

Lend Lease Corporation Limited

Half Year Consolidated Financial Report 31 December 2002

Consolidated Financial Statements

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Consolidated Financial Statements

Statement of Financial Performance Half Year Ended 31 December 2002

			December 2002 6 months A\$m	Consolidated December 2001 6 months A\$m	June 2002 12 months A\$m
Revenue from Ordinary Activities					
Revenue from the sale of development properties	3(a)		82.2	670.2	818.8
Revenue from the provision of services	3(b)		5,086.8	5,349.2	11,220.9
Other revenues from ordinary operating activities	3(c)		142.9	226.3	438.3
Total revenue from ordinary activities			5,311.9	6,245.7	12,478.0
Expenses from Ordinary Activities					
Integrated property development activities			(356.7)	(638.7)	(806.6)
Project and construction management activities			(4,392.2)	(4,855.6)	(10,269.8)
Real estate equity and debt management activities					
Recurring expenses			(352.0)	(413.6)	(866.7)
Write-down REI US businesses	4		(447.4)		
Investment activities				(22.6)	(22.4)
Administration expenses			(37.7)	(76.5)	(73.6)
Borrowing costs			(37.5)	(43.0)	(81.8)
Total expenses from ordinary activities			(5,623.5)	(6,050.0)	(12,120.9)
Share of net profit of associates accounted for using the equity method	32		11.6	17.7	29.8
Share of net profit of joint venture entities using the equity method	33		11.1	5.2	4.2
(Loss)/profit before tax from ordinary activities			(288.9)	218.6	391.1
Income tax expense relating to ordinary activities	5(a)		(82.8)	(80.3)	(152.3)
(Loss)/profit after tax from ordinary activities			(371.7)	138.3	238.8
Ordinary loss/(profit) after tax attributable to outside equity interests			2.3	(11.9)	(12.5)
Net (loss)/profit attributable to members of Lend Lease Corporation Limited			(369.4)	126.4	226.3
Non owner transaction changes in equity					
Increase/(decrease) in Foreign Currency Translation Reserve	23		34.4	0.7	(60.9)
Increase/(decrease) in retained profits on initial adoption of:					
Revised AASB 1028 "Employee Benefits"	24		(1.1)		
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	24		39.1		
Total changes in equity from non owner related transactions attributable to the members of Lend Lease Corporation Limited			(297.0)	127.1	165.4
Dividend per share⁽¹⁾	(cents)	6	10.0	9.0	18.0
Basic earnings per share	(cents)	6	(84.9)	29.4	52.4
Diluted earnings per share	(cents)	6	(84.9)	29.4	52.4
Dividend payout ratio – excluding expenses relating to write-down of REI US businesses ⁽²⁾	(%)		38.5	30.7	34.4
Basic earnings per share – excluding expenses relating to write-down of REI US businesses ⁽²⁾	(cents)	6	26.0	29.4	52.4
Diluted earnings per share – excluding expenses relating to write-down of REI US businesses ⁽²⁾	(cents)	6	26.0	29.4	52.4

(1) December 2002 represents the interim dividend declared since 31 December 2002 but not brought to account for the period ended 31 December 2002 as a result of the change in accounting policy for providing for dividends on adoption of AASB 1044 "Provisions, Contingent Liabilities & Contingent Assets".

(2) The alternative dividend payout ratio, and basic and diluted earnings per share amounts have been calculated excluding the impact of the write-down as at 31 December 2002 of the REI US businesses.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements

Statement of Financial Position

As at 31 December 2002

	Note	Consolidated	
		December 2002 A\$m	June 2002 A\$m
Current Assets			
Cash and cash equivalents	7	988.0	904.1
Receivables	8	1,844.7	2,177.4
Inventories	9	401.8	392.3
Other investments	11	270.3	350.7
Other assets	16	160.4	190.3
Total current assets		3,665.2	4,014.8
Non Current Assets			
Receivables	8	120.6	75.6
Inventories	9	886.2	791.4
Equity accounted investments	10	129.3	166.1
Other investments	11	1,076.4	922.0
Future income tax benefit	5(d)	403.9	388.1
Property, plant and equipment	12	124.7	128.7
Goodwill	13	853.4	1,043.9
Management agreements	14	662.2	881.1
Other intangibles	15	62.5	58.9
Other assets	16	87.1	116.3
Total non current assets		4,406.3	4,572.1
Total assets		8,071.5	8,586.9
Current Liabilities			
Creditors	17	2,600.1	2,799.5
Current tax liabilities	5(b)	64.7	10.8
Provisions	19	236.7	318.3
Other interest bearing liabilities	20	22.8	31.2
Other non interest bearing liabilities	21	100.9	85.1
Total current liabilities		3,025.2	3,244.9
Non Current Liabilities			
Creditors	17	20.7	6.8
Borrowings	18	938.6	938.6
Provisions	19	116.8	107.7
Provision for deferred income tax	5(c)	207.5	193.1
Other interest bearing liabilities	20	273.2	267.7
Other non interest bearing liabilities	21	66.1	76.0
Total non current liabilities		1,622.9	1,589.9
Total liabilities		4,648.1	4,834.8
Net Assets		3,423.4	3,752.1
Equity			
Contributed equity	22	805.8	797.7
Reserves	23	85.9	51.5
Retained profits	24	2,529.4	2,899.1
Total parent equity interest		3,421.1	3,748.3
Outside equity interests in controlled entities	25	2.3	3.8
Total Equity	26	3,423.4	3,752.1

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements

Statement of Cash Flows Half Year Ended 31 December 2002

		December 2002 6 months A\$m	Consolidated December 2001 6 months A\$m	June 2002 12 months A\$m
	Note			
Cash Flows from Operating Activities				
Cash receipts in the course of operations		5,511.9	5,483.6	11,982.7
Cash payments in the course of operations		(5,387.5)	(5,454.5)	(11,808.9)
Integrated property development receipts	29(b)	229.9	796.8	1,165.6
Integrated property development expenditure	29(b)	(156.9)	(453.2)	(647.1)
Interest received		22.9	23.1	31.1
Dividends received		41.0	17.6	37.4
Distributions from partnerships received	29(b)	5.5	11.7	22.0
Income tax paid in respect of operations		(39.7)	(89.9)	(142.0)
Interest paid		(36.1)	(51.0)	(83.4)
Net cash provided by operating activities	29(a)	191.0	284.2	557.4
Cash Flows from Investing Activities				
Proceeds from sale/redemption of investments	29(b)	647.5	81.7	126.7
Purchases of investments	29(b)	(642.5)	(300.3)	(361.5)
Repayment of (loans to)/loans from (associates/related parties)	29(b)	(45.8)	19.4	34.0
Proceeds from sale of controlled entities	29(d)		5.7	5.7
Payment for acquisition of controlled entities	29(c)	(38.2)	(173.9)	(173.9)
Proceeds from sale of property, plant and equipment		0.2	0.2	3.1
Purchases of property, plant and equipment		(13.4)	(20.4)	(32.7)
Purchases of management agreements			(8.4)	(21.7)
Proceeds from sale of management agreements and goodwill				7.0
Net cash used in investing activities		(92.2)	(396.0)	(413.3)
Cash Flows from Financing Activities				
Proceeds from borrowings	29(b)	633.0	306.4	1,936.9
Repayment of borrowings	29(b)	(633.0)	(543.5)	(2,180.5)
Net proceeds from share issues	22	8.1	13.7	32.7
Dividends paid		(38.3)	(34.5)	(73.3)
Return of capital to outside equity interest			(11.3)	(37.2)
Net cash used in financing activities		(30.2)	(269.2)	(321.4)
Other Cash Flow Items				
Effect of exchange rate changes on cash and cash equivalents		7.4	3.8	(26.8)
Cash balances in controlled entities acquired		7.9	1.3	1.3
Cash balances in controlled entities sold			(9.3)	(11.7)
Net increase/(decrease) from other items		15.3	(4.2)	(37.2)
Net increase/(decrease) in cash and cash equivalents		83.9	(385.2)	(214.5)
Cash and cash equivalents at the beginning of the financial period		904.1	1,118.6	1,118.6
Cash and cash equivalents at the end of the financial period	7	988.0	733.4	904.1

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

(a) Basis of Preparation

The Half Year Financial Report is a general purpose financial report, which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Half Year Financial Report is to be read in conjunction with the 30 June 2002 Annual Consolidated Financial Report and any public announcements by Lend Lease Corporation Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001. The Financial Statements have been prepared under the historical cost convention and, except where stated, does not take into account changing values or fair values of non current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous financial period, except where otherwise noted.

The Half Year Financial Report does not include full note disclosures of the type normally included in an annual financial report. In addition, the financial reports of Lend Lease Corporation Limited, the holding company, have not been disclosed.

Basis of Consolidation

The Lend Lease Group (Lend Lease) consolidation comprises all entities controlled by Lend Lease Corporation Limited (Lend Lease Corporation).

Where an entity either began or ceased to be controlled during the financial period, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the Consolidated Financial Statements, have been eliminated.

Outside interests in the equity and results of the entities that are controlled by Lend Lease are shown as a separate item in the Consolidated Financial Statements.

(b) Revenue

Revenue from the Sale of Development Properties represents:

- for residential land sales, upon settlement of contract;
- for non residential land sales, upon exchange of contract where all the conditions under the sales contract have been met or are reasonably likely to be met; and
- for residential and non residential built-form property development sales, upon exchange of sales contracts when all conditions under the sales contract have been met or are reasonably likely to be met, in accordance with the proportion of the development completed, provided construction work in progress is more than 50% complete.

Revenue from the Provision of Services represents:

- for property construction, the value of work performed using the percentage complete method, which is measured by reference to actual costs to date as a percentage of total forecast costs for each contract; and
- for property and funds management, capital services and property development, management fee entitlement for services rendered.

Dividends

Dividends are recognised when declared.

Rental Income

Rental income is recognised on an accruals basis.

Proceeds on Sale of Investments

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

(c) 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 residential land sales, upon settlement of contract;
- for non residential land sales, upon exchange of contract where all the conditions under the sales contract have been met or are reasonably likely to be met; and
- for residential and non residential built-form property development sales, upon exchange of sales contracts when all conditions under the sales contract have been met or are reasonably likely to be met, in accordance with the proportion on the development is completed, provided construction work in progress is more than 50% complete. Where a loss on a contract is foreseeable, the full loss is recognised in the current period.

(d) Income Tax

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 Statement of Financial Position 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.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

continued

(e) Recoverable Amount of Non Current Assets Valued on a Cost Basis

The carrying amount of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts of non current assets, the relevant net cash flows have been discounted to their present value, except where specifically stated.

(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 Statement of Financial Position at over A\$100.0 million and for assets carried in the Statement of Financial Position at over A\$20.0 million where the last independent valuation was less than 10% higher than Statement of Financial Position value; for other assets carried in the Statement of Financial Position between A\$20.0 million and A\$100.0 million at least bi-annually; and for other assets at least once every 3 years.

The independent valuers determine the recoverable amount of each asset using valuation methodologies appropriate to the particular nature and circumstances of each asset or class of assets. Such methodologies, where appropriate, include discounting the expected net cash flows to their present value.

(g) Associates

Associates are those entities over which the economic entity exercises significant influence, but not control. Investments in associates are accounted for 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 in reserves. These amounts are recognised in the Group's Statement of Financial Performance and consolidated reserves respectively.

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

(h) Partnerships

Interests in partnerships are accounted for using the equity method. Interests in partnerships are carried at the lower of the equity accounted carrying amount and recoverable amount. The equity accounted carrying amount is the historical cost plus Lend Lease's share of the partnership's result less any drawings or distributions made to Lend Lease. Lend Lease's share of the partnership's result is included in the Statement of Financial Performance for the period.

(i) Joint Venture Entities

A joint venture entity is an entity which has a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Investments in joint venture entities are accounted for using the equity method. Investments in joint venture entities are carried at the lower of the equity accounted carrying amount and recoverable amount.

Lend Lease's share of joint venture entities' net profit or loss after tax is recognised in the Statement of Financial Performance for the period. Other movements in joint venture entities' reserves are recognised directly in consolidated reserves.

(j) Joint Venture Operations

A joint venture operation is a joint venture that is not in the form of an entity. Lend Lease's interest in an unincorporated joint venture is brought to account by including its interest in the following amounts in the appropriate categories in the Statements of Financial Position and Financial Performance:

- each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable;
- expenses incurred in relation to the joint venture; and
- revenue earned in relation to the joint venture.

(k) Receivables

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. Specific provisions are made for doubtful accounts.

(l) Pre-Contract and Project Bidding Costs

Lend Lease expenses all pre-contract and project bidding costs unless there is a high degree of certainty that a contract will be entered into (at least sole or preferred bidder status) and the costs will be fully recoverable from contract revenues. Costs previously expensed are not subsequently reinstated when a contract award is achieved.

(m) Inventories

Property Held for Sale

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

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

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

continued

(n) Property, Plant and Equipment

Land, buildings and leasehold improvements are carried at the lower of cost or recoverable amount.

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. The straight-line method of depreciation/amortisation is used.

The carrying amount of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the financial period in which it occurs.

(o) IT Software Systems

Direct costs incurred in the development of major IT Systems are capitalised on the Statement of Financial Position. A major IT Software System is one that has a total cost in excess of A\$10.0 million and that will provide demonstrable ongoing benefits to Lend Lease.

IT Systems are amortised on a straight-line basis over a period not exceeding 5 years. The carrying amount is reviewed to determine whether it is in excess of recoverable amount (refer Note 1(e)).

(p) Management Agreements

Management agreements are held at lower of cost or recoverable amount. These agreements are independently valued annually in accordance with the Lend Lease policy using discount rates and methodologies appropriate to the particular management agreement. Management agreements are amortised over their estimated useful lives, assessed to be no more than 50 years.

(q) 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 to which the benefits are expected to arise, 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 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 Statement of Financial Performance.

(r) 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.

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on remuneration wage and salary rates that Lend Lease expects to pay as at each reporting date including related on-costs.

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date. Consideration is given to expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history.

(s) 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.

(t) Borrowings

Borrowings are carried on the Statement of Financial Position at the sum of the drawn principal and accrued interest, which is accrued at the contracted rate.

(u) Foreign Currency

Lend Lease's international currency management strategy and policy is detailed in Note 30.

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 reporting 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 retained earnings 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 reporting date and the resulting foreign currency gains and losses are taken to the Statement of Financial Performance in the financial period in which they arise.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

continued

(u) Foreign Currency continued

Forward foreign exchange contracts are entered into to cover the anticipated excess of revenue less expenses within foreign operations (refer Note 30). These foreign exchange contracts are converted at the ruling rates of exchange at balance date. The resulting foreign exchange gains and losses are taken to the Statement of Financial Performance for hedge contracts that relate to the current financial period, or held on the Statement of Financial Position as an asset or liability for hedge contracts that relate to future financial periods, provided that sufficient excess of revenue over expenses are anticipated to be made by the foreign operations. The effect is to record revenue after expenses from foreign operations at the hedged exchange rate.

(v) Derivatives

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

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

Interest payments and receipts under interest rate swap contracts are recognised on an accruals basis in the Statement of Financial Performance as an adjustment to interest expense during the financial period, or capitalised within inventories when incurred in relation to property acquired for development and sale (refer Note 1(m)).

Group policy permits the purchase and sale of options. Purchased options are treated as effective hedges. Sold options are not treated as effective hedges for accounting purposes and therefore these options are immediately recognised on the Statement of Financial Position. Changes in the value of such options are recognised in the Statement of Financial Performance. As at 31 December 2002, there were no such options outstanding. The same treatment is given to any other form of derivative transaction entered into which is not classified as an effective hedge. As 31 December 2002, there were no such derivatives outstanding.

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

(w) Provisions

Provisions are raised to recognise future obligations as a result of a past event where it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

Where the carrying amount of a non current asset is determined to be in excess of its recoverable amount at balance date, then a provision against this asset is raised.

Provisions for dividends payable are recognised in the reporting period in which they are declared.

(x) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

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

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

(y) Earnings Per Share

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

(z) Employee Share Plans

Lend Lease employee share plans are funded by Lend Lease contributions at the rate of:

- up to 7.5% of each individual employee's annual salary; and
- employee profit share calculated at the rate of up to 7.5% of profit before tax in accordance with a Profit Sharing Deed.

These contributions are expensed by the Company in the Statement of Financial Performance. The Lend Lease employee share plans utilise these contributions for on-market purchases of shares in Lend Lease Corporation. Shares acquired by the Lend Lease employee share plans are allocated to individual employees in accordance with their salary and profit share entitlements.

In addition, an annual allotment of 0.5% of the issued capital of Lend Lease Corporation is granted to various employee share plans for allocation to employees based on individual and departmental performance. These shares are issued to the plans at 50 cents per share and this amount is expensed in the Statement of Financial Performance at issue date. These shares may be allocated to individual employees either during the current financial period or future financial periods.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

continued

(aa) Change in Accounting Policy

Employee Benefits

Lend Lease has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 July 2002.

The liability for wages and salaries, annual leave, sick leave and long service leave is now calculated using the remuneration rates Lend Lease expects to pay as at each reporting date, not wage and salary rates current at reporting date.

The initial adjustments to the Lend Lease Consolidated Financial Report as at 1 July 2002 as a result of this change are A\$1.5 million increase in provision for employee benefits, A\$1.1 million decrease in opening retained profits and A\$0.4 million increase in future income tax benefit. As a result of this change in accounting policy, employee benefits expense increased by A\$0.3 million and income tax expense decreased by A\$0.1 million for the reporting period to 31 December 2002.

Had the revised accounting policy always been applied in the previous financial period, the financial impact of the change in policy as at 1 July 2001 would have been a A\$1.3 million increase in provision for employee benefits, A\$0.9 million decrease in opening retained profits and A\$0.4 million increase in future income tax benefit. Employee benefits would have increased by A\$0.3 million and income tax expense decreased by A\$0.1 million in the reporting period to 31 December 2001.

Provisions, Contingent Liabilities and Contingent Assets

Lend Lease has applied the new AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial period to which they related, even though the dividends were announced after the end of that financial period.

The adjustments to the Consolidated Financial Report as at 1 July 2002 as a result of this change is a A\$39.1 million increase in opening retained profits and a A\$39.1 million decrease in provision for dividends. There was no impact on profit or loss for the reporting period to 31 December 2002.

Had the revised accounting policy always been applied in the previous financial period, the financial impact of the change in policy as at 1 July 2001 would have been a A\$38.8 million increase in opening retained profits and A\$38.8 million decrease in provision for dividends. There would have been no impact on profit or loss for the reporting period to 31 December 2001.

Notes to the Consolidated Financial Statements

2. Segment Reporting

The segment results are discussed and analysed in the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) included within this report.

Business Segment Summary

	Segment Revenue ⁽¹⁾⁽²⁾			Other Unallocated Revenue ⁽¹⁾			Group Operating Revenue			Segment Result ⁽¹⁾⁽²⁾⁽³⁾			Share of Net Profit/(Loss) of Equity Accounted Investments			Other Unallocated Revenues & Expenses ⁽¹⁾⁽³⁾			Group Operating (Loss)/Profit Before Tax			Group Operating (Loss)/Profit After Tax from Ordinary Activities ⁽⁴⁾			Group Operating (Loss)/Profit After Tax					
	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m	6 mths	Dec 2002	A\$m			
	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002	Dec 2002			
Project and Construction Management ⁽⁵⁾	4,465.6	4,912.2		22.7			4,465.6	4,934.9		95.3	76.6	1.7	2.2	(1.4)	2.6	81.4	59.7	52.9	48.8											
Integrated Property Development ⁽⁶⁾	285.4	687.5		42.5			327.9	687.5	(36.2)	32.0	8.7	10.0	8.7	18.3	16.8	(7.9)	(3.5)	41.8	(0.6)	34.5										
Total Real Estate Solutions	4,751.0	5,599.7		42.5			4,793.5	5,622.4		59.1	108.6	11.7	10.9	16.9	19.4	87.7	56.2	94.7	83.3											
REI – Equity	281.3	293.8		0.6			281.9	322.9	(243.3)	81.5	8.0	1.8	8.0	0.6		(240.9)	(296.3)	65.2	(296.6)	64.7										
REI – Debt	187.6	199.6					187.6	199.6	(102.5)	27.4	4.0	9.2	4.0			(93.3)	(99.8)	22.0	(100.1)	22.0										
Total Real Estate Investments	468.9	493.4		0.6			469.5	522.5		108.9	12.0	11.0	12.0	0.6	-	(334.2)	(396.1)	87.2	(396.7)	86.7										
Total Core Real Estate	5,219.9	6,093.1		43.1			5,263.0	6,144.9		217.5	22.9	22.7	22.9	17.5	19.4	(246.5)	(339.9)	181.9	(337.6)	170.0										
Non Core Businesses/One-Off Items																														
Capital Services	3.2			14.9			14.9	3.2	9.0	1.2				(0.6)		8.4	4.8	0.9	4.8	0.9										
IT+I and eBusiness																														
Investments	5.3	6.3					5.3	10.4	5.3	6.3						5.3	3.8	8.5	3.8	8.5										
Equity Investments		61.9						61.9	39.3	39.3								28.2	28.2	28.2										
Total Non Core Businesses	5.3	71.4		14.9			20.2	75.5		14.3	46.8	-	-	(0.6)	4.1	13.7	8.6	37.6	8.6	37.6										
Total Segment	5,225.2	6,164.5																												
Unallocated Corporate				28.7	25.3																									
Total Group				86.7	81.2																									

(1) AASB 1005 "Segment Reporting" does not permit certain items of revenue and expenses to be attributed to particular segments for the purposes of determining segment revenues and segment results. These include corporate expenses, interest and dividend revenue, proceeds on the sale of investments (unless the segment's operations are primarily of a financial nature) and income tax expenses.

(2) Segment revenues, expenses and results include inter-segment transfers between business segments of A\$1.1 million. Inter-segment transfers are priced on an arm's length basis.

(3) Segment results include amortisation, of which A\$44.2 million has been reclassified to Unallocated Corporate for MD&A purposes.

(4) Represents the Group net (loss)/profit before Outside Equity Interest.

(5) Private Finance Initiatives (PFIs), Actus Lend Lease and Integrated Development Consulting which were previously disclosed in the prior period as part of Project and Construction Management are now included in Integrated Property Development. This is in line with REI's revised management structure, as previously advised in the June 2002 MD&A. Had the revised management structure been applied in the previous financial period, the effects of the change would be a reduction to Project and Construction Management segment revenue of A\$136.5 million, group operating revenue of A\$113.8 million, and an increase in segment profit after tax of A\$0.5 million, offset by the increase to Integrated Property Development revenue and results respectively.

Notes to the Consolidated Financial Statements

2. Segment Reporting continued

Business Segment Summary continued

	Depreciation & Amortisation ⁽²⁾		Non Cash Expenses other than Depreciation & Amortisation ⁽³⁾		Segment Assets ⁽¹⁾		Equity Accounted Investments		Unallocated Corporate Assets ⁽¹⁾		Total Group Assets		Acquisition of Non Current Assets ⁽⁴⁾		Segment Liabilities ⁽¹⁾		Unallocated Corporate Liabilities ⁽¹⁾		Total Group Liabilities	
	6 mths	6 mths	6 mths	6 mths	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002	As at Dec 2002	As at June 2002
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Project & Construction Management ⁽⁵⁾	29.4	31.5	8.4	31.4	2,887.1	3,404.7	0.7	4.8	55.5	52.8	2,943.3	3,462.3	6.6	26.1	2,305.8	2,678.6	30.2	19.2	2,336.0	2,697.8
Integrated Property Development ⁽⁶⁾	3.6	3.1	12.7	1.7	618.5	481.3	102.4	124.3	30.3	30.1	751.2	635.7	0.9	78.3	620.6	203.6	40.8	16.7	661.4	220.3
Total Real Estate Solutions	33.0	34.6	21.1	33.1	3,505.6	3,886.0	103.1	129.1	85.8	82.9	3,694.5	4,098.0	7.5	104.4	2,926.4	2,882.2	71.0	35.9	2,997.4	2,918.1
REI – Equity	19.7	22.3	334.6	28.7	2,662.6	2,851.6	7.7	13.5	208.6	212.0	2,878.9	3,077.1	35.3	29.0	329.7	566.4	1,043.9	1,035.1	1,373.6	1,601.5
REI – Debt	6.9	11.1	114.0	5.9	762.5	754.1	18.5	23.5	5.7	4.1	786.7	781.7	0.8	27.2	110.2	127.7	2.1	1.8	112.3	129.5
Total Real Estate Investments	26.6	33.4	448.6	34.6	3,425.1	3,605.7	26.2	37.0	214.3	216.1	3,665.6	3,858.8	36.1	56.2	439.9	694.1	1,046.0	1,036.9	1,485.9	1,731.0
Total Core Real Estate Non Core Businesses/One-Off Items	59.6	68.0	469.7	67.7	6,930.7	7,491.7	129.3	166.1	300.1	299.0	7,360.1	7,956.8	43.6	160.6	3,366.3	3,576.3	1,117.0	1,072.8	4,483.3	4,649.1
Capital Services			(6.6)	1.9	29.2	0.3	14.1	8.0	22.4	37.2	36.8	0.2	5.1	45.3	5.8	2.2	10.9	47.5		
IT+I and eBusiness Investments					58.9	58.9			14.6	58.9	73.5									
Equity Investments																				
Total Non Core Businesses	-	-	(6.6)	1.9	88.1	59.2	-	14.1	8.0	37.0	96.1	110.3	0.2	-	5.1	45.3	5.8	12.9	10.9	58.2
Total Segment	59.6	68.0	463.1	69.6	7,018.8	7,550.9	129.3	180.2	615.3	519.7	615.3	519.8	43.8	160.6	3,371.4	3,621.6	153.9	127.5	153.9	127.5
Unallocated Corporate																				
Total Group									923.4	855.7	8,071.5	8,586.9					1,276.7	1,213.2	4,648.1	4,834.8

(1) AASB 1005 "Segment Reporting" does not permit certain assets and liabilities to be attributed to particular segments for the purposes of determining segment assets and segment liabilities. These include income tax assets and liabilities, borrowings and liabilities related to assets that are the subject of finance lease liabilities.

(2) Represents segment amortisation and depreciation.

(3) Non cash expense represents those non cash items included in the reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities (refer Note 29).

(4) The acquisition of segment assets that are expected to be used during more than one year. These assets represent capital expenditure and include assets acquired under finance leases but exclude investments.

(5) Private Finance Initiatives (PFIs), Actus Lend Lease and Integrated Development Consulting which were previously disclosed in the prior period as part of Project & Construction Management are now included in Integrated Property Development.

This is in line with RES' revised management structure as previously advised in the June 2002 MD&A. Had the revised management structure been applied in the previous financial period, the effects of the change would be a reduction to Project and Construction Management assets of A\$71.0 million, and liabilities of A\$44.0 million offset by the increase to Integrated Property Development assets and liabilities respectively.

Notes to the Consolidated Financial Statements

2. Segment Reporting continued

Geographical Segment Summary

	Segment Revenue		Group Operating Revenue		Group (Loss)/Profit Before Tax		Group Operating (Loss)/Profit After Tax		Segment Assets		Acquisition of Non Current Assets	
	6 mths December 2002	6 mths December 2001	6 mths December 2002	6 mths December 2001	6 mths December 2002	6 mths December 2001	6 mths December 2002	6 mths December 2001	As at December 2002	As at June 2002	As at December 2002	As at June 2002
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Australia and Pacific	657.2	921.1	704.5	927.4	80.0	132.8	63.9	93.5	776.6	844.0	1.4	99.6
North America	3,072.8	3,315.2	3,090.7	3,315.2	(369.0)	98.4	(421.4)	65.3	3,725.3	4,403.6	40.5	53.0
Asia	201.7	193.3	204.4	193.3	5.9	8.1	1.4	3.5	385.5	454.7	0.3	1.1
Europe	1,293.5	1,734.9	1,289.6	1,784.5	53.2	71.4	37.4	45.3	2,131.4	1,848.6	1.6	6.9
Total Segment	5,225.2	6,164.5	5,311.9	6,245.7	(288.9)	218.6	(369.4)	126.4	7,018.8	7,550.9	43.8	160.6
Unallocated Corporate			22.7	25.3	(59.0)	(92.1)	(50.7)	(81.2)				
Total Group			5,311.9	6,245.7	(288.9)	218.6	(369.4)	126.4				

Business Segments

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

Real Estate Solutions

The Group's Real Estate Solutions business encompasses two major business activities as follows:

Project and Construction Management

Real estate project management, construction management and engineering.

Integrated Property Development

All aspects of property development from concept through design, planning, construction, financing and leasing to eventual sale. In addition this business segment is responsible for the creation and management of Private Finance Initiatives (PFI's) including Build Operate Transfer (BOT) projects.

Real Estate Investments

Real Estate Investments – Equity

Management of real estate investment funds on behalf of clients, co-investment in funds, portfolio management, the leasing, management and redevelopment of shopping centres and acting as financial advisor and arranger of project finance and related services.

Real Estate Investments – Debt

Management of real estate associated debt comprising: co-investment real estate assets, origination and servicing of commercial mortgages and mezzanine loans, resolution of sub-performing and non-performing commercial mortgages.

Capital Services

The principal activities of Capital Services are as investor in infrastructure assets and asset fund managers, and investor in UK real estate development companies. This business is focussed on maximising the value of its existing investments and is not pursuing any new investments.

Notes to the Consolidated Financial Statements

2. Segment Reporting continued

Business Segments continued

IT+T and eBusiness Investments

Investments in information technology and telecommunication (IT+T) services companies and various eBusiness ventures.

Equity Investments

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

Unallocated Business Segments

Corporate

Group Treasury, amortisation and corporate administration services. All financing costs that are not directly related to real estate development projects or investments are reported in unallocated corporate.

Geographical Segments

The Group's businesses operate on a global basis; segment revenue is based on the geographical location of customers; and segment assets are based on the geographical location of the assets. The Group's business segments operate geographically as follows:

Australia and Pacific

Real estate project management; construction management and engineering; property development; real estate equity investment management, investor in infrastructure assets and asset fund managers; investments in technology and telecommunications services companies and holder of investments in strategic companies.

North America

Real estate project management; construction management and engineering; property development; real estate equity and debt investment management; and investments in technology and telecommunications services companies.

Asia

Real estate project management; construction and engineering; property development; real estate equity and debt investment management.

Europe

Real estate project management; construction management and engineering; property development; real estate equity investment management; investor in infrastructure assets and asset fund managers.

3. Revenue

Revenue from sale of development properties
Revenue from the provision of services
Other revenue from ordinary operating activities

Total revenue

Total comprising:

(a) Revenue from the Sale of Development Properties

Touchwood, Solihull
Olympic Village/Newington, Sydney
Overgate Centre, Dundee
Admiralty Industrial Park, Singapore
Urban Communities projects

	December 2002 A\$m	Consolidated December 2001 A\$m	June 2002 A\$m
	82.2	670.2	818.8
	5,086.8	5,349.2	11,220.9
	142.9	226.3	438.3
Total revenue	5,311.9	6,245.7	12,478.0
	4.0	439.1	481.9
		147.6	156.3
		13.5	13.1
	0.6	8.9	10.4
	77.6	61.1	157.1
	82.2	670.2	818.8

Notes to the Consolidated Financial Statements

	December 2002 A\$m	Consolidated December 2001 A\$m	June 2002 A\$m
3. Revenue continued			
(b) Revenue from the Provision of Services			
Real Estate Solutions			
Project and construction management	4,601.3	4,910.1	10,379.3
Integrated property development	18.7	12.7	49.1
	4,620.0	4,922.8	10,428.4
Real Estate Investments			
Property and funds management	465.3	424.4	788.0
Other	1.5	2.0	4.5
Total revenue from the provision of services	5,086.8	5,349.2	11,220.9
(c) Other Revenues from Ordinary Operating Activities			
Dividends Received			
Other related parties	0.9	4.2	0.3
Other corporations	3.5	3.6	30.8
	4.4	7.8	31.1
Rental Income			
Bluewater, Kent	26.0	24.5	48.3
Overgate, Dundee		5.3	5.6
Other	1.1	2.6	0.5
	27.1	32.4	54.4
Interest Received			
Other related parties	1.5	0.9	0.8
Other corporations	21.4	18.7	30.3
	22.9	19.6	31.1
Proceeds on Sale of Investments			
North Lakes (Urban Community)	42.5		
Chelverton Group Limited	10.3		
Lend Lease Chelverton International	3.7		
Westpac Banking Corporation		61.9	61.9
Bovis Thames Shanghai Limited (Da Chang)		22.7	22.7
Lend Lease Porto Retail (Arrábida)		21.2	21.2
Larry Smith, Italy		5.7	5.7
Morrison's		1.6	1.6
Lend Lease Real Estate Partners I		0.6	0.6
Kiwi Property Group			20.5
Lend Lease European Mutual Fund			20.3
Calderdale			13.2
CoolSavings, Inc			1.6
Larry Smith, Switzerland			0.1
Other	1.9		3.1
	58.4	113.7	172.5
Share of Partnerships' Result			
King of Prussia	13.4	11.7	27.3
Lend Lease Overgate Partnership	3.0		6.1
Lend Lease Retail Partnership	1.9	1.2	3.1
YCP II	(8.8)	2.1	3.3
Other		0.6	
	9.5	15.6	39.8
Other Revenue			
Guarantee fees			11.5
Distributions received	2.7	13.6	13.0
Other	17.9	23.6	84.9
	20.6	37.2	109.4
Total other revenues from ordinary activities	142.9	226.3	438.3

A more detailed analysis of revenue is included within Management's Discussion and Analysis of Financial Condition and Results of Operations.

Notes to the Consolidated Financial Statements

	December 2002 A\$m	Consolidated December 2001 A\$m	June 2002 A\$m
4. Ordinary (Loss)/Profit Items			
(Loss)/profit from ordinary activities before income tax is arrived at after including:			
Depreciation and Amortisation			
Depreciation of IT systems	6.8	7.2	13.2
Depreciation of property, plant and equipment and leasehold improvements	19.7	19.7	40.8
Less: Capitalised depreciation	(0.2)	(0.1)	(0.1)
Amortisation of goodwill	35.4	35.3	70.5
Amortisation of management agreements	9.8	10.2	20.4
Amortisation of other intangibles	4.5	3.5	6.6
	76.0	75.8	151.4
Borrowing Costs			
Non interest borrowing costs	3.3	2.3	6.3
Interest borrowing costs			
Related entities			1.2
Other corporations	35.5	43.3	76.9
Less: Capitalised interest borrowing costs	(1.3)	(2.6)	(2.6)
	34.2	40.7	75.5
Total borrowing costs	37.5	43.0	81.8
Loss on sale of property, plant and equipment	1.4		0.8
(Profit) on Sale of Investments			
North Lakes (Urban Community)	(16.0)		
Westpac Banking Corporation		(39.6)	(39.6)
Lend Lease Porto Retail (Arrábida)		(13.2)	(13.2)
Larry Smith, Italy		(3.6)	(2.6)
Bovis Thames Shanghai Limited (Da Chang)		(2.6)	(2.6)
Lend Lease European Mutual Fund			(1.8)
CoolSavings, Inc			(1.6)
Calderdale			(10.9)
Kiwi Property Group			(4.6)
Other	(1.7)		(1.0)
	(17.7)	(59.0)	(77.9)
Net foreign exchange (gain)/loss	(8.1)	1.8	2.5
Net bad and doubtful debts expense including write-back of provision for doubtful debts	(6.1)	1.7	0.7
Net provisions raised/(written back)			
Diminution in value of property inventories	14.2	2.2	(11.0)
Diminution in value of investments	(1.5)	6.1	(24.8)
Employee benefits	16.6	19.2	16.2
Construction risks	4.4	3.4	(4.3)
Restructuring provisions			(6.4)
Other provisions	9.7	6.6	42.7
	43.4	37.5	12.4
Operating lease rental expense	32.7	46.2	73.1
Finance lease expense	0.5	2.0	2.1
Individually significant expenses included in (loss)/profit from ordinary activities before income tax expense:			
Write-down of REI US businesses			
Goodwill (refer Note 13)	199.1		
Management agreements (refer Note 14)	223.7		
IT systems (refer Note 16)	24.6		
	447.4	-	-

Notes to the Consolidated Financial Statements

4. Ordinary (Loss)/Profit Items continued

The capitalised interest borrowing costs relates to Olympic Village. The interest borrowing costs other corporations (A\$35.5 million) mainly relates to the guaranteed notes.

The net foreign exchange gain of A\$8.1 million (December 2001 A\$1.8 million loss) comprises three elements. Firstly, during the financial period a portion of revenue after expenses derived from US and European operations were hedged resulting in a foreign exchange loss of A\$2.7 million. Profits on the foreign operations are decreased by these losses on the hedges which resulted in foreign profits emerging at the hedged rate. Secondly, the net foreign exchange loss on transactions was A\$2.7 million (December 2001 net loss of A\$0.4 million). Thirdly, during the financial period, a net hedging benefit of A\$13.5 million arose (December 2001 A\$9.1 million) due to a favourable increase in interest rate differentials between the US and Australia.

5. Taxation

(a) Income Tax Expense

(Loss)/profit before tax from ordinary activities

Prima facie income tax (benefit)/expense at 30% of (loss)/profit from ordinary activities

Tax effect of permanent differences:

Rebateable dividends

Non assessable income

Amortisation expense

Equity accounted profits

Non allowable expenses

Non deductible provisions

Non assessable capital gains

Write-off of future income tax benefits previously recognised in prior years

Variation in overseas tax rates

Other

Income tax (benefit)/expense for current financial period before individually significant permanent differences

Individually significant permanent differences:

Write-off of future income tax benefits not able to be recognised relating to write-down of REI US businesses

Variation in overseas tax rates in relation to REI US write-down

Write-off of future income tax benefits previously recognised in prior years in relation to write-down of REI US businesses

Income tax (over)/under provided in previous financial periods

Total income tax expense

	December 2002 A\$m	Consolidated December 2001 A\$m	June 2002 A\$m
(Loss)/profit before tax from ordinary activities	(288.9)	218.6	391.1
Prima facie income tax (benefit)/expense at 30% of (loss)/profit from ordinary activities	(86.6)	65.6	117.3
Tax effect of permanent differences:			
Rebateable dividends	(2.3)	(2.5)	(4.8)
Non assessable income	(0.7)	(1.0)	(4.9)
Amortisation expense	2.5	1.5	5.3
Equity accounted profits	(1.8)	(3.9)	(4.5)
Non allowable expenses	6.8	6.1	14.7
Non deductible provisions	1.8	3.6	11.1
Non assessable capital gains	(0.5)	(0.8)	(0.8)
Write-off of future income tax benefits previously recognised in prior years	1.1		7.0
Variation in overseas tax rates	(1.8)	1.3	(1.4)
Other	0.5	2.9	5.8
	5.6	7.2	27.5
Income tax (benefit)/expense for current financial period before individually significant permanent differences	(81.0)	72.8	144.8
Individually significant permanent differences:			
Write-off of future income tax benefits not able to be recognised relating to write-down of REI US businesses	185.7		
Variation in overseas tax rates in relation to REI US write-down	(51.5)		
Write-off of future income tax benefits previously recognised in prior years in relation to write-down of REI US businesses	35.1		
	88.3	72.8	144.8
Income tax (over)/under provided in previous financial periods	(5.5)	7.5	7.5
Total income tax expense	82.8	80.3	152.3

Notes to the Consolidated Financial Statements

5. Taxation continued

(b) Current Tax Liabilities

Movements during the financial period were as follows:

Balance at beginning of financial period	10.8	102.0
Income tax paid	(39.7)	(142.0)
Addition through acquisition of controlled entities	2.4	1.4
Prior financial period under/(over) provision	4.1	(15.8)
Current financial period income tax expense on (loss)/profit from ordinary activities after adjusting for timing differences	87.1	65.2
	64.7	10.8

(c) Provision for Deferred Income Tax

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

Development expenditure deductible prior to recognition of project profits	41.2	41.6
Deferred partnership income	47.1	34.9
Unrealised foreign exchange movements	64.0	54.3
Other	55.2	62.3
	207.5	193.1

(d) Future Income Tax Benefit

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

Provisions and accruals not currently deductible	176.5	145.6
Unrealised accounting profit on construction projects	4.2	3.4
Taxable profit on sale of investment not yet recognised for accounting purposes		3.8
Tax losses carried forward	149.1	153.6
Deferred interest costs	53.4	75.3
Unrealised foreign exchange movements	15.3	
Other	5.4	6.4
	403.9	388.1

6. Dividends and Earnings Per Share

Dividends

Interim dividend declared subsequent to reporting date

10¢ per share payable 19 March 2003 (March 2002 9¢ per share)

Company	
December 2002 A\$m	December 2001 A\$m
43.5	38.8
43.5	38.8

Dividends not Recognised at Half Year End

Since 31 December 2002, the directors have declared an interim dividend of 10 cents per share, fully franked, to be paid on 19 March 2003.

The financial effect of this dividend has not been brought to account for the period ended 31 December 2002 as a result of the change in accounting policy for providing dividends (refer Note 1(aa)).

Notes to the Consolidated Financial Statements

6. Dividends and Earnings Per Share continued

Dividend Franking

The interim dividend of 10 cents per share declared since 31 December 2002 will be fully franked with Class C (30%) franking credits. The interim dividend paid on 20 March 2002 (9 cents per share) was a fully franked dividend. The level of franking credits is dependent upon the level of tax paid in Australia.

The dividend franking account balance at 31 December 2002 of A\$1.8 million (31 December 2001 A\$0.9 million based on 30% tax rate) is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the accounts and after deducting franking credits to be used in the payment of the interim dividend and tax losses utilised in the current period. The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies.

Earnings Per Share (EPS)

Weighted average shares and share equivalents

Earnings

Ordinary (loss)/profit after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS

Less: Significant expenses after tax relating to write-down of REI US businesses

Earnings used in calculating alternative basic and diluted EPS

Earnings per share (cents) ⁽¹⁾

Basic
Diluted

Alternative Basic (excluding write-down of REI US businesses) ⁽²⁾

Alternative Diluted (excluding write-down of REI US businesses) ⁽²⁾

(1) An adjustment factor of 1.0001 has been applied to prior financial year comparatives. This is attributable to the bonus element for the prior financial period relating to the issue of shares at greater than market price, such as share election plan, share purchase plan and the dividend reinvestment plan.

(2) The alternative basic and diluted earnings per share amounts have been calculated excluding the impact of the write-down of the REI US businesses.

	Consolidated	
	December 2002	December 2001
	Number m	Number m
	434.9	430.1
	431.7	431.7
	December 6 mths 2002	December 6 mths 2001
	A\$m	A\$m
	(369.4)	126.4
	226.3	226.3
	482.5	
	113.1	126.4
	226.3	226.3
	Cents	Cents
	(84.9)	29.4
	(84.9)	29.4
	26.0	29.4
	26.0	29.4
	June 2002	June 2002
	Number m	Number m
	431.7	431.7
	June 12 mths 2002	June 12 mths 2002
	A\$m	A\$m
	226.3	226.3
	226.3	226.3
	Cents	Cents
	52.4	52.4
	52.4	52.4
	52.4	52.4
	52.4	52.4

7. Cash and Cash Equivalents

Cash
Short term investments

	Consolidated	
	December 2002	June 2002
	A\$m	A\$m
	340.6	287.7
	647.4	616.4
	988.0	904.1

Short term investments earn variable rates of interest which averaged 4.2% per annum during the half year period to 31 December 2002 (June 2002 4.7%) and are invested with parties approved by the Board of Lend Lease Corporation. These parties have acceptable credit ratings determined by recognised rating agencies.

Notes to the Consolidated Financial Statements

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
8. Receivables		
Current		
Trade debtors	1,491.4	1,819.5
<i>Less:</i> Provision for doubtful debts	(46.1)	(44.7)
	1,445.3	1,774.8
Related party receivables		
Managed property trusts	27.1	37.6
Associate entities		
Pymont Trust (Jacksons Landing)	22.7	46.0
IBM Global Services Australia		15.8
International Distressed Debt Fund (IDDF)	11.4	
Lend Lease Retail Partnership	7.0	12.1
Other	49.7	39.9
	117.9	151.4
Other receivables		
CapMark advances	71.6	73.9
Advances to developers on Housing and Community Investing (HCI) projects	31.4	17.6
Millennium Partners advance	19.3	
Proceeds from sale of Lend Lease European Mutual Fund		20.3
Other	159.2	139.4
	281.5	251.2
	1,844.7	2,177.4
Non current		
Loans made to Directors of controlled entities of Lend Lease Corporation	0.4	0.4
Other loans to employees	4.7	6.1
Related party receivables		
Associate entities		
Pymont Trust (Jacksons Landing)	51.8	26.7
THI plc	20.6	30.3
<i>Less:</i> Provision for doubtful debt	(20.6)	(25.1)
IBM Global Services Australia	16.1	
Fox Studios	4.0	4.0
<i>Less:</i> Provision for doubtful debt	(4.0)	(4.0)
Other	34.1	22.6
Other receivables		
Other	13.5	14.6
	120.6	75.6
	1,965.3	2,253.0

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(k). Receivables are subject to a review of collectability by the Board of the relevant group company. Provisions are made for any doubtful debts.

Trade Debtors

At balance date, trade debtors by division comprised Bovis Lend Lease 92.4%, Real Estate Investments 6.6%, Integrated Development Businesses 0.8% and Others 0.2%. Trade debtors outside Australia amounted to 96.3% of the balance.

The maximum exposure to an individual trade debtor is A\$8.5 million (0.6% of total trade debtors), and to the five major trade debtors is A\$34.4 million (2.3% of total trade debtors).

Notes to the Consolidated Financial Statements

8. Receivables continued

Current continued

Related Party Receivables

The receivables from managed property trusts of A\$27.1 million mainly relates to management and asset development fees accrued in relation to General Property Trust (GPT) and Australian Prime Property Fund (APPF).

The receivable from Pymont Trust of A\$22.7 million includes trust distributions and development fees owing to Lend Lease in relation to the Jacksons Landing development at Pymont.

The receivables from Lend Lease International Distressed Debt Fund represents a capital return. This amount was received in January 2003.

The Lend Lease Retail Partnership receivable of A\$7.0 million mainly relates to the balance of work performed on the Solihull Shopping Centre (UK) development.

Other Receivable of A\$49.7 million primarily relates to management fees owing and various loans provided in the normal course of business.

Other Receivables

CapMark Commercial Mortgage Backed Securities (CMBS) advances are advances to CMBS bond holders in order to provide liquidity in accordance with servicing contracts. During the period interest was earned at a weighted average variable rate of 4.6% (June 2002 5.2%) the decrease due to the steady fall of the prime rate.

The receivable from the developers on the Housing and Community Investing (HCI) projects relates to short term loans to the developers of tax credit properties in the US, the major component of the loan is to be repaid by April 2003. The increase is mainly due to new deals with developers.

The Millennium Partners receivable of A\$19.3 million is an advance which is expected to be repaid by July 2003.

The other receivables of A\$159.2 million includes amounts due from recently established real estate funds (A\$30.6 million), contract debtors relating to contracts of sale of built-form (i.e. "house and land" package) assets unconditionally exchanged before 31 December 2002 (A\$8.0 million), prepaid taxes (A\$9.6 million), recoverable costs made on behalf of employee share plan (A\$17.3 million), UK VAT receivable (A\$8.0 million), advances to landowners of development properties (A\$4.4 million) and security deposits (A\$3.0 million). The balance comprises a number of other smaller items.

Non Current

The loans made to Directors of Lend Lease Corporation or controlled entities are in accordance with a scheme approved by shareholders in the General Meeting. Other loans are loans provided to employees.

The receivable from Pymont Trust of A\$51.8 million is a loan to the joint venture to fund development expenditure.

The receivable from THI plc relates to a loan. A provision of A\$20.6 million has been raised.

The receivable from IBM Global Services Australia of A\$16.1 million is a loan which has been extended to 2004.

The related party receivables Other of A\$34.1 million mainly comprises loans in relation to Bovis Lend Lease Private Finance Initiatives (PFI) projects (A\$14.2 million) and advances to partners of development projects (A\$19.6 million). The balance comprises a number of other small items.

Other receivables of A\$13.5 million are advances to landowners of development properties which are progressively payable each year. The advance to Woodlands Unit Trust (A\$6.3 million) is expected to be fully recoverable by June 2005 and the advance to Springfield Land Corporation (A\$6.7 million) is expected to be fully recoverable by June 2007. The balance of comprises of other small items.

Non current receivables are due in accordance with the following schedule:

Between 1 and 2 years	51.6	8.2
Between 2 and 5 years	47.5	46.3
After 5 years	21.5	21.1

Consolidated	
December 2002	June 2002
A\$m	A\$m
120.6	75.6

Notes to the Consolidated Financial Statements

	Note	Consolidated	
		December 2002 A\$m	June 2002 A\$m
9. Inventories			
Current			
Property held for sale at cost		66.2	147.4
<i>Less:</i> Provision for diminution in value			(14.4)
		66.2	133.0
Construction work in progress		335.6	259.3
		401.8	392.3
Non Current			
Property held for sale at cost		916.1	806.3
<i>Less:</i> Provision for diminution in value		(29.9)	(14.9)
		886.2	791.4
Total inventories		1,288.0	1,183.7
Property Held for Sale			
Total cost of property held for sale includes:			
Cost of acquisition		111.3	126.3
Development expenses		370.0	368.4
Construction expenses		473.8	433.2
Rates and taxes capitalised		1.1	1.7
Borrowing costs capitalised		26.1	24.1
Total cost		982.3	953.7
<i>Less:</i> Provision for diminution in value		(29.9)	(29.3)
Book value		952.4	924.4
Book value comprises:			
Income producing		627.0	645.3
Non income producing		325.4	279.1
		952.4	924.4
Total property held for sale is comprised of:			
Bluewater, Kent	31(n)	626.8	578.5
Urban Communities, Australia	31(c)	133.0	113.9
<i>Less:</i> Provision for diminution			(0.8)
Chapelfield, Norwich	31(o)	104.4	76.0
Overgate, Dundee	31(r)		78.0
<i>Less:</i> Provision for diminution			(11.2)
Victoria Harbour/Docklands, Melbourne	31(d)	24.0	11.5
Darling Park Stage III, Sydney	31(b)	26.8	26.8
<i>Less:</i> Provision for diminution		(11.8)	(11.8)
Bluewater Valley, Kent		14.3	13.2
Greenwich Peninsula, London		12.9	8.4
Piers Project, San Francisco		11.2	9.7
St Patricks, Sydney		7.4	14.3
Shell Centre, London		18.1	12.2
<i>Less:</i> Provision for diminution		(18.1)	
Hickson Road, Sydney			3.0
Other		3.4	5.1
<i>Less:</i> Provision for diminution			(2.4)
Total		952.4	924.4

Notes to the Consolidated Financial Statements

		Consolidated	
		December 2002 A\$m	June 2002 A\$m
9. Inventories	continued		
Construction and Development in Progress			
Current			
Contract costs incurred to date		37,654.6	36,563.3
Profit recognised to date		1,848.8	1,816.2
		39,503.4	38,379.5
<i>Less:</i> Progress billings received and receivable on completed contracts		(39,856.1)	(38,713.5)
Net construction work in progress		(352.7)	(334.0)
Net construction work in progress comprises:			
Amounts due from customers – inventories		335.6	259.3
Amounts due to customers – trade creditors (Note 17)		(688.3)	(593.3)
		(352.7)	(334.0)
Advances on construction projects in progress included in trade creditors		104.4	118.3
Retentions on construction projects included in progress billings		303.1	288.1

The amounts due from customers – inventories of A\$335.6 million at 31 December 2002 relates to Bovis Lend Lease and represents costs incurred on projects in excess of that billed to clients.

The amounts due to customers – trade creditors of A\$688.3 million at 31 December 2002 relates to Bovis Lend Lease and represents billings raised to clients in excess of costs and proportional profits on projects.

		Consolidated	
		December 2002 A\$m	June 2002 A\$m
10. Equity Accounted Investments			
Non Current			
Associates			
		22.3	21.3
Retirement by Design Pty Ltd			
Tres Aguas (Paseo Commercial Carlos III), Madrid	31(t)	18.6	18.6
LLM Inversiones I S.A. de C.V. (Mexican Distressed Loans)	31(j)	10.0	15.1
LLM Inversiones II S.A. de C.V. (Mexican Distressed Loans)	31(j)	6.3	
Forest Gardens Residential Land Development	31(c)	8.0	6.6
Darling Park Trust Operator Pty Limited		4.9	4.2
Generali Lend Lease		2.0	1.3
Wattle Grove Development	31(c)	2.0	4.1
Chelverton Properties Limited			14.1
Lend Lease Rosen Real Estate Securities LLC			7.1
Other		5.9	16.9
		80.0	109.3
<i>Less:</i> Provision for diminution		(0.5)	(17.5)
	32	79.5	91.8
Joint Ventures			
Caroline Springs Joint Venture	31(c)	13.5	12.9
Pymont Trust (Jacksons Landing)	31(f)	13.3	13.3
Mirvac Lend Lease Village Consortium (Newington)	31(g)	12.0	8.0
Mawson Lakes Economic Development Project	31(c)	7.2	6.6
Fox Retail and Entertainment Precinct		3.8	4.7
North Lakes Development Joint Venture			24.5
Other			4.3
	33	49.8	74.3
Total equity accounted investments		129.3	166.1

Notes to the Consolidated Financial Statements

	Note	Country of Origin	Consolidated	
			December 2002 A\$m	June 2002 A\$m
11. Other Investments				
Current				
Mortgage loans		USA	107.7	239.3
Tax credit properties		USA	162.6	111.4
			270.3	350.7
Non Current				
Shares in other corporations				
Unquoted at cost			222.6	130.0
Interests in trusts and partnerships				
Unquoted at cost			853.8	792.0
			1,076.4	922.0
			1,346.7	1,272.7
Total other investments non current comprise:				
Shares in Other Corporations				
Unquoted at Cost				
IBM Global Services Australia Limited	31(e)	Australia	42.8	42.8
Thai Market Project		Thailand	11.8	11.8
<i>Less: Provision for diminution</i>			(11.8)	(11.8)
Lend Lease Global Property Fund, SICAF	31(p)	Luxembourg	175.4	83.4
Li Fung Distribution Centre		China		7.4
<i>Less: Provision for diminution</i>				(7.4)
Other			9.4	12.3
<i>Less: Provision for diminution</i>			(5.0)	(8.5)
			222.6	130.0
Interests in Trusts and Partnerships				
Unquoted at Cost				
King of Prussia Associates	31(k)	USA	237.2	232.3
Lend Lease Overgate Partnership	31(r)	UK	120.2	32.3
Asia Pacific Investment Company (APIC)	31(l)	Singapore	87.7	87.7
Lend Lease Retail Partnership	31(q)	UK	66.8	61.5
Yarmouth Capital Partners Limited Partnership II	31(i)	USA	59.5	83.4
Australian Prime Property Fund (APPF)	31(a)	Australia	49.0	48.8
Lend Lease International Distressed Debt Fund	31(m)	USA	38.8	65.5
Value Enhancement Fund V	31(h)	USA	35.9	32.0
Value Enhancement Fund IV	31(h)	USA	22.2	26.2
Value Enhancement Fund III	31(h)	USA	19.7	23.5
Lend Lease US Real Estate Securities Fund		USA	23.1	22.5
CMBS Bonds		USA	19.3	8.2
Lend Lease SICAV European Real Estate Securities Fund		Luxembourg	20.3	
Debt Management Fund Co-Investment		USA	10.2	14.9
Lend Lease Asia Water Trust		Australia	9.3	9.3
Multi-family Co-investment Funds		USA	8.0	10.3
Winn Property Management		USA	6.8	6.7
Tax Credit Funds Co-investments		USA	13.9	17.2
Real Estate Debt Fund Co-investments		USA	6.9	6.9
Mezzanine Debt Co-investment		USA	4.7	3.3
Other			13.1	4.9
			872.6	797.4
<i>Less: Provision for diminution</i>			(18.8)	(5.4)
			853.8	792.0
Total other investments non current			1,076.4	922.0

Notes to the Consolidated Financial Statements

12. Property, Plant and Equipment

Land at directors' valuation

Buildings and leasehold improvements at cost
Accumulated depreciation

Plant and equipment at cost
Accumulated depreciation

Leased plant and equipment at cost
Accumulated amortisation

Total carrying amount

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold Land

Carrying amount at beginning of financial period
Disposal
Foreign Exchange Movement

Carrying amount at end of financial period

Buildings and Leasehold Improvements

Carrying amount at beginning of financial period
Additions
Disposals
Depreciation
Disposal of entity
Effect of exchange rate movements/other

Carrying amount at end of financial period

Plant and Equipment

Carrying amount at beginning of financial period
Additions
Disposals
Acquisition through entity acquired
Depreciation
Disposal of entity
Effect of exchange rate movements/other

Carrying amount at end of financial period

Leased Plant and Equipment

Carrying amount at beginning of financial period
Additions
Disposals
Acquisition through entity acquired
Amortisation

Carrying amount at end of financial period

Total carrying amount

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
	8.5	7.8
	43.7	40.0
	(15.6)	(14.0)
	28.1	26.0
	250.0	241.4
	(165.1)	(150.1)
	84.9	91.3
	12.0	12.1
	(8.8)	(8.5)
	3.2	3.6
	124.7	128.7
	7.8	9.6
		(1.2)
	0.7	(0.6)
	8.5	7.8
	26.0	32.4
	2.5	0.8
	(0.1)	(1.7)
	(2.0)	(3.4)
		(0.1)
	1.7	(2.0)
	28.1	26.0
	91.3	102.9
	10.5	30.8
	(1.2)	(5.5)
	0.5	2.9
	(17.2)	(34.9)
		(0.3)
	1.0	(4.6)
	84.9	91.3
	3.6	2.5
	0.4	1.1
	(0.3)	(0.5)
		2.9
	(0.5)	(2.4)
	3.2	3.6
	124.7	128.7

Notes to the Consolidated Financial Statements

13. Goodwill

Bovis Lend Lease Group	
<i>Accumulated amortisation</i>	
Lend Lease Real Estate Investments – US	
<i>Accumulated amortisation</i>	
Delfin Group	
<i>Accumulated amortisation</i>	
Larry Smith	
<i>Accumulated amortisation</i>	

Consolidated	
December 2002 A\$m	June 2002 A\$m
824.8	791.4
(130.0)	(105.5)
88.2	341.0
	(56.3)
75.7	75.7
(5.3)	(3.4)
	5.2
	(4.2)
853.4	1,043.9

To reflect the Directors' valuation of the expected future benefits of the goodwill relating to Lend Lease's REI US businesses, a write-down totalling A\$199.1 million (US\$113.5 million) has been recognised in the Lend Lease December 2002 consolidated financial results.

Lend Lease Real Estate Investment goodwill is carried at recoverable amount and all other goodwill is carried at cost less amortisation. Recoverable amount is determined in accordance with Lend Lease's accounting policy for goodwill (Note 1(q)).

14. Management Agreements

Real Estate Investments

Lend Lease Real Estate Investments – US	
<i>Accumulated amortisation</i>	
General Property Trust	
<i>Accumulated amortisation</i>	
Australian Prime Property Fund	
<i>Accumulated amortisation</i>	
Lend Lease US Office Trust	

Consolidated	
December 2002 A\$m	June 2002 A\$m
603.1	876.3
	(55.0)
50.8	50.8
(4.1)	(3.6)
12.7	12.8
(0.3)	(0.2)
662.2	881.1

To reflect the Directors' valuation of the expected future benefits of management agreements relating to the Lend Lease REI US business, a write-down totalling A\$223.7 million (US\$127.5 million) has been recognised in the Lend Lease December 2002 consolidated financial results.

Lend Leases Real Estate Investment's US management agreements are carried at recoverable amount and all other management agreements are carried at cost less amortisation. Recoverable amount is determined in accordance with Lend Lease's accounting policy for management agreements (Note 1(p)).

The Directors' current unrecorded valuation of the General Property Trust management agreement of A\$150.6 million (June 2002 A\$263.0 million) is based upon a valuation undertaken by Mark Pittorino, a Director of Deloitte Touche Tohmatsu. The basis of the valuation was the net present value of estimated future earnings from the management agreement at a discount rate of 11.15% (June 2002 9.65%). The key factors that contributed to the decrease in valuation since June 2002 were the change to the discount rate and a revision of the management fee structure.

Notes to the Consolidated Financial Statements

15. Other Intangibles

Other intangibles
Accumulated amortisation

Consolidated	
December 2002 A\$m	June 2002 A\$m
78.4	70.1
(15.9)	(11.2)
62.5	58.9

Other intangibles include A\$58.2 million net of mortgage servicing rights which relate to the origination and acquisition of servicing rights for mortgage loan portfolios which are amortised over the life of the rights (on average 10 years) against the fee income generated by the rights.

16. Other Assets

Current

Prepayments
Deferred bid costs on projects at preferred bidder status
Foreign exchange contracts
Other

Non Current

Prepayments
IT systems
Accumulated amortisation
Foreign exchange contracts
Other

Consolidated	
December 2002 A\$m	June 2002 A\$m
52.8	44.5
58.4	25.6
44.7	116.2
4.5	4.0
160.4	190.3
18.1	19.0
21.5	65.8
	(13.2)
37.1	29.2
10.4	15.5
87.1	116.3
247.5	306.6

Current and non current prepayments include insurance prepayments of A\$22.9 million and rent and rates of A\$8.0 million.

In view of the reassessment of the overall carrying value of the REI US businesses as announced on 23 January 2003, the carrying value of the Enterprise IT System has been reduced to its recoverable amount, being A\$21.5 million.

17. Creditors

Current

Trade creditors
Revenue in excess of costs and profits recognised on incomplete contracts
Other creditors
Deposit received in advance
Insurance claim reserve
Related party payables
Other

Non Current

Insurance claim reserve
Other

Consolidated	
December 2002 A\$m	June 2002 A\$m
1,711.8	2,108.0
688.3	593.3
78.1	50.2
111.1	13.9
1.6	7.1
9.2	27.0
2,600.1	2,799.5
12.2	6.8
8.5	
20.7	6.8
2,620.8	2,806.3

The deposit received in advance represents a £40 million deposit received from Capital Shopping Centres in accordance with the forward sale agreement for Chapelfield, Norwich. Insurance claim reserve relates to Lend Lease's wholly owned special purpose captive insurance subsidiary.

Notes to the Consolidated Financial Statements

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
18. Borrowings and Financing Arrangements		
(a) Borrowings		
Non Current		
Commercial notes	938.6	938.6
Total borrowings	938.6	938.6
(b) Finance Facilities		
Lend Lease operating businesses have access to the following lines of credit:		
Total Facilities Available		
Bank overdrafts	23.1	14.5
Standby cash advance facilities	150.0	275.0
Bank credit facilities	2,270.5	2,346.6
Commercial notes	2,438.6	2,438.6
	4,882.2	5,074.7
Facilities Utilised at Balance Date		
Bank overdrafts		
Standby cash advance facilities		
Bank credit facilities		
Commercial notes	938.6	938.6
	938.6	938.6
Facilities Not Utilised at Balance Date		
Bank overdrafts	23.1	14.5
Standby cash advance facilities	150.0	275.0
Bank credit facilities	2,270.5	2,346.6
Commercial notes	1,500.0	1,500.0
	3,943.6	4,136.1
Total facilities available	4,882.2	5,074.7
Bank Credit Facilities		
The amounts drawn from the various facilities at 31 December 2002 were:		
Unsecured Bank Loans		
US\$250.0 million syndicated facility at LIBOR plus 0.35%, due October 2003 ⁽¹⁾		
US\$145.0 million bank facility at LIBOR plus 0.35%, due December 2003 ⁽²⁾		
£30.0 million bank facility at LIBOR plus 0.25%, due March 2003 ⁽³⁾		
£150.0 million bank facility at LIBOR plus 0.35%, due November 2003 ⁽⁴⁾		
Secured Bank Loans		
US\$300.0 million secured mortgage warehouse facility at LIBOR plus 0.875%, due February 2003 ⁽⁵⁾		
US\$395.0 million secured mortgage servicing facility at LIBOR plus 0.875%, due March 2003 ⁽⁵⁾		
Total bank credit facilities	-	-
Commercial Notes		
A\$500.0 million Lend Lease commercial paper ⁽⁶⁾		
US\$250.0 million Lend Lease 6.75% guaranteed notes, due June 2005 ⁽⁷⁾	438.6	438.6
A\$1.5 billion Lend Lease guaranteed note ⁽⁸⁾	500.0	500.0
Total commercial notes	938.6	938.6
Total borrowings	938.6	938.6

(1) This facility with a syndicate of banks was established for general working capital purposes.

(2) This bank overdraft facility is used to finance working capital requirements for the US operations. At 31 December 2002, US\$68.9 million of the facility is allocated by outstanding letters of credit. US\$76.1 million is disclosed as available credit facilities.

(3) This short term money market facility is used for general working capital purposes in the European business. The facility can act as an overdraft, short term money market loan or a guarantee facility. At 31 December 2002, £7.6 million of the facility is utilised by outstanding letters of credit. £22.4 million is disclosed as available credit facilities.

(4) This facility is used for short term working capital requirements in the European business.

(5) These facilities are utilised by Lend Lease Mortgage Capital for the Fannie Mae and the Freddie Mac mortgage originations and are secured by the loans. These obligations are generally settled within 30 – 45 days of origination. The US\$300.0 million facility expires in February 2003 and the US\$395.0 million facility expires in March 2003. Of the US\$395.0 million facility US\$100.0 million is available immediately with the remaining US\$295.0 million available subject to market conditions.

Notes to the Consolidated Financial Statements

18. Borrowings and Financing Arrangements continued

(b) Finance Facilities continued

Bank Credit Facilities continued

Commercial Notes continued

- (6) Lend Lease has a A\$500.0 million Australian commercial paper program. The amount drawn under the facility at 31 December 2002 was nil, the availability of which is subject to market conditions.
- (7) On 30 June 1998 Lend Lease issued s144A US\$250.0 million of bonds with a coupon of 6.75% pa, due to mature on 30 June 2005.
- (8) In 1999 Lend Lease (US) Finance Inc. issued A\$500.0 million in notes due July 2005 with a coupon of 7.5% under its A\$1.5 billion Multi-Issue-Debt Program. This issue has been swapped into US\$. The availability of the A\$1.0 billion balance is subject to market conditions.

The following schedule profiles the 31 December 2002 borrowings by currency and interest exposure after interest rate swaps and currency swaps have been taken into consideration.

	Interest Exposure ⁽¹⁾		Currency ⁽²⁾	
	Fixed A\$m	Floating A\$m	A\$ A\$m	US\$ A\$m
Between 1 and 5 years	675.6	263.0		938.6
Total	675.6	263.0	-	938.6

- (1) Resulting interest rate exposure after interest rate swaps.
(2) Resulting borrowings by currency including currency swaps.

(c) Financing Guarantees

Lend Lease was guarantor of a bank loan facility for £1.5 million (A\$4.2 million) for Chelverton Properties Limited. This was repaid in January 2003.

Lend Lease is guarantor for bank loan facilities for US\$11.8 million (A\$20.7 million) for Cordia Senior Living in relation to Westmont II, LLC US\$1.7million (A\$3.0 million), Roseville US\$1.0 million (A\$1.7 million) and Rosegarden US\$9.1 million (A\$16.0 million).

Lend Lease is the guarantor of the progressive repayment of a A\$33.8 million advance by a financier to SARV Pty Ltd, a partner in a property development project being undertaken by Delfin Lend Lease.

Lend Lease is guarantor of A\$10.3 million of a debt facility for the Caroline Springs joint venture.

Lend Lease is guarantor of 50% of a bank loan facility for Olympic Village/Newington for A\$65.0 million.

Lend Lease has provided a guarantee to the equity investors in two tax credit funds syndicated by the HCI business. Lend Lease has guaranteed the rate of return on US\$65.0 million (A\$114.0 million) of equity invested. At this time, no payments are due or expected under the guarantees.

Lend Lease Corporation has given guarantees in support of utilised financing facilities included within the on-balance sheet borrowings of A\$938.6 million (June 2002 A\$938.6 million) disclosed above, which are held by various controlled entities. These guarantees are issued in respect of entities internal to Lend Lease and do not constitute an additional obligation to that already existing from on-balance sheet borrowings.

19. Provisions

Current

Dividends (Note 6)
Employee benefits
Construction risks
Restructuring
Other

Non Current

Employee benefits
Other

Consolidated	
December 2002 A\$m	June 2002 A\$m
	39.1
83.4	100.7
117.8	108.1
9.2	15.0
26.3	55.4
236.7	318.3
60.0	52.3
56.8	55.4
116.8	107.7
353.5	426.0

Notes to the Consolidated Financial Statements

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
19. Provisions continued		
Reconciliations		
Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:		
Current		
Dividends		
Carrying amounts at the beginning of financial period	39.1	34.5
Adjustment on adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	(39.1)	
Provisions made during the financial period:		
Final dividend 2002	39.1	39.1
Interim dividend 2001		38.8
Payments made during the financial period	(39.1)	(73.3)
Carrying amount at the end of financial period	-	39.1
Construction Risks		
Carrying amounts at the beginning of financial period	108.1	131.9
Provisions raised/(written back) during the financial period	4.4	(4.3)
Payments made during the financial period	(6.0)	(40.3)
Other	8.8	27.7
Effects of exchange rate movements	2.5	(6.9)
Carrying amount at the end of financial period	117.8	108.1
Restructuring		
Carrying amounts at the beginning of financial period	15.0	58.2
Provisions written back during the financial period		(6.9)
Increase through acquisition of entity		0.5
Payments made during the financial period	(5.8)	(32.2)
Effects of exchange rate movements		(4.6)
Carrying amount at the end of financial period	9.2	15.0
Other		
Carrying amounts at the beginning of financial period	55.4	46.8
Provisions raised during the financial period	4.9	28.6
Payments made during the financial period	(1.3)	(17.2)
Other	(33.2)	(0.7)
Effects of exchange rate movements	0.5	(2.1)
Carrying amount at the end of financial period	26.3	55.4
Non Current		
Other		
Carrying amounts at the beginning of financial period	55.4	47.5
Provisions raised during the financial period	4.8	14.1
Payments made during the financial period	(3.4)	
Effects of exchange rate movements/other		(6.2)
Carrying amount at the end of financial period	56.8	55.4

The construction risks provision of A\$117.8 million comprises a maintenance and warranty provision of A\$86.2 million (June 2002 A\$80.9 million) to cover specific or estimated claims that arise due to defects or legal disputes in relation to recently completed project management projects. Other construction risks provisions of A\$31.6 million (June 2002 A\$27.2 million) includes provisions raised for risks identified on projects that existed at the date of the Bovis Group acquisition.

Other provisions (current and non current) totalling A\$83.1 million comprise of a number of provisions including those in respect of defaults on mortgage loans originated for Fannie Mae A\$52.3 million (June 2002 A\$48.9 million). The balance in other provisions A\$30.8 million (June 2002 A\$61.9 million) relates to specific items not otherwise provided for in these Financial Statements.

The Other movements relate to transfers to/from trade debtors, trade creditors and inventories.

Notes to the Consolidated Financial Statements

20. Other Interest Bearing Liabilities

Current

Deferred settlement on acquisition – development properties		10.0
Bluewater lease liability	20.3	18.8
Finance lease liability	1.6	1.7
Other	0.9	0.7
	22.8	31.2

Non Current

Bluewater lease liability	272.1	265.3
Finance lease liability	1.1	1.6
Other		0.8
	273.2	267.7
	296.0	298.9

Consolidated	
December 2002 A\$m	June 2002 A\$m
	10.0
20.3	18.8
1.6	1.7
0.9	0.7
22.8	31.2
272.1	265.3
1.1	1.6
	0.8
273.2	267.7
296.0	298.9

The deferred settlement on acquisition of development properties at June 2002 related to deferred land payments for Jacksons Landing, Sydney. The liability of A\$10.0 million was represented by principal A\$6.1 million and interest A\$3.9 million at the rate of 10.5% per annum, and was repaid in July 2002 to CSR Limited.

The Bluewater lease liability represents the Bluewater head lease payments which have been capitalised into the Bluewater development costs.

Other items included in other interest bearing liabilities are shown at face value.

21. Other Non Interest Bearing Liabilities

Current

Deferred settlement on acquisition – controlled entities	77.5	73.3
Deferred income	19.8	11.0
Other	3.6	0.8
	100.9	85.1

Non Current

Deferred settlement on acquisition – controlled entities		10.1
Mark to market cross currency swap	55.3	55.3
Other	10.8	10.6
	66.1	76.0
	167.0	161.1

Consolidated	
December 2002 A\$m	June 2002 A\$m
77.5	73.3
19.8	11.0
3.6	0.8
100.9	85.1
	10.1
55.3	55.3
10.8	10.6
66.1	76.0
167.0	161.1

The current deferred settlement on acquisition of controlled entities of A\$77.5 million relates mainly to deferred purchase payments for the Boston Financial Group (A\$41.0 million) and the AMRESCO business (A\$31.3 million). Some portion of the deferred settlement components are contingent on certain outcomes.

The mark to market cross currency swap of A\$55.3 million included in non current represents the restated foreign exchange liabilities on the cross currency swap used to hedge the A\$500.0 million medium term note due in July 2005.

Other items included in other non interest bearing liabilities are shown at face value.

Notes to the Consolidated Financial Statements

22. Contributed Equity

Consolidated	
December 2002 A\$m	June 2002 A\$m
805.8	797.7

	December 2002		June 2002	
	No. of shares m	A\$m	No. of shares m	A\$m
Ordinary shares issued at beginning of financial period	434.5	797.7	429.6	765.8
Issues during the financial period				
Issues for:				
Dividend reinvestment plan	0.6	6.6	1.0	12.8
Share purchase plan	0.1	1.4	1.4	17.6
Share election plan (SEP) ⁽¹⁾	0.1		0.4	
Other ⁽²⁾		0.1	0.1	0.5
Allocation to Lend Lease Employee Share Plans			2.0	1.0
Ordinary shares issued at end of financial period	435.3	805.8	434.5	797.7

(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 the dividend payments were foregone.

(2) Other issues relate to issues to non-executive directors (7,899 shares). These shares issued are equal in value to fees which would otherwise be payable to the directors (as approved by shareholders at the 2000 AGM).

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Ordinary shareholders rank after all creditors in repayment of capital.

23. Reserves

Capital Reserve

Foreign Currency Translation Reserve

Opening balance at beginning of financial period

Currency fluctuation attributable to translation and hedging of self-sustaining foreign operations

Closing balance at end of financial period

Total reserves

Consolidated	
December 2002 A\$m	June 2002 A\$m
104.6	104.6
(53.1)	7.8
34.4	(60.9)
(18.7)	(53.1)
85.9	51.5

Nature and Purpose of Reserves

Capital Reserve

The capital reserve comprises realised capital profits on the disposal of assets which did not attract Capital Gains Tax.

Foreign Currency Translation Reserve

The foreign currency translation reserve records the foreign currency differences net of income tax arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 1(u).

Notes to the Consolidated Financial Statements

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
24. Retained Profits		
Retained profits at beginning of financial period	2,899.1	2,749.9
Increase/(decrease) in retained profits on initial adoption of:		
Revised AASB 1028 "Employee Benefits"	(1.1)	
AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	39.1	
Net (loss)/profit attributable to members of Lend Lease Corporation Limited	(369.4)	226.3
Dividends foregone pursuant to share election plan	0.8	0.8
	2,568.5	2,977.0
Dividends paid or provided for	(39.1)	(77.9)
Retained profits at the end of financial period	2,529.4	2,899.1

	Consolidated	
	December 2002 A\$m	June 2002 A\$m
25. Outside Equity Interests in Controlled Entities		
Outside equity interests in controlled entities comprise:		
Lend Lease Asset Management (10%)	2.4	2.1
Lend Lease Actus (25%)	(0.6)	2.4
Other	0.5	(0.7)
	2.3	3.8
Represented by:		
Interest in retained losses at the end of the financial period	(7.9)	(6.6)
Interest in share capital	10.2	10.4
Total outside equity interest	2.3	3.8

	Note	Consolidated	
		December 2002 A\$m	June 2002 A\$m
26. Total Equity Reconciliation			
Equity at the beginning of financial period		3,752.1	3,667.4
Movements comprise:			
Movements in contributed equity	22	8.1	31.9
Dividends paid or declared out of ordinary profits		(39.1)	(77.9)
Dividends foregone pursuant to share election plan	24	0.8	0.8
Net (loss)/profit attributable to members of Lend Lease Corporation Limited		(369.4)	226.3
Adjustment to retained profits on initial adoption of:			
Revised AASB 1028 "Employee Benefits"	24	(1.1)	
AASB 1044 "Provisions, Contingent Liabilities & Contingent Assets"	24	39.1	
Other changes in equity			
Movement in Foreign Currency Translation Reserve	23	34.4	(60.9)
Total revenues, expenses and valuation adjustments attributable to members of Lend Lease Corporation Limited		(327.2)	120.2
Total changes in outside equity interests in controlled entities	25	(1.5)	(35.5)
Total movement in equity for financial period		(328.7)	84.7
Equity at the end of financial period		3,423.4	3,752.1

Notes to the Consolidated Financial Statements

27. Contingent Liabilities

Lend Lease has the following contingent liabilities:

Following the 30 July 1997 Thredbo landslide, a number of commercial claims have been made against Lend Lease and other third parties. There is uncertainty as to whether a future liability will arise in respect of these claims. The ultimate outcome cannot be reliably estimated. The directors are of the opinion, based on legal advice, that no material loss will arise from this exposure.

In addition to these claims, there are a number of legal claims and exposures (other than items, included in Notes 28, 31 and 32) which arise from the normal course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount, if any, of any liability which may arise cannot be measured reliably at this time. The Directors' are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any known or anticipated losses.

In certain circumstances Lend Lease Corporation guarantees the due performance of particular Group entities in respect of their obligations. These guarantees are provided in respect of activities that are in the ordinary course of business and any known losses in respect of the relevant contracts have been brought to account.

The Company provides financial guarantees on bank facilities of certain entities. These are disclosed in Note 18 Borrowings and Financing Arrangements.

The Australian Taxation Office (ATO) has issued an amended assessment for an Australian subsidiary in relation to the year ended 30 June 1996 forward sale and associated Westpac share Warrants issue agreement with County NatWest Securities Australia Limited in relation to 100 million Westpac shares. The amended assessment of A\$95.3 million calls for payment of additional company tax of A\$40.7 million plus penalties of A\$20.3 million and interest of A\$34.3 million. The directors are of the opinion that no provision is required at this time and will pursue all necessary avenues of objection and appeal.

The Australian Taxation Office is also continuing an audit of the holding company and certain other Australian subsidiaries within the Lend Lease Group. A number of issues have been raised by the ATO in respect of their audit and discussions are ongoing. The ultimate outcome of the tax audit cannot be reliably estimated at this time.

28. 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
Plant and equipment

Due within 1 year
Due between 1 and 5 years
Due later than 5 years

(b) Capital Expenditure

At balance date the aggregate amount of capital expenditure contracted but not provided for in the financial statements:

Due within 1 year

(c) Controlled Entities

At balance date the aggregate amount of expenditure contracted but not provided for in the financial statements:

Due within 1 year
 Rosen Financial Services II
Due between 1 and 5 years
 Rosen Financial Services II

Consolidated	
December 2002 A\$m	June 2002 A\$m
373.0	292.7
47.4	32.7
420.4	325.4
98.8	97.5
225.3	192.6
96.3	35.3
420.4	325.4
-	-
8.7	25.6
21.9	
30.6	25.6

Notes to the Consolidated Financial Statements

	Note	Consolidated	
		December 2002 A\$m	June 2002 A\$m
28. Commitments continued			
(d) Finance Lease Commitments			
At balance date the aggregate amount of finance leases contracted:			
Due within 1 year		1.7	1.9
Due between 1 and 5 years		1.1	1.7
		2.8	3.6
<i>Less:</i> Future lease finance charges		(0.1)	(0.3)
		2.7	3.3
Lease liabilities provided for in the financial statements:			
Current	20	1.6	1.7
Non Current	20	1.1	1.6
		2.7	3.3
(e) Investments			
At balance date capital commitments existed in respect of interests in partnerships, investments or joint ventures contracted but not provided for in the financial statements:			
Due within 1 year			
Lend Lease International Distressed Debt Fund	31(m)	127.9	109.9
Value Enhancement Fund V	31(h)	53.2	13.2
Tactical Office Partnership		17.5	17.5
LLFC Enhanced Yield Debt Fund		16.0	
Multi-Family High Yield Fund		8.7	
Multi-family Investment Funds		8.2	3.0
Mezzanine Debt Co-Investment		6.7	31.1
Lend Lease Overgate Partership		5.4	
Generali Lend Lease		3.1	3.1
Affordable Housing (Fannie Mae)		3.1	3.8
Lincoln Schools		3.0	
Lend Lease Retail Partnership	31(q)	2.6	2.6
Lend Lease Real Estate Partners I Ltd		1.9	2.7
Lend Lease Global Fund, Luxembourg	31(p)		92.0
CMBS B-Pieces			9.4
Due between 1 and 5 years			
Private Finance Initiatives (PFI's)		29.1	10.5
Multi-Family Investment Funds		11.6	23.7
Multi-Family High Yield Fund		8.8	
Mezzanine Debt Co-Investment		7.0	
Agri Business Farm Credit Program			6.7
		313.8	329.2
(f) Other			
The general nature and substance of commitments for superannuation and the Lend Lease Employee Share Plans are unchanged from those reported in the Consolidated Financial Statements of Lend Lease Corporation Limited at 30 June 2002 except for the UK Pension Fund, a defined benefit plan. At 30 August 2002 an actuarial valuation of the fund as at 31 March 2002 was undertaken by Mr R Mulchay, F.I.A. The valuation identified that accrued benefits of £159.9 million exceeded asset value of £131.7 million, resulting in a funding deficit of £28.8 million. Vested benefits of the fund at 31 March 2002 were £145.1 million. Based upon advice of the actuary, the deficit will be funded over the average working life of the current membership, being 12 years, by way of additional contributions to the fund by Lend Lease and employees. Lend Lease is under no legal obligation to make up the deficit shortfall and accordingly no provision has been raised for the deficiency at 31 December 2002.			

Notes to the Consolidated Financial Statements

29. Notes to the Statement of Cash Flows

(a) Reconciliation of (Loss)/Profit attributable to members of Lend Lease Corporation

Net (loss)/profit attributable to members of Lend Lease Corporation

	December 2002 A\$m	Consolidated December 2001 A\$m	June 2002 A\$m
Net (loss)/profit attributable to members of Lend Lease Corporation	(369.4)	126.4	226.3
Amortisation and depreciation	76.0	65.6	151.4
Gain on sale of fixed assets and investments	(16.3)	(59.0)	(77.1)
Foreign exchange (gain)/loss and currency hedging costs	(8.1)	1.8	2.5
Equity accounted profit	(22.7)	(22.7)	(34.0)
Net movement in provisions	43.4	37.5	12.4
Write down of REI US businesses	447.4		
Net bad and doubtful debts expense	(6.1)	1.7	(5.5)

Net cash provided by operating activities before changes in assets and liabilities

Decrease in receivables	409.7	144.4	326.8
(Increase)/decrease in inventories	(211.3)	12.7	212.2
Decrease /(increase) in other assets	59.9	12.0	(96.2)
(Decrease)/increase in creditors	(262.5)	(100.1)	74.0
Increase/(decrease) in other liabilities	18.8	(25.9)	(158.3)
Decrease in deferred tax items	19.5	22.4	91.7
Increase/(decrease) in current tax provision	50.6	(8.1)	(91.2)
(Decrease)/increase in other provisions	(33.4)	75.5	(80.1)
(Increase)/decrease in other intangibles	(4.5)		2.5

Net cash provided by operating activities

Consolidated			
Receipts		Expenditure	
December 2002 A\$m	December 2001 A\$m	December 2002 A\$m	December 2001 A\$m
Chapelfield, Norwich		13.0	3.7
Urban Communities	16.6	96.5	13.6
St Patricks, Sydney		6.4	
Hickson Road, Sydney		8.6	
Jacksons Landing, Sydney	2.3	3.0	5.2
Mawson Lakes, Adelaide		2.2	
Olympic Village/Newington, Sydney	192.2	1.6	43.8
Victoria Harbour/Docklands, Melbourne		13.7	4.0
Admiralty Industrial Park, Singapore	11.7	0.2	3.0
Forest Gardens, Cairns		1.5	
Australia Centre, Sydney		0.1	
Touchwood Court, Solihull	417.3	5.5	339.2
Overgate Centre, Dundee	127.7		7.8
Delcorp Property Trust, Brisbane	11.0		
Golden Grove, Adelaide	3.4		0.5
Darling Park, Sydney	0.1		4.6
Other	7.6	4.6	27.8
229.9	796.8	156.9	453.2

(b) Supplementary Information

Integrated Property Development receipts and expenditure:

Chapelfield, Norwich	113.0		13.0	3.7
Urban Communities	78.1	16.6	96.5	13.6
St Patricks, Sydney	10.6		6.4	
Hickson Road, Sydney	8.6		8.6	
Jacksons Landing, Sydney	7.7	2.3	3.0	5.2
Mawson Lakes, Adelaide	1.9		2.2	
Olympic Village/Newington, Sydney	0.8	192.2	1.6	43.8
Victoria Harbour/Docklands, Melbourne	0.8		13.7	4.0
Admiralty Industrial Park, Singapore	0.7	11.7	0.2	3.0
Forest Gardens, Cairns	0.1		1.5	
Australia Centre, Sydney			0.1	
Touchwood Court, Solihull		417.3	5.5	339.2
Overgate Centre, Dundee		127.7		7.8
Delcorp Property Trust, Brisbane		11.0		
Golden Grove, Adelaide		3.4		0.5
Darling Park, Sydney		0.1		4.6
Other	7.6	14.5	4.6	27.8
229.9	796.8	156.9	453.2	

Notes to the Consolidated Financial Statements

29. Notes to the Statement of Cash Flows continued

(b) Supplementary Information continued

Distributions from partnerships A\$5.5 million were distributions received from King of Prussia.

Proceeds on sale of investments totalling A\$647.5 million mainly comprised:

- A\$283.5 million from LLMC Mortgages;
- A\$292.2 million from Tax Credit Properties;
- A\$42.5 million from North Lakes (Urban Community);
- A\$19.9 million from Lend Lease European Mutual Fund;
- A\$3.3 million from Boston Financial Group; and
- A\$1.7 million from Li Fung Distribution Centre.

Purchases of investments totalling A\$642.5 million mainly comprised:

- A\$344.9 million for Tax Credit Properties;
- A\$148.2 million for LLMC Mortgages;
- A\$98.2 million for Lend Lease Global Properties;
- A\$19.9 million for Lend Lease SICAV European Real Estate Securities Fund;
- A\$6.2 million for LLM Inversiones II;
- A\$2.8 million Lend Lease Real Estate Partners;
- A\$2.5 million for Value enhancement Fund V; and
- A\$1.2 million for LLFC Enhanced Yield Debt Fund.

Net payment of loans to associates/related parties totalling A\$45.8 million comprised:

- A\$12.2 million repayment from THI;
- A\$2.0 million repayment from Lend Lease Equities, S.A. De C.V.;
- A\$0.6 million repayment from Ord Minnett;
- A\$0.1 million repayment from Australian Water Services;
- A\$48.9 million loan to Nowe Centrum (Chelverton);
- A\$8.4 million loan to Katsina BV; and
- A\$3.4 million loan to Private Finance Initiative.

Proceeds from borrowings of A\$633.0 million comprised short term drawdowns under the mortgage loan facility.

Repayments of borrowings of A\$633.0 million comprised short term repayments under the mortgage loan facility.

Reference can be made to the 30 June 2002 Consolidated Financial Statements for details of acquisitions during the previous year.

(c) Payments for Controlled Entities

Lend Lease made the following acquisitions during year:

- On 31 July 2002 Lend Lease acquired a further 27.5% interest in Lend Lease Rosen Real Estate Securities, LLC, a real estate investment trust manager and stock advisor for consideration of A\$25.6 million. This acquisition increases Lend Lease ownership interest to 77.5%, making it a controlled entity (previously equity accounted);
- In October 2002 Lend Lease acquired 100% of Bovis Lend Lease Telecom Inc. a cellular phone network carrier for consideration of A\$12.6 million, as part of Bovis Lend Lease's J Phone project in Japan. The project involves the project management of a nationwide rollout of cellular networks.

(d) Disposals of Controlled Entities

Sale of controlled entities comprised:

Larry Smith, Italy

Consolidated December 2002 A\$m	Consolidated June 2002 A\$m
-	5.7

Reference can be made to the 30 June 2002 Consolidated Financial Statements for details of disposals during the previous year.

Notes to the Consolidated Financial Statements

30. International Currency Management

Foreign Currency

Foreign Currency Translation

The major foreign currency exchange rates used in the translation of profit and loss (average rate) and assets and liabilities (spot rate) denominated in foreign currency are as follows:

	December 2002		June 2002	
	Average Rate	Spot Rate	Average Rate	Spot Rate
US Dollars	0.555	0.570	0.520	0.570
Pounds Sterling	0.354	0.360	0.360	0.390
Euros	0.561	0.570	0.583	0.590
Singapore Dollars	0.975	0.980	0.943	0.980

Foreign Currency Risk

Lend Lease's policy regarding foreign currency management is to actively manage currency risk so as to minimise any adverse impact of this risk and associated costs on the Lend Lease Group's consolidated result and net asset positions. A Financial Markets Risk Management Committee oversees the management of the Group's foreign currency exposures within the parameters of the currency risk management policy. Speculative trading is not undertaken.

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 all dealings with counterparties and respective monetary dealing limits;
- Principally deals with counterparties that are large investment grade 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 revenue after expenses of foreign operations are accounted for in accordance with Lend Lease's accounting policy for foreign currency (Note 1(u)).

Lend Lease has utilised foreign currency options to manage the Group's foreign exchange exposures. There were no foreign currency options outstanding as at 31 December 2002.

Lend Lease uses forward foreign exchange contracts to hedge a portion of the anticipated excess of revenue less expenses from foreign operations. The hedged portion and applicable hedge rates are in the following ranges:

	Year Ended 30 June 2003		Year Ended 30 June 2004		Year Ended 30 June 2005	
	Future Portion Hedged	Average Rate of Underlying Hedge Contracts	Future Portion Hedged	Average Rate of Underlying Hedge Contracts	Future Portion Hedged	Average Rate of Underlying Contracts
Foreign Operations						
US Dollars	80 – 100%	0.58	50 – 70%	0.51	10 – 30%	0.53
Pounds Sterling	80 – 100%	0.39	50 – 70%	0.36	10 – 30%	0.35

During the period ended 31 December 2002, Lend Lease maintained the following hedged positions in relation to certain net asset foreign currency exposures: the net asset exposure to the US Dollar was hedged to 93%, Pounds Sterling 7%, and Euros 29%.

Notes to the Consolidated Financial Statements

	Note	Contribution to Operating Profit/(Loss) After Tax		Book Value	
		December 2002 A\$m	December 2001 A\$m	December 2002 A\$m	June 2002 A\$m
31. Interest in Major Business Undertakings, Projects and Investments					
Australia and Pacific					
(a) Australian Prime Property Fund (APPF)	11	1.1	1.2	49.0	48.8
(b) Darling Park Stage III Joint Venture, Sydney	9	(0.1)	(1.5)	15.0	15.0
(c) Urban Communities, Australia	8,9,10	23.3	7.6	194.4	196.5
(d) Victoria Harbour/Docklands, Melbourne	9	(0.3)		24.0	11.5
(e) IBM Global Services Australia Limited	11	3.7	8.5	42.8	42.8
(f) Jacksons Landing, Sydney (Pymont Trust)	8,10	3.1	1.8	87.8	86.0
(g) Olympic Village/Newington, Sydney (Mirvac Lend Lease Village Consortium)	10	4.1	14.6	12.0	8.0
North America					
(h) Value Enhancement Fund III, IV and V	11	3.2	2.0	77.8	81.7
(i) Yarmouth Capital Partners Limited Partnership II	11	(5.1)	1.2	59.5	83.4
(j) LLM Inversiones I and II S.A. de C.V. (Mexican Distressed Loans)	10	0.6	1.3	16.3	15.1
(k) King of Prussia	11	7.8	6.9	237.2	232.3
Asia					
(l) Asia Pacific Investment Company (APIC)	11			87.7	87.7
(m) Lend Lease International Distressed Debt Fund	11	(4.6)	2.0	38.8	65.5
Europe					
(n) Bluewater, Kent	9	18.2	16.5	626.8	578.5
(o) Chapelfield, Norwich	9			104.4	76.0
(p) Lend Lease Global Fund, Luxembourg	11			175.4	83.4
(q) Lend Lease Retail Partnership	11	1.3	0.8	66.8	61.5
(r) Overgate, Dundee	8,9,11	2.1	3.7	110.0	99.7
(s) Touchwood, Solihull	8	2.8	19.8	7.0	12.1
(t) Tres Aguas (Paseo Commercial Carlos III), Madrid	8,10	1.1	(0.1)	25.1	24.9

Australia and Pacific

(a) Australian Prime Property Fund (APPF)

The investment in APPF mainly relates to a one sixth interest in Greensborough Plaza Shopping Centre in Victoria.

(b) Darling Park Stage III Joint Venture, Sydney

Lend Lease has a 60% interest in Darling Park Stage III Joint Venture, which is currently vacant land in Sydney Central Business District that may be developed at a later date depending upon market conditions.

(c) Urban Communities, Australia

Urban communities are masterplanned residential developments across Australia that are developed in stages over a number of years. Lend Lease's Urban Communities business is currently comprised of 21 projects in a geographically diverse portfolio.

Notes to the Consolidated Financial Statements

31. Interest in Major Business Undertakings, Projects and Investments continued

Australia and Pacific continued

(c) Urban Communities, Australia continued

Significant Projects	Total Lots	% Settled	Joint Venture Partners
Caroline Springs Joint Venture, Melbourne	7,538	40%	Melton East Landowners Trust (50%)
Forest Gardens Residential Land Development, Cairns	1,600	40%	Daikyo Group (50%)
Golden Grove Development, Adelaide	10,000	100%	Land Management Corp. (50%)
Mawson Lakes Economic Development Project, Adelaide	3,458	32%	Land Management Corp. (50%)
Wattle Grove Development, Sydney	3,300	98%	Defence Housing Authority (50%)
Forest Lake, Brisbane	7,694	81%	
Varsity Lakes, Gold Coast	2,810	48%	
Craigieburn Garden Village, Melbourne	3,196	33%	
Springfield Lakes, Brisbane	4,180	12%	

Other

In addition to the Urban Communities projects Lend Lease holds a 50% interest in Retirement by Design, a retirement communities business operating in Sydney, Melbourne and Brisbane.

(d) Victoria Harbour/Docklands, Melbourne

The Victoria Harbour project comprises the right to develop a 30 hectare site, within the Docklands precinct, adjoining Melbourne's CBD. There is 3.5 kilometres of waterfront and an expected population of approximately 15,000 residents working or living in the precinct.

Construction of 56,000 square metre campus-style office building for the National Australia Bank is expected to be completed by June 2004.

Lend Lease is providing development, design, construction and project finance services. General Property Trust will own and operate the asset.

The market release for the first residential tower, Dock 5, commenced in December 2002.

The project is of a staged nature that can be contracted or expanded in line with market conditions.

(e) IBM Global Services Australia Limited (IBMGSA)

The principal activities of IBMGSA are the provision of information technology services to private and public sectors in Australia and New Zealand. Lend Lease has a 23% investment interest in IBMGSA which has not changed during the period.

Lend Lease has guaranteed in proportion to its ownership any monetary liability related to the performance of IBMGSA arising under IT outsourcing contracts with Health Insurance Commission, Medibank Private, Westpac and Department of Health.

During the period Lend Lease received royalty payments of A\$5.3 million (December 2001 A\$6.3 million) in respect of its investment. No dividend was received (December 2001 A\$4.1 million).

(f) Jacksons Landing, Sydney (Pymont Trust)

Jacksons Landing is a joint venture between Lend Lease (50%), Kerry Properties (25%) and the Singapore Government Investment Corporation (25%). It is a development project that is predominantly residential and will consist of approximately 1,341 units at project completion in 2007. The staged masterplanned community has 700 metres of water frontage onto Sydney Harbour and is less than one kilometre from the Sydney CBD.

Notes to the Consolidated Financial Statements

31. Interest in Major Business Undertakings, Projects and Investments continued

Australia and Pacific continued

(f) Jacksons Landing, Sydney (Pyrmont Trust) continued

The development consists of residential and commercial components:

Residential

Precinct	Construction Status	No. units released	No. sold at 31 December 2002	% Sold
Regatta Wharf A	Complete	144	144	100%
The Elizabeth	Complete	44	44	100%
The Rum Store	Complete	13	13	100%
The Terraces	Complete	62	62	100%
Fleetview	Complete	150	150	100%
McCafferys	Complete	158	143	91%
Reflections	Complete	78	77	99%
The Distillery	Commenced September 2002	95	65	68%
The Quarry	Commenced Jan 2003	89	25	28%
Jones St Terraces	Commenced Jan 2003	12	12	100%
Total		845	735	87%

206 units were released during the period, with sales of 119 units achieved. Of the completed precincts all but 16 units released had been sold as at 31 December 2002.

Commercial

The current approved masterplan for the project incorporates approximately 30,000 square metres of commercial usage. The first commercial precinct, known as 'The Glassworks', consists of one building of 12,950m² and was completed and sold in the year ended 30 June 2001.

The St Hilliers Group purchased the 1,200 square metre Tablet House in its current dilapidated condition in December 2002. St Hilliers have advised that they intend to refurbish the building for use as their own company offices.

The balance of the commercial space will be developed in the future, subject to market demand.

(g) Olympic Village/Newington, Sydney (Mirvac Lend Lease Village Consortium)

Lend Lease holds an interest in the Mirvac Lend Lease Village Consortium, an unincorporated partnership with Mirvac. The consortium is developing a new suburb at Homebush Bay in Sydney (Newington), which will be one of the world's largest solar powered neighbourhoods. The development includes the Olympic Village which housed approximately 15,000 athletes who participated in the 2000 Olympic Games. With the games completed, the athletes' village has been incorporated into the new suburb. The development is divided into four precincts, with each precinct being subject to different equity interests. In aggregate Lend Lease is the majority partner with approximately 60% interest.

Precinct/Stage	Nature of Development	Lend Lease Interest
Precinct/Stage 1	Residential (Post Games)	50%
Precinct/Stage 2	Olympic Village/Residential	67%
Precinct/Stage 3	Residential (Pre Games)	50%
Precinct/Stage 4/5	Commercial/Retail	100%

At 31 December 2002 Lend Lease's investment in Olympic Village/Newington amounted to A\$12.0 million (June 2002 A\$8.0 million). The following table summarises the project sales performance:

Residential

Precinct/Stage	No. of Dwellings Launched ⁽¹⁾	No. Sold at 31 December 2002	Percentage Sold
1	115	90	78%
2	865	865	100%
3	396	388	98%
Total	1,376	1,343	98%

(1) Refers to the number of dwellings available to the public for purchase.

Notes to the Consolidated Financial Statements

31. Interest in Major Business Undertakings, Projects and Investments continued

Australia and Pacific continued

(g) Olympic Village/Newington, Sydney (Mirvac Lend Lease Village Consortium) continued

The Olympic Village (Stage 2) was handed over to SOCOG on 16 June 2000. Marketing of the Stage 2 dwellings commenced in March 1999 based on guaranteed leaseback arrangements. The unconditional performance guarantee of A\$450.0 million provided by Lend Lease to the Sydney Olympics Authority in relation to the provision of accommodation for the Games in September 2000 has been reduced to A\$50.0 million following the June 2000 handover of the accommodation.

This guarantee will be released on 16 April 2006 once all conditions under the Project Delivery Agreement with the Olympic Coordination Authority (which includes statutory reporting obligations and land improvement program) have been met. The Olympic Village was handed back by SOCOG in November 2000 and retrofit construction works have been completed. Sales remain on budget.

Commercial: Precinct/Stage 4/5

All retail and commercial sites were sold at 30 June 2002.

North America

(h) Value Enhancement Fund (VEF) III, IV and V

VEF III is a real estate investment fund set up in June 1998 to invest in mortgage investments and other real estate related assets. The net investment decrease during the period reflects US\$3.8 million (A\$6.6 million) of the interest sold down by Lend Lease, with US\$1.6 million (A\$2.8 million) being received in investment income. Lend Lease has a 3.3% interest in VEF III of US\$11.2 million (A\$19.7 million). Lend Lease provided asset management and transactional services to VEF III during the period and received fees of US\$1.4 million (A\$2.5 million).

VEF IV, established in November 1999, is a real estate opportunity fund for institutional investors for enhanced returns, designed to take advantage of inefficiencies in the real estate cycle. Lend Lease has a 5% interest (US\$12.7 million; A\$22.2 million) in the fund at 31 December 2002. The investment decreased by US\$2.3 million (A\$4.0 million) reflecting Lend Lease's share of partnership losses. Lend Lease provided asset management and transactional services to VEF IV during the period and received fees of US\$1.7 million (A\$3.0 million).

VEF V, established in June 2001 is a real estate opportunity fund for institutional investors for enhanced returns, designed to take advantage of inefficiencies in the real estate cycle. Currently Lend Lease has a 16.2% interest (US\$20.5 million; A\$35.9 million) in the fund which will be reduced to 15% as more investors enter into the fund.

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

This represents a co-investment in Yarmouth Capital Partner LP II (22.2% interest), YCP Cheyenne (3.9%

interest) and YCP II Operator (10% interest). The principal activity of YCP LP II is investing in real estate. YCP II Operator is a hotel operator for various hotels in the Value Enhanced Funds series of portfolios, YCP I and YCP II as well as hotels in the Los Angeles County Employee Retirement Association (LACERA) portfolio. Lend Lease provided transactional and advisory services to YCP II receiving a fee of US\$1.0 million (A\$1.8 million) to December 2002 (December 2001 US\$1.2 million; A\$2.1 million). During the period losses of A\$15.2 million were recorded to reflect recent under performance and write-downs of hotel assets held by the fund.

(j) LLM Inversiones I and II S.A. de C.V. (Mexican Distressed Loans)

Lend Lease has a 32.3% interest in LLM Inversiones I S.A. de C.V., a Mexican company involved in the business of acquiring and working out non-performing mortgage loan assets. Lend Lease entered into the investment on 30 March 2001.

Lend Lease has a 50% interest in LLM Inversiones II S.A. de C.V., a Mexican company involved in the business of requiring and working out non-performing mortgage loan assets. Lend Lease entered into the investment in December 2002.

(k) King of Prussia

Lend Lease has a 50% interest in the King of Prussia Associates which owns and operates the King of Prussia shopping complex in Pennsylvania, USA.

Lend Lease's investment in the partnership is recorded at an amount equivalent to its partnership contributions and share of accumulated earnings. This is supported by an independent valuation. The increase since 30 June 2002 is a result of Lend Lease's undistributed share of accumulated earnings for the financial period.

Asia

(l) Asia Pacific Investment Company (APIC)

Lend Lease holds an 18% interest in APIC which was established as an investment fund to enable institutional investors to invest in Asian property opportunities. Lend Lease is a sponsor investor of APIC and acts as investment adviser to the fund. Lend Lease's investment at 31 December 2002 is its maximum commitment in APIC I (A\$34.9 million) and APIC II (A\$52.8 million).

(m) Lend Lease International Distressed Debt Fund (IDDF)

The Lend Lease International Distressed Debt Fund invests in loans secured by real estate as well as commercial and industrial loans. The fund is targeted at institutional investors and high net worth individuals that will invest in distressed debts. It focuses initially on the Asian markets, particularly in Japan, Korea and Thailand.

The decrease in carrying value since 30 June 2002 primarily represents a capital return of A\$16.4 million plus Lend Lease's share of losses of A\$9.3 million.

31. Interest in Major Business Undertakings, Projects and Investments continued

Europe

(n) Bluewater, Kent

Bluewater is a major out of town retail and leisure destination located in north-west Kent in the United Kingdom. The development was completed and opened on schedule on 16 March 1999. Bluewater includes 153,000 square metres of retail and leisure space, with three principal anchor stores, John Lewis, Marks & Spencer and House of Fraser, and a cinema complex which opened in June 1999. Lend Lease is the manager of Bluewater and currently holds a 30% interest in the centre. Since opening, Bluewater's trading performance has been in line with forecast. The centre was 100% let at 30 June 2002.

Lend Lease's Remaining 30% Interest

Lend Lease is required under the terms of the head lease to retain a 30% interest in order to service the head lease payments. Lend Lease has a call option on the head lease which can be exercised in the years 2005, 2009 and 2011.

Prudential has an option to acquire a further 15% interest in Bluewater, should Lend Lease exercise one of its call options. Prudential's option is at a pre-agreed price formula, which essentially relates to the net operating income (NOI) at the time and an agreed capitalisation rate of between 7.25% and 7.75%. The value will be largely dependent upon rental growth achieved at Bluewater's first major rent review in 2004.

The remaining 15% interest (or 30% if Prudential chooses not to exercise its option) can be sold at market value if Lend Lease exercises one of its call options. The price of the remaining interest will be dependent upon a number of factors including:

- The timing and means of disposition;
- State of UK retail market at time of disposition;
- Investor demand for retail property assets like Bluewater;
- Trading performance of the Centre; and
- Rental growth.

Lend Lease's ultimate profitability from Bluewater is also dependent on the above factors and the amount of profit share payable to BCI.

Valuation

The whole Centre has been valued by Paul Wolfenden FRICS, a Director of DTZ Debenham Tie Leung Limited, Chartered Surveyors and International Property Advisors, London, at £1,421.0 million (A\$3,947.2 million) (June 2002 £1,339.0 million). 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 31 December 2002.

Full details of Bluewater are disclosed in the 30 June 2001 Consolidated Financial Report. There were no significant changes to 31 December 2002. The increase in carrying value since 30 June 2002 reflects foreign currency translation movements (A\$48.3 million).

(o) Chapelfield, Norwich

In June 1999, Lend Lease purchased a site in the centre of Norwich, located in East Anglia, England. The carrying value of A\$104.4 million includes the purchase price for the main site of £16.5 million (A\$45.8 million) plus development costs capitalised to date.

Pre-lettings have been secured and at 31 December 2002 House of Fraser has been signed as anchor and five large retailers and a major catering unit have been contracted.

The centre was forward-sold to Capital Shopping Centres plc (CSC) on 14 May 2002.

Construction of the centre commenced during the period, with practical completion scheduled for September 2005. CSC will work with Lend Lease through the development phase, providing asset and centre management. Lend Lease is responsible for design, construction, development and letting of Chapelfield.

Under the terms of agreement, CSC have contributed £40.0 million (A\$111.1 million) on the commencement of the development. A second payment will be made following practical completion, subject to the centre being 70% let (by area and value). Thereafter, further payments will be made by reference to subsequent lettings achieved. The total payment will not exceed a maximum of £295.0 million.

(p) Lend Lease Global Fund, Luxembourg (Global Fund)

Lend Lease Global Properties, SICAF (Global Fund) is the flagship global investment fund of Lend Lease Real Estate Investments established in May 1999. Lend Lease Asia Properties SICAF (Asia Properties) is a sister fund investing only in the Asian region. The Global Fund and Asia Properties are Luxembourg based real estate opportunity funds that invest in real estate properties.

These funds have approximately US\$1,500.0 million to invest (combination of debt and US\$590.0 million in equity commitments). At 31 December 2002, Lend Lease had invested its full commitment of US\$100.0 million (A\$175.4 million). At 31 December 2002, the Lend Lease Global Fund had assets under management of US\$1,500.0 million (A\$2,631.5 million).

(q) Lend Lease Retail Partnership (Retail Partnership)

The Retail Partnership is a Limited Partnership which was launched in February 1999 with £25.0 million (A\$64.1 million) committed by Lend Lease and a further £395.0 million (A\$1,012.8 million) committed by 10 major investors (mainly UK institutions). In March 1999 the total subscriptions increased to £505.0 million (A\$1,383.6 million) with commitments received from an additional nine investors. Lend Lease is the manager of the Retail Partnership which is regulated under the UK Financial Services Act.

Notes to the Consolidated Financial Statements

31. Interest in Major Business Undertakings, Projects and Investments continued

Europe continued

(q) Lend Lease Retail Partnership (Retail Partnership) continued

The Retail Partnership acquired a 25% interest in Bluewater for £280.0 million based on an independent valuation. The Retail Partnership also acquired the land interest in Solihull (in the West Midlands of the United Kingdom) for £17.5 million and entered into an agreement to acquire on completion a 100% interest in the Touchwood shopping centre, based on a pre-determined pricing formula.

The centre opened on schedule in September 2001 and the sale completed for £144.6 million (A\$406.2 million). Following the achievement of additional leasing targets, a further sale was made to the Retail Partnership under the terms of the development services agreement at a value of £28.4 million (A\$78.9 million).

(r) Overgate, Dundee (Overgate)

Overgate is a 420,000 sq. ft shopping centre in Dundee, the fourth largest city in Scotland.

The Centre which opened in March 2000 is anchored by a Debenhams department store and at 31 December 2002 98% of the total area was let (97% by value).

The Lend Lease Overgate Partnership (LLOP) was established in June 1999, with Lend Lease as both limited partner and general partner. LLOP owns the long leasehold and freehold interest in the Centre and entered into a development agreement with Lend Lease to complete and lease the Centre. In June 2000 an approximate 70% interest in LLOP was sold to investors for £95.0 million (A\$260.3 million). The sale, including the final amount payable, was subject to achieving minimum leasing targets on the remaining space. These targets were met in September 2001.

The Overgate investment income for the period to December 2002 included income directly from Lend Lease's interest in the Centre. Lend Lease received 100% of Overgate's net operating income up to the point at which forward sale pre conditions relating to lease targets had been met. From 28 September 2001, the investors in the Lend Lease Overgate Partnership received 100% of the net operating income (Lend Lease's share being 30.7%).

The centre was valued by DTZ Debenham Tie Leung Limited, Chartered Surveyors and International Property Advisors, London at £128.8 million (A\$357.8 million) at December 2002. This valuation is £2.9 million (A\$8.1 million) above the June 2002 valuation (£125.9 million) and thus has in part offset the provision against the carrying value of the Centre.

(s) Touchwood, Solihull (Touchwood)

Touchwood is a regional shopping centre with approximately 650,000 sq. ft of retail and leisure space in Solihull, situated in the West Midlands area of the UK. Touchwood is anchored by the John Lewis Partnership with a 250,000 sq. ft department store and opened on schedule on 5 September 2001.

Lend Lease was responsible for the design and construction of the Centre and remains responsible for the leasing of the Centre from which it earns a development fee. The amount of the development fee is calculated by reference to the level of rentals achieved and an agreed capitalisation rate of 6.25% for base rents and 7.25% for turnover rents. As at 31 December 2002, 99% (by value) of the centre had been let (June 2002 98%) and therefore 99% of the potential development fees had been received from Lend Lease Retail Partnership.

Touchwood has been valued by DTZ Debenham Tie Leung Limited, Chartered Surveyors and International Property Advisors, London, at £213.0 million (A\$591.7 million) (June 2002 £208.0 million; A\$533.3 million). 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 31 December 2002 based on the agreed capitalisation rates of 6.25% and 7.5% for base rents and turnover rents respectively.

(t) Tres Aguas (Paseo Commercial Carlos III), Madrid

Lend Lease holds a 50% interest in Tres Aguas which, is a joint venture established in September 1999 to develop a regional retail centre in Madrid, Spain.

The Centre opened in September 2002. At 31 December 2002, 92% of the space was let.

The Centre is being marketed for sale and interest has been received from a number of parties. If possible, the sale of the investment will be completed in the second half of the financial year.

Notes to the Consolidated Financial Statements

	Balance Date	Interest		Share of Associates' Profit/(Loss) After Tax ⁽¹⁾		Book Value	
		December 2002 %	June 2002 %	December 2002 A\$m	December 2001 A\$m	December 2002 A\$m	June 2002 A\$m
32. Associates							
Project and Construction Management							
Bonafacio Construction Management ⁽³⁾	30 Jun		40.0%		0.1		0.2
Catalyst Healthcare (Calderdale) plc	31 Mar	19.9%	19.9%		0.3		
Catalyst Healthcare (Worcester) plc	31 Mar	50.0%	50.0%	(0.6)	(0.3)	(0.9)	(0.3)
Exchequer Partnership	31 Mar	42.5%	42.5%			0.6	0.5
Other Associates ⁽⁵⁾					(0.1)		
				(0.6)	-	(0.3)	0.4
Integrated Property Development							
Tuas View Development Pte Ltd ⁽²⁾	31 Mar	35.0%	35.0%				
Tres Aguas (Paseo Commercial Carlos III), Madrid	31 Dec	50.0%	49.3%	1.1	(0.1)	18.6	18.6
Retirement by Design Pty Ltd	30 Jun	50.0%	50.0%	1.0	1.4	22.3	21.3
Forest Gardens Residential Land Development	30 Jun	50.0%	50.0%	(0.1)		8.0	6.6
Golden Grove Development	30 Jun	50.0%	50.0%	0.8	0.4		
Forest Lake Village Pty Ltd	30 Jun	50.0%	50.0%				
Wattle Grove Development	30 Jun	50.0%	50.0%	(2.3)	1.3	2.0	4.1
Delcorp Property Trust	30 Jun	50.0%	50.0%		1.6	1.7	1.7
Jacobs Lend Lease (Asia)	30 Jun	50.0%	50.0%	0.7	1.1	1.1	2.1
				1.2	5.7	53.7	54.4
Real Estate Investments – Equity							
DPT Operator	30 Jun	50.0%	50.0%	0.6	0.7	4.9	4.2
Generali Lend Lease	30 Jun	49.5%	49.5%	0.5	(0.2)	2.0	1.3
Kiwi Property Group	31 Mar	50.0%	50.0%	0.2	0.9	0.9	0.9
Lend Lease Porto Retail (Arrábida Shopping Centre) ⁽⁴⁾	31 Dec				3.8		
Lend Lease Rosen Real Estate Securities, LLC ⁽⁶⁾	31 Dec		50.0%	0.5	2.8		7.1
Other ⁽⁵⁾						0.3	0.5
				1.8	8.0	8.1	14.0
Real Estate Investments – Debt							
LLM Inversiones I S.A. de C.V.	30 Jun	32.3%	32.3%	0.6	1.3	10.0	15.1
LLM Inversiones II S.A. de C.V.	30 Jun	50.0%				6.3	
Lend Lease Hyperion Capital Advisors, LLC	31 Dec	50.0%	50.0%	1.8	1.8	0.8	0.7
Lend Lease Mexico	30 Jun	50.0%	50.0%	6.8	0.9	0.8	7.1
Other ⁽⁵⁾						0.6	0.6
				9.2	4.0	18.5	23.5
Capital Services							
Chelverton Properties Limited ⁽³⁾	31 Mar		50.0%				14.1
THI plc ⁽²⁾	31 Dec	14.3%	14.3%				
Other ⁽⁵⁾							2.9
				-	-	-	17.0
Less: Provision for diminution						(0.5)	(17.5)
Total				11.6	17.7	79.5	91.8

(1) Reflects the contribution to profit after tax from ordinary activities of equity accounted profits and losses only. Does not include any provision raised against the investment in the associates or other income such as guarantee fees etc.

(2) Equity accounted to nil.

(3) Sold during the financial period.

(4) Sold during the year to June 2002.

(5) Other Associates relate to associates whose size and impact on the results for the year are not significant, separately or in aggregate and therefore no further disclosures have been made.

(6) Lend Lease's interest was increased to 77.5% during the period. Given that this investment is now a subsidiary it has been consolidated at December 2002.

Notes to the Consolidated Financial Statements

32. Associates continued

Results of Associates

Share of associates' ordinary profit before income tax

15.0 30.8

Share of associates' income tax expense attributable to ordinary profit

(1.3) (1.7)

Share of associates' net profit – as disclosed by associates

13.7 29.1

Adjustment arising from equity accounting:

Amortisation of goodwill and management agreements

(0.4)

Borrowing costs capitalised

1.5

Amortisation of fair value adjustments

(2.1)

Other

(0.4)

Share of associates' net profit – equity accounted

11.6 29.8

Share of Post Acquisition Retained Profits and Reserves Attributable to Associates

Retained Profits

Share of associates' retained profits at the beginning of financial period

0.3 0.3

Share of net profit of associates

11.6 29.8

Effect of exchange rate movements

(0.4) (1.5)

Dividends from associates

(22.9) (26.5)

Disposal of associates

(6.7) (1.8)

Share of associates' retained profits at end of financial period

(18.1) 0.3

Movements in Carrying Amounts of Investments

Carrying amount of investments in associates at the beginning of financial period

91.8 76.1

Acquisition through entity acquired during the financial period

41.3

Investment in associates acquired during the financial period

8.2 8.4

Share of associates' net profit

11.6 29.8

Dividends received from associates

(22.9) (26.5)

Other non profit distributions from associates

(0.4) (12.1)

Disposal of associates

(0.2) (23.0)

Other adjustments ⁽¹⁾

(8.6) (2.2)

Carrying amount of investments in associates at end of financial period

79.5 91.8

Commitments

Share of associates' capital expenditure and lease commitments contracted but not provided for and payable:

Due within 1 year

98.1 54.4

Due between 1 and 5 years

40.8 54.6

138.9 109.0

Contingent Liabilities

Share of associates' contingent liabilities

- -

Summary of Financial Position of Associates

Current assets

282.6 283.6

Non current assets

437.5 388.7

Total assets

720.1 672.3

Current liabilities

125.8 153.1

Non current liabilities

514.8 433.0

Total liabilities

640.6 586.1

Net assets – as reported by associates

79.5 86.2

Adjustments arising from equity accounting:

Goodwill (net of amortisation)

5.6

Net assets – equity adjusted

79.5 91.8

(1) Includes exchange rate movement.

Notes to the Consolidated Financial Statements

	Balance Date	Interest		Share of Profit/(Loss) After Tax		Book Value	
		December 2002 %	June 2002 %	December 2002 A\$m	December 2001 A\$m	December 2002 A\$m	June 2002 A\$m
33. Joint Ventures							
Joint Venture Entities							
Project and Construction Management							
Bovis Projects (Kuwait)	31 Dec	60%	60%	0.7	0.2	0.7	0.3
Jacobs Lend Lease, Ireland	30 Sep	50%	50%	0.9	0.7	(0.7)	2.0
				1.6	0.9	-	2.3
Integrated Property Development							
Fox Studios Retail and Entertainment Precinct	30 June	50%	50%	0.1	(1.3)	3.8	4.7
Mawson Lakes Economic Development Project	31 Dec	50%	50%	1.5	0.7	7.2	6.6
North Lakes Development Joint Venture	30 June		50%		0.2		24.5
Pymont Trust	30 June	50%	50%	2.7	2.6	13.3	13.3
Mirvac Lend Lease Village Consortium (Newington Precincts 1 & 3)	30 June	50%	50%	4.0	0.7	12.0	8.0
Caroline Springs Joint Venture	30 June	50%	50%	1.2	1.4	13.5	12.9
Other Joint Ventures ⁽¹⁾							2.0
				9.5	4.3	49.8	72.0
Total				11.1	5.2	49.8	74.3

(1) Other Joint Ventures include MVIC Finance 2, Aena and Cotas. Their size and impact on the results for the year in Joint Ventures as listed are not significant, separately or in aggregate and therefore no further disclosures have been made.

Statement of Financial Position

Lend Lease's share of the assets and liabilities of joint venture entities consists of:

	December 2002 A\$m	June 2002 A\$m
Current assets	114.0	140.7
Non current assets	75.0	138.3
Total assets	189.0	279.0
Current liabilities	50.4	54.9
Non current liabilities	97.1	162.8
Total liabilities	147.5	217.7
Other adjustments	8.3	13.0
Share of net assets – equity adjusted	49.8	74.3

Lend Lease's Share of the Results of Joint Venture Entities

Revenue	202.0	125.3
Expenses	(190.7)	(120.7)
Profit before tax	11.3	4.6
Income tax expense	(0.2)	(0.4)
Net profit after tax	11.1	4.2

Share of Post-Acquisition Retained Profits Attributable to Joint Venture Entities

Share of joint venture entities' retained losses at beginning of financial period	(45.5)	(15.3)
Acquisition through entity acquired during financial period		1.7
Transfer from joint venture operations to entities		1.5
Share of joint venture entities' net profit	11.1	4.2
Drawings from partnerships	(12.1)	(37.6)
Share of joint venture entities' retained losses at end of financial period	(46.5)	(45.5)

Notes to the Consolidated Financial Statements

33. Joint Ventures continued

Movements in Carrying Amount of Joint Venture Entities

	December 2002 A\$m	June 2002 A\$m
Carrying amount at the beginning of financial period	74.3	37.2
Increase through entity acquired during financial period		8.9
Transfer from joint venture operations to entities		14.9
Contributions to the joint venture entities	2.0	28.3
Share of joint venture entities' profit	11.1	4.2
Drawings from the joint venture entities	(12.1)	(37.6)
Other non-profit distributions from joint ventures	(1.5)	(4.2)
Other adjustments to carrying value	0.3	22.6
Disposal of investments	(24.3)	
Carrying amount at end of financial period	49.8	74.3

Refer to Notes 27 and 28 for details of contingent liabilities and commitments.

	Interest		Share of Profit After Tax		Book Value	
	December 2002 %	June 2002 %	December 2002 A\$m	December 2001 A\$m	December 2002 A\$m	June 2002 A\$m
Joint Venture Operations						
Integrated Property Development						
Darling Park Stage III Joint Venture	60%	60%			14.9	14.3
Other				0.2		
Capital Services						
Manukau Wastewater Services (NZ)	20%	20%	0.6	2.7	10.4	8.7
Seaview Project Limited	50%	50%		1.1	2.5	2.9
			0.6	4.0	27.8	25.9

Included in the assets and liabilities within these consolidated financial statements are the following items which represent Lend Lease's interest in the assets and liabilities employed in joint venture operations:

	December 2002 A\$m	June 2002 A\$m
Cash	6.2	7.9
Receivables	6.6	8.9
Inventories – Properties held for resale	26.8	22.4
Property, plant and equipment	0.2	0.5
Total assets	39.8	39.7
Provision for diminution – Darling Park Stage III	11.8	11.8
Accounts payable and borrowings	0.2	2.0
Total liabilities	12.0	13.8
Net assets	27.8	25.9

Notes to the Consolidated Financial Statements

	Interest Held %	Date Acquired	Consideration Paid A\$m	Contribution to Consolidated Profit/(Loss) After Tax ⁽¹⁾ A\$m
34. Controlled Entities				
December 2002				
Acquisitions				
Project and Construction Management				
International Bovis Lend Lease Telecom, Inc	100%	Oct 02	12.6	
Real Estate Investments				
International Lend Lease Rosen Real Estate Securities, LLC	77.5% ⁽²⁾	31 Jul 02	25.6	0.8

There were no disposals of material controlled entities of the Group during the financial period.

	Interest Held %	Date Acquired/Disposed	Consideration Paid/Received A\$m	Contribution to Consolidated Profit/(Loss) After Tax ⁽¹⁾ A\$m
December 2001				
Acquisitions				
Integrated Development Businesses				
Australia Delfin Group	100%	10 Aug 01	173.9	12.6
Disposals				
Real Estate Investments				
Australia Bricwell Pty Limited ⁽³⁾	100%	11 Sept 01		
International Larry Smith & Associates SRL	100%	1 Jul 01	5.7	(0.2)

(1) Excludes any intercompany transactions for the period.

(2) Lend Lease (US) Inc acquired an additional 27.5% interest (50% in June 2002) in Rosen Real Estate Securities, LLC making it a controlled entity, not an equity accounted investment. The acquisition details relate only to this additional interest.

(3) Deregistered/Dissolved during the period.

35. 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 as at 30 June 2002.

36. Events Subsequent to Balance Date

As announced on 23 January 2003, Lend Lease has reassessed the carrying value of its REI US businesses as a result of reduced medium term earnings expectations and will raise a total charge in the order of US\$300 million (A\$526.3 million) after tax.

US\$275.0 million (A\$482.5 million) of the above charge has been brought to account in the financial statements for the half year ending 31 December 2002. This change represents the write-down of goodwill US\$113.5 million (A\$199.1 million), management agreements US\$127.5 million (A\$223.7 million), IT systems US\$14.0 million (A\$24.6 million) and write-back of future income tax benefits relating to operating losses of US\$20.0 million (A\$35.1 million). The remaining US\$25.0 million (A\$43.8 million) represents the anticipated restructure costs and other provisions to be recognised in future periods.

Since 31 December payments totalling A\$95.3 million have been made to the Australian Taxation Office relating to the amended assessment of income issued in relation to the June 1996 forward sale and associated Westpac Share Warrants Issue Agreement with County Natwest Securities Australia Limited in relation to 100 million Westpac shares (refer Note 27 Contingent Liabilities). The financial effect of these payments were not brought to account in the financial statements for the half year ended 31 December 2002.

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 47 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2002 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Sydney, 20 February 2003.

Signed in accordance with a resolution of directors:

J K Conway
Chairman

G A Clarke
Managing Director