

Lend Lease Corporation Limited

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

30 JUNE 2002

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MANAGEMENT'S 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 June 2002, and should be read in conjunction with those Financial Statements.

OVERVIEW

KEY FACTORS

Lend Lease is a diversified real estate services group with operations in 43 countries. Its principal operations are in Australia, USA and UK. Some of the key factors influencing the business are the state of investment and real estate markets, the level of construction activity, global economic conditions, interest rates, taxation, and regulatory legislation. However, because the Group's operations consist of providing diversified services to a broad range of clients in many geographic locations, no one factor, in management's opinion, determines the Group's financial condition or the profitability of its operations.

OPERATING PERFORMANCE

		June 2002	June 2001	Increase/ (Decrease)	% Increase/ (Decrease)
Operating revenue	A\$m	12,478.0	11,453.8	1,024.2	8.9
EBITDA ⁽¹⁾	A\$m	593.2	338.8	254.4	75.1
Operating profit before tax	A\$m	391.1	240.5	150.6	62.6
Operating profit after tax	A\$m	226.3	151.4	74.9	49.5
Earnings per share	cents	52.4	33.5	18.9	56.4
Return on equity for the financial year	%	6.0	4.1	1.9	46.3
Effective tax rate	%	38.9	34.5	4.4	12.8

(1) EBITDA equals earnings before interest revenue, interest expense, income tax expense, depreciation, and amortisation.

Operating revenue increased 8.9% (A\$1,024.2 million) for the year ended June 2002 as compared to the prior financial year, largely due to a A\$1,228.0 million increase in Bovis Lend Lease's revenue.

EBITDA increased 75.1% (A\$254.4 million) for the year ended June 2002 as compared to the prior financial year. The major components of the movement in EBITDA are outlined below.

	June 2002 A\$m	June 2001 A\$m	Increase/ (Decrease) A\$m
EBITDA MOVEMENT – MAJOR COMPONENTS			
Real Estate Solutions (RES)			
Bovis Lend Lease	209.7	165.4	44.3
Integrated Development businesses			
Bluewater		85.0	(85.0)
Fox Studios		(93.9)	93.9
Other	69.6	48.0	21.6
Total Integrated Development businesses	69.6	39.1	30.5
Total Real Estate Solutions	279.3	204.5	74.8
Real Estate Investments (REI)	221.3	171.8	49.5
REI Restructure costs		(51.7)	51.7
Total Real Estate Investments	221.3	120.1	101.2
Other			
Capital Services	12.3	(2.2)	14.5
CoolSavings, Inc.	1.6	(47.6)	49.2
Other investments	59.8	111.0	(51.2)
Other	18.9	(47.0)	65.9
Total EBITDA	593.2	338.8	254.4

OPERATING PERFORMANCE continued

The increase in EBITDA of A\$254.4 million is largely attributable to:

- An increase of A\$44.3 million in EBITDA from Bovis Lend Lease, resulted primarily from the North American operations which increased EBITDA by A\$36.3 million;
- A decrease of A\$85.0 million in EBITDA from the Bluewater development, due to the sale of 10% of this asset in the June 2001 financial year with no sale in the June 2002 financial year;
- An increase of A\$93.9 million in EBITDA from Fox Studios due to a provision being made for the write-down of this asset in the June 2001 financial year;
- An increase of A\$21.6 million in EBITDA from Integrated Development businesses due to the sale of Touchwood, Solihull of A\$34.4 million, increased residential and commercial sales from the Newington, Olympic Village project of A\$30.1 million and an increased contribution from the Australian Urban Communities business of A\$26.3 million (including the results of Delfin from the date of acquisition on 10 August 2001). The above contributions were offset by the costs of pursuing new projects and overheads of A\$39.5 million, largely attributable to European business opportunities. The prior financial year included EBITDA from the sale of Lend Lease's interest in Aurora Place of A\$29.7 million;
- An increase of A\$101.2 million in EBITDA from Real Estate Investments (REI) is attributable to an increase from REI Europe of A\$21.5 million, (including the sale of Arrabida of A\$13.2 million), an increase from REI US core earnings of A\$11.7 million, an increase in REI Asia of A\$6.4 million and an increase in REI Australia and Pacific of A\$9.9 million. In addition, the prior financial year results for REI US included A\$51.7 million of restructuring costs;
- An increase of A\$14.5 million in EBITDA from Capital Services largely related to the release of provisions against the THI investment following liquidation proceeds received during the financial year;
- The increase of A\$49.2 million in EBITDA from CoolSavings, Inc. is due to a provision raised in the June 2001 financial year;
- A decrease of A\$51.2 million in EBITDA from Other Investments mainly related to the reduced number of Westpac shares unwound on completion of the Hedge Arrangements; and
- An increase of A\$65.9 million in EBITDA from Other which primarily included hedging benefits of A\$24.1 million arising in Group Treasury and a reduction of A\$40.2 million in Group Services costs.

The higher EBITDA for the year ended June 2002 compared to the corresponding financial year resulted in an increase in profit after tax of A\$74.9 million. EBITDA increased by a greater proportion than profit after tax mainly because profit after tax in the June 2001 year included interest revenue of A\$114.5 million compared to A\$31.1 million for the June 2002 year.

BUSINESS REPOSITIONING

During the financial year Lend Lease initiated a business repositioning project with the key objective of ensuring Lend Lease has an overhead structure that can respond quickly to changes in market conditions. The total costs of the project were expensed in the year to June 2002 while the benefits will largely impact the June 2003 and following financial years.

SHAREHOLDERS' RETURNS

Earnings per share (EPS) increased 56.4% to 52.4 cents for the year ended June 2002 from 33.5 cents for the corresponding financial year. The percentage increase in EPS is higher than the increase in the operating profit after tax of 49.5% as the weighted average number of shares outstanding in the June 2002 year decreased by 4% compared to the June 2001 year due to the impact of the share buyback completed in October 2000 which reduced shares on issue by 88.3 million (17.2% of shares on issue at 30 June 2000).

Return on equity (ROE) for the year ended June 2002 was 6.0% compared to 4.1% for the corresponding financial year. The increase in the ROE was principally due to an increase in overall profit after tax in the year to 30 June 2002 to A\$226.3 million from A\$151.4 million for the corresponding financial year.

During the year to June 2000 Lend Lease completed three significant acquisitions. As a result of these acquisitions the annual charge against profit for amortisation of goodwill and management agreements increased to approximately A\$90.0 million per annum since June 2000. A comparison of ROE and EPS based on earnings before and after amortisation is detailed below.

		June 2002		June 2001	
		Before Amortisation	After Amortisation	Before Amortisation	After Amortisation
Return on equity for the financial year ⁽¹⁾	%	8.0	6.0	6.4	4.1
Earnings per share	cents	73.7	52.4	54.2	33.5

(1) Return on equity for the financial year before amortisation is calculated based on equity adjusted for accumulated amortisation.

OPERATING PERFORMANCE continued

SHAREHOLDERS' RETURNS continued

A final fully franked dividend of 9 cents per share will be paid on 19 September 2002 (8 cents per share paid on 13 September 2001). The dividend payout ratio is 34.4% (June 2001 financial year 59.6%). The Company's dividend policy is to only pay dividends up to the extent of available franking credits. The balance of franking credits as at June 2002 was nil (30 June 2001 A\$9.7 million) and calculated after adjusting for franking credits which will arise from the payment of income tax provided in the accounts and after deducting franking credits to be used in the payment of the proposed final dividend and tax losses utilised in the current year.

SEGMENT RESULTS SUMMARY

The financial results presented below are split into three segments. The first two segments consist of the core global real estate businesses – Real Estate Solutions (consisting of project management, construction management, development and project finance) and Real Estate Investments (consisting of investment management and asset management). These two businesses are linked but independently managed to ensure focus on their clients' needs and the development of the necessary specialist skills.

The third segment, non-core businesses, consists of those businesses that are not core to the future global real estate strategy. This segment includes Capital Services, Equity Investments, IT+T and eBusiness Investments.

The following table provides segment results for the June 2002 financial year. Each segment is reviewed in detail below. It should be noted that the segment results of the operating businesses exclude financing costs (which are included in Group Treasury) and amortisation charges.

BUSINESS SEGMENT SUMMARY

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax ⁽¹⁾		Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Real Estate Solutions								
Bovis Lend Lease	10,432.3	9,204.3	186.4	145.3	119.4	90.3	3,462.3	3,438.1
Integrated Development Businesses	873.2	873.2	65.5	36.9	33.9	30.9	635.7	984.8
Total Real Estate Solutions	11,305.5	10,077.5	251.9	182.2	153.3	121.2	4,098.0	4,422.9
Real Estate Investments	1,019.7	937.3	192.4	162.7	140.8	116.9	3,858.8	3,813.4
Total Core Real Estate	12,325.2	11,014.8	444.3	344.9	294.1	238.1	7,956.8	8,236.3
Non Core Businesses/One-Off Items								
REI Restructure Costs				(51.7)		(30.3)		
Capital Services	11.9	76.9	12.3	(2.2)	6.7	(12.7)	36.8	33.8
IT+T and eBusiness Investments	22.0	11.8	22.4	(56.9)	19.2	(42.7)	73.5	83.6
Equity Investments	61.9	192.5	39.0	120.3	28.2	82.7		22.5
Total Non Core Business	95.8	281.2	73.7	9.5	54.1	(3.0)	110.3	139.9
Corporate								
Group Services	21.3	43.3	(30.4)	(71.8)	(40.8)	(35.2)		
Group Amortisation			(81.9)	(82.3)	(81.9)	(82.3)		
Group Treasury	35.7	114.5	(14.6)	40.2	0.8	33.8	519.8	683.7
Total Corporate	57.0	157.8	(126.9)	(113.9)	(121.9)	(83.7)	519.8	683.7
Total Group	12,478.0	11,453.8	391.1	240.5	226.3	151.4	8,586.9	9,059.9

(1) Operating profit/(loss) after tax is net of the amount attributable to outside equity interests of A\$12.5 million (June 2001 A\$6.1 million).

REAL ESTATE SOLUTIONS (RES)*

BUSINESS AND MANAGEMENT STRUCTURE

The RES business provides real estate clients with a wide range of services including construction and project management, design, development, capital raising and in some cases management of assets. The RES business has a global platform provided by Bovis Lend Lease (BLL). The principal activity of BLL is that of construction and project management. The BLL business, through its global scale and capacity, provides the Integrated Development businesses with the opportunity to pursue opportunities which include capital raising, development, design, project and construction management and in some cases the ongoing management of the asset.

BLL has an increasing repeat client base and supports RES' integrated projects such as Private Finance Initiatives (PFIs) in the UK. In addition, BLL has links with other Lend Lease businesses, either as a supplier of services or working jointly with them on major development projects like Victoria Harbour in Melbourne.

The integrated opportunities RES will pursue are those which create barriers to entry, leverage capital and increase the annuity earnings profile. Delfin Lend Lease and Actus Lend Lease are good examples of this strategy being implemented. The RES business also actively pursues synergies with REI where it is mutually beneficial to both the Company and customers.

BLL is a global business operating in 43 countries worldwide with major operations in Europe, US and Australia. In addition to BLL RES has a number of other established regional businesses (referred to in the following as "Integrated Development businesses").

Region	Business/Sector	Key focus
Global Capability	<ul style="list-style-type: none"> Bovis Lend Lease 	<ul style="list-style-type: none"> Focus on project management/construction management and engineering projects in all regions Global sector specialisation in pharmaceutical and micro-electronics delivered via BLL Global client focus such as the contract to service BP
Asia Pacific	<ul style="list-style-type: none"> Urban Communities Development-led inner city residential and urban regeneration 	<ul style="list-style-type: none"> Long term land management contracts via Delfin Lend Lease Major projects such as Jacksons Landing and Victoria Harbour
Europe	<ul style="list-style-type: none"> Health Solutions UK Government privatisations (excluding health) Urban regeneration Retail developments 	<ul style="list-style-type: none"> Health privatisations through PFI model via Catalyst Healthcare Schools and military privatisation projects via PFI model Inner city urban renewal projects such as Greenwich Peninsula via land management Two large retail developments – Norwich in the UK and Tres Aguas in Spain
Americas	<ul style="list-style-type: none"> US Government privatisations/military housing 	<ul style="list-style-type: none"> Actus Lend Lease

OVERVIEW OF FINANCIAL RESULTS

A summary of the key performance indicators for RES is given in the table below.

	BLL		Integrated Development businesses ⁽¹⁾		Total RES	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Operating profit after tax	119.4	90.3	33.9	30.9	153.3	121.2
New work secured	648.7	593.0	N/A	N/A	648.7	593.0
Backlog gross profit margin (GPM)	596.4	518.2	N/A	N/A	596.4	518.2
Number of lots/units in portfolio	N/A	N/A	46,700	20,000	46,700	20,000

(1) Integrated Development businesses were analysed under the heading Property Development in the June 2001 financial year MD&A.

* Definitions in respect of the terms used in this section are included on page 10.

OVERVIEW OF FINANCIAL RESULTS continued

RES' operating profit after tax was A\$153.3 million for the year ended June 2002, a 26% increase on the A\$121.2 million earned in the year ended June 2001. BLL's operating profit after tax of A\$119.4 million was a 32% increase over the prior financial year profit of A\$90.3 million. Integrated Development businesses' profit after tax increased from A\$30.9 million to A\$33.9 million, an increase of 10%.

BLL achieved new work secured of A\$648.7 million for the year ended June 2002 compared to A\$593.0 million in the prior financial year. BLL's closing backlog (including Facilities Management contracts) at June 2002 was A\$596.4 million, a 15% increase on the prior financial year balance of A\$518.2 million. In addition, BLL is the designated preferred bidder on a number of PFI projects including Manchester Hospital, Havering Hospital and the Treasury II. These projects will contribute over A\$110.0 million to Backlog GPM on the assumption that they reach financial close.

In the UK the number of PFI projects where RES is either the preferred bidder, under construction or operational, increased from 5 to 13. In the US, Actus Lend Lease finalised the contract with the US Army in relation to the privatisation of Fort Hood and has reached preferred bidder status on Beaufort Military Complex.

In Australia, Delfin Lend Lease has approximately 42,900 lots in its portfolio and the Inner City Residential projects have a further 3,800 units.

STABILITY OF EARNINGS

RES' strategy is to reduce the volatility of earnings typically evident in construction and development businesses. An essential element of this strategy is to grow those opportunities where, through a combination of factors such as reputation in the sector, strong balance sheet and high barriers to entry, "businesses" will be created as opposed to individual projects. In this regard focus is being given to the following:

- In the UK there are significant opportunities for PFIs which is now a well established market. RES has established positions in health and education and is pursuing a number of opportunities in the military sector. PFI projects enable RES to offer a fully integrated solution from financing and design through to facilities management. They provide a long duration Backlog GPM associated with facilities management and access to future redevelopment of the facilities, which should occur during the typical 30 year concession period.
- RES Europe signed its largest urban regeneration project via a land management agreement in joint venture with Quintain Estates and English Partnerships, the UK Government's land agency, for the regeneration of approximately 200 acres on the Greenwich Peninsula, East London. The development will take 15 to 20 years to complete and is expected to provide long term recurring earnings for the Group. RES is not expected to contribute significant capital to this project.
- Integrated opportunities in the US are focused on the military housing business Actus Lend Lease. Actus Lend Lease, like PFIs in the UK, has contracts with a long duration Backlog GPM.
- In Australia, Delfin Lend Lease is the market leader in Urban Community Development. Delfin Lend Lease has 21 projects and around 42,900 lots in its portfolio. In addition, Inner City Residential projects have a further 3,800 units available for sale or construction.
- BLL operates in a diverse range of sectors and geographies. BLL has also developed strong relationships with a number of key clients with large recurring capital spend programs which provide a level of assurance as to future work. These are expected to dampen the volatility of earnings typically evident in the construction industry.

BOVIS LEND LEASE

The principal activity of this business is project management, construction management and engineering. BLL operates in 43 countries worldwide and is managed through three regions (Asia Pacific, Europe including Middle East and Africa and the Americas). In addition there is one global business unit, Global Markets Group, which operates in the microelectronics and the pharmaceutical sector.

KEY FINANCIAL RESULTS

The financial results for the year ended June 2002 are set out below:

	Revenue		Realised Gross Project Margin		Operating Profit/(Loss) Before Tax		Operating Profit (Loss) After Tax	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Asia Pacific	1,348.9	1,447.5	108.5	133.2	52.9	57.9	34.0	33.4
Americas	5,724.3	5,012.5	228.2	180.0	101.9	57.8	58.0	34.5
Europe	2,494.8	2,277.1	187.6	193.7	66.8	57.4	50.7	40.0
Global Markets	864.3	467.2	46.2	49.7	(7.7)	5.8	(4.5)	5.3
Global Management and Strategic Investment					(27.5)	(33.6)	(18.8)	(22.9)
Total Bovis Lend Lease	10,432.3	9,204.3	570.5	556.6	186.4	145.3	119.4	90.3

REVENUE

BLL enters into a wide variety of contract types from Fee Services contracts, where only the fee is recorded as revenue, to Construction Services contracts where the full value of the project, including third-party costs, is recorded as revenue. For this reason, recorded revenues do not necessarily provide a good measure of the volume of work undertaken and the ratio of operating profit to revenue is not considered to be a useful measurement of profit margin. Realised GPM is a more appropriate indicator of profitability.

The level of revenue is a reasonable indicator of two important value drivers of the business: the level of cash generation or surplus working capital; and the level of construction services contracts in the business.

Total revenues increased 13% for the year ended June 2002 to A\$10.4 billion from A\$9.2 billion reported last financial year. Excluding the favourable impact of exchange rate movements of A\$208.0 million, total revenue increased 11%.

OPERATING PROFIT AFTER TAX

BLL's operating profit after tax was A\$119.4 million for the year ended June 2002, a 32% increase on the A\$90.3 million earned in the year ended June 2001. The current financial year's results for Europe included A\$15.4 million profit after tax from selling a 30.1% equity interest in the Calderdale PFI. The sale of equity will have no impact on the Facilities Management (FM) income expected to be earned from this project in the future. Asia Pacific included A\$2.2 million after tax profit in relation to the sale of equity in Da Chang and a net A\$4.3 million after tax release of unrealised profits in respect of projects in which Lend Lease held an equity interest. Under Australian accounting rules such profits are excluded from the results until the equity interests in those projects are realised.

Lend Lease uses forward exchange contracts to hedge a portion of projected profits from foreign operations. The exchange gains or losses on contracts that relate to the current financial year are applied to the results of the respective regions and global business unit. The effect is to record profit from foreign operations at the effective hedged exchange rate. Similarly, Realised GPM has been adjusted by the effective hedge rate. There was no significant difference in the hedge rates used in the year ended June 2002 to that used in the prior financial year. Refer to the Group Treasury section of the MD&A.

REALISED GROSS PROFIT MARGIN (GPM)

A key performance indicator for the BLL business is the Realised GPM. This is the profit from projects prior to the allocation of non-recovered and non-project related overheads. Total Realised GPM increased by A\$13.9 million (2%) to A\$570.5 million in the year ended June 2002. The increase in Realised GPM in the Americas of A\$48.2 million was offset by declines in the other BLL business units. As noted above the profit after tax includes A\$17.6 million from the sale of equity interests in Calderdale and Da Chang. These profits are not disclosed in Realised GPM.

The Realised GPM for the Americas business increased 27% from A\$180.0 million in the year ended June 2001 to A\$228.2 million in the year ended June 2002. The increase in Realised GPM was achieved despite concerns expressed at the December 2001 results as to the slowing US economy. Realised GPM increased due to a number of large projects including the AOL Time Warner Building in New York City, re-imaging work carried out by the BP Alliance and the Fort Hood project in Actus Lend Lease reaching financial close.

Realised GPM for the Asia Pacific business declined by 19% from A\$133.2 million in the year ended June 2001 to A\$108.5 million for the year ended June 2002 reflecting the downturn in construction volume following the completion of Sydney 2000 Olympic Games and other related projects in Australia. The decline in Realised GPM has been partially offset in arriving at profit after tax by the sale of equity in Da Chang of A\$2.2 million as well as overhead savings.

BOVIS LEND LEASE continued

KEY FINANCIAL RESULTS continued

REALISED GROSS PROFIT MARGIN (GPM) continued

The Realised GPM for the European business decreased 3% from A\$193.7 million in the year ended June 2001 to A\$187.6 million for the year ended June 2002 due to the timing of income from large projects. The operating profit after tax includes A\$15.4 million profit from selling a 30.1% equity interest in the Calderdale hospital PFI. This profit was, however, off-set by bid costs of A\$17.6 million after tax incurred in pursuing new PFI projects which are expected to deliver significant GPM in future periods. The prospective Backlog GPM associated with those PFI contracts for which Lend Lease was preferred bidder at June 2002 is A\$111.8 million.

In the year ended June 2002 the Global Markets business (which included pharmaceutical and microelectronics business) generated Realised GPM of A\$46.2 million compared to A\$49.7 million in the year ended June 2001. The pharmaceutical business continued to show solid growth with a A\$9.9 million increase in Realised GPM. Realised GPM in the microelectronics business, however, declined by A\$13.4 million due to the continuing downturn in the technology sector.

During the financial year a detailed review of non-project related overheads was carried out. The review realised a number of significant cost savings. The investment made to achieve the savings has been expensed in the current financial year. The cost savings identified are expected to have an impact in the financial year ended June 2003 and subsequent years. In the year ended June 2002 the overheads were approximately 67% of Realised GPM, which is an improvement of 7% on the year ended June 2001. As noted above this ratio is expected to improve in 2003. Overheads for the purpose of this calculation include movements in provisions (principally the provisions for unrealised profits created in accordance with Lend Lease's profit recognition accounting policy).

GLOBAL MANAGEMENT COSTS AND STRATEGIC INVESTMENT

Global Management and Strategic Investment costs for the financial year reflect the expenses of the global executive management team and investment in global projects such as IT systems.

DIVERSITY OF INCOME STREAMS AND STRONG RELATIONSHIPS WITH CLIENTS

BLL's strategy is to reduce the volatility of its earnings by operating in a diverse range of industries and geographies. In addition, BLL has developed strong global and/or regional relationships with a number of key clients that provide BLL with a recurring income stream.

The table below shows that BLL operates in many diverse market sectors with no one market sector in any region representing more than 35% for that region.

	Total GPM %
Commercial/Office	30
Mixed Use	16
Healthcare	9
Retail	8
Residential/Senior Living	7
Infrastructure/Government	6
Education	6
Industrial	5
Communications	5
Transportation/Aviation	2
Hotel	2
Pharmaceutical	1
Sport/Leisure/Culture	1
Other	2
Total Bovis Lend Lease	100%

BOVIS LEND LEASE continued

NEW WORK SECURED AND BACKLOG GPM

New Work Secured is the value of GPM procured in the financial period. Backlog GPM is the expected GPM to be realised in future periods from the total contracts committed at the end of a financial period. The following table provides a summary of New Work Secured for the year ended June 2002 and the Backlog GPM at that date.

	Opening Backlog GPM at June 2001 A\$m	Plus: New Work Secured (GPM) to June 2002 A\$m	Less: Realised GPM ⁽²⁾ to June 2002 A\$m	Equals: Closing Backlog GPM at June 2002 A\$m
Asia Pacific	60.3	117.1	(108.5)	68.9
Americas	177.4	222.3	(204.5)	195.2
Europe	199.4	173.9	(186.9)	186.4
Global Markets	47.8	51.9	(46.2)	53.5
	484.9	565.2	(546.1)	504.0
Actus	33.3	52.6	(23.7)	62.2
PFI (FM) ⁽¹⁾		30.9	(0.7)	30.2
Total	518.2	648.7	(570.5)	596.4
Projects preferred but not yet reached financial close		111.8		111.8
Total preferred and reached financial close	518.2	760.5	(570.5)	708.2

(1) The Closing Backlog GPM for FM contracts includes 10 years' income, although a number of contracts run for longer periods.

(2) Realised GPM flows through to profit before tax for the financial year before the allocation of indirect overheads.

BLL had a closing Backlog GPM of A\$596.4 million as at June 2002, an increase of 15% over the balance as at June 2001. In addition BLL is preferred bidder on a further seven PFI projects which will add an additional A\$111.8 million to Backlog GPM in Europe assuming they reach financial close. The value of New Work Secured (including FM contracts) for the year ended June 2002 was A\$648.7 million, an increase of 9% compared to A\$593.0 million in the prior financial year.

The Backlog GPM as at June 2002 is expected to emerge or be realised over future reporting periods as follows:

	June 2003 %	June 2004 %	Post June 2004 %	Total %
Asia Pacific	65	25	10	100
Americas	63	28	9	100
Europe	56	32	12	100
Global Markets	72	22	6	100
Total BLL	62	28	10	100
Actus	36	20	44	100
FM	8	8	84	100
Total	56	26	18	100
Projects preferred but not reached financial close	10	26	64	100
Total preferred and reached financial close	49	26	25	100

The above table shows that of the Backlog GPM at June 2002, 56% is projected to be realised as profit in the year ending June 2003. Including those projects where RES is preferred bidder but still needs to reach financial close, 49% is projected to be realised as profit next financial year. This GPM is expected to account for between 50% and 60% of the expected Realised GPM for the year to June 2003.

PRIVATE FINANCE INITIATIVE (PFI) PROJECTS

In the UK there is an established privatisation program due to historical under-investment in public infrastructure and the Government's commitment to use PFI projects as a means of financing future capital expenditure. Catalyst Healthcare, a 100% owned subsidiary, is established in the PFI healthcare sector. It currently has six health PFI projects awarded or as preferred bidder in the UK and one in Italy. RES also has four education PFIs and is pursuing a number of opportunities in the military sector.

BOVIS LEND LEASE continued

NEW WORK SECURED AND BACKLOG GPM continued

PRIVATE FINANCE INITIATIVE (PFI) PROJECTS continued

A summary of RES' investment in PFI projects is given below:

	Construction Revenue A\$m	FM Backlog Revenue A\$m	Current Status	Contract Length Years	End Date
Health					
Calderdale Hospital (UK)	212.0	44.0	Operational	33	May 2031
Worcester Hospital (UK)	211.0	89.0	Operational	33	Dec 2031
Hexham Hospital (UK)	68.0	17.0	Under construction	32	April 2033
Roehampton Hospital (UK)	62.0	5.0	Preferred bidder	30	April 2033
Brescia Hospital (Italy)	35.0		Preferred bidder	22	June 2024
Manchester (UK)	743.0	60.0	Preferred bidder	35	Dec 2037
Havering (UK)	433.0	46.0	Preferred bidder	33	Sept 2035
Education					
Newcastle Schools (UK)	109.0	39.0	Under construction	27	March 2029
Lincoln Schools (UK)	44.0	15.0	Under construction	29	Sept 2030
Lilian Baylis Schools (UK)	30.0	11.0	Preferred bidder	27	June 2029
Cork Maritime Schools (Ireland)	91.0	13.0	Preferred bidder	27	Dec 2028
Other					
Treasury 1 (UK)	267.0	56.0	Under construction	37	Aug 2037
Treasury 2 (UK)	285.0	72.0	Preferred bidder	35	Aug 2037
	2,590.0	467.0			

A key issue in the PFI market in the UK is the high cost associated with bidding for new projects due to the requirement for detailed design to be submitted as part of the bidding process. No costs associated with the bidding process are capitalised on Lend Lease's balance sheet at 30 June 2002 unless Lend Lease or its consortium had been declared preferred bidder and are therefore in sole negotiation on the project. A total of A\$25.6 million of capitalised costs was carried on the balance sheet as at June 2002 in relation to the projects where Lend Lease is the preferred bidder.

RES is committed to further investment in the PFI market and is currently actively bidding for further projects in the health, education and military sectors.

In future, in line with RES' revised management structure, PFI projects will be reported as part of Integrated Development businesses. Further details are provided on Page 15.

ACTUS LEND LEASE

The main focus of Actus Lend Lease is the privatised military housing program for all branches of the US military. Actus Lend Lease has secured the contract with the US Army in relation to the privatisation of Fort Hood, which includes the rehabilitation and reconstruction of approximately 1,000 new homes and the management of 5,900 homes. Total capital expenditure by the US Army on Fort Hood is expected to exceed US\$250.0 million and includes a 50 year management contract.

In May 2002, Actus Lend Lease was named preferred bidder on the Beaufort Paris Island project, a joint Navy and Marine base in South Carolina which includes the privatisation of the military ownership of 1,500 homes and construction of a number of new homes. The base has an estimated capital spend of US\$125 million and includes a 50 year management contract. Lend Lease Actus expects to reach financial close on this project during the 2003 financial year.

Actus Lend Lease is currently bidding for a number of other military bases.

In future, in line with RES' revised management structure, Actus Lend Lease projects will be reported as part of Integrated Development businesses. Further details are provided on Page 15.

WORKING CAPITAL AND FINANCE

BLL is a significant generator of cash for Lend Lease. The amount of cash attributable to BLL at June 2002 was A\$836.1 million, compared to A\$690.7 million at June 2001, an increase of A\$145.4 million.

	Asia Pacific A\$m	Americas A\$m	Europe A\$m	June 2002 A\$m	June 2001 A\$m
Cash at Bank	227.5	78.9	288.2	594.6	464.5
Cash lent to other Lend Lease companies	28.5	213.0		241.5	226.2
Total Cash	256.0	291.9	288.2	836.1	690.7

BOVIS LEND LEASE continued

WORKING CAPITAL AND FINANCE continued

The level of cash/working capital is subject to the construction activity on individual projects and therefore can vary throughout the financial year. As a result of the significant cash balance BLL had interest income of A\$14.5 million after tax, which is included in the Group Treasury results.

The following table summarises the profit after tax by region after adjusting for the benefits of the positive working capital balances to reflect the full contribution to Lend Lease profit by BLL.

ADJUSTED PROFIT AFTER TAX

	Segment Profit After Tax June 2002 A\$m	Add: Interest After Tax June 2002 A\$m	Adjusted Profit After Tax June 2002 A\$m
Asia Pacific	34.0	4.2	38.2
Americas	58.0	3.1	61.1
Europe	50.7	5.9	56.6
Global Markets	(4.5)	0.7	(3.8)
Global Management and Other Costs	(18.8)	0.6	(18.2)
Total Bovis Lend Lease	119.4	14.5	133.9

PERFORMANCE GUARANTEES

Lend Lease provides performance guarantees to BLL clients in certain circumstances which usually relate to guaranteeing that BLL will complete its obligations under its contracts with those clients. These guarantees have been provided in the ordinary course of business. The Directors do not believe that there is currently any material exposure in relation to these guarantees other than as disclosed in the June 2002 Consolidated Financial Statements.

OUTLOOK

The strong closing Backlog GPM at June 2002 together with the expected lower cost base resulting from the overhead review should enable BLL to achieve further growth in operating profit after tax in the year ending 2003.

BLL DEFINITIONS

Construction Services: this contract is where BLL commits to the delivery of a completed project to the client, in accordance with negotiated time, cost and quality specifications. Typically, BLL will be paid a fixed fee for its services, but may also be entitled to all or a share of any construction cost savings. Conversely, BLL has the risk of any cost overruns. These contracts may involve BLL undertaking some performance risk. Given the increased risk profile of such projects, a higher contract margin is typically negotiated. BLL enters into a number of types of construction services contracts including guaranteed maximum price and lump sum.

Fee Services: this contract is where BLL provides management services on construction projects for clients. Under a standard form of Fee Services contract, BLL has no contractual responsibility for the overall construction of a project. Fees negotiated for this type of contract usually have a lower margin (in respect of the total project value) than those received for Construction Services contracts, reflecting the lower level of risk. BLL enters into a number of types of Fee Services contracts, including consultancy, project management/program management and construction management/management contracting.

Integrated Opportunities: this is where BLL in conjunction with another RES business provides in addition to construction/project management services, one or more of the following services: capital raising; development services; design; and the ongoing management of the asset.

Realised Gross Profit Margin (Realised GPM): represents total project revenue less direct project related costs such as payments to subcontractors and other costs incurred by BLL that are directly attributable to the project. It does not include the allocation of any general (or indirect) overheads. Realised GPM as per the table of Key Financial Results disclosure is based on a percentage of completion realisation.

During project construction it is Lend Lease's policy not to recognise profit on projects until the outcome of the contracts can be reliably determined and they are at least 50% complete, other than to cover overheads. Provisions are made for unrealised profit in arriving at profit before tax, to offset the GPM on projects that are below this limit. Once a project passes its relevant recognition threshold the related unrealised profit provision is released.

BOVIS LEND LEASE continued

BLL DEFINITIONS continued

Backlog Gross Profit Margin (Backlog GPM): represents the expected GPM to be earned for the balance of work to be completed under existing construction contracts (including ongoing facilities management). As construction contracts are progressively completed, Backlog GPM declines. As New Work is secured, Backlog GPM is replenished. Backlog GPM is translated to Australian dollars using a projected average rate taking into account profit and loss hedge contracts.

Despite their long-term nature, only 10 years of Backlog GPM from facilities management contracts is recognised although a number of those contracts extend beyond 25 years.

New Work Secured – Gross Profit Margin (New Work Secured): represents the estimated total project profit margin to be earned by BLL from projects which were secured during a financial period. When a written offer and acceptance occurs, the New Work Secured becomes part of Backlog GPM.

INTEGRATED DEVELOPMENT BUSINESSES

RES actively pursues integrated opportunities providing a range of services to clients including capital raising, project design and development as well as the ongoing management of the assets. The key areas of focus for each region are set out below:

Asia Pacific - Urban Communities through Delfin Lend Lease, and Inner City Residential projects such as Olympic Village/Newington, Jacksons Landing in Sydney and Victoria Harbour in Melbourne.

Americas - RES' principal interest is an integrated project in San Francisco.

Europe - The European business has two large retail developments namely Chapelfield in the UK, which has been conditionally pre-sold, and Tres Aguas in Spain. In addition the European business is pursuing a number of urban regeneration opportunities.

KEY FINANCIAL RESULTS

The financial results for the year ended June 2002, is set out below.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Assets	
	June 2002	June 2001	June 2002	June 2001	June 2002	June 2001	June 2002	June 2001
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Asia Pacific	367.5	537.0	74.6	(14.2)	43.6	(15.2)	485.3	601.5
Americas	0.8	1.3	(13.2)	(7.4)	(7.9)	(4.3)	15.3	15.2
Europe	504.9	334.9	9.3	58.5	1.6	50.4		368.1
Global Management			(5.2)		(3.4)		135.1	
Total	873.2	873.2	65.5	36.9	33.9	30.9	635.7	984.8

ASIA PACIFIC

REVENUE

Revenue for the financial year ended June 2002 included Urban Community projects of A\$157.1 million and Olympic Village/Newington of A\$156.3 million. A total of 4,758 lots were sold by Delfin Lend Lease, 422 units were sold at the Olympic Village/Newington.

Revenue for the financial year ended June 2001 principally related to the disposal of Lend Lease's 50% interest in Aurora Place, Sydney for A\$242.5 million, Inner City Residential sales of A\$246.6 million and sales at Admiralty Industrial Park (AIP) in Singapore of A\$38.1 million.

OPERATING PROFIT AFTER TAX

Operating profit after tax for the year ended June 2002 was A\$43.6 million compared to a loss of A\$15.2 million in the prior financial year. In Australia, Inner City Residential projects, principally Jacksons Landing and Newington, contributed A\$21.1 million (2001 A\$15.9 million). Urban community projects contributed a further A\$21.5 million, which includes profits from Delfin Lend Lease since its acquisition in August 2001.

The loss of A\$15.2 million in the year ended June 2001 included an after tax profit of A\$19.6 million in relation to the sale of Lend Lease's 50% interest in Aurora Place and A\$18.2 million profit after tax from the sale of various developments being offset by a net loss of A\$65.0 million after tax in respect of Fox Studios.

The Asian operation contributed an operating profit after tax in the year ended June 2002 of A\$1.3 million (2001 A\$12.0 million) from the sale of AIP factory units. No other development activity is currently being undertaken in Asia.

INTEGRATED DEVELOPMENT BUSINESSES continued

ASIA PACIFIC continued

OVERVIEW OF BUSINESSES

Delfin Lend Lease

The Urban Communities business of Lend Lease was enhanced by the acquisition of the Delfin Group in August 2001. The Delfin operations were integrated with Lend Lease's existing Urban Communities business. Delfin Lend Lease has 21 projects in the major growth corridors along the Eastern seaboard of Australia as well as in South Australia and the Northern Territory. Delfin Lend Lease has a portfolio of approximately 42,900 residential lots that can be developed over the next 15-20 years. While the ultimate level of profits is dependent on market demand at the time the developments are sold, the large portfolio of lots provides a degree of certainty to future earnings. Delfin Lend Lease is the market leader in Australia for the creation (the master plan, design and construction) of Urban Communities.

The Urban Communities business is focussed on the creation of large scale urban centres through community building and development. The emphasis is on sustainable social, environmental and economic solutions through planning, urban design and infrastructure provision. Generally, BLL is not involved in construction of dwellings for the projects. The developments are usually carried out in partnership with a landowner and the payments for land are linked to the proceeds from the sale of land lots. This achieves a lower risk profile as the development and resulting cash flows can be phased according to market conditions.

The following table summarises the Delfin Lend Lease projects. The significant year-on-year increase reflects the acquisition of Delfin in August 2001.

	June 2002	June 2001
Number of projects	21	6
Number of lots sold in the year	4,758	624
Sales Backlog (number of lots)	42,900	15,600

Inner City Residential

Real Estate Solutions has three large development projects, two in Sydney and one in Melbourne. The two established projects, Jacksons Landing and Olympic Village/Newington, are principally residential developments but also include commercial, industrial and retail precincts.

The development at Victoria Harbour in Melbourne is a waterfront regeneration project. In accordance with the strategy of leveraging capital and skills, the project is structured on a land management arrangement over 20 years. The project will include residential, commercial and retail precincts. The first development on the site, a 56,000 square metre commercial development has been pre-let to National Australia Bank and pre-sold to General Property Trust, a trust managed by Lend Lease Real Estate Investments.

The Inner City Residential business has a backlog of approximately 3,800 units.

A brief summary of the key projects is given below.

Project	Current Status	Investment/ Inventory as at 30 June 2002 A\$m	Expected Profit Emergence
Olympic Village/Newington, Sydney	<ul style="list-style-type: none"> ▪ Total development of 2,014 residential units and 2 industrial/retail precincts. ▪ All industrial/retail precincts have been completed and sold. ▪ A total of 422 residential and 2 industrial/retail precincts were sold in the year. ▪ The project is 62% sold to date. ▪ There were 41 completed residential units available for sale as at June 2002. ▪ There is the capacity to develop a further 765 units on the site. 	8.0	Precinct 2, 4 & 5 now all complete and sold and profits recognised. Precinct 1 & 3 up to 2005.
Jacksons Landing, Sydney	<ul style="list-style-type: none"> ▪ Total development of 1,341 residential units and commercial/retail precincts. ▪ 2 residential towers are currently being completed and are approximately 90% sold. ▪ 176 units sold in the year. ▪ Market release of new tower at Distillery Hill in July 2002. ▪ There is the capacity to develop a further 672 units on the site. 	86.0	Staged development up to 2007.

INTEGRATED DEVELOPMENT BUSINESSES continued

ASIA PACIFIC continued

OVERVIEW OF BUSINESSES continued

Inner City Residential continued

Project	Current Status	Investment/ Inventory as at 30 June 2002 A\$m	Expected Profit Emergence
Victoria Harbour, Sydney	<ul style="list-style-type: none"> ▪ Land management arrangement with Docklands Authority. ▪ First development a 56,000 square metre commercial building pre-let to National Australia Bank. ▪ Project is of a staged nature that can be contracted or expanded in line with prevailing market conditions. 	11.5	Staged development over the next 20 years.
St Patricks, Sydney	<ul style="list-style-type: none"> ▪ Staged development with the Catholic Church. ▪ First precinct of 8 houses, 10 apartments and 3 land lots launched in the financial year. 	14.3	Staged development over the next 5 years.

Other Projects

Real Estate Solutions has an interest in three other development-led projects. All these projects, with the exception of Hickson Road, Sydney are legacy projects. Hickson Road is to be the new head office for Lend Lease and has been pre-sold to Deutsche Office Trust.

Project	Current Status	Investment/ Inventory as at 30 June 2002 A\$m	Expected Profit Emergence
Fox Studios, Sydney	<ul style="list-style-type: none"> ▪ The Backlot has been closed and the studio operations acquired by Fox Studios Operations Pty Ltd (a related entity of News Corporation Limited). ▪ Carrying cost represents 50% interest in the retail and public precincts. 	4.7	Over the next 2 to 3 years.
Darling Park III, Sydney	<ul style="list-style-type: none"> ▪ Vacant land, future development dependent on market conditions. 	15.0	No current plans.
Hickson Road, Sydney	<ul style="list-style-type: none"> ▪ Due to be completed in December 2003. ▪ Pre-sold to Deutsche Office Trust. 	10.5	Over the next 2 years.

EUROPE

REVENUE

Revenue in the year ended June 2002 principally related to the sale of 98% of Touchwood, Solihull to the Lend Lease Retail Partnership for A\$481.9 million and additional proceeds from the sale of the interest in Overgate, Dundee of A\$13.1 million resulting from additional space being let during the financial year.

Revenue for the year ended June 2001 was largely attributable to the sale of 10% of Bluewater, Kent (A\$272.5 million), revenue recognised from the sale of Overgate, Dundee (A\$25.5 million) due to additional space being let, proceeds from the sale of Whitecliff Properties (A\$19.2 million) and development fees of A\$8.5 million.

OPERATING PROFIT AFTER TAX

The operating profit after tax for the year ended June 2002 of A\$1.6 million included the profit on the sale of Touchwood, Solihull of A\$24.1 million offset by overheads and the cost of pursuing new projects. The profit on the sale of Solihull represented the profit on the development calculated by reference to the level of rentals achieved.

The profit after tax of A\$50.4 million for the year ended June 2001 mainly related to the sale of 10% of the Bluewater inventory which realised a A\$46.0 million profit after tax. Lend Lease retains a 30% direct ownership in Bluewater. The net operating income relating to this asset is reported in REI.

INTEGRATED DEVELOPMENT BUSINESSES continued

EUROPE continued

OVERVIEW OF BUSINESSES

Urban Regeneration via the Land Management model

The European business is pursuing a number of urban regeneration opportunities. RES recently concluded a deal, in joint venture with Quintain Estates and English Partnerships, to regenerate approximately 190 acres of land at Greenwich Peninsula, East London including the Millennium Dome. The outline master plan proposes a total development of around 1.3 million square metres, comprising an arena, approximately 7,000 new homes, 0.3 million square metres of office accommodation, shops, restaurants, open spaces and leisure facilities. The deal is in accordance with Lend Lease's strategy of leveraging capital and under the terms of the agreement RES is able to manage the drawdown of land to coincide with demand. The deal was signed in May 2002 and the first profit is expected to be recognised in 2005.

Retail and Other Projects

Lend Lease's ongoing development activities are structured to have a low risk profile by increasingly operating on a fee for work basis with incentive fees linked to increases in asset value. Going forward, Lend Lease may use its own capital to secure sites, however, development will only commence when an exit strategy is supported via pre-commitments from investors and the project is significantly pre-let. A summary of the key developments is set out below:

Project	Current Status/Risks	Investment/ Inventory 30 June 2002 A\$m	Expected Profit Emergence
Tres Aguas / Carlos III Madrid	<ul style="list-style-type: none"> ▪ Centre is expected to open in September 2002. ▪ Currently let 79% of space and 85% by value. 	24.9	2002/03
Chapelfield, Norwich	<ul style="list-style-type: none"> ▪ Conditionally forward sold to Capital Shopping Centres plc. ▪ Capital Shopping Centres will contribute a proportion of funding on commencement of the development. ▪ A second payment will be made following practical completion, subject to the Centre being 70% let. ▪ The Centre is currently 25% pre-let by value and 45% by space. 	76.0	2005/06
Shell Centre, London	<ul style="list-style-type: none"> ▪ Joint venture with Shell to develop a 22,000 square metre commercial tower with associated retail and leisure on the Southbank, London. ▪ Planning application submitted. ▪ Commitment to commence construction contingent on achieving acceptable pre-leasing and pre-sale. 	12.2	2004/05
Bluewater Valley, Kent	<ul style="list-style-type: none"> ▪ Early stages of Development. Land is adjacent to Bluewater and is currently awaiting planning permission. 	13.2	Subject to development plan.

AMERICAS

REVENUE

There was no significant other revenue in the Americas.

OPERATING PROFIT AFTER TAX

The operating loss after tax of A\$7.9 million in the year ended 30 June 2002 (2001 A\$4.3 million) related to overheads and the cost of pursuing project opportunities, including the San Francisco Piers project.

OVERVIEW OF BUSINESSES

The main development project in North America is The Piers on the waterfront in San Francisco. Lend Lease holds a 53% interest in the San Francisco Cruise Terminal Company. The venture has an exclusive right to negotiate with the Port of San Francisco to develop Piers 30-32. The project has now been granted outline approval, which will enable Lend Lease to proceed with the residential development. The development will, however, only proceed subject to market conditions, leasing pre-commitments and a clear exit strategy.

CHANGE IN BASIS OF REPORTING TO BE IMPLEMENTED IN THE YEAR ENDING 30 JUNE 2003

In all regions, the BLL and Property Development businesses were brought together under RES management in late 2001 calendar year. The formation of RES enabled BLL to focus on its core activities of project and construction management. RES will separately manage all other activities such as Actus Lend Lease, PFIs and Inner City Residential projects. As a result of this reorganisation, Actus Lend Lease in the US and PFI projects in the UK, which are reported within BLL in the current MD&A, will in future be reported as part of Integrated Development Businesses. In order to enable the year-on-year comparison of results all financials have been reported in the MD&A on a consistent basis to the prior financial period. The impact of this change on the operating profit after tax for the year ending June 2002, had it been adopted in the current MD&A, is set out below.

	Current basis of reporting June 2002 A\$m	Future basis of reporting June 2002 A\$m	Movement A\$m
Operating Profit after Tax			
BLL			
Asia Pacific	34.0	31.8	(2.2) ⁽¹⁾
Americas	58.0	54.6	(3.4) ⁽²⁾
Europe	50.7	49.6	(1.1) ⁽³⁾
Global Markets	(4.5)	(4.5)	
Global Management	(18.8)	(18.8)	
	119.4	112.7	(6.7)
Integrated Development Businesses			
Asia Pacific	43.6	45.8	2.2 ⁽¹⁾
Americas	(7.9)	(4.5)	3.4 ⁽²⁾
Europe	1.6	2.7	1.1 ⁽³⁾
Global Management	(3.4)	(3.4)	
	33.9	40.6	6.7
Total RES	153.3	153.3	-

(1) Movement relates to the transfer of the sale of BLL's interest in Da Chang.

(2) Movement relates to the transfer of Actus from BLL to Integrated Development businesses.

(3) Movement relates to the transfer of income (excluding construction margin) net of bid costs for PFI projects from BLL to Integrated Development businesses.

REAL ESTATE INVESTMENTS (REI)*

The principal activities of this business segment are management of real estate investment funds, (which may be partnerships, trusts or other entities) and separate accounts on behalf of clients (including acquiring, managing and disposing of investments and in some cases, includes co-investment in funds or real estate assets), portfolio management, originating and servicing of commercial mortgages and mezzanine loans, resolution of sub-performing and non-performing commercial mortgages, the leasing, management and redevelopment of shopping centres and acting as financial advisor and arranger of project finance and related services.

KEY FINANCIAL RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
REI								
North America	718.1	711.0	107.1	115.3	84.9	89.9	2,728.2	2,693.2
Australia & Pacific	112.1	88.7	40.5	30.6	30.6	19.3	156.8	158.3
Asia	54.1	41.9	(4.9)	(11.6)	(6.6)	(10.2)	264.0	192.7
Europe	135.4	95.7	49.7	28.4	31.9	17.9	709.8	769.2
Total Operating	1,019.7	937.3	192.4	162.7	140.8	116.9	3,858.8	3,813.4
US REI Restructure costs				(51.7)		(30.3)		
Total REI	1,019.7	937.3	192.4	111.0	140.8	86.6	3,858.8	3,813.4
% of Total Group	8.2	8.2	49.2	46.2	62.2	57.2	44.9	42.1
% period movement	8.8	35.8	73.3	(49.1)	62.6	(36.9)	1.2	22.4

Global REI profit after tax increased 62% to A\$140.8 million for the year ended June 2002 compared to A\$86.6 million for June 2001. Excluding the impact of US REI Restructure costs in 2001, Global REI profit after tax increased 20% to A\$140.8 million for the year ended June 2002 compared to A\$116.9 million for June 2001.

An analysis of the Global REI Assets Under Management, Assets Under Resolution, Loans Under Servicing and regional results follows.

GLOBAL ASSETS UNDER MANAGEMENT (AUM)

Global AUM decreased 6.5% to A\$86.1 billion at June 2002. Excluding the impact of currency changes, Global AUM at June 2002 increased 1.1% compared to June 2001 (A\$93.1 billion at June 2002 as compared to A\$92.1 billion at June 2001).

		Year ended June 2002				Total A\$b	June 2001 Total A\$b
		North America US\$b	Aust & Pacific A\$b	Asia US\$b	Europe £b		
AUM at beginning of financial year		38.8 ⁽¹⁾	11.0	0.8	1.8	92.1	71.1
Additions		4.4	1.8	0.2	0.3	11.5	13.6
Reductions		(4.3)	(1.2)		(0.1)	(9.7)	(5.5)
Net revaluations		(0.5)	0.2			(0.8)	3.7
Exchange (loss)/gain ⁽²⁾						(7.0)	9.2
AUM at end of financial year		38.4	11.8	1.0	2.0	86.1	92.1⁽¹⁾
Period movement in AUM	%	(1.0%)	7.3%	25.0%	11.1%	(6.5%)	29.5%
AUM at end of financial year	A\$b	73.9	11.8	1.9	5.5	93.1	82.9
Exchange (loss)/ gain ⁽²⁾		(6.5)		(0.1)	(0.4)	(7.0)	9.2
AUM at end of financial year	A\$b	67.4	11.8	1.8	5.1	86.1	92.1
Period movement in AUM (excluding currency changes)	A\$b					1.1%	16.6%

(1) North America AUM at June 2001 has been positively restated by A\$5.4 billion (US\$2.8 billion) as set out in the US REI regional analysis following.

(2) Exchange (loss)/gain arises from movements exchange rates for translation of local currency AUM between June 2002 and June 2001.

The US REI AUM of A\$67.4 billion represents approximately 78% of the total Global REI AUM.

Further details of AUM are outlined in the regional analysis following.

* Definitions in respect of the terms used in this section are included on page 17.

GLOBAL ASSETS UNDER RESOLUTION (AUR)

Global AUR increased 9.9% to A\$14.4 billion at June 2002. Excluding the impact of currency changes, Global AUR at June 2002 increased 19.8% compared to June 2001 (A\$15.7 billion at June 2002 as compared to \$13.1 billion at June 2001).

	Year ended June 2002			June 2001
	Nth America US\$b	Asia US\$b	Total A\$b	Total A\$b
AUR at beginning of financial year ⁽¹⁾	1.0	5.8	13.1	10.7
Additions	0.5	2.3	5.3	6.0
Reductions	(0.6)	(0.9)	(2.9)	(2.3)
Net revaluations/other		0.1	0.2	(2.9)
Exchange (loss)/gain ⁽²⁾			(1.3)	1.6
AUR at end of financial year	0.9	7.3	14.4	13.1
Period movement in AUR	%	(10.0%)	25.9%	9.9%
AUR at end of financial year	A\$b	1.7	14.0	15.7
Exchange (loss)/gain ⁽²⁾		(0.1)	(1.2)	(1.3)
AUR at end of financial year	A\$b	1.6	12.8	14.4
Period movement in AUR (excluding currency changes)	%		19.8%	7.5%

(1) AUR at June 2001 has been reduced by A\$0.4 billion (US\$0.2 billion) to restate Lend Lease's 50% ownership interests in the Mexican asset management vehicle that was restructured during the financial year.

(2) Exchange (loss)/gain arises from movements exchange rates for translation of local currency AUM between June 2002 and June 2001.

Further details of AUR are outlined in the regional analysis following.

GLOBAL LOANS UNDER SERVICING (LUS)

Global LUS increased 27.0% to A\$122.3 billion at June 2002. Excluding the impact of currency changes, Global LUS at June 2002 increased 39.1% compared to June 2001 (A\$134.0 billion at June 2002 as compared to A\$96.3 billion at June 2001).

		June 2002	June 2001
		Nth America US\$b	Nth America US\$b
LUS at beginning of financial year		50.1	49.6
Additions		25.7	5.9
Loan run-offs		(6.1)	(5.3)
Other			(0.1)
LUS at end of financial year		69.7	50.1
Period movement in LUS	%	39.1%	1.0%
LUS at end of financial year	A\$b	134.0	83.6
Exchange (loss)/gain ⁽¹⁾		(11.7)	12.7
LUS at end of financial year	A\$b	122.3	96.3
Period movement in LUS – including currency changes	%	27.0%	16.4%
Period movement in LUS – excluding currency changes	%	39.1%	1.0%

(1) Exchange (loss)/gain arises from movements exchange rates for translation of local currency AUM between June 2002 and June 2001.

Further details of LUS are outlined in the regional analysis following.

REI DEFINITIONS

Assets Under Management (AUM) – Equity: represents the gross market value of real estate assets managed in an advisory capacity on behalf of investors.

Assets Under Management (AUM) – Commercial Credit: represents the outstanding principal balance of commercial mortgage loans and mortgage backed securities where mortgage loans are actively managed in an advisory capacity on behalf of investors.

Assets Under Resolution (AUR): AUR represents the outstanding principal balance (legal loan balance) of non-performing and sub-performing loans that are being resolved and the investment balance of foreclosed real estate administered on behalf of investors. AUR consists of delinquent loans in CMBS pools (Special Serviced loans) and non-performing and sub-performing loans acquired by investors. Non-performing portfolios are typically purchased at a significant discount to the legal loan balances.

Loans Under Servicing (LUS): represents the legal balances of mortgage loans that are serviced on behalf of investors.

GLOBAL FUNDS INVESTMENT PERFORMANCE

Detailed below are the latest available returns for certain REI funds compared to appropriate benchmarks, where applicable. Specific separate account returns are not disclosed due to confidentiality obligations to clients.

Investment	Benchmark Reference	Region	Before fees leveraged returns			Gross Market Value A\$b
			1 year	3 years	5 years	
CORE FUNDS						
Private Equity Composites at June 2002						
Total composite	A	Americas	0.6%	8.0%	10.9%	22.8
Commingled Fund composite	A	Americas	(2.3)%	6.9%	10.3%	10.8
Separate Account composite	A	Americas	2.8%	8.9%	11.3%	12.0
Industry Benchmark at June 2002						
NCREIF Property Index	A	Americas	5.6%	9.6%	11.8%	
Private Equity Flagship Funds at June 2002						
Prime Property Fund	C	Americas	(0.3)%	7.7%	11.3%	5.0
LL Rosen Total Return Strategy Composite	D	Americas	16.7%	16.2%	10.7%	2.1
Australian Prime Property Fund – Retail	E	Australia	10.7%	10.9%	9.4%	1.1
Australian Prime Property Fund – Commercial	E	Australia	8.1%	8.6%	8.9%	0.3
Australian Prime Property Fund – Industrial	E	Australia	11.4%	11.4%	11.6%	0.2
Real Estate Securities	F	Australia	15.9%	14.4%	11.4%	2.2
Lend Lease Retail Partnership (Dec 01)	G	Europe	9.1%	N/A	N/A	1.4
Lend Lease Overgate Partnership (Dec 01)	G	Europe	1.2%	N/A	N/A	0.3
Industry Benchmark at June 2002						
NCREIF Property Index	C	Americas	5.6%	9.6%	11.8%	
Wilshire REIT Index	D	Americas	16.0%	15.3%	8.8%	
Mercers Diversified Property Fund Index	E	Australia	9.8%	10.4%	10.1%	
S&P/ASX 200 Property Accumulation Index	F	Australia	14.9%	13.5%	10.9%	
Investment Property Database (Dec 01)	G	Europe	5.1%	N/A	N/A	
Public Equity Flagship Funds at June 2002						
General Property Trust	B	Australia	8.6%	12.5%	8.6%	6.6
LL US Office Trust	B	Australia	27.7%	N/A	N/A	1.1
Industry Benchmark at June 2002						
ASX LPT Property Accumulation Index	B	Australia	15.5%	13.9%	11.1%	
Private Debt Flagship Funds at March 2002						
Core Mortgage Fund I	H	Americas	7.8%	7.8%	8.9%	0.2
Industry Benchmark at March 2002						
Gilberto-Levy (Loss adjusted)	H	Americas	5.1%	7.8%	8.5%	

FLAGSHIP FUNDS – ENHANCED & OPPORTUNISTIC

The return profile for enhanced and opportunistic investment vehicles differs from that of core funds. They tend to have greater focus on capital growth at the expense of income yield. Enhanced and opportunistic funds are generally fixed life vehicles.

Enhanced and opportunistic funds target total return over the life of the fund with each having its own particular target rate of return set at the commencement of the fund. Benchmarks are therefore not normally applied to enhanced and opportunistic funds. Fund strategies are aligned to achieving target returns over the life of the fund. These strategies include, an investment phase, development activity and property and portfolio repositioning which can result in a substantial portion of a funds assets not being revalued for a period of time. Accordingly, interim fund returns are not provided.

The following table sets out the performance of the enhanced and opportunistic funds that have been liquidated during the year ended 30 June 2002.

Investment	Region	Total Target Return ⁽¹⁾	Total Return Achieved ⁽¹⁾
Arch Street I	Americas	17.5%	25.5%

(1) Returns are before fees except where noted otherwise.

CO-INVESTMENTS

Lend Lease co-invests in funds alongside clients, where appropriate. Such investments are often, in effect, seed capital to establish a fund. The majority of funds in which Lend Lease co-invests are closed-ended funds that are weighted towards capital growth rather than income generation. As Australian Accounting Standards prohibit recording unrealised capital gains as profit, Lend Lease's total return on the investment (including incentive fees, if any) is generally only earned on liquidation of the funds. Until liquidation, Lend Lease receives its share of the net operating income when distributed by each fund.

The following table summarises the co-investments at June 2002, as well as future commitments to co-investments.

Investment	Region	Investment June 2002 A\$m	Future Commitments A\$m	Total Commitments A\$m	Indicative Fund Liquidation
Core					
Australian Prime Property Fund	Australia	48.8		48.8	Open ended
Lend Lease Retail Partnership	Europe	61.5	2.6	64.1	2007
Lend Lease Overgate Partnership	Europe	32.3		32.3	2008
Lend Lease Real Estate Securities Fund	Americas	22.5		22.5	Open ended
Enhanced					
Asia Pacific Investment Company I & II	Asia	87.7		87.7	2004 & 2009
Real Estate Partners I	Australia	1.8	2.7	4.5	2005
Value Enhancement Fund III	Americas	23.5		23.5	2005
Value Enhancement Fund IV	Americas	26.2		26.2	2007
Value Enhancement Fund V	Americas	32.0	13.2	45.2	2008
Yarmouth Capital Partners Limited Partnership II	Americas	83.4		83.4	2003
Tactical Office Partnership	Americas	-	17.5	17.5	2006
Mezzanine Debt Co-investment	Americas	3.3	31.1	34.4	Various
Debt Management Fund Portfolios	Americas	14.9	-	14.9	Various
Multi-Family Co-investments	Americas	27.5	23.7	51.2	Various
Asset Management Co-investments	Americas	23.0	-	23.0	
Other	Americas	28.5	22.9	51.4	Various
Opportunistic					
Lend Lease Global Properties Fund SICAF	Global	83.4	92.0	175.4	2009
Lend Lease International Distressed Debt Fund	Asia	65.5	109.9	175.4	2008
Total		665.8	315.6	981.4	

FUND INCENTIVE FEES

Detailed below is the basis on which incentive fees are earned for certain key funds.

The actual incentive fees earned could be materially different, as they will depend on investment performance, the state of real estate markets, amounts of capital invested, timing of liquidation of funds and a number of other factors. Incentive fees are also earned on some separate accounts but are not disclosed below due to confidentiality.

Fund	Currency	Fund Equity Invested at June 2002 millions	Expected Maximum Fund Equity millions	Gross AUM at June 2002 millions	Expected Maximum Gross AUM millions	Indicative Realisation of Incentive Fees
Core						
Lend Lease Retail Partnership	£	485.9	485.9	535.7	541.4	Annually from 2002
Lend Lease Overgate Partnership	£	131.1	131.1	126.9	126.9	Annually from 2004
Enhanced						
Arch Street II	US\$	43.8	50.0	140.9	150.0	2006
Arch Street III	US\$	22.2	50.0	61.5	150.0	2007
Arch Street IV	US\$		100.0		300.0	2010
Value Enhancement Fund II	US\$	126.7	186.5	364.7	464.5	2004
Value Enhancement Fund III	US\$	357.5	450.0	1,041.9	1,090.0	2005
Value Enhancement Fund IV	US\$	405.4	407.4	699.3	788.4	2007
Value Enhancement Fund V	US\$	102.5	263.5	201.4	900.0	2008
Opportunistic						
Lend Lease Global Fund	US\$	251.6	590.0	506.0	1,475.0	2006 to 2009
Lend Lease International Distressed Debt Fund	US\$	111.2	349.5	146.1	450.0	2008

FUND INCENTIVE FEES continued

Private Equity Funds	Basis of Calculation
Lend Lease Retail Partnership	Performance fee is based upon a three year rolling average outperformance of the UK direct property benchmark (IPD) for shopping centres. The performance of the fund's properties must be 110% of the IPD benchmark before any performance fee is payable. For each 1.0% of outperformance a fee of 0.15% of assets under management is payable. This is capped at 0.50% for any one year. The fees are payable annually and after December 2001 at least half of the performance fee can be taken as cash, with the remainder taken as an additional interest in the Partnership.
Lend Lease Overgate Partnership	Performance fee is based on a three year rolling average out-performance of the UK direct property market benchmark (IPD) for shopping centres. The fund's property must exceed the IPD benchmark before any performance fee is payable. For each 1% of outperformance a fee of 0.15% of assets under management is payable, capped at 0.50% for any one year. The first fee is payable in December 2003, then annually and are payable in cash.
Arch Street I, II, III & IV	Once an IRR of 12% pa is achieved, the Fund will make distributions to investors and the advisor on an 80-20 basis until an IRR of 15% pa is achieved and on a 75-25 basis thereafter.
Value Enhancement Fund II & III	<ul style="list-style-type: none"> ▪ 5% of that portion of "Cumulative Distributions" (CD) that exceed an annualised 4% return above the "Avg Annual CPI" (AACPI) up to but not including an annualised 6% return above the AACPI. ▪ PLUS 7.5% of that portion of any CD that exceed an annualised 6% return above the AACPI up to but not including an annualised 8% return above the AACPI. ▪ PLUS 15% of that portion of any CD that equals or exceeds an annualised 8% return above the AACPI.
Value Enhancement Fund IV & V	Once a return of capital plus 10% pa simple is achieved, the Fund will make distributions to investors and the manager on a 50-50 basis until the manager receives an amount equal to 20% of the total return. Distributions are then made on an 80-20 basis.
Lend Lease Global Fund	<ul style="list-style-type: none"> ▪ Incentive Fees - The advisor shares in the simple cumulative net fund returns above 12.0%. The advisor participates in 25% of the excess returns up to 30%, and thereafter, the advisor is entitled to 22.5% of the excess returns. Incentive fees are payable at a rate of 50% as returns on investments are realised with the balance payable on final liquidation of the fund based on final fund returns. Previous payments are subject to a clawback, if in excess of final determined amounts. ▪ Options - The advisor has been granted options totalling 7.5% of the issued capital of the Global Fund. Options will vest as capital is called from investors (pro-rata) and will be exercisable on final liquidation of the fund.
Lend Lease International Distressed Debt Fund	Once a return of capital plus 10% pa simple is achieved, the Fund will make distributions to investors and the advisor on a 20-80 basis until the advisor receives an amount equal to 20% of the total return. Distributions are then made on an 80-20 basis.

NORTH AMERICA

The REI North America business consists broadly of real estate equity investment management, real estate associated debt services and certain related real estate activities.

REAL ESTATE EQUITY

The real estate equity investment management businesses engage in the raising of investor capital, the acquisition/disposition of real estate assets and the investment/asset management of real estate assets for clients.

INVESTMENT MANAGEMENT – EQUITY provides services for investors in real estate equity. There are three main categories of real estate assets under management.

Financial Institutions maintain separate accounts with Lend Lease. The Equitable General Account is the primary client.

Commingled Funds are multi-investor funds and include the Prime Property Fund (PPF), Value Enhancement Fund (VEF) series, Arch Street (multi-family) series, and other smaller funds.

Separate Accounts represent individual direct investment holdings by domestic pension funds, foundations and endowments, family offices and foreign institutions.

HOUSING AND COMMUNITY INVESTING (HCI) acquires, syndicates and manages multi-family investment funds and separate accounts which primarily provide income tax benefits to investors resulting from their investment in affordable multi-family housing (tax credit-supported) products.

REAL ESTATE DEBT

COMMERCIAL CREDIT provides services for investors in real estate debt. There are four main business segments within Commercial Credit:

- **The Fixed Income Group** originates and manages commercial mortgage loans, mezzanine loans and invests in Commercial Mortgage Backed Securities (CMBS) on behalf of clients. The Fixed Income Group includes the businesses of Lend Lease Mortgage Capital (LLMC), the Debt Advisory Group, Program Lending and Structured Finance. Primary clients of The Fixed Income Group include Fannie Mae, Freddie Mac, Teachers Insurance and Annuity Association (TIAA) and The Equitable General Account. In addition, Lend Lease is a sponsor of several funds that originate and manage commercial mortgage loans and mezzanine loans, and is a partner in a joint venture that advises clients on investments in CMBS.
- **Lend Lease Agri-Business** originates, manages and services agricultural mortgage loans for The Equitable General Account, Farmer Mac and Farm Credit Services.
- **Lend Lease Asset Management** provides special servicing for CMBS and acquires, manages and resolves non-performing and sub-performing loan portfolios for institutional investors, banks, insurance companies and private investors. This business currently operates in the US and Mexico.
- **CapMark Services (CapMark)** services commercial mortgage loans originated from external sources including CMBS issuers and owners of whole loan portfolios as well as commercial mortgages originated internally by the other Commercial Credit businesses and Holliday Fenoglio Fowler (HFF).

The services provided by the four main business segments is summarised as follows;

	Origination of Mortgage Loans	Manage Lender/ Investor Capital	Asset Management of Mortgage Loans	Mortgage Loan Servicing ⁽¹⁾	Resolution of Non/Sub-Performing Loans
Commercial Credit					
Fixed Income Group	✓	✓	✓	✓	✓
Lend Lease Agri-Business	✓	✓	✓	✓	✓
Lend Lease Asset Management		✓	✓		✓
CapMark Services			✓	✓	

(1) The servicing function for The Fixed Income Group loans is largely performed by CapMark.

HOLLIDAY FENOGLIO FOWLER (HFF) provides financial brokerage services for commercial real estate owners, including sales of properties and the arrangement of first-lien mortgages and mezzanine capital.

NORTH AMERICA continued

ANALYSIS OF RESULT

	Year ended June 2002						Year ended June 2001					
	Investmnt Mgt –Equity US\$m	HCI US\$m	Commercial Credit US\$m	HFF US\$m	Total US\$m	Total A\$m	Investmnt Mgt –Equity US\$m	HCI US\$m	Commercial Credit US\$m	HFF US\$m	Total US\$m	Total A\$m
Annuity fees												
Asset management/Advisory fees	75.7	11.0	11.1		97.8	188.1	84.1	13.6	16.1		113.8	212.7
Property management fees	2.6				2.6	5.0	10.9				10.9	20.4
Mortgage servicing revenue			64.9	5.2	70.1	134.8			73.3	5.2	78.5	146.7
Total annuity fees	78.3	11.0	76.0	5.2	170.5	327.9	95.0	13.6	89.4	5.2	203.2	379.8
Transaction fees												
Acquisition fees	6.6	23.7			30.3	58.3	9.5	16.0			25.5	47.8
Disposition fees	19.2	2.4	0.3		21.9	42.1	9.9	0.5	1.0		11.4	21.1
Origination fees			20.7	67.8	88.5	170.2			17.6	73.4	91.0	170.2
Incentive fees	7.6	1.3	0.7		9.6	18.5	3.5	3.7	0.5		7.7	14.4
Financing/Consulting fees	7.4	1.0			8.4	16.1	7.2	1.0			8.2	15.3
Other fees and income	3.9	3.9	5.8		13.6	26.1	3.0	2.2	2.2		7.4	13.8
Total transaction fees	44.7	32.3	27.5	67.8	172.3	331.3	33.1	23.4	21.3	73.4	151.2	282.6
Total operational revenue	123.0	43.3	103.5	73.0	342.8	659.2	128.1	37.0	110.7	78.6	354.4	662.4
Investment income	15.2		4.0		19.2	37.0	20.9		3.3		24.2	45.2
Equity accounted profits	3.1		1.8		4.9	9.4	1.6		1.4		3.0	5.6
Gain on sale of investments	2.4				2.4	4.6	1.7				1.7	3.2
Total income before expenses	143.7	43.3	109.3	73.0	369.3	710.2	152.3	37.0	115.4	78.6	383.3	716.4
Direct business expenses					(276.0)	(530.8)					(291.8)	(545.4)
Enterprise amortisation					(7.5)	(14.4)						
REI corporate overheads					(17.5)	(33.7)					(17.8)	(33.3)
Profit before tax and restructure costs					68.3	131.3					73.7	137.7
Gain/(loss) on fx hedge						(24.2)						(21.6)
Hedged profit before tax and restructure costs					68.3	107.1					73.7	116.1
Income tax expense ⁽¹⁾					(13.6)	(21.4)					(16.8)	(24.6)
Profit after tax and before restructure costs					54.7	85.7					56.9	91.5
Restructure costs after tax											(16.9)	(30.3)
Profit after tax before minorities					54.7	85.7					40.0	61.2
Minority interests					(0.5)	(0.8)					(0.9)	(1.6)
Net profit after tax					54.2	84.9					39.1	59.6

(1) Income tax expense in A\$m is net of the tax benefit on the foreign exchange hedge loss.

NORTH AMERICA continued

ANALYSIS OF RESULT continued

The above table details the financial result for the year ended June 2002 compared to the year ended June 2001.

The year ended June 2002 has been impacted by the events of September 11 and a general weakening of the US economy. These events have caused significant delays in deal completion and uncertainty within the real estate markets. This uncertainty is expected to somewhat constrain transaction volumes, and consequently revenues, throughout the 2002 calendar year. Managements' attention is focussed on growing the profitability and improving the profit margins of the business.

Profit before tax and restructuring costs decreased US\$5.4 million (7%) to US\$68.3 million for the year ended June 2002 compared to US\$73.7 million for the year ended June 2001.

The decrease in profit before tax and restructuring costs reflected:

- A net US\$11.6 million (3%) reduction in total operating revenue to US\$342.8 million for the year ended June 2002 compared to US\$354.4 million for June 2001. Total annuity fees decreased US\$32.7 million (16%) to US\$170.5 million, including a US\$12.0 million reduction in servicing float interest revenues earned as a result of lower short-term interest rates in the CapMark business during the financial year. This reduction was partially offset by higher net transaction fees of US\$21.1 million, primarily due to higher disposition fees earned (US\$10.5 million), higher acquisition fees earned (US\$4.8 million), principally by HCI, and higher incentive fees earned (US\$1.9 million) relative to June 2001.
- Total business expenses decreased US\$8.6 million (3%) to US\$301.0 million for the year ended June 2002 compared to US\$309.6 million for June 2001. Of the US\$8.6 million reduction in total business expenses noted above, US\$7.2 million related to costs of the property management business that was exited during the financial year. Total business expenses of US\$301.0 million for June 2002 included US\$7.5 million relating to amortisation expense of capitalised cost of Project Enterprise for the first time in the June 2002 year and US\$6.0 million in costs associated with implementing business repositioning initiatives (see Expenses section for further details).

Profit after tax and before restructuring costs and minority interest for the year ended June 2002 decreased US\$2.2 million (4%) to US\$54.7 million compared to US\$56.9 million for the year ended to June 2001.

ASSETS UNDER MANAGEMENT (AUM) SUMMARY

	AUM at June 2001 US\$b	Additions US\$b	Reductions US\$b	Net Revaluation US\$b	AUM at June 2002 US\$b
Investment Management – Equity	19.6	1.1	(3.1)	(0.5)	17.1
HCI	7.9	1.0	(0.3)		8.6
Commercial Credit	11.3	2.3	(0.9)		12.7
Total AUM	38.8	4.4	(4.3)	(0.5)	38.4
Period movement in AUM	%				(1.0)%

AUM decreased US\$0.4 billion (1.0%) to US\$38.4 billion for the year ended June 2002 compared to US\$38.8 billion at June 2001. The decrease was due to a net US\$2.5 billion reduction in AUM of Investment Management – Equity, offset by net increases in AUM for Commercial Credit (US\$1.4 billion) and HCI (US\$0.7 billion).

Certain additions and reclassifications between components of AUM at June 2001 have been made and are incorporated in the AUM table above. The table below reconciles the adjustments to the MD&A for June 2001:

	Published AUM at June 2001 US\$b	Additions US\$b	Reclass- ifications US\$b	Revised AUM at June 2001 US\$b
Investment Management – Equity	17.8	0.5	1.3	19.6
HCI	7.9			7.9
Commercial Credit	9.5	2.3	(0.5)	11.3
Public Equity & Debt	0.8		(0.8)	
Total AUM	36.0	2.8	-	38.8

Further detailed analysis of the movements in AUM is contained in the business unit sections.

NORTH AMERICA continued**ASSETS UNDER RESOLUTION (AUR) SUMMARY**

	AUR at June 2001 US\$b ⁽¹⁾	Additions US\$b	Reductions US\$b	Currency Translations US\$b	AUR at June 2002 US\$b
Commercial Credit	1.0	0.5	(0.6)		0.9
Period Movement in AUR					(10.0)%

(1) AUR at June 2001 has been reduced by US\$0.2 billion to restate Lend Lease's 50% ownership interests in the Mexican asset management vehicle that was restructured during the financial year.

AUR decreased US\$0.1 billion (10%) to US\$0.9 billion for the year ended June 2002 compared to US\$1.0 billion at June 2001. Additional AUR of US\$0.5 billion relates to new portfolios in Mexico and Special Serviced loans in the US and was offset by US\$0.6 billion of loans resolved during the financial year.

Further detailed analysis of the movements in AUR is contained in the Commercial Credit section.

LOANS UNDER SERVICING (LUS) SUMMARY

	LUS at June 2001 US\$b	Additions US\$b	Run Off US\$b	LUS at June 2002 US\$b
Commercial Credit	48.7	25.5	(6.0)	68.2
HFF	1.4	0.2	(0.1)	1.5
Total LUS	50.1	25.7	(6.1)	69.7
Period movement in LUS				39.1%

LUS increased US\$19.6 billion (39%) to US\$69.7 billion for the year ended June 2002 compared to US\$50.1 billion at June 2001. The increase was principally due to securing a number of Life Company and Securitised servicing contracts during the financial year.

Further detailed analysis of the movements in LUS is contained in the Commercial Credit section.

REVENUES

A detailed discussion of the revenues by each business follows. There are broadly three main types of revenue:

- **Annuity fees** - chiefly earned from managing clients' real estate equity and debt portfolios; the management and servicing of commercial mortgage and the resolution of sub-performing and non-performing loans, and net interest earned on cash float balances held in CapMark.
- **Transaction fees** - earned principally from the acquisition, disposition and financing of clients' real estate equity portfolios and the origination of commercial mortgage loans. Transaction fees also include incentive fees based upon the performance of clients' portfolios in excess of agreed hurdle or benchmark returns and net interest income on the portfolio of agency multi-family loans held for sale.
- **Investment income** - income and capital returns from REI's co-investments in funds, loan assets and direct investment in real estate.

NORTH AMERICA continued

INVESTMENT MANAGEMENT - EQUITY

ANNUITY FEES

Total annuity fees decreased US\$16.7 million (18%) to US\$78.3 million for the year ended June 2002 compared to June 2001. The reduction was attributable to a decline in asset management/advisory fees (US\$8.4 million) and a decline in property management fees (US\$8.3 million), as Lend Lease exited the property management business early in the 2002 financial year. Lend Lease continues to hold a 15% interest in the company that acquired the property management business.

Asset Management/Advisory Fees

Asset management/advisory fees decreased US\$8.4 million (10%) to US\$75.7 million for the year ended June 2002 compared to US\$84.1 million at June 2001. The level of AUM is a significant driver of asset management/advisory fees.

	AUM at June 2001 US\$b	Additions US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2002 US\$b
Investment Management – Equity ⁽¹⁾					
Financial institutions	2.8	0.2	(1.4)	0.1	1.7
Co-mingled funds	7.7	0.2	(1.1)	(0.3)	6.5
Separate accounts	8.3	0.4	(0.5)	(0.3)	7.9
Real Estate securities	0.8	0.3	(0.1)		1.0
Total Investment Management – Equity	19.6	1.1	(3.1)	(0.5)	17.1
Period Movement in AUM	%				(12.8)%

(1) Investment Management - Equity AUM at June 2001 has been positively restated by US\$1.8 billion as previously set out.

AUM decreased US\$2.5 billion (13%) to US\$17.1 billion for the year ended June 2002 compared to US\$19.6 billion at June 2001. Approximately US\$1.8 billion of the net reduction to AUM for the year ended June 2002 occurred in the six month period ended December 2001.

AUM declined 13% during the financial year and asset management fees declined by 10%. The relationship between AUM and asset management fees is affected by the timing of asset acquisitions and disposals (for example, a significant asset of The Equitable General Account was sold late in the 2002 financial year with minimal impact on asset management fees for the financial year) and the extent of revaluations during the financial year. Of the US\$2.5 billion reduction in AUM for the financial year, US\$0.5 billion related to net downward revaluations of assets. Asset management fees are generally not impacted by the revaluation component of AUM. Accordingly, asset management fees declined to a lesser extent relative to the decline in AUM.

Financial institutions' AUM decreased US\$1.1 billion (39%) to US\$1.7 billion for the year ended June 2002. The decrease was largely a result of the higher dispositions in The Equitable General Account Disposition Program (US\$0.8 billion in the year to June 2002 compared to US\$0.3 billion in the year to June 2001), the disposal of a significant asset (US\$0.5 billion) as a result of a change in the real estate strategy of a major overseas financial institutions' client and revaluations during the financial year. The Equitable General Account Disposition Program is expected to continue with the future level of dispositions at the discretion of the client.

Co-mingled funds' AUM decreased US\$1.2 billion (16%) to US\$6.5 billion for the year ended June 2002. The reduction in AUM is largely due to redemptions from the Prime Property Fund (PPF) (US\$0.3 billion), the disposal of the Scottsdale Mall in the Core Property Trust (US\$0.2 billion), liquidation of the Arch Street fund (US\$0.1 billion) and downward revaluations of US\$0.2 billion in VEF IV and PPF, with office sector assets having the most significant impact.

Separate Accounts' AUM decreased US\$0.4 billion (5%) to US\$7.9 billion for the year ended June 2002. The net reduction is largely attributable to downward revaluations.

Public Equity AUM increased a net US\$0.2 billion (25%) to US\$1.0 billion for the year ended June 2002 due to additional new and existing client investment capital.

Property Management Fees

Property and facilities management fees decreased US\$8.3 million to US\$2.6 million for the year ended June 2002 compared to June 2001. Fees for the year ended June 2001 were largely derived from Lend Lease Apartment Management (LLPM) and Cordia Senior Living.

June 2001 revenues included US\$10.9 million in fees from LLPM. This business was merged with Winn Management Company effective 1 August 2001. The contribution to current financial period fees from the LLPM business prior to 1 August 2001 was negligible. Lend Lease's residual 15% interest in the Winn Management Company is included in investment income and had a minimal impact on the result for the year ended June 2002.

Cordia Senior Living is the operating company, which provides the day-to-day management of the senior living facilities owned by clients of the Investment Management – Equity group. Cordia Senior Living currently manages eight facilities and reported a small operating loss in the year ended June 2002.

NORTH AMERICA continued

INVESTMENT MANAGEMENT - EQUITY continued

TRANSACTION FEES

Total transaction fees increased US\$11.6 million to US\$44.7 million for the year ended June 2002 compared to June 2001. Transaction fees are largely dependent on the level of acquisitions and disposition activity for clients and incentive fees earned. As previously mentioned, acquisition activity was lower for the year ended June 2002 compared to June 2001, largely due to current market conditions that resulted in a reduction in supply of attractive real estate asset acquisition opportunities. Disposition activity was higher for the year ended June 2002 compared to June 2001, mainly due to a higher level of dispositions for The Equitable General Account and a major overseas Financial Institutions' client.

Acquisition Fees

Acquisition fees decreased US\$2.9 million to US\$6.6 million for the year ended June 2002 on US\$0.8 billion of acquisition volume compared to acquisition fees earned of US\$9.5 million on US\$2.3 billion of acquisition volume for the year ended June 2001. The decrease in volumes and reduction in acquisition fees for the year ended June 2002 mainly reflected the changed market conditions and the difficulties in identifying acceptable acquisitions.

Disposition Fees

Disposition fees increased US\$9.3 million to US\$19.2 million for the year ended June 2002 on disposition volume of US\$2.8 billion compared to disposition fees earned of US\$9.9 million on US\$1.8 billion of disposition volume for the year ended June 2001. The increase in volume is mainly attributable to the increase in The Equitable General Account Disposition Program, including the sale of a significant single asset (US\$0.5 billion) late in the 2002 financial year, and a US\$0.5 billion asset disposition for a major overseas Financial Institutions' client.

Incentive Fees

Incentive fees decreased US\$4.1 million to US\$7.6 million for the year ended June 2002 compared to June 2001. Incentive fees for the current financial year include US\$4.2 million earned from liquidation of the Arch Street I Fund. The timing and quantum of incentive fees is difficult to predict as they are dependent upon real estate market investment performance, and are generally paid towards the end of a fund's life cycle. (Refer to the Fund Incentive Fees section).

Financing/Consulting Fees

Financing/Consulting fees increased US\$0.2 million to US\$7.4 million for the year ended June 2002 compared to June 2001.

Other Fees and Income

Other Fees and Income of US\$3.9 million were relatively stable for the year ended June 2002 compared to June 2001 and largely consist of development fees.

OTHER INCOME

	Year ended June 2002		Year ended June 2001	
	Total		Total	
	US\$m	A\$m	US\$m	A\$m
Investment Income				
King of Prussia	14.2	27.3	11.9	22.2
YCPII	1.7	3.3	3.6	6.7
VEF Series	(3.0)	(5.8)	1.8	3.4
Other	2.3	4.4	3.6	6.7
Total Investment income	15.2	29.2	20.9	39.0
Equity Accounted Profits/Gain on sale of investments/Distributions				
Lend Lease Rosen	2.9	5.5	1.6	3.0
Vestar Glendale	1.2	2.4	1.7	3.2
European Mutual Fund	1.4	2.7		
Total Equity Accounted profits/gain on sale of investments	5.5	10.6	3.3	6.2

Investment income decreased US\$5.7 million to US\$15.2 million for the year ended June 2002 compared to June 2001. The movement is largely attributable to an increase in investment income from King of Prussia, offset by a reduction in income from YCPII due to the recent under performance of hotel assets held by the fund and Lend Lease's proportionate share of partnership losses in the VEF IV fund.

Equity accounted profits represent the 50% interest in Lend Lease Rosen Securities. The increase relative to the corresponding financial year is due to an increase in asset management and incentive fees. Income from the European Mutual Fund relates to the net gain earned from realisation of Lend Lease's co-investment capital upon liquidation of the Fund.

NORTH AMERICA continued

INVESTMENT MANAGEMENT - EQUITY continued

OTHER INCOME continued

Lend Lease Rosen Real Estate Securities (Lend Lease Rosen)

On 1 August 2002, Lend Lease increased its 50% ownership stake in Lend Lease Rosen to 74.9% and has entered into a three year agreement to purchase the remainder of the company from its partner, Rosen Financial Services II.

HOUSING AND COMMUNITY INVESTING (HCI)

Total operating revenue increased US\$6.3 million to US\$43.3 million for the year ended June 2002 compared to June 2001. Declines in asset management fees were offset by increased acquisition, disposition and incentive fees earned during the financial year.

ANNUITY FEES

Asset Management Fees

Asset management fees relate to the revenue earned on the portfolios of tax credit assisted properties. Asset management fees decreased US\$2.6 million (19%) to US\$11.0 million for the year ended June 2002 compared to June 2001. Although AUM increased 9% relative to June 2001, the basis of revenue recognition is conservative as asset management fees are recognised on payment, which is dependent on available cash flows and interest income earned on excess cash reserves within each fund rather than on an accruals basis. Accordingly, there is only an indirect correlation between growth in AUM and asset management fees. At June 2001, excess cash available at the Fund level was released on various funds enabling the recognition and payment of previously deferred asset management fees in that financial year.

Assets Under Management (AUM)

	AUM at June 2001 US\$b	Additions US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2002 US\$b
Housing and Community Investing - AUM	7.9	1.0	(0.3)		8.6
Period movement in AUM	%				8.9%

AUM increased US\$0.7 billion (9%) to US\$8.6 billion for the year ended June 2002 compared to US\$7.9 billion at June 2001.

HCI's AUM has a longer expected holding period than Investment Management – Equity's AUM due to the nature of tax credit investments. The properties must be maintained and held in qualified tax credit structures for at least 15 years, which results in lower dispositions within the HCI portfolios.

TRANSACTION FEES

Acquisition Fees

Acquisition fees increased US\$7.7 million to US\$23.7 million for the year ended June 2002 compared to June 2001. The increase relates to additional sales volume primarily attributable to the introduction of a new product offering (guaranteed funds) and investor demand for the additional federal affordable housing tax credits available during the June 2002 year.

Disposition Fees

Disposition fees represent revenue generated from the sale of assets acquired by individual investors in tax advantaged partnerships, which generally occur only after a minimum 15 year tax compliance holding period.

Disposition fees increased US\$1.9 million to US\$2.4 million compared to June 2001. These transactions occur irregularly and involve individual properties and are not a result of the closing of a fund.

Incentive Fees

Incentive fees decreased US\$2.4 million to US\$1.3 million for the year ended June 2002 compared to June 2001. Incentive fees are contingent upon the funds achieving certain performance hurdles, usually two to three years into a fund's life. The fluctuation in fee generation is related to the timing of when funds were originally syndicated and the period of the fund's life in which it is earned.

Other Fees and Income

Other Fees and Income increased US\$1.7 million to US\$3.9 million for the year ended June 2002 compared to June 2002 and consists of a variety of miscellaneous items of income earned from the operations of the HCI business and guarantee premium fees (US\$1.4 million) associated with the guaranteed program and are earned over the first 18 to 24 months of the fund's life. The fees are earned and recognised over this period as the properties in the portfolio complete construction, lease-up, close on all permanent loans and receive the project's tax credits.

NORTH AMERICA continued**COMMERCIAL CREDIT**

	June 2002			June 2001		
	Commercial Credit excl. CapMark US\$m	CapMark US\$m	Total US\$m	Commercial Credit excl. CapMark US\$m	CapMark US\$m	Total US\$m
OPERATING REVENUE						
Annuity Fees						
Asset Management Fees	11.1		11.1	16.1		16.1
Mortgage Servicing Revenue	28.8	36.1	64.9	24.6	48.7	73.3
Total Annuity Fees	39.9	36.1	76.0	40.7	48.7	89.4
Transaction Fees	27.5		27.5	21.3		21.3
Total Operating Revenue	67.4	36.1	103.5	62.0	48.7	110.7
OTHER INCOME						
Investment Income	4.0		4.0	3.3		3.3
Equity Accounted Profits	1.8		1.8	1.4		1.4
Total Other Income	5.8		5.8	4.7		4.7
	73.2	36.1	109.3	66.7	48.7	115.4

Total operating revenue for the Commercial Credit business decreased US\$7.2 million to US\$103.5 million for the year ended June 2002 compared to June 2001.

ANNUITY FEES

Annuity Fees relate to asset management fees and mortgage servicing revenue, which includes servicing float interest revenues earned.

Annuity Fees decreased US\$13.4 million (15%) to US\$76.0 million for the year ended June 2002 compared to June 2001. The reduction was largely attributable to a significant decline in servicing float interest revenues earned due to lower short term interest rates during the financial year (US\$12.0 million) and a change to the joint venture structure of Lend Lease Mexico's asset management business. For June 2001, US\$2.1 million in asset management fees derived from Mexican operations were received as revenues, whereas for the year ended June 2002 fees associated with the Mexican asset management business are shown as investment income.

Asset Management Fees

Asset management fees are largely earned by Lend Lease Asset Management and Lend Lease Agri-Business and essentially relate to fees earned from managing and resolving non-performing loan portfolios, special servicing of loans and managing foreclosed real estate on behalf of clients. Asset management fees decreased US\$5.0 million to US\$11.1 million (31%) for the year ended June 2002 compared to June 2001.

Asset Management fees from Lend Lease Asset Management decreased US\$4.2 million to US\$8.2 million for the year ended June 2002 compared to June 2001. The reduction is largely due to a change in the joint venture structure of the asset management business in Mexico, which caused those revenues to be deconsolidated for the year ended June 2002. As noted above, this structural change accounts for US\$2.1 million of the US\$4.2 million decline in asset management fees compared to June 2001. In addition, the curtailment of non-performing loan portfolio investment activity in the US led to a similar reduction in asset management fees in the US.

Assets Under Resolution (AUR)

	AUR at June 2001 US\$b	Additions US\$b	Reductions US\$b	Currency translations US\$b	AUR at June 2002 US\$b
Lend Lease Asset Management – US Special Servicing	0.6	0.4	(0.5)		0.5
Lend Lease Asset Management – US Non-performing loans	0.3		(0.1)		0.2
Lend Lease Asset Management – Mexico ⁽¹⁾	0.1	0.1			0.2
Total Commercial Credit	1.0	0.5	(0.6)	-	0.9
Period movement in AUR	%				(10.0)%

(1) AUR at June 2001 has been reduced by US\$0.2 billion to restate Lend Lease's 50% ownership interests in the Mexican asset management vehicle that was restructured during the financial year.

NORTH AMERICA continued**COMMERCIAL CREDIT continued****ANNUITY FEES continued****Asset Management Fees continued****Assets Under Resolution (AUR) continued**

AUR represents the legal loan balances of mortgage loans and the investment balance of foreclosed real estate administered on behalf of investors and is only indicative of the level of activity in the business and not the revenue earned. Special servicing fees are generally based on the legal loan balances, but fees for servicing non-performing loan portfolios are generally based on loan and foreclosed real estate investment balances or cash collections rather than legal loan balances. Accordingly, asset management fees are only indirectly correlated to movements in the AUR balance.

AUR decreased US\$0.1 billion (10%) to US\$0.9 billion for the year ended June 2002. The increase in Lend Lease Asset Management - Mexico is primarily due to the addition of new Mexican portfolios purchased by both Lend Lease International Distressed Debt Fund (IDDF) and third party clients in conjunction with Lend Lease. Lend Lease Asset Management has discontinued co-investing (typically in partnership with other investors, and from which a fee for servicing is derived) in new non-performing loan portfolios in the United States due to the low level of commercial real estate loan delinquencies. Accordingly, it is expected that AUR in this region (US\$0.7 billion) will reduce over time and reflect balances relating to Special Serviced loans. As the non-performing loan portfolio business in the United States makes only a minor profit contribution, the projected run down of these AUR balances is not expected to materially impact overall business profitability.

Asset management fees of US\$1.6 million were earned by Lend Lease Agri-Business from foreclosed real estate services and US\$1.1 million were earned by The Fixed Income Group primarily related to loan assumptions and modifications. The level of asset management fees earned in any year by Lend Lease Agri-Business and The Fixed Income Group is largely dependant on the value of the foreclosed property being managed, the income earned by that property during the period in which it is managed and the level of modification activity in certain loan portfolios.

Mortgage Servicing Revenue

Mortgage servicing revenue is earned by The Fixed Income Group, Lend Lease Agri-Business and CapMark. CapMark, for a fee, provides the servicing function for loans originated by The Fixed Income Group. Agricultural mortgages are serviced and managed by Lend Lease Agri-Business, with Lend Lease Agri-Business retaining all servicing income related to agricultural mortgages.

The The Fixed Income Group servicing revenue is generally associated with the active management of loans, over and above the basic servicing functions performed by CapMark, while the Lend Lease Agri-Business servicing revenue is derived from both basic servicing and the active management of loans. Mortgage servicing revenue earned by The Fixed Income Group and Lend Lease Agri-Business increased US\$4.2 million to US\$28.8 million for the year ended June 2002 compared to June 2001.

The increase in The Fixed Income Group and Lend Lease Agri-Business mortgage servicing revenue is largely attributable to increased origination activity in 2002. Origination volumes increased US\$0.5 billion to US\$2.3 billion for the year ended June 2002.

AUM for Commercial Credit represents the outstanding principal balance of commercial mortgage loans and mortgage backed securities where mortgage loans are actively managed in an advisory capacity on behalf of investors.

AUM is one driver of mortgage servicing revenues and is indicative of the level of activity in the business. However, due to the multiple types of servicing revenues recognised, movements in mortgage servicing revenues are not directly correlated to movements in AUM. Changes in origination volume, ancillary activities for example assumptions, modifications, prepayments, collateral releases, amortisation levels and bank earnings may impact the servicing revenues recognised in any given year.

No mortgage servicing or asset management fees are directly earned from Public Debt Advisory AUM. This AUM relates to Lend Lease's 50% interest in Lend Lease Hyperion. All income from this 50% interest is recorded through Equity Accounted profits/(losses).

Assets Under Management (AUM) – Commercial Credit

	AUM at June 2001 US\$b ⁽¹⁾	Additions US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2002 US\$b
LL Agri-Business	2.6	0.3	(0.3)		2.6
Fixed Income Group	8.0	1.8	(0.6)		9.2
Public Debt Advisory	0.7	0.2			0.9
Total AUM	11.3	2.3	(0.9)	-	12.7
Period movement in AUM	%				12.4%

(1) Commercial Credit AUM at June 2001 has been positively restated by US\$1.8 billion as previously set out.

AUM increased US\$1.4 billion (12%) to US\$12.7 billion for the year ended June 2002 compared to US\$11.3 billion at June 2001. The increase primarily reflects higher The Fixed Income Group origination volume for the year ended June 2002 compared to June 2001 due to the high level of refinancing as a result of the declining interest rates environment for June 2002.

NORTH AMERICA continued**COMMERCIAL CREDIT continued****ANNUITY FEES continued****Mortgage Servicing Revenue continued****Loans Under Servicing (LUS)**

	No. of Loans at June 2002	No. of Loans at June 2001	LUS at June 2001 US\$b	Additions US\$b	Run Off US\$b	LUS at June 2002 US\$b
Agri-Business	4,935	5,053	2.6	0.3	(0.3)	2.6
CapMark⁽¹⁾						
Securitised	3,817	5,007	26.8	7.0	(1.9)	31.9
Agency	746	565	3.3	1.8	(0.4)	4.7
Life Companies	2,344	1,545	12.7	13.4	(0.6)	25.5
Other	278	346	3.3	3.0	(2.8)	3.5
Total	12,120	12,516	48.7	25.5	(6.0)	68.2
Period movement in LUS	%	(3.2)				40.0

(1) Includes The Fixed Income Group and certain HFF loans serviced under sub-servicing agreements. Excludes other HFF loans where HFF performs servicing functions instead of CapMark.

CapMark

LUS increased US\$19.5 billion (40%) for the year ended June 2002 compared to US\$48.7 billion at June 2001. The increase was primarily due to CapMark securing a number of Life Company and Securitized servicing contracts in addition to strong internally generated volume. The Agri-Business servicing portfolio remained flat for the financial year.

There are four major categories of LUS within CapMark. Securitized LUS includes groups of pooled commercial mortgages packaged and re-sold as bond issues either privately or in a public debt placement. Agency LUS represents mortgages originated for and in conjunction with US government sponsored/backed housing agencies including Fannie Mae, Freddie Mac or the Federal Housing Administration (FHA). Life Companies LUS includes portfolios of commercial mortgage loans held directly by life insurance companies on their balance sheets. Other LUS include miscellaneous contracts.

CapMark's new loan servicing business for the period derived approximately 10% from internal sources and 90% from external sources. HFF and The Fixed Income Group are internal sources for CapMark's new servicing volumes. External sources include CMBS issues and third party whole loan portfolios. Both sources of external business are generally obtained in a competitive bid process. CMBS issuers, who are primarily Wall Street investment banks, award CMBS servicing assignments. Some life insurance companies and other financial institutions seeking to improve the quality of their servicing and lower their costs have outsourced servicing on their whole loan portfolios. During the financial year ended June 2002, CapMark began servicing loans totalling US\$13.0 billion for two major life insurance companies and US\$7.0 billion in securitized contracts.

CapMark loan servicing revenue is classified in to three categories in the following table: mortgage servicing fees, which are the base fees earned for servicing loans; servicing float interest revenues which represent earnings on cash advances, cash balances and escrow accounts managed by CapMark; and ancillary revenues, which consist of late payment fees, default penalties and fees earned through loan assumptions and modifications.

	Revenue June 2002 US\$m	Revenue June 2001 US\$m
Mortgage Servicing Fees	20.4	20.5
Servicing Float Interest Revenues	10.4	22.4
Ancillary Revenues	5.3	5.8
Total Mortgage Servicing Revenues	36.1	48.7

CapMark mortgage servicing fees were flat for the year ended June 2002 compared June 2001 due to a decline in the number of loans serviced and the continued run off of older, securitized portfolios with small average balances that carried higher servicing fees. As shown in the table above, CapMark's LUS grew 40% during the financial year while the number of loans serviced declined 3%. Of the US\$19.5 billion increase in LUS in the year to June 2002, Life Insurance company servicing increased US\$12.8 billion. The servicing fees earned on life company loans are generally more closely related to the number of loans serviced than to the principal balance, and accordingly, CapMark's servicing fee income on these contracts correlate more closely to the number of loans serviced than to the level of LUS.

NORTH AMERICA continued**COMMERCIAL CREDIT continued****ANNUITY FEES continued****Mortgage Servicing Revenue continued****CapMark continued**

Securitized LUS increased US\$5.1 billion during the year to June 2002. The servicing fees earned on securitized loans are more closely related to the principal balance of loans serviced rather than the number of loans serviced. Accordingly, CapMark's servicing fee income on these contracts correlate more closely to the level of LUS than to the number of loans services. As the securitized market has evolved, servicing fee levels have declined in response to the maturing market. As such, fee levels on new securitized contracts are typically less than those on older securitized contracts.

Servicing float interest revenues decreased US\$12.0 million to US\$10.4 million for the year ended June 2002 compared to the year ended June 2001. Float earnings were lower as a result of lower average US short-term interest rates in the June 2002 financial year compared to the June 2001 year. The average annual LIBOR rate for the year ended June 2002 was 2.3% compared to 5.7% for the June 2001 year. In addition, life insurance company contracts which represented the largest part of CapMark's growth in 2002, provide lower float earnings and thus the level of float revenue CapMark earned did not increase commensurately with the portfolio growth.

Ancillary revenue marginally decreased by US\$0.5 million to US\$5.3 million for the year ended June 2002 compared to June 2001. The decrease was due to the decreased number of loan assumption and modification requests received during the year as a result of lower overall sales activity in the market.

TRANSACTION FEES

Transaction fees are principally earned from the origination of commercial mortgage loans and net interest income earned on the portfolio of loans held for sale. Transaction fees increased US\$6.2 million to US\$27.5 million for the year ended June 2002 compared to June 2001. The increase was mainly due to higher origination income, incentive fees and net interest income.

Origination Fees

Origination fees of US\$20.7 million were earned on origination volume of US\$2.3 billion for the year ended June 2002 compared to origination fees of US\$17.6 million on origination volume of US\$1.8 billion for the year ended June 2001.

The increase in origination volume for the year ended June 2002 was primarily a result of Fannie Mae and Freddie Mac's strong demand for multi-family product, a strong market for multi-family loans, a low long-term interest rate environment and the renegotiation of a contract with TIAA, all of which served to increase volume compared to June 2001 year.

Other Fees and Income

Other fees and income increased US\$3.6 million to US\$5.8 million for the year ended June 2002 compared to June 2001. The majority of the increase was due to net interest income which increased US\$3.8 million to US\$5.5 million for the year ended June 2002 compared to June 2001 due to higher volumes of loans financed during the financial year and wider interest margins earned on these loans.

INVESTMENT INCOME & EQUITY ACCOUNTED PROFITS

	Year ended June 2002 Total		Year ended June 2001 Total	
	US\$m	A\$m	US\$m	A\$m
Investment Income				
Lend Lease Asset Management	3.5	6.7	3.3	6.2
Mezzanine Funds	0.4	0.8		
Other	0.1	0.2		
Total investment income	4.0	7.7	3.3	6.2
Equity Accounted Profits/(Losses)				
Lend Lease Hyperion	1.8	3.5	1.4	2.6
Total equity accounted profits/(losses)	1.8	3.5	1.4	2.6

Investment income increased US\$0.7 million to US\$4.0 million for the year ended June 2002 compared to June 2001. The increase is largely attributable to the income generated from co-investments in mezzanine loans. Equity accounted profits represent income earned on Lend Lease's 50% interest in Lend Lease Hyperion. The increase in profit for the year ended June 2002 relative to June 2001 is due an increase in AUM and corresponding fees.

NORTH AMERICA continued

HOLLIDAY FENOGLIO FOWLER (HFF)

HFF made a loss for the year ended June 2002 compared to a small profit for the year ended June 2001 as revenue from this business decreased by US\$5.6 million (7%) to US\$73.0 million compared to June 2001. HFF is the largest originator of mortgages in the United States.

MORTGAGE SERVICING FEES

HFF originates loans and typically contracts CapMark to perform much of the servicing on a fee-sharing basis. Mortgage Servicing fees were flat at US\$5.2 million for the year ended June 2002 compared to the year ended June 2001 which was generally in line with the level of LUS for the financial year.

ORIGINATION FEES

Origination fees of US\$67.8 million on loan origination and sales transaction volume of US\$12.2 billion for the year ended June 2002 were lower compared to origination fees of \$73.4 million on origination volume of US\$12.6 billion for the year ended June 2001. The US\$5.6 million reduction in origination fees for the year ended June 2002 was primarily due to a greater number of larger deals being completed, which generally earned lower proportionate fees.

EXPENSES

Total expenses of US\$301.0 million, which included US\$7.5 million for amortisation of Project Enterprise (see below) for the first time and US\$6.0 million in costs associated with implementing the business re-positioning initiatives noted below, decreased US\$8.6 million (3%) for the year ended June 2002 compared to US\$309.6 million for the year ended June 2001. Of the US\$8.6 million expense reduction noted above, US\$7.2 million related to expenses associated with the property management business that was merged with Winn Apartment Management Company effective 1 August 2001.

US REI has implemented a long-term cost reduction program across all businesses, including the Equity business (Project Enterprise). Project Enterprise has been designed to build an operating platform to assist in the long term growth and flexibility of the REI business by transforming business processes through focus on value added service activities and integrated IT solutions. Phase I of Project Enterprise was completed and implemented within the business during the six months ended June 2001. The total net capitalised cost for Project Enterprise at June 2001 was US\$37.5 million, which is being amortised over a 5 year period (i.e. US\$7.5 million per annum beginning in the 2002 financial year). The net book value of Project Enterprise was US\$30.0 million at June 2002.

US REI is in the process of a business re-positioning project as part of a broader Lend Lease initiative. Net benefits from these initiatives are expected to result in improved business profitability and profit margins for 2003 and subsequent years.

RESTRUCTURING COSTS

At June 2001, a restructuring cost provision of US\$28.8 million before tax (US\$16.9 million after tax (A\$30.3 million)) was provided in relation to one off initiatives to improve the profitability and profit margins of the business. At June 2002, US\$25.7 million of the US\$28.8 million commitment had been utilised for redundancies, rationalisation of offices and wind-down or restructuring of certain businesses and the balance will be utilised for similar one-off restructuring expenses. In addition to the US\$25.7 million of restructuring costs expensed in the year to June 2001, US\$6.0 million of redundancy costs were incurred in the June 2002 financial year relating to the implementation of Lend Lease's recent business repositioning initiative.

INCOME TAX EXPENSE

The following table analyses the North American REI income tax expense:

	Year ended June 2002		Year ended June 2001	
	Total		Total	
	US\$m	A\$m	US\$m	A\$m
Hedged profit before tax and restructure costs	68.3	107.1	73.7	116.1
Prima facie tax expense (US REI average rate 41.5%)	28.3	44.4	30.6	44.8
Tax benefit from amortisation of intangible assets	(14.9)	(23.4)	(14.9)	(21.8)
Other tax expense adjustments ⁽¹⁾	0.2	0.4	1.1	1.6
Income tax expense	13.6	21.4	16.8	24.6
Effective tax rate	19.9%	19.9%	22.8%	22.8%

(1) Includes permanent tax differences and under-provision for tax in previous periods.

The effective income tax rate was 19.9% for the year ended June 2002 as compared to 22.8% for June 2001. The decrease in effective tax rate results from the tax deduction for amortisation being unchanged whilst profit before tax declined from June 2001 to June 2002. The US business realises a tax benefit on an annual basis for tax amortisation of intangible assets in excess of book amortisation. Provisions of the US tax code provide for 15 year amortisation of certain intangible assets, including acquired contracts, purchased in connection with the acquisition of a business. The tax benefit from the amortisation of intangible assets was US\$14.9 million for the year ended June 2002.

AUSTRALIA & PACIFIC

The REI Australia & Pacific business is conducted through two business units:

- **Investment Management - Equity** - which includes the management of General Property Trust (GPT), Australian Prime Property Fund (Australian Prime Property Fund), the Lend Lease US Office Trust (LL USOT) and the Property Securities business.
- **Retail Property Management** - which manages a number of Australian retail centres on behalf of investors such as GPT, Australian Prime Property Fund and several external owners.

ANALYSIS OF RESULT

	Year ended June 2002			Year ended June 2001		
	Investment Management - Equity A\$m	Retail Property Management A\$m	Total A\$m	Investment Management - Equity A\$m	Retail Property Management A\$m	Total A\$m
Annuity Fees						
Asset management fees	48.3		48.3	40.2		40.2
Investment management fees	6.7		6.7	6.1		6.1
Retail property management fees		16.3	16.3		13.9	13.9
Total annuity fees	55.0	16.3	71.3	46.3	13.9	60.2
Transaction Fees						
Leasing fees		6.2	6.2		4.9	4.9
Development management fees		11.1	11.1		10.7	10.7
Project/Structured Finance fees	0.5		0.5	3.0		3.0
Other	1.1	2.3	3.4	0.7	2.6	3.3
Total transaction fees	1.6	19.6	21.2	3.7	18.2	21.9
Total operational revenues	56.6	35.9	92.5	50.0	32.1	82.1
Other Income						
Investment income before tax	3.4		3.4	3.2		3.2
Equity accounted profits/(losses)	3.1		3.1	(0.7)		(0.7)
Gain on sale of investments	4.6		4.6			
Total income before expenses	67.7	35.9	103.6	52.5	32.1	84.6
Expenses			(63.1)			(54.0)
Profit before tax			40.5			30.6
Income tax expense			(9.9)			(11.3)
Profit after tax			30.6			19.3

The profit after tax of the Australian & Pacific REI business increased A\$11.3 million (59%) to A\$30.6 million for the year ended June 2002 compared to June 2001. Key components of the result are detailed below. In addition, income tax expense decreased 12% largely due to the reduction in the corporate tax rate to 30% for the year ended June 2002 compared to 34% for the year ended June 2001, a reversal of an over provision for tax in respect of prior financial years of A\$1.0 million and the utilisation of certain tax benefits (A\$1.0 million) in relation to the sale of Lend Lease's investments in the Kiwi Property Group and Morrisons Group.

INVESTMENT MANAGEMENT - EQUITY

ANNUITY FEES

Asset management fees increased A\$8.1 million (20%) to A\$48.3 million for the year ended June 2002 compared to June 2001. Asset management fees of A\$2.3 million were received from LLUSOT for the full year ended June 2002 compared to A\$0.8m received for the six months ended ended June 2001.

Investment management fees relate to the Property Securities business. Property Securities AUM grew by 15% for the year ended June 2002, while investment management fees increased by 10% compared to the year ended June 2001 due to a review of fee structures during the financial year.

AUSTRALIA & PACIFIC

INVESTMENT MANAGEMENT - EQUITY continued

ANNUITY FEES continued

Assets Under Management (AUM)

	AUM at June 2001 A\$b	Additions A\$b	Reductions A\$b	Net Revaluations A\$b	AUM at June 2002 A\$b
Investment Management – Equity					
General Property Trust (including Darling Park Trust)	5.7	0.9	(0.1)	0.1	6.6
Australian Prime Property Fund	1.3	0.4	(0.1)		1.6
LL USOT	1.2			(0.1)	1.1
Property Securities	2.0	0.4	(0.4)	0.2	2.2
Other accounts ⁽¹⁾	0.8	0.1	(0.6)		0.3
Total AUM	11.0	1.8	(1.2)	0.2	11.8
Period movement in AUM	%				7.3%

(1) Includes Kiwi (for 2001 only), Real Estate Partners and private clients

AUM increased A\$0.8 billion (7%) to A\$11.8 billion for the year ended June 2002 and largely related to asset acquisitions by GPT (Homemaker and 2 Park Street), the acquisition by Australian Prime Property Fund Retail of Suncorp-Metway Retail Property Fund and increased investments in Property Securities, offset by a reduction in AUM due to the sale of Lend Lease's 50% share in Kiwi (A\$0.4 billion) on 28 March 2002.

TRANSACTION FEES

Project and Structured finance fees decreased A\$2.5 million (83%) to A\$0.5 million for the year ended June 2002 compared to June 2001. During the financial year, the Project Finance business unit was transferred to the Lend Lease Real Estate Solutions division in Australia.

OTHER INCOME

	June 2002 Total A\$m	June 2001 Total A\$m
Investment Income		
Australian Prime Property Fund	3.2	3.2
Real Estate Partners I	0.2	
	3.4	3.2
Equity Accounted Profits/(Losses)		
Kiwi	1.8	1.3
Darling Park Trust Operators	1.3	(2.0)
	3.1	(0.7)

Equity Accounted Profits/(Losses)

Equity accounted profits for Kiwi Property Group (Kiwi) related to Lend Lease's 50% interest in the management company which undertakes property management and funds management activities in New Zealand. On 28 March 2002, Lend Lease sold its 50% interest in Kiwi. Equity accounted profits for the year ended June 2002 relate to the period from the beginning of the financial year to the date of sale.

Equity accounted profit for Darling Park Trust Operators (DPTO) related to a 50% interest in the management company. Equity accounted profits from DPTO increased A\$3.3 million for the year ended June 2002 compared to the year ended June 2001. The increase is largely due to income support and other payments made during the year ended June 2001 and not repeated in the year ended June 2002 and receipt of asset management fees for the full year ended June 2002.

Gain on sale of investments

On 28 March 2002, Lend Lease sold its 50% interest in the Kiwi Property Group (Kiwi), a New Zealand based property and funds management business. The proceeds on sale were A\$20.5 million and generated a profit before tax of A\$4.6 million.

AUSTRALIA & PACIFIC

RETAIL PROPERTY MANAGEMENT

ANNUITY FEES

Retail Property Management fees are based on a percentage of gross rental income generated from the management of 20 shopping centres on behalf of GPT, Australian Prime Property Fund and external joint ventures. Fees increased by A\$2.4 million (17%) to A\$16.3 million for the year ended June 2002 compared to June 2001. The increase was largely due to increased rental income from the centres as a result of improved trading performance and the addition of three shopping centres resulting from the acquisition by Australian Prime Property Fund Retail of Suncorp-Metway Retail Property Fund.

TRANSACTION FEES

Leasing fees increased A\$1.3 million to A\$6.2 million for the year ended June 2002, compared to June 2001. The increase in leasing fees mainly relates to increased activity arising from the addition of three centres acquired as part of the acquisition by Australian Prime Property Fund Retail of Suncorp-Metway Retail Property Fund and the renewal of specialty leases across the portfolio.

Development management fees increased A\$0.4 million to A\$11.1 million in the year ended June 2002 compared to June 2001. The increase was a result of increased retail development activities in centres managed on behalf of GPT and Australian Prime Property Fund. Major projects that commenced redevelopment during the financial year included Erina Fair for A\$210.0 million, Floreat Forum A\$42.0 million and Sunshine Plaza \$50.0 million.

Other transaction revenue of A\$2.3 million for the year ended June 2002 related to recoveries for marketing initiatives to enhance future revenue streams of the retail centres.

EXPENSES

Total expenses increased A\$9.1 million (17%) to A\$63.1 million for the year ended June 2002 compared to June 2001. The increase is largely attributable to Lend Lease's growth in business during the financial year flowing from the acquisition by Australian Prime Property Fund of the Suncorp-Metway Retail Property Fund, Homemaker acquisition, an increased provision for costs made on insurances after the HIH liquidation and provision for restructuring costs associated with the Group-wide business re-positioning project.

The Australian business has taken part in a Group-wide business re-positioning project with particular focus on providing a platform for profit growth and improving profit margins in 2003 and subsequent years.

ASIA

The REI Asia business is conducted through two business units:

- **Investment Management - Equity**, includes the management of Asia Pacific Investment Company (APIC), capital transactions and asset management services provided to the Lend Lease Global Properties Fund (Global Fund) in relation to its Asian investments and property management services provided to APIC for certain retail assets.
- **Commercial Credit**, relates to the Asian Lend Lease Asset Management business, which is involved in the acquisition, administration, servicing, management and resolution of sub-performing and non-performing loan and real estate portfolios. The primary focus of this business is management of the Lend Lease International Distressed Debt Fund. This Fund had a final closing in December 2001, and raised US\$350.0 million including US\$100.0 million of Lend Lease commitments.

ANALYSIS OF RESULT

	Year ended June 2002			Year ended June 2001		
	Investment Management – Equity A\$m	Commercial Credit A\$m	Total A\$m	Investment Management – Equity A\$m	Commercial Credit A\$m	Total A\$m
Annuity fees						
Advisory/Asset management fees	13.0	20.8	33.8	10.5	14.0	24.5
Property management fees	1.5		1.5	1.2		1.2
Total annuity fees	14.5	20.8	35.3	11.7	14.0	25.7
Transaction fees						
Acquisition fees	1.5		1.5	0.9		0.9
Incentive fees		6.2	6.2		3.0	3.0
Financing/Consulting/Other	9.5	1.3	10.8	12.5		12.5
Total transaction fees	11.0	7.5	18.5	13.4	3.0	16.4
Total operational revenues	25.5	28.3	53.8	25.1	17.0	42.1
Other Income						
Investment income	1.6	7.7	9.3		(0.4)	(0.4)
Other				1.2		1.2
Total income before expenses	27.1	36.0	63.1	26.3	16.6	42.9
Expenses			(68.3)			(54.5)
Profit/(loss) before tax			(5.2)			(11.6)
Gain/(loss) on FX hedge			0.3			-
Hedged profit before tax			(4.9)			(11.6)
Income tax expense			(1.7)			1.4
Profit/(loss) after tax			(6.6)			(10.2)

(1) Investment Management – Debt business is denominated in US\$. Income tax expense in A\$m is net of the tax benefit on fx hedge loss relating to the Investment Management – Debt business.

INVESTMENT MANAGEMENT - EQUITY

ANNUITY FEES

Annuity fees relate to advisory fees for management of APIC (A\$11.3 million), asset management fees earned from investments made by the Global Fund (A\$1.7 million) and property management fees (A\$1.5 million) derived from a major retail asset (Parkway Parade) acquired by APIC on 23 June 2000 and managed by Lend Lease.

Asset management/advisory fees increased A\$2.5 million (24%) to A\$13.0 million for the year ended June 2002 compared to June 2001. The increase was mainly attributable to asset management fees earned as Global Fund increased its capital investments in Asia during the year (A\$1.7 million). Although AUM for APIC was flat for the financial year, advisory fees increased for the June 2002 year as the June 2001 result included fees for an 8 month period only whereas the June 2002 result included fees for a full year in relation to AUM generated by APIC's acquisition of Parkway Parade.

Property management fees increased A\$0.3m for the year ended June 2002 compared to June 2001 reflecting the full year contribution from Parkway Parade.

ASIA

INVESTMENT MANAGEMENT – EQUITY continued

ANNUITY FEES continued

Assets Under Management (AUM)

	AUM at June 2001 US\$b	Additions US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2002 US\$b
APIC	0.6				0.6
Lend Lease Global Fund	0.2	0.2			0.4
Total AUM	0.8	0.2	-	-	1.0
Period movement in AUM					25.0%

The 25% increase in AUM for the year ended June 2002 was attributable to acquisitions made by the Global Fund in Asia during the period.

TRANSACTION FEES

Acquisition fees of A\$1.5 million represent income generated from capital transaction activities related to the Global Fund in Asia.

Financing/Consulting/Other income primarily represents loan arrangement fees earned from services provided to the Global Fund (A\$2.7 million) as additional Global Fund capital was invested in Asia and consulting revenue of A\$6.5 million relating to provision of retail consultancy services, compared to consultancy revenue of A\$10.7 million for the year ended June 2001.

OTHER INCOME

	June 2002 Total A\$m	June 2001 Total A\$m
Investment Income		
APIC	1.6	-
	1.6	-

The June 2002 Investment Income related to distributions from APIC.

PROFIT AFTER TAX

The Investment Management – Equity business recorded a small loss after tax for the year ended June 2002 compared to a small profit after tax in the year ended June 2001. The loss for the year ended June 2002 was due to expenses incurred associated with the proposed establishment of a joint venture management company with Tokyu Corporation and Tokyu Land Corporation (A\$9.5 million) and expenses associated with the proposed SREIT joint venture in Singapore (A\$2.0 million) which is not being pursued at this time. Excluding the impact of these expenses, the Investment Management – Equity business operated at a profit for the year.

TOKYU BUSINESS ALLIANCE

In June 2001, Tokyu Corporation, Tokyu Land Corporation and Lend Lease signed a Memorandum of Understanding to examine the feasibility of creating a joint venture to establish a portfolio of Japanese real estate investment vehicles (both listed and unlisted) and the provision of related real estate services. The Memorandum of Understanding expired on 30 June 2002 and the parties have now agreed to suspend formal negotiations for the time being in relation to the formation of a Joint Venture. Tokyu and Lend Lease will continue to hold informal discussions on potential business opportunities. All expenses incurred in the establishment of this joint venture were expensed in the year to June 2002.

APIC

The institutional shareholders of APIC voted unanimously at a special meeting on 21 June 2002 to restructure APIC (creating APIC II). This restructure allows APIC II to be targeted for a launch in late 2002 and will focus on value-enhanced assets primarily in the retail sector. The existing office, residential and industrial assets in APIC will be divested in accordance with the APIC Board's strategy.

COMMERCIAL CREDIT

ANNUITY FEES

Advisory/Asset management fees relate to advisory fees earned from IDDF which are directly based on investor commitments to IDDF and asset management fees derived from the servicing, managing and resolving non-performing loan portfolios on behalf of IDDF, that fund's investment partners and other third party clients. Asset management fees are principally based on the amount invested in the portfolio and therefore reduce, as particular investments are resolved. Asset management fee rates vary by country and by portfolio composition.

ASIA

COMMERCIAL CREDIT continued

ANNUITY FEES continued

Advisory fees increased A\$6.2 million to A\$8.9 million for the year ended June 2002 reflecting the staggered closing of IDDF over the period March 2001 to December 2001. Asset management fees increased A\$0.6 million to A\$11.9 million reflecting the ongoing investment of IDDF capital. IDDF, in conjunction with its partners, invested US\$225.0 million in Japan and Korea since June 2001.

Assets Under Resolution (AUR)

	AUR at June 2001 US\$b ⁽¹⁾	Additions US\$b	Reductions US\$b	Currency translations US\$b	AUR at June 2002 US\$b
IDDF and its investment partners	0.4	1.8	(0.3)		1.9
Third parties (non IDDF mandates)	5.4	0.5	(0.6)	0.1	5.4
Total AUR	5.8	2.3	(0.9)	0.1	7.3
Period movement in AUR	%				25.9%

(1) June 2001 opening balance reflects a US\$0.5 billion reallocation of AUR from IDDF to third party mandates due to a misclassification.

AUR increased US\$1.5 billion (26%) to US\$7.3 billion for the year ended June 2002 compared to June 2001. The growth in AUR has been primarily driven by the ongoing investment of IDDF capital, combined with some new third party mandates.

With the launch of IDDF, Lend Lease's future strategy will focus only on mandates in which IDDF has an interest. Third party client investments are therefore expected to reduce as existing investments run-off.

Assets under Resolution represents the legal loan balances of loans managed on behalf of investors and is only indicative of the volume of activity in the business. As noted above, advisory fees from IDDF are earned on investors' capital commitments to the Fund and not the level of AUR. Asset management fees are generally earned on the amount invested in the portfolio, the quantum of which can vary significantly with each transaction activity.

TRANSACTION FEES

Transaction fees include incentive fees and financing/consulting fees. Incentive fees are earned from the successful resolution of portfolios serviced for IDDF and its investment partners and third party clients. These fees are based on achieving returns above predetermined investment return hurdles. In addition, Lend Lease has the potential to earn incentive fees in its role as advisor to IDDF based on a pre-determined return above certain preferred investor hurdles. It is anticipated that these incentive fees will begin to emerge in 2005.

Incentive fees increased A\$3.2 million to A\$6.2 million for the year ended June 2002 relating to fees earned from third party portfolios in Japan (A\$4.2 million) and IDDF portfolios in Korea (A\$2.0 million).

Financing/Consulting/Other income of A\$1.3 million primarily represents financing fees associated with the placement of a financing facility for IDDF.

OTHER INCOME

	June 2002 Total A\$m	June 2001 Total A\$m
Investment Income		
International Distressed Debt Fund	7.1	
Other	0.6	(0.4)
Total	7.7	(0.4)

The June 2002 Investment Income primarily relates to income earned from Lend Lease's investment in IDDF. The nature of IDDF is such that the profitability of the business is largely geared towards derivation of incentive fees and investment income. A key driver of the business is the velocity with which capital can be deployed and non-performing loans resolved to generate returns for investors.

PROFIT AFTER TAX

The Commercial Credit business recorded a small loss after tax for the year ended June 2002 compared to a loss after tax of A\$11.5 million for June 2001. The result for the financial year was underpinned by investment income of A\$7.1 million earned on Lend Lease's average A\$53.7 million investment in IDDF and after the inclusion of significant expenses associated with the establishment of IDDF and the supporting asset management platforms in Asia. The Asian infrastructure is now in place and with the successful final closing of IDDF in December 2001, subject to market conditions, the business expects to be profitable in the June 2003 financial year.

EUROPE

The REI Europe business consists of two business units:

- **Investment Management - Equity**, which includes the management of Bluewater on behalf of investors (including Lend Lease's 30% direct ownership), the Lend Lease Retail Partnership, the Lend Lease Overgate Partnership and acting as agent for other entities in Europe (including the Lend Lease Global Properties Fund (Global Fund) and Lend Lease Houlihan Rovers) for which advisory/asset management fees, funds management fees and transaction fees for acquisitions, dispositions and arranging finance are earned. Investment Management – Equity includes the entity Lend Lease Global Real Estate Advisors and relates to the dedicated investment management of the Global Fund and its sister fund, Lend Lease Asia Properties.
- In addition Lend Lease receives investment income from co-investments in funds and direct investment in assets, and equity accounted profits from Generali Lend Lease and Lend Lease Porto Retail (up to sale date of 27 December 2001).
- **Retail Property Management** includes the management of UK retail shopping centres (Bluewater in Kent, Overgate in Dundee and Touchwood in Solihull) and the Larry Smith Retail Centre management business in Spain. The Larry Smith Retail Centre management business in Italy was sold on 11 December 2001, with an effective sale date of 1 July 2001 (see below), and earnings from this business were not included in the results for the year ended June 2002.

ANALYSIS OF RESULT

	Year ended June 2002				Year ended June 2001			
	Investm't Mgt- Equity £m	Retail Property Mgt £m	Total £m	A\$m	Investm't Mgt - Equity £m	Retail Property Mgt £m	Total £m	A\$m
Annuity fees								
Advisory/Asset management fees	4.5		4.5	12.5	3.1		3.1	8.4
Funds management fees	1.6		1.6	4.4	0.7		0.7	1.9
Property management fees		1.1	1.1	3.1		1.1	1.1	3.0
Larry Smith revenue		1.6	1.6	4.4		2.2	2.2	6.0
Total annuity fees	6.1	2.7	8.8	24.4	3.8	3.3	7.1	19.3
Transaction fees	2.3	1.1	3.4	9.5	0.4	2.1	2.5	6.8
Total operational revenues	8.4	3.8	12.2	33.9	4.2	5.4	9.6	26.1
Investment income	20.9		20.9	58.0	18.3		18.3	49.9
Equity accounted profit	1.5		1.5	4.2			-	-
Gain on sale of investments	5.7		5.7	15.8			-	-
Total income before expenses	36.5	3.8	40.3	111.9	22.5	5.4	27.9	76.0
Expenses			(21.7)	(60.5)			(16.9)	(46.0)
Profit before tax			18.6	51.4			11.0	30.0
Gain/(loss) on fx hedge				(1.7)			-	(1.6)
Hedged profit before tax			18.6	49.7			11.0	28.4
Income tax expense ⁽¹⁾			(6.6)	(17.8)			(4.4)	(10.5)
Profit after tax			12.0	31.9			6.6	17.9

(1) Income tax expense in A\$m is net of the tax benefit on the fx hedge loss.

INVESTMENT MANAGEMENT – EQUITY

ANNUITY FEES

Advisory/Asset management fees and Funds management fees increased by £2.3 million to £6.1 million in the year ended June 2002 compared to June 2001. The increase is due to additional fees now being earned from the Lend Lease Overgate Partnership (£0.1 million), the Lend Lease Retail Partnership following its purchase of Touchwood, Solihull Centre in September 2001 (£0.7 million), increased fees earned from asset management of the Global Fund (£1.3 million), and, an increase in fees earned from LLHR (£0.2 million).

Lend Lease Houlihan Rovers (LLHR)

LLHR is a Belgium-based European listed real estate equities management company established in February 2000. Lend Lease holds an 80% interest with the balance held by LLHR management. LLHR made a small loss for the year ended June 2002.

Lend Lease Global Properties SICAF (LLGP)

LLGP is advised by the Luxembourg-based Lend Lease Global Real Estate Advisers (LLGREA). LLGP is a private commingled opportunistic real estate investment company. Launched in February 1999, the LLGP closed to new investors in December 2000 with total capital raised of US\$590.0 million, including US\$60.0 million allocated to its sister vehicle: Lend Lease Asia Properties SICAF. Lend Lease has committed US\$100.0 million in equity (drawn down to US\$47.5 million at June 2002) to co-invest along with 13 other institutional investors from the US, Canada, Australia, Middle East and Europe.

EUROPE

INVESTMENT MANAGEMENT – EQUITY continued

ANNUITY FEES continued

Lend Lease Global Properties SICAF (LLGP) continued

LLGP pays LLGREA advisory fees for providing portfolio management, asset management and other services, broadly based on the level of assets under management. Gross advisory/asset management fees increased £2.1 million to £3.2 million for the year ended June 2002 compared to June 2001.

On 5 August 2002, LLGP acquired Akeler Holdings SA (Akeler), a real estate investment and development company, for £294.0 million. Akeler has a strong track record in the office and business park sector in the UK and a growing presence in Europe. Akeler's portfolio consists of 13 assets totalling 117,000 square metres (1.262 million square feet) and a development pipeline of a further 268,000 square metres (2.885 million square feet). The majority of the underlying assets are in the UK.

Following the Akeler acquisition, LLGP's gross assets under management total approximately US\$1.0 billion.

Assets Under Management (AUM)

	AUM at June 2001 £b	Additions £b	Reductions £b	Net Revaluations £b	AUM at June 2002 £b
Bluewater	1.3				1.3
Touchwood ⁽¹⁾		0.2			0.2
Overgate ⁽²⁾	0.1				0.1
Joint ventures/Separate Accounts ⁽³⁾	0.2	0.1			0.3
Lend Lease Global Properties SICAF	0.2		(0.1)		0.1
Total AUM	1.8	0.3	(0.1)	-	2.0
Period movement in AUM					11.1%

(1) Includes Lend Lease's 4.95% indirect interest in the Touchwood, Solihull retail centre via the Lend Lease Retail Partnership.

(2) Includes Lend Lease's 30.7% indirect interest in the Overgate, Dundee retail centre via the Lend Lease Overgate Partnership.

(3) Includes Lend Lease's proportional share of AUM from the Generali Lend Lease, Lend Lease Houlihan Rovers and Lend Lease Porto Retail (Arrabida) joint ventures.

AUM increased £0.2 billion (11.1%) to £2.0 billion for the year ended June 2002 compared to £1.8 billion at June 2001.

Additions to AUM of £0.3 billion largely reflect the purchase by the Lend Lease Retail Partnership of Touchwood, Solihull and additional investments managed by Lend Lease Houlihan Rovers (LLHR), and by Generali Lend Lease.

Reductions to AUM of £0.1 billion reflect the sale of the Global Fund's 50% interest in the Arrabida retail property in Portugal on 27 December 2001 and the sale of a UK office asset (Hayes). Both Global Fund sales were on terms in excess of the Fund's target return.

LLGP Assets Under Management

Gross Global Fund AUM at June 2002 was US\$0.5 billion including investments in the UK, Hong Kong, Korea, Japan and Germany.

LLGP AUM is included in the AUM reported by the regional REI businesses.

	AUM at June 2001 US\$b	Additions ⁽¹⁾ US\$b	Reductions US\$b	Net Revaluations US\$b	AUM at June 2002 US\$b
Europe	0.3		(0.2)		0.1
Asia	0.2	0.2			0.4
Total AUM	0.5	0.2	(0.2)		0.5
Period movement in AUM%					0.0%

(1) The Global Fund acquired and disposed of a number of properties during the period – acquisitions included a residential refurbishment in Hong Kong, an office refurbishment in London, an office/residential refurbishment in Japan and an office property in Seoul, Korea. Dispositions included Hayes Park office in London, the Arrabida Shopping Centre in Portugal.

TRANSACTION FEES

Transaction fees (being acquisition/consulting/financing/disposition fees) increased £1.9 million to £2.3 million for the year ended June 2002. The increase is due to fees earned in arranging LLGP's financing for new acquisitions in Europe and, in addition, disposition fees earned on the sale of the Arrabida Shopping Centre.

EUROPE

RETAIL PROPERTY MANAGEMENT

ANNUITY FEES

Retail Property management fees are generated from the management of certain retail shopping centres (largely Bluewater, Overgate & Touchwood). Retail Property management fees for the year ended June 2002 were similar to June 2001 at £1.1 million.

Larry Smith revenue decreased £0.6 million to £1.6 million for the year ended June 2002 compared to June 2001. The decrease is largely attributable to a reduction in revenue of £0.9 million for the financial year due to the sale of Larry Smith Italy, effective 1 July 2001, offset by an increase in Spanish property management fees of £0.3m.

OTHER INCOME

	Year ended June 2002 Total		Year ended June 2001 Total	
	£m	A\$m	£m	A\$m
Investment Income				
Bluewater, Kent	17.4	48.3	17.0	40.1
Overgate, Dundee	2.0	5.6	6.8	8.2
Touchwood, Solihull ⁽¹⁾	0.1	0.3		
Lend Lease Retail Partnership	1.1	3.1	0.6	1.6
Lend Lease Overgate Partnership	2.2	6.1		
Investment income expenses ⁽²⁾	(1.9)	(5.4)	(6.1)	-
Total investment income	20.9	58.0	18.3	49.9
Equity Accounted Profits/(Losses)				
Lend Lease Porto Retail	1.4	3.9	0.3	0.8
Generali Lend Lease	0.1	0.3	(0.3)	(0.8)
Total equity accounted profits/(losses)	1.5	4.2	-	-
Gain on Sale of Investments				
Arrabida/Larry Smith Italy	5.7	15.8	-	-

- (1) Represents investment income on Touchwood for the period from the opening of the Centre to the date of sale to the Lend Lease Retail Partnership on 28 September 2001.
- (2) Investment income expenses primarily represents a deferred return payable to investors in the Lend Lease Overgate Partnership.

Investment Income

Bluewater investment income of £17.4 million for the year ended June 2002 related to the net operating income (NOI) of Bluewater, derived from Lend Lease's remaining 30% direct interest (30% at June 2001).

The NOI of Bluewater is largely comprised of a base rent and therefore is not dependent upon sales turnover rent. However, some tenants are subject to a turnover rent "top-up". The majority of market rent reviews for Bluewater's tenants will occur during the financial year ending June 2004.

The Overgate investment income of £2.0 million for the year ended June 2002 related to the NOI derived from Lend Lease's interest in the Centre. Lend Lease received 100% of Overgate's NOI up to the point at which forward sale pre conditions relating to lease targets had been met and the investors in the Lend Lease Overgate Partnership made their final payment. From 28 September 2001, the investors in the Lend Lease Overgate Partnership (including Lend Lease which holds a 30.7% interest) received 100% of the NOI. Accordingly, investment income earned of £2.0 million related to the period from July 1 2001 to 28 September 2001.

The Lend Lease Retail Partnership (LLRP) investment income of £1.1 million for year ended June 2002 related to Lend Lease's 4.95% interest in the Partnership which owns a 25% interest in Bluewater and, throughout the financial year, progressively increased its ownership interest in Touchwood, Solihull. On 28 September 2001, the forward sale and pre-conditions in regard to minimum leasing criteria were met and the Lend Lease Retail Partnership acquired 90% of Touchwood, a further contracted payment for 4% of the Centre was completed on 25 March 2002, and a further 4% on 24 June 2002. Thus, up to June 2002, 98% of the Centre has been purchased for a total £195.0m. The final payment for the Centre is expected by December 2002.

The Lend Lease Overgate Partnership (LLOP) investment income of £2.2 million for the year ended June 2002 related to Lend Lease's 30.7% interest in the Partnership which, from 28 September 2001, owned 100% of Overgate, Dundee. Accordingly, investment income earned of £2.2 million related to the period from 28 September 2001 to 30 June 2002.

Investment income expenses primarily relate to a deferred return payable to investors in the LLOP. Prior to 29 September 2001 (28 September 2001 being the date of sale of the Overgate retail centre into the LLOP), Lend Lease was required to pay the investors a return of 8.5% per annum on the deposit (£1.4 million from the beginning of the financial year to 28 September 2001).

EUROPE

RETAIL PROPERTY MANAGEMENT

OTHER INCOME continued

Equity Accounted Profits/(Losses)

Equity accounted profits of £1.4m for Lend Lease Porto Retail represents a 50% share of the net operating income of the company which owned the Arrabida Shopping Centre in Portugal for the period from the beginning of the financial year to 27 December 2001, being the date the Centre was sold.

Equity accounted profits of £0.1 million for Generali Lend Lease represents a 40% interest in a Joint Venture with the Assicurazioni Generali S.P.A. group. GLL commenced operations in January 2001 as a joint venture between Lend Lease (40.0%) and Generali (40.0%), a major European insurance company, with the balance of the joint venture owned by GLL Management. The principal objective of the joint venture, which is based in Munich, Germany, is to provide European real estate investors access to core investment opportunities, initially in Europe, and then in other regions drawing on the Lend Lease global REI network.

During the year ended June 2002, GLL, in an agency capacity and on behalf of clients, effected two significant transactions including the acquisition of a 65% interest in a Class A office building in Washington DC and the acquisition of an 85% interest in Frankfurt's landmark MesseTurm Building, one of Europe's premier multi-tenant office buildings.

Gain on Sale of Investments

On 27 December 2001 Lend Lease sold its interest in Lend Lease Porto Retail, a holding company for the Arrabida retail property in Portugal. The proceeds on sale were £7.6 million and profit before tax on sale was £4.6 million.

On 12 December 2001, Lend Lease disposed of its investment in Larry Smith & Associates SRL, an Italian subsidiary with an effective sale date of 1 July 2001. The proceeds on sale of the company were £2.0 million and the sale generated a small profit after tax.

EXPENSES

Excluding net investment income and gains on sale of assets, the business operated at a loss during the financial year. This loss can be largely attributable to costs associated with the establishment of a real estate services infrastructure (capital raising, transactions and fund structuring) to complement the existing retail investment management base. Expenses increased £4.8 million (28%) to £21.7 million for the year ended June 2002 compared to June 2001. The increase is primarily due to additional operational costs of the Investment Management – Equity business including new business costs incurred in relation to product development, opening Middle Eastern operations and increased expenses of the Global Fund during its investment phase.

The European business has taken part in a Group-wide business re-positioning project with particular focus on providing a platform for profit growth and improving profit margins in 2003 and subsequent years.

OTHER

CAPITAL SERVICES

The principal activities of Capital Services are as investor in infrastructure assets, asset fund manager 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.

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Australia & Pacific	3.3	49.1	0.2	18.9	(2.5)	8.5	8.2	3.8
Asia							9.3	9.3
Europe	8.6 ⁽¹⁾	27.8	12.1	(21.1)	9.2	(21.2)	19.3 ⁽²⁾	20.7
Total	11.9	76.9	12.3	(2.2)	6.7	(12.7)	36.8	33.8
% of Total Group	0.1	0.7	3.1	(0.9)	3.0	(8.4)	0.4	0.4

(1) Fully provided.

(2) Segment assets are net of provisions raised in prior financial years.

AUSTRALIA & PACIFIC

Revenue of A\$3.3 million and loss after tax of A\$2.5 million for the year ended 30 June 2002 included the sale of Morrisons in July 2001 for A\$1.6 million and cost recoveries, offset by a prior period tax under provision of A\$2.4 million. Revenue of A\$49.1 million and profit after tax of A\$8.5 million in the corresponding financial year mainly related to the sale of Lend Lease's remaining interest in the Prospect Water Partnership. Following the sale of the investment in Morrisons the Australian Capital Services business held no material investments.

ASIA

The segment assets in Asia related to the investment in Lend Lease Asia Water Trust (16.5%) on which no income has been earned.

EUROPE

The European Capital Services business consists of investments in Chelverton, THI and Clacton. Revenue of A\$8.6 million comprises loan guarantee fees in respect of Chelverton and Clacton. These fees were fully provided. Profit after tax of A\$9.2 million largely comprises reversal of provisions following the proceeds received from the THI plc liquidation. Revenue of A\$27.8 million for the corresponding financial year mainly related to guarantee fees earned in respect of Chelverton.

Segment assets of A\$19.3 million mainly related to the investment in Chelverton Group. The status of each investment is summarised below.

Chelverton Group

Lend Lease has a 50% interest in Chelverton Group. The initial investment was made in April 1996. Lend Lease also has a 50% interest in Chelverton Properties International, which is a property developer in Poland. Lend Lease's total investment in, and guarantees provided, on behalf of Chelverton Group at June 2002 totalled A\$87.2 million.

Lend Lease had reached an agreement to sell its interests in Chelverton Group and Chelverton Properties International for GBP10.0 million of which an initial payment of GBP5.0 million was received in August 2001. The completion of the sale was due to complete in June 2002. Although this has yet to occur the agreement remains in force and discussions are continuing with the purchaser regarding a restructuring of the sale transaction.

All known exposures in respect of this investment in, and guarantees provided on behalf of, the Chelverton Group have been fully provided in the financial statements.

THI plc (THI)

Lend Lease has a 14.3% interest in THI. The initial investment was made in December 1996. The performance of THI had been substantially below expectations, resulting in the Company being placed into administrative receivership on 4 April 2001 at the request of its Directors. A number of provisions have been raised in prior periods to cover the exposure. No additional provisions have been raised since 30 June 2001.

The receiver is in the process of completing and disposing of THI's investments and projects and up to 30 June 2002 a return of A\$13.9 million had been received resulting in a corresponding reversal of provisions held against guaranteed loans.

Clacton

Lend Lease's approximate 43% interest in the Clacton Factory Outlet Centre was acquired in March 1998. The Centre itself has traded below expectations since opening. During the financial year the Centre was sold and Lend Lease has no further obligations in respect of the Centre. The investment and guarantees have been fully provided for in prior periods. No additional provisions have been raised since 30 June 2001.

INVESTMENTS - IT+T AND eBUSINESS INVESTMENTS

These investments related to holdings in information technology and telecommunication (IT+T) services companies and various eBusiness ventures.

RESULTS

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Australia & Pacific								
IBM Global Services Australia (IBMGSA)	20.4	11.8	20.0	11.8	16.8	7.8	73.5	77.3
Other investments including CoolSavings, Inc. Expenses	1.6		2.4	(53.5) (15.2)	2.4	(40.4) (10.1)		6.3
Total IT+T and eBusiness investments	22.0	11.8	22.4	(56.9)	19.2	(42.7)	73.5	83.6
% of Total Group	0.2	0.1	5.7	(23.7)	8.5	(28.2)	0.9	0.9

PROFIT AFTER TAX

IT+T and eBusiness investments made a profit after tax of A\$19.2 million for the year to June 2002, which was largely due to distributions received from IBMGSA and the realisation of the investment in CoolSavings, Inc. which was sold in April 2002 to Landmark Ventures VII, LLC for A\$1.6 million (US\$0.9 million based on US\$0.08 per share). The investment was fully provided for during the year to June 2001, therefore provisions of A\$1.6 million after tax were released at the time of the sale.

Distributions from IBMGSA totalled A\$20.4 million before tax, and related to both dividends and royalty payments.

IT+T and eBusiness initiatives have been discontinued and the strategy is focussed on maximising the value of Lend Lease's investment in IBMGSA.

SEGMENT ASSETS

Segment assets includes the investment in, and loan to, IBMGSA (A\$58.6 million). The reduction in segment assets is due to IBMGSA repaying A\$18.4 million of shareholder loans during the financial year, and the sale of CoolSavings, Inc. to Landmark Ventures VII, LLC.

INVESTMENTS - EQUITY (LISTED) INVESTMENTS

RESULTS

	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
AUSTRALIA & PACIFIC								
Sales of Investments								
Westpac Banking Corporation:								
Sale of shares subject to hedge arrangements	61.9	192.2	39.0	120.1	28.2	82.6		22.5
Dividend income from shares subject to forward sale				0.2		0.1		
Sale of residual holding		0.3						
Total Equity Investments	61.9	192.5	39.0	120.3	28.2	82.7	-	22.5
% of Total Group	0.5	1.7	10.0	50.0	12.4	54.6	-	-

PROFIT AFTER TAX

Equity Investments' contribution to the profits of the Group was A\$28.2 million after tax for the year ended 30 June 2002 and related to the realisation of previously hedged Westpac shares, as compared to A\$82.7 million for the corresponding financial year.

All remaining Westpac shares existing under the Hedge Arrangement at 30 June 2002 have been sold during the year ended June 2002. No further profits will be realised from Westpac shares.

CORPORATE

Corporate consists of Group Services (which includes corporate administration), Group Amortisation and Group Treasury (which includes all financing costs that are not directly related to real estate development projects or investments, irrespective of where those costs are incurred).

GROUP SERVICES

	Operating Revenue		Operating (Loss) Before Tax		Operating (Loss) After Tax		Segment Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
GROUP SERVICES								
Corporate Services	21.3	43.3	(10.8)	(43.9)	(27.0)	(16.8)		
Group IT Costs			(19.6)	(27.9)	(13.8)	(18.4)		
Total Group Services	21.3	43.3	(30.4)	(71.8)	(40.8)	(35.2)	-	-

CORPORATE SERVICES

	June 2002 A\$m	June 2001 A\$m
Revenue		
Revenue in relation to Lend Lease Foundation	5.2	24.6
Shared Services provided to external parties	4.5	9.8
Other revenue	11.6	8.9
Total Revenue	21.3	43.3
Expenses		
Net corporate costs ⁽¹⁾	(18.4)	(38.3)
Provisions (raised)	(5.8)	(22.0)
Lend Lease Foundation costs	(7.9)	(26.9)
Total Expenses	(32.1)	(87.2)
(Loss) before tax	(10.8)	(43.9)
Tax benefit/(expense)	(16.2)	27.1
(Loss) after tax	(27.0)	(16.8)

(1) Net corporate costs comprises:

	30 June 2002 A\$m	30 June 2001 A\$m
Gross corporate costs	80.0	77.0
Shared Services	16.5	15.1
Less recoveries	(78.1)	(53.8)
Net corporate costs	18.4	38.3

Corporate Services revenue decreased to A\$21.3 million for the June 2002 year from A\$43.3 million in the June 2001 year. This is due to Foundation revenue decreasing due to the reduction in dividends from Lend Lease shares. Shared Services provided to external parties reduced during the financial year as the majority of services were transferred back to MLC.

Net corporate costs decreased by A\$19.9 million. The June 2002 gross corporate costs included a number of material non-recurring items amounting to A\$13.4 million. These included Business Repositioning project costs, legal and consultancy services on the Thredbo Coronal Inquiry and the Royal Commission into the Building Industry offset by cost savings from the Business Repositioning Project initiatives. The full benefits relating to the Business Repositioning project costs are expected to be realised in the June 2003 year. Recoveries also included material non-recurring items amounting to A\$23.1 million.

GROUP IT COSTS

Global IT costs related to IT costs that were not incurred directly by the operating businesses. From 1 July 2001, Lend Lease insourced IT services from IBMGSA.

CORPORATE continued**GROUP AMORTISATION**

All amortisation charges are reported at the Group, not business unit, level.

	Book Value		Amortisation Charge	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Management Agreements				
US REI – Equity	377.5	423.4	8.9	8.8
HCI (previously Boston Financial Group)	202.4	230.1	4.7	4.6
Debt Businesses (including CapMark and HFF)	241.4	270.2	5.6	5.5
REI – Australia	59.8	40.1	1.2	0.8
	881.1	963.8	20.4	19.7
Goodwill				
Bovis Group	685.9	781.7	42.9	40.8
HCI (previously Boston Financial Group)	28.2	33.8	1.7	1.9
US REI – Equity	62.3	72.9	4.4	4.6
Debt Businesses (including CapMark and HFF)	194.2	229.7	16.8	16.1
Larry Smith	1.0	4.4	1.3	2.1
Delfin Group	72.3		3.4	
	1,043.9	1,122.5	70.5	65.5
Other intangible assets	5.1	2.6	1.0	7.0
Total Group amortisation at average rate			91.9	92.2
(Gain)/loss on foreign profit hedges			(10.0)	(9.9)
Amortisation adjusted for foreign exchange hedges			81.9	82.3

The Delfin Group goodwill arose on acquisition of the Delfin Group on 10 August 2001.

ACCOUNTING FOR GOODWILL AND OTHER INTANGIBLES – US DEVELOPMENTS

On 29 June 2001, the US Federal Accounting Standards Board (FASB) approved Statement SFAS142, Goodwill and Other Intangible Assets. The Statement removed the requirement to systematically amortise goodwill and instead, imposed a requirement to subject goodwill to an impairment test at each reporting date, with any impairment loss charged to profit and loss.

In respect of other intangible assets, the Statement requires:

- For intangible assets with finite lives, the intangible assets are to be amortised over their useful lives; and
- For intangible assets with indefinite lives, then no amortisation is required, with such assets to be subject to an impairment test at each reporting date, with any impairment loss charged to profit and loss.

Lend Lease would view that its management agreements fall into the latter category.

As a result of the new US rules, the International Accounting Standards Board are addressing revisions to International Accounting Standards on business combinations, including purchased goodwill and other intangibles. The Australian Accounting Standards Board (AASB) has tentatively agreed that the requirement to amortise goodwill should be removed and replaced with an impairment test for goodwill. They have also acknowledged other intangible assets may, in certain circumstances, have an indefinite useful life and, accordingly, should not be amortised but rather should be subject to impairment testing. The Directors of Lend Lease agree with SFAS142 as the impairment test reflects economic reality unlike the current Australian standard which requires a charge to the profit and loss irrespective of the underlying performance and value of the assets currently subject to amortisation charges. Lend Lease complies with the current Australian Accounting Standard.

CORPORATE continued**GROUP TREASURY**

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Assets	
	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m	June 2002 A\$m	June 2001 A\$m
Net fx hedge benefits	4.6		24.1		16.9			
Interest revenue	31.1	114.5	29.3	114.5	21.8	75.8		
Borrowing costs			(68.0)	(74.3)	(37.9)	(42.0)		
Total Group Treasury	35.7	114.5	(14.6)	40.2	0.8	33.8	519.8	683.7

FOREIGN EXCHANGE HEDGE BENEFITS/COSTS

Net FX hedge benefits are earned on the Group's hedging of net assets and transactions. The current financial year amount of A\$24.1 million compared to \$Nil in the prior financial year is primarily due to the favourable increase in interest rate differentials between the US and Australia, earned mainly on hedging the Group net asset position (which includes intercompany loans).

Overall the impact of foreign exchange on the consolidated profit and loss was a gain of A\$2.2 million pre tax compared to a loss of A\$11.9 million in the prior financial year. Included in this gain are foreign exchange losses of A\$21.9 million incurred on current financial year profit hedges⁽¹⁾. These losses are excluded from the Group Treasury result (except to the extent that they relate to Group Treasury) and are allocated to business unit segment profit and Group interest and amortisation.

The impact of foreign exchange movements on the Group's net assets is recorded in the Foreign Currency Translation Reserve (FCTR). In the current financial year, FCTR reduced by A\$60.9 million due to the stronger Australian dollar at June 2002 compared to June 2001. The level of net asset hedging was reduced during the year.

INTEREST

Operating profit before tax on interest revenue decreased by A\$85.2 million to A\$29.3 million for the year ended 30 June 2002. This was primarily due to higher average cash balances during the year ended June 2001 following the sale of Financial Services businesses on 30 June 2000 and higher interest rates during the year ended June 2001 as compared to June 2002. Operating interest revenue includes an apportionment of foreign exchange losses of A\$1.8 million.

Borrowing costs (including non-interest) decreased by A\$6.3 million to A\$68.0 million for the year ended 30 June 2002, primarily due to lower average interest rates in the June 2002 year compared to the June 2001 year.

Borrowing costs comprise A\$81.8 million (as per Note 4 of the June 2002 Consolidated Financial Statements) offset by the apportionment of foreign exchange gains of A\$13.8 million before tax (A\$9.7 million after tax) on interest incurred primarily on the US borrowings.

(1) Projected revenues less expenses from foreign operations (mainly US dollars and Pounds Sterling) are hedged within predetermined bands for the current and subsequent 2 years.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

BALANCE SHEET SUMMARY BY MAJOR COMPONENT

	June 2002 A\$m	June 2001 A\$m	Increase/ (Decrease) A\$m
Cash	904.1	1,118.6	(214.5)
Real Estate Development Inventories	924.4	979.6	(55.2)
Real Estate Development Investments	140.9	36.8	104.1
Real Estate Co-investments	606.2	602.4	3.8
Other Real Estate Investments	648.9	437.4	211.5
Other Investments	42.8	59.7	(16.9)
Goodwill	1,043.9	1,122.5	(78.6)
Management Agreements	881.1	963.8	(82.7)
Borrowings	(938.6)	(1,080.8)	142.2
Other Net Assets/(Liabilities) ⁽¹⁾	(501.6)	(572.6)	71.0
Shareholders' Equity	3,752.1	3,667.4	84.7

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

Lend Lease's Balance Sheet continues to be strong. Key features of the Balance Sheet are:

- Cash was A\$904.1 million at June 2002 (refer Cash Flow section below).
- The increase in Real Estate Development Investments of A\$104.1 million was largely due to the acquisition of the Delfin Group.
- Other Real Estate Investments increased by A\$211.5 million largely due to the increase in mortgage loans and tax credit properties compared to the June 2001 financial year.
- Total equity increased from A\$3.7 billion to A\$3.8 billion primarily due to retention of current period profits net of dividends paid.

CREDIT STRENGTH

Management analyses credit strength in terms of interest coverage and continues to target approximately 7 times EBITDA to interest expense ratio.

		June 2002	June 2001
CAPITAL STRUCTURE			
Shareholders			
Shares on Issue	m	434.5	429.6
Weight Average Shares on Issue	m	431.7	449.7
Credit Strength			
Borrowings to Total Assets	%	10.8	11.8
Gross Debt to Shareholders' Equity	%	25.0	29.5
Net Debt to Shareholders' Equity	%	0.9	(1.0)
Debt to Shareholders' Equity plus Debt	%	20.0	22.8
Credit Rating	Rating	A-/Baa2	A-/Baa2
Interest Coverage ⁽¹⁾	Times	7.6	5.4
Interest Coverage Target	Times	7	7

(1) Calculated as EBITDA plus interest revenue divided by net borrowing costs excluding foreign exchange benefit.

Borrowings were A\$938.6 million at June 2002, compared to A\$1,080.8 million at 30 June 2001. The ratio of borrowings to Shareholders' Equity was 25.0% at June 2002, compared to 29.5% at 30 June 2001. The ratio of Net Debt to Shareholders' Equity June 2002 was 0.9% (negative 1.0% at June 2001 due to the level of cash exceeding borrowings).

CASH FLOW

The following table summarises the major cash flows for the year ended 30 June 2002.

	A\$m
Cash at 30 June 2001	1,118.6
Summary Of Major Cash Transactions During The Financial year	
Operating Activities	
Net receipts in the course of operations	173.8
Net Property Development receipts	518.5
Tax payments	(142.0)
Net interest paid	(52.3)
Other operating cash receipts	59.4
Net cash provided by operating activities	557.4
Other Cash Transactions	
Payment of dividends	(73.3)
Funding of 'out of the money' foreign exchange hedge contracts	(32.3)
REI Co-investments	(142.3)
Mortgage Loans	(219.2)
Purchase of Delfin Ltd	(173.9)
Proceeds on sale of investments (including Da Chang and Arrabida)	126.7
Net borrowing repayments	(243.6)
Other net cash flows	(14.0)
Net cash deployed for the financial year	(214.5)
Closing cash balance at 30 June 2002	904.1

Cash flow for the Corporation was strong in the June 2002 financial year. Net property development cash flows mainly relate to three projects: Olympic Village, Sydney (A\$240.9 million); Touchwood Court, Solihull (A\$139.9 million); and Overgate Centre, Dundee (A\$132.1 million).

COMMITMENTS

Lend Lease has significant capital commitments over the next 12 months including payment for REI Co-investments of A\$275.2 million (including IDDF A\$109.9 million, Lend Lease Global Fund A\$92.0 million and other Co-investments A\$73.3 million).

TAXATION - EFFECTIVE TAX RATE

The effective tax rate was 38.9% in the June 2002 financial period as compared to 34.5% in the prior financial year. The increase is primarily due to an under provision for tax relating to previous financial years and a write-off of future income tax benefits currently assessed as non-recoverable, offset by the reduction in the Australian corporate tax rate from 34% to 30% effective 1 July 2001.

DIVIDEND FRANKING

The final dividend for the June 2002 financial year of 9 cents per share to be paid in September 2002 will be fully franked. In accordance with the previously announced policy, the Company will only pay dividends in the future up to the extent of the available franking credits. The level of franking credits in any particular financial year is dependent upon the level of taxable income generated in Australia, the timing of the realisation of profits and losses and the timing of the payment of tax. These variables are difficult to forecast and any forecast is subject to a significant margin of error. Based on current forecasts, Lend Lease expects to pay an increased fully franked dividend in the year to June 2003.

PROSPECTS

The company is budgeting for a slight increase in after tax profit for the year ended 30 June 2003. However, it must be stressed that the future profit of Lend Lease will depend on a range of factors including the state of the global economy and property markets, competitive and regulatory pressures, future deployment of capital and other relevant factors that are not possible to predict with confidence.