

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 1999 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 any time during or since the financial year 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 59, 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, a Member of the Risk & Compliance Committee and a Director or Member of a number of Lend Lease Group subsidiary companies and business boards. He is Chairman of the Australian National Training Authority, a Director of IBM Global Services Australia Limited and Advantra Pty Limited, a Member of the Advisory Board of IBM Asia Pacific and a Trustee of the ACTU-Lend Lease Foundation.

D.H. Higgins, Managing Director, (Executive)

Mr Higgins' qualifications are BEng (Civil), Diploma Securities Institute of Australia. Aged 44, 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 Lend Lease Projects) 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 and also a Director of IBM Global Services Australia Limited, as well as a Director or Member of a number of Lend Lease Group subsidiary companies and business boards.

A. Aiello, (Executive)

Mr Aiello, aged 56, was appointed to the Board in May 1998 as Director of Information Technology and is a Member of the Risk & Compliance Committee. Mr Aiello joined the Lend Lease Group in January 1998 as Chief Information Officer. He was previously President of Fidelity Investment 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. Mr Aiello holds a Bachelor of Science degree in Engineering from the Polytechnic Institute of New York, a Masters of Industrial Engineering, a Masters of Operations Research and a PhD in Business Administration from New York University.

E.D. Cameron, (Non-Executive)

Mr Cameron is a Chartered Accountant. Aged 69, he joined the Board in 1989 and is Chairman of the Risk & Compliance Committee, a Member of the Board Committee and Chairman or Director of a number of Lend Lease Group subsidiary companies and business boards. 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, a Director of MIM Holdings Limited and a Trustee of the Australian Cancer Research Foundation.

Y.H. Chua, BBM, (Non Executive)

Dr Chua, aged 55, was appointed to the Board in October 1994. He is a Member of the Australian & Asian Real Estate & Global Project Management Business Board and the 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 is also the Honorary Consul of the Republic of Uruguay to Singapore and 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).

D.C. Clarke, (Executive)

Mr Clarke, aged 43, is an Executive Director of Lend Lease Corporation Limited. He has responsibility for Lend Lease business units operating in the Asia Pacific Region and has global responsibility for Lend Lease Projects, Infrastructure and Financial Services. He is the Chairman or a Director of a number of Lend Lease subsidiary companies and is also a Director of H.R.L. Morrison & Co. Group Limited. Mr Clarke has an extensive background in the investment banking industry and, prior to his appointment with the Lend Lease Group in May 1993, held the position of Chief Executive, Lloyds Merchant Bank in the United Kingdom.

DIRECTORS continued

1. BOARD continued

J.K. Conway, (Non Executive)

Mrs Conway, aged 64, was appointed to the Board in 1992 and appointed Deputy Chairman in August 1998. She chairs the Personnel & Organisation Committee and is a Member of the Board Committee as well as co-chairing the Europe & North America Business Board. 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.

D.J. Grady, (Non-Executive)

Ms Grady, aged 51, was appointed to the Board in June 1994 and chairs the Australian & Asian Real Estate & Global Project Management Business Board. She is a Member of the Finance, Personnel & Organisation and Board Committees. Ms Grady is a Director of 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. Formerly, Ms Grady was 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 54, was appointed to the Board in 1986 and is a Member of the Finance, Personnel & Organisation and Board Committees. He is also Chairman, Director or Member of a number of Lend Lease Group subsidiary companies and business boards. Other Directorships include Australian Water Services Pty Limited and Lyonnaise Asia Water Limited. Mr Longes was formerly a partner of the legal firm Freehill, Hollingdale & Page from which he retired in 1988. He is a Principal of Wentworth Associates Pty Limited.

R.G. Mueller, CBE (Non Executive)

Mr Mueller, aged 65, was appointed to the Board in 1996. He is a Member of the Personnel & Organisation and Board Committees as well as co-chairing the Europe & North America Business Board. He is Chairman of 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.

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

Mr Sanders' qualification is BEc. Aged 72, he joined the Board in 1992 and is a Member of the Risk & Compliance and Board Committees and is also Chairman of the Lend Lease Financial Services Business Board and a Member of the Europe and North America Business Board. He is Chairman of H-G Ventures Limited. Mr Sanders was formerly Managing Director and Chief Executive of the Commonwealth Bank of Australia and prior to that was Deputy Governor of the Reserve Bank of Australia. Mr Sanders will retire from the Board at the Annual General Meeting in October 1999.

R.E. Tsenin, (Executive)

Mr Tsenin's qualifications are BEc (University Medal, Sydney) and Diploma in Corporate Finance Management (London Business School). Aged 50, he was appointed to the Board in February 1997 and was subsequently appointed Finance Director. He is a Member of the Risk & Compliance and Finance Committees as well as a Director or Member of a number of Lend Lease Group subsidiary companies and business boards. 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).

DIRECTORS continued

1. BOARD continued

W.A.H. Webster, (Executive)

Mr Webster's qualification is ASIA. Aged 54, he was appointed to the Board in 1987 and for 9 years his executive responsibilities primarily related to designing, implementing, refining and managing the investment process applied to the Group's funds management and life insurance operations. Since 1996 when he handed over direct investment responsibility, his role has broadened to include development of the Group's communications externally and internally, globally and domestically. Mr Webster is a Member of the Finance Committee of the Board and a Director or Member of a number of Lend Lease Group subsidiary company and business boards. Mr Webster will retire from the Board at the Annual General Meeting in October 1999.

P.J. Willcox, (Non-Executive)

Mr Willcox's qualification is MA from Cambridge University. Mr Willcox, aged 53, was appointed to the Board in June 1994 and appointed Deputy Chairman (Chairman-elect) in August 1998. He is Chairman of the Finance Committee and a Member of the Board Committee as well as a Director or Member of a number of Lend Lease Group subsidiary companies and business boards. He is also a Director of Energy Developments Limited, Schroders Australia Holdings Limited, James Hardie Industries Limited and F H Faulding and Company Limited. Mr Willcox was formerly Chief Executive of BHP Petroleum and a Director of BHP.

2. DIRECTORS' MEETINGS

During the financial year four scheduled full agenda Board meetings and four 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 1998 to 30 June 1999.

Director	Board Meetings				Committee Meetings	
	Full Agenda		Restricted Agenda		Held	Attended
	Held	Attended	Held	Attended		
A. Aiello	4	4	4	4	6	6
E.D. Cameron	4	4	4	3	16	16
Y.H. Chua	4	4	4	4	12	12
D.C. Clarke	4	4	4	3	6	6
J.K. Conway	4	4	4	2	11	11
D.J. Grady	4	4	4	4	15	15
D.H. Higgins	4	4	4	4	15	15
S.G. Hornery	4	4	4	4	11	11
R.A. Longes	4	4	4	3	11	10
R.G. Mueller	4	4	4	3	14	14
D.N. Sanders	4	4	4	4	10	10
R.E. Tsenin	4	4	4	3	12	12
W.A.H. Webster	4	4	4	4	12	12
P.J. Willcox	4	4	4	3	13	13

In addition, matters were dealt with by Circular Resolution:

- on 20 occasions, by the Full Board; and
- on 105 occasions, by a Committee of Directors.

The present Board has fourteen Directors, nine of whom are non-executive. The Chairman and Chief Executive are elected by a unanimous decision of Directors. The non-executive Directors comprise the Board Committee which meets 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 make recommendations to the full Board for a final decision. For less important matters the Board delegates authority to Committees to make decisions on behalf of the Board.

Board Committee

Made up entirely of non-executive Directors and chaired by the Chairman, this Committee considers any matter relating to policy or management where it would not be appropriate for executive Directors to participate.

Finance Committee

Non-executive Directors comprise a majority of the Members of the Committee. The Committee's focus is on the management of capital for the Lend Lease Group.

DIRECTORS continued

2. DIRECTORS' MEETINGS

Personnel & Organisation Committee

Made up of a majority of non-executive Directors, this Committee has the responsibility for ensuring that the Lend Lease Group has appropriate policies in place for people management and compensation in all the global locations in which the Group operates.

Risk & Compliance Committee

Non-executive Directors comprise a majority of the Members of the Committee. The Committee's focus is on strategic risk management and material risk exposures (both short-term and longer term) while maintaining responsibility for a strong independent audit function throughout the Group.

3. INTEREST IN CAPITAL

The interest of each of the Directors in the issued shares of the Company at 12 August 1999 (13 August 1998) is set out below.

Director	Shares Held Directly 1999	Shares Held Beneficially/ Indirectly 1999	Shares Held Under Employee Share Plans 1999 ⁽¹⁾	Shares Held Directly 1998 ⁽⁴⁾	Shares Held Beneficially/ Indirectly 1998 ⁽⁴⁾	Shares Held Under Employee Share Plans 1998 ^{(1) (4)}
A. Aiello	2,000		65,814	2,000		65,814
E.D. Cameron	10,675			8,262		
Y.H. Chua	5,212			3,212		
D.C. Clarke	2,000		51,614 ⁽²⁾	2,000		45,138 ⁽²⁾
J.K. Conway	4,526			3,026		
D.J. Grady	11,812			10,336		
D.H. Higgins	2,000		80,161 ⁽³⁾	2,000		76,250 ⁽³⁾
S.G. Hornery	128,170			264,654		
R.A. Longes	7,509	50,112		5,824	62,412	
R.G. Mueller	5,000			3,000		
D.N. Sanders	5,852			3,972		
R.E. Tsenin	2,000		1,500	2,000		768
W.A.H. Webster	10,950		22,565	10,950		21,210
P.J. Willcox	4,500			3,000		

(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 Clarke has a contingent beneficial interest under Employee Share Acquisition Plan in 54,500 shares (114,000 shares in 1998).

(3) Arising from allocations made to him as an employee, Mr Higgins has a contingent beneficial interest under Employee Share Acquisition Plan in 1,000 shares (3,000 shares in 1998).

(4) Opening balances have been adjusted for the effect of the 1:1 bonus issue in December 1998.

DIRECTORS continued

4. INTEREST IN REGISTERED SCHEMES

The interest of each of the Directors in the registered schemes of the Lend Lease Group at 12 August 1999 is set out below.

Director	Registered Scheme	Direct Interest		Beneficial/Indirect Interest	
		No. of Units	Value	No. of Units	Value
Y.H. Chua	Darling Park Trust	4,000	3,560		
J.K. Conway	MLC MasterKey Cash Management Trust	38,832	38,832		
D.H. Higgins	MLC MasterKey Unit Trust	94,587	122,121		
S.G. Hornery	MLC MasterKey Unit Trust	1,376,042	1,376,042		
	Darling Park Trust	2,000	1,780		
	General Property Trust	1,581	4,174		
R.A. Longes	MLC MasterKey Cash Management Trust	12,032	12,032	1,270,477	1,270,477
	Darling Park Trust	8,800	7,832		
	General Property Trust			841	2,220
D.N. Sanders	Darling Park Trust	4,000	3,560		
W.A.H. Webster	MLC MasterKey Cash Management Trust*	108,603	108,603		
	MLC MasterKey Unit Trust*	2,066,391	3,078,109		
	Darling Park Trust	8,800	7,832		

* Joint holder.

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.
- 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 of 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 advisor 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.
- 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 1999, Lend Lease earned an operating profit after tax of \$420.4 million, an increase of 15.5% on the previous year's profit of \$363.9 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.

The Board is budgeting for an increase in profit after tax, earnings per share and dividends for the 1999-2000 financial year.

DIVIDENDS

The 1998 final dividend of \$135.9 million (27 cents per share*) referred to in the Directors' Report dated 13 August 1998 was paid on 17 September 1998.

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

	\$ million
Interim dividend of 29 cents per share paid on 17 March 1999	146.2
Final dividend of 31 cents per share declared by Directors to be paid on 16 September 1999	156.3
	302.5

* adjusted for the effect of the 1:1 bonus issue in December 1998.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of Lend Lease during the year.

YEAR 2000 ISSUES

In our 1998 Annual Report to Shareholders we outlined our Year 2000 Programme. We have been addressing the matter since 1996 and aim to have resolved ahead of time, all Year 2000 issues that may have a material impact on our businesses. Very substantial progress in this has been made in the past twelve months.

Our comprehensive programme of activities is nearing completion, and major milestones have been achieved. Most business-critical projects were completed by 31 March 1999. Business-critical mainframe systems that will be in use after December 1999 have all been remediated, age-tested and implemented. Business-critical mid-range and desktop applications including end-user data (eg. spreadsheets), and business-critical network and voice systems have been remediated, tested and implemented.

Critical building systems (building management, fire systems and security) for buildings owned and/or managed by our Group in Australia, Asia and Europe are Year 2000 ready. The remediation and testing of building systems in the USA is scheduled for completion in September 1999.

In the last few months of 1999 our focus will be on maintaining our environment free of contamination from Year 2000 issues through a Clean Environment Management process and on developing and implementing Business Continuity Plans throughout our businesses.

Given our approach and the work completed to date, we do not now expect any significant problems or major disruptions to occur in our operations in relation to Year 2000.

However, it is a reality of business that Lend Lease operates with many different business relationships and technological interdependencies. For this reason and in recognition of other factors beyond our control, it is not possible for us to guarantee that problems will not in due course be encountered. We will therefore continuously monitor the Year 2000 readiness of our business critical third parties. We believe we have taken appropriate initiatives to address all reasonable factors which could represent a risk to our businesses, their customers and business partners.

Our estimate of expenditure on total remediation and replacement costs for the four years July 1996 to July 2000 is \$95 million pre-tax. This is a reduction of \$5 million from the \$100 million previously disclosed to the Australian Stock Exchange in March 1999. In 1998/99 \$61 million was expended. In 1999/2000 we estimate expenditure of \$19 million pre-tax.

ENVIRONMENTAL REGULATION

Lend Lease is subject to a variety of environmental regulations, particularly in respect of its real estate development, projects and real estate management businesses both in Australia and overseas. Under Lend Lease's environmental policy, management plans ("Plans") are developed for activities which may have a significant environmental impact. The successful implementation of these Plans has been identified by management as essential to Lend Lease's environmental performance. The following are examples of major projects with fully implemented plans:

- the Newington Estate project in Sydney (which will house the athletes competing at the Sydney 2000 Olympic Games). The Plan for this project includes appointment of a full-time professional environment manager to co-ordinate the extensive "green" design obligations such as the use of solar cells for heating and photovoltaic cells for electricity generation;
- the Bluewater project in Kent England (a major retail shopping development located near an aquifer that is used for the supply of drinking water). The Plan for this facility includes regular testing of the water and proposed installation of physical barriers which can be lowered to protect the aquifer in the event of a major incident; and
- our one third interest in the Prospect Water Partnership and our 50% interest in Australian Water Services Pty Limited ("AWS", which is the operator of a water treatment plant at Prospect, Sydney treating drinking water for many of Sydney's residents). The Plan includes a number of proposed capital improvements to water treatment some of which are discussed below.

ENVIRONMENTAL REGULATION continued

The Directors have caused enquiries to be made with respect to compliance with applicable environmental regulation during the reporting period. Based on the results of these enquiries, only one environmental compliance issue has been brought to the attention of the Directors which in their opinion is significant in terms of Lend Lease's performance under environmental regulation:

- In late July/early August 1998, public concerns were raised regarding reports that Sydney's drinking water contained unacceptably high levels of pathogens, which could potentially cause illness.
- A number of immediate responses to the report were taken with the aim of immediately changing any processes which may have led to actual or potential concentrations of pathogens in the Sydney drinking water supply. At the same time, a more detailed investigation into the potential sources of contamination was being undertaken. One of the immediate responses was a direction by Sydney Water Corporation ("SWC") to AWS (as operator of the water treatment plant) to release the supernatant (a by-product of backwashing the filters in the plant) into the Prospect Reservoir. This release constitutes a technical breach of the Protection of the Environment Operations Act (NSW). The Environmental Protection Authority ("EPA") was kept fully informed and agreed not to take action against AWS or SWC as a result of this technical breach.
- AWS is continuing discussions with the EPA and SWC to agree additional treatment required so that the supernatant can be recycled through the Prospect Plant thus avoiding the need for further release of supernatant into Prospect Reservoir.

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:

- Lend Lease has announced that it has signed a memorandum of understanding to acquire 100% of The Boston Financial Group.
- MLC has acquired the business of Godfrey Pembroke Financial Services.
- MLC also increased its ownership of FlexiPlan from 76% to 96% at a cost of \$14.6 million in July.
- Lend Lease has announced retail property developments in Europe in regard to opportunities in Madrid and Porto, with a potential development opportunity in Norwich.

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. This Committee is chaired by Ms J. Conway (Deputy Chairman) and comprises 4 other non executive Directors, Mr D. Higgins (CEO) and Mr D. Clarke (Executive Director). It is accountable for establishing the principles of reward determination for global application and formulating the company's compensation policy having regard to international best practice. Its approach is consistent with the Company's overall philosophy that all staff should be appropriately rewarded. The Committee is kept informed of developments in best practice in the field of compensation.

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.

COMPENSATION POLICY

The 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. Staff hold either directly or through employee benefit vehicles approximately 13% 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.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION POLICY continued

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's); annual profit share scheme (1999 \$6,367 per full time employee); and for executives located away from their home country, expatriate benefits such as accommodation allowances.

Superannuation/Pension Plans

For all Australian based employees this is either a defined benefit or defined contribution plan. Pension plan arrangements are also in place in international locations.

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.

Long Term Incentive Program

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

The current LTI program was introduced by the Board in 1996 with the primary purpose of keeping the leadership team in place. 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 1999. These allocations have varying maturity dates.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued**COMPENSATION POLICY continued****Long Term Incentive Program continued**

<i>Name</i>	<i>Global Reward Program/ESP Allocations</i>
Executive Directors	
D.H. Higgins - Chief Executive Officer	75,000 (allocated 1 January 1997) ⁽¹⁾
D.C. Clarke – Director	100,000 (allocated 28 June 1996)
R.E. Tsenin – Director	50,000 (allocated 3 February 1997) ⁽¹⁾
W.A.H. Webster – Director	50,000 (allocated 1 January 1997) ⁽¹⁾
Executive Officers	
M. Banks (US)	100,000 (allocated 28 June 1996)
P. Walichnowski (UK)	100,000 (allocated 28 June 1996)
R. Clarke (US)	50,000 (allocated 1 January 1997)
P. Scott (Aust)	50,000 (allocated 28 June 1996)

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

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 recently approved a revised LTI program. This replaces the current LTI retention program outlined above.

It is anticipated that initial grants under this LTI Program will be made on 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. The 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.

While the program provides for varying levels of grant to participating executives, which will be influenced by responsibilities, position, executive potential and demonstrated performance, all incentives under the program align management benefit to shareholder gain.

Grants will be structured to 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.

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.

As stated above, no awards under this program have been made. The 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 highest ranking executives ⁽¹³⁾ 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 Matured Allocations Current Year A\$ (3)	Previous Years A\$ (4)	
EXECUTIVE DIRECTORS								
D.H. Higgins (Chief Executive Officer) ⁽⁵⁾	1999	750,555	60,000	34,361	247,775	317,653	146,230	1,556,574
	1998	750,629	60,000	34,140	451,500	526,481	137,130	1,959,880
D.C. Clarke (Executive Director) ⁽⁵⁾	1999	557,169	44,517	26,620	165,750	228,620	104,450	1,127,126
	1998	491,465	29,286	20,084	216,000	510,548	81,625	1,349,008
R.E. Tsenin (Finance Director) ^{(5) (6)}	1999	658,963	42,273	103,735	184,167	236,099	41,780	1,267,017
	1998	599,998	40,333	21,306	240,000	391,800		1,293,437
W.A.H. Webster (Executive Director) ⁽⁵⁾	1999	539,847	40,157	24,439	249,726	106,706	83,560	1,044,435
	1998	542,551	40,157	24,292	160,500	262,016	65,300	1,094,816
A. Aiello (Executive Director & Chief Information Officer) ⁽⁷⁾	1999	802,182		86,579	1,832,183			2,720,944
	1998	368,786		49,178	442,543	947,042		1,807,549
EXECUTIVE OFFICERS								
M. Banks - CEO LL Real Estate Investments (US) ⁽⁸⁾	1999	774,574	41,600	396,864		365,116	246,669	1,824,823
	1998	600,013	34,133	365,150		419,832	71,830	1,490,958
P. Walichnowski - CEO Lend Lease Europe (UK) ⁽⁹⁾	1999	814,872	41,060	167,450	270,000	115,375	183,832	1,592,589
	1998	737,040	28,050	153,337	204,000	110,618	94,685	1,327,730
R. Clarke - CEO Lend Lease Development (US) ⁽¹⁰⁾	1999	537,022	28,800	640,890		203,887	151,975	1,562,574
	1998	469,821	24,300	178,680		55,505	97,950	826,256
P. Scott - CEO MLC Group (Australia) ⁽¹¹⁾	1999	381,953	29,696	19,209	372,500	88,198	273,241	1,164,797
	1998	340,434	24,948	23,618	195,600		63,668	648,268
P. Dolinoy - President Lend Lease REI (US) ⁽¹²⁾	1999	447,618	32,087		641,746	30,270	10,707	1,162,428
	1998	342,725	5,901	2,213	767,075	16,749		1,134,663

(1) "Salary" for international assignees includes components for 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 Program allocations, based on the Lend Lease share price of \$20.89 on the date they were awarded (1 July 1999). Shares held in ESP's are subject to the rules of the plans and in some cases other contingent events.

(4) Relates to units allocated in previous years that matured during the year ended 30 June 1999, based on the Lend Lease share price of \$20.89 on 1 July 1999. Shares held in ESP's are subject to the rules of the plans and in some cases other contingent events.

(5) The performance related bonuses in 1998 related to an eighteen month period.

(6) "Salary" in 1999 includes adjustments effective from 1 April 1999 in relation to service in the UK. "Other benefits" include health insurance, motor vehicle and rental subsidies in relation to service in the UK.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

COMPENSATION continued

- (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 each of three tranches. The first tranche upon joining is included in 1998 as a matured current year ESP allocation. The second tranche was paid on 31 December 1998 and is included within the 1999 cash bonus. The final tranche is payable on 31 December 1999.
- (8) Based in the US with compensation paid in USD's. "Other Benefits" also includes amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions.
- (9) Based in the UK with compensation paid in GBP's. "Other Benefits" also includes amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions.
- (10) Based in the US with compensation paid in USD's. In 1998 Mr Clarke was based in Singapore. "Other Benefits" also includes amounts paid for the provision of health insurance, motor vehicle and rental subsidies under Lend Lease's expatriate conditions. The increase in other benefits in 1999 relates to the cost of accommodation in the US.
- (11) Increase in compensation in 1999 related to two factors. Firstly, Mr Scott was appointed CEO of the MLC Group in 1999. Secondly, the 1998 bonus delivered in ESP units did not mature immediately and therefore will be recorded as compensation when matured in the three years subsequent, beginning in 1999.
- (12) Based in US with compensation paid in USD's. Cash bonus includes a component paid in relation to bonuses accrued at a previous employer (The Equitable).
- (13) The executives named above are current executives. During the year ended 30 June 1999, G. Puskar and L. Mayne ceased employment with the Group. Mr Puskar was based in the US with compensation paid in USD. His total compensation during the year ended 30 June 1999 was A\$4,520,721 (comprising salary of A\$456,438, pension plan contributions of A\$30,985, retirement and other benefits of A\$2,874,218, cash bonus of A\$750,931 and ESP matured shares of A\$408,149. The cash bonus includes a component paid in relation to bonuses accrued at a previous employer (The Equitable)). Ms Mayne received total compensation during the year ended 30 June 1999 of A\$1,496,019 (comprising salary A\$375,744, superannuation contributions A\$31,358, other benefits A\$20,212, cash bonus A\$268,200, ESP matured shares from previous years A\$800,505).

NON EXECUTIVE DIRECTORS

Directors currently receive compensation of A\$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 annual Board fees increased from \$60,000 to \$70,000 on 1 January 1999 in line with the recommendation of an independent remuneration consultant. The Chairman receives a multiple of four times this and the Deputy Chairmen each receive a multiple of 1.5.

In addition, Directors may be asked to commit to approximately 50 days per annum to the Group for a fee of A\$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 Business and Statutory Boards, 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 A\$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.

Directors wish to align their remuneration with the interests of shareholders. Accordingly, consideration is being given to remuneration being delivered in the form of shares, or share equivalents, to a greater extent than currently approved, in place of cash.

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 1999.

Director	Year	Directors' Fees A\$(¹)	Additional Compensation A\$	Total A\$
S.G. Hornery ⁽²⁾ (Chairman)	1999	230,000	87,133	317,133
	1998	180,000	98,000	278,000
E.D. Cameron	1999	65,000	200,583	265,583
	1998	60,000	192,500	252,500
Y.H. Chua ⁽³⁾	1999	65,000	180,693	245,693
	1998	60,000	191,921	251,921
J.K. Conway ⁽⁴⁾ (Deputy Chairman)	1999	97,500	289,236	386,736
	1998	60,000	148,171	208,171
D.J. Grady	1999	65,000	169,333	234,333
	1998	60,000	217,500	277,500
R.A. Longes	1999	65,000	154,333	219,333
	1998	60,000	138,750	198,750
R.G. Mueller ⁽⁵⁾	1999	65,000	169,245	234,245
	1998	60,000	148,171	208,171
D.N. Sanders	1999	65,000	161,833	226,833
	1998	60,000	155,000	215,000
P.J. Willcox (Deputy Chairman)	1999	97,500	188,417	285,917
	1998	60,000	167,500	227,500

- (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" relates to \$87,133 in 1999 (1998 \$98,000) for costs (including fringe benefits tax) associated with a motor vehicle lease.
- (3) "Additional Compensation" includes \$4,776 (1998 \$5,671) for superannuation contributions.
- (4) "Additional Compensation" includes \$6,854 (1998 \$5,671) for superannuation contributions. "Additional Compensation" (excluding superannuation contributions) is paid in USD's using the exchange rate on the date of appointment as a Director.
- (5) "Additional Compensation" includes \$4,894 (1998 \$5,671) 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.

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 (i.e. "Directors' Fees" and "Additional Compensation") 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.

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued**NON EXECUTIVE DIRECTORS continued****Non Executive Directors' Retirement Plan continued**

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

Director	Years of Service At 30 June 1999 Years ⁽¹⁾	Accrued Retirement Benefit at 30 June 1999 A\$
S.G. Hornery	5	593,233
E.D. Cameron	10	1,035,920
Y.H. Chua	5	700,784
J.K. Conway ⁽²⁾	7	866,230
D.J. Grady	5	827,437
R.A. Longes ⁽³⁾	10	
R.G. Mueller ⁽²⁾	3	378,122
D.N. Sanders	7	749,799
P.J. Willcox	5	775,128

(1) Relates to years of services as a non executive director only.

(2) Accrued retirement benefit reflects exchange rate fluctuations. Refer Notes (4) and (5) above.

(3) 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 of Directors and Officers to the extent permitted by the Corporations Law.

Since 1 July 1998 the Company has not entered into a separate deed of indemnity with any Director, Secretary or executive Officer of the Company.

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 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 \$355,091 in respect of its Directors' and Officers' liability policy.

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, 12 August 1999.

S G HORNERY, AO
Chairman

D H HIGGINS
Managing Director