

Lend Lease Corporation Limited

Half Year Consolidated Financial Report 31 December 2003

Consolidated Financial Statements

Statement of Financial Performance	1
Statement of Financial Position.....	2
Statement of Cash Flows	3

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies	4
2. Segment Reporting.....	5
3. Revenue	7
4. Ordinary (Profit)/Loss Items.....	8
5. Taxation.....	9
6. Dividends and Earnings Per Share.....	11
7. Cash and Cash Equivalents	12
8. Receivables	12
9. Inventories	12
10. Equity Accounted Investments.....	14
11. Other Investments	15
12. Property, Plant and Equipment	16
13. Goodwill.....	16
14. Management Agreements.....	16
15. Other Intangibles.....	16
16. Other Assets.....	17
17. Creditors	17
18. Borrowings and Financing Arrangements	18
19. Provisions	20
20. Other Interest Bearing Liabilities.....	20
21. Other Non Interest Bearing Liabilities	20
22. Contributed Equity.....	21
23. Reserves.....	21
24. Retained Profits	22
25. Outside Equity Interests in Controlled Entities	22
26. Contingent Liabilities	22
27. International Currency Management and Financial Instruments	23
28. Associates	24
29. Joint Ventures.....	25
30. Controlled Entities.....	26
31. Superannuation/Pension Funds.....	26
32. Discontinuing Operations.....	27
33. Events Subsequent to Balance Date.....	28

Directors' Declaration.....	29
------------------------------------	-----------

Consolidated Financial Statements

Statement of Financial Performance

Half Year Ended 31 December 2003

	Note	December 2003 6 months A\$m	Consolidated December 2002 6 months A\$m	June 2003 12 months A\$m		
Revenue from Ordinary Activities						
Revenue from the sale of development properties	3a	161.4	82.2	229.6		
Revenue from the provision of services	3b	4,209.3	5,086.8	9,576.5		
Other revenues from ordinary operating activities	3c	796.8	142.9	307.8		
Total revenue from ordinary activities		5,167.5	5,311.9	10,113.9		
Expenses from Ordinary Activities						
Integrated property development activities		(357.1)	(356.7)	(709.1)		
Project and construction management activities		(3,813.0)	(4,392.2)	(8,335.5)		
Real estate equity and debt management activities						
Ordinary expenses		(122.2)	(352.0)	(678.0)		
Costs on sale of REI businesses		(522.7)				
Write-down of REI businesses	4		(447.4)	(882.0)		
Equity investment activities		(45.8)				
Administration expenses		(34.9)	(37.7)	(53.3)		
Borrowing costs		(22.0)	(37.5)	(66.4)		
Total expenses from ordinary activities		(4,917.7)	(5,623.5)	(10,724.3)		
Share of net profit of associates accounted for using the equity method	28	3.2	11.0	18.6		
Share of net profit of joint venture entities accounted for using the equity method	29	22.9	11.7	24.8		
Profit/(loss) before tax from ordinary activities		275.9	(288.9)	(567.0)		
Income tax expense relating to ordinary activities	5a	(84.8)	(82.8)	(140.9)		
Profit/(loss) after tax from ordinary activities		191.1	(371.7)	(707.9)		
Ordinary (profit)/loss after tax attributable to outside equity interests		(2.9)	2.3	(6.9)		
Net profit/(loss) after tax attributable to members of Lend Lease Corporation Limited		188.2	(369.4)	(714.8)		
Non Owner Transaction Changes in Equity						
(Decrease)/increase in Foreign Currency Translation Reserve	23	(11.3)	34.4	(8.9)		
Increase/(decrease) in retained profits on initial adoption of:						
Revised AASB 1028 'Employee Benefits'	24		(1.1)	(1.1)		
AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	24		39.1	39.1		
Total changes in equity from non owner related transactions attributable to the members of Lend Lease Corporation Limited		176.9	(297.0)	(685.7)		
Earnings per share						
Basic		(cents)	6	44.6	(84.9)	(163.1)
Diluted		(cents)	6	44.6	(84.9)	(163.1)
Alternative earnings per share ¹						
Basic		(cents)	6	25.7	26.0	52.5
Diluted		(cents)	6	25.7	26.0	52.5

¹ The December 2003 alternative basic and diluted earnings per share amounts have been calculated after excluding the impact of the after tax profit of A\$79.7 million relating to the sale of IBMGSA. The December 2002 and June 2003 amounts have been calculated after excluding the impact of the after tax write-down of the REI businesses of A\$482.5 million and A\$945.0 million respectively.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Financial Position

As at 31 December 2003

	Note	Consolidated December 2003 A\$m	June 2003 A\$m
Current Assets			
Cash and cash equivalents	7	1,456.8	867.2
Receivables	8	1,373.1	1,858.2
Inventories	9	355.3	311.0
Other investments	11	159.7	377.0
Other assets	16	198.4	289.1
Total current assets		3,543.3	3,702.5
Non Current Assets			
Receivables	8	104.4	76.7
Inventories	9	976.4	871.0
Equity accounted investments	10	125.5	118.5
Other investments	11	803.4	952.7
Future income tax benefit	5d	309.9	295.6
Property, plant and equipment	12	80.3	72.6
Goodwill	13	624.9	700.0
Management agreements	14	57.8	432.9
Other intangibles	15	2.7	57.0
Other assets	16	182.3	129.4
Total non current assets		3,267.6	3,706.4
Total assets		6,810.9	7,408.9
Current Liabilities			
Creditors	17	2,171.5	2,463.5
Current tax liabilities	5b	92.6	59.7
Provisions	19	318.8	398.3
Other interest bearing liabilities	20	27.2	20.3
Other non interest bearing liabilities	21	33.9	51.2
Total current liabilities		2,644.0	2,993.0
Non Current Liabilities			
Creditors	17	28.8	24.6
Borrowings	18	853.2	884.6
Provisions	19	67.4	108.9
Provision for deferred income tax	5c	153.1	141.0
Other interest bearing liabilities	20	207.4	236.4
Other non interest bearing liabilities	21	18.6	12.8
Total non current liabilities		1,328.5	1,408.3
Total liabilities		3,972.5	4,401.3
Net assets		2,838.4	3,007.6
Equity			
Contributed equity	22	834.3	816.4
Reserves	23	31.3	42.6
Retained profits	24	1,943.4	2,141.4
Total parent equity interest		2,809.0	3,000.4
Outside equity interests in controlled entities	25	29.4	7.2
Total equity		2,838.4	3,007.6

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Cash Flows

Half Year Ended 31 December 2003

	Note	December 2003 6 months A\$m	Consolidated December 2002 6 months A\$m	June 2003 12 months A\$m
Cash Flows from Operating Activities				
Cash receipts in the course of operations ¹		4,764.4	5,511.9	9,873.5
Cash payments in the course of operations ¹		(4,443.3)	(5,387.5)	(9,608.2)
Property development receipts		230.3	229.9	365.7
Property development expenditure		(265.2)	(156.9)	(336.8)
Interest received		28.7	22.9	40.0
Interest paid		(25.2)	(36.1)	(66.4)
Dividends received		24.8	41.0	54.3
Distributions from partnerships received		9.2	5.5	14.9
Income tax paid in respect of operations		(46.8)	(39.7)	(145.6)
Net cash provided by operating activities		276.9	191.0	191.4
Cash Flows from Investing Activities				
Proceeds from sale/redemption of current investments		427.0	575.7	773.7
Purchases of current investments		(368.3)	(493.1)	(843.3)
Proceeds from sale/redemption of non current investments ²		112.1	71.8	159.4
Purchases of non current investments		(12.0)	(149.4)	(166.5)
Proceeds from sale of other assets ³		283.8		3.2
Purchases of other assets		(8.0)		
Repayment of loans from/(loans to) associates/related parties		9.4	(45.8)	(33.7)
Payment for acquisition of controlled entities		(53.0)	(38.2)	(38.2)
Proceeds from sale of controlled entities ⁴		221.5		15.4
Proceeds from sale of property, plant and equipment		3.7	0.2	21.5
Purchases of property, plant and equipment		(25.9)	(13.4)	(27.1)
Net cash provided/(used) in investing activities		590.3	(92.2)	(135.6)
Cash Flows from Financing Activities				
Proceeds from borrowings		135.2	633.0	1,209.5
Repayment of borrowings		(0.7)	(633.0)	(1,209.5)
Net proceeds from share issues	22	17.9	8.1	43.0
Payments for share buybacks		(310.7)		(15.2)
Dividends paid		(85.9)	(38.3)	(80.9)
Increase/(decrease) in capital of outside equity interest		0.6		(2.9)
Net cash used by financing activities		(243.6)	(30.2)	(56.0)
Other Cash Flow Items				
Effect of exchange rate changes on cash and cash equivalents		(32.8)	7.4	(43.4)
Cash balances in controlled entities acquired		5.1	7.9	6.1
Cash balances in controlled entities sold		(6.3)		0.6
Net (decrease)/increase from other items		(34.0)	15.3	(36.7)
Net increase/(decrease) in cash and cash equivalents		589.6	83.9	(36.9)
Cash and cash equivalents at the beginning of financial period		867.2	904.1	904.1
Cash and cash equivalents at the end of financial period	7	1,456.8	988.0	867.2

1 Includes A\$134.9 million (December 2002 A\$43.9 million) inflow relating to Lend Lease's foreign exchange hedging activities including the hedging of receivables, payables, revenues, expenses and intercompany transactions and loans.

2 Includes the sale of the investment in IBM Global Services Australia Ltd of A\$80.0 million and the sale of REI investments sold as part of the sale of REI businesses of A\$14.7 million.

3 Includes the sale of various REI assets and operations of the underlying businesses, sold as part of the sale of REI businesses of A\$280.3 million.

4 Relates to the sale of REI controlled entities sold as part of the sale of the REI businesses. Refer Note 30 for details of controlled entities sold.

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Summary of Principal Accounting Policies

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 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 applied in the 30 June 2003 Annual Consolidated Financial Report.

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

The Half Year Financial Report is to be read in conjunction with the 30 June 2003 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.

Notes to the Consolidated Financial Statements continued

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 ^{1,2,9}		Other Unallocated Revenue ¹		Group Operating Revenue ^{5,9}		Segment Result Before Tax ^{1,2,3,4,9}		Share of Net Profit/(Loss) of Equity Accounted Investments		Other Unallocated Revenues & Expenses ^{1,3}		Group Operating Profit/(Loss) Before Tax ^{5,9}		Group Operating Profit/(Loss) After Tax from Ordinary Activities ^{6,9}		Group Operating Profit/(Loss) After Tax ^{5,9}	
	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002	Dec 2003	Dec 2002
	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m	6 months A\$m
Project and Construction Management¹⁰	3,859.4	4,493.4			3,859.4	4,493.4	46.4	119.1	4.9	1.7	21.9	(1.4)	73.2	119.4	44.3	76.0	44.3	76.0
Integrated Property Development¹⁰	372.3	257.6	1.7	42.5	374.0	300.1	11.7	(36.5)	20.4	10.0	3.8	18.3	35.9	(8.2)	26.8	(3.8)	24.4	(0.9)
REI – Equity ⁷	165.4	281.3	160.2	0.6	325.6	281.9	85.0	(235.4)	0.2	1.8	3.9	0.6	89.1	(233.0)	58.7	(291.4)	58.7	(291.7)
REI – Debt ⁸	38.7	187.6	370.9		409.6	187.6	(1.6)	(100.4)	0.6	9.2	5.8		4.8	(91.2)	2.3	(98.5)	1.8	(98.8)
Total Real Estate Investments	204.1	468.9	531.1	0.6	735.2	469.5	83.4	(335.8)	0.8	11.0	9.7	0.6	93.9	(324.2)	61.0	(389.9)	60.5	(390.5)
Total Core Real Estate	4,435.8	5,219.9	532.8	43.1	4,968.6	5,263.0	141.5	(253.2)	26.1	22.7	35.4	17.5	203.0	(213.0)	132.1	(317.7)	129.2	(315.4)
Non Core Businesses/ One Off Items																		
IT +T (IBMGSA)	1.9	5.3	157.3		159.2	5.3	1.9	5.3			111.5		113.4	5.3	81.1	4.8	81.1	4.8
Capital Services				14.9		14.9	3.3	9.0				(0.6)	3.3	8.4	5.8	3.8	5.8	3.8
Total Non Core Businesses	1.9	5.3	157.3	14.9	159.2	20.2	5.2	14.3	-	-	111.5	(0.6)	116.7	13.7	86.9	8.6	86.9	8.6
Total Segment	4,437.7	5,225.2					146.7	(238.9)	26.1	22.7								
Unallocated Corporate			39.7	28.7	39.7	28.7					(43.8)	(89.6)	(43.8)	(89.6)	(27.9)	(62.6)	(27.9)	(62.6)
Total Group			729.8	86.7	5,167.5	5,311.9					103.1	(72.7)	275.9	(288.9)	191.1	(371.7)	188.2	(369.4)

- 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.
- Segment revenues, expenses and results include inter segment transfers between business segment of A\$nil million (2002 A\$1.1 million). Inter segment transfers are priced on an arm's length basis.
- Segment results include amortisation. A\$26.6 million, representing amortisation adjusted for FX hedge allocation, has been reclassified in 'Other Unallocated Revenues and Expenses' to enable reconciliation to the MD&A results.
- Segment results include amortisation and depreciation of A\$24.6 million (2002 A\$29.4 million) in Project and Construction Management, A\$1.6 million (2002 A\$3.6 million) in Integrated Property Development, A\$2.7 million (2002 A\$19.7 million) in REI – Equity and A\$4.2 million (2002 A\$6.9 million) in REI – Debt.
- Presentation and classification is consistent with MD&A.
- Represents the Group net profit/(loss) before Outside Equity Interest.
- REI – Equity includes discontinuing operations' segment revenue of A\$67.2 million (2002 A\$169.5 million), segment profit before tax of A\$22.2 million (2002 loss of A\$234.6 million), and segment profit after tax of A\$12.5 million (2002 loss of A\$293.3 million) (refer Note 32 Discontinuing Operations).
- REI – Debt includes discontinuing operations' segment revenue of A\$38.7 million (2002 A\$187.6 million), segment loss before tax of A\$1.6 million (2002 loss of A\$100.4 million), and segment loss after tax of A\$1.6 million (2002 loss of A\$108.0 million) (refer Note 32 Discontinuing Operations).
- The December 2002 results have been restated to reflect the change in the basis of cost allocations within business segments. (Refer to the MD&A for further details).
- Consistent with the June 2003 disclosures, the European consulting business has been transferred from Integrated Property Development to Project and Construction Management. As a result the December 2002 results have been restated to reflect the transfer of revenue (A\$27.8 million), profit before tax (A\$6.4 million) and profit after tax (A\$4.5 million) to Project and Construction Management.

Notes to the Consolidated Financial Statements continued

2. Segment Reporting continued

Business Segments

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

Project and Construction Management

Real estate project management, construction management and engineering.

Integrated Property Development

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

Real Estate Investments

Real Estate Investments includes the following business activities:

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.

Includes discontinued operations (refer Note 32 Discontinued Operations).

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.

These are now discontinuing operations (refer Note 32 Discontinuing Operations).

IT+T (IBMGSA)

Investment in IBM Global Services Australia Limited.

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.

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.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	December 2002 A\$m
3. Revenue		
Total comprising:		
a. Revenue from the Sale of Development Properties ¹	161.4	82.2
b. Revenue from the Provision of Services		
Real Estate Solutions		
Project and construction management ²	3,846.1	4,601.3
Integrated property development	196.7	18.7
	4,042.8	4,620.0
Real Estate Investments		
Property and funds management	159.2	465.3
Other	7.3	1.5
Total revenue from the provision of services	4,209.3	5,086.8
c. Other Revenues from Ordinary Operating Activities		
Dividends Received		
Other related parties	2.0	0.9
Other corporations	3.7	3.5
	5.7	4.4
Interest Received		
Other related parties	0.2	1.5
Other corporations	28.5	21.4
	28.7	22.9
Proceeds on Sale of Investments		
REI Investments (including controlled entities) ³	244.9	
IBM Global Services Australia Limited	157.3	
Thai Market Project (TAECO)	1.7	
North Lakes (Urban Community)		42.5
Chelverton Group Limited		10.3
Lend Lease Chelverton International		3.7
Other	1.2	1.9
	405.1	58.4
Share of Partnerships' Result		
King of Prussia	10.3	13.4
Lend Lease Overgate Partnership	2.4	3.0
Lend Lease Retail Partnership	1.5	1.9
YCP II		(8.8)
Other	0.2	
	14.4	9.5
Other Revenue		
Proceeds from sale of REI businesses ³	282.9	
Rental Income	25.8	27.1
Other	34.2	20.6
	342.9	47.7
Total other revenues from ordinary operating activities	796.8	142.9
Total revenue from ordinary activities	5,167.5	5,311.9

1 Relates primarily to Delfin Lend Lease Urban Communities projects.

2 December 2003 includes decrease in revenue of A\$676.3 million due to foreign currency translation movement as a result of the strengthening Australian Dollar during the period.

3 Total proceeds from sale of REI businesses of A\$527.8 million is represented by the sale of controlled entities (A\$229.8 million), investments (A\$15.1 million) plus the sale of various REI assets and operations of underlying businesses (A\$282.9 million).

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

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	December 2002 A\$m
4. Ordinary (Profit)/Loss Items		
(Profit)/loss from ordinary activities before income tax has been determined after:		
Depreciation and amortisation		
Depreciation of IT systems (REI Business)		6.8
Depreciation of property, plant and equipment	9.0	19.2
Less: Capitalised depreciation	(0.3)	(0.2)
Amortisation of leased plant and equipment	0.9	0.5
Amortisation of goodwill	20.2	35.4
Amortisation of management agreements	1.5	9.8
Amortisation of other intangibles	2.3	4.5
Total depreciation and amortisation	33.6	76.0
Borrowing costs		
Non interest borrowing costs	0.4	3.3
Interest borrowing costs		
Other corporations ¹	24.8	35.5
Less: Capitalised interest borrowing costs	(3.2)	(1.3)
Net interest borrowing costs	21.6	34.2
Total borrowing costs	22.0	37.5
(Profit) on sale of investments		
IBM Global Services Australia Limited	(111.5)	
North Lakes (Urban Community)		(16.0)
Other	(1.7)	(1.7)
Total (profit) on sale of investments	(113.2)	(17.7)
(Profit) on sale of REI businesses	(5.1)	-
Net provisions raised/(written back)		
Diminution in value of property inventories	(3.0)	14.2
Diminution in value of investments	(2.4)	(1.5)
Employee benefits	13.8	16.6
Construction risks	15.6	4.4
REI restructuring	(18.1)	
Other provisions	(0.1)	9.7
Net provisions raised/(written back)	5.8	43.4
Bad and doubtful debts expense net of provisions raised/(written back)	(2.7)	(6.1)
Net foreign exchange gain	(23.5)	(8.1)
Loss on sale of property, plant and equipment	1.0	1.4
Operating lease rental expense	10.8	32.7
Finance lease expense	-	0.5

1 A\$24.8 million interest borrowing costs mainly relates to guaranteed notes.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	December 2002 A\$m
4. Ordinary (Profit)/Loss Items continued		
Individually significant items included in (profit)/loss from ordinary activities before income tax expense:		
Write-down of REI businesses ¹	-	447.4
Profit from sale of IBMGSA ²	(111.5)	-
1 For the year ended 30 June 2003, the total write-down of the REI business was A\$882.0 million before tax. Detailed disclosures are included in the 30 June 2003 Annual Consolidated Financial Report.		
2 Sale of IBMGSA profit after tax A\$79.7 million.		
5. Taxation		
a. Income Tax Expense		
Profit/(loss) before tax from ordinary activities	275.9	(288.9)
Prima facie income tax expense/(benefit) at 30% of profit/(loss) from ordinary activities	82.8	(86.6)
Tax effect of permanent differences:		
Rebateable dividends	(1.9)	(2.3)
Non assessable income		(1.2)
Non deductible losses	3.2	
Equity accounted profits	(1.3)	(1.8)
Amortisation expense	6.0	2.5
Non allowable expenses	3.5	6.8
Non (assessable)/deductible provisions	(0.4)	1.8
(Recovery)/write-off of tax losses	(0.7)	1.1
Variation in overseas tax rates	4.6	(1.8)
Other	(3.6)	0.5
	9.4	5.6
Income tax expense/(benefit) for current financial period before individually significant permanent differences	92.2	(81.0)
Individually significant permanent differences:		
Non recognition of future income tax benefits relating to write-down of REI businesses		185.7
Variation in overseas tax rates in relation to REI write-down		(51.5)
Write-off of future income tax benefits previously recognised in prior years in relation to write-down of REI businesses		35.1
	92.2	88.3
Income tax over provided in previous financial periods	(7.4)	(5.5)
Total income tax expense	84.8	82.8

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
5. Taxation continued		
b. Current Tax Liabilities		
Movements during the financial period were as follows:		
Balance at beginning of financial period	59.7	10.8
Income tax paid	(46.8)	(50.3)
Addition through acquisition of controlled entities		3.3
Prior financial period (over)/under provision	(16.9)	13.0
Current financial period income tax expense on profit/(loss) from ordinary activities after adjusting for timing differences	96.6	82.9
	92.6	59.7
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	28.7	29.0
Deferred partnership income	38.4	37.6
Unrealised foreign exchange movements	39.6	41.8
Other	46.4	32.6
	153.1	141.0
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	138.7	182.4
Unrealised accounting profit on construction projects	4.0	3.5
Tax losses carried forward	53.1	26.7
Deferred interest costs	60.6	45.5
Unrealised foreign exchange movements	43.8	36.5
Other	9.7	1.0
	309.9	295.6
Future Income Tax Benefit Not Taken to Account		
Future income tax benefit arising from tax losses and deferred interest not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	260.7	294.3

Lend Lease Corporation Limited intends to enter the Australian Tax Consolidation Regime effective 1 July 2002, however, any future income tax benefits, which may arise on implementation of the Australian Tax Consolidations Regime, cannot be reliably estimated at this time.

Notes to the Consolidated Financial Statements continued

	Cents per share	Franked/ Unfranked	Company December 2003 A\$m	December 2002 A\$m
6. Dividends and Earnings Per Share				
Dividends				
December 2003 Interim Dividend				
Declared subsequent to reporting date and not recognised as a provision (payable 17 March 2004)	18	Unfranked	73.7	
December 2002 Interim Dividend				
Paid 19 March 2003	10	Fully franked		43.5
			73.7	43.5
Earnings Per Share (EPS)				
Weighted average shares and share equivalents			421.8	434.9
			Cents	Cents
Earnings per share				
Basic			44.6	(84.9)
Diluted			44.6	(84.9)
Reconciliation of Alternative Earnings				
Net profit/(loss) after income tax attributable to members of Lend Lease Corporation Limited used in calculating basic and diluted EPS			188.2	(369.4)
<i>Exclude: Sale of IBMGSA profit after tax</i>			(79.7)	
<i>Exclude: Write-down of REI businesses after tax</i>				482.5
Earnings used in calculating alternative basic and diluted EPS			108.5	113.1
			Cents	Cents
Alternative earnings per share				
Basic			25.7	26.0
Diluted			25.7	26.0

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
7. Cash and Cash Equivalents		
Cash	259.6	268.5
Short term investments	1,197.2	598.7
	1,456.8	867.2
<p>Short term investments earn variable rates of interest which averaged 4.9% per annum during the half year period to 31 December 2003 (31 December 2002 4.8%).</p> <p>Cash is managed through a Board approved credit policy. Throughout the period cash was mostly invested in financial instruments (such as commercial paper and bank bills) issued by financial intermediaries and corporates with an acceptable investment grade credit rating.</p> <p>Financial instruments with a maturity of less than three months are classified above in Cash and Cash Equivalents. Those with a maturity greater than three months (A\$129.0 million) are classified as Other Investments (refer Note 11). These financial instruments have an average maturity of six months.</p>		
8. Receivables		
Current		
Trade debtors	1,101.4	1,520.5
Less: Provision for doubtful debts	(32.3)	(42.9)
	1,069.1	1,477.6
Related party receivables		
Managed property trusts	34.1	44.1
Associate entities	48.9	113.0
Less: Provision for doubtful debts	(4.5)	(22.4)
Other receivables	225.5	245.9
	1,373.1	1,858.2
Non Current		
Loans made to Directors of controlled entities of Lend Lease Corporation	0.3	0.3
Other loans to employees	2.9	2.6
Related party receivables		
Associate entities	111.9	92.2
Less: Provision for doubtful debts	(20.5)	(21.3)
Other receivables	9.8	2.9
	104.4	76.7
Total receivables	1,477.5	1,934.9
9. Inventories		
Current		
Property held for sale at cost	91.8	67.8
Less: Provision for diminution in value	(10.2)	(1.8)
	81.6	66.0
Construction work in progress	273.7	245.0
	355.3	311.0
Non Current		
Property held for sale at cost	993.7	900.5
Less: Provision for diminution in value	(17.3)	(29.5)
	976.4	871.0
Total inventories	1,331.7	1,182.0

Notes to the Consolidated Financial Statements continued

	Note	Consolidated December 2003 A\$m	June 2003 A\$m
9. Inventories continued			
Property Held for Sale			
Total cost of property held for sale includes:			
Cost of acquisition		260.1	195.0
Development expenses		322.3	315.9
Construction expenses		481.4	436.9
Rates and taxes capitalised		1.0	1.1
Borrowing costs capitalised		20.7	19.4
Total cost		1,085.5	968.3
Less: Provision for diminution in value		(27.5)	(31.3)
Net book value		1,058.0	937.0
Net book value comprises:			
Income producing		538.5	564.9
Non income producing		519.5	372.1
		1,058.0	937.0
Total property held for sale is comprised of:			
Bluewater, Kent		538.5	564.9
Delfin Lend Lease Urban Communities, Australia		128.7	131.2
Less: Provision for diminution		(3.0)	(3.0)
Chapelfield, Norwich		216.9	163.1
Victoria Harbour, Melbourne		27.4	17.9
Darling Park Stage III, Sydney		29.6	26.8
Less: Provision for diminution		(8.8)	(11.8)
Bluewater Valley, Kent		12.6	13.0
Greenwich Peninsula, London		15.4	13.8
Piers Project, San Francisco		11.9	11.7
St Patricks, Sydney		6.9	4.4
Shell Centre, London		15.7	16.5
Less: Provision for diminution		(15.7)	(16.5)
Twin Waters Resort, Sunshine Coast		41.2	
Hyatt Coolum Resort, Sunshine Coast		36.5	
Other		4.2	5.0
		1,058.0	937.0
Construction and Development in Progress			
Current			
Contract costs incurred to date		34,881.6	35,880.3
Profit recognised to date		1,841.1	1,892.7
		36,722.7	37,773.0
Less: Progress billings received and receivable on completed contracts		(37,000.2)	(38,125.4)
Net construction work in progress		(277.5)	(352.4)
Net construction work in progress comprises:			
Amounts due from customers – inventories ¹		273.7	245.0
Amounts due to customers – trade creditors ²	17	(551.2)	(597.4)
		(277.5)	(352.4)
Advances on construction projects in progress included in trade creditors		144.6	154.2
Retentions on construction projects included in progress billings		192.4	298.2

1 Relates to Bovis Lend Lease and represents costs incurred on projects in excess of that billed to clients.

2 Relates to Bovis Lend Lease and represents billings raised to clients in excess of costs and profits recognised on these projects.

Notes to the Consolidated Financial Statements continued

			Consolidated	
	Note	Country of Origin	December 2003 A\$m	June 2003 A\$m
10. Equity Accounted Investments				
Non Current				
Associates				
Retirement by Design		Australia	24.6	23.6
LLM Inversiones I S.A. de C.V. (Mexican Distressed Loans)		Mexico	4.9	6.4
LLM Inversiones II S.A. de C.V. (Mexican Distressed Loans)		Mexico		3.8
Catalyst Healthcare (Worcester)		UK	4.4	3.8
DPT Operator		Australia	6.1	5.4
Generali Lend Lease		Germany	1.4	2.1
Exchequer Partnership		UK	2.3	1.9
Other			1.3	5.7
			45.0	52.7
Less: Provision for diminution			(0.5)	(0.5)
	28		44.5	52.2
Joint Ventures				
Caroline Springs Joint Venture		Australia	19.6	16.6
Pymont Trust (Jacksons Landing)		Australia	13.3	13.3
Mirvac Lend Lease Village Consortium (Newington)		Australia	19.7	12.6
Mawson Lakes Economic Development Project		Australia	13.6	10.0
Forest Gardens Residential Land Development		Australia	6.8	6.7
Fox Retail and Entertainment Precinct		Australia	4.6	5.0
Other			3.4	2.1
	29		81.0	66.3
Total equity accounted investments			125.5	118.5

Notes to the Consolidated Financial Statements continued

	Country of Origin	Consolidated December 2003 A\$m	June 2003 A\$m
11. Other Investments			
Current			
Commercial paper investments	Australia	115.1	
Money market investments	USA	13.9	
Mortgage loans	USA		214.2
Tax credit properties	USA	30.7	162.8
		159.7	377.0
Non Current			
Shares in Other Corporations, Interests in Trusts and Partnerships			
King of Prussia Associates	USA	197.2	213.0
Lend Lease Global Property Fund, SICAF	Luxembourg	138.9	153.9
Lend Lease Overgate Partnership	UK	106.6	111.8
Lend Lease Retail Partnership	UK	57.8	60.3
Yarmouth Capital Partners Limited Partnership II	USA	38.6	45.5
Australian Prime Property Fund (APPF)	Australia	51.3	49.8
Lend Lease International Distressed Debt Fund	USA	31.4	45.8
IBM Global Services Australia Limited	Australia		42.8
Asia Pacific Investment Company II (APIC II)	Singapore	36.7	39.9
Asia Pacific Investment Company (APIC)	Singapore	34.1	37.8
Value Enhancement Fund V	USA	34.8	33.4
Value Enhancement Fund IV	USA	21.1	24.7
Value Enhancement Fund III	USA	12.8	16.4
Lend Lease SICAV Real Estate Securities Fund	Luxembourg	19.4	20.6
Lend Lease US Real Estate Securities Fund	USA	17.1	20.6
CMBS Bonds	USA	13.1	19.3
Thai Market Project	Thailand	0.8	11.8
Lend Lease Asia Water Trust	Australia		9.3
Multi-family Co-investment Funds	USA	7.0	7.8
Real Estate Debt Fund Co-investments	USA	2.7	7.2
Mezzanine Debt Co-investment	USA		4.0
Tax Credit Funds Co-investments	USA	9.0	12.1
Debt Management Fund Co-investment	USA	0.8	4.2
Other		9.2	22.5
		840.4	1,014.5
Less: Provision for diminution in value		(37.0)	(61.8)
		803.4	952.7
Total other investments		963.1	1,329.7

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
12. Property, Plant and Equipment		
Land at Directors' valuation	12.3	6.8
Buildings and leasehold improvements at cost	50.8	47.5
<i>Accumulated depreciation</i>	(14.9)	(19.8)
	35.9	27.7
Plant and equipment at cost	138.6	154.9
<i>Accumulated depreciation</i>	(107.6)	(120.1)
	31.0	34.8
Leased plant and equipment at cost	4.0	12.3
<i>Accumulated amortisation</i>	(2.9)	(9.0)
	1.1	3.3
Total carrying amount	80.3	72.6
13. Goodwill		
Goodwill	778.2	842.2
<i>Accumulated amortisation</i>	(153.3)	(142.2)
	624.9	700.0
The movement mainly represents the disposal of goodwill on sale of Lend Lease REI businesses and foreign exchange movements.		
14. Management Agreements		
Real Estate Investments		
Management Agreements	63.5	438.7
<i>Accumulated amortisation</i>	(5.7)	(5.8)
	57.8	432.9
The movement mainly represents the disposal of management agreements on sale of Lend Lease REI businesses.		
15. Other Intangibles		
Other intangibles	3.5	74.9
<i>Accumulated amortisation</i>	(0.8)	(17.9)
	2.7	57.0
The movement mainly represents the disposal of the mortgage servicing rights as part of the sale of REI businesses and foreign exchange movements.		

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003	June 2003
	A\$m	A\$m
16. Other Assets		
Current		
Prepayments	32.2	48.0
Deferred bid costs on projects at preferred bidder status	86.4	80.7
Net marked to market forward foreign exchange contracts	75.9	156.0
Other	3.9	4.4
	198.4	289.1
Non Current		
Prepayments	11.6	14.0
Net marked to market forward foreign exchange contracts	10.2	3.8
Marked to market cross currency swap	60.4	13.1
Other	100.1	98.5
	182.3	129.4
	380.7	418.5

Other non current totalling A\$100.1 million includes A\$95.3 million which was paid during the financial year ended 30 June 2003 to the Australian Taxation Office (ATO) in relation to an amended assessment issued for an Australian subsidiary for the year ended 30 June 1996. The amendment relates to the forward sale and associated Westpac share warrants issue agreement with County Natwest Securities Australia Limited in relation to 100 million Westpac shares and includes the payment of additional company tax of A\$40.7 million, penalties of A\$20.3 million and interest of A\$34.3 million. The Directors are vigorously disputing the assessment and will be pursuing all necessary avenues of objection and appeal. Lend Lease continues to regard its tax treatment of the transaction as proper and remains confident of a successful legal challenge and that the amounts under the amended assessment will not be charged to the profit and loss account.

The marked to market cross currency swap of A\$60.4 million included in non current represents the restated foreign exchange assets on the cross currency swap used to hedge the A\$500.0 million medium term note due in July 2005.

		Consolidated	
		December 2003	June 2003
	Note	A\$m	A\$m
17. Creditors			
Current			
Trade creditors		1,458.2	1,730.8
Revenue in excess of costs and profits recognised on incomplete projects	9	551.2	597.4
Deposit received in advance		95.2	100.0
Unearned premium reserve		6.4	5.2
Insurance claim reserve		0.8	1.3
Related party payables		8.8	10.0
Other		50.9	18.8
		2,171.5	2,463.5
Non Current			
Insurance claim reserve		17.1	14.5
Related party payables		3.4	
Other		8.3	10.1
		28.8	24.6
		2,200.3	2,488.1

The deposit received in advance, relates to a £40 million (A\$95.2 million) deposit received from Capital Shopping Centres in accordance with the forward sale agreement for Chapelfield, Norwich. Unearned premium and insurance claim reserves relate to Lend Lease's wholly owned special purpose captive insurance subsidiary.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
18. Borrowings and Financing Arrangements		
a. Borrowings		
Non Current		
Commercial notes	853.2	884.6
Total borrowings	853.2	884.6
b. Finance Facilities		
Lend Lease operating businesses have access to the following lines of credit:		
Total Facilities Available ¹		
Bank overdrafts	15.0	15.3
Standby cash advance facilities		150.0
Bank credit facilities	87.8	1,386.7
Commercial notes	2,353.2	2,384.6
	2,456.0	3,936.6
Facilities Utilised at Balance Date		
Bank overdrafts		
Standby cash advance facilities		
Bank credit facilities		
Commercial notes	853.2	884.6
	853.2	884.6
Facilities Not Utilised at Balance Date		
Bank overdrafts	15.0	15.3
Standby cash advance facilities		150.0
Bank credit facilities	87.8	1,386.7
Commercial notes	1,500.0	1,500.0
	1,602.8	3,052.0
Total facilities available	2,456.0	3,936.6
Bank Credit Facilities		
The amounts drawn from the various facilities at 31 December 2003 were:		
Unsecured Bank Loans		
US\$70.0 million bank facility at LIBOR plus 0.6%, due December 2004 ²		
£10.0million bank facility at LIBOR plus 0.25%, due May 2004 ³		
Total bank credit facilities	-	-
Commercial Notes		
MXN 47.8 million convertible notes ⁴	6.0	
A\$500.0 million Lend Lease commercial paper ⁵		
US\$250.0 million Lend Lease 6.75% guaranteed notes, due June 2005 ⁶	347.2	384.6
A\$1.5 billion Lend Lease guaranteed note ⁷	500.0	500.0
Total commercial notes	853.2	884.6
Total borrowings	853.2	884.6

Footnotes are located on the following page.

Notes to the Consolidated Financial Statements continued

18. Borrowings and Financing Arrangements continued

- 1 Available credit facilities have reduced by A\$1,480.6 million primarily due to the cancellation of A\$591.2 million unsecured bank loans and A\$846.1 million secured bank loans. Lend Lease terminated the unsecured bank loans as they were not required due to the continuation of high cash balances. The secured bank loans were utilised by Lend Lease Mortgage Capital and on were cancelled on completion of the sale of this business in December 2003. The remaining decrease is a result of foreign currency translation movements.
- 2 This bank overdraft and letter of credit facility is used to finance working capital requirements for the US operations. At 31 December 2003, US\$23.9 million (June 2003 US\$71.5 million) of the facility has been issued as outstanding letters of credit. US\$46.1 million (June 2003 US\$73.5 million) is disclosed as available credit facilities.
- 3 This facility is used for short term working capital requirements primarily in the European business.
- 4 During December 2003 Lend Lease Equities issued an Obligacione to GMAC Commercial Mortgage (GMACCM) effectively selling the economic benefits of the convertible bond owned by Lend Lease Equities. The note has no recourse to Lend Lease, however, Lend Lease has provided a guarantee to the extent that Lend Lease Equities or its partner takes any action that impairs the underlying cash flow of the convertible bond or fails to remit available net cash flow received by Lend Lease Equities.
- 5 Lend Lease has a A\$500.0 million Australian Commercial Paper Program. The amount drawn under the facility at 31 December 2003 was Nil (June 2003 Nil), the availability of which is subject to market conditions.
- 6 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.
- 7 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 2003 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	Total A\$m	US\$ A\$m	MXN A\$m	Total A\$m
Between 1 and 5 years	584.2	269.0	853.2	847.2	6.0	853.2

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

c. Financing Guarantees

Lend Lease is guarantor for bank loan facilities for US\$2.7 million (A\$3.8 million) for Cordia Senior Living in relation to Westmont II LLC US\$1.7 million (A\$2.4 million) and Roseville US\$1.0 million (A\$1.4 million).

Lend Lease is the guarantor of the progressive repayment of a A\$26.6 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\$11.8 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 guarantees 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\$90.3 million) of equity invested. At this time, no payments are due or expected under the guarantees. Following the sale of the HCI businesses on 1 July 2003, the purchaser, Muni Mae has indemnified Lend Lease for these guarantees.

Lend Lease has given A\$847.2 million (June 2003 A\$884.6 million) of guarantees in support of utilised financing facilities included within the on balance sheet borrowings 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.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
19. Provisions		
Current		
Employee benefits	79.7	79.9
Construction risks	95.9	89.7
REI restructuring	96.0	152.0
Employee termination provisions		
REI businesses	12.3	24.9
Other	8.9	19.7
Other	26.0	32.1
	318.8	398.3
Non Current		
Employee benefits	53.7	55.8
Employee termination	3.4	
Other	10.3	53.1
	67.4	108.9
	386.2	507.2

The construction risks provision of A\$95.9 million mainly comprises a maintenance and warranty provision of A\$69.4 million (June 2003 A\$59.6 million) to cover specific or estimated claims that arise due to defects or legal disputes in relation to completed projects.

The REI restructuring provision of A\$96.0 million, was established to cover expenses relating to the restructuring of the REI business and primarily relates to rationalisation costs.

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
20. Other Interest Bearing Liabilities		
Current		
Bluewater lease liability	26.1	18.2
Finance lease liability	1.1	1.3
Other		0.8
	27.2	20.3
Non Current		
Bluewater lease liability	207.1	235.8
Finance lease liability	0.3	0.6
	207.4	236.4
	234.6	256.7
21. Other Non Interest Bearing Liabilities		
Current		
Deferred settlement on acquisition – controlled entities	11.6	12.9
Deferred income	7.1	14.7
Deferred gain on foreign currency hedges	10.6	17.8
Other	4.6	5.8
	33.9	51.2
Non Current		
Deferred gain on foreign currency hedges	10.2	3.8
Other	8.4	9.0
	18.6	12.8
	52.5	64.0

Notes to the Consolidated Financial Statements continued

	Consolidated			
	December 2003 A\$m	June 2003 A\$m		
22. Contributed Equity	834.3	816.4		
			December 2003	June 2003
	No. of shares m	A\$m	No. of shares m	A\$m
Ordinary shares issued at beginning of financial period	438.6	816.4	434.5	797.7
Movements during the financial period				
Issues for:				
Dividend Reinvestment Plan (DRP)	1.7	17.9	1.5	14.4
Share Purchase Plan (SPP)			3.1	27.5
Share Election Plan (SEP) ¹			0.2	
Other				0.4
Share buybacks ²	(30.5)		(2.9)	(24.7)
Allocation to Lend Lease Employee Share Plans ³			2.2	1.1
Ordinary shares issued at end of financial period	409.8	834.3	438.6	816.4

- 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.
- From 1 July 2003, payments made under the share buyback are recognised in Retained Profits (refer Note 24) in accordance with UIG 22 'Accounting for the Buyback of No Par Value Shares'.
- As announced in August 2003, the Company has suspended the annual allocation of 0.5% of its issued capital to the employee share plans.

On 13 June 2003, Lend Lease commenced an on market share buyback of up to 10% (43.5 million shares) of its issued capital. An additional 10% on market buyback (44.0 million shares) was approved by shareholders at the 12 November 2003 Annual General Meeting. As at 31 December 2003, 33.4 million shares have been bought back since the commencement of the buyback.

As future dividends are likely to be unfranked or partly franked, the Company has suspended the SEP (effective 1 September 2003). While Lend Lease is undertaking an on market share buyback, the Company has also suspended the SPP (effective 1 September 2003) and the DRP (effective 1 October 2003).

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.

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
23. Reserves		
Capital Reserve	104.6	104.6
Foreign Currency Translation Reserve		
Opening balance at beginning of financial period	(62.0)	(53.1)
Currency fluctuation attributable to translation and hedging of self sustaining foreign operations	(11.3)	(8.9)
Closing balance at end of financial period	(73.3)	(62.0)
Total reserves	31.3	42.6

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.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
24. Retained Profits		
Retained profits at beginning of financial period	2,141.4	2,899.1
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 profit/(loss) attributable to members of Lend Lease Corporation Limited	188.2	(714.8)
Dividends foregone pursuant to share election plan		1.7
Share buyback ¹	(300.3)	
	2,029.3	2,224.0
Dividends paid	(85.9)	(82.6)
Retained profits at end of financial period	1,943.4	2,141.4
1 From 1 July 2003, payments made under the share buyback are no longer charged against Contributed Equity (refer Note 22), in accordance with UIG 22 'Accounting for the Buyback of No Par Value Shares'.		
25. Outside Equity Interests in Controlled Entities		
Outside equity interests in controlled entities comprise:		
Lend Lease Twin Waters (49%)	21.2	
Lend Lease Actus (25%)	4.9	4.2
Lend Lease Korea Ltd (10%)	1.9	2.1
Lend Lease Rouse Hill (49%)	1.0	
Other	0.4	0.9
	29.4	7.2
Represented by:		
Interest in retained profit/(losses) at end of financial period	2.4	(0.2)
Interest in share capital	27.0	7.4
Total outside equity interest	29.4	7.2

26. Contingent Liabilities

Lend Lease has the following contingent liabilities:

There are a number of legal claims and exposures 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 of liability, if any, 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 anticipated losses.

In certain circumstances, Lend Lease guarantees the due performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities utilised primarily by the Project and Construction Management businesses. 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.

In connection with the sale of the discontinuing REI businesses, Lend Lease has provided warranties which include ownership, authority, compliance with relevant laws, disclosure of material issues and accuracy and completeness of information provided. Warranties have also been given in relation to payment of taxes and compliance with taxation laws. The amount of liability arising from these representations and warranties, if any, cannot be measured reliably at this time.

The Australian Taxation Office (ATO) is 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.

Details of the June 1996 amended assessment issued by the ATO in relation to the forward sale and warrants issue agreement for Westpac shares are disclosed in Note 16 Other Assets.

Notes to the Consolidated Financial Statements continued

27. International Currency Management and Financial Instruments

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 2003		June 2003	
	Average Rate	Spot Rate	Average Rate	Spot Rate
US Dollars	0.69	0.72	0.59	0.65
Pounds Sterling	0.41	0.42	0.37	0.40
Euros	0.60	0.61	0.56	0.56
Singapore Dollars	1.19	1.24	1.03	1.14

Foreign Currency Risk

Lend Lease's policy regarding foreign currency management is to manage currency risk so as to minimise any adverse impact of this risk and associated costs on the Lend Lease Group's consolidated result. A Financial Markets Risk 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 exposures, Lend Lease adopts a strategy using both physical and derivative financial instruments. In regard to derivative financial instruments, Lend Lease mainly uses forward foreign exchange contracts for hedging purposes.

The majority of forward exchange contracts relate to hedges of specific foreign currency exposures including receivables, payables, revenues, expenses and intercompany transactions and loans. The forward exchange contracts are converted to spot rates at balance date and the unrealised gains and losses are recorded in the Statement of Financial Performance or the Foreign Currency Translation Reserve. Exchange gains and losses on forward exchange contracts are accounted for in accordance with Lend Lease's accounting policy for foreign currency.

Notes to the Consolidated Financial Statements continued

	Balance Date	Interest		Share of Associates' Profit/(Loss) After Tax ¹		Book Value	
		December 2003 %	June 2003 %	December 2003 A\$m	December 2002 A\$m	December 2003 A\$m	June 2003 A\$m
28. Associates							
Integrated Property Development							
Retirement by Design	30 Jun	50.0%	50.0%	1.0	1.0	24.6	23.6
Catalyst Healthcare (Worcester)	31 Mar	50.0%	50.0%	0.8	(0.6)	4.4	3.8
Exchequer Partnership	31 Mar	50.0%	42.5%	0.4		2.3	1.9
Wattle Grove Development	30 Jun	50.0%	50.0%		(2.3)		
Other ²				0.2	1.9	0.7	2.1
				2.4	-	32.0	31.4
Real Estate Investments – Equity							
DPT Operator	30 Jun	50.0%	50.0%	0.7	0.6	6.1	5.4
Generali Lend Lease	30 Jun	49.5%	49.5%	(0.5)	0.5	1.4	2.1
Other ²					0.7	0.6	0.6
				0.2	1.8	8.1	8.1
Real Estate Investments – Debt							
LLM Inversiones I S.A. de C.V.	30 Jun	32.3%	32.3%	0.6	0.6	4.9	6.4
LLM Inversiones II S.A. de C.V. ³	30 Jun		50.0%				3.8
Lend Lease Hyperion Capital Advisors, LLC ³	31 Dec		50.0%		1.8		1.4
Lend Lease Mexico ³	30 Jun		50.0%		6.8		1.6
				0.6	9.2	4.9	13.2
Less: Provision for diminution						(0.5)	(0.5)
				3.2	11.0	44.5	52.2

- 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 Other relates to associates whose size and impact on the results for the financial period are not significant individually or in aggregate and therefore no further disclosures have been made.
- 3 Sold during the financial period as part of the sale of the REI businesses.

Notes to the Consolidated Financial Statements continued

	Balance Date	Interest		Share of Profit/(Loss) After Tax		Book Value	
		December 2003 %	June 2003 %	December 2003 A\$m	December 2002 A\$m	December 2003 A\$m	June 2003 A\$m
29. Joint Ventures							
Joint Venture Entities							
Project and Construction Management							
Jacobs Lend Lease, Ireland	30 Sep	50%	50%	1.6	0.9		0.9
Jacobs Lend Lease, Asia	30 Jun	50%	50%	3.1	0.7	2.6	0.6
Other ¹					0.7	0.8	0.6
				4.7	2.3	3.4	2.1
Integrated Property Development							
Fox Studios Retail and Entertainment Precinct	30 Jun	50%	50%	(0.4)	0.1	4.6	5.0
Mawson Lakes Economic Development Project	31 Dec	50%	50%	2.3	1.5	13.6	10.0
Pymont Trust	30 Jun	50%	50%	3.9	2.7	13.3	13.3
Mirvac Lend Lease Village Consortium (Newington Precincts 1 & 3)	30 Jun	50%	50%	7.1	4.0	19.7	12.6
Caroline Springs Joint Venture	30 Jun	50%	50%	4.9	1.2	19.6	16.6
Forest Gardens Residential Land Development	30 Jun	50%	50%	0.4	(0.1)	6.8	6.7
				18.2	9.4	77.6	64.2
				22.9	11.7	81.0	66.3

1 Other relates to joint ventures whose size and impact on the results for the financial period are not significant individually or in aggregate and therefore no further disclosures have been made.

	Interest	June 2003 %	Share of Profit After Tax		Book Value	
			December 2003 %	December 2003 A\$m	December 2002 A\$m	December 2003 A\$m
Joint Venture Operations						
Integrated Property Development						
Darling Park Stage III Joint Venture	60%	60%	1.7		18.9	15.0
Capital Services						
Manukau Wastewater Services (NZ)	20%	20%	0.5	0.6	11.1	7.8
Seaview Project Limited	50%	50%	0.9		4.0	4.0
			3.1	0.6	34.0	26.8

Notes to the Consolidated Financial Statements continued

	Interest Acquired/ Disposed %	Date Acquired/ Disposed	Consideration Paid/Received A\$m	Contribution to Consolidated Profit After Tax ¹ A\$m
30. Controlled Entities				
December 2003				
Acquisitions				
Integrated Property Development				
Australia				
Lend Lease Twin Waters Resort Pty Limited	51%	31 Oct 03	21.9	-
Coeur de Lion Investments Pty Limited, (Coolum)	100%	22 Sep 03	31.1	0.1
Disposals				
Real Estate Investments²				
International				
The HCI Businesses ³	100%	1 Jul 03	156.9	-
Lend Lease Agri-Business, Inc	100%	30 Sep 03	72.4	-
CapMark Services, India L.P.	100%	14 Jul 03	0.3	-
LL REI GmbH	100%	26 Nov 03	0.2	-
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%	31 Jul 02	25.6	0.8

1 Excludes any intercompany transactions for the financial period.

2 Represents the controlled entities sold as part of the sale of the REI businesses. The remainder of the REI sale related to various assets and operations of the underlying businesses.

3 The controlled entities disposed within the HCI Businesses, include The Boston Financial Group Limited Partnership, Lend Lease BFRP, Inc., Lend Lease MSR Corp. and BF Investment Tax Credits Acquisitions, L.P.

There were no disposals of material controlled entities of the Group during the financial period ended December 2002.

31. Superannuation/Pension Funds

Lend Lease sponsors a number of pension/superannuation funds, details of which were included in the 30 June 2003 Annual Consolidated Financial Report. At 30 June 2003, of these funds, the Bovis UK Pension Scheme was the only defined benefit plan in deficit (£83.0 million; A\$207.5 million).

As at 31 December, this fund had an estimated deficit on a discontinuance basis of £71.0 million (A\$169.0 million) based on market values at reporting date.

Increased contributions from Lend Lease and employees, effective from 1 July 2003, have been determined by the Actuary so as to eliminate the deficit over the average working life (being 12 years) of the current membership. Whilst Lend Lease has agreed to increase its contribution levels, it has no present obligation to make up the deficit and accordingly no provision has been raised for the deficiency at 31 December 2003.

Notes to the Consolidated Financial Statements continued

32. Discontinuing Operations

The following table details those businesses treated as discontinuing operations in the Group's Consolidated Financial Statements. They form part of Lend Lease's REI Debt and Equity business segments (refer Note 2 Segment Reporting).

Entity/Business	Region	Purchaser/Intention	Current Status	Effective Sale Date
US Equity Advisory	US	Morgan Stanley	Sold	20 November 2003
HCI	US	Muni Mae	Sold	1 July 2003
CapMark	US	GMAC	Sold	14 July 2003
Asset Management – North America	US	GMAC	Sold	14 July 2003
Asset Management – Mexico	US	GMAC	Sold	11 December 2003
Debt Advisory	US	GMAC	Sold	24 December 2003
Program Lending	US	GMAC	Sold	29 July 2003
Lend Lease Hyperion JV	US	GMAC	Sold	12 August 2003
HFF	US	Management	Sold	17 June 2003
Cordia Senior Living	US	Management	Sold	30 June 2003
Winn Residential	US	Winn Residential	Sold	16 December 2003
Lend Lease Mortgage Capital	US	Wachovia Corporation	Sold	12 December 2003
Structured Finance	US	CDP Capital Real Estate Advisory, Inc	Sold	12 December 2003
Lend Lease Agri-Business	US	Rabobank	Sold	30 September 2003
Lend Lease US Office Trust	Australia	Management change	Transferred	18 November 2003
Lend Lease REI GmbH	Europe	First Islamic Investment Bank	Sold	26 November 2003
Global Fund Advisory	Global	Management	Sold	6 February 2004
Lend Lease Houlihan Rovers	Europe	Intended disposal	In negotiation	
Lend Lease Rosen	US	Intended disposal	In negotiation	
Rosen Consulting	US	Intended disposal	In negotiation	
VEF series co-mingled fund platform	US	Intended disposal	In negotiation	
Asia Debt	Asia	Intended disposal	In negotiation	

Although no sales have been agreed or specific arrangements announced in respect of the VEF series co-mingled funds, the Asian Debt and US REI co-investments, Lend Lease intends to exit these co-investments and, accordingly, they have been classified as discontinuing operations for the purposes of the Group's Consolidated Financial Statements.

Notes to the Consolidated Financial Statements continued

	Consolidated	
	December 2003 A\$m	December 2002 A\$m
32. Discontinuing Operations continued		
Financial Performance of Discontinued Operations		
Revenue from ordinary activities (excluding sale of operations)	106.4	357.1
Revenue from the sale of operations and investments	527.8	
Total revenue from ordinary activities	634.2	357.1
Expenses from ordinary activities	(84.7)	(336.5)
Carrying amount of net assets of operations sold	(511.4)	
Disposal costs of operations sold	(11.3)	
Write-down of REI businesses		(447.4)
Total expenses from ordinary activities	(607.4)	(783.9)
Share of net profit of associates accounted for using the equity method	0.1	10.2
Profit/(loss) before tax from ordinary activities ¹	26.9	(416.6)
Income tax expense relating to ordinary activities	13.2	8.7
Income tax expense relating to write-off of future income tax benefits previously recognised in prior years		35.1
Profit/(loss) after tax from ordinary activities ¹	13.7	(460.4)
Cash Flow of Discontinued Operations		
Net cash inflow from operating activities	70.1	84.5
Net cash inflow/(outflow) from investing activities	702.9	(70.0)
Net cash outflow from financing activities	(773.0)	(14.5)
Net cash	-	-

	Consolidated	
	December 2003 A\$m	June 2003 A\$m
Financial Position of Discontinued Operations		
Current assets	90.8	646.2
Non current assets	453.0	1,017.3
Current liabilities	188.5	280.5
Non current liabilities	53.3	139.1
Net assets	302.0	1,243.9

¹ The businesses sold during the six months ending 31 December 2003 resulted in A\$5.1 million profit before tax and A\$0.5 million profit after tax.

33. Events Subsequent to Balance Date

Since 31 December 2003, Lend Lease exchanged contracts on 22 January 2004 to acquire Comland Limited (landowner and 50% development partner in two projects with Lend Lease) for a consideration of A\$165.0 million. The acquisition will represent 100% of the issued voting shares. Settlement is expected to occur by mid 2004.

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 28 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 2003 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, 19 February 2004.

Signed in accordance with a resolution of Directors:

D A Crawford
Chairman

G A Clarke
Managing Director