenditure currently deductible for tax but deferred for accounting purposes	18.0	15.4	21.8
Development expenditure deductible prior to project recognition of profits	30.8	13.3	9.6
Unrealised foreign exchange contract movements	22.7	38.9	19.9
Other	39.5	29.1	9.1
	117.1	102.4	65.7

(d) FUTURE INCOME TAX BENEFIT

Future income tax benefit comprises the estimated future benefit at current income tax rates on the following items:

Provisions and accruals not currently deductible	111.3	112.8	100.5
Unrealised accounting profit on construction projects	5.2	5.5	5.3
Tax losses carried forward	67.4	40.8	18.3
Unrealised foreign exchange contract movements	43.7	50.6	29.7
Other	11.8	12.5	9.0
	239.4	222.2	162.8

NOTES TO FINANCIAL STATEMENTS....

	<i>Company</i>	
	<i>Dec 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>
6. DIVIDENDS AND EARNINGS PER SHARE		
DIVIDENDS		
Interim dividend		
29 cents per share proposed (March 1998 – 26.5 cents per share) ⁽¹⁾	146.2	133.1
Final dividend		
June 1998 final dividend		
Dividends paid or proposed	146.2	133.1

(1) *Prior year comparative dividend payment has been adjusted by a factor of 0.5 in respect of the 1:1 bonus issue in the current financial period.*

DIVIDENDS AND DIVIDEND FRANKING

The interim dividend of 29.0 cents per share will be paid on 17 March 1999 (prior year 18 March 1998). The dividend payout ratio of 70.9% (December 1997 73.3%) is calculated by dividing the dividends paid or proposed in the year by the consolidated operating profit after tax attributable to members of Lend Lease Corporation.

Dividends paid or proposed during the half year will be fully franked to 100% with Class C (36%) franking credits. The dividend franking account balance at 31 December 1998 was \$146.6 million (June 1998: \$187.3 million), which is calculated after adjusting for franking credits which will arise from receipt of accrued income and the payment of income tax provided in the accounts and after deducting franking credits to be used in payment of the interim dividend and franking credits that may be prevented from being distributed in the subsequent financial year. The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies. Based on current business assumptions and forecasts, Lend Lease Corporation expects to continue to pay dividends franked to 100% with Class C (36%) franking credits for 1998-99 financial year, for both the interim and final dividends. This assumption is based mainly on the following:

- The forecast level of Australian tax payable by Lend Lease;
- That various equity investments (e.g. Westpac, Mirvac etc.) will continue to pay a certain level of franked dividends;
- That MLC limited and the Group's other financial services companies will pay dividends with a sufficient level of franking credits attached;
- The current forecast level of Australian based profits; and
- No changes to existing taxation legislation.

The continued globalisation of the Lend Lease businesses will lead to an increasing and significant proportion of profit before tax and interest being earned outside Australia. As this occurs, Australian sourced profits will become a smaller proportion of total Lend Lease profits. As tax paid on foreign profits does not generate franking credits, this may result in Lend Lease Corporation being unable to continue to pay fully franked dividends at current dividend payout ratios.

	<i>Company</i>	
	<i>Dec 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>
EARNINGS PER SHARE		
Operating profit after tax	206.1	181.5
	<i>Number m</i>	<i>Number m</i>
Weighted average shares and share equivalents ⁽¹⁾	503.5	250.5
Earnings per share (cents) ⁽²⁾	<i>Cents</i>	<i>Cents</i>
Basic	40.9	36.0

(1) *The weighted average shares and share equivalents comparatives have not been adjusted for the 1:1 bonus issue.*

(2) *The earnings per share comparatives have been adjusted by a factor of 0.5 in respect of the 1:1 bonus issue in the current financial period (Note 19). An adjustment factor of 0.99493 has also been applied which is attributable to the bonus element for the current year relating to the issue of shares at less than market price such as dividend reinvestment plan, share election plan, share purchase plan and ESAP share allocation.*

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
7. CASH AND CASH EQUIVALENTS			
Cash	204.8	257.6	153.1
Short term deposits	147.1	12.0	22.3
Bank accepted and endorsed bills of exchange	79.7	212.0	
	431.6	481.6	175.4

Short term deposits and bills of exchange are at variable rates of interest which averaged 5.61% per annum during the period ended 31 December 1998 and are invested with financial institutions approved by the Board of Lend Lease Corporation. These financial institutions are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. The amount placed with an individual institution is restricted to a limit of \$200.0 million. Although bills of exchange may be subject to credit risk in the event of default by the acceptor, the risk has been mitigated by ensuring the bills have been accepted by approved counterparty banks.

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
8. RECEIVABLES			
CURRENT			
Trade debtors	380.9	277.6	257.9
Provision for doubtful debts	(1.7)	(3.6)	(0.9)
	379.2	274.0	257.0
Related party receivables			
Life insurance entities	125.9	41.2	98.1
Managed property trusts			
Darling Park Trust	25.9	33.5	8.8
Other	16.6	23.8	13.8
MLC unlisted trusts	4.9	4.8	5.8
Associates			
Australian Water Services Limited	0.2		19.2
Fox Studios Joint Venture	35.6		
Pymont Trust	10.0	14.0	
Maribyrnong Development Company Pty Ltd	0.1	1.9	
IBM Global Services Australia (IBMGSA)	11.5		10.5
Other	46.2	40.0	15.8
	276.9	159.2	172.0
Accrued Income	238.3	213.0	
Contract debtors	7.1	26.2	7.9
Other receivables			
Westpac Banking Corporation dividend receivable	23.0	29.4	30.0
Forward foreign exchange contracts			55.3
Other	175.3	150.8	63.6
	1,099.8	852.6	585.8

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
8. RECEIVABLES continued			
NON CURRENT			
Loans made to Directors of Lend Lease Corporation or controlled entities in accordance with a scheme approved by shareholders in General Meeting	1.6	1.6	2.0
Other loans	0.1	0.2	0.2
Related party receivables			
Life insurance entities			10.0
Managed property trusts			
Darling Park Trust		18.0	18.0
Associates			
Pymont Trust	70.9	58.8	
Maribyrnong Development Company Pty Ltd	12.5	14.4	
Other	33.0	30.6	19.6
Other receivables	24.2	29.5	5.7
	142.3	153.1	55.5
	1,242.1	1,005.7	641.3

CURRENT

Unless otherwise stated, receivables do not carry interest and are not discounted to present values. They are carried at estimated amounts receivable in terms of contractual or other commercial arrangements and are recognised in accordance with the accounting policies as set out in Note 1. Receivables are subject to a review of collectability by the Board of the relevant group company. Provisions are made for any doubtful debts.

An increase in the overall level of activity of Lend Lease has seen trade debtors rise during the period to \$380.9 million at 31 December 1998, mainly comprising the Project Management businesses in Australia. At balance date trade debtors by industry segment comprised Project Management 59%, Real Estate Investments 22% and others 19%. Trade debtors outside of Australia amounted to 13% of the balance. The maximum exposure to an individual trade debtor was \$31.3 million.

Life insurance entities receivables at December 1998 represents the share of surplus of statutory funds for MLC and MLC Lifetime. As an interim dividend was paid in June 1998 for the majority of the profit for the year ended 30 June 1998, the balance of the share of surplus outstanding at June 1998 was only \$24.6 million.

The movement in Darling Park Managed Property Trust is due to \$18.0 million representing a 50% interest in the leasehold of Stage 2, being reclassified from non current to current receivable as it is now due at June 1999. This is offset by a decrease in amounts owing for project management work on Stage 2.

The receivable from the Fox Studios joint venture represents bridging finance for development costs to be repaid when the non recourse off balance sheet construction funding of the Fox Studios Project is established prior to June 1999.

The receivable from Pymont Trust comprises amounts for land acquisition cost, associated interest and development fees owing to Lend Lease from the joint venture developing the Jacksons Landing site at Pymont.

The related party receivable from IBMGSA reflects a loan of \$11.5 million to be repaid in February 1999.

Related party receivables other mainly comprises an amount of \$22.9 million due to Lend Lease from Asia Pacific Investment Company (APIC) for part of the sale of the 50% interest in Northtech, Singapore.

Accrued income includes \$235.0 million of revenue recognised in 1998 from a proportion of the forward sale of 15% of the net income of the Bluewater development to The Prudential Assurance Company Limited (Note 25(j)).

The reduction in contract debtors relates to the receipt of \$20.0 million for the sale of the Grand Central site received during the period.

Other receivables other of \$175.3 million mainly comprises proceeds due on the sale of Park City (\$41.1 million), recoverable VAT in UK (\$21.7 million), prepaid guaranteed notes costs (\$13.7 million) and a short term subordinated loan made to Chastain Capital Corporation (\$14.6 million).

NOTES TO FINANCIAL STATEMENTS....

8. RECEIVABLES continued

NON CURRENT

The receivable from Pymont Trust of \$70.9 million comprises \$34.2 million (June 1998 \$10.8 million) deferred land payment from the joint venture developing Jacksons Landing and a \$36.7 million (June 1998 \$48.0 million) loan to the joint venture to fund development expenditure.

The receivable from Maribyrnong Development Company Pty Ltd of \$12.5 million comprises a loan of \$8.1 million (June 1998 \$10.6 million) to the joint venture with Australian Defence Industries (ADI) for the development of surplus ADI land in Maribyrnong, Victoria and other amounts \$4.4 million (June 1998 \$3.8 million) owing from the joint venture.

Related party receivables of \$33.0 million other includes \$22.9 million due from Asia Pacific Investment Company (APIC) for part of the sale of the 50% interest in Northtech, Singapore.

Non Current Receivables are due in accordance with the following schedule:

	\$m
Between 1 and 2 years	40.5
Between 2 and 5 years	75.1
After 5 years	26.7
	142.3

9. INVENTORIES

CURRENT

Property held for resale at cost	75.9	81.5	98.0
Provision for diminution in value	(28.1)	(7.3)	
	47.8	74.2	98.0

NON CURRENT

Property held for resale at cost	1,638.2	1,311.4	1,109.3
Provision for diminution in value	(20.1)	(29.9)	(134.3)
	1,618.1	1,281.5	975.0
Total Inventories	1,665.9	1,355.7	1,073.0

PROPERTY HELD FOR RESALE

Total cost of Property held for resale includes:

Cost of acquisition	423.7	474.4	699.4
Development expenses	191.0	142.0	128.8
Construction expenses	1,042.1	738.7	338.3
Rates and taxes capitalised	12.5	18.7	20.8
Interest capitalised	44.8	19.1	20.0
Total Cost	1,714.1	1,392.9	1,207.3
Less: Provision for diminution in value	(48.2)	(37.2)	(134.3)
Book Value	1,665.9	1,355.7	1,073.0

Interest capitalised of \$44.8 million includes interest capitalised during the period of \$25.7 million (12 months to June 1998 \$6.4 million). The capitalised interest includes notional interest where the cost of acquisition of property inventories has been discounted for delayed settlement on interest free terms.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
9. INVENTORIES continued			
PROPERTY HELD FOR RESALE continued			
Book value comprises:			
Income producing	108.8	110.7	180.8
Non income producing	1,557.1	1,245.0	892.2
	1,665.9	1,355.7	1,073.0
CONSTRUCTION AND DEVELOPMENT IN PROGRESS			
Work in progress			
Creditors (Note 15)	(10.8)	(30.1)	(23.6)
	(10.8)	(30.1)	(23.6)
Represented by:			
Gross amount of work in progress	705.5	838.6	594.6
Value of work completed	(716.3)	(868.7)	(618.2)
	(10.8)	(30.1)	(23.6)

Included in the book value of property held for resale of \$1,665.9 million are assets that are held at independent valuations adopted as at 30 June 1998 of \$43.5 million (details of which are included in the consolidated financial statements of Lend Lease at 30 June 1998). All other book values are at cost.

	<i>Cost Dec 1998</i>	<i>Provision Dec 1998</i>	<i>Book Value Dec 1998</i>	<i>Book Value June 1998</i>
<i>Note</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
PROPERTY HELD FOR RESALE				
Total Property Held for resale is comprised of:				
Bluewater	25(j) 914.9		914.9	739.9
Overgate Centre, Dundee	25(k) 148.3		148.3	129.6
Touchwood Court, Solihull	25(l) 80.0		80.0	46.1
Darling Park, Sydney Stage 1	25(a) 107.6		107.6	107.6
Darling Park, Sydney Stages 2 & 3	25(a) 113.6		113.6	83.7
88 Phillip Street, Sydney (155 Macquarie Street)	25(b) 82.5		82.5	60.2
Admiralty Industrial Park, Singapore	25(i) 31.3	7.7	23.6	44.5
Cempaka, Indonesia	25(aa) 19.7	18.7	1.0	1.0
Riverside II	32.3	19.8	12.5	12.5
Twin Waters	11.9		11.9	14.0
Olympic Village/Newington	25(d) 110.8		110.8	45.4
Jacksons Landing (Pymont) ⁽¹⁾	25(e) 18.3		18.3	18.2
Others	42.9	2.0	40.9	53.0
Total	1,714.1	48.2	1,665.9	1,355.7

(1) Jacksons Landing has been reclassified as inventory.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
10. INVESTMENT IN FINANCIAL SERVICES INSTITUTIONS			
LISTED INVESTMENT IN BANKING			
Westpac Banking Corporation at Directors' valuation 1998 (cost) (hedged value \$402.2 million) (June 1998 quoted market value \$394.2 million)	148.9	148.9	186.0
UNLISTED INVESTMENTS IN LIFE INSURANCE			
Book value at beginning of financial period	1,720.0	1,532.0	1,532.0
Revaluation (Note 20)		188.0	
Book value at end of financial period	1,720.0	1,720.0	1,532.0
	1,868.9	1,868.9	1,718.0

WESTPAC BANKING CORPORATION

Lend Lease's interest in Westpac at 31 December 1998 was 140 million ordinary shares comprising an interest in 40 million ordinary shares under a share lending arrangement at Directors' valuation based on cost \$148.9 million and 100 million ordinary shares subject to a forward sale agreement at nil book value.

The Lend Lease interest in the 40 million shares represents 2.1% of fully paid issued ordinary shares in Westpac and the shareholding of 100 million shares which are subject to a forward sale agreement represents 5.2% of fully paid issued ordinary shares in Westpac. Westpac shares held by related entities of Lend Lease comprise 1.9% of fully paid issued ordinary shares of Westpac.

During the financial year ended 30 June 1996, Lend Lease entered into a forward sale agreement with Salomon Smith Barney Australia Securities Pty Limited (SSB) (formerly County Natwest Securities Australia Limited) under which Lend Lease has agreed to deliver 100 million Westpac ordinary shares to SSB on 31 July 2000, or earlier in certain conditions. Lend Lease has granted to SSB a charge over 100 million Westpac ordinary shares which are subject to forward sale, as security for Lend Lease's obligations to deliver Westpac shares to SSB. Lend Lease will remain the registered shareholder until the delivery of the shares to SSB. While it remains the registered shareholder, Lend Lease is entitled to retain all dividends (and franking credits) paid on the shares, other than dividends in excess of 70 cents per share in any half year (excess dividends). Excess dividends, other returns and distributions on the shares are payable to SSB.

During the half year Lend Lease effected share lending and hedging arrangements ("the Arrangements") with Merrill Lynch relating to the 40 million shares. The Arrangements effectively locked in a price of \$10.05 per share at which Lend Lease may realise the value of its investment, while retaining flexibility regarding the timing of ultimate disposal. The Arrangements, which run for slightly less than a year, may be extended, or unwound in part or in full. The Arrangements involved Lend Lease lending the shares to Merrill Lynch. In return, Merrill Lynch provided \$402.2 million in cash to Lend Lease as security over the shares. This amount has been recorded as a liability in the balance sheet (refer Note 18) until such time as either Lend Lease ends the Arrangements (in which case the liability is extinguished) or Lend Lease ceases lending the shares to Merrill Lynch. If the Arrangements are ended, Lend Lease would pay or receive an amount equivalent to the difference between the \$10.05 per share hedged price and the market price at that time. Lend Lease will report a profit on these Arrangements only in the event that a portion or all of the Arrangement is ended.

As the shares are effectively lent to Merrill Lynch, Lend Lease will not be entitled to the dividends on the 40.0 million shares whilst the Arrangements are in place.

The investment in Westpac contributed franked dividends of \$23.0 million during the half year ended 31 December 1998 (December 1997 franked dividends of \$30.0 million) of which dividends received on the 100 million shares subject to forward sale of \$22.0 million (December 1997 \$20.0 million) have been recognised in the financial statements as proceeds on sale and the balance of \$1.0 million as dividend income (December 1997 \$10.0 million).

NOTES TO FINANCIAL STATEMENTS....

10. INVESTMENT IN FINANCIAL SERVICES INSTITUTIONS continued

VALUATION OF LIFE INSURANCE COMPANIES

The investments in MLC Limited and MLC Lifetime represent the value of Lend Lease's interest in the current net worth of the respective Statutory Funds based on the audited financial statements for the 1997-98 year and their entitlement to participate in future distributable profits, including imputation credits, generated by in force life insurance contracts as at 30 June 1998. This is known as the embedded value and is recorded as an asset on Lend Lease's balance sheet. The valuations at 30 June 1998, details of which are included in the consolidated financial statements of Lend Lease at 30 June 1998 have been adopted for the purposes of the half yearly financial statements.

	Notes	Country of Origin	Consolidated		
			Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
11. INVESTMENTS					
NON CURRENT					
Associates			135.8	142.8	73.2
Shares in other corporations					
Quoted at cost			62.1	82.2	52.9
Unquoted at cost			78.8	65.9	55.7
Interests in trusts and partnerships					
Quoted at cost			5.3	3.2	29.8
Unquoted at cost			357.3	374.2	340.4
Unquoted at Directors' valuation			8.6	50.3	46.2
Total Investments			647.9	718.6	598.2

Investments comprise:

Associates

Equity accounted

Kiwi Property Group		NZ*	17.2	17.1	
Fox Studios Joint Venture	25(c)	Australia	49.1	48.9	
Plum Financial Services Limited	26(g)	Australia	12.2	4.0	
Chelverton Properties Limited	26(c)	UK	9.0	9.0	8.2
THI Plc	26(f)	UK	1.4	9.1	8.4
Tuas View Development	25(z)	Singapore	8.0	7.1	
Less: Provision for diminution			(7.0)		
Lend Lease Rosen Real Estate Securities, LLC	26(d)	USA	7.4	7.9	6.9
Vestar Glendale	25(t)	USA*	16.8	17.7	15.8
Vestar Long Beach	25(s)	USA	20.7	18.3	9.2
PT Simas Lend Lease Life ⁽¹⁾	26(b)	Indonesia		1.2	1.4
Flexiplan Australia ⁽²⁾		Australia			15.1
Others - cost			5.4	6.4	8.2
Less: Provision for diminution			(4.4)	(3.9)	
Sub Total			135.8	142.8	73.2

* Variation from prior period represents exchange rate movement.

NOTES TO FINANCIAL STATEMENTS....

	Notes	Country of Origin	Consolidated		
			Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
11. INVESTMENTS continued					
NON CURRENT continued					
Other Corporations					
Quoted at cost					
Mirvac Limited (quoted market value \$29.9 million)		Australia	27.4	27.4	27.4
Hoyts Cinemas Limited (quoted market value \$18.9 million) ⁽³⁾		Australia			
			25.7	25.2	25.2
Less: Provision for diminution			(6.8)		
Chastain Capital Corporation ⁽⁴⁾	25(r)	USA*	27.6	29.2	
Less: Provision for diminution			(12.1)		
Other			0.3	0.4	0.3
Sub Total			62.1	82.2	52.9
Unquoted at cost					
IBM Global Services Australia Limited	25(m)	Australia	40.5	40.5	40.2
Infrastructure Investment Corporation	25(p)	Australia	2.1	2.1	
Advantra Pty Limited	25(q)	Australia	6.4		
Sitel Asia Pacific Joint Venture	25(o)	Sing/Aust	10.2	10.2	
coolsavings.com, Inc	25(u)	USA	17.8	10.3	
Thai Agro Exchange Company	25(bb)	Thailand*	19.4	17.1	9.9
Less: Provision for diminution			(18.4)	(16.1)	
Li Fung Distribution Centre	25(cc)	China*	8.0	8.5	3.6
Less: Provision for diminution			(8.0)	(8.5)	
Other			0.8	1.8	2.0
Sub Total			78.8	65.9	55.7
Interests in trusts and partnerships					
Quoted at cost					
General Property Trust (quoted market value \$5.2 million) ⁽⁵⁾		Australia			
			4.9	2.9	27.7
Vornado Realty Trust		USA			0.4
Others			0.4	0.3	1.7
Sub Total			5.3	3.2	29.8
Unquoted at cost					
Lend Lease Asia Water Trust	25(y)	Australia	8.3	7.6	
Infrastructure Partnerships	25(n)	Australia	13.9	16.5	26.4
BII Lend Lease Investment Funds	26(a)	Indonesia		5.8	7.9
Less: Provision for diminution				(1.8)	
Asia Pacific Investment Company	25(x)	USA*	29.0	30.6	27.3
Less: Provision for diminution			(8.0)		

NOTES TO FINANCIAL STATEMENTS....

	Notes	Country of Origin	Consolidated		
			Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
11. INVESTMENTS continued					
NON CURRENT continued					
Interests in trusts and partnerships continued					
Unquoted at cost continued					
King of Prussia Associates	25(f)	USA	182.5	187.2	164.8
Value Enhancement Fund III	25(v)	USA	8.2	5.5	
Yarmouth Capital Partners I Limited Partnership	25(w)	USA	2.1	2.1	8.0
Yarmouth Capital Partners II Limited Partnership	25(g)	USA	64.4	65.7	47.2
US Prime Property, Inc		USA			20.9
Clacton Common Factory Outlet Centre	25(gg)	UK	6.0	5.9	
Fareham Shopping Centre Partnership	25(dd)	UK*	19.0	19.1	17.2
Whitecliff Properties	25(ee)	UK	14.4	10.4	
LLNHP Partnership	25(ff)	UK	8.0	7.8	
Fareham Market Quay Development	25(hh)	UK	0.5	0.4	
Others			9.0	11.4	20.7
Sub Total			357.3	374.2	340.4
Unquoted at Directors' valuation					
Australian Prime Property Fund ⁽⁵⁾		Australia	8.6	8.6	8.6
Park City Inc	25(h)	USA		41.7	37.6
Sub Total			8.6	50.3	46.2
			647.9	718.6	598.2

* Variation from prior period represents exchange rate movement.

(1) This company is now being consolidated as a controlled entity as Lend Lease increased its shareholding to 80% in July 1998.

(2) This company is now being consolidated as a controlled entity as Lend Lease increased its shareholding to 77%.

(3) Hoyts Cinemas Limited – Lend Lease participated in the Dividend Reinvestment Plan of Hoyts Cinemas Limited resulting in the dividend of \$0.5 million in November 1998 being reinvested in 0.4 million shares bringing the total shareholding to 13.8 million (June 1998 13.4 million) shares.

(4) Carrying value equal to share of net assets.

(5) General Property Trust and Australian Prime Property Fund are related entities.

	Consolidated		
	Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
12. PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and leasehold improvements at cost	19.1	18.3	17.9
Accumulated depreciation and amortisation	(2.7)	(2.9)	(2.8)
	16.4	15.4	15.1
Plant and equipment at cost	86.2	89.3	83.5
Accumulated depreciation	(49.7)	(49.0)	(46.4)
	36.5	40.3	37.1
	52.9	55.7	52.2

NOTES TO FINANCIAL STATEMENTS....

	<i>Unrecorded Valuation</i>		<i>Consolidated at Cost</i>		
	<i>Dec 1998 \$m</i>	<i>June 1998 \$m</i>	<i>Dec 1998 \$m</i>	<i>June 1998 \$m</i>	<i>Dec 1997 \$m</i>
13. MANAGEMENT AGREEMENTS					
REAL ESTATE INVESTMENTS					
Lend Lease Real Estate Investments – US (LL REI US)	537.1	734.2	368.3	555.6	529.8
General Property Trust	179.0	179.0	42.7	42.7	42.7
Australian Prime Property Fund	38.0	38.0			
FUNDS MANAGEMENT AND LIFE INSURANCE					
MLC Unlisted Trusts	89.2	89.2	10.8	10.8	10.8
	843.3	1,040.4	421.8	609.1	583.3

	<i>Consolidated Valuation \$m</i>		<i>Cost \$m</i>	
	Movement in management agreements for LL REI US comprises:			
Balance 30 June 1998		734.2		555.6
Effect of exchange rate movement from June 1998 to December 1998		(39.1)		(29.3)
		695.1		526.3
Less: Property management agreements sold as part of sale of the Compass business.		158.0		158.0
Balance 31 December 1998		537.1		368.3

Valuations are performed by appropriately qualified independent valuers. The valuers adopt a valuation methodology they consider appropriate for valuing the particular management agreement. Encompassed in this methodology is the discount rate. Generally all valuers use the Capital Asset Pricing Methodology, with rates varying due to the valuers' views as to levels of risk associated with the cash flow of particular management agreements, and the relative market/sector risk. The valuations dated 30 June 1998, details of which are included in the consolidated financial statements of Lend Lease at 30 June 1998, have been adopted for the purposes of the half yearly financial statements.

	<i>Consolidated</i>		
	<i>Dec 1998 \$m</i>	<i>June 1998 \$m</i>	<i>Dec 1997 \$m</i>
14. OTHER ASSETS			
NON CURRENT			
Future income tax benefit (Note 5(d))	239.4	222.2	162.8
Intangible assets – Goodwill			
LL REI US at cost ⁽¹⁾	49.2	135.8	147.5
Flexiplan at cost	16.7	13.2	
Other at cost	10.9	10.4	0.4
Accumulated amortisation	(4.9)	(7.7)	(4.6)
Other	30.7	13.7	0.4
	342.0	387.6	306.5

(1) Decrease is a result of the sale of the Compass business.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
15. CREDITORS			
CURRENT			
Trade Creditors	823.1	704.7	497.7
Revenue in excess of costs and profits recognised on incomplete contracts (Note 9)	10.8	30.1	23.6
Related party payables			
Life insurance entities	1.5	21.5	0.1
Managed property trusts	1.1	1.9	4.6
Other	1.4	0.6	1.2
	837.9	758.8	527.2
NON CURRENT			
Trade creditors	57.3	76.7	88.3
Related party payables			
Other			0.5
	57.3	76.7	88.8
	895.2	835.5	616.0

The increase in trade creditors is mainly due to increased activities in the property development and project management businesses.

Related party payables for the life insurance entities at 30 June 1998 related mainly to the purchase of MLC Insurance Limited from MLC Limited for \$18.0 million, which has since been paid.

Non current trade creditors have decreased due to part of the future land payments for the Overgate Shopping Centre in Dundee becoming due within 12 months and transferred to current liabilities.

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
16. BORROWINGS AND FINANCING ARRANGEMENTS			
(a) BORROWINGS			
Current			
Unsecured non bank loans - commercial paper issued			20.0
Unsecured bank loans	384.6	214.9	545.5
	384.6	214.9	565.5
Non Current			
Unsecured bank loans		365.4	211.6
Bank loan secured by interest in Bluewater	599.9	493.5	
Bank loans secured by Joint Venture interests	84.7	53.9	35.6
Lend Lease 6.75% Guaranteed Notes due 2005	394.5	416.7	
	1,079.1	1,329.5	247.2
	1,463.7	1,544.4	812.7

NOTES TO FINANCIAL STATEMENTS....

16. BORROWINGS AND FINANCING ARRANGEMENTS continued

(b) FINANCE FACILITIES

At 31 December 1998 Lend Lease had access to \$3,588.9 million lines of credit of which \$1,463.7 million was utilised. The changes to available credit facilities since 30 June 1998 include a reduction in the USD400.0 million (A\$631.2 million) syndicated facility to USD300.0 million (A\$473.4 million) and an increase in the USD35.0 million (A\$55.2 million) bank facility to USD50.0 million (A\$78.9 million). These USD facilities were due to a change in debt requirements following the issue of the USD250.0 million 6.75% Guaranteed Notes on 30 June 1998.

	Note	Consolidated		
		Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
The amounts drawn from the various facilities at 31 December 1998 were:				
Current				
<i>Unsecured Bank Loans</i>				
USD300.0 million syndicated facility at LIBOR plus 0.225%, due September 1999	(i)	82.1	199.8	538.0
USD50.0 million bank facility at LIBOR plus 0.185%, due December 1999	(ii)	27.9	6.6	7.5
GBP140.0 million bank facility at LIBOR plus 0.15% due September 1999	(iii)	266.2		
NZD10.0 million bank facility at 8.66% per annum due March 1999.		8.4	8.5	
A\$500.0 million Commercial Paper Program				20.0
		384.6	214.9	565.5
Non-Current				
<i>Unsecured Bank Loans</i>				
GBP140.0 million bank facility at LIBOR plus 0.15% due September 1999	(iii)		191.5	127.0
GBP80.0 million bank facility at LIBOR plus 0.15% due June 2000	(iv)		173.9	84.6
			365.4	211.6
<i>Bank Loan Secured by Interest in Bluewater</i>				
GBP354.0 million secured syndicated bank facility with GBP272.2 million at fixed rate of 8.22% and GBP81.8 million at LIBOR plus 1.15% to February 1999 and then LIBOR plus 0.925% to term end. Due March 2005.	(v)	599.9	493.5	
<i>Bank Loans Secured by Joint Venture Interests</i>				
A\$110.0 million secured construction facility for Darling Park at bank bill rate due the earlier of practical completion or April 2000.	(vi)	63.2	32.9	15.6
A\$200.0 million secured construction facility for Olympic Village at bank bill rate plus 0.25% due June 2001	(vii)	21.5	21.0	20.0
		84.7	53.9	35.6
Lend Lease 6.75% Guaranteed Notes due 2005		394.5	416.7	
		1,079.1	1,329.5	247.2
		1,463.7	1,544.4	812.7

NOTES TO FINANCIAL STATEMENTS....

16. BORROWINGS AND FINANCING ARRANGEMENTS continued

(b) FINANCE FACILITIES continued

- (i) This facility with a syndicate of banks was established in June 1997 to fund the acquisition of ERE and for general US working capital purposes. Interest rate as at 31 December 1998 was 5.89%. The facility was reduced from USD400.0 million to USD300.0 million during September 1998 due to the issuance into US debt markets on 30 June 1998 of USD250.0 million 6.75% guaranteed notes due 30 June 2005.
- (ii) This facility is used to finance working capital requirements for the US operations. Interest rate at 31 December 1998 was 5.25% per annum.
- (iii) This facility is with a syndicate of banks in the United Kingdom to fund a portion of Lend Lease's interest in Bluewater (refer Note 25(j)). Interest rate at 31 December 1998 was 7.45% per annum. The loan is due in September 1999.
- (iv) This facility is with a syndicate of banks in the United Kingdom for general working capital requirements of the European operations, including the acquisition of the Overgate Centre, Dundee. There were no draw downs under this facility at 31 December 1998.
- (v) This facility with three UK banks was established as part of the changes to the Bluewater financing structure.
- (vi) Lend Lease is one of four borrowers party to a \$390.0 million credit facility to fund the construction of Darling Park Stage II. Lend Lease's share of the facility is \$110.0 million and is secured by its respective ownership interest in Darling Park. The interest rate has been fixed through an interest rate swap at 5.29%.
- (vii) Lend Lease has a 50% interest in MVIC Finance 2 Pty Limited (MVIC) which has a \$200.0 million credit facility for construction and development of the Olympic Village/Newington (Note 25(d)). The loan is secured by the assets of MVIC and the interest rate has been fixed through an interest rate swap at 6.50% per annum until March 2001.

17. PROVISIONS

CURRENT

	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Dividends (Note 6)	146.2	135.9	133.1
Employee benefits	27.9	26.8	23.4
Income tax (Note 5(b))	48.4	95.6	49.0
Maintenance and warranty	9.4	9.4	8.7
Other	45.4	48.9	46.5
	277.3	316.6	260.7

NON CURRENT

Deferred income tax (Note 5(c))	117.1	102.4	65.7
Employee benefits	40.0	43.4	35.3
Maintenance and warranty	10.0	10.0	
Other	10.0	9.7	20.8
	177.1	165.5	121.8
	454.4	482.1	382.5

Other current and non current provisions include the restructure of the US business of \$7.7 million and a provision for long term bonuses in the US of \$6.9 million. The balance comprises a number of provisions, each minor in amount totalling \$18.5 million and a general provision of \$22.3 million in relation to unforeseen construction, property development and IT costs.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec</i>	<i>June</i>	<i>Dec</i>
	<i>1998</i>	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
18. OTHER LIABILITIES			
CURRENT			
Deferred settlement on acquisition			
Associate	4.2	4.2	
Development property	10.0	12.0	11.5
Controlled entity			19.8
Forward foreign exchange contracts	124.6	149.9	90.4
Other	7.4	7.3	16.4
	146.2	173.4	138.1
NON CURRENT			
Deferred settlement on acquisition			
Associate	4.2	4.2	
Development property	24.5	33.0	31.6
Controlled entity		167.3	148.6
Westpac share lending collateral	402.2		
Other	11.5	5.6	4.8
	413.7	210.1	185.0
	588.6	383.5	323.1

Current and non current deferred settlement on acquisition of development property comprises principal amount of \$34.5 million with interest payable at 10.5% per annum relating to acquisition of development property at Pymont, Sydney, repayable in instalments over 5 years ending in July 2002 to CSR Limited.

Forward foreign exchange contracts are valued at rates of exchange at balance date. Forward foreign exchange contracts are taken out in relation to hedging of the group's net foreign exchange exposure. The decrease in the liability is due to the strengthening of the Australian dollar against the United States dollar and the Great British Pound during the period.

The decrease in non current deferred settlement on acquisition of controlled entity is as a result of the payment of the deferred settlement on 2 October 1998 to Equitable Life.

The amount for the Westpac share lending and hedging arrangements (refer Note 10) relates to an obligation to Merrill Lynch as borrowing party arising from the transaction. The amount is equal to the cash collateral received by Lend Lease (refer Note 10).

Other items included in other liabilities are shown at face value and interest is not payable.

NOTES TO FINANCIAL STATEMENTS....

	Consolidated			Company	
	Dec 1998	June 1998	Dec 1997	Dec 1998	June 1998
	\$m	\$m	\$m	\$m	\$m
504.2 million shares	1,262.6	125.8	125.5	1,262.6	125.8
				Company	
				No. of Shares	
				m	\$m
Issued at 30 June 1998				251.7	125.8
Transferred from share premium reserve (Note 20)					1,183.2
Issues and buy backs during the half year:					
Issues for					
Dividend reinvestment plan				0.9	30.1
Share purchase plan				0.3	10.1
Share election plan ⁽¹⁾				0.5	
Share buy backs				(2.5)	(87.5)
Allocation to Lend Lease Employee Share Plans (Note 23(d))				1.1	0.9
Bonus Issue				252.2	
Issued at 31 December 1998				504.2	1,262.6

(1) The shares issued under the SEP represent dividends foregone by SEP participants. These shares are issued directly from share capital (rather than repurchased via on-market transactions) with the number of shares issued based upon the share price at the date that the dividend payments were foregone.

The Company Law Review Act 1998 came into effect on 1 July 1998. The act abolished the par value of shares and any amount standing to the credit of the share premium reserve became part of the company's share capital on 1 July 1998.

As approved by shareholders, effective from 31 October 1996 the company implemented a Share Accumulation Plan, a key feature of which was a share buyback program whereby the number of shares bought back is equal to the number of new shares issued under the Dividend Reinvestment Plan (DRP), Share Purchase Plan (SPP) and Share Election Plan (SEP). During the period, 1.7 million shares were issued under these plans.

2.5 million shares were repurchased through the share buy back program which re-acquired 1.7 million shares issued for the period ending 31 December 1998 plus 0.8 million shares issued during the year to 30 June 1998 that were not repurchased during that year.

The increase in the number of shares on issue during the period results from the allocation to the Lend Lease Employee Share Plans (1.1 million shares) and a one for one bonus issue which occurred on 23 December 1998 for all shareholders registered at 9 December 1998 (252.2 million shares).

	Consolidated		
	Dec 1998	June 1998	Dec 1997
	\$m	\$m	\$m
20. RESERVES			
SHARE PREMIUM RESERVE			
Opening balance	1,183.2	1,185.9	1,185.9
Transfer of balance of share premium reserve to share capital	(1,183.2)		
Movements arising from share issues and buy backs during the year:			
Dividend reinvestment and share purchase plans		80.2	34.3
Share election plan		(0.4)	(0.2)
Share buy backs		(82.6)	
Other Issues		0.1	
		1,183.2	1,220.0

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>		
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
20. RESERVES continued			
CAPITAL RESERVE	104.6	104.6	104.6
ASSET REVALUATION RESERVE			
Opening balance	921.7	733.7	733.7
Revaluation of:			
Investments in financial services institutions (Note 10)		188.0	
Other			
	921.7	921.7	733.7
FOREIGN CURRENCY TRANSLATION RESERVE			
Opening balance	9.5		
Currency fluctuation (net of income tax) attributable to translation and hedging of self sustaining foreign operations	(6.2)	9.5	
	3.3	9.5	
Total Reserves	1,029.6	2,219.0	2,058.3

Capital gains tax is not provided in respect of revaluation movements through the asset revaluation reserve as the revalued investments are expected to be held in the longer term and the estimated amounts of capital gains tax that would be payable are not material.

	<i>Consolidated</i>	
	<i>Dec 1998</i>	<i>June 1998</i>
	<i>\$m</i>	<i>\$m</i>
21. OUTSIDE EQUITY INTERESTS		
Outside equity interests in controlled entities comprise:		
LLD Precinct 2 Pty Limited		
Interest in Mirvac Lend Lease Village Consortium		16.7

21. OUTSIDE EQUITY INTERESTS

Outside equity interests in controlled entities comprise:

LLD Precinct 2 Pty Limited

Interest in Mirvac Lend Lease Village Consortium

At 31 December 1998 the outside equity interest of \$16.7 million related to Mirvac Limited's 33% interest in Stage 3 of the Olympic Village project (refer Note 25(d)). Lend Lease has also had outside equity interests in the operating profit after tax for the six months to 31 December 1998, these were immaterial in amount both individually and in aggregate and therefore not disclosed.

	<i>Consolidated</i>			<i>Company</i>	
	<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>	<i>Dec 1998</i>	<i>June 1998</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
22. CONTINGENT LIABILITIES					
Various	14.0	14.0	14.0		

Lend Lease has provided a several guarantee of USD5.0 million to Sumitomo Bank in relation to a USD25.0 million loan to the joint venture developing the Li Fung Distribution Centre in China (refer Note 25(cc)). The guaranteed amount of USD5.0 million has been included within the total contingent liabilities disclosed above.

NOTES TO FINANCIAL STATEMENTS....

22. CONTINGENT LIABILITIES continued

Lend Lease, while it acts as Manager of the MLC Cash Management Trust (the Trust), guarantees a one dollar repurchase price in respect of units in the Trust issued to an account opened on or before 31 December 1986, covering existing units at that date and any additional units subsequently issued by way of further investments. At 31 December 1998 the value of units on issue covered by this guarantee was \$206.5 million (June 1998 \$212.6 million) and the net assets of the Trust covering these units was \$206.5 million (June 1998 \$212.6 million). The directors believe that no loss will arise from the guarantee.

Lend Lease took on a contingent capital commitment as part of the Equitable Real Estate acquisition, whereby a put option has been granted to the other 50% owners of ERE Rosen Real Estate Securities, LLC (ERE Rosen). Under the option the remaining 50 % interest in ERE Rosen can be put to Lend Lease should the assets under management of ERE Rosen exceed USD670.0 million (A\$1,116.7 million). The exercise price of the put option is USD10.0 million (A\$16.7 million), increasing by USD1.0 million (A\$1.7 million) each successive year for five years at which time Lend Lease has a call option on the remaining 50% interest at USD15.0 million (A\$25.0 million) plus 90% of ERE Rosen valuation in excess of USD15.0 million (A\$25.0 million). At 31 December 1998 assets under management exceeded USD670.0 million, however, the put option had not been exercised.

Lend Lease has committed to provide some commercial support to the owners of Greensborough Shopping Centre. Lend Lease is currently committed to spend up to \$20.0 million on reformulating the centre to improve the centre's trading performance. This cost is fully provided for in these financial statements. Lend Lease has also agreed to underwrite the sale of 33.3% of the centre at current valuation.

Contingencies and claims (other than items included above and in Notes 16 and 25), indeterminable in amount, exist in the ordinary course of business. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any known or anticipated losses.

<i>Consolidated</i>		
<i>Dec 1998</i>	<i>June 1998</i>	<i>Dec 1997</i>
<i>\$m</i>	<i>\$m</i>	<i>\$m</i>

23. COMMITMENTS

(a) OPERATING LEASES

Estimated aggregate amount of operating lease expenditure agreed or contracted but not provided for in the financial statements:

Land and buildings			
Self occupied	258.7	233.3	215.3
Development projects	129.9	135.1	619.1
Plant and equipment	30.2	76.6	92.9
	418.8	445.0	927.3
Due within 1 year	71.4	100.8	62.1
Due between 1 and 2 years	71.7	71.2	107.1
Due between 2 and 5 years	178.7	163.5	348.9
Due later than 5 years	97.0	109.5	409.2
	418.8	445.0	927.3

Lease commitments for development projects mainly comprises estimated contract rent commitments in respect of Bluewater as scheduled up to 2005. Should Lend Lease continue to hold the lease beyond 2005, then the annual lease commitments are estimated to be \$39.2 million from 2006. The decrease in development project commitments compared to December 1997 is due to changes in the Bluewater financing structure.

NOTES TO FINANCIAL STATEMENTS....

	Notes	Consolidated		
		Dec 1998 \$m	June 1998 \$m	Dec 1997 \$m
23. COMMITMENTS continued				
(b) INVESTMENTS				
At balance date capital commitments existed in respect of interests in partnerships and investments contracted but not provided for in the financial statements				
Due within 1 year				
Infrastructure Investment Corporation Limited	25(p)	16.5	16.5	16.5
Lend Lease Asia Water Trust	25(y)	25.3	27.5	24.5
Yarmouth Capital Partners II	25(g)	17.8	17.2	21.1
Asia Pacific Investment Company	25(x)	50.0	52.8	47.0
Olympic Village/Newington	25(d)	8.5	32.8	40.0
Lend Lease Global Properties ⁽¹⁾		78.9		
Vestar Glendale Joint Venture	25(t)	3.0	2.8	3.6
Value Enhancement Fund III	25(v)	15.8	14.0	
LL NHP Partnership	25(ff)	8.1	8.5	
Advantra Pty Limited			5.0	
Vestar Long Beach Joint Venture			4.2	10.1
Chastain Capital Core				10.4
Other		6.3	2.2	
Due between 1 and 2 years				
Chastain Capital core				23.3
Olympic Village/Newington			8.5	
Value Enhancement Fund III			5.5	
Yarmouth Capital Partners II				7.4
Due between 2 and 5 years				
Olympic Village/Newington	25(d)	16.5	16.5	25.0
		246.7	214.0	228.9

(1) This represents Lend Lease's USD50 million commitment to the proposed Global Property Fund which is contingent on the successful launch of the fund.

(c) CONTROLLED ENTITIES

On 12 December 1998 a contract to purchase 100% of the issued ordinary shares in the Crystal Consulting Group of companies for \$32.8 million was signed, with settlement taking place on 6 January 1999.

(d) OTHER

The general nature and substance of commitments for superannuation, the Lend Lease Employee Share Plans and Lend Lease Foundation are unchanged from those reported in the consolidated financial statements of Lend Lease at 30 June 1998.

NOTES TO FINANCIAL STATEMENTS....

	<i>Consolidated</i>	
	<i>Dec</i>	<i>Dec</i>
	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>
24. NOTES TO THE STATEMENTS OF CASH FLOWS		
(a) RECONCILIATION OF OPERATING PROFIT AFTER TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating profit after income tax	206.1	181.5
Amortisation and depreciation	9.0	13.1
Gain on sale of fixed assets and investments	(21.6)	(74.9)
Profit on sale of Compass business	(11.3)	
Foreign exchange (gain)/loss and currency hedging costs	(3.7)	11.6
Net movement in provisions	(52.7)	58.4
Net cash provided by operating activities before changes in assets and liabilities	125.8	189.7
(Increase)/decrease in receivables	(202.4)	(97.5)
(Increase)/decrease in inventories	(310.2)	(216.8)
(Increase)/decrease in other assets	(17.0)	1.4
Increase/(decrease) in creditors	79.0	71.2
Increase/(decrease) in other liabilities	5.6	58.8
(Increase)/decrease in deferred tax items	(2.5)	(13.7)
Net cash provided by operating activities	(321.7)	(6.9)

(b) SUPPLEMENTARY INFORMATION

Cash receipts and payments have increased during the period principally as a result of increased activity in the project management and construction business. The difference in net inflows between the half years ending 31 December 1998 and 1997 is due to timing differences reflected in the increase in receivables.

	<i>1998</i>	<i>1997</i>
	<i>\$m</i>	<i>\$m</i>
Property development expenditure:		
Bluewater	264.0	187.0
Overgate Centre, Dundee	20.4	57.0
Touchwood Court, Solihull	37.5	
88 Phillip Street/155 Macquarie Street, Sydney	28.9	17.0
Darling Park Sydney	23.4	14.0
Jacksons Landing	6.6	8.0
Olympic Village	63.1	9.0
Other	38.6	19.0
	482.5	311.0

Dividends received mainly comprised dividends from Westpac (\$8.4 million) and IBMGSA (\$4.1 million).

Interest paid of \$17.9 million is less than interest expense of \$27.9 million (refer Note 4). This difference is mainly due to interest accrued on the 6.75% Guaranteed Notes due 2005, which is paid semi annually in arrears.

Proceeds from the sale of investments in financial services institutions comprises dividends received of \$21.0 million (December 1997 \$19.0 million) on 100 million shares subject to a forward sale agreement which are taken up as proceeds on sale (Note 1(c)).

Proceeds on sale of investments totalling \$56.6 million mainly comprised the sale of USPPi \$32.7 million.

NOTES TO FINANCIAL STATEMENTS....

24. NOTES TO THE STATEMENTS OF CASH FLOWS continued

(b) SUPPLEMENTARY INFORMATION continued

Purchases of investments totalling \$42.0 million comprised investments in property development joint ventures for Vestar Long Beach \$3.5 million, coolsavings.com, Inc \$7.9 million, PLUM Financial Services \$10.0 million, Advantra \$6.4 million and other investments of \$14.2 million.

Loans issued to associates are short term loans to the Fox Studios joint venture \$35.6 million and Chelverton Properties Limited \$9.8 million.

	<i>\$m</i>
Proceeds on sale of controlled entities	
Details of the sale of the Compass business are as follows:	
Cash in entities at sale date	16.3
Other net assets of entities disposed	261.7
Profit before tax	18.0
Consideration received in cash	296.0

Proceeds from borrowings totalling \$848.0 million was comprised mainly of:

\$295.0 million in North America for working capital requirements; \$282.7 million in the United Kingdom for the Bluewater project (Note 25(j)), Overgate Centre, Dundee and Touchwood, Solihull;

\$240.0 million of issues under the domestic commercial paper program;

\$30.3 million in funding for Darling Park Development.

Repayments of borrowings totalling \$877.9 million comprised mainly of the repayment of facilities in North America \$384.2 million, Europe \$240.0 million, repayments of domestic commercial paper \$240.0 million and others of \$13.7 million.

Final dividend paid for June 1998 and net proceeds from share issues include the amount of dividends foregone pursuant to Share Election Plan of \$16.1 million (1997 \$11.0 million).

	<i>Notes</i>	<i>Dec 1998 \$m</i>	<i>Dec 1997 \$m</i>
(c) ACQUISITION OF CONTROLLED ENTITIES			
Payments for acquisition of controlled entities comprised:			
ERE – deferred settlement (balance of amount) ⁽¹⁾	18	165.1	24.9
Acquired:			
9.9% of Flexiplan	11	3.9	12.5
30% PT Simas Lend Lease Life	11	2.8	
40% Lend Lease Graha		1.5	
		173.3	37.4

(1) On 10 June 1997, Lend Lease acquired 100% of the common stock of Equitable Real Estate Investment Management, Inc. and Equitable Agribusiness, Inc. together with their respective controlled entities (ERE). \$165.1 million (USD100.0 million) was provided as a non current deferred settlement due in 2005. The amount was fully paid during the period upon the sale of COMPASS, which was a requirement under the acquisition agreement.

NOTES TO FINANCIAL STATEMENTS....

	Recorded In Note	Book Value	
		Dec 1998 \$m	June 1998 \$m
25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS			
SELECTED MAJOR BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS			
Australia & Pacific			
(a) Darling Park Joint Ventures ⁽¹⁾	9	221.2	191.3
(b) 88 Phillip Street, Sydney (155 Macquarie Street, Sydney) ⁽¹⁾	9	82.5	60.2
(c) Fox Studios Joint Venture ⁽¹⁾	8,11	84.7	48.9
(d) Olympic Village/Newington ⁽¹⁾	9	110.8	45.4
(e) Jacksons Landing (Pymont) ⁽¹⁾	8,9	65.0	51.9
North America			
(f) King of Prussia Associates ⁽²⁾	11	182.5	187.2
(g) Yarmouth Capital Partners Limited Partnership II ⁽²⁾	11	64.4	65.7
(h) Park City, Inc ⁽³⁾	11		41.7
Asia			
(i) Admiralty Industrial Park ⁽⁴⁾	9	23.6	44.5
Europe			
(j) Bluewater ⁽⁵⁾	9	914.9	739.9
(k) The Overgate Centre, Dundee ⁽⁶⁾	9	148.3	129.6
(l) Touchwood, Solihull ⁽⁶⁾	9	80.0	46.1

Notes

- (1) *The movement in book value relates to development expenditure incurred during the period.*
- (2) *The movement in book value is due to currency fluctuations.*
- (3) *Sold during the period.*
- (4) *The movement in book value consisted of development expenditure less sales and currency fluctuations.*
- (5) *The movement in book value represents development and construction expenditure, less the costs that related to the proportion of the 15% sale to Prudential recognised in the six months to 31 December 1998 and currency fluctuations. (Refer Note 25(j)).*
- (6) *The movement in book value relates to development expenditure incurred during the period and currency fluctuations.*

Detailed disclosures in respect of the selected major business undertakings, projects and investments were included in the consolidated financial statements of Lend Lease at 30 June 1998. The following additional information is reported in respect of significant changes during the half year ended 31 December 1998.

NOTES TO FINANCIAL STATEMENTS....

25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS continued

SELECTED MAJOR BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS

Australia & Pacific

(a) Darling Park Joint Ventures

The Darling Park Stage II tower (approximately 52,000 square metres of total space) is 81% leased to Nestlé and PriceWaterhouseCoopers. These parties have options to increase their tenancies in aggregate to 100% of the building. The tower is due for completion in late 1999. The waterfront retail and leisure component (Cockle Bay Wharf) opened in October 1998 (100% leased on opening).

During the year Lend Lease undertook project management and construction work for the Darling Park Joint Venture to a contractual value of \$73.6 million (1998 \$95.5 million). This work was carried out on an arm's length commercial basis, which was independently certified as fair and reasonable.

(b) 88 Phillip Street/155 Macquarie Street, Sydney

At 31 December 1998 26% of the 88 Phillip Street commercial tower was leased to Minter Ellison (Solicitors) at rentals which are in line with the June 1998 independent valuation assumptions. A major investment bank is currently considering due diligence on an exclusive basis to take up to 36% of space in the tower. The 155 Macquarie Street residential component was 66% pre-sold at 31 December 1998.

(c) Fox Studios

There was no significant change during the period.

(d) Olympic Village/Newington

The Olympic Village project launched 111 dwellings under Stage 1 of the project, of which 67 had been sold at 31 December 1998.

(e) Jacksons Landing (Pyrmont)

The Jacksons Landing project had released 101 units to the market of which 49 were sold at 31 December 1998.

North America

(f) King of Prussia Associates

There was no significant change during the period.

(g) Yarmouth Capital Partners Limited Partnership II (YCP II)

Lend Lease continues to hold its 22.2% interest in YCP II which is carried at an amount equivalent to Lend Lease's partnership contributions and Lend Lease's share of accumulated partnership surpluses. Lend Lease provided transactional and advisory services to YCP II, receiving fees of \$2.2 million (December 1997 \$0.8 million) during the period.

(h) Park City, Inc. (PCI)

During the period Lend Lease sold its 49.9% interest in PCI, incorporated in USA. PCI's principal activity was the ownership of a 50% interest in a trust that owned the Park City Shopping Centre in Pennsylvania, USA which was sold in June 1998. The trust was wound up during the period ended 31 December 1998, and Lend Lease realised a profit after tax of \$3.2 million.

Asia

(i) Admiralty Industrial Park (AIP)

The prices paid under recent tenders of industrial land parcels in Singapore have indicated that there has been a significant reduction in values of industrial land. This affected the value of the balance of the land held by Lend Lease in the AIP project and as such a provision of \$7.7 million was raised to cover the fall in value of the undeveloped land within AIP.

NOTES TO FINANCIAL STATEMENTS....

25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS continued

SELECTED MAJOR BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS

Europe

(j) Bluewater

Bluewater remains on schedule to open on 16 March 1999 and at 31 December 1998, 96% of the total space was let.

The total cost of the development is expected to be GBP686.0 million (A\$1,791.6 million) (June 1998 GBP600.0 million A\$1,630.4 million) excluding financing costs and profit share payable to Blue Circle Industries Plc, an increase in development costs of GBP86.0 million since 30 June 1998. The increase includes GBP42.0 million for interest swap and loan break costs which have been incurred as a result of breaking the initial fixed rate funding which was necessary to achieve the sale of additional interests in Bluewater. The remainder of the increase relates to infrastructure improvements (which increased annual rentals by GBP1.5 million in addition to the rental assumptions used in the June 1998 independent valuation – refer below); the costs of resourcing the asset management and centre marketing teams at an earlier stage than originally anticipated; the inclusion of the centre marketing costs up to Christmas 1999; minor acceleration costs to ensure opening date is achieved; the costs associated with the sale of interests in Bluewater to Hermes and the Lend Lease Retail Partnership; and the increasing of warranty provisions.

Since the beginning of the project, total development costs have increased by 11.4% (excluding the GBP42.0 million swap and loan break costs that related to a change in the financing structure) however, the increased costs facilitated a 16.0% increase in annual rentals from that budgeted as well as positioning Bluewater to achieve a more favourable valuation yield. The estimated total sales value for Bluewater is approximately 30% higher than that anticipated at the commencement of the project.

The whole Centre has been valued by Paul Wolfenden FRICS, a Director of DTZ Debenham Thorpe, Chartered Surveyors and International Property Advisors, London, at GBP1.12 billion (A\$2.9 billion). The valuation was carried out in accordance with UK valuation standards as set out in the RICS Appraisal & Valuation Manual, having regard to rental and capital values and market circumstances as at 30 June 1998, but on the assumptions that the Centre had reached practical completion and was fully income producing. The valuation report was dated 6 July 1998.

At 31 December 1998 total development costs of GBP481.0 million have been incurred, of which GBP51.5 million has been reimbursed by the Investor Syndicate under the GBP82.2 million head lease for the plant and equipment component of Bluewater, and GBP79.2 million expensed with the release of a portion of the profit from the initial 15% interest purchased by Prudential.

During the period Hermes acting on behalf of BriTel Fund Trustees, signed a forward sale agreement to acquire a 10% interest on 1 July 1999 for GBP112.0 million.

The Lend Lease Retail Partnership will acquire a 25% interest for GBP280.0 million in June 1999.

(k) The Overgate Centre, Dundee, UK

The Overgate Centre ("Overgate") has been scaled back from that disclosed in the 30 June 1998 financial statements to 400,000 sq. ft. of retail space (June 1998 590,000). The removal of the leisure component from the project resulted from analysis that indicated the smaller, retail only Centre would be more suited to the surrounding demographics and provide a better return to Lend Lease. Overgate will be anchored by a Debenhams department store and at 31 December 1998 approximately 52% of the space was let. The total development cost is expected to be GBP120.0 million, which excludes finance costs. Enabling works commenced in July 1998, with the opening of Overgate remaining scheduled for March 2000. Marketing of Overgate to external investors will commence in late February 1999.

(l) Touchwood, Solihull, UK ("Touchwood")

Detailed planning consent was obtained in December 1998 for Touchwood. Enabling works commenced in January 1999, with the main construction works expected to commence in April 1999. Touchwood will be anchored by the John Lewis Partnership and is scheduled to open in September 2001. The Lend Lease Retail Partnership will acquire Touchwood in April 1999 for GBP18.0 million and pay a development fee of approximately GBP190.0 million on the opening of Touchwood in September 2001,, which leaves Lend Lease with leasing and delivery risk only.

NOTES TO FINANCIAL STATEMENTS....

	<i>Recorded In Note</i>	<i>Book Value</i>	
		<i>Dec 1998 \$m</i>	<i>June 1998 \$m</i>
25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS continued			
OTHER BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS			
Australia & Pacific			
(m) IBM Global Services Australia Limited	11	40.5	40.5
(n) Infrastructure Partnerships	11	13.9	16.5
(o) Sitel Asia Pacific Joint Venture	11	10.2	10.2
(p) Infrastructure Investment Corporation Limited	11	2.1	2.1
(q) Advantra Pty Limited	11	6.4	
North America			
(r) Chastain Capital Corporation	11	15.5	29.2
(s) Vestar Long Beach	11	20.7	18.3
(t) Vestar Glendale	11	16.8	17.7
(u) coolsavings.com, Inc	11	17.8	10.3
(v) Value Enhancement Fund III	11	8.2	5.5
(w) Yarmouth Capital Partners Limited Partnership I	11	2.1	2.1
Asia			
(x) Asia Pacific Investment Company	11	21.0	30.6
(y) Lend Lease Asia Water Trust	11	8.3	7.6
(z) Tuas View Development	11	1.0	7.1
(aa) Cempaka Partnership	9	1.0	1.0
(bb) Thai Agro Exchange Company/Thai Market Project	11	1.0	1.0
(cc) Li Fung Distribution Centre	11		
Europe			
(dd) Fareham Shopping Centre Partnership	11	19.0	19.1
(ee) Whitecliff Properties	11	14.4	10.4
(ff) LLNHP Partnership	11	8.0	7.8
(gg) Clacton Common Factory Outlet Centre	11	6.0	5.9
(hh) Fareham Market Quay Development	11	0.5	0.4
(ii) Wisniowy Business Park, Warsaw, Poland			

NOTES TO FINANCIAL STATEMENTS....

25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS continued

OTHER BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS

Australia & Pacific

(m) IBM Global Services Australia Limited (IBMGSA)

During the period Lend Lease received a dividend of \$5.6 million from IBMGSA. Lend Lease advanced an unsecured loan of \$11.5 million to IBMGSA during the period, which will be fully repaid in February 1999.

(n) Infrastructure Partnerships

Appin Power Partnership

During the period Lend Lease sold its interest in the Appin Power Partnership, which realised a profit after tax of \$4.4million.

Prospect Water Partnership

Lend Lease continues to hold a one third partnership with P&O and Suez Lyonnaise des Eaux in the Prospect Water Partnership.

(o) Sitel Asia Pacific Joint Venture

There was no significant change to the status of this business undertaking during the period.

(p) Infrastructure Investment Corporation Limited (IICL)

There was no significant change to the status of this business undertaking during the period.

(q) Advantra Pty Limited

During the period \$6.4 million was invested by Lend Lease into Advantra Pty Limited (Advantra). In the year to 30 June 1998 Lend Lease invested a nominal \$400 to acquire Lend Lease's 20% interest in Advantra. Advantra's other investors are IBM 30% and Telstra 50%.

North America

(r) Chastain Capital Corporation (Chastain)

Chastain was launched in April 1998 by Lend Lease REI as a public Real Estate Investment Trust (REIT) and is traded publicly on the NASDAQ in the United States. The recent turmoil in the US debt markets adversely affected the share price of Chastain. A provision of A\$12.1 million has been raised against Lend Lease's investment in Chastain to reflect the carrying value of Lend Lease's investment at net asset value (\$15.5 million). The market value of Lend Lease's investment in Chastain at 31 December 1998 was \$8.9 million. In this case the net asset value has been adopted reflecting the best estimate of the recoverable value of the investment, based on Chastain's asset realisations to date and independent external valuation of Chastain's assets obtained by the Board of Chastain. Since 31 December 1998 the market value of Lend Lease's investment in Chastain has risen from \$8.9 million to \$11.1 million at 8 February 1999.

(s) Vestar Long Beach

At 31 December 1998 Lend Lease had invested USD13.0 million (A\$20.7 million) in the Vestar Long Beach joint venture. The Centre is expected to open in February 1999 and at 31 December 1998 was 84% leased. Lend Lease provided transactional and advisory services to Vestar Long Beach, receiving fees of \$0.6 million during the period.

(t) Vestar Glendale

At 31 December 1998 Lend Lease had invested USD10.6 million (A\$16.8 million) in the Vestar Glendale joint venture. The Centre is expected to open in late 1999 and was 75% leased at 31 December 1998. Lend Lease provided transactional and advisory services to Vestar Glendale, receiving fees of \$0.1 million during the period.

(u) coolsavings.com, Inc (formerly Interactive Coupon Marketing Group, Inc)

During the period Lend Lease invested an additional USD5.0 million in coolsavings.com, Inc, increasing its investment to 15% (previously 10%).

(v) Value Enhancement Fund III (VEFIII)

During the period Lend Lease invested an additional USD1.9 million in VEFIII. At 31 December 1998 its investment of \$8.2 million represented a 3.8% interest in VEFIII. The balance of Lend Lease's commitment USD9.8 million (A\$15.8 million) will be spent over the next two years (refer Note 23(b)).

NOTES TO FINANCIAL STATEMENTS....

25. INTEREST IN BUSINESS UNDERTAKINGS, MAJOR PROJECTS & INVESTMENTS continued

OTHER BUSINESS UNDERTAKINGS, PROJECTS AND INVESTMENTS

North America

(w) Yarmouth Capital Partners Limited Partnership I (YCPI)

There was no significant change in the status of this business undertaking during the period.

Asia

(x) Asia Pacific Investment Company (APIC)

The lower prices paid under recent tenders of industrial land parcels in Singapore indicates a significant reduction in values of industrial land. This affected the value of Northtech which is an industrial property owned by APIC. Consequently a provision of \$8.0 million was raised against the investment at 31 December 1998.

(y) Lend Lease Asia Water Trust

There has been no significant change during the period.

(z) Tuas View Development

The fall in values of industrial land in Singapore has also affected the values of the undeveloped land in the Tuas View development. As a result a provision of \$7.0 million was raised against the investment in the joint venture. The current focus of the joint venture is to realise sales of land parcels, which currently has a greater demand than developed industrial properties.

(aa) Cempaka Partnership

There has been no significant change during the period.

(bb) Thai Agro Exchange Company/Thai Market Project

There has been no significant change during the period.

(cc) Li Fung Distribution Centre

There has been no significant change during the period.

Europe

(dd) Fareham Shopping Centre Partnership

The refurbishment of the Centre was completed during the period. It is expected that an institutional investor will acquire the Centre from the partnership in the next 12 – 18 months.

(ee) Whitecliff Properties

There has been no significant change during the period.

(ff) LLNHP Partnership

There has been no significant change during the period.

(gg) Clacton Common Factory Outlet Centre

The Centre opened in November 1998, with trading being in line with expectations. The Centre is expected to be sold to a property investor following the trading stabilisation period.

(hh) Fareham Market Quay Development

There has been no significant change during the period.

(ii) Wisniowy Business Park, Warsaw, Poland

Wisniowy Business Park is an out of town office park situated near the airport in Warsaw, Poland. The third building was completed during the period. It is fully leased to Vereinsbank and is now actively marketed for sale. The fourth building is scheduled to be completed in February 1999. Leasing negotiations are in progress on this building and it is intended that it will be sold once completed and fully leased.

NOTES TO FINANCIAL STATEMENTS....

	Recorded In Note	Contribution To Operating Profit (Loss) After Tax Dec 1998 ⁽¹⁾ \$m	% Interest	Dec 1998 Book Value \$m	June 1998 Book Value \$m
26. ASSOCIATES					
(a) PT BII Lend Lease Investment Services		*	50%		
(b) PT Simas Lend Lease Life			80%		1.2
(c) Chelverton Properties Limited	11		50%	9.0	9.0
(d) ERE Rosen Real Estate Securities LLC		0.6	50%	7.4	7.9
(e) Kiwi Property Group	11	0.5		17.2	17.1
- Kiwi Income Properties Ltd			50%		
- KDT Development Ltd			50%		
- KDT Management Ltd			50%		
- Kiwi Property Management Ltd			50%		
(f) THI Plc	11	(1.0)	25%	1.4	9.1
(g) Plum Financial Services Limited	11	(1.6)	50%	12.2	4.0
(h) Associates that are included in Note 25					
- Tuas View Development Pte Ltd			35%	1.0	7.1
- Fox Studios Joint Venture				49.1	48.9
FSAM Pty Limited			50%		
FSAT Pty Limited			50%		
Fox Studios Australia Pty Limited			50%		
Fox Studios Australia Trust			50%		
- Vestar/Lend Lease Glendale Fashion Centre, LLC			55%	16.8	17.7
- Vestar/Lend Lease Long Beach Town Centre, LLC			55%	20.7	18.3
(i) Others					
(Australian Water Services Pty Ltd, GELLCO Infrastructure Services Pty Ltd, Mango Hill Marketing Pty Ltd, Mango Hill Real Estate Pty Ltd, Maribyrnong Development Company Pty Ltd, Maryland Development Company Pty Ltd, MVIC Finance 2 Pty Limited, Playbill Venue Management Pty Ltd, Equitable Real Estate Hyperion Capital Advisors LLC, Pacific Development Services Ltd).					

* Entity has not been equity accounted as the investment is carried at nil.

(1) Reflects the contribution to operating profit after tax of equity accounted profits and losses only. Does not include any provision raised against the investment in the associates or guarantee fees, etc.

Reference is made to disclosures of Interest in Associates included in the consolidated financial statements of Lend Lease at 30 June 1998.

The following additional information is reported in respect of significant changes during the half year ended 31 December 1998.

(a) PT BII Lend Lease Investment Services (BIILL)

BIILL has not been equity accounted as the investment is carried at nil.

During the period the \$4.0 million that Lend Lease had invested in BIILL funds were redeemed producing a net gain of approximately \$0.8 million. Lend Lease has approved a small equity investment of \$0.4 million to occur early in 1999.

(b) PT Simas Lend Lease Life (SLLL)

Effective 15 July 1998 Lend Lease increased its interest in SLLL from 50% to 80% at a cost of \$2.8 million and SLLL became a controlled entity from that date.

NOTES TO FINANCIAL STATEMENTS....

26. ASSOCIATES continued

(c) Chelverton Properties Limited (Chelverton)

The adoption of equity accounting at 1 July 1998 for the investment in Chelverton involved an adjustment of \$0.3 to opening retained earnings.

Lend Lease earned guarantee fees of \$3.4 million (December 1997 \$3.0 million) for the guarantee that it provided for a loan taken out by Chelverton.

(d) ERE Rosen Real Estate Securities LLC

No significant change during the period.

(e) Kiwi Property Group

No significant change during the period.

(f) THI Plc

Lend Lease has a 25% interest in THI Plc, which is a developer of leisure centres in the United Kingdom and Europe. The company is incorporated in England and Wales with a balance date of 31 December and Lend Lease's investment comprises a combination of ordinary and convertible preference shares. The adoption of equity accounting at 1 July 1998 for the investment in THI involved a reduction of \$6.6 million to Lend Lease's opening retained earnings. This adjustment reflected a share of losses to 30 June 1998 of \$3.9 million (from the date of the original investment) less an amortisation charge for goodwill on acquisition of \$2.7 million. The goodwill of \$3.9 million is being written off over a 2 year period. Lend Lease's share of the operating loss after tax for the six months to 31 December 1998 of \$1.0 million includes the final amortisation charge for goodwill.

Lend Lease received guarantee fees of \$3.6 million (Dec 1997 \$0.2 million) for the guarantee that it provides for a loan taken out by THI.

(g) Plum Financial Services Limited

Last financial year a joint venture was established between MLC Limited and the Vanguard Group titled Plum Financial Services Limited. Plum has been set up to provide superannuation advice and services to employers and employees that require member investment choice. Lend Lease has a 50% interest in the joint venture through the shareholders fund of MLC Limited. At 31 December 1998 Lend Lease's investment includes a \$8.7 million contribution and a \$5.0 million loan. The share of the loss (\$1.6 million) for the period reflects the costs involved in the early start up phase of the business.

(h) Associated Companies included in Note 25

Note 25 on business undertakings describes Lend Lease's interests in the various business undertakings. Where an associated company is involved in the structure of the undertaking, it is listed in this note for completeness.

(i) Other Associated Companies

The size and impact on the results for the year of the other investments as listed, are not significant separately or in aggregate and therefore no further disclosures have been made.

27. LIFE INSURANCE AND MANAGED FUNDS

The general nature and substance of Life Insurance and Managed Funds is unchanged from those reported in the consolidated financial statements of Lend Lease at 30 June 1998.

NOTES TO FINANCIAL STATEMENTS....

28. INTERNATIONAL CURRENCY MANAGEMENT

FOREIGN CURRENCY RISK

A Foreign Exchange Risk Management Committee manages the Group's foreign currency exposures within the parameters of the currency risk management policy. Speculative trading is not undertaken. The current policy is to actively manage currency risk so as to minimise the impact of this risk and associated costs on the Lend Lease Group's consolidated profit and net asset positions.

When hedging its position, Lend Lease adopts a strategy using both physical instruments and derivative financial instruments.

In regard to derivative financial instruments Lend Lease:

- mainly uses forward foreign exchange contracts
- only uses these instruments for hedging purposes
- does not use these instruments for trading purposes
- has a policy which is reviewed by the Lend Lease Corporation Board covering dealings with counterparties and respective monetary dealing limits
- principally deals with counterparties that are large financial institutions within approved credit limits, and
- does not have any significant exposure to any individual counterparty.

Exchange gains and losses on forward exchange contracts entered into for hedging net assets and profits of foreign operations are accounted for in accordance with Lend Lease's accounting policy for foreign currency (Note 1(q)).

Lend Lease had used forward foreign exchange contracts to hedge a portion of projected profits from foreign operations at 31 December 1998 as follows:

	<i>Portion of Profit Hedged Year Ended 30 June 1999</i>	<i>Portion of Profit Hedged Year Ended 30 June 2000</i>
Foreign Operations		
USA	72%	70%
UK	95%	62%
India	90%	70%

During the period ended 31 December 1998 Lend Lease maintained a fully hedged position in relation to its net asset foreign currency exposure for Singapore Dollars. The net asset exposure to the United States Dollar was hedged to 91% and Great British Pounds to 94%. Assets denominated in Indonesian Rupiah and Thai Baht have not been hedged due to a combination of the high cost of hedging those assets and the reduced exposure the Group now has to these currencies.

29. OTHER RELATED PARTY INFORMATION

The general nature and substance of related party transactions is unchanged from those reported in the consolidated financial statements of Lend Lease at 30 June 1998.

DIRECTORS' DECLARATION

In the opinion of the directors of Lend Lease Corporation Limited:

1. the financial statements and notes set out on pages 1 to 43 are in accordance with the Corporations Law, including:
 - (a) giving a true and fair view of the financial position of the economic entity, comprising the Company and its controlled entities as at 31 December 1998 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
2. there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

Sydney, 11 February 1999

Signed in accordance with a resolution of directors:

S.G. Hornery
Chairman

D.H. Higgins
Managing Director

DIRECTORS REPORT

The Directors present their report together with the financial statements of Lend Lease Corporation Limited ("the Company") and the consolidated financial statements of the economic entity ("Lend Lease") for the six months ended 31 December 1998.

1. DIRECTORS

The name of each person who has been a Director of the Company from 1 July 1998 to the date of this Report are:

S G Hornery, AO, Chair	Director since 1977, appointed Chair 1988
J K Conway, Deputy Chair	Director since 1992, appointed Deputy Chair October 1998
P J Willcox, Deputy Chair	Director since 1994, appointed Deputy Chair October 1998
D H Higgins, Managing Director	Appointed Managing Director 1995
A Aiello	Appointed May 1998
E D Cameron	Director since 1989
Y H Chua, BBM	Director since 1994
D C Clarke	Appointed May 1998
D J Grady	Director since 1994
R A Longes	Director since 1986
R G Mueller, CBE	Director since 1996
D N Sanders, AO, CB	Director since 1992
R E Tsenin	Director since 1997
W A H Webster	Director since 1987

2. REVIEW OF OPERATIONS AND CONSOLIDATED RESULTS

Review of operations is included in Management's Discussion and Analysis of Financial Condition and Results of Operations included with the consolidated financial statements.

For the six months to 31 December 1998, Lend Lease earned an operating profit after tax of \$206.1 million, an increase of 13.6% compared to the profit of the six months ended 31 December 1997 of \$181.5 million.

An increased interim dividend of \$146.2 million (December 1997 \$133.1 million) fully franked at the rate of 36% has been resolved by the Directors. This represents a dividend payout ratio of 70.9% (December 1997 73.3%). The interim dividend of 29 cents per share (December 1997 26.5 cents per share adjusted for 1:1 bonus share issue) will be paid on 17 March 1999 (prior year 18 March 1998).

3. ROUNDING OFF

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

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

Sydney, 11 February 1999.

S G HORNERY, AO
Chair

D H HIGGINS
Managing Director