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

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

The following discussion and analysis is based on the Group's Consolidated Financial Statements at 30 June 1999, and should be read in conjunction with those Financial Statements.

OVERVIEW

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

OPERATING PERFORMANCE

Operating profit after tax was $420.4 million for the year to 30 June 1999, representing an increase of 15.5% compared to $363.9 million for the year to 30 June 1998.

Operating profit before tax increased by 24.9% over the previous year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year to 30 June 1999 were $575.9 million compared to $462.1 million for the year to 30 June 1998, an increase of 24.6%.

The profit result was achieved after raising provisions for diminution of value of property inventories and investments of $62.5 million (after tax), of which $44.4 million was raised at 31 December. Changes in accounting policies resulted in a net increase of $6.9 million after tax, as detailed in the section "Accounting Policy Changes" at the end of this report.

Return on equity for the year to 30 June 1999 was 12.1% compared to 11.3% for the previous year.

Earnings per share for the year to 30 June 1999 were 83.2 cents compared to 71.6 cents for the year to 30 June 1998, an increase of 16.2%. (The June 1998 earnings per share figure has been adjusted to reflect the 1 for 1 bonus issue in December 1998.)

SEGMENT RESULTS

The key contributors to profit after tax were Financial Services with $200.3 million (47.6% of total), and Real Estate with $239.3 million (56.9% of total).

Total assets increased by $820.4 million (12.7%) to $7,291.2 million at 30 June 1999. The principal contributors to the increase were continuing Property Development expenditure and the growing value of investments within Financial Services, offset by the sale of the Real Estate Services business (COMPASS) during the year.

The following table provides an overview of the various components of the June 1999 result. Each segment is then reviewed in detail. It should be noted that the segment results of the operating businesses excludes financing costs such as interest and hedging. These costs are included in Group Financing.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
BUSINESS SEGMENT SUMMARY	**1999 $m**	**1998 $m**	**1999 $m**	**1998 $m**	**1999 $m**	**1998 $m**	**1999 $m**	**1998 $m**
Financial Services	605.7	525.6	219.2	198.3	200.3	183.2	2,323.0	1,965.3
Real Estate								
Real Estate Investments	500.0	495.6	80.8	92.4	58.5	65.3	1,259.4	1,243.0
Property Development	1,061.4	516.5	196.1	(10.9)	127.9	(10.6)	2,797.5	2,023.4
Project Management	1,401.9	1,445.2	52.0	48.1	35.0	30.5	378.5	328.7
Capital Services	57.8	38.3	10.9	3.6	8.0	2.2	85.4	109.4
Real Estate Services	320.3	100.8	16.1	14.3	9.9	9.9	-	246.2
	3,341.4	2,596.4	355.9	147.5	239.3	97.3	4,520.8	3,950.7
Investments								
IT+T Investments	25.5	7.6	10.2	-	9.2	2.7	94.1	61.0
Equity Investments	77.3	253.2	51.5	171.3	50.8	133.5	176.3	201.5
Corporate								
Group Financing	40.4	21.5	(50.2)	(48.9)	(30.5)	(31.2)	177.0	292.3
Group Overheads	30.1	37.6	(70.5)	(55.0)	(48.7)	(21.6)		
Total	**4,120.4**	**3,441.9**	**516.1**	**413.2**	**420.4**	**363.9**	**7,291.2**	**6,470.8**

FINANCIAL SERVICES

The principal activities of this business segment are:

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

Funds Management and Life Insurance services are mainly provided under the brand name MLC (and the recently launched brand name MasterKey). Funds Administration services are provided under the brand names "FlexiPlan", "Plum" and "Your Prosperity".

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

Our Financial Services businesses are continuing to explore expansion opportunities both in Australia and overseas, as well as pursuing a number of strategic initiatives to grow the businesses organically. The distribution channels have continued to expand through increasing ownership of FlexiPlan which is one of the largest participants in the rapidly growing master fund industry, and initiatives including the establishment of the "Plum" joint venture with The Vanguard Group (providing employee choice superannuation) and "Your Prosperity" (an on-line internet investing service).

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia & Pacific								
Funds Management (1)	463.1	414.9	136.4	122.6	134.8	121.3	1,723.4	1,475.3
Life Insurance (2)	47.1	49.0	46.0	48.9	45.2	48.9	509.2	414.4
Funds Administration (3)	39.5	21.7	(0.8)	17.7	(2.8)	9.4	57.4	33.9
Investment Management	43.8	34.4	32.4	17.0	20.7	10.9	21.3	10.2
Asia								
Financial Services	12.2	5.6	5.2	(7.9)	2.4	(7.3)	11.7	31.5
Total Financial Services	**605.7**	**525.6**	**219.2**	**198.3**	**200.3**	**183.2**	**2,323.0**	**1,965.3**
% of Total Group	14.7%	15.3%	42.5%	48.0%	47.6%	50.3%	31.8%	30.4%

(1) Funds Management is mainly conducted through MLC Limited, with contributions also from MLC Investments Limited, Lend Lease Corporate Services Limited, Lend Lease Advisor Services Limited, Lend Lease Financial Planning Limited, Medfin Australia Pty Limited and MLC Management Limited.

(2) The Life Insurance business is MLC Lifetime.

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

PROFIT AFTER TAX

Financial Services contributed $200.3 million to Lend Lease's operating profit after tax for the year to 30 June 1999, an increase of 9.3%, compared to $183.2 million for the year to 30 June 1998. The Financial Services result is discussed below.

Funds Management

The funds management business produced a strong operating performance with profit after tax increasing 11.1% to $134.8 million (1998 $121.3 million). The result reflected:

- An increase in funds management fees earned as a result of an 8.5% growth in funds under management for the year;

FINANCIAL SERVICES continued

PROFIT AFTER TAX continued

Funds Management continued

- Development expenditure of $12.0 million after tax on the MasterKey initiative (see "Significant Events");
- A profit contribution of $5.6 million from Medfin Australia Pty Limited reflecting growth in the loan portfolio from $150.9 million at June 1998 to $266.9 million at June 1999;
- A $24.0 million release of retained earnings from the MLC Statutory Funds which was used to fund business re-design and development expenditure during the year;
- The inclusion of tax refunds of $10.0 million received due to a favourable ruling from the Australian Taxation Office in respect of the prior year's assessment.

Life Insurance

- The profit after tax from life insurance decreased $3.7 million from June 1998 to $45.2 million at June 1999. The profit decreased due to lower bonus payments made in June 1999 reflecting continued business run off albeit at a slightly lower pace in 1999 than the prior year.

Funds Administration

A small operating loss of $2.8 million was incurred in June 1999 which reflected:

- An increase in fees earned as a result of a 111.1% growth in Funds Under Administration during the year to 30 June 1999;
- A $22.9 million profit after tax from FlexiPlan, mainly arising from the revaluation of the investment in FlexiPlan ($20.1 million)[1];
- Significant business development expenditure of $25.7 million after tax on Plum, Your Prosperity and other initiatives, which were expensed in the year to June 1999, though benefit will emerge in future years; and
- The prior year (June 1998) profit after tax included the profit on the sale of SEALCORP of $6.0 million.

Investment Management

- Improved profitability of Investment Management is due to increased fees generated on higher funds under management, a reduction in overheads and incentive fees of $4.0 million after tax earned from its specialist investment management services.

Asia

- The profit after tax from Asian operations of $2.4 million for the year ended 30 June 1999 mainly comprised $4.7 million from the revaluation of Simas Lend Lease Life (Simas)[1], offset by overheads incurred by the Asian financial services business development group. The loss of $7.3 million in prior year June 1998 included the costs associated with setting up the financial services business in Asia and a $3.0 million provision made against the investment in BII LL Investment Services.

BUSINESS VALUE

The Financial Services business had a total return of 15.0% for the June 1999 year as a result of increases in the appraisal values of MLC Limited and MLC Lifetime ($131.6 million), MLC Unlisted trust management agreements ($35.8 million), the revaluation of FlexiPlan ($33.3 million), Medfin ($5.5 million) and Simas Lend Lease Life ($7.3 million), plus profits (excluding revaluations) from the Financial Services businesses.

The appraisal value of MLC Limited and MLC Lifetime increased as a result of the following:

- The value of one year's new business $86.5 million (1998 $84.7 million);
- Improvement in business experience assumptions especially in the Group Superannuation business due to improved retentions; and
- Offset by an increase in the discount rate (or reduction in the average new business multiplier).

PROFIT AND VALUE DRIVERS

The increase in profit and value of the Financial Services business was a result of the following:

- Sales (excluding administration funds) for the year to June 1999 were $4.4 billion, a 33.3% increase.
- Retail sales increased 29.2% for the year, to $3.1 billion (June 1998 $2.4 billion), mainly due to a 51.1% increase in sales of Allocated Pension and Annuities products to $468.4 million (June 1998 $310.0 million) and an 10.6% increase in sales of Universal Super to $967.0 million (June 1998 $874.0 million). The retail funds management business recorded a net funds inflow of $1.3 billion for the year to 30 June 1999, of which approximately $0.9 billion was received in the second half of the year. The 1999 funds flow was approximately double the net funds flow for the period to 30 June 1998 ($0.7 billion). Retail funds under management increased 14.1% to $16.2 billion at 30 June 1999.

FINANCIAL SERVICES continued

PROFIT AND VALUE DRIVERS continued

- Corporate sales increased 62.5% for the year to $1.3 billion, (June 1998 $0.8 billion), mainly due to growth in Lend Lease sector specialists' funds. The Corporate funds management business recorded a net outflow of funds of $791.0 million for the year reflecting a shift by investors from diversified funds to sector specialist mandates and some relative investment under performance which has since been reversed with a strong investment performance in the second half of the 1999 year. The profit impact of this net outflow is not significant as average fees are lower than for retail funds under management. Corporate funds under management were $7.9 billion at 30 June 1999 (30 June 1998 $8.1 billion).
- Funds under administration sales for the year to June 1999 increased by 44.6% to $778.0 million (1998 $538.0 million).

  (1) Refer section on "Accounting Treatment of Assets held in Shareholders' Fund of MLC Limited".

- Profit derived from Funds Management, Life Insurance and Administration Fund businesses is generally determined by the extent to which the ongoing fees earned exceed operating expenses. A specific measure of efficiency is the level of those expenses which are not directly related to sales, relative to funds under management and administration. The table below shows that this ratio has been reduced to 0.93% at June 1999 from 1.42% at June 1996. The ratio for the funds under management business has decreased 43.6% from 1.42% in 1996 to 0.80% in 1999 which reflects the result of a three year expense reduction program commenced in 1996.

	June 1999 $m	June 1998 $m	June 1997 $m	June 1996 $m
Total expenses as % of funds under management and administration (1)	0.93%	0.89%	1.00%	1.42%
Total funds management expenses as % of funds under management	0.80%	0.86%	1.00%	1.42%

(1) The June 1998 percentage of 0.89% has been adjusted from that disclosed in the June 1998 Management Discussion and Analysis (0.92%) to include the funds under administration at 30 June 1998 in the total funds under management and administration.

Total expenses as a percentage of funds under management and administration for the six months to 31 December 1998 were 0.81%. The increase to 0.93% for the full year reflects the significant increase in the level of investment on business development initiatives in the second half of the current year. The investment, mainly in MasterKey, Plum, FlexiPlan and Your Prosperity, is to diversify distribution and should result in revenue growth in future years from increased funds under management and administration. The actual expenditure was higher than previously forecast due to establishment costs associated with rapid growth in FUA and acceleration of certain project expenditures into 1999. As a result the actual fiscal year 1999 total expense as % of funds under management and administration of 0.93% was higher than indicated at the time of the release of the December 1998 results.

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

- A significant portion of Financial Services' revenue is fee income which is determined by funds under management and administration. Funds under management and administration increased by 10.3% to $30.1 billion at June 1999 compared to June 1998 ($27.3 billion):

	Growth June 98 - 99 %	June 1999 $b	June 1998 $b
Funds Under Management and Administration			
Funds Under Management			
Retail	14.1	16.2	14.2
Corporate	(3.6)	7.9	8.1
Life Insurance and Wealth Protection		4.1	4.1
Funds Under Administration	111.1	1.9	0.9
	10.3	**30.1**	**27.3**

FINANCIAL SERVICES continued

SEGMENT ASSETS

Segment assets increased by $357.7 million or 18.2% to $2,323.0 million which reflected an increase in the embedded value of MLC ($132.0 million), the growing value of the Administration Funds business FlexiPlan ($33.0 million) and an increase of $127.9 million in cash held by the Shareholders' Branch of MLC Limited.

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

Under applicable Australian regulations, investments held in the Shareholders' Fund of Life Insurance entities are valued at their market value with any gain or loss recorded in the profit and loss account. This accounting treatment added $29.0 million to Lend Lease's profit after tax for the year ended 30 June 1999 (1998: $9.0 million).

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

Also, under the existing accounting rules the Lend Lease profit includes a transfer of shareholder profit from the MLC Statutory Funds. These transfers can include prior year retained earnings of the Statutory Funds. In the 1999 financial year the transfer includes $24.0 million from prior year Statutory Fund retained earnings. Retained earnings transfers will not be available from 1 July 2000 due to a change in the accounting regulations that will require MLC to be consolidated into Lend Lease.

SIGNIFICANT EVENTS

Australia

- In July 1999 MLC launched MasterKey, which is a business system for financial advisers and a total investment solution for investors. The MasterKey system will reposition MLC in the market, from a provider of products to a provider of investment solutions. MasterKey is delivered primarily via the Internet and initial indications are that it has been well received by both advisers and investors, and is targeted to contribute to increased sales and improved retention.
- Ownership of FlexiPlan was increased from 76% to 96% in July 1999 at a cost of $14.6 million. FlexiPlan achieved sales of $723.0 million for the year to June 1999 and funds under administration of $1,654.0 million at 30 June 1999, a 75% increase compared to 30 June 1998.
- The master fund industry is one of the fastest growing areas within the Financial Services industry. Financial Services growth for the twelve months to March 1999 of 83% in master funds has exceeded the industry growth rate of 50% (Source: Assirt Market Share Report March Quarter 1999).
- In retail superannuation MLC has retained the number one ranking in funds under management with a market share of 13%. (Source: Assirt Market Share Report March Quarter 1999).
- Retail net funds flow for Lend Lease Financial Services has shown a continuous improvement in market ranking in each quarter over the past year, improving from 9th position at 30 June 1998 to 4th position at 31 March 1999. (Source: Assirt Market Share Report March Quarter 1999).

International

- During the year to 30 June 1999 MLC Limited increased its equity investment in its Indonesian life insurance joint venture, Simas Lend Lease Life (Simas), from 50% to 80% at a cost of $2.8 million. Simas has continued to perform profitably despite difficult economic conditions in Indonesia.

REAL ESTATE

The Group's real estate business encompasses three major business activities: Lend Lease Real Estate Investments (REI), Lend Lease Property Development and Lend Lease Projects (Project Management & Construction). The Real Estate Services business which included COMPASS Management and Leasing, Inc and Lend Lease's US retail property management business ("COMPASS") was sold during the year (refer below).

REAL ESTATE INVESTMENTS (REI)

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

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia & Pacific	69.5	98.2	14.1	11.7	7.1	7.7	108.9	109.3
North America	405.0	393.4	65.9	79.9	51.5	57.9	999.0	1,086.8
Asia	2.2	3.6	(7.0)	3.3	(5.5)	2.2	50.7	34.3
Europe	23.3	0.4	7.8	(2.5)	5.4	(2.5)	100.8	12.6
Total REI	**500.0**	**495.6**	**80.8**	**92.4**	**58.5**	**65.3**	**1,259.4**	**1,243.0**
% of Total Group	12.1%	14.4%	15.7%	22.4%	13.9%	17.9%	17.3%	19.2%

The 1999 profit after tax for REI was $58.5 million, a decrease of 10.4% from 1998. The result reflected slightly lower funds under management fees, a strong increase in higher margin transaction revenue, cost saving initiatives, the impact of provisions made against investments and the effect of amortising Management Agreements.

The REI results are analysed by region below.

AUSTRALIA & PACIFIC

	Year to June 1999		Year to June 1998	
	$m	%	$m	%
Revenue				
Funds under management fees	40.3	58.0%	38.1	38.8%
Transaction revenue	4.4	6.3%		
Leasing and development management fees	10.0	14.4%	10.0	10.2%
Retail property management fees	12.8	18.4%	12.6	12.8%
Investment income	2.0	2.9%	2.2	2.2%
Sale of investments			35.3	36.0%
	69.5		**98.2**	

Fee revenue from funds under management for the Australia and Pacific business for the year ended 30 June 1999 increased by $2.2 million or 5.8% to $40.3 million, mainly due to an increase in funds under management of 11.3%. Retail Property management fees relate to the Australian Retail Shopping Centre operation not sold as part of the COMPASS disposition. The sale of investments in June 1998 mainly represented the sale of General Property Trust (GPT) units.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

AUSTRALIA & PACIFIC continued

	Year to June 1999 $m	Year to June 1998 $m
Profit After Tax		
Profit/(loss) before tax of underlying fee based business	13.8	2.3
Investment income before tax	2.0	2.2
Profit/(loss) before tax on sale of GPT Units		7.2
Less: Amortisation:		
Management Agreements	(0.9)	
Less: Provisions raised:		
GPT units	(0.8)	
Total profit before tax for year	**14.1**	**11.7**
Income tax expense	(7.0)	(4.0)
Profit after tax	**7.1**	**7.7**

The significant increase in the underlying fee based profit of the Australia and Pacific business from $2.3 million in June 1998 to $13.8 million in June 1999, reflected a reduction in overheads and lower IT development expenditure in 1999 relative to 1998, partially offset by provisions raised against GPT units held and the requirement to amortise Management Agreements (see section "Accounting Policy Changes").

NORTH AMERICA

The REI US business delivered a total return of 13.6% for the year to June 1999 which comprised an increase in Management Agreements of USD21.4 million and profits of USD32.1 million.

	Year to June 1999			Year to June 1998		
	USDm	A$m	%	USDm	A$m	%
Revenue						
Funds under management fees	107.2	171.9	42.4%	120.5	177.8	45.2%
Transaction revenue	104.9	168.3	41.6%	78.7	116.1	29.5%
Leasing and development management fees	0.7	1.1	0.3%	16.7	24.6	6.3%
Investment income	14.1	22.6	5.6%	11.3	16.7	4.2%
Sale of investments	25.6	41.1	10.1%	39.5	58.3	14.8%
	252.5	**405.0**		**266.7**	**393.4**	

Revenue from funds under management fees declined by 11.0% to USD107.2 million in June 1999 which reflected a continued decline in US funds under management (refer below). Transaction revenue in the US relates to fees earned from managing the acquisition, disposition and financing of investors' properties. Transaction revenues increased by 33% to USD104.9 million in June 1999, mainly reflecting increased disposition volumes from client sales. Transaction fees included fees earned on the sell down of The Equitable General Account equity property portfolio and incentive fees earned on the disposition of the Value Enhancement Fund I and YCPI portfolios. The decrease in leasing and development fees reflected the sale in October 1998 of the retail property management business in the US in conjunction with the sale of COMPASS. North American investment income included earnings of USD10.5 million (1998 USD9.6 million) from the 50% ownership of the King of Prussia Shopping Center in the USA. Sale of Investments during the year represented the sale of the Park City Shopping Center in the USA.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

NORTH AMERICA continued

	Year to June 1999 North America USDm	Year to June 1999 North America A$m	Year to June 1998 North America USDm	Year to June 1998 North America A$m
Profit After Tax				
Profit/(loss) before tax of underlying fee based business	40.3	64.6	28.0	41.2
Investment income before tax	14.1	22.6	11.3	16.7
Profit/(loss) before tax on sale of investments	1.6	2.6	17.2	25.4
Less: Amortisation:				
Management Agreements	(4.7)	(7.5)		
Goodwill	(2.3)	(3.7)	(2.3)	(3.4)
Less: Provisions raised:				
Chastain Capital Corporation investment (refer below)	(7.9)	(12.7)		
Total profit before tax for year	**41.1**	**65.9**	**54.2**	**79.9**
Income tax expense	(9.0)	(14.4)	(14.9)	(22.0)
Profit after tax	**32.1**	**51.5**	**39.3**	**57.9**

The US underlying fee based profit for both funds under management and transaction fees increased by 43.9% from USD28.0 million (A$41.2 million) in June 1998 to USD40.3 million (A$64.6 million) in June 1999, resulting from increased transaction fees (which contain higher profit margins than funds under management fees) and a reduction in overheads.

The profit after tax was adversely affected by a provision raised on the investment in Chastain of USD7.9 million (A$12.7 million) before tax (USD4.9 million (A$7.4 million) after tax) and the requirement to amortise the Management Agreements held on the balance sheet (USD4.7 million (A$7.5 million) before tax) (refer section "Accounting Policy Changes" at the end of this report).

Profit before tax on sale of investments in June 1998 of USD17.2 million comprised the sale of USPPI (USD13.9 million) and Vornado Realty Trust (USD3.3 million).

Management Agreements
The value of the Lend Lease REI US Management agreements increased by 6.2% from USD345.6 million at 30 June 1998 to USD367.0 million at 30 June 1999. The increase in value was mainly driven by increased revenues flowing from the agreements, improved margins from overhead reductions and a 0.2% reduction in the discount rate to 10.8%.

Segment Assets
The decrease in segment assets in North America is mainly due to currency fluctuations.

ASIA

Revenue
Revenue in Asia of $2.2 million for June 1999 is lower than the June 1998 revenue of $3.6 million because in 1998 a dividend was paid by Asia Property Investment Corporation (APIC) of $1.2 million.

Profit After Tax
The loss after tax of $5.5 million in Asia for June 1999 resulted from a provision of $7.8 million before tax ($5.0 million after tax) raised against Lend Lease's investment in APIC. The provision was raised in the 31 December 1998 Lend Lease Financial Statements. The provision was required due to a writedown by APIC of its investment in the Northtech industrial building in Singapore.

Segment Assets
The increase in segment assets in Asia related to an additional USD16.7 million (A$25.7 million) investment in APIC offset by the provision and depreciation of the US dollar against the Australian dollar.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

EUROPE

	Year to June 1999			Year to June 1998		
	GBPm	A$m	%	GBPm	A$m	%
Revenue						
Funds under management fees	2.4	6.3	27.0%	0.2	0.4	100.0%
Retail property management fees	1.7	4.5	19.3%			
Investment income	4.8	12.5	53.7%			
	8.9	**23.3**		**0.2**	**0.4**	

The increase in funds under management fees in Europe from GBP0.2 million in June 1998 to GBP2.4 million in June 1999 is mainly due to the commencement of fees being earned on the management of Bluewater following practical completion. The retail property management fees in June 1998 related to fees earned by the Larry Smith Group, which was acquired in March 1998. European investment income in June 1999 of GBP4.8 million (A$12.5 million) related to the net operating income of Bluewater, derived from Lend Lease's remaining ownership interest in Bluewater, which commenced from the opening of the Centre in March 1999.

	Year to June 1999		Year to June 1998	
	Europe GBPm	Europe A$m	Europe GBPm	Europe A$m
Profit After Tax				
Profit/(loss) before tax of underlying fee based business	(1.8)	(4.7)	(1.0)	(2.5)
Investment income before tax	4.8	12.5		
Total profit before tax for year	**3.0**	**7.8**	**(1.0)**	**(2.5)**
Income tax expense	(0.9)	(2.4)		
Profit after tax	**2.1**	**5.4**	**(1.0)**	**(2.5)**

The loss before tax of the underlying European fee based business of GBP1.8 million for 1999 and GBP1.0 million for 1998 reflects costs associated with the set up of the asset management team in the UK for Bluewater and the Lend Lease Retail Partnership.

Segment Assets

Segment assets in Europe increased to $100.8 million at 30 June 1999, which reflected the investments made in the Retail Partnership ($37.7 million) and Arrabida Shopping Centre in Portugal ($37.5 million).

REAL ESTATE INVESTMENTS FUNDS UNDER MANAGEMENT

Real Estate Investments funds under management (REI FUM) at 30 June 1999 were $45.1 billion, compared to $47.5 billion at 30 June 1999. The US REI FUM totalled $36.5 billion representing approximately 81% of the total REI FUM.

	1999 North America USD	1998 North America USD	1999 North America A$b	1999 Aust & Pacific A$b	1999 Asia A$b	1999 Europe A$b	1999 Total A$b	1998 Total A$b
FUM at 30 June 1998	24.4	27.3	40.7	6.2	0.3	0.3	47.5	42.9
Exchange (loss)/gain			(3.1)				(3.1)	9.8
Additions (1)	4.3	1.2	6.6	1.4	0.2	1.1	9.3	2.7
Reductions	(5.0)	(4.1)	(7.7)	(0.7)	(0.2)		(8.6)	(7.9)
FUM at 30 June 1999	**23.7**	**24.4**	**36.5**	**6.9**	**0.3**	**1.4**	**45.1**	**47.5**

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

Funds under management in North America reduced from US$24.4 billion at 30 June 1998 to US$23.7 billion at 30 June 1999. Market conditions continue to provide good opportunities for active management of real estate portfolios and Lend Lease has continued to advise and manage this process on behalf of its clients. At 30 June 1999 US$2.0 billion of The Equitable's planned US$3.0 billion disposition of real estate assets had been completed. The effect of this selldown has been partially offset by an increase in The Equitable's reinvestment in commercial mortgage assets.

The increase in funds under management in Europe related to the management of the Lend Lease Retail Partnership.

REAL ESTATE continued

REAL ESTATE INVESTMENTS (REI) continued

REAL ESTATE INVESTMENTS FUNDS UNDER MANAGEMENT continued

The increase in funds under management in Australia of $1.4 billion is mainly due to the acquisition of assets by the various Australian real estate funds managed by Lend Lease.

Overall, FUM in Australian dollars decreased by $2.4 billion from $47.5 billion to $45.1 billion essentially due to a $3.1 billion exchange loss as a result of a strengthening of the Australian dollar against the US dollar.

SIGNIFICANT EVENTS

United States

- For the year ended 31 March 1999 the Group's US$2.4 billion core property fund (Prime Property Fund) delivered a total return of 16.5% to clients, the second highest in its peer group. Other top performing co-mingled funds were Value Enhancement Fund I 24.7% (which is in its disposition phase) and Core Property Trust 16.3%.
- The North American business has continued to be successful in attracting new funds for investment. In the year to 30 June 1999 the business generated commitments totalling USD4.7 billion for investment including the State of Tennessee (USD400.0 million), the State of Florida (USD326.0 million), Alaska Permanent Fund (USD300.0 million) and the Global Property Fund (USD250.0 million).
- Property acquisitions, dispositions, mortgage origination and financing for clients totalled USD10.4 billion for the year (1998 USD8.7 billion).
- Chastain Capital Corporation ("Chastain") was launched in April 1998 by Lend Lease REI as a public Real Estate Investment Trust (REIT) and traded publicly on the NASDAQ in the United States. The turmoil in the debt markets in the last quarter of 1998 adversely affected the share price of Chastain and in May 1999 the Board of Chastain announced its intention to sell all of the company's assets through a plan of liquidation. A provision of USD7.9 million has been raised against Lend Lease's investment in Chastain to reflect the carrying value of Lend Lease's USD17.5 million investment at net asset value (USD9.6 million) at 30 June 1999. The market value of Lend Lease's investment in Chastain at 30 June 1999 was USD8.3 million. The net asset value has been adopted as the carrying value in the Financial Statements reflecting the best estimate of the recoverable value of the investment, based on Chastain's asset realisations to date and an independent evaluation of Chastain's assets.
- In April 1999, Lend Lease launched Lend Lease Global Properties SICAF ("Global Properties"), a Luxembourg based global real estate investment company. Global Properties is the Lend Lease flagship global real estate investment fund and has in excess of USD500.0 million (through a combination of USD250.0 equity commitments and debt) available for investment in Europe, South America and Asia. Lend Lease has committed USD50.0 million as an investment in Global Properties.

Europe

- The Lend Lease Retail Partnership ("Retail Partnership") is an unlisted property fund which has purchased from Lend Lease a 25% interest in Bluewater in June 1999 at independent valuation of GBP280.0 million and will acquire a 100% interest in the Touchwood Court Shopping Centre development (in Solihull, West Midlands, UK) based on a predetermined pricing formula. The Retail Partnership will have approximately GBP500.0 million of funds under management by the time the Touchwood Court Shopping Centre is completed. Lend Lease's investment in the Retail Partnership will be GBP25.0 million (A$61.7 million).
- The Arrabida Shopping Centre in Porto, Portugal was acquired on 30 June 1999.

Australia

- Lend Lease Real Estate Partners ('LLREP") is an unlisted property fund that has been established to invest in real estate assets in the Australian market. LLREP was launched in June 1999.

PROPERTY DEVELOPMENT

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

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

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

REAL ESTATE continued

PROPERTY DEVELOPMENT continued

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia	160.8	230.1	17.1	1.0	9.9		1,004.4	669.7
North America			(4.9)		(2.9)			
Asia	13.7	100.4	(26.3)	(34.1)	(23.6)	(26.9)	76.7	212.2
Europe	886.9	186.0	210.2	22.2	144.5	16.3	1,716.4	1,141.5
Total Property Development	**1,061.4**	**516.5**	**196.1**	**(10.9)**	**127.9**	**(10.6)**	**2,797.5**	**2,023.4**
% of Total Group	25.8%	15.0%	38.0%	(2.6%)	30.4%	(2.9%)	38.4%	31.3%

REVENUE

Australian revenue for the year ended 30 June 1999 primarily related to progressive sales on residential projects as well as the sale of land at Tally Ho in Melbourne and the Riverside II site in Brisbane. The June 1998 revenue of $230.1 million included revenue recognised on the sale of interests in major projects such as 88 Phillip Street and Jacksons Landing. The Asian revenue related to sales of factory units at Admiralty Industrial Park, Singapore, which have slowed as a result of the subdued economic conditions. European revenue comprised the sale of Solihull land for $46.1 million to the Lend Lease Retail Partnership and $840.8 million for Bluewater (refer below).

PROFIT AFTER TAX

The substantial increase in profit for the year (compared to a loss in the previous year) reflected the profit from sale of 40% of Bluewater (refer below), emerging profitability in Australia, offset by provisions raised in Asia.

The profit in Australia of $9.9 million mainly comprises profits derived from the residential business during the year (including ADI Maribyrnong $5.4 million, Glen Alpine $2.7 million and Twin Waters $1.2 million).

The loss in Asia mainly related to provisions made for Admiralty Industrial Park (AIP) ($7.1 million), a write down of the investment in Tuas View ($7.1 million) in Singapore (unchanged from 31 December 1998) and the payment of $8.0 million under a Lend Lease Corporation Limited guarantee for borrowings of the Li Fung project in China.

The European profit after tax of $144.5 million for the year mainly related to the divestment of 40% of Bluewater (refer below), mainly offset by a loan break costs on the Bluewater facility $6.9 million, $3.5 million fees on the GBP250.0 million construction loan for Solihull and Dundee, new business costs and overheads.

Bluewater	Revenue		Profit After Tax		Inventory Balance	
Bluewater Sales	June 1999 GBPm	June 1999 A$m	June 1999 GBPm	June 1999 A$m	June 1999 GBPm	June 1999 A$m
Prudential – initial 15%, (1) Development fees, and Cinema (2)	37.9	100.7	4.3	11.5		
Retail Partnership – 25%	280.0	740.1	60.8	160.8		
Prudential – 10% July 1999 (2)					76.2	188.2
Hermes – 10% July 1999					76.3	188.3
Prudential – 10% July 2000 (2)					76.2	188.2
Retained 30%					228.7	564.6
	317.9	**840.8**	**65.1**	**172.3**	**457.4**	**1,129.3**

(1) Remaining portion of 15% forward sale. The first portion of this 15% was recognised in the 1998 financial year.
(2) The details of the sales to Prudential are confidential.

SEGMENT ASSETS

The increase in segment assets by $774.1 to $2,797.5 million at 30 June 1999 mainly related to an increase in property development inventories of $613.8 million (Bluewater $389.4 million, Dundee $48.5 million, 88 Phillip Street/155 Macquarie Street $48.7 million, Darling Park $47.3 million and Olympic Village/Newington $149.1 million).

Bluewater represents 57.4% ($1,129.3 million) of the balance of property development project inventories on the Balance Sheet at 30 June 1999. A further 30% of Bluewater is subject to committed forward sales to Prudential (20%) and Hermes (10%). Following these sales there will be a remaining inventory balance for Bluewater of $564.6 million. This relates to the 30% interest being retained by Lend Lease until at least 2005 during which time Lend Lease will receive its share of the net operating income of Bluewater.

REAL ESTATE continued

PROPERTY DEVELOPMENT continued

SEGMENT ASSETS continued

The balance of property development inventories ($839.2 million at 30 June 1999) primarily relates to the four major projects in Australia (88 Phillip Street/155 Macquarie Street, Jacksons Landing, Olympic Village/Newington and Darling Park, all of which are in Sydney) and the Dundee retail project in the UK. Subject to market conditions, profits from these projects are expected to emerge over the next 2 to 3 years.

Further details of the development projects can be found in the Group's Consolidated Financial Statements at 30 June 1999.

SIGNIFICANT EVENTS

Since 30 June 1998 there has been considerable leasing and disposition activity on the major projects (all statistics as at 30 June 1999):

Project	*Current Year Significant Events*	*Status*
Bluewater	▪ Centre opened March 1999. ▪ Initial Centre sales in line with expectations. ▪ Sale of 25% interest to Lend Lease Retail Partnership.	▪ July 1999 - further 20% interest in centre sold. ▪ July 2000 - additional 10% pre sold. ▪ Lend Lease will hold 30% interest in centre until 2005 and be entitled to proportionate share of net operating income of Centre. ▪ The risks are rentals and capitalisation rate at exit on the 30% retained interest.
Dundee	▪ Dundee leased to 56% of total space. ▪ Retail space handed over to anchor tenant (Debenhams) for fitout.	▪ The risks are the remaining leasing and capitalisation rate at exit.
88 Phillip Street	▪ 58% of space leased to Minter Ellison and ABN Amro.	▪ Key risks are successful leasing of highrise and capitalisation rate at exit.
155 Macquarie Street	▪ 51 out of the 62 residential units sold.	▪ Committed sale revenue to date exceed costs.
Darling Park	▪ 100% space in Darling Park Stage II leased (subject to exercise of options) to Nestle and PricewaterhouseCoopers.	▪ Asset currently being marketed for sale.
Olympic Village/Newington	▪ 76% of units released to market in Stage I sold.	▪ If current selling prices are maintained budgeted profits will be achieved. ▪ Key risk is the strength of the Sydney residential market.
Jacksons Landing	▪ 24% of total units released to market sold.	▪ Key risk is the strength of the Sydney residential market.
Fox Studios	▪ 90% of total available space leased. ▪ Opening expected on schedule in November 1999.	▪ Key risks relate to the trading of the retail component and the success of the studio tour.

During the year the European business secured additional retail development projects:

- A town centre site in Norwich, England was acquired in June 1999.
- A joint venture to develop a retail centre in Madrid, Spain (Alcala) was signed on 1 July 1999.

REAL ESTATE continued

LEND LEASE PROJECTS (Project Management and Construction)

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

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

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia	1,301.4	975.8	34.8	17.3	23.3	10.5	246.8	207.5
North America			(2.1)		(1.2)			
Asia	95.2	144.5	15.2	23.6	10.0	15.4	103.6	95.8
Europe	5.3	324.9	4.1	7.2	2.9	4.6	28.1	25.4
Total Project Management	**1,401.9**	**1,445.2**	**52.0**	**48.1**	**35.0**	**30.5**	**378.5**	**328.7**
% of Total Group	34.0%	42.0%	10.1%	11.6%	8.3%	8.4%	5.2%	5.1%

REVENUE

Revenue for the year to 30 June 1999 declined marginally by 3.1% to $1,401.9 million, reflecting the continuing high level of construction activity being undertaken in Australia, offset by a reduction in Europe.

Revenue from the Australian region increased by 33.3% to $1,301.4 million arising mainly from Darling Park Stage II which is scheduled for completion in the second half of 1999, and increased activity on the Sydney International Airport and the Fox Studios projects in Sydney, NSW.

The Asian economic downturn has adversely impacted the level of activity in the Asian business, although good results continue to be shown from the Indian operation which recently secured a commission for four additional Coca-Cola bottling plants.

Revenue in Europe of $5.3 million in June 1999 related to the Crystal Group. The June 1998 revenue of $324.9 million related to revenue recognised on Bluewater construction on behalf of the Investor Syndicate. There was no revenue recognised in June 1999 following the restructure of the Investor Syndicate financing in July 1998 as 100% of the Bluewater asset was recognised on the Balance Sheet.

PROFIT AFTER TAX

Lend Lease Projects contribution to the Group's operating profit after tax was $35.0 million for the year to 30 June 1999, a 14.8% increase compared to $30.5 million for the year to 30 June 1998, primarily arising from the Australian business.

Profits from the current committed forward workload of $2.2 billion are expected to emerge over the next few years.

The Australian profit after tax of $23.3 million included a $12.0 million impact from the change in the basis of profit recognition for property construction contracts (refer section " Accounting Policy Changes"). Costs of restructuring the business and expenditure on strategic development initiatives reduced profits by $10.0 million after tax.

Profits in Asia declined due to reduced activity in 1999 as compared to 1998. The majority of the profits were recognised in the first half of the year when the first bottling plant for Coca Cola in India and other major industrial projects in Singapore were completed.

The loss in North America represented overheads incurred in setting up a project management business in the US.

SEGMENT ASSETS

Segment Assets increased from $328.7 million at 30 June 1998 to $378.5 million at 30 June 1999 which mainly reflected an increase in receivables in line with the increased revenue in Australia and the acquisition of the Crystal Group in January 1999.

REAL ESTATE continued

LEND LEASE PROJECTS (Project Management and Construction) continued

FORWARD WORKLOAD

Lend Lease Projects' committed forward workload as at 30 June 1999 was $2.2 billion, compared to $2.6 billion at June 1998.

	June 1999 $m	June 1998 $m	June 1997 $m
Australia & Pacific	1,738	1,693	1,252
Asia	76	99	214
Europe	344	793	794
Total	**2,158**	**2,585**	**2,260**

The decline in forward workload Europe reflects the completion of Bluewater.

Major projects in progress include Olympic Village/Newington ($600.0 million), Sydney International Airport ($445.0 million), 88 Phillip Street commercial tower and 155 Macquarie Street residential tower ($300.0 million), Fox Studios ($260.0 million), Jacksons Landing ($110.0 million), in Australia; the Manukau waste water treatment plant in Auckland, New Zealand ($65.0 million); the Coca Cola plants in India ($70.0 million); and the Dundee ($130.0 million) and Solihull ($235.0 million) Shopping Centres in the UK.

SIGNIFICANT EVENTS

Global Strategy

The global expansion strategy of the Lend Lease Projects' business is to focus on opportunities in growing market segments.The key market segments being focused on by the group include health, industrial, retail, commercial, semi-conductor, pharmaceutical and infrastructure (including water and waste water).

- In line with this strategy, the Netherlands based Crystal Group was acquired on 6 January 1999. The Crystal Group is a specialist in the design and construction of semi-conductor fabrication plants.

Business Re-engineering

- During the year Lend Lease Projects commenced the implementation phase of a business re-engineering project. This project, to be implemented globally, is shifting the business focus from its traditional regional structure to business units aligned to specific market and client segments. In addition, the division is further developing efficient local delivery units and creating a highly skilled technical services group that provides point of difference services to the marketing and delivery teams.
- One of the objectives of the re-engineering is to enhance the competitive position by significantly reducing construction costs and recurrent off-site overheads over the next 3 years in order to improve the competitive position of the business.

Asia

- Ownership of PT Lend Lease Graha Indonesia was increased from 50% to 90% for a cost of $0.3 million.

CAPITAL SERVICES

The principal activities of this business segment are as developer, owner, operator and fund manager of infrastructure assets.

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia & Pacific	12.6	17.0	1.9	(7.5)	1.1	(4.2)	18.5	42.2
Asia		0.7		(7.7)		(7.6)	8.3	8.2
Europe	45.2	20.6	9.0	18.8	6.9	14.0	58.6	59.0
Total Capital Services	**57.8**	**38.3**	**10.9**	**3.6**	**8.0**	**2.2**	**85.4**	**109.4**
% of Total Group	1.4%	1.1%	2.0%	0.9%	1.9%	0.6%	1.2%	1.7%

REAL ESTATE continued

CAPITAL SERVICES continued

PROFIT AFTER TAX

The profit in Australia of $1.1 million was mainly the result of the sale of the Tower & Appin Power Partnership. The Asian business was discontinued in the previous financial year. The loss in Asia for the year to 30 June 1998 related to the write-off of costs associated with the Oakwood joint venture, which ceased in April 1998. The European profits of $6.9 million mainly related to the sale of options in Nursing Home Properties Plc ($1.5 million) which were granted at the time of entering into the LLNHP Partnership; the sale of Lend Lease's interest in the LLNHP Partnership ($3.7million); share of profits for the 50% interest in Chelverton Properties Limited ($3.5 million); share of losses (equity accounted) for the 25% interest in THI Plc ($2.2 million); guarantee fees ($3.5 million) from the loan facilities extended to Chelverton and the Wisniowy, Poland project; offset by overheads and a provision of $3.7 million raised against the investment in the Clacton Common partnership.

SEGMENT ASSETS

The decrease in segment assets from $109.4 million at 30 June 1998 to $85.4 million at 30 June 1999 reflects the sale of interests in the Tower and Appin Power Partnership and LLNHP partnership during the year. Segment assets at 30 June 1999 include the interest in the Prospect Water Partnership ($18.5 million), European investments in Chelverton ($12.1 million), Fareham Retail Partnership ($17.8 million); an investment in the Lend Lease Asia Water Trust ($8.3 million), and a loan made to Chelverton ($21.5 million).

SIGNIFICANT EVENTS

- The focus of the capital services business in Australia is on infrastructure funds management. It is planned that the Australian business will be integrated into the REI business over the 1999/2000 financial year.
- Lend Lease sold its 50% interest in the Tower & Appin Power Partnership.
- Lend Lease signed a consortium agreement with Boral Energy and Canadian Utilities for the development and operation of a co-generation plant for BP in Queensland, Australia. Lend Lease's role as equal one third partner is to build, own and operate the co-generation plant.
- Lend Lease acquired a 25% interest in HRL Morrison & Co. Limited for $8.0 million in March 1999, a manager of the listed Infratil funds (funds under management $134.0 million).
- Lend Lease continued as preferred tenderer on the Bondi rail extension (Sydney).
- Lend Lease fully supported and co-operated with the inquiry into the 1998 contamination concerns with Sydney's drinking water. The final McClellan Report which was issued in December 1998 confirmed that the Prospect Water Treatment Plant (of which Lend Lease is a one third owner) was not at fault. There are no claims pending or expected in the future.
- The majority of the European business assets will be realised over the next 1 to 2 years. The European business will be integrated into the REI business over the 1999/2000 financial year.

REAL ESTATE SERVICES (RES)

Lend Lease sold COMPASS in October 1998. The sale was for $296.0 million (US$180.0 million) which realised a profit after tax of $11.3 million. The sale agreement also includes an earnout payment for Lend Lease of up to US$77.5 million over five years, which has not been included in the reported profit. Any benefit from this will depend on the business experience over the 5 years.

Lend Lease sold COMPASS as it was determined that COMPASS needed to grow in scale to continue to prosper as a property and facilities manager in a highly competitive market.

RESULTS (as reported at December 1998)

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit After Tax	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
RES Operating Results	24.3	100.8	(1.9)	14.3	(1.4)	9.9
Sale of Business	296.0		18.0		11.3	
Total RES	**320.3**	**100.8**	**16.1**	**14.3**	**9.9**	**9.9**

INVESTMENTS

EQUITY INVESTMENTS

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

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia & Pacific								
Sales of investments								
Hoyts Cinemas	28.4	23.9	2.6	8.8	2.1	5.6		
Westpac Banking Corporation:								
- shares		100.5		62.9		41.5		
- dividend income from shares subject to forward sale	45.0	41.0	45.0	41.0	45.0	41.0		
Mirvac		66.0		36.8		23.6		
Dividend Income								
Hoyts Cinemas	0.5	1.9	0.5	1.9	0.5	1.9		25.2
Westpac Banking Corporation	1.0	18.4	1.0	18.4	1.0	18.4	148.9	148.9
Mirvac	2.4	1.5	2.4	1.5	2.2	1.5	27.4	27.4
Total Equity Investments	**77.3**	**253.2**	**51.5**	**171.3**	**50.8**	**133.5**	**176.3**	**201.5**
% of Total Group	1.9%	7.4%	10.0%	41.5%	12.1%	36.8%	2.4%	3.1%

PROFIT AFTER TAX

Equity Investments' contribution to the profits of the Group was $50.8 million for the year to 30 June 1999, compared to $133.5 million for the year to 30 June 1998. The lower 1999 result reflects absence of sales of Westpac shares and reduced Westpac dividends following the Westpac stock lending and share price hedge arrangements executed in December 1998. Lend Lease sold its remaining investment in Hoyts Cinemas during the year which realised a profit after tax of $2.1 million.

WESTPAC SHARES HEDGE ARRANGEMENT

In December 1998 Lend Lease entered into share lending and hedging arrangements ("the Arrangements") in relation to 40 million Westpac shares which effectively locked in a $10.05 per share price. The Arrangements involved Lend Lease receiving approximately $402.2 million in cash (as collateral under the Arrangements). The Arrangements protect the unrealised profits of $165.0 million after tax which will not be recognised until the Arrangements are terminated, the timing of which is at Lend Lease's discretion. One consequence of the Arrangements is that Lend Lease no longer receives the dividends and franking credits from the 40 million shares.

IT+T INVESTMENTS

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

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m	June 1999 $m	June 1998 $m
Australia & Pacific								
IBM Global Services Australia (IBMGSA)	13.8	7.6	13.6	7.6	11.8	7.6	40.5	40.5
IT+T Investments	11.7		(3.4)	(7.6)	(2.6)	(4.9)	53.6	20.5
Total IT+T Investments	**25.5**	**7.6**	**10.2**		**9.2**	**2.7**	**94.1**	**61.0**
% of Total Group	0.6%	0.2%	2.0%		2.2%	0.7%	1.3%	0.9%

The June 1998 results have been restated in line with June 1999 results to include overhead costs, whereas previously they were included as a part of Group overheads.

INVESTMENTS continued

IT+T INVESTMENTS continued

PROFIT AFTER TAX

IT+T Investments contributed $9.2 million for the period, an increase over last period due to an increased contribution from the investment in IBMGSA.

SEGMENT ASSETS

Segment assets include investments in SITEL, Inc ($16.8 million), Advantra ($6.4 million) and Interactive Coupon Marketing Group (ICMG) ($30.5 million). During the year ICMG changed its name to coolsavings.com.

SIGNIFICANT EVENTS

Distributions from IBMGSA totalled $13.6 million before tax. Lend Lease has also reconfirmed its commitment to IBMGSA as a client by renegotiating its IT outsourcing agreement from 1 January 1999.

Additional investments made during the year include:

- USD13.7 million ($21.1 million) invested in coolsavings.com which increased Lend Lease's interest to 27.5%.
- $6.4 million invested in Advantra, the joint venture between Lend Lease, IBM Australia and Telstra, in which Lend Lease has a 20% interest.
- In May 1999 Lend Lease exchanged its 20% interest in SITEL Asia Pacific for a 3.0% interest in SITEL, Inc. In addition it invested a further $6.6 million in SITEL taking its total interest to 5.0%. SITEL Inc is listed on the New York Stock Exchange.

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

CORPORATE

The principal activities of Group Services are Group Treasury and corporate administration services. All financing costs that are not directly related to a real estate development project are reported in the Group Services segment, irrespective of where those costs are incurred.

RESULTS

Group Overheads	**Operating Revenue**		**Operating Profit Before Tax**		**Operating Profit/(Loss) After Tax**		**Segment Assets**	
	June 1999 $m	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**
Overheads	30.1	37.6	(47.4)	(40.0)	(33.9)	(13.5)		
Group IT Costs			(23.1)	(15.0)	(14.8)	(8.1)		
Group Overheads	**30.1**	**37.6**	**(70.5)**	**(55.0)**	**(48.7)**	**(21.6)**		

OVERHEADS

Net overheads after tax increased from $13.5 million for the year ended 30 June 1998 to $33.9 million for the year ended 30 June 1999. The 1998 result included a one off tax benefit of $17.4 million in the year ended 30 June 1998 resulting from the restructure of the Asian operations.

GROUP IT COSTS

Group IT costs after tax increased from $8.1 million for the year ended 30 June 1998 to $14.8 million for the year ended 30 June 1999, which reflected an increase in corporate costs on Year 2000 and Group IT strategy. The Group wide expenditure on Year 2000 was $61.0 million for the year. This level of Group wide IT expenditure is expected to continue with the costs being directed at GST and other IT initiatives.

Group Financing	**Operating Revenue**		**Operating Profit Before Tax**		**Operating Profit/(Loss) After Tax**		**Segment Assets**	
	June 1999 $m	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**	**June 1999 $m**	**June 1998 $m**
FX Hedge Costs			(17.3)	(20.5)	(11.1)	(13.1)		
Interest Revenue	40.4	21.5	40.4	21.5	26.8	13.8		
Interest Expense			(73.3)	(49.9)	(46.2)	(31.9)		
Group Financing	**40.4**	**21.5**	**(50.2)**	**(48.9)**	**(30.5)**	**(31.2)**	**177.0**	**292.3**

CORPORATE continued

FOREIGN EXCHANGE HEDGE COSTS

Foreign exchange hedge costs after tax decreased by $2.0 million to $11.1 million after tax for the year to 30 June 1999, which reflects the discontinuance of hedges on the Indonesian and Thailand assets in the previous year. The level of costs remained high as a result of the cost associated with maintaining the hedges on US dollar and GBP assets and hedging the profits of foreign operations, in accordance with the group's foreign exchange hedging policy.

INTEREST

Interest revenue was $18.9 million higher than for the previous corresponding period as Lend Lease had higher cash balances during the current period. Interest costs for the year increased by $23.4 million to $73.3 million before tax mainly reflecting higher interest costs in the UK as a result of interest of $22.1 million on the Bluewater borrowings being expensed following the opening of Bluewater in March 1999.

BALANCE SHEET

BALANCE SHEET SUMMARY BY MAJOR COMPONENT	June 1999 $m	June 1998 $m
Cash	620.7	481.6
Financial Services business	1,927.7	1,745.0
Management Agreements	404.0	609.1
Property Investments and Developments	2,620.9	1,896.1
Investments	270.5	230.7
Borrowings	(1,210.2)	(1,544.4)
Other Net Assets/Liabilities	(1,164.8)	(180.7)
Shareholders' Equity	**3,468.8**	**3,237.4**

Lend Lease's Balance Sheet continues to be strong, allowing the Group to take advantage of opportunities as they arise.

Cash has increased to $620.7 million as compared to $481.6. This is discussed further below. Property investments and developments have increased to $2,620.9 million mainly as a result of further expenditure on major projects during the year.

GEARING

Borrowings were $1,210.2 million at 30 June 1999, compared to $1,544.4 million at 30 June 1998. The ratio of gross debt to Shareholders' Equity was 34.9% at 30 June 1999, compared to 47.7% at 30 June 1998. The ratio of net debt to Shareholders' Equity was 17.0% at 30 June 1999, compared to 32.8% at 30 June 1998.

In July 1999, the proceeds from the sale of a further 20% interest in Bluewater to Hermes (10%) and Prudential (10%) were received. These proceeds and existing European cash were used to extinguish all debt in the European business. Therefore, following the repayment of the European debt, the ratio of gross debt to Shareholders' Equity was 18.5% and the ratio of net debt to Shareholders' Equity was 2.0%.

Lend Lease Shareholders' Equity does not reflect unrealised gains in several of Lend Lease's assets: shareholdings in Westpac and Mirvac are carried at cost, not market value; investments in Funds Management and Life Insurance are recorded at embedded value, not appraisal value or market value which are both materially higher; Management Agreements are recorded at cost less accumulated amortisation, not at independent valuation and Property Development assets are recorded at cost. The effect is to understate Lend Lease's Shareholders' Equity and therefore overstate the ratio of Debt to Shareholders' Equity. The ratio of Net Debt to Market Capitalisation was 5.6% at 30 June 1999 (12.9% at 30 June 1998).

CASH FLOW

CASH FLOW SUMMARY	June 1999 $m	June 1998 $m
Cash was generated from:		
Sale of Bluewater interests	1,103.8	
Operations	382.0	334.2
Sale of investments	195.1	332.7
Sale of COMPASS	296.0	
Cash collateral from Westpac share lending and hedging arrangements	402.2	
Increase in borrowings		800.6
Total cash generated	**2,379.1**	**1,467.5**
This cash was deployed to:		
Property development expenditure	(1,183.0)	(639.9)
Purchase of investments	(239.4)	(263.5)
Balance of ERE acquisition payments	(165.1)	(25.8)
Purchase of other controlled entities	(59.8)	(21.8)
Payment of dividends	(281.8)	(258.3)
Repayment of borrowings	(211.7)	
Other net items	(99.2)	57.8
Total cash deployed	(2,240.0)	(1,151.5)
Cash generated for the year	**139.1**	**316.0**
Cash at beginning of year	481.6	165.6
Cash at end of year	**620.7**	**481.6**

Cash generation during the year was strong. The EBIT interest coverage ratio remained strong at 7.5 times (1998 8.9 times).

ACCOUNTING POLICY CHANGES

Profit after tax was increased by $15.5 million due to changes in accounting policies regarding the basis of profit recognition for property construction contracts ($12.0 million) and residential property developments ($3.5 million). The change in relation to property construction contracts resulted from the introduction of a revised Accounting Standard (AASB 1009 "Construction Contracts") which requires profits to be recognised on a percentage of completion basis (previously the majority of profit recognised at completion) (refer to Note 1 in the Financial Statements). The change in relation to residential property developments was made in order to recognise profits on all property developments on a consistent basis ie, profits are recognised progressively when an unconditional sales contract has been exchanged (previously recognised upon settlement).

Profit after tax was decreased by $8.6 million due to a change in accounting policy regarding amortisation of Management Agreements. The change resulted from the issue in June 1999 by the Australian Accounting Standards Board of an Accounting Interpretation AI1 Amortisation of Identifiable Intangible Assets which effectively causes identifiable intangible assets such as management agreements to be amortised over their useful life.

TAXATION

Effective Tax Rate

The effective tax rate for the year ended 30 June 1999 was 18.5% (1998 11.9%), less than the corporate tax rate of 36%. This is mainly due to 47% (1998 73%) of Lend Lease's income being in the form of dividends (principally from MLC Limited, MLC Lifetime Company Limited and an investment in Westpac) which are effectively not taxable when received by Lend Lease under the dividend rebate provisions of existing tax legislation. The increase in the effective tax rate for 1999 arises as dividends received are a lower proportion of total Lend Lease profit and greater overseas profits with different tax rates.

Review Of Business Taxation

The review of business taxation announced by the Government in August 1998, if implemented, could potentially adversely impact some of Lend Lease's businesses, in particular the Financial Services business, but this may be offset by other favourable measures, the net extent of which is uncertain. Given the timing of the introduction of these tax changes, the impact if any, will arise in the 2000/01 or 2001/02 financial year. Discussions are being held with the Government with regard to a number of the proposals. No account has been taken in these results of potential Australian taxation changes as there is considerable uncertainty as to final form of the legislation to be passed by Parliament. Therefore the impact cannot be reliably determined at this stage.

TAXATION continued

Goods and Services Tax (GST)

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

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

As the legislation has only recently been introduced and some uncertainties exist in the interpretation of the legislation the full impact of the GST is still being determined. However, set out below are principal areas where the GST may impact Lend Lease:

- MLC will be substantially input taxed and unable to claim an input credit for supplies. This will probably lead to some increase in operating costs.
- Residential housing prices will increase by the GST. The impact on residential sales is unknown.
- Impact on commercial and retail rents and asset values, if the property owner cannot pass GST onto the Lessee.
- Required modifications to IT systems to deal with GST leading to increased IT capex.

ACCOUNTING FOR LIFE INSURANCE BUSINESS

The accounting standard AASB1038 Life Insurance Business becomes applicable to Lend Lease from the 1999/2000 financial year. Therefore future financial statements from and including the half year ended 31 December 1999 will include the consolidation of the Statutory Funds of MLC Limited and MLC Lifetime.

MATERIAL SUBSEQUENT EVENTS

FINANCIAL SERVICES

- In July 1999, MLC acquired Godfrey Pembroke Financial Services ("Godfrey Pembroke") for $39.7 million. The acquisition will expand the distribution capacity of the Financial Services business with funds under administration being secured through FlexiPlan and Godfrey Pembroke's service, One Source. Godfrey Pembroke is highly respected in the financial planning industry and will retain its separate identity as a pre-eminent provider of financial planning advice and services to high net worth investors.

REAL ESTATE INVESTMENTS

- On 30 July 1999 Lend Lease announced that it has reached a Memorandum of Understanding to acquire The Boston Financial Group ("Boston Financial"). Boston Financial is a privately owned institutional funds manager and real estate services company, and is one of the largest apartment (multi-family) investment managers in the US. It has Funds Under Management of US$6.8 billion. Completion is targeted for September 1999 subject to due diligence, regulatory approval and legal agreements.

DEFINITIONS

Sales

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

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

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

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