

Directors' Report

The Directors present their report together with the Financial Report of the consolidated entity, being the Company and its controlled entities ('Lend Lease') for the year ended 30 June 2001 and the Auditors' report thereon.

DIRECTORS

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:

J K Conway, Chairman (Non-Executive)

Mrs Conway, aged 66, was appointed to the Board in 1992 and appointed Chairman at the 2000 Annual General Meeting. Mrs Conway is an ex-officio Member of all Board Committees. Her qualifications are BA(Hons) Sydney University, University Medal in History in 1958 and PhD Harvard University in 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 to 1985 and now teaches as a Visiting Professor in the Science, Technology and Society Program of the Massachusetts Institute of Technology.

D H Higgins, Managing Director (Executive)

Mr Higgins, aged 46, joined the Lend Lease Group in 1985. He 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 before being appointed as Managing Director and Chief Executive in March 1995.

Mr Higgins is the Chairman of the Senior Executive Committee and a Member of the Personnel & Organisation Committee. His qualifications are BEng (Civil), Diploma Securities Institute of Australia.

A Aiello (Executive)

Mr Aiello, aged 58, 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 Board of coolsavings.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 the Polytechnic Institute of New York, a Master of Industrial Engineering, a Master of Science in Operations Research and a PhD in Business Administration from New York University.

E D Cameron (Non-Executive)

Mr Cameron is a Chartered Accountant. Aged 71, he joined the Board in 1989 and is Chairman of the Risk & Compliance Committee, 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, H-G Development Custodians Pty Limited and H-G Fund 5 Custodians Pty Limited and a Trustee of the Australian Cancer Research Foundation.

Y H Chua, BBM (Non-Executive)

Dr Chua, aged 57, was appointed to the Board in October 1994. He is a Member of the Risk & Compliance Committee 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 Singapore's High Commissioner to the Republic of Namibia, a Justice of the Peace 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 A Crawford (Non-Executive)

Mr Crawford is a Chartered Accountant. Aged 57, he joined the Board on 19 July 2001 and has been appointed Chairman Elect of the Risk & Compliance Committee. Mr Crawford is a Non-Executive Director of BHP Billiton Limited and Deputy Chairman of the Australian Ballet. Until recently he was National Chairman of the Australian firm of KPMG. He is currently a Member of the Council of the University of Melbourne and is Treasurer of the Melbourne Cricket Club.

Mr Crawford has degrees of Bachelor of Commerce and Bachelor of Laws from the University of Melbourne and is a Fellow of the Institute of Chartered Accountants. He has extensive accounting and business experience having worked with many large corporations and governments.

G G Edington (Non-Executive)

Mr Edington, aged 55, joined the Board in December 1999 and is a Member of the Risk & Compliance Committee. He is Chairman of UK property company Greycoat Estates Limited, Earls Court and Olympia Group Limited and Garden Park Investments Limited. Mr Edington 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

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six BAA companies. He is also a Past President of the British Property Federation and 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 NCH, one of the UK's leading child care charities.

P C Goldmark (Non-Executive)

Mr Goldmark, aged 60, joined the Board in December 1999 and is the Chairman of the Personnel & Organisation Committee. He has been the Chairman and CEO of The International Herald Tribune in Paris since 1998. Prior to this he was for ten 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 53, was appointed to the Board in June 1994. She is a Member of the Personnel & Organisation Committee. 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 the Chairman of greengrocer.com, 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, where she led the firm's Consumer Goods, Retailing and Marketing Practice in Australia and was a global leader of the Change Management Practice.

R A Longes, Deputy Chairman (Non-Executive)

Mr Longes' qualifications are BA, LLB, MBA. Aged 56, he was appointed to the Board in 1986 and appointed Deputy Chairman in January 2000. Mr Longes is a Member of the Risk & Compliance Committee. He is also Chairman or Director of a number of Lend Lease Group subsidiary companies. Other Directorships include Australian Water Services Pty Limited, The Hornery Institute, Metcash Trading Limited, National Institute of Dramatic Art and Investec Australia Pty Limited. He has recently been appointed to the Aboriginal Tourism Leadership Group.

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

R G Mueller, CBE (Non-Executive)

Mr Mueller, aged 67, was appointed to the Board in 1996. He is a Member of the Personnel & Organisation Committee. He is Chairman of WJB Chiltern Group plc and Chelverton Properties Ltd 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. He was formerly a Member of the Union Bank of Switzerland Group Executive Board and a Director of T I Group plc.

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 to 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 52, he was appointed to the Board in February 1997 and was subsequently appointed Finance Director.

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 (until his retirement in July 1996) and Sagasco Holdings (until his retirement in December 1993).

S G Hornery, AO (Non-Executive)

Mr Hornery retired as Chairman and a Director on 2 November 2000, having joined the Company in 1964. He was appointed a Director in 1977 and Managing Director in 1978 and had been the Chairman since 1988.

Directors' Report continued

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DIRECTORS' MEETINGS

During the financial year four scheduled full agenda Board meetings and six restricted agenda Board meetings were held. 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 advisors prior to making a final decision or making a recommendation to the full Board.

There are two permanent Committees of the Board:

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 risk management and compliance systems in all our businesses worldwide and by being assured that assets are protected against financial loss, legal and regulatory obligations are met, and proper accounting and auditing practices are maintained.

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 2000 to 30 June 2001

Director	Board Meetings				Committee Meetings	
	Full Agenda Held ⁽¹⁾	Attended	Restricted Agenda Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
A Aiello	4	4	6	5	1	1
E D Cameron	4	3	6	5	6	5
Y H Chua	4	4	6	5	7	7
J K Conway	4	4	6	6	8	8
G G Edington	4	4	6	5	4	4
P C Goldmark	4	4	6	4	5	5
D J Grady	4	4	6	5	8	8
D H Higgins	4	4	6	6	8	8
S G Hornery ⁽²⁾	2	2	0	0	3	3
R A Longes	4	4	6	5	5	5
R G Mueller	4	4	6	5	7	7
R E Tsenin	4	4	6	6	4	4

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

(2) S G Hornery resigned his directorship on 2 November 2000.

In addition, matters were dealt with by Circular Resolution:

- on 3 occasions by the Full Board; and
- on 106 occasions by a Committee of Directors.

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INTEREST IN CAPITAL

The interest of each of the Directors in the issued shares of the Company at 31 August 2001 (17 August 2000) is set out below.

Director	Shares Held Directly	Shares Held Beneficially/Indirectly	Shares Held Under Employee Share Plans	Shares Held Directly	Shares Held Beneficially/Indirectly	Shares Held Under Employee Share Plans
	2001	2001	2001 ⁽¹⁾	2000	2000	2000 ⁽¹⁾
A Aiello	2,000			2,000		65,814
E D Cameron	15,592			15,211		
Y H Chua	9,031			6,712		
J K Conway	9,436			6,026		
D A Crawford ⁽²⁾	2,000			N/A		
G G Edington	15,000			15,000		
P C Goldmark	2,000			2,000		
D J Grady	7,593			12,337		
D H Higgins	1,036		81,841	2,000		81,841
S G Hornery ⁽³⁾	N/A			131,969		
R A Longes	9,474	32,903		8,755	50,012	
R G Mueller	5,000			6,000		
R E Tsenin	2,000		1,500	2,000		1,500

(1) Includes shares beneficially held by Executive Directors in the Australian Employee Share Plan.

(2) Mr Crawford was appointed to the Board on 19 July 2001.

(3) Mr Hornery retired as Chairman and Director on 2 November 2000.

INTEREST IN REGISTERED SCHEMES

The interest of each of the Directors in the registered schemes of the Lend Lease Group at 31 August 2001 is set out below.

Director	Registered Scheme	Direct Interest		Beneficial/Indirect Interest	
		No. of Units 2001	Value \$ 2001	No. of Units 2001	Value \$ 2001
Y H Chua	General Property Trust	2,139	5,946		
R A Longes	General Property Trust			2,405	6,686

PRINCIPAL ACTIVITIES

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

- Real estate project management, project design and construction management.
- All aspects of property development from concept through to design, planning, construction, financing, leasing and eventual sale.
- Management of real estate investment funds, limited partnerships and trusts on behalf of clients (including acquiring, managing and selling investments), co-investment in funds or real estate assets, portfolio management, originating and servicing of commercial mortgages, resolution of sub-performing and non-performing commercial mortgages, shopping centre leasing, management and redevelopment and acting as financial advisor and arranger of project finance and related services.
- Investment in companies where strategic business rationales exist and where a mutually beneficial business relationship with these companies can be developed.
- Group Treasury and corporate administration services.

REVIEW AND RESULTS OF OPERATIONS

The Directors report that in the year to 30 June 2001, Lend Lease earned an operating profit after tax of \$151.4 million, a decrease of 65% on the previous year's profit of \$432.2 million.

A review of operations is included in Management's Discussion and Analysis of Financial Condition and Results of Operations (Concise MD&A) section of the Financial Report which accompanies this Directors' Report.

Directors' Report continued

DIVIDENDS

The 2000 final dividend of \$163.9 million (32 cents per share) referred to in the Directors' Report dated 17 August 2000 was paid on 14 September 2000.

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

	\$m
Interim dividend of 13 cents per share paid on 14 March 2001	55.8
Dividend component of share buyback	1,138.5
Final dividend of 8 cents per share declared by Directors to be paid on 13 September 2001	34.5
	1,228.8

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- On 2 October 2000, following approval at a general meeting of shareholders on 18 August 2000, Lend Lease Corporation completed an off-market share buyback at a price of \$19.88 per share, which included two components: contributed equity of \$7.00 and a fully franked dividend of \$12.88. The Company bought back 88.3 million shares for a total cost of \$1,757.2 million, of which \$618.7 million was funded from contributed equity and \$1,138.5 million from retained profits. Primarily as a result of this, total equity has decreased from \$5,306.6 million at 30 June 2000 to \$3,667.4 million at 30 June 2001.

ENVIRONMENTAL REGULATION

Lend Lease is subject to a variety of general environmental regulations, particularly in respect of its real estate development, project management 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 has, for a number of years, required 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, we develop specific management plans for environmentally sensitive activities. Examples of these plans are:

- The environmental plan for the Ayers Rock Resort upgrade incorporated the management requirements under the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act). The management plan sets obligations for energy and water conservation, waste avoidance and management and protection of the site's significant natural and cultural environments.
- The environment management plan for the Australian Bureau of Statistics in Canberra included energy life cycle modelling to ensure that the tenant's (Commonwealth Government) energy reduction targets were achieved. The result was accurate information on future energy usage, reduced capital cost, operating cost, energy consumption and greenhouse gas emissions.

- The environmental plan for the Binary Centre in Sydney (development adjoining the Lane Cove National Park) involved the development of a network of environmental controls to protect the National Park's fragile ecology. The measures included noise and dust control and water filtration. As part of the construction process, a bush regeneration and weed eradication program was completed.
- Lend Lease's Real Estate Investment business in the US is working with the United States Environmental Protection Agency in improving the energy performance of our clients' commercial real estate portfolios. The goal is a significant reduction in air pollution, greenhouse gas emissions and operating costs.

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.

Lend Lease has a 50% interest in Australian Water Services (AWS) (operator 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. This exemption is in place until May 2002, which will coincide with the completion of the supernatant filtration system.

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, except for the following:

Acquisition of Delfin Limited

On 31 July 2001, the NSW Supreme Court ratified the approval of a Scheme of Arrangement to be put to shareholders of Delfin Limited for Lend Lease Corporation Limited to acquire 100% of Delfin shares. The acquisition was granted clearance by the ACCC and FIRB and all other conditions attaching to the Scheme of Arrangement were met.

Directors' Report continued

EVENTS SUBSEQUENT TO BALANCE DATE continued

Acquisition of Delfin Limited continued

On 10 August 2001 Lend Lease completed the acquisition of Delfin Limited through the purchase of 100% of the issued voting shares for a consideration of \$171.8 million.

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

COMPENSATION POLICY AND LONG TERM INCENTIVES

Compensation policy for Lend Lease is determined by the Personnel & Organisation Committee (P&O Committee) of the Lend Lease Corporation Board. Our policy is to reward senior executives with market competitive compensation and benefits, taking account of both Company and individual performance. With some 80% of Lend Lease operations located outside of Australia, our compensation policy has been designed to ensure that rewards to senior executives are consistent with international standards. In assessing these standards, Lend Lease has taken a significant amount of expert advice and has carefully considered international comparators in the real estate sector.

Lend Lease's approach to executive compensation is to provide a balance of fixed and performance-based cash elements with an emphasis on increasing 'at risk' compensation for senior executives and Board members. Outlined below are the elements and the philosophy behind them.

Compensation paid by Lend Lease has been designed to be appropriate and competitive in each of its business locations having regard to local practice on such issues as long term incentives, pension/superannuation and other benefits. Lend Lease also recognises the need to take account of differing costs of living, especially in relation to expatriates and this is reflected in compensation for expatriate senior executives in various locations.

BASE SALARY

Salaries are set at competitive levels, targeted at median against comparable companies, with annual reviews to reflect market conditions and personal performance. For guidance, the P&O Committee and Business Unit Executive Committees use information available in published job-matched surveys of similar companies. As appropriate, they also commission surveys to supplement the published information.

The salaries of the Managing Director, the Executive Directors and the divisional/regional CEO's are set by the P&O Committee. They are determined in July of each year. In the cases of the Executive Directors and divisional/regional CEO's, the Committee is assisted in this review by the Managing Director and the Group Senior Executive – Human Resources.

SUPERANNUATION/PENSION PLANS

Pension plan arrangements are in place in most international locations. Senior executives (and other employees) join either a defined benefit or a defined contribution plan. Expatriates usually remain members of their home country fund.

OTHER BENEFITS

Other benefits for senior executives (and other employees) may include subscriptions of up to 5% of base salary to their employee share plans and participation in the annual profit share scheme under which Lend Lease employees receive an equal share of an amount equal to 5% of the Company's pre-tax profit over the preceding 12 months. Participation in these benefits is dependent on the country in which the senior executives are located. For senior executives located away from their home country, expatriate benefits such as accommodation allowances may be provided.

SHORT TERM INCENTIVE PLAN

Annual bonus payments are based upon actual achievement against challenging corporate and individual performance targets approved by the P&O or Business Unit Committees. Although the performance criteria are different for each executive, the principles are similar and involve assessment of performance across four areas:

- Financial – achievement of profit, earnings per share, total shareholder return and other relevant financial targets;
- Strategic Growth – achievement of strategic and business development objectives;
- Operational Effectiveness – improvements in operational performance and internal efficiency; and
- Leadership, Organisation & People – contribution to the enhancement of Lend Lease's skills and reputation, with a focus on the retention and development of employees.

If the full target bonus is earned, annual compensation will normally reach the upper quartile of the relevant employment market.

Annual bonuses may be awarded in a number of ways:

1. **Cash** – this is the predominant method of delivery for senior executives.
2. **Shares issued under Lend Lease Employee Share Plans (ESP)** – ESP entitlements may be awarded to senior executives as part of their annual performance bonus on the basis of either 100% immediate vesting or 50% maturing at the time of award and the balance maturing over three to five years (subject to the senior executive remaining employed by the Group). ESP arrangements operate in Australia, Asia, the UK and the US.
3. **Global Reward Program** – Allocations under the Global Reward Program progressively 'mature' over three to five years (subject to the senior 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 PLAN

Lend Lease's current Long Term Incentive Program (LTIP) was introduced and approved by the Board in 1999 and has been updated and extended in 2001. The objectives of the LTIP are essentially twofold:

- Aligning senior executives with the long term interests of Lend Lease and its shareholders; and

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

LONG TERM INCENTIVE PLAN continued

- Attracting and retaining senior executives of high calibre by providing competitive rewards which relate to the performance of both the individual executive and the Lend Lease share price.

The LTIP is in the form of a dollar figure 'grant' which is notionally 'invested' over time to deliver value depending on:

- Whether the executive remains with the Company – if the executive resigns before vesting, the grant will lapse;
- Whether performance hurdles are achieved over the Plan period – if the hurdles are not achieved, the grant will lapse; and
- The performance of the Lend Lease share price – the value of the grant on maturity will be determined by the rise or fall in the Lend Lease share price since the date of the grant.

The LTIP is a cash scheme with payments made upon maturation, which will occur three to five years after the date of grant if performance hurdles are met. The components of the LTIP and further conditions which apply to it are outlined below.

LTIP PERFORMANCE HURDLES

Performance hurdles will vary depending on the Company's objectives from time to time. For this year's grant, the performance hurdle compares Lend Lease's total shareholder return against the returns of other companies. Unless Lend Lease's total shareholder return (including share price performance and dividends) equals or exceeds the median value of the Total Shareholder Return (TSR) of the S&P All Industrial Accumulation Index (Index) for the same period, the award will lapse without any payment to the executive. However, this will vary, depending not only on the Company's share price (see below), but also on the amount by which the TSR performance exceeds the median. At the median TSR performance, the executive will receive only 75% of the value of their award. This will rise to 150% if TSR performance is in the top 10% of all companies on the Index. Achievement of these hurdles will be measured in the period from three to five years after the date of the grant.

Executives who do not participate in the Lend Lease Corporation LTIP may participate in other LTI Programs using business unit measures as hurdles based on potential growth within the business unit.

CASH BENEFIT REFERABLE TO SHARE PRICE

Under the LTIP, a senior executive's initial dollar 'grant' may be allocated (at the option of the senior executive) between:

- Performance Shares (PSs) – the value of these will rise or fall with the value of Lend Lease shares; and
- Share Appreciation Rights (SARs) – these are only payable if the price of Lend Lease shares at the date of maturity is higher than at the date of grant. The senior executive will receive nothing in respect of these if the share price is lower than the price at the date of grant.

For the purposes of the allocation, a PS will be attributed a value equivalent to the Lend Lease share price at or about the date of the allocation, while an SAR will be valued at one third of this value. This reflects the fact that SARs carry a greater risk profile.

LTI Example

The operation of the plan (and its links to performance) may be illustrated by reference to allocations made in 2000. In that year, a grant of A\$1,000,000 was made to the Managing Director. This was notionally divided at the date of grant into A\$750,000 of share equivalents (PSs) and A\$250,000 of option equivalents (SARs), based on the then share price of A\$20.00. Based on a share price of A\$12.55 (as at 30 June 2001) the existing value of the PSs has dropped to approximately A\$470,000. The SARs will be worth nothing unless the share price exceeds A\$20.00. This means that the value of the A\$1,000,000 grant is currently around A\$470,000, even before taking into account the performance hurdle requirement. As indicated above, if Lend Lease fails to outperform the index over the three to five year period from 2000, the value of the award will be nil.

LTI Details

Details of LTI grants allocated in the year to 30 June 2001 to each of the current Executive Directors of Lend Lease and to those senior executives who receive LTIs are set out in the table below:

Name	LTI Grant 2001
Executive Directors	
David Higgins (Managing Director)	A\$2,875,000 ⁽¹⁾
Robert Tsenin (Finance Director)	GBP1,068,000 ⁽²⁾
Senior Executives	
Luther Cochran (US)	USD600,000
Ross Taylor (UK)	A\$450,000
Ray D'Ardenne (US)	USD400,000

(1) Of this, A\$1,000,000 was granted on the basis that the award will lapse without any payment unless Lend Lease Total Shareholder Return (TSR) for the period of the award is equal to or exceeds the upper quartile value of the TSR of the S&P All Industrial Accumulation Index, for the same period.

(2) Mr Tsenin's LTI Grant was allocated as a single grant opportunity under a fixed term contract. This grant (awarded on April 2001) was designed as an incentive for Mr Tsenin to remain with the Company for a further three years.

Previous LTI Program

As set out in prior reports, a previous LTI program was established in 1996 with the primary purpose of rewarding and keeping the leadership team in place over a period of five years. An allocation of 75,000 Global Rewards made to D H Higgins in 1996 matured under this program in 2001, having a value of A\$1,882,500 on maturity (based on the 30 June 2001 share price of A\$12.55). Mr Higgins will be paid this allocation upon cessation of employment, referable to its value at that time. Mr R E Tsenin and Mr M S Banks have outstanding allocations under this program equivalent to the value of 100,000 Lend Lease shares each (allocated 3 February 1997 and 28 June 1996 respectively). If these allocations mature, they are payable upon cessation of employment. The value of these allocations will be referable to the price of Lend Lease shares at that time.

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DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

SALARY, SHORT TERM INCENTIVES AND OTHER BENEFITS

Details of the compensation of each executive director in office at 30 June 2001 and of the five most highly compensated senior executives employed by the Group at 30 June 2001 are shown below:

	Year	Salary A\$ (1)	Other Benefits A\$ (2)	Performance Related Cash Bonus A\$	Total Current Year Compensation A\$ (3)	Other Items In Respect of Previous Years A\$ (4)	Total A\$
EXECUTIVE DIRECTORS							
D H Higgins (Managing Director) ⁽⁵⁾	2001	1,207,830	675,098	Nil	1,882,928	261,266	2,144,194
	2000	1,152,003	665,224	2,500,000	4,317,227	497,016	4,814,243
R E Tsenin (Finance Director) ⁽⁶⁾	2001	997,000	2,253,606	Nil	3,250,606	147,688	3,398,294
	2000	807,832	510,488	1,500,000	2,818,320	269,770	3,088,090
A Aiello (Executive Director & Chief Information Officer) ⁽⁷⁾	2001	1,116,822	21,723	487,850	1,626,395	233,355	1,859,750
	2000	825,317	1,139,637	456,731	2,421,685	261,261	2,682,946
SENIOR EXECUTIVES							
R Taylor ⁽⁸⁾	2001	1,115,322	464,708	480,000	2,060,030	88,841	2,148,871
	2000	530,334	326,165	600,000	1,456,499	178,141	1,634,640
L Cochrane ⁽⁹⁾	2001	1,128,648	239,908	728,972	2,097,528	Nil	2,097,528
	2000	640,522	59,884	1,560,897	2,261,303	Nil	2,261,303
M Banks ⁽¹⁰⁾	2001	1,052,585	569,796	Nil	1,622,381	176,236	1,798,617
	2000	877,154	387,652	438,750	1,703,556	584,684	2,288,240
J Quille ⁽¹¹⁾	2001	516,539	477,677	560,748	1,554,964	40,635	1,595,599
	2000	421,202	214,423	765,306	1,400,931	148,028	1,548,959
R D'Ardenne ⁽¹²⁾	2001	567,290	104,537	592,972	1,264,799	71,074	1,335,873
	2000	437,411	82,129	480,796	1,000,336	173,324	1,173,660

(1) 'Salary' for international assignees includes components for tax equalisation costs, cost of living and other international assignee allowances.

(2) 'Other Benefits' includes Company contributions made to Superannuation/pension funds, housing and other allowances for international assignees, and other minor benefits. For Australian-based Directors and executives, the cost to Lend Lease of Superannuation 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 included is the notional amount of the contribution made on behalf of the individual.

(3) Relates to the total compensation earned in respect of the year.

(4) Relates to the value of ESP/Global Reward allocations made in previous periods in respect of short term incentives that 'matured' during the year. The value is based on the Lend Lease share price of \$12.55 as at 30 June 2001. Shares held in ESPs are subject to the rules of the plans and in some cases other contingent events.

(5) Mr Higgins is based in the UK and is paid in GBPs. 'Other Benefits' includes health insurance, motor vehicle and housing allowances in respect of service in the UK (which are paid in GBPs). Total compensation does not include the amount of A\$1,882,500 in respect of long term incentives granted in 1996 that matured during the year (discussed above under LTI details).

(6) Mr Tsenin is based in the UK and is paid in GBPs. 'Other Benefits' includes health insurance, motor vehicle and housing allowances in respect of service in the UK (which are paid in GBPs). 'Other Benefits' also includes an amount of GBP679,000 (A\$1,850,136) (before tax) paid in respect of contractual entitlements to housing allowances. This amount, paid as a lump sum, extinguished Lend Lease's obligation to provide housing allowances over the next three years effective from April 2001. The amount was based upon market rent levels for appropriate accommodation in London.

(7) Mr Aiello is based in the US with compensation paid in USDs. 'Performance Related Cash Bonus' paid in 2001 was in respect of the year ended 31 December 2000. 'Other Benefits' for 2000 included amounts paid for the provision of a motor vehicle and accommodation when in Australia and the final amount of USD642,000 paid under Mr Aiello's employment contract (referable to amounts foregone upon leaving his previous employer).

(8) Mr Taylor is based in the UK and is paid in GBPs. The increase in 'Salary' and 'Other Benefits' in 2001 mainly reflects Mr Taylor being based in Australia for most of the year to 30 June 2000.

(9) Mr Cochrane joined the Lend Lease Group through its acquisition of the Bovis Group in October 1999 and is based in the US with compensation paid in USDs. Cash bonuses paid in 2000 included 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.

(10) Mr Banks was based in the US with compensation paid in USDs. 'Other Benefits' includes amounts paid for the provision of motor vehicle and housing allowances under Lend Lease's international assignee conditions.

(11) Mr Quille is based in the UK and is paid in GBPs.

(12) Mr D'Ardenne is based in the US and is paid in USDs.

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

SALARY, SHORT TERM INCENTIVES AND OTHER BENEFITS continued

Non Continuing Senior Executives

Mr D C Clarke ceased employment with the Lend Lease Group on 7 July 2000. Mr Clarke was previously the Chief Executive of MLC and an Executive Director of Lend Lease and was based in Australia. Mr Clarke received the following amounts in respect of the year ended 30 June 2001: A\$12,310 in salary during the year; A\$5,261,165 in accrued entitlements, including superannuation and units previously granted under ESPs and Global Rewards; and A\$1,927,100 in respect of amounts paid on termination.

Mr P Walichnowski ceased employment with the Lend Lease Group on 31 August 2000. Mr Walichnowski was based in the UK with compensation paid in GBPs. Mr Walichnowski received the following amounts in respect of the year ended 30 June 2001: GBP94,682 (A\$257,988) in salary during the year; A\$5,460,635 in accrued entitlements, including superannuation and units previously granted under ESPs; and A\$164,643 in termination payments.

Ms S Pressler ceased employment with the Lend Lease Group on 31 March 2001. Ms Pressler was based in the US with compensation paid in USDs. Ms Pressler received the following amounts in respect of the year ended 30 June 2001: USD2,007,911 in salary and benefits; USD1,584,300 in accrued entitlements, including those previously granted under ESPs; and USD906,799 in respect of contractual payments. Ms Pressler's compensation payments were in accordance with Lend Lease's contractual arrangements with Ms Pressler entered into at the time of Ms Pressler commencing employment with the Group in March 2000. Under these arrangements Ms Pressler will also receive a payment of USD1,585,000 (subject to certain conditions being met) in each of July 2002 and July 2003.

NON-EXECUTIVE DIRECTORS

Compensation Policy

Beginning in January 2001 Directors' fees have been set at USD50,000 per annum as approved by shareholders at the 2000 Annual General Meeting. These fees cover all Board duties, including one overseas meeting of a week's duration, and service on at least one Board Committee. They have been set in line with international benchmarks for a company of Lend Lease's size. The Chairman's fees are four times the standard Directors' fees and the Deputy Chairman's two times. Chairmen of Board Committees receive an additional USD8,000 per annum.

In addition, Non-Executive Directors may devote additional time to key business and strategic issues including serving on associated company boards, ad hoc Board committees and other duties performed at the request of the Chairman and Managing Director where an individual Non-Executive Director has specific skills to contribute. This additional time is compensated at USD2,000 per day and the time committed varies significantly from Director to Director in accordance with the needs of the Company, individual Director's expertise and the Director's availability.

These compensation arrangements replaced those in operation during 1 July to 31 December 2000, which paid Directors at the rate of A\$70,000 per annum and additional time at A\$3,000 per day. Under these arrangements there was an expectation that each Director would devote from 30 to 50 days a year in additional time for the Company. Overseas Directors could elect at the time of joining the Board whether they wanted to be paid in Australian dollars or the currency of their home country. Thus the table which appears below reflects compensation under the two different arrangements, the arrangements in effect from January 2001 increasing base Board compensation to international standards while significantly reducing Directors' additional earnings.

In order to allow Directors to receive some of their annual compensation in shares rather than cash, and thus increase their alignment with the interests of shareholders, a revised Non-Executive Directors' Share Ownership Plan was approved at the 2000 Annual General Meeting. This plan allows Directors to acquire Lend Lease shares by foregoing an equivalent amount of Directors' fees to an amount equal to the value of the shares acquired. A majority of Directors have participated in this plan. Subscriptions are made at the same price, at the same time and otherwise on the same terms as the Share Purchase Plan available to Australian and New Zealand registered shareholders and only while the Share Purchase Plan is operative. A Director is restricted from dealing with these shares until retirement. However, a Director may deal with shares at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Retirement Plan

As explained when the current retirement plan for Directors was approved at the 2000 Annual General Meeting, the current plan is designed to provide for retirement benefits for Directors which are based only on fees for Board service, and are accrued in Lend Lease shares so that the benefit derived fluctuates in line with the value of Lend Lease shares. An additional purpose for this change was to place a limit on the rate of accumulation of Directors' prospective retirement benefits. Thus in this report accruals under two different plans are reported, the current one being designed to align Directors' earnings with the interest of shareholders. Under the current plan, the Company will issue to, or acquire for, or for the benefit of, each Non-Executive Director a number of Lend Lease shares which is equal in value to 0.2 times the Director's fees (being fees for attending and chairing Board and Board Committee meetings), but not additional fees.

Allocations are made in arrears on 1 January each year. The first allocation will be made on 1 January 2002. For this purpose, the value of the shares on acquisition will be the weighted average price of Lend Lease shares traded on the Australian Stock Exchange during the five business days prior to 1 January each year. The shares will be accessible only on retirement. Directors will be exposed to share price risk until this time. However, shares can be sold at an earlier time to the extent necessary to meet an earlier tax liability in respect of the shares.

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION⁽¹⁾ continued

NON-EXECUTIVE DIRECTORS continued

Compensation Amounts

The following table sets out the compensation received and benefits accrued under the current retirement plan by Non-Executive Directors for the year ended 30 June 2001. For the purpose of comparison, amounts shown for the 2000 financial year have been restated in US dollars.

	Year	Directors' Fees USD ⁽¹⁾	Representation on Associated Company Boards USD ⁽²⁾	Additional Board Duties USD ⁽³⁾	Other Benefits USD ⁽⁴⁾	Retirement Benefits USD ⁽⁵⁾	Total Compensation USD
J K Conway⁽⁶⁾	2001	143,742	44,933	58,563	4,503	20,000	271,741
Chairman	2000	65,520	149,809		5,360		220,689
S G Hornery⁽⁷⁾	2001 (4 months)	51,644			56,160		107,804
Retired Chairman	2000	174,720			77,574		252,294
R A Longes	2001	78,508	90,911	5,999	5,362	10,000	190,780
Deputy Chairman	2000	54,600	123,927		18,188		196,715
E D Cameron	2001	48,005	82,540			5,800	136,345
	2000	43,680	136,656		19,824		200,160
Y H Chua	2001	53,005	70,168		2,662	5,000	130,835
	2000	43,680	127,296		5,439		176,415
G G Edington⁽⁸⁾	2001	56,005	10,756	25,000	4,001	5,000	100,762
	2000 (7 months)	25,480	44,039		4,030		73,549
P C Goldmark⁽⁸⁾	2001	60,005	11,811		4,326	5,800	81,942
	2000 (7 months)	25,480	15,827		2,692		43,999
D J Grady	2001	44,005	29,919	23,032	4,503	5,000	106,459
	2000	43,680	85,176	28,080	20,561		177,497
R G Mueller	2001	56,005	73,394		3,345	5,000	137,744
	2000	43,680	110,783		5,592		160,055

(1) Includes fees for attending, chairing and travelling to Board and Board Committee meetings. Also includes shares allotted at market value pursuant to the revised Non-Executive Directors' Share Ownership Plan approved by shareholders at the 2000 Annual General Meeting.

(2) 'Representation on Associated Company Boards' includes attending, chairing and travelling to Associated Company Board and Committee meetings.

(3) 'Additional Board Duties' includes other services requested by the Chairman and Managing Director where a Non-Executive Director has particular skills to contribute.

(4) 'Other Benefits' includes compulsory superannuation contributions (maximum per individual Director USD4,503 (2000: USD4,410), the provision of a motor vehicle to S G Hornery and other minor fringe benefits (including fringe benefits tax).

(5) 'Retirement Benefits' is the amount accrued under the current retirement plan for the period 1 January to 30 June 2001 for shares to be allotted on 1 January 2002.

(6) Amounts included under 'Additional Board Duties' relate to the period prior to Mrs Conway's appointment as Chairman.

(7) Mr Hornery retired as Chairman and a Director on 2 November 2000.

(8) Mr Edington and Mr Goldmark were appointed as Directors on 1 December 1999.

RETIREMENT PLAN CHANGEOVER ARRANGEMENTS

A defined benefit Retirement Benefit Plan ('previous plan') was approved by shareholders at the 1990 Annual General Meeting. Changeover arrangements which were advised to shareholders at the 2000 Annual General Meeting have been effected to transition from the previous plan to the current plan for Directors who were on the Board on 31 December 2000. Under these arrangements, retiring Non-Executive Directors will receive a multiple applied to the average of their annual emoluments (i.e. Directors' fees and fees for additional Board duties) over the previous three years. The multiple is 0.6 for each of the first five years of service as a Non-Executive Director and 0.2 for each year over five years to 15 years. This multiple for each Director was frozen at the multiple which would have applied if the Director had retired on 31 December 2000.

Directors' Report continued

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION continued

NON-EXECUTIVE DIRECTORS continued

Retirement Plan Changeover Arrangements continued

The following table sets out the accrued retirement benefits under the previous plan as at 30 June 2001 (based on the multiple being frozen on 31 December 2000):

Director ^{(2) (3)}	Years of Service at 31 December 2000 Years ⁽¹⁾	Accrued Retirement Benefit at 30 June 2001 USD
J K Conway	9	790,083
E D Cameron	12	613,728
Y H Chua	6	416,333
G G Edington	1	30,207
P C Goldmark	1	21,427
D J Grady	7	395,645
R G Mueller	5	376,751

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

(2) Mr Hornery received a benefit of A\$992,435 (USD538,892) on his retirement on 2 November 2000.

(3) Mr Longes does not participate in the previous plan.

Directors appointed since 1 January 2001 will not be eligible to participate in the previous 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 77 to 78 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 Act 2001.

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 2000 the Company has entered into separate deeds of indemnity with the following Directors in relation to unrelated entities named:

- R A Longes Fox Studios Australia Pty Limited
 FSAM Pty Limited
 FSAT Pty Limited
 FSB Pty Limited
 FSLV Pty Limited
- R G Mueller Chelverton Properties Limited
- R E Tsenin THI plc

In accordance with the Corporations Act 2001, 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 A\$1,218,857 in respect of its Directors' and Officers' liability policies.

Directors' Report continued

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 A\$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, 31 August 2001.



J K Conway
Chairman



D H Higgins
Managing Director