

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Lend Lease Corporation Limited ("the Company") and the consolidated financial statements of the consolidated entity, being the Company and its controlled entities ("Lend Lease") for the year ended 30 June 2000 and the Auditors' report thereon.

DIRECTORS

1. BOARD

The names, qualifications, experience and special responsibilities of each person holding the position of Director of the Company at the date of this Report are:

S G Hornery, AO, Chairman (Non-Executive)

Mr Hornery's qualifications are BSc(Tech), Civ Eng(NSW), LGE, FIE Aust, CP Eng. Mr Hornery, aged 60, joined the Company in 1964, was appointed to the Board of Lend Lease Corporation Limited in 1977, appointed Managing Director in 1978, Executive Chairman in 1988 and became Non-Executive Chairman in June 1994.

Mr Hornery is Chairman of the Board Committee and a Member of the Risk & Compliance Committee. He is Chairman of the Australian National Training Authority, a Director of IBM Global Services Australia Limited, a Member of the International Advisory Panel of Pidemco Land Limited (Singapore) and a Trustee of the ACTU-Lend Lease Foundation. Mr Hornery will retire from the Board at the Annual General Meeting in November 2000.

D H Higgins, Managing Director (Executive)

Mr Higgins' qualifications are BEng (Civil), Diploma Securities Institute of Australia. Aged 45, he joined the Board as Managing Director and Chief Executive in March 1995. Mr Higgins was previously the Chief Executive of Civil & Civic and Lend Lease Interiors (now Bovis Lend Lease) and then Chief Executive of the Property Services Australia and Property Services Asia Divisions of the Group.

Mr Higgins is a Member of the Personnel & Organisation Committee of the Board, as well as a Director of a number of Lend Lease Group subsidiary companies.

A Aiello (Executive)

Mr Aiello, age 57, joined the Lend Lease Group in January 1998 as Chief Information Officer. He was appointed to the Board in May 1998. Mr Aiello was previously President of Fidelity Investments Systems Company and a Managing Director of Fidelity Investments, located in Boston, Massachusetts. He has considerable experience in the strategic direction, implementation and operation of technology and e-commerce.

Mr Aiello is also on the Boards of coolsavings.com, ForRetail.com, Ventius.com and is the Chairman of the Software Productivity Consortium, a consortium of major United States defence contractors and telecommunications companies. He is a member of the US Government Accounting Office (GAO) Executive Committee with oversight for IT expenditure.

He has a Bachelor of Science Degree in Engineering from Polytechnic Institute of New York, a Master of Industrial Engineering, a Master of Science in Operations Research and a Ph.D in Business Administration from New York University.

E D Cameron (Non-Executive)

Mr Cameron is a Chartered Accountant. Aged 70, he joined the Board in 1989 and is Chairman of the Risk & Compliance Committee, a Member of the Board Committee and a Director of GPT Management Limited and Chairman of the Risk Management Committee of GPT Management Limited. Mr Cameron was previously Chairman of KMG Hungerfords and subsequently Deputy Chairman of Peat Marwick Hungerfords, Chartered Accountants.

Mr Cameron is a Director of the Kiwi Property Group in New Zealand. He is also Chairman of Crane Group Limited, Hambro-Grantham Development Custodians Pty Limited and Hambro-Grantham Development Fund 5 Custodians Pty Limited and a Trustee of the Australian Cancer Research Foundation.

Y H Chua (Non-Executive)

Dr Chua, aged 56, was appointed to the Board in October 1994. He is a Member of the Risk & Compliance, Personnel & Organisation and Board Committees as well as chairing Asia Pacific Investment Company Limited. Based in Singapore, Dr Chua was previously Group General Manager/Chief Executive of Suntec City Development Pte Limited, General Manager of Temasek Holdings Pte Limited and Group Managing Director of United Engineers Limited. He is Chairman of Stanbridge International Pte Limited and a Director of Clipsal Industries (Holdings) Limited. He has been appointed by the President of the Republic of Singapore as the High Commissioner to the Republic of Namibia and the Kingdom of Swaziland and is the Co-Patron of the Singapore Australian Business Council.

An engineer by profession, his qualifications are a first-class honours degree in Applied Chemistry, a Diploma in Business Administration and a PhD in Chemical Engineering (NSW).

DIRECTORS continued

1. BOARD continued

J K Conway (Non-Executive)

Mrs Conway, aged 65, was appointed to the Board in 1992 and appointed Deputy Chairman in August 1998. She will succeed Mr Hornery as Chairman of the Company at the Annual General Meeting in November 2000. Mrs Conway chairs the Personnel & Organisation Committee and is a Member of the Board Committee. Her qualifications are BA(Hons) Sydney University, University Medal in History in 1958 and PhD Harvard University 1969.

Mrs Conway also holds numerous Honorary Doctorates from North American and Canadian Universities. Mrs Conway is a Director of Merrill Lynch & Co, Colgate-Palmolive Company Inc and Nike Inc. She is also a former Trustee of Teachers Insurance and Annuity Association College Retirement Equities Fund and a former Member of the Harvard University Board of Overseers and numerous other university and charitable boards. Mrs Conway was President and Sophia Smith Professor of History at Smith College from 1975-1985 and now teaches as a Visiting Professor in the Science, Technology and Society Program of the Massachusetts Institute of Technology.

G G Edington (Non-Executive)

Mr Edington, aged 54, joined the Board in December 1999 and is a Member of the Board Committee. He is Chairman of both UK property company Greycoat Estates Limited and Earls Court and Olympia Group Limited. Until recently he was a Director of BAA plc and Chairman of BAA International. He joined BAA plc in 1988, became a Member of the Board in 1991 and has been the Chairman of six BAA companies. He is also the Immediate Past President of the British Property Federation and until recently was a Member of the Bank of England Property Forum.

Qualified as a Chartered Surveyor, Mr Edington brings to the Board extensive UK and international experience in the property sector. Mr Edington has also been involved with a number of charitable organisations and is currently a Vice President of the UK charity NCH Action for Children.

P C Goldmark (Non-Executive)

Mr Goldmark, aged 59, joined the Board in December 1999 and is a Member of the Board Committee. He has been the Chairman and CEO of The International Herald Tribune in Paris since 1998. Prior to this he was for 10 years the President and CEO of the Rockefeller Foundation in New York. He has also held the positions of Senior Vice-President of the Times-Mirror Corporation, Executive Director of the Port Authority of New York and New Jersey and Director of the Budget for the State of New York.

Mr Goldmark graduated with a BA from Harvard College, Government Department, magna cum laude. He brings to Lend Lease his wide experience as a CEO and senior executive in the private and public sectors, both in the United States and internationally.

D J Grady (Non-Executive)

Ms Grady, aged 52, was appointed to the Board in June 1994. She is a Member of the Risk & Compliance, Personnel & Organisation and Board Committees. Ms Grady is a Director of Lend Lease USOT Management Limited (the trustee of the Lend Lease US Office Trust), Woolworths Limited and Watty Limited. She is also a Trustee of the Sydney Opera House and a Director of the Australian Institute of Management.

Her qualifications are MBA Harvard Business School, MA in Chinese Studies, University of Hawaii (East West Center Fellowship) and BA (Hons) in History, Mills College, California. Ms Grady was formerly a partner with McKinsey & Company, having joined the firm as a consultant in Australia in 1979.

R A Longes (Non-Executive)

Mr Longes' qualifications are BA, LLB, MBA. Mr Longes, aged 55, was appointed to the Board in 1986 and appointed Deputy Chairman in January 2000. He is a Member of the Personnel & Organisation and Board Committees. He is also Chairman or Director of a number of Lend Lease Group subsidiary companies. Other Directorships include Australian Water Services Pty Limited, Lyonnaise Asia Water Limited and Davids Limited.

Mr Longes was formerly a partner of the legal firm Freehills (formerly Freehill, Hollingdale & Page) from which he retired in 1988. He is a Principal of Wentworth Associates Pty Limited.

DIRECTORS continued

1. BOARD continued

R G Mueller, CBE (Non-Executive)

Mr Mueller, aged 66, was appointed to the Board in 1996. He is a Member of the Personnel & Organisation and Board Committees. He is Chairman of WJB Chiltern Group plc and Chelverton Properties Ltd, a Director of T I Group plc and a Member of the Board of the International Management Institute - Kiev. Until January 1998, Mr Mueller was Chairman of Union Bank of Switzerland - UK Group having previously been Executive Vice President and a Member of the Union Bank of Switzerland Group Executive Board.

Mr Mueller was also formerly a Member of the Board of the Royal Opera House, Covent Garden, a Member of the Board of the London Stock Exchange from 1991 to 1995 and was Founder Chairperson of SOFFEX (Swiss Options and Financial Futures Exchange) from 1986 - 1988. Mr Mueller holds a Swiss Federal Commercial Diploma and graduated from the International Management Institute in Geneva with a diploma equivalent to an MBA.

R E Tsenin (Executive)

Mr Tsenin's qualifications are BEc (University Medal, Sydney) and Diploma in Corporate Finance Management (London Business School). Aged 51, he was appointed to the Board in February 1997 and was subsequently appointed Finance Director. He is a Director of a number of Lend Lease Group subsidiary companies. Mr Tsenin commenced his career with Royal Dutch Shell (Group Planning Division) in London and joined Goldman Sachs in 1987.

He has extensive corporate finance experience in London, New York and Sydney and was Managing Director of Goldman Sachs' Australian subsidiary until his resignation in January 1997. Mr Tsenin has served on the Boards of National Mutual Holdings, National Mutual Life Association of Australasia and Australian Casualty and Life (until his resignation in January 1997); Telstra Corporation Limited (December 1991 to July 1996) and Sagasco Holdings (until December 1993).

During the year, Messrs D C Clarke, D N Sanders, W A H Webster and P J Willcox retired as Directors of the Company.

D C Clarke (Executive)

Mr Clarke retired as a Director on 25 May 2000, having joined the Board in 1998. He was a Member of the Personnel & Organisation Committee and was responsible for Lend Lease business units operating in the Asia Pacific Region as well as Chairman or a Director of a number of Lend Lease Group subsidiary companies.

D N Sanders, AO, CB (Non-Executive)

Mr Sanders was appointed to the Board in 1992. He was a Member of the Risk & Compliance and Board Committees and Chairman of the Lend Lease Financial Services Business Board. Mr Sanders retired as a Director on 28 October 1999.

W A H Webster (Executive)

Mr Webster retired as a Director on 28 October 1999. Appointed to the Board in 1987, he was a Member of the Finance Committee and a Director or Member of a number of Lend Lease Group subsidiary companies and business boards.

P J Willcox (Non-Executive)

Mr Willcox retired as a Director on 25 May 2000, having joined the Board in 1994 and having been appointed Deputy Chairman in 1998. He was the Chairman of the Finance Committee and a Member of the Board Committee as well as Chairman, Director or a Member of a number of Lend Lease Group subsidiary companies and business boards.

DIRECTORS continued

2. DIRECTORS' MEETINGS

During the financial year four scheduled full agenda Board meetings and eight special Board meetings were held. The table below shows attendances (including attendance by telecommunication) by Directors at Board and Committee meetings during the year.

Attendance at Meetings of Directors 1 July 1999 to 30 June 2000.

Director	Board Meetings				Committee Meetings	
	Full Agenda		Restricted Agenda		Held ⁽¹⁾	Attended
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended		
A Aiello	4	4	8	6	2	2
E D Cameron	4	4	8	7	7	7
Y H Chua	4	4	8	7	9	9
D C Clarke ⁽⁴⁾	4	4	8	8	5	5
J K Conway	4	4	8	4	9	9
G G Edington ⁽³⁾	2	2	3	3	4	4
P C Goldmark ⁽³⁾	2	2	3	3	2	2
D J Grady	4	4	8	4	11	11
D H Higgins	4	4	8	8	5	5
S G Hornery	4	4	8	7	10	10
R A Longes	4	4	8	8	12	12
R G Mueller	4	4	8	6	9	9
D N Sanders ⁽²⁾	2	2	5	5	4	4
R E Tsenin	4	4	8	8	7	7
W A H Webster ⁽²⁾	2	2	5	5	2	2
P J Willcox ⁽⁴⁾	4	4	8	8	9	9

(1) Reflects the number of meetings held during the time the Director held office during the year.

(2) D N Sanders and W A H Webster resigned their directorships on 28 October 1999.

(3) G G Edington and P C Goldmark were appointed to the Board on 1 December 1999.

(4) D C Clarke and P J Willcox resigned their directorships on 25 May 2000.

In addition, matters were dealt with by Circular Resolution:

- on 14 occasions by the Full Board; and
- on 183 occasions by a Committee of Directors.

The present Board has 12 Directors, 9 of whom are non-executive. The Chairman and Chief Executive are elected by a unanimous decision of Directors. The Non-Executive Directors meet prior to each full agenda Board meeting and at other times as required. The Board recognises the essential role of Committees in guiding the Company on specific issues. Committees address important corporate issues, calling on senior management and external advisers, and then making recommendations to the full Board for a final decision.

BOARD COMMITTEE

The Board Committee considers the nomination of new Directors and any policy or management matter where it would not be appropriate for Executive Directors to participate in the proceedings, including performance and compensation of the Managing Director. The Committee comprises all Non-Executive Directors.

PERSONNEL & ORGANISATION COMMITTEE

Made up of a majority of Non-Executive Directors, the Personnel & Organisation Committee assists the Board in ensuring that appropriate policies are in place for people management and compensation across all our businesses worldwide. The Committee focuses on the importance of human capital to the Group's strategic and business planning.

RISK & COMPLIANCE COMMITTEE

The Risk & Compliance Committee is made up entirely of Non-Executive Directors and assists the Board by reviewing the effectiveness of risk management and compliance systems in all our businesses worldwide. These systems provide assurance that business risks are identified and managed effectively, assets are protected against financial loss, legal and regulatory obligations are met, and proper accounting and auditing practices are maintained.

DIRECTORS continued**3. INTEREST IN CAPITAL**

The interest of each of the Directors in the issued shares of the Company at 17 August 2000 (12 August 1999) is set out below.

Director	Shares Held Directly 2000	Shares Held Beneficially/ Indirectly 2000	Shares Held Under Employee Share Plans 2000 ⁽¹⁾	Shares Held Directly 1999	Shares Held Beneficially/ Indirectly 1999	Shares Held Under Employee Share Plans 1999 ⁽¹⁾
A Aiello	2,000		65,814	2,000		65,814
E D Cameron	15,211			10,675		
Y H Chua	6,712			5,212		
J K Conway	6,026			4,526		
G G Edington	15,000					
P C Goldmark	2,000					
D J Grady	12,337			11,812		
D H Higgins	2,000		81,841 ⁽²⁾	2,000		80,161 ⁽²⁾
S G Hornery	131,969			128,170		
R A Longes	8,755	50,012		7,509	50,112	
R G Mueller	6,000			5,000		
R E Tsenin	2,000		1,500	2,000		1,500

(1) Includes shares beneficially held by the Executive Directors in the Australian and US Share Plans.

(2) Arising from allocations made to him as an employee, Mr Higgins has a contingent beneficial interest under the Employee Share Acquisition Plan in 1,000 shares in 1999 (Nil for 2000).

4. INTEREST IN REGISTERED SCHEMES

The interest of each of the Directors in the registered schemes of the Lend Lease Group at 17 August 2000 is set out below.

Director	Registered Scheme	Direct Interest		Beneficial/ Indirect Interest	
		No. of Units 2000	Value \$ 2000	No. of Units 2000	Value \$ 2000
Y H Chua	General Property Trust	2,004	5,491		
S G Hornery	General Property Trust	1,581	4,332		
R A Longes	General Property Trust	2,405	6,590	908	2,488
	Lend Lease US Office Trust			10,000	9,500

5. CONTRACTS AND BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or included in related party disclosures as shown in the consolidated financial statements) by reason of a contract made by the Company or a related entity with the Director or with a firm of which he or she is a member or with an entity in which he or she has a substantial financial interest.

PRINCIPAL ACTIVITIES

The principal activities of Lend Lease during the financial year were:

- Real estate project management, project design, project financing and construction management.
- All aspects of property development from concept through to design, planning, construction, financing, leasing to eventual sale.
- Management of real estate investment funds, limited partnerships and trusts on behalf of clients (including acquiring, managing and selling investments), co-investment, portfolio management, originating and servicing of commercial mortgages, shopping centre management and leasing (in Australia) and acting as financial adviser and arranger of real estate project finance and related services.
- Funds management activities including superannuation and investment services for both retail and corporate clients; management of investment and unit trusts, traditional life insurance business and wealth protection; investment fund administration; and strategic investment advice, asset management and portfolio management services for corporate and institutional clients.

PRINCIPAL ACTIVITIES continued

- Developer, owner, operator and fund manager of infrastructure assets.
- Investments in information technology (IT) and telecommunication services companies which provide an IT service to corporations and governments.
- Investments in companies where a strategic business rationale existed and where a mutually beneficial business relationship with these companies could be developed.
- Group Treasury and corporate administration services.

REVIEW AND RESULTS OF OPERATIONS

The Directors report that in the year to 30 June 2000, Lend Lease earned an operating profit after tax of \$432.2 million, an increase of 2.8% on the previous year's profit of \$420.4 million.

Review of operations is included in the Management Discussion and Analysis of Financial Condition and Results of Operations included with the consolidated financial statements.

DIVIDENDS

The 1999 final dividend of \$156.3 million (31 cents per share) referred to in the Directors' Report dated 12 August 1999 was paid on 16 September 1999.

Details of dividends in respect of the current year are as follows:

	\$ million
Interim dividend of 32 cents per share paid on 15 March 2000	162.7
Final dividend of 32 cents per share declared by Directors to be paid on 14 September 2000	163.9
	326.6

The shares allotted under the Dividend Reinvestment Plan or Share Election Plan for the September 2000 dividend will not be eligible to be sold in the proposed off-market share buy-back. To ensure that the buy-back runs smoothly, the allotment of these shares will be made on 3 October 2000 (after the completion of the buy-back).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of Lend Lease during the year were as follows:

- On 29 October 1999 Lend Lease acquired Bovis Group plc from the Peninsular and Oriental Steam Navigation Company (P&O) for GBP285.0 million (A\$730.8 million).
- On 3 November 1999 Lend Lease acquired the Boston Financial Group Limited Partnership for USD165.8 million (A\$276.3 million), which included an allowance for contingent payments of up to USD35.6 million over a three year period subsequent to the acquisition.
- On 17 March 2000 Lend Lease acquired five of AMRESKO Inc's commercial mortgage businesses for USD258.3 million (A\$430.6 million), which included an allowance for contingent payments of up to USD35.0 million over a three year period subsequent to the acquisition.
- On 30 June 2000 Lend Lease sold its Financial Services businesses to the National Australia Bank Limited for A\$4.56 billion. The businesses sold included MLC Limited and MLC Lifetime Company Limited.

YEAR 2000 ISSUES

Preparations to avoid the impact of Year 2000 issues were highly successful and the Lend Lease Group did not experience any Y2K-related disruptions to our systems, operations or services.

There are significant on-going benefits resulting from the Year 2000 project. For example:

- Employees now have a "standard" web enabled desktop that enables more efficient access to information, reduced cost of ownership for the desktop, but more importantly positions Lend Lease to more rapidly take advantage of e-commerce initiatives.
- Rationalisation of the applications portfolio resulted in over 350 systems being upgraded, replaced or decommissioned. The deletion of obsolete software and the rationalisation of products will lead to reduced licencing costs and a simplified IT housekeeping capability.
- Business Contingency plans have been reviewed and tested for each business unit and Lend Lease is now better equipped to deal with system, supplier and facility outages.

ENVIRONMENTAL REGULATION

Lend Lease is subject to a variety of general environmental regulations, particularly in respect of its real estate development, project and real estate asset management businesses in Australia and overseas. These general regulations relate typically to noise and dust control, solid waste management and discharges to waste water systems.

As part of its operational procedures, Lend Lease requires each of its businesses to have an integrated Environment Management System. This system, as a minimum, has as its goal to ensure compliance with applicable regulations and legislation.

As part of Lend Lease's Environment Management System, project site management or real estate asset management develop specific management plans for environmentally sensitive activities. Examples of these plans include:

- Real Estate Assets within our US asset management business are reviewed for environmental risk. Based on their rating of High, Moderate or Low, specific action/remediation plans are developed and implemented. High risk assets receive follow-up audits, moderate risk assets are placed in an annual monitoring program and low risk assets are re-evaluated every three years.
- The environmental plan for the design and construction of the Cronulla waste water treatment plant (situated on the environmentally sensitive Kurnell Peninsula south of Sydney) involves continuous input from local community representatives, ocean and beach users. Large areas of the Kurnell Peninsula have been rehabilitated and frog breeding ponds, for the protection of the endangered Green and Golden Frog, have been established.
- The environmental plan for the Novotel and Hotel Ibis, (located in the Sydney Olympic precinct at Homebush Bay, Sydney) involved initiatives that have resulted in 37 percent less energy usage than a similar building, extensive use of recycled water and material selection which meets the environment guidelines for the 2000 Olympic Games.

The Risk & Compliance Committee receives reports on a quarterly basis as to any significant environmental risks and non-conformance with Lend Lease's environmental health and safety policy.

The Directors have caused enquiries to be made with respect to compliance with applicable environmental regulations during the reporting period. Based on the result of these enquiries no significant non-compliance issues have been brought to the attention of the Directors.

In last year's annual report we noted a technical breach of the Protection of the Environment Operations Act (NSW) in relation to the operation of the Prospect Water Plant in Sydney. Lend Lease has a 50% interest in AWS (operator of the water treatment plant at Prospect) and 16% interest in Prospect Water Partnership (the owner of the water treatment plant at Prospect). An exemption from the Protection of the Environment Operations Act NSW has been granted by the Environment Protection Authority while a new supernatant filtration system is constructed. Accordingly, the Prospect Water Plant is no longer in technical breach of this Act while it complies with the terms of the exemption.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of Lend Lease, the results of those operations or the state of affairs of Lend Lease in subsequent financial years other than the following:

- On 17 July 2000 Lend Lease announced that it intended to conduct an off-market share buy-back utilising part of the proceeds from the sale of its Financial Services businesses. The buy-back is subject to shareholder approval at a general meeting on 18 August 2000.

LIKELY DEVELOPMENTS

Details of likely developments in the operations of Lend Lease in subsequent financial years are contained in the Reports from the Chairman and Managing Director.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION

PERSONNEL & ORGANISATION COMMITTEE

The compensation of Non-Executive Directors, the Managing Director, Executive Directors, divisional/regional chief executive officers and senior executives is determined by the Personnel & Organisation (P&O) Committee.

REGIONAL COMPENSATION COMMITTEES

The compensation of staff generally below the level of Executive Director and divisional/regional CEO is determined by Regional Compensation Committees in the US, Asia, Europe and Australia. These Committees are chaired by a Lend Lease Non-Executive Director and attended by regional business unit executives, internal human resource personnel and an external regional compensation consultant. These Committees are responsible for determining appropriate compensation practices for rewarding the Company's regionally based employees.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION POLICY

Lend Lease's business has undergone significant changes during 1999/2000. With some 75% of operations outside Australia, the compensation policy is updated by our desire to ensure our recruitment and reward of senior employees is globally positioned thereby attracting highly skilled and regarded people to our geographically diverse business.

A policy of the Company is to align the interests of all staff as closely as possible with the interests of shareholders. Programs allowing employees at all levels to acquire and hold shares in the Company are an important element of that policy. Employees hold either directly or through employee benefit vehicles approximately 14% of the Company's issued capital.

The policy of the Compensation Committees is to reward management and staff with market competitive compensation taking account of both Company and individual performance.

Total compensation is made up of three major components: salary and benefits; short term incentives; and long term incentives in the form of or referable to Lend Lease shares. The short term and long term elements are balanced to accommodate business building, retaining talent and tying rewards into performance over the longer term.

Internal targets required to meet the thresholds of payment under performance bonus arrangements are considered to be consistently stretching and motivating. In developing appropriate compensation plans, Lend Lease focuses on the objective of establishing a balance between the fixed and variable performance aligned elements of total compensation.

SALARY

Salaries are set at competitive levels with annual reviews to reflect market conditions and personal performance. For guidance the P&O Committee and Regional Compensation Committees use information available in published job-matched surveys of similar companies. As appropriate, they also commission surveys to supplement the published information. This is considered to be essential research even though comparable companies may not be large in number.

The salaries of the Managing Director, the Executive Directors and the divisional/regional CEOs are set by the P&O Committee. They are determined in July of each year after a review of the performance of each individual. In the cases of the Executive Directors and divisional/regional CEOs, the Committee is assisted by the Managing Director in this review.

OTHER BENEFITS

Other benefits include employee participation in plans such as monthly subscriptions of up to 5% of base salary to Employee Share Plans (ESP); annual profit share scheme (\$4,018 per full time employee for the 2000 year; 1999 \$6,367); and for executives located away from their home country, expatriate benefits such as accommodation allowances.

SUPERANNUATION/PENSION PLANS

For many employees this is either a defined benefit or defined contribution plan. Pension plan arrangements are in place in most international locations, including the UK, the US and Australia.

SHORT TERM INCENTIVE PROGRAM

Bonus payments are based upon actual achievement against challenging corporate and individual performance targets approved by the P&O or Regional Compensation Committees. In each year under review a performance bonus is not awarded unless, in the case of senior executives, the executive achieves 60% of his or her performance targets. Pro rata awards are made if the executive achieves above 60% and, in exceptional circumstances, an executive may receive a bonus in excess of 100% of the predetermined amount.

Although the performance criteria are different for each executive the principles are similar and involve:

- the achievement of profit, earnings per share, total shareholder return and other relevant financial targets;
- the achievement of strategic objectives; and
- contribution to the enhancement of Lend Lease's skills and reputation, with a focus on the development of employees.

When the full target bonus is earned annual compensation may reach the upper quartile of the relevant employment market.

Performance Bonuses are awarded in a number of ways.

1. **Cash**
2. **Shares issued under Lend Lease Employee Share Plans (ESP)** - ESP entitlements are generally awarded to senior executives as part of their annual performance bonus on the basis of 50% maturing at the time of award and the balance maturing between 3 to 5 years (subject to the executive remaining employed by the Group). ESP arrangements operate in Australia, the UK and the US.
3. **Global Reward Program** - Allocations under the Global Reward Program progressively 'mature' over 3 to 5 years (subject to the executive remaining employed by the Group). On cessation of employment, a cash amount referable to the price of Lend Lease shares at that time is paid according to allocations then matured.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION POLICY continued

LONG TERM INCENTIVE PROGRAM

Long Term Incentives (LTI) are currently in the form of allocations or grants in either the Global Reward Program, ESP or new LTI plan, which deliver value, over time, reflecting the performance of Lend Lease shares.

- An LTI program was introduced by the Board in 1996 with the primary purpose of keeping the leadership team in place. Under this plan unless otherwise approved by the Board, an incentive is not paid to an executive if their employment is terminated (other than by reason of redundancy) prior to the date on which the allocation matures. The following table shows the Long Term Incentives allocated to each of the current Executive Directors of Lend Lease Corporation and to the highest ranking executives as at 30 June 2000. These allocations have varying maturity dates.

Name	Global Reward Program/ESP Allocations
Executive Directors	
D H Higgins – Chief Executive Officer	75,000 (allocated 1 January 1997) ⁽¹⁾
R E Tsenin – Finance Director	50,000 (allocated 3 February 1997) ⁽¹⁾
Executive Officers	
M S Banks (US)	100,000 (allocated 28 June 1996) ⁽²⁾

(1) 1 unit has the equivalent value of 2 Lend Lease shares.

(2) 1 unit has the equivalent of 1 Lend Lease share.

If these allocations mature, they will be payable upon cessation of employment. The value of these allocations will be referable to the price of Lend Lease shares at that time.

- In order to retain and motivate key senior management as well as attract individuals of high calibre with expertise in selected markets and/or disciplines, the Board approved a revised LTI program last year. This will replace the current LTI retention program outlined above.

Initial grants under this LTI Program have been made as at 1 July 2000 to a select group of senior executives whose skills, potential and other attributes are seen as critical to the medium term prosperity of the Company. The number of executives participating in this program will progressively increase, in recognition of progress being made by identified high potential managers and new executives attracted to the organisation to support its planned growth. This LTI program was developed using local and international consultants and has been designed to ensure continued adherence to the Lend Lease philosophy of aligning the interests of employees and shareholders.

Grants under the LTI programme are applied towards a combination of performance and appreciation rights designed to track Lend Lease share price performance and share price appreciation over the medium term, assuming performance hurdles are met.

The following table shows the LTI grants allocated to each of the current Executive Directors of Lend Lease and to the highest ranking executives as at 1 July 2000. These grants fully vest after three years assuming performance hurdles are achieved. The grant will remain in place for a further two years where the hurdle has not been met at the third anniversary. Assuming performance hurdles are met the vested share performance and appreciation rights acquired with each grant are receivable up to the fifth anniversary of the date of grant.

Name	LTI Grant (A\$)
Executive Directors	
D H Higgins – Chief Executive Officer	\$1,000,000
R E Tsenin – Finance Director	\$650,000
Executive Officers	
M S Banks (US)	\$600,000
D A R Findley (UK)	\$510,204 ⁽¹⁾

(1) Based on GBP200,000

The performance hurdle will require that for 100% of the grant to vest, Lend Lease's total shareholder return ('TSR') (being the share price plus accumulated dividends for the period from the date of grant) is at least equal to or exceeds the TSR of the ASX All Industrials Sub Index (or equivalent index) for the same period.

This initial grant will first become eligible for vesting on 1 July 2003 and the last date for vesting will be 1 July 2005. No grant will vest before the end of the performance period, except in special circumstances, such as death or disability. In all circumstances, the performance hurdle will be a condition precedent for vesting or release of benefits.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION

Details of the compensation of each executive director and of the five most highly compensated executive officers^{(13) (14)} for the Group are shown below:

	Year	Salary A\$ (1)	Super/ Pension Contrib's A\$ (2)	Other Benefits A\$	PERFORMANCE RELATED BONUS			Total A\$
					Cash A\$	Global Reward/ESP Matured Allocations Current Year A\$ (3)	Previous Years A\$ (4)	
EXECUTIVE DIRECTORS								
D H Higgins (Chief Executive Officer) ⁽⁵⁾	2000 1999	1,152,003 750,555	71,816 60,000	593,408 34,361	2,500,000 ⁽⁶⁾ 247,775	317,653	497,016 146,230	4,814,243 1,556,574
R E Tsenin (Finance Director) ⁽⁵⁾	2000 1999	807,832 658,963	53,188 42,273	457,300 103,735	1,500,000 ⁽⁶⁾ 184,167	236,099	269,770 41,780	3,088,089 1,267,017
A Aiello (Executive Director & Chief Information Officer) ⁽⁷⁾	2000 1999	825,317 802,182		110,791 86,579	456,731 1,832,183	1,028,846	261,261	2,682,946 2,720,944
D C Clarke (Executive Director) ⁽⁶⁾	2000 1999	623,496 557,169	44,517 44,517	38,892 26,620	812,550 165,750	228,620	407,269 104,450	1,926,724 1,127,126
W A H Webster (Executive Director) ⁽⁶⁾	2000 1999	372,662 539,847	29,583 40,157	15,645 24,439	350,000 249,726	106,706	79,550 83,560	847,440 1,044,435
EXECUTIVE OFFICERS								
M Banks (CEO – LL Real ⁽⁹⁾ Estate Investments – International (US))	2000 1999	877,154 774,574	87,715 41,600	299,937 396,864	438,750	365,116	584,684 246,669	2,288,240 1,824,823
L Cochrane (Chairman - Bovis LL (US)) ⁽¹⁰⁾	2000 1999	640,522	8,173	51,711	1,560,897			2,261,303
P Walichnowski (CEO - ⁽¹¹⁾ Lend Lease Europe (UK))	2000 1999	929,069 814,872	76,505 41,060	178,743 167,450	510,000 270,000	115,375	440,146 183,832	2,134,463 1,592,589
R Taylor ⁽⁹⁾ (CEO Bovis LL (UK))	2000 1999	530,334 367,804	32,933 29,200	293,232 18,286	600,000 129,000	165,386	178,141 242,658	1,634,640 952,334
R D'Ardenne (Chief ⁽¹²⁾ Operating Officer – LL Real Estate Investments (US))	2000 1999	437,411 416,849	34,054 32,087	48,075	913,462 481,309	37,853	173,324 26,768	1,606,326 994,866

- (1) "Salary" for international assignees includes components for tax equalisation costs, cost of living and other expatriate allowances.
- (2) For Australian based Directors and Executives, the cost to Lend Lease is nil as company contributions are not payable at present due to the surplus of assets over accrued benefits held by the Lend Lease Superannuation Fund. The amount disclosed is the notional amount of the contribution made on behalf of the individual.
- (3) Relates to the value of the "matured" ESP shares and Global Reward allocations as at the time of vesting, based on the Lend Lease share price of \$21.31 on the date they were awarded (1 July 2000). Shares held in ESP's are subject to the rules of the plans and in some cases other contingent events. No amounts are shown for the relevant executives in 2000 with the exception of Mr Aiello (refer footnote 7); as no ESP shares or Global Reward units were allocated to these individuals during the relevant time period. This is in line with the Compensation Policy above. In some cases, performance related bonuses were given as cash amounts rather than ESP/Global Reward allocations.
- (4) Relates to shares allocated in previous years that matured during the year ended 30 June 2000, based on the Lend Lease share price as at the time of vesting (\$21.34 on 1 January 2000 and/or \$21.31 on 1 July 2000). Shares held in ESP's are subject to the rules of the plans and in some cases other contingent events.
- (5) "Salary" for the year ended 30 June 2000 includes amounts in relation to service in the UK. "Other benefits", include health insurance, motor vehicle and rental subsidies in relation to service in the UK and are paid in GBP's.
- (6) As with all Senior Group Executives, performance arrangements are in place for Mr Higgins and Mr Tsenin and the cash bonuses are in accordance with those arrangements. The cash bonuses are discretionary awards based on exceptional contribution to the performance of the Group for the year ended 30 June 2000, including the sale of MLC and the strategic repositioning of the Group as an integrated Real Estate Services business. The bonus amounts have been the subject of an independent review and consideration.
- (7) Mr Aiello is based in the US with compensation paid in USD's. "Other benefits" include amounts paid for the provision of a motor vehicle and accommodation when in Australia. The employment contract with Mr Aiello includes incentive payments (referable to amounts foregone upon leaving previous employer) of USD642,000 payable in three tranches. The first tranche upon joining was included in 1998 as a matured current year ESP allocation. The second tranche was paid on 31 December 1998. The final tranche was paid on 31 December 1999 and this amount is included within the current year Global Reward allocations for the year ended 30 June 2000.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION continued

- (8) Both Mr Clarke and Mr Webster retired as Executive Directors during the year ended 30 June 2000. Mr Webster retired as an Executive Director on 28 October 1999 and as an Executive on 18 February 2000. In addition Mr Webster was paid retirement allowances of \$2,582,809, and other retirement benefits of \$2,133,000 relating to his superannuation entitlements. Mr Clarke retired as an Executive Director on 25 May 2000 and subsequently retired as an Executive on 7 July 2000. Amounts paid to Mr Clarke on 7 July 2000, including retirement benefits, are not included in the total compensation for the year ended 30 June 2000.
- (9) Mr Banks is based in the US with compensation paid in USD's. "Other Benefits" includes amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions.
- (10) Mr Cochrane joined the Lend Lease Group through its acquisition of the Bovis Group in October 1999 and was subsequently appointed C.E.O. of Bovis LL. On 1 July 2000, Mr Cochrane was appointed Chairman of Bovis LL. Mr Cochrane is based in the US with compensation paid in USD's. Cash bonuses include a performance bonus of A\$1,000,000 paid on 1 March 2000 for the year ended 31 December 1999 as part of the previous annual performance bonus process within the Bovis Group.
- (11) Mr Walichnowski is based in the UK with compensation paid in GBP's. "Other Benefits" includes amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions.
- (12) Mr D'Ardenne is based in the US with compensation paid in USD's.
- (13) To avoid any distortions within the table (as a result of significant payments made to certain executives as part of their employment commencing with the Group) these executives, Mr F Pratt and Ms C Kiley, are set out below. Mr Pratt joined Lend Lease through its acquisition of Boston Financial in November 1999. Mr Pratt is based in the US with compensation paid in USD's. His total compensation during the year ended 30 June 2000 was A\$2,532,186. This comprised of a salary of A\$242,682; pension plan contributions of A\$34,054, "Other Benefits" of A\$5,319, a cash bonus of A\$986,049 and an amount of A\$1,264,082 paid in relation to the acquisition of Boston Financial. Ms Kiley commenced employment with the Lend Lease Group on 18 October 1999. Ms Kiley is based in the US with compensation paid in USD's. Her total compensation during the year ended 30 June 2000 was A\$1,718,437. This comprised of a salary of A\$266,760; "Other Benefits" of A\$9,369, a cash bonus of A\$801,283 and an additional amount of A\$641,025 in relation to Ms Kiley joining the Group.
- (14) The executives named above are current executives. During the year ended 30 June 2000, Mr P Dolinoy and Mr R Clarke ceased employment with the Lend Lease Group. Mr Dolinoy retired on 30 June 2000 and was previously based in the US with compensation paid in USD's. His total compensation during the year ended 30 June 2000 was A\$5,751,248 (comprising salary of A\$492,768; pension plan contributions of A\$34,054; retirement and other benefits of \$11,887; cash bonuses of A\$4,585,296 and matured shares from previous years amounting to A\$627,243. The cash bonuses include a component paid in relation to bonuses accrued at a previous employer (The Equitable)). Up until 3 March 2000, Mr Clarke was also based in the US and received total compensation of A\$3,757,543 (comprising salary of A\$512,879; pension plan contributions of A\$51,010; retirement and other benefits (including amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions) of A\$295,694, cash bonuses of A\$355,325 and ESP matured shares from previous years amounting to A\$2,542,635.

NON-EXECUTIVE DIRECTORS

Directors currently receive compensation of \$70,000 per annum to cover all main Board activities, including one overseas meeting extending for one week, as well as duties associated with the Board Committee and one other Committee. This compensation level has been determined in accordance with international benchmarks. The Chairman receives a multiple of 4 times this and the Deputy Chairman receives a multiple of 1.5.

In addition to the time required for their main Board duties, each Non-Executive Director has a significant involvement in the Group's activities. Directors are compensated for these additional activities at \$3,000 per day. The level of fee, and expectations regarding personal time commitment, reflect a number of factors including: the specific workload required to satisfy the Group's expansion plans, in particular the international dimension, and the Group's requirement that all Directors participate on the Board and Committees, and maintain a detailed knowledge and awareness of the Group's evolving operating activities. This significant time commitment also limits the opportunity for Directors to become involved in professional activities outside Lend Lease.

Directors resident outside Australia are given the opportunity, at the time of joining the Board, to elect to have their \$3,000 per day fees paid in Australian dollars, or in the currency of their home countries, based on the currency exchange rate at the time of joining the Board. This may result in the Australian dollar remuneration amount shown in the annual accounts fluctuating despite there being no change in the actual remuneration received by the Directors in their local currency.

To align more closely the interests of shareholders and Directors, a share acquisition plan was approved by shareholders at the 1997 Annual General Meeting. This plan allows Directors to acquire up to 1,000 shares in any 6-month period in lieu of receiving Directors' fees to the equivalent value. Subscriptions are made at the same price, at the same time and otherwise on the same terms as the Share Purchase Plan available to all shareholders. A Director is restricted from selling these shares until the earlier of 10 years or the retirement of the Director.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued**NON-EXECUTIVE DIRECTORS continued****COMPENSATION**

The following table sets out the compensation received or due and receivable by Non-Executive Directors for the year ended 30 June 2000.

Director	Year	Directors' Fees \$ ⁽¹⁾	Additional Compensation \$ ⁽²⁾	Total \$
S G Hornery ⁽³⁾ (Chairman)	2000 1999	280,000 230,000	124,318 87,133	404,318 317,133
E D Cameron	2000 1999	70,000 65,000	250,769 200,583	320,769 265,583
Y H Chua ⁽⁴⁾	2000 1999	70,000 65,000	212,716 180,693	282,716 245,693
J K Conway ⁽⁵⁾ (Deputy Chairman)	2000 1999	105,000 97,500	248,669 289,236	353,669 386,736
G G Edington ⁽⁶⁾	2000 1999	40,833	77,034	117,867
P C Goldmark ⁽⁷⁾	2000 1999	40,833	29,679	70,512
D J Grady ⁽⁸⁾	2000 1999	70,000 65,000	214,450 169,333	284,450 234,333
R A Longes ⁽⁸⁾ (Deputy Chairman)	2000 1999	87,500 65,000	227,748 154,333	315,248 219,333
R G Mueller ⁽⁹⁾	2000 1999	70,000 65,000	186,498 169,245	256,498 234,245
D N Sanders ⁽¹⁰⁾	2000 1999	22,826 65,000	146,824 161,833	169,650 226,833
P J Willcox ⁽¹¹⁾	2000 1999	82,404 97,500	239,375 188,417	321,779 285,917

- (1) Includes shares allotted at market value pursuant to the Non-Executive Directors' share plan approved by shareholders at the 1997 Annual General Meeting.
- (2) "Additional Compensation" includes compensation for additional activities and other benefits provided plus fringe benefit tax on those benefits. These benefits are based on the cost to the Company.
- (3) "Additional Compensation" relates to \$104,455 (1999 \$87,133) for costs (including fringe benefits tax) associated with a motor vehicle lease and \$7,067 (1999 \$Nil) for superannuation contributions.
- (4) "Additional Compensation" includes \$7,067 (1999 \$4,776) for superannuation contributions.
- (5) "Additional Compensation" includes \$7,067 (1999 \$6,854) for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in US Dollars using the exchange rate on the date of appointment as a Director.
- (6) Mr Edington was appointed as a Director on 1 December 1999. "Additional Compensation" includes \$5,354 for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in GBPs using the exchange rate on the date of appointment as a Director.
- (7) Mr Goldmark was appointed as a Director on 1 December 1999. "Additional Compensation" includes \$3,210 for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in US Dollars using the exchange rate on the date of appointment as a Director.
- (8) "Additional Compensation" includes \$7,067 (1999 \$Nil) for superannuation contributions.
- (9) "Additional Compensation" includes \$7,067 (1998 \$4,894) for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in Swiss Francs using the exchange rate on the date of appointment as a Director.
- (10) Mr Sanders also received a benefit of \$820,555 on his retirement on 28 October 1999 pursuant to the Company's standard Retirement Benefit Allowance Agreement for Non-Executive Directors approved by shareholders at the 1990 Annual General Meeting.
- (11) "Additional Compensation" includes \$7,067 (1999 \$Nil) for superannuation contributions. Mr Willcox also received a benefit of \$873,063 on his retirement on 25 May 2000 pursuant to the Company's standard Retirement Benefit Allowance Agreement for Non-Executive Directors approved by shareholders at the 1990 Annual General Meeting.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

NON-EXECUTIVE DIRECTORS continued

NON-EXECUTIVE DIRECTORS' RETIREMENT PLAN

The Non-Executive Directors participate in a retirement plan, under which retiring Non-Executive Directors with up to 5 years' service receive up to three times their average annual emoluments (ie. Directors' Fees, Consultants' Fees and motor vehicle costs) over the previous 3 years, and those who have served more than 5 years receive between 3 and 5 times their average annual emoluments over the previous 3 years. In each case, the retirement benefit is proportional to length of service. Those who have served 15 years or more receive the maximum of 5 times average annual emoluments over the 3 years prior to retirement. This plan was approved by shareholders at the 1990 Annual General Meeting.

The following table sets out the accrued retirement benefits at the end of the year.

Director	Years of Service At 30 June 2000 Years ⁽¹⁾	Accrued Retirement Benefit at 30 June 2000 A\$
S G Hornery	6	961,045
E D Cameron	11	1,129,916
Y H Chua	5	811,911
J K Conway	8	1,112,955
G G Edington	1	22,282
P C Goldmark	1	13,240
D J Grady	6	814,222
R A Longes ⁽²⁾	11	n/a
R G Mueller	4	543,510

(1) Relates to years of services as a Non-Executive Director only.

(2) Mr Longes does not participate in the Non-Executive Directors' retirement plan.

SHARE OPTIONS

No share options were issued during the year by the Company or any of its controlled entities, and there are no such options on issue.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constitution provides for indemnification in favour of each of the Directors named on pages 1 to 3 of this Report; the Company Secretaries, Mr P W Crewes and Ms S J Sharpe; and executive Officers of the Company or of wholly owned subsidiaries of the Company to the extent permitted by the Corporations Law.

For related entities, the indemnification is provided by approval of a committee of Directors. For unrelated entities in which Lend Lease has an interest, deeds of indemnity are entered into between Lend Lease Corporation and the Director or officer. Since 1 July 1999 the Company has entered into separate deeds of indemnity with the following Directors in relation to unrelated entities named:

- A Aiello Advantra Pty Limited
 coolsavings.com, Inc
 ForRetail.com, Inc
 Redbricks.com, Inc
 Sitel Australia Pty Limited
 Ventius Corporation
- D C Clarke Bondi Beach Railway Limited
 FSAM Pty Limited
 FSAT Pty Limited
 FSB Pty Limited
 HRL Morrison & Co Group Limited
 IBM Global Services Australia Limited
- D H Higgins Fox Studios Australia Pty Limited
 FSAM Pty Limited
 FSAT Pty Limited
- R E Tsenin THI plc

In accordance with the Corporations Law, the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance against any liability incurred by a person as a Director or former Director of the Company or a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome. During the year Lend Lease paid insurance premiums of \$503,267 in respect of its Directors' and Officers' liability policies.

ROUNDING OFF

Lend Lease Corporation Limited is a Company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and, in accordance with that class order, amounts in the financial statements and this report have been rounded off to the nearest tenth of a million dollars, or where the amount is \$50,000 or less, zero, unless specifically stated to be otherwise.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Sydney, 17 August 2000.

S G HORNERY, AO
Chairman

D H HIGGINS
Managing Director