

AUSTRALAND HOLDINGS LIMITED

ACN 008 443 696

CONSOLIDATED FINANCIAL STATEMENTS

6 MONTHS ENDING 30 JUNE 2000

**AUSTRALAND HOLDINGS LIMITED AND
CONTROLLED ENTITIES
A.C.N. 008 443 696**

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Australand Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2000.

DIRECTORS

The following persons were Directors of Australand Holdings Limited during the whole of the half-year and up to the date of this report:

Mr. James Glen Service AM (Deputy Chairman)
Mr. Brendan Patrick Crotty (Managing Director)
Mr. William John Beerworth
Lt Gen (Ret'd) Winston Choo
Mrs. Lim Joke Mui
Mr. Tan Boon Leong

Mr. Ed Ng Ee Peng was appointed Director and Chairman of the Board on 28 April 2000 and continues in office at the date of this report.

Mr. Chan Sin Lau was appointed Director on 28 April 2000 and continues in office at the date of this report.

Mr. Teck Koon Kee was appointed Director on 28 June 2000 and continues in office at the date of this report.

Dr Han Cheng Fong was a Director and Chairman of the Board from the beginning of the half-year until his resignation on 18 April 2000.

Mr. Fan Kow Hin was a Director from the beginning of the half-year until his resignation on 28 April 2000.

REVIEW OF RESULTS AND OPERATIONS

The Directors of Australand Holdings Limited are pleased to report that the Australand Group earned an operating profit before tax of \$55.801 million before abnormal items and tax for the half year ended 30 June 2000, (1999: \$48.952million) an increase of 14%.

After tax profit was \$32.178 million, (1999: \$31.451million), an increase of 2% on the corresponding period last year, reflecting an increase in the Group's provision for legal claims of \$6 million, arising from the acquisition of Walker Corporation, which has been treated as an abnormal expense in Australand's June 2000 accounts.

Sales revenue of \$425.533 million (1999: \$214.076 million), represented an increase of 98% on the corresponding period, last year. The extra sales revenue was mostly attributable to projects developed by Walker Corporation.

Earnings per share on the enlarged capital base were 6.78 cents (1999: 10.83 cents)

Walker Corporation Limited and its subsidiaries, which came under Australand's control in mid-January 2000, made an operating loss of \$9.252 million during the June 2000 half-year, which reflects an appropriate provision for litigation and the effect of the change in Walker's accounting policy.

The net tangible asset backing per share at 30 June 2000 was \$1.11 (1999: 1.12), which is in line with the forecasts contained in the 2 for 3 Rights Issue Prospectus issued in late 1999.

The factors which influenced the results for the June half-year were:

- A substantial revenue and profit contribution from Sydney land and housing operations.
- Increased revenue and profit contributions from Melbourne land and housing operations.

A higher contribution from Sydney apartment projects, reflecting the takeup of 75% of the profit on presales from the Manly Peninsula project.

Lower than anticipated profits from the Queensland and Western Australian land development operations, principally because of the uncertainty created by the introduction of the GST.

- Higher than anticipated profits from Perth high density residential projects.

Later recognition of profits generated by some commercial and industrial projects, which were budgeted to crystallise in the June 2000 half-year, but will now be brought to account in the December 2000 half year.

- Higher than anticipated legal costs and claims associated with litigation involving Walker Corporation Limited.

LAND & HOUSING DIVISION

The Land & Housing Division generated revenue of \$216.98 million from the sale of 971 lots and 425 houses. As a consequence of uncertainty associated with the introduction of the Goods and Services Tax, land sales were lower than anticipated, but housing sales and revenue were generally above

budget. This reflected the market's preference for housing and land products in respect of which there was no GST obligation.

Management made a concerted effort to build up land and housing inventories, during the June 2000 half-year, to reduce the transitional impact of the GST on the Group and underpin increased profit generation in 2001 and 2002. Australand's investment in land & housing projects increased by 33% (\$101 million) during the June half-year, but may fall slightly during the December 2000 half year.

The Group's current portfolio of land and housing projects has an aggregate yield in excess of 10,500 lots, on which approximately 2000 houses are expected to be built, during the next 3 years.

APARTMENTS DIVISION

The Apartments Division generated sales revenue of \$165.63 million from the sale of 487 dwellings during the June 2000 half year. Because of the difference in the accounting treatment of project profits between Australand and Walker Corporation, the majority of the profit came from Australand projects. However, it is anticipated that projects from the Walker portfolio will make a more significant contribution during the December 2000 half-year. During the June 2000 half-year, contracts were entered into to acquire development sites with a total yield of 490 apartments.

COMMERCIAL & INDUSTRIAL DIVISION

The Commercial & Industrial Division traded on a break-even basis, during the June 2000 half year, principally because it has elected to sell most of its currently pre-committed projects during the current half-year. Virtually all of the Division's budgeted full year profit is expected to crystallise in the December 2000 half-year.

The Commercial & Industrial Division, which is presently receiving a very satisfactory level of pre-commitment enquiry for both commercial and industrial space, expects to carry an increased forward work load into 2001.

13 pre-leases covering 4 commercial projects and 9 industrial projects were negotiated, during the June 2000 half-year, involving approximately 37,000 square metres of office space and 98,000 square metres of industrial buildings.

OUTLOOK

The introduction of the Goods and Services Tax has created a degree of hesitancy in the market for residential land. This has mainly affected land sales in Queensland and Western Australia. It is anticipated that some segments of the residential land market will continue to be subdued for most of the December half year.

Nevertheless, a slight improvement in margins is expected to lessen the impact of the forecast shortfall in sales revenue from land development operations. The position of the Group will be further assisted by anticipated increases in apartment sales revenue and profits. As previously mentioned, the full-year result for the Commercial & Industrial Division is expected to be generally in line with management forecasts.

Based on the information currently available to the Board, earnings per share for 2000 may be slightly below the forecast level of 18cents, contained in the 1999 Rights Issue Prospectus, because of the impact of legal claims and costs.

Profit expectations for 2001 are currently expected to be underpinned by residential pre-sales totalling \$338 million, achieved in respect of wholly owned projects, as well as pre-sales, held by joint venture entities, totalling \$268million.

DIVIDEND

The Directors have declared an interim quarterly dividend of 3 cents per share, fully franked. The dividend will be paid on 22 September 2000 to shareholders registered at close of business on 1 September 2000.

ROUNDING OFF OF AMOUNTS

The Company is a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report comprising the attached Half-Yearly Report in the form of the Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules and Directors' Declaration thereon. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Dated at Sydney this 21st day of July, 2000

Signed in accordance with a resolution of the Directors



Brendan Patrick Crotty
Managing Director