

Financial Summary

The following pages provide detailed information on the Group, its profit performance by segment, significant events and factors which may affect profits in the future.

This summary is designed to provide an understanding of the impact these matters have on the longer term wealth creation for shareholders and how the profile of the Group is likely to change.

This information does not represent forecasts or predictions and the actual outcomes will reflect constantly changing market conditions. Accordingly, it should not be relied upon for any investment decision.

Lend Lease's financial objective is to generate long term value for shareholders, including the delivery of growth in earnings per share of at least 10% per annum, by:

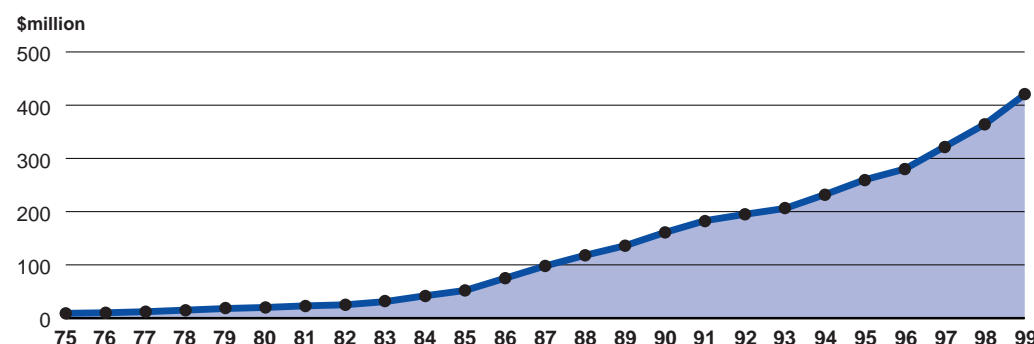
- diversifying earnings by geography and markets
- developing existing and new businesses
- expanding our capabilities through joint ventures and key relationships
- by selectively seizing entrepreneurial opportunities with all risks managed in a rigorous and integrated manner
- active balance sheet management to free up capital for deployment into new initiatives.

Shareholder Wealth – Results to Date

Lend Lease has delivered to shareholders continued profit after tax growth for more than two decades, covering periods of economic recession and upturn, and high and low inflation. In 1999 the profit after tax was \$420.4 million. 1999 represented the 24th consecutive year of profit growth as shown in the following graph.

Profit after Tax – 24 Consecutive Years of Profit Growth

Financial Years to 30 June

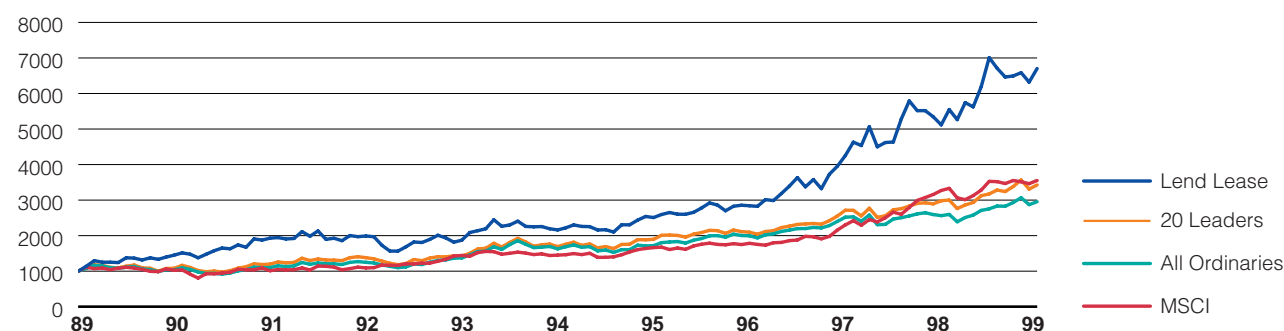


Accounting profits, as shown in the graph, do not measure other factors which add value for shareholders, such as the increased value of underlying businesses, intellectual capital or corporate culture.

These factors, together with the effectiveness of our Group's activities, operations, investments and management decisions are however reflected over time in the share price performance. The Lend Lease share price at 30 June 1999 was \$20.74 compared to \$16.33 on 30 June 1998, representing a 27.0% increase over the twelve months. When combined with dividends declared of \$0.60 per share, shareholders experienced a total return for the year of 30.7%.

To demonstrate Lend Lease's performance over a longer period, the 10 Year Share Performance Accumulation Indices graph shows how \$1,000 invested in Lend Lease shares on 30 June 1989 grew through dividends and share price movements over the 10 years to June 1999. The graph clearly shows that Lend Lease has outperformed a \$1,000 investment in the Australian All Ordinaries Index, the Australian 20 Leaders Index or the MSCI World Index (measured in A\$), which have been calculated on the same basis.

10 Year Share Performance – Accumulation Indices



Changing Sources of Profits

Diversification of Earnings has contributed to the continuity of our profit growth and remains a key objective. Lend Lease's desire is to balance the entrepreneurial, higher risk profit streams (e.g. Property Development, Investments) with steadier but growing income streams from our Financial Services and Real Estate Investments businesses.

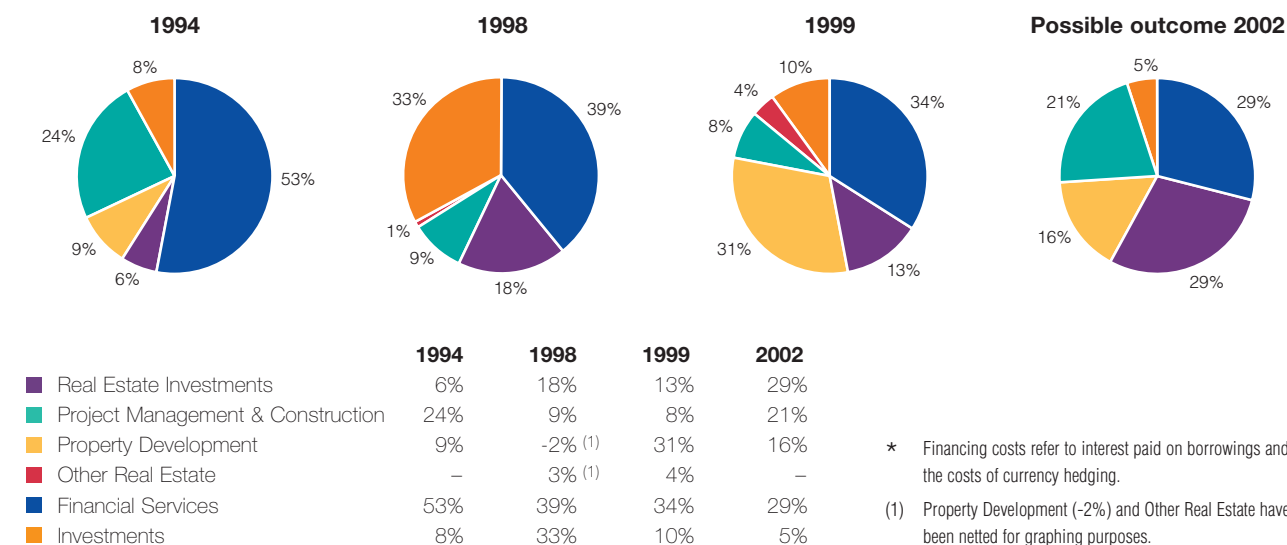
Sources

The changing sources of Lend Lease's profit in recent years are shown in the graphs below. It is probable that the mix in Lend Lease's profit will change over the next few years, reflecting the following key drivers:

- profit release over the next 2-5 years from the high forward construction workload and from the sale of property developments
- growing Australian and Asian financial services businesses
- continuing dividend streams until the year 2000 from 100 million Westpac shares, but not thereafter
- growth of our Real Estate Investments business, through acquisitions and the development of a global capability.

The following graphs show the changing contributions to our Group profit over the past 5 years, calculated before tax, financing costs and corporate overheads. We also depict the possible outcome in 3 years' time, based on expectations as at August 1999. This illustration takes no account of initiatives or acquisitions which may be made to expand our businesses in the interim period.

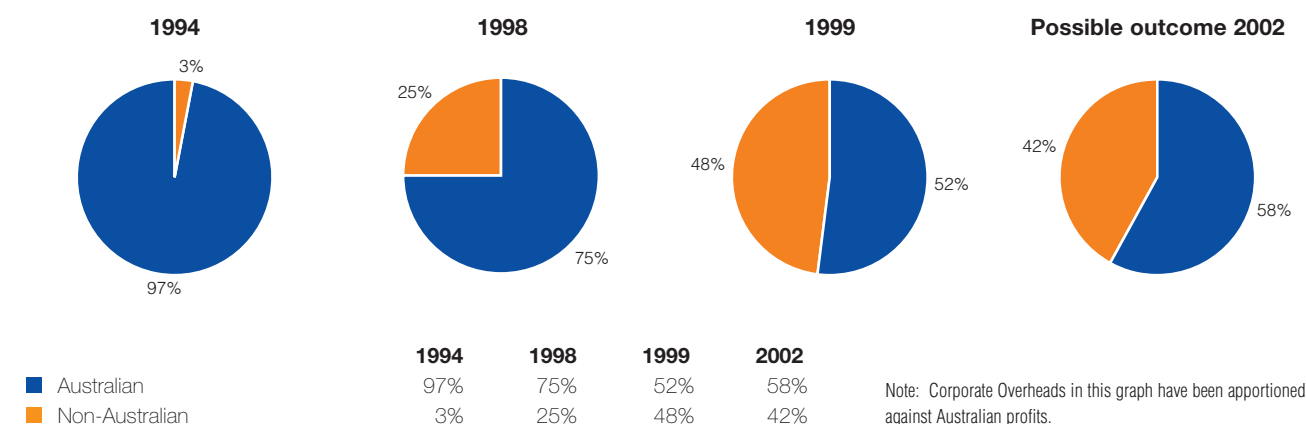
Segment Profit Before Tax, Financing Costs* and Corporate Overheads



Australian/Non-Australian Profits

The graphs below show the very significant increase in profits generated over the past 5 years from the Group's activities outside Australia. The 1999 figures include a significant contribution from partial sale of the Group's UK property development, Bluewater. The Possible Outcome 2002 graph illustrates expectations, as at August 1999, and takes no account of initiatives or acquisitions which may be made to expand our businesses in the interim period.

Geographical Profit Before Tax and Financing Costs



Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

(Note: In this announcement all figures are expressed in Australian dollars unless otherwise specified)

The following discussion and analysis is based on the Group's Consolidated Financial Statements at 30 June 1999, and should be read in conjunction with those Financial Statements.

OVERVIEW

As a diversified real estate and financial services group with operations in Australia, North and South America, Europe, Asia and New Zealand, Lend Lease's businesses are influenced by a broad range of factors. Some of the key factors are the state of investment markets, property markets, global economic conditions, taxation and regulatory legislation. However, owing to the size and diversity of the Group's operations, no one factor, in management's opinion, determines the Group's financial condition or the profitability of its operations.

OPERATING PERFORMANCE

Operating profit after tax was \$420.4 million for the year to 30 June 1999, representing an increase of 15.5% compared to \$363.9 million for the year to 30 June 1998.

Operating profit before tax increased by 24.9% over the previous year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year to 30 June 1999 were \$575.9 million compared to \$462.1 million for the year to 30 June 1998, an increase of 24.6%.

The profit result was achieved after raising provisions for diminution of value of property inventories and investments of \$62.5 million (after tax), of which \$44.4 million was raised at 31 December. Changes in accounting policies resulted in a net increase of \$6.9 million after tax, as detailed in the section 'Accounting Policy Changes' at the end of this report.

Return on equity for the year to 30 June 1999 was 12.1% compared to 11.3% for the previous year.

Earnings per share for the year to 30 June 1999 were 83.2 cents compared to 71.6 cents for the year to 30 June 1998, an increase of 16.2%. (The June 1998 earnings per share figure has been adjusted to reflect the 1 for 1 bonus issue in December 1998.)

SEGMENT RESULTS

The key contributors to profit after tax were Financial Services with \$200.3 million (47.6% of total), and Real Estate with \$239.3 million (56.9% of total).

Total assets increased by \$820.4 million (12.7%) to \$7,291.2 million at 30 June 1999. The principal contributors to the increase were continuing Property Development expenditure and the growing value of investments within Financial Services, offset by the sale of the Real Estate Services business (COMPASS) during the year.

The following table provides an overview of the various components of the June 1999 result. Each segment is then reviewed in detail. It should be noted that the segment results of the operating businesses exclude financing costs such as interest and hedging. These costs are included in Group Financing.

Business Segment Summary	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	1999 \$m	1998 \$m	1999 \$m	1998 \$m	1999 \$m	1998 \$m	1999 \$m	1998 \$m
Financial Services	605.7	525.6	219.2	198.3	200.3	183.2	2,323.0	1,965.3
Real Estate								
Real Estate Investments	500.0	495.6	80.8	92.4	58.5	65.3	1,259.4	1,243.0
Property Development	1,061.4	516.5	196.1	(10.9)	127.9	(10.6)	2,797.5	2,023.4
Project Management	1,401.9	1,445.2	52.0	48.1	35.0	30.5	378.5	328.7
Capital Services	57.8	38.3	10.9	3.6	8.0	2.2	85.4	109.4
Real Estate Services	320.3	100.8	16.1	14.3	9.9	9.9		246.2
	3,341.4	2,596.4	355.9	147.5	239.3	97.3	4,520.8	3,950.7
Investments								
IT+T Investments	25.5	7.6	10.2		9.2	2.7	94.1	61.0
Equity Investments	77.3	253.2	51.5	171.3	50.8	133.5	176.3	201.5
Corporate								
Group Financing	40.4	21.5	(50.2)	(48.9)	(30.5)	(31.2)	177.0	292.3
Group Overheads	30.1	37.6	(70.5)	(55.0)	(48.7)	(21.6)		
Total	4,120.4	3,441.9	516.1	413.2	420.4	363.9	7,291.2	6,470.8

FINANCIAL SERVICES

The principal activities of this business segment are:

- Funds Management operations, including superannuation and investment services for both retail and corporate clients; management of investment and unit trusts; investment management and portfolio management services for corporate and institutional clients;
- Life Insurance operations covering traditional life insurance business and wealth protection;
- Funds Administration businesses which operate as fund administrators, providing customers with the ability to direct their investments to fund managers and investment products of their choice (not just MLC), with the fund administrators providing one point of service for their customers; and
- Investment Management which provides strategic investment advice, asset management and investment portfolio management services.

Funds Management and Life Insurance services are mainly provided under the brand name MLC (and the recently launched brand name MasterKey). Funds Administration services are provided under the brand names 'FlexiPlan', 'Plum' and 'Your Prosperity'.

The Group's Financial Services activities are currently concentrated in Australia and are affected by trends in the Australian financial services market, including the growth in funds invested in superannuation and unit trust products, competitive forces on fees, government regulation affecting the funds management and life insurance sectors, the impact of major mergers and acquisitions by competitors, changing sentiment by investors in anticipation of evolving economic and investment market conditions, and product and service initiatives.

Our Financial Services businesses are continuing to explore expansion opportunities both in Australia and overseas, as well as pursuing a number of strategic initiatives to grow the businesses organically. The distribution channels have continued to expand through increasing ownership of FlexiPlan which is one of the largest participants in the rapidly growing master fund industry, and initiatives including the establishment of the Plum joint venture with The Vanguard Group (providing employee choice superannuation) and Your Prosperity (an on-line internet investing service).

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m
Australia and Pacific								
Funds Management ⁽¹⁾	463.1	414.9	136.4	122.6	134.8	121.3	1,723.4	1,475.3
Life Insurance ⁽²⁾	47.1	49.0	46.0	48.9	45.2	48.9	509.2	414.4
Funds Administration ⁽³⁾	39.5	21.7	(0.8)	17.7	(2.8)	9.4	57.4	33.9
Investment Management	43.8	34.4	32.4	17.0	20.7	10.9	21.3	10.2
Asia								
Financial Services	12.2	5.6	5.2	(7.9)	2.4	(7.3)	11.7	31.5
Total Financial Services	605.7	525.6	219.2	198.3	200.3	183.2	2,323.0	1,965.3
% of Total Group	14.7%	15.3%	42.5%	48.0%	47.6%	50.3%	31.8%	30.4%

(1) Funds Management is mainly conducted through MLC Limited, with contributions also from MLC Investments Limited, Lend Lease Corporate Services Limited, Lend Lease Advisor Services Limited, Lend Lease Financial Planning Limited, Medfin Australia Pty Limited and MLC Management Limited.

(2) The Life Insurance business is MLC Lifetime.

(3) Funds Administration business comprises Your Prosperity Limited, FlexiPlan Australia Limited and Plum Financial Services Limited.

Profit After Tax

Financial Services contributed \$200.3 million to Lend Lease's operating profit after tax for the year to 30 June 1999, an increase of 9.3%, compared to \$183.2 million for the year to 30 June 1998. The Financial Services result is discussed below.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

FINANCIAL SERVICES (continued)

Profit After Tax (continued)

Funds Management

The funds management business produced a strong operating performance with profit after tax increasing 11.1% to \$134.8 million (1998 \$121.3 million). The result reflected:

- an increase in funds management fees earned as a result of an 8.5% growth in funds under management for the year;
- development expenditure of \$12.0 million after tax on the MasterKey initiative (see 'Significant Events');
- a profit contribution of \$5.6 million from Medfin Australia Pty Limited reflecting growth in the loan portfolio from \$150.9 million at June 1998 to \$266.9 million at June 1999;
- a \$24.0 million release of retained earnings from the MLC Statutory Funds which was used to fund business redesign and development expenditure during the year; and
- the inclusion of tax refunds of \$10.0 million received due to a favourable ruling from the Australian Taxation Office in respect of the prior year's assessment.

Life Insurance

- The profit after tax from life insurance decreased \$3.7 million from June 1998 to \$45.2 million at June 1999. The profit decreased due to lower bonus payments made in June 1999 reflecting continued business run off albeit at a slightly lower pace in 1999 than the prior year.

Funds Administration

A small operating loss of \$2.8 million was incurred in June 1999 which reflected:

- an increase in fees earned as a result of a 111.1% growth in Funds Under Administration during the year to 30 June 1999;
- a \$22.9 million profit after tax from FlexiPlan, mainly arising from the revaluation of the investment in FlexiPlan (\$20.1 million)⁽¹⁾;
- significant business development expenditure of \$25.7 million after tax on Plum, Your Prosperity and other initiatives, which were expensed in the year to June 1999, though benefit will emerge in future years; and
- the prior year (June 1998) profit after tax included the profit on the sale of SEALCORP of \$6.0 million.

Investment Management

- Improved profitability of Investment Management is due to increased fees generated on higher funds under management, a reduction in overheads and incentive fees of \$4.0 million after tax earned from its specialist investment management services.

Asia

- The profit after tax from Asian operations of \$2.4 million for the year ended 30 June 1999 mainly comprised \$4.7 million from the revaluation of Simas Lend Lease Life (Simas)⁽¹⁾, offset by overheads incurred by the Asian financial services business development group. The loss of \$7.3 million in prior year June 1998 included the costs associated with setting up the financial services business in Asia and a \$3.0 million provision made against the investment in BII LL Investment Services.

Business Value

The Financial Services business had a total return of 15.0% for the June 1999 year as a result of increases in the appraisal values of MLC Limited and MLC Lifetime (\$131.6 million), MLC Unlisted Trust management agreements (\$35.8 million), the revaluation of FlexiPlan (\$33.3 million), Medfin (\$5.5 million) and Simas Lend Lease Life (\$7.3 million), plus profits (excluding revaluations) from the Financial Services businesses.

The appraisal value of MLC Limited and MLC Lifetime increased as a result of the following:

- the value of one year's new business \$86.5 million (1998 \$84.7 million);
- improvement in business experience assumptions especially in the Group Superannuation business due to improved retentions; and
- offset by an increase in the discount rate (or reduction in the average new business multiplier).

Profit and Value Drivers

The increase in profit and value of the Financial Services business was a result of the following:

- Sales (excluding administration funds) for the year to June 1999 were \$4.4 billion, a 33.3% increase;

- Retail sales increased 29.2% for the year, to \$3.1 billion (June 1998 \$2.4 billion), mainly due to a 51.1% increase in sales of Allocated Pension and Annuities products to \$468.4 million (June 1998 \$310.0 million) and an 10.6% increase in sales of Universal Super to \$967.0 million (June 1998 \$874.0 million). The retail funds management business recorded a net funds inflow of \$1.3 billion for the year to 30 June 1999, of which approximately \$0.9 billion was received in the second half of the year. The 1999 funds flow was approximately double the net funds flow for the period to 30 June 1998 (\$0.7 billion). Retail funds under management increased 14.1% to \$16.2 billion at 30 June 1999.
- Corporate sales increased 62.5% for the year to \$1.3 billion (June 1998 \$0.8 billion), mainly due to growth in Lend Lease sector specialists' funds. The Corporate funds management business recorded a net outflow of funds of \$791.0 million for the year reflecting a shift by investors from diversified funds to sector specialist mandates and some relative investment under performance which has since been reversed with a strong investment performance in the second half of the 1999 year. The profit impact of this net outflow is not significant as average fees are lower than for retail funds under management. Corporate funds under management were \$7.9 billion at 30 June 1999 (30 June 1998 \$8.1 billion).
- Funds under administration sales for the year to June 1999 increased by 44.6% to \$778.0 million (1998 \$538.0 million).
- Profit derived from Funds Management, Life Insurance and Administration Fund businesses is generally determined by the extent to which the ongoing fees earned exceed operating expenses. A specific measure of efficiency is the level of those expenses which are not directly related to sales, relative to funds under management and administration. The table below shows that this ratio has been reduced to 0.93% at June 1999 from 1.42% at June 1996. The ratio for the funds under management business has decreased 43.6% from 1.42% in 1996 to 0.80% in 1999 which reflects the result of a three-year expense reduction programme commenced in 1996.

	June 1999 %	June 1998 %	June 1997 %	June 1996 %
Total expenses as % of funds under management and administration⁽¹⁾	0.93	0.89	1.00	1.42
Total funds management expenses as % of funds under management	0.80	0.86	1.00	1.42

⁽¹⁾ The June 1998 percentage of 0.89% has been adjusted from that disclosed in the June 1998 Management Discussion and Analysis (0.92%) to include the funds under administration at 30 June 1998 in the total funds under management and administration.

Total expenses as a percentage of funds under management and administration for the six months to 31 December 1998 were 0.81%. The increase to 0.93% for the full year reflects the significant increase in the level of investment on business development initiatives in the second half of the current year. The investment, mainly in MasterKey, Plum, FlexiPlan and Your Prosperity, is to diversify distribution and should result in revenue growth in future years from increased funds under management and administration. The actual expenditure was higher than previously forecast due to establishment costs associated with rapid growth in FUA and acceleration of certain project expenditures into 1999. As a result the actual fiscal year 1999 total expense as a percentage of funds under management and administration of 0.93% was higher than indicated at the time of the release of the December 1998 results.

Financial Services will continue to manage the expense levels of the underlying business while at the same time prudently reinvesting so as to generate continued growth for the Financial Services business.

- A significant portion of Financial Services' revenue is fee income which is determined by funds under management and administration. Funds under management and administration increased by 10.3% to \$30.1 billion at June 1999 compared to June 1998 (\$27.3 billion):

	Growth June 98-99 %	June 1999 \$b	June 1998 \$b
Funds Under Management and Administration			
Funds Under Management			
Retail	14.1	16.2	14.2
Corporate	(2.5)	7.9	8.1
Life Insurance and Wealth Protection		4.1	4.1
Funds Under Administration	111.1	1.9	0.9
	10.3	30.1	27.3

(1) Refer section on 'Accounting Treatment of Assets held in Shareholders' Fund of MLC Limited'.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

FINANCIAL SERVICES (continued)

Segment Assets

Segment assets increased by \$357.7 million or 18.2% to \$2,323.0 million which reflected an increase in the embedded value of MLC (\$132.0 million), the growing value of the Administration Funds business FlexiPlan (\$33.0 million) and an increase of \$127.9 million in cash held by the Shareholders' Branch of MLC Limited.

Accounting Treatment of Assets held in Shareholders' Fund of MLC Limited

Under applicable Australian regulations, investments held in the Shareholders' Fund of Life Insurance entities are valued at their market value with any gain or loss recorded in the profit and loss account. This accounting treatment added \$29.0 million to Lend Lease's profit after tax for the year ended 30 June 1999 (1998 \$9.0 million).

For entities that are not life insurers, unrealised gains on investments are only able to be recognised in the financial statements as an increase in the Asset Revaluation Reserve and not as part of earnings. Unrealised losses are recorded in the profit and loss account.

Also, under the existing accounting rules the Lend Lease profit includes a transfer of shareholder profit from the MLC Statutory Funds. These transfers can include prior year retained earnings of the Statutory Funds. In the 1999 financial year the transfer includes \$24.0 million from prior year Statutory Fund retained earnings. Retained earnings transfers will not be available from 1 July 1999 due to a change in the accounting regulations that will require MLC to be consolidated into Lend Lease.

Significant Events

Australia

- In July 1999, MLC launched MasterKey, which is a business system for financial advisers and a total investment solution for investors. The MasterKey system will reposition MLC in the market, from a provider of products to a provider of investment solutions. MasterKey is delivered primarily via the internet and initial indications are that it has been well received by both advisers and investors, and is targeted to contribute to increased sales and improved retention.
- Ownership of FlexiPlan was increased from 76% to 96% in July 1999 at a cost of \$14.6 million. FlexiPlan achieved sales of \$723.0 million for the year to June 1999 and funds under administration of \$1,654.0 million at 30 June 1999, a 75% increase compared to 30 June 1998.
- The master fund industry is one of the fastest growing areas within the Financial Services industry. Financial Services growth for the 12 months to March 1999 of 83% in master funds has exceeded the industry growth rate of 50% (Source: Assirt Market Share Report March Quarter 1999).
- In retail superannuation MLC has retained the number one ranking in funds under management with a market share of 13% (Source: Assirt Market Share Report March Quarter 1999).
- Retail net funds flow for Lend Lease Financial Services has shown a continuous improvement in market ranking in each quarter over the past year, improving from ninth position at 30 June 1998 to fourth position at 31 March 1999 (Source: Assirt Market Share Report March Quarter 1999).

International

- During the year to 30 June 1999, MLC Limited increased its equity investment in its Indonesian life insurance joint venture, Simas Lend Lease Life (Simas), from 50% to 80% at a cost of \$2.8 million. Simas has continued to perform profitably despite difficult economic conditions in Indonesia.

REAL ESTATE

The Group's real estate business encompasses three major business activities: Lend Lease Real Estate Investments (REI), Lend Lease Property Development and Lend Lease Projects (Project Management and Construction). The Real Estate Services business which included COMPASS Management and Leasing, Inc and Lend Lease's US retail property management business ('COMPASS') was sold during the year (refer below).

REAL ESTATE INVESTMENTS (REI)

The principal activities of this business segment are management of property investment funds, limited partnerships and trusts on behalf of clients (including acquiring, managing and selling investments), co-investment in funds, portfolio management, originating and servicing of commercial mortgages, shopping centre leasing and management (in Australia) and acting as financial adviser and arranger of project finance and related services.

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Australia and Pacific	69.5	98.2	14.1	11.7	7.1	7.7	108.9	109.3
North America	405.0	393.4	65.9	79.9	51.5	57.9	999.0	1,086.8
Asia	2.2	3.6	(7.0)	3.3	(5.5)	2.2	50.7	34.3
Europe	23.3	0.4	7.8	(2.5)	5.4	(2.5)	100.8	12.6
Total REI	500.0	495.6	80.8	92.4	58.5	65.3	1,259.4	1,243.0
% of Total Group	12.1%	14.4%	15.7%	22.4%	13.9%	17.9%	17.3%	19.2%

The 1999 profit after tax for REI was \$58.5 million, a decrease of 10.4% from 1998. The result reflected slightly lower funds under management fees, a strong increase in higher margin transaction revenue, cost saving initiatives, the impact of provisions made against investments and the effect of amortising Management Agreements.

The REI results are analysed by region below.

Australia and Pacific

	Year to June 1999		Year to June 1998	
	\$m	%	\$m	%
Revenue				
Funds under management fees	40.3	58.0	38.1	38.8
Transaction revenue	4.4	6.3		
Leasing and development management fees	10.0	14.4	10.0	10.2
Retail property management fees	12.8	18.4	12.6	12.8
Investment income	2.0	2.9	2.2	2.2
Sale of investments			35.3	36.0
	69.5		98.2	

Fee revenue from funds under management for the Australia and Pacific business for the year ended 30 June 1999 increased by \$2.2 million or 5.8% to \$40.3 million, mainly due to an increase in funds under management of 11.3%. Retail Property management fees relate to the Australian Retail Shopping Centre operation not sold as part of the COMPASS disposition. The sale of investments in June 1998 mainly represented the sale of General Property Trust (GPT) units.

	Year to June 1999	Year to June 1998
	\$m	\$m
Profit After Tax		
Profit/(loss) before tax of underlying fee based business	13.8	2.3
Investment income before tax	2.0	2.2
Profit/(loss) before tax on sale of investments		7.2
Less: Amortisation:		
Management Agreements	(0.9)	
Less: Provisions raised:		
GPT units	(0.8)	
Total profit before tax for year	14.1	11.7
Income tax expense	(7.0)	(4.0)
Profit after tax	7.1	7.7

The significant increase in the underlying fee based profit of the Australia and Pacific business from \$2.3 million in June 1998 to \$13.8 million in June 1999, reflected a reduction in overheads and lower IT development expenditure in 1999 relative to 1998. This was partially offset by provisions raised against GPT units held and the requirement to amortise Management Agreements (see section 'Accounting Policy Changes').

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

REAL ESTATE (continued)

REAL ESTATE INVESTMENTS (continued)

North America

The REI US business delivered a total return of 13.6% for the year to June 1999 which comprised an increase in Management Agreements of USD21.4 million and profits of USD32.1 million.

	Year to June 1999			Year to June 1998		
	USDm	A\$m	%	USDm	A\$m	%
Revenue						
Funds under management fees	107.2	171.9	42.4	120.5	177.8	45.2
Transaction revenue	104.9	168.3	41.6	78.7	116.1	29.5
Leasing and development management fees	0.7	1.1	0.3	16.7	24.6	6.3
Investment income	14.1	22.6	5.6	11.3	16.7	4.2
Sale of investments	25.6	41.1	10.1	39.5	58.2	14.8
	252.5	405.0		266.7	393.4	

Revenue from funds under management fees declined by 11.0% to USD107.2 million in June 1999 which reflected a continued decline in US funds under management (refer below). Transaction revenue in the US relates to fees earned from managing the acquisition, disposition and financing of investors' properties. Transaction revenues increased by 33% to USD104.9 million in June 1999, mainly reflecting increased disposition volumes from client sales. Transaction fees included fees earned on the sell down of The Equitable General Account equity property portfolio and incentive fees earned on the disposition of the Value Enhancement Fund I and YCPI portfolios. The decrease in leasing and development fees reflected the sale in October 1998 of the retail property management business in the US in conjunction with the sale of COMPASS. North American investment income included earnings of USD10.5 million (1998 USD9.6 million) from the 50% ownership of the King of Prussia Shopping Center in the USA. Sale of Investments during the year represented the sale of the Park City Shopping Center in the USA.

	Year to June 1999		Year to June 1998	
	North America USDm	North America A\$m	North America USDm	North America A\$m
Profit After Tax				
Profit/(loss) before tax of underlying fee based business	40.3	64.6	28.0	41.2
Investment income before tax	14.1	22.6	11.3	16.7
Profit/(loss) before tax on sale of investments	1.6	2.6	17.2	25.4
Less: Amortisation:				
Management Agreements	(4.7)	(7.5)		
Goodwill	(2.3)	(3.7)	(2.3)	(3.4)
Less: Provisions raised:				
Chastain Capital Corporation investment (refer below)	(7.9)	(12.7)		
Total profit before tax for year	41.1	65.9	54.2	79.9
Income tax expense	(9.0)	(14.4)	(14.9)	(22.0)
Profit after tax	32.1	51.5	39.3	57.9

The US underlying fee-based profit for both funds under management and transaction fees increased by 43.9% from USD28.0 million (A\$41.2 million) in June 1998 to USD40.3 million (A\$64.6 million) in June 1999, resulting from increased transaction fees (which contain higher profit margins than funds under management fees) and a reduction in overheads.

The profit after tax was adversely affected by a provision raised on the investment in Chastain of USD7.9 million (A\$12.7 million) before tax (USD4.9 million (A\$7.4 million) after tax) and the requirement to amortise the Management Agreements held on the balance sheet (USD4.7 million (A\$7.5 million) before tax) (refer section 'Accounting Policy Changes' at the end of this report).

Profit before tax on sale of investments in June 1998 of USD17.2 million comprised the sale of USPPI (USD13.9 million) and Vornado Realty Trust (USD3.3 million).

Management Agreements

The value of the Lend Lease REI US Management Agreements increased by 6.2% from USD345.6 million at 30 June 1998 to USD367.0 million at 30 June 1999. The increase in value was mainly driven by increased revenues flowing from the agreements, improved margins from overhead reductions and a 0.2% reduction in the discount rate to 10.8%.

Segment Assets

The decrease in segment assets in North America is mainly due to currency fluctuations.

Asia

Revenue

Revenue in Asia of \$2.2 million for June 1999 is lower than the June 1998 revenue of \$3.6 million because in 1998 a dividend was paid by Asia Property Investment Corporation (APIC) of \$1.2 million.

Profit After Tax

The loss after tax of \$5.5 million in Asia for June 1999 resulted from a provision of \$7.8 million before tax (\$5.0 million after tax) raised against Lend Lease's investment in APIC. The provision was raised in the 31 December 1998 Lend Lease Financial Statements. The provision was required due to a writedown by APIC of its investment in the Northtech industrial building in Singapore.

Segment Assets

The increase in segment assets in Asia related to an additional USD16.7 million (A\$25.7 million) investment in APIC offset by the provision and depreciation of the US dollar against the Australian dollar.

Europe

	Year to June 1999			Year to June 1998		
	GBPm	A\$m	%	GBPm	A\$m	%
Revenue						
Funds under management fees	2.4	6.3	27.0%	0.2	0.4	100.0%
Retail property management fees	1.7	4.5	19.3%			
Investment income	4.8	12.5	53.7%			
	8.9	23.3		0.2	0.4	

The increase in funds under management fees in Europe from GBP0.2 million in June 1998 to GBP2.4 million in June 1999 is mainly due to the commencement of fees being earned on the management of Bluewater following practical completion. The retail property management fees in June 1998 related to fees earned by the Larry Smith Group, which was acquired in March 1998. European investment income in June 1999 of GBP4.8 million (A\$12.5 million) related to the net operating income of Bluewater, derived from Lend Lease's remaining ownership interest in Bluewater, which commenced from the opening of the Centre in March 1999.

	Year to June 1999		Year to June 1998	
	Europe GBPm	Europe A\$m	Europe GBPm	Europe A\$m
Profit After Tax				
Profit/(loss) before tax of underlying fee based business	(1.8)	(4.7)	(1.0)	(2.5)
Investment income before tax	4.8	12.5		
Total profit before tax for year	3.0	7.8	(1.0)	(2.5)
Income tax expense	(0.9)	(2.4)		
Profit after tax	2.1	5.4	(1.0)	(2.5)

The loss before tax of the underlying European fee based business of GBP1.8 million for 1999 and GBP1.0 million for 1998 reflects costs associated with the set up of the asset management team in the UK for Bluewater and the Lend Lease Retail Partnership.

Segment Assets

Segment assets in Europe increased to \$100.8 million at 30 June 1999, which reflected the investments made in the Retail Partnership (\$37.7 million) and Arrabida Shopping Centre in Portugal (\$37.5 million).

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

REAL ESTATE (continued)

REAL ESTATE INVESTMENTS (continued)

Real Estate Investments Funds Under Management

Real Estate Investments funds under management (REI FUM) at 30 June 1999 were \$45.1 billion, compared to \$47.5 billion at 30 June 1998. The US REI FUM totalled \$36.5 billion representing approximately 81% of the total REI FUM.

	1999 North America USD\$b	1998 North America USD\$b	1999 North America A\$b	1999 Aust and Pacific A\$b	1999 Asia A\$b	1999 Europe A\$b	1999 Total A\$b	1998 Total A\$b
FUM at 30 June 1998	24.4	27.3	40.7	6.2	0.3	0.3	47.5	42.9
Exchange (loss)/gain			(3.1)				(3.1)	9.8
Additions ⁽¹⁾	4.3	1.2	6.6	1.4	0.2	1.1	9.3	2.7
Reductions	(5.0)	(4.1)	(7.7)	(0.7)	(0.2)		(8.6)	(7.9)
FUM at 30 June 1999	23.7	24.4	36.5	6.9	0.3	1.4	45.1	47.5

(1) Additions include both new funds and revaluations of assets within existing funds.

Funds under management in North America reduced from USD24.4 billion at 30 June 1998 to USD23.7 billion at 30 June 1999. Market conditions continue to provide good opportunities for active management of real estate portfolios and Lend Lease has continued to advise and manage this process on behalf of its clients. At 30 June 1999, USD2.0 billion of The Equitable's planned USD3.0 billion disposition of real estate assets had been completed. The effect of this sell-down has been partially offset by an increase in The Equitable's reinvestment in commercial mortgage assets.

The increase in funds under management in Europe related to the management of the Lend Lease Retail Partnership.

The increase in funds under management in Australia of \$1.4 billion is mainly due to the acquisition of assets by the various Australian real estate funds managed by Lend Lease.

Overall, FUM in Australian dollars decreased by \$2.4 billion from \$47.5 billion to \$45.1 billion essentially due to a \$3.1 billion exchange loss as a result of a strengthening of the Australian dollar against the US dollar.

Significant Events

United States

- For the year ended 31 March 1999 the Group's USD2.4 billion core property fund (Prime Property Fund) delivered a total return of 16.5% to clients, the second highest in its peer group. Other top performing co-mingled funds were Value Enhancement Fund I 24.7% (which is in its disposition phase) and Core Property Trust 16.3%.
- The North American business has continued to be successful in attracting new funds for investment. In the year to 30 June 1999 the business generated commitments totalling USD4.7 billion for investment including the State of Tennessee (USD400.0 million), the State of Florida (USD326.0 million), Alaska Permanent Fund (USD300.0 million) and the Global Property Fund (USD250.0 million).
- Property acquisitions, dispositions, mortgage origination and financing for clients totalled USD10.4 billion for the year (1998 USD8.7 billion).
- Chastain Capital Corporation ('Chastain') was launched in April 1998 by Lend Lease REI as a public Real Estate Investment Trust (REIT) and traded publicly on the NASDAQ in the United States. The turmoil in the debt markets in the last quarter of 1998 adversely affected the share price of Chastain and in May 1999 the Board of Chastain announced its intention to sell all of the company's assets through a plan of liquidation. A provision of USD7.9 million has been raised against Lend Lease's investment in Chastain to reflect the carrying value of Lend Lease's USD17.5 million investment at net asset value (USD9.6 million) at 30 June 1999. The market value of Lend Lease's investment in Chastain at 30 June 1999 was USD8.3 million. The net asset value has been adopted as the carrying value in the Financial Statements reflecting the best estimate of the recoverable value of the investment, based on Chastain's asset realisations to date and an independent evaluation of Chastain's assets.
- In April 1999, Lend Lease launched Lend Lease Global Properties SICAF ('Global Properties'), a Luxembourg based global real estate investment company. Global Properties is the Lend Lease flagship global real estate investment fund and has in excess of USD500.0 million (through a combination of USD250.0 million equity commitments and debt) available for investment in Europe, South America and Asia. Lend Lease has committed USD50.0 million as an investment in Global Properties.

Europe

- The Lend Lease Retail Partnership ('Retail Partnership') is an unlisted property fund which has purchased from Lend Lease a 25% interest in Bluewater in June 1999 at independent valuation of GBP280.0 million and will acquire a 100% interest in the Touchwood Court Shopping Centre development (in Solihull, West Midlands, UK) based on a predetermined pricing formula. The Retail Partnership will have approximately GBP500.0 million of funds under management by the time the Touchwood Court Shopping Centre is completed. Lend Lease's investment in the Retail Partnership will be GBP25.0 million (A\$61.7 million).
- The Arrabida Shopping Centre in Porto, Portugal, was acquired on 30 June 1999.

Australia

- Lend Lease Real Estate Partners ('LLREP') is an unlisted property fund that has been established to invest in real estate assets in the Australian market. LLREP was launched in June 1999.

PROPERTY DEVELOPMENT

The activities of this business involve all aspects of property development from concept through design, planning, construction, financing and leasing to eventual sale.

Properties for development are generally acquired initially by Lend Lease in order to retain control over the planning and early development phases of each project. Co-investors are then introduced which limits the Group's risk to each project.

For each project Lend Lease conducts cash flow, profit and return analyses, and aims to exceed the parameters specified at the time of approval to commit. Timely return of capital is an added objective. Accordingly, Lend Lease's economic exposure to a project may change from time to time. In addition, Lend Lease has an internal discipline which generally commits funds on a progressive basis, reviewing each project's economics and potential profitability at the time of each funding application.

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Australia	160.8	230.1	17.1	1.0	9.9		1,004.4	669.7
North America			(4.9)		(2.9)			
Asia	13.7	100.4	(26.3)	(34.1)	(23.6)	(26.9)	76.7	212.2
Europe	886.9	186.0	210.2	22.2	144.5	16.3	1,716.4	1,141.5
Total Property Development	1,061.4	516.5	196.1	(10.9)	127.9	(10.6)	2,797.5	2,023.4
% of Total Group	25.8%	15.0%	38.0%	(2.6%)	30.4%	(2.9%)	38.4%	31.3%

Revenue

Australian revenue for the year ended 30 June 1999 primarily related to progressive sales on residential projects as well as the sale of land at Tally Ho in Melbourne and the Riverside II site in Brisbane. The June 1998 revenue of \$230.1 million included revenue recognised on the sale of interests in major projects such as 88 Phillip Street and Jacksons Landing. The Asian revenue related to sales of factory units at Admiralty Industrial Park, Singapore, which have slowed as a result of the subdued economic conditions. European revenue comprised the sale of Solihull land for \$46.1 million to the Lend Lease Retail Partnership and \$840.8 million for Bluewater (refer below).

Profit After Tax

The substantial increase in profit for the year (compared to a loss in the previous year) reflected the profit from sale of 40% of Bluewater (refer below), emerging profitability in Australia, offset by provisions raised in Asia.

The profit in Australia of \$9.9 million mainly comprises profits derived from the residential business during the year (including ADI Maribyrnong \$5.4 million, Glen Alpine \$2.7 million and Twin Waters \$1.2 million).

The loss in Asia mainly related to provisions made for Admiralty Industrial Park (AIP) (\$7.1 million), a writedown of the investment in Tuas View (\$7.1 million) in Singapore (unchanged from 31 December 1998) and the payment of \$8.0 million under a Lend Lease Corporation Limited guarantee for borrowings on the Li Fung project in China.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

REAL ESTATE (continued)

PROPERTY DEVELOPMENT (continued)

The European profit after tax of \$144.5 million for the year mainly related to the divestment of 40% of Bluewater (refer below), mainly offset by loan break costs on the Bluewater facility \$6.9 million, \$3.5 million fees on the GBP250.0 million construction loan for Solihull and Dundee, new business costs and overheads.

Bluewater	Revenue		Profit After Tax		Inventory Balance	
	June 1999	June 1999	June 1999	June 1999	June 1999	June 1999
	GBPm	A\$m	GBPm	A\$m	GBPm	A\$m
Bluewater Sales						
Prudential – initial 15%, ⁽¹⁾ Development fees, and Cinema ⁽²⁾	37.9	100.7	4.3	11.5		
Retail Partnership – 25%	280.0	740.1	60.8	160.8		
Prudential – 10% July 1999 ⁽²⁾					76.2	188.2
Hermes – 10% July 1999					76.3	188.3
Prudential – 10% July 2000 ⁽²⁾					76.2	188.2
Retained 30%					228.7	564.6
	317.9	840.8	65.1	172.3	457.4	1,129.3

(1) Remaining portion of 15% forward sale. The first portion of this 15% was recognised in the 1998 financial year.

(2) The details of the sales to Prudential are confidential.

Segment Assets

The increase in segment assets by \$774.1 to \$2,797.5 million at 30 June 1999 mainly related to an increase in property development inventories of \$613.8 million (Bluewater \$389.4 million, Dundee \$48.5 million, 88 Phillip Street/155 Macquarie Street \$48.7 million, Darling Park \$47.3 million and Olympic Village/Newington \$149.1 million).

Bluewater represents 57.4% (\$1,129.3 million) of the balance of property development project inventories on the Balance Sheet at 30 June 1999. A further 30% of Bluewater is subject to committed forward sales to Prudential (20%) and Hermes (10%). Following these sales there will be a remaining inventory balance for Bluewater of \$564.6 million. This relates to the 30% interest being retained by Lend Lease until at least 2005 during which time Lend Lease will receive its share of the net operating income of Bluewater.

The balance of property development inventories (\$839.2 million at 30 June 1999) primarily relates to the four major projects in Australia (88 Phillip Street/155 Macquarie Street, Jacksons Landing, Olympic Village/Newington and Darling Park, all of which are in Sydney) and the Dundee retail project in the UK. Subject to market conditions, profits from these projects are expected to emerge over the next two to three years.

Further details of the development projects can be found in the Group's Consolidated Financial Statements at 30 June 1999.

Significant Events

Since 30 June 1998 there has been considerable leasing and disposition activity on the major projects (all statistics as at 30 June 1999):

Project	Current Year Significant Events	Status
Bluewater	<ul style="list-style-type: none"> <input type="checkbox"/> Centre opened March 1999. <input type="checkbox"/> Initial Centre sales in line with expectations. <input type="checkbox"/> Sale of 25% interest to Lend Lease Retail Partnership. 	<ul style="list-style-type: none"> <input type="checkbox"/> July 1999 – further 20% interest in Centre sold. <input type="checkbox"/> July 2000 – additional 10% pre sold. <input type="checkbox"/> Lend Lease will hold 30% interest in Centre until 2005 and be entitled to proportionate share of net operating income of Centre. <input type="checkbox"/> The risks are rentals and capitalisation rate at exit on the 30% retained interest.
Dundee	<ul style="list-style-type: none"> <input type="checkbox"/> Dundee leased to 56% of total space. <input type="checkbox"/> Retail space handed over to anchor tenant (Debenhams) for fitout. 	<ul style="list-style-type: none"> <input type="checkbox"/> The risks are the remaining leasing and capitalisation rate at exit.
88 Phillip Street	<ul style="list-style-type: none"> <input type="checkbox"/> 58% of space leased to Minter Ellison and ABN Amro. 	<ul style="list-style-type: none"> <input type="checkbox"/> Key risks are successful leasing of highrise and capitalisation rate at exit.
155 Macquarie Street	<ul style="list-style-type: none"> <input type="checkbox"/> 51 out of the 62 residential units sold. 	<ul style="list-style-type: none"> <input type="checkbox"/> Committed sales revenue to date exceeds costs.
Darling Park	<ul style="list-style-type: none"> <input type="checkbox"/> 100% space in Darling Park Stage II leased (subject to exercise of options) to Nestle and PricewaterhouseCoopers. 	<ul style="list-style-type: none"> <input type="checkbox"/> Asset currently being marketed for sale.
Olympic Village/Newington	<ul style="list-style-type: none"> <input type="checkbox"/> 76% of units released to market in Stage I sold. 	<ul style="list-style-type: none"> <input type="checkbox"/> If current selling prices are maintained, budgeted profits will be achieved. <input type="checkbox"/> Key risk is the strength of the Sydney residential market.
Jacksons Landing	<ul style="list-style-type: none"> <input type="checkbox"/> 24% of total units released to market sold. 	<ul style="list-style-type: none"> <input type="checkbox"/> Key risk is the strength of the Sydney residential market.
Fox Studios	<ul style="list-style-type: none"> <input type="checkbox"/> 90% of total available space leased. <input type="checkbox"/> Opening expected on schedule in November 1999. 	<ul style="list-style-type: none"> <input type="checkbox"/> Key risks relate to the trading of the retail component and the success of the studio tour.

During the year the European business secured additional retail development projects:

- A town centre site in Norwich, England was acquired in June 1999.
- A joint venture to develop a retail centre in Madrid, Spain (Alcala) was signed on 1 July 1999.

LEND LEASE PROJECTS (PROJECT MANAGEMENT AND CONSTRUCTION)

The principal activities of this business segment are real estate project management, project design, project financing and construction.

Profit for the Lend Lease Projects business is generally calculated on a margin over cost basis. Construction costs are typically funded by progress payments from clients and accordingly the business does not require significant amounts of capital. The profitability of this business is most directly related to the level of construction activity and margins negotiated on a contract by contract basis.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

REAL ESTATE (continued)

LEND LEASE PROJECTS (continued)

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m
Australia	1,301.4	975.8	34.8	17.3	23.3	10.5	246.8	207.5
North America			(2.1)		(1.2)			
Asia	95.2	144.5	15.2	23.6	10.0	15.4	103.6	95.8
Europe	5.3	324.9	4.1	7.2	2.9	4.6	28.1	25.4
Total Project Management	1,401.9	1,445.2	52.0	48.1	35.0	30.5	378.5	328.7
% of Total Group	34.0%	42.0%	10.1%	11.6%	8.3%	8.4%	5.2%	5.1%

Revenue

Revenue for the year to 30 June 1999 declined marginally by 3.1% to \$1,401.9 million, reflecting the continuing high level of construction activity being undertaken in Australia, offset by a reduction in Europe.

Revenue from the Australian region increased by 33.3% to \$1,301.4 million arising mainly from Darling Park Stage II which is scheduled for completion in the second half of 1999, and increased activity on the Sydney International Airport and the Fox Studios projects in Sydney, NSW.

The Asian economic downturn has adversely impacted the level of activity in the Asian business, although good results continue to be shown from the Indian operation which recently secured a commission for four additional Coca-Cola bottling plants.

Revenue in Europe of \$5.3 million in June 1999 related to the Crystal Group. The June 1998 revenue of \$324.9 million related to revenue recognised on Bluewater construction on behalf of the Investor Syndicate. There was no revenue recognised in June 1999 following the restructure of the Investor Syndicate financing in July 1998 as 100% of the Bluewater asset was recognised on the Balance Sheet.

Profit After Tax

Lend Lease Projects' contribution to the Group's operating profit after tax was \$35.0 million for the year to 30 June 1999, a 14.8% increase compared to \$30.5 million for the year to 30 June 1998, primarily arising from the Australian business.

Profits from the current committed forward workload of \$2.2 billion are expected to emerge over the next few years.

The Australian profit after tax of \$23.3 million included a \$12.0 million impact from the change in the basis of profit recognition for property construction contracts (refer section 'Accounting Policy Changes'). Costs of restructuring the business and expenditure on strategic development initiatives reduced profits by \$10.0 million after tax.

Profits in Asia declined due to reduced activity in 1999 as compared to 1998. The majority of the profits were recognised in the first half of the year when the first bottling plant for Coca-Cola in India and other major industrial projects in Singapore were completed.

The loss in North America represented overheads incurred in setting up a project management business in the US.

Segment Assets

Segment Assets increased from \$328.7 million at 30 June 1998 to \$378.5 million at 30 June 1999 which mainly reflected an increase in receivables in line with the increased revenue in Australia and the acquisition of the Crystal Group in January 1999.

Forward Workload

Lend Lease Projects' committed forward workload as at 30 June 1999 was \$2.2 billion, compared to \$2.6 billion at June 1998.

	June 1999 \$m	June 1998 \$m	June 1997 \$m
Australia and Pacific	1,738	1,693	1,252
Asia	76	99	214
Europe	344	793	794
Total	2,158	2,585	2,260

The decline in forward workload Europe reflects the completion of Bluewater.

Major projects in progress include Olympic Village/Newington (\$600.0 million), Sydney International Airport (\$445.0 million), 88 Phillip Street commercial tower and 155 Macquarie Street residential tower (\$300.0 million), Fox Studios (\$260.0 million), Jacksons Landing (\$110.0 million), in Australia; the Manukau waste water treatment plant in Auckland, New Zealand (\$65.0 million); the Coca-Cola plants in India (\$70.0 million); and the Dundee (\$130.0 million) and Solihull (\$235.0 million) Shopping Centres in the UK.

Significant Events

Global Strategy

The global expansion strategy of the Lend Lease Projects' business is to focus on opportunities in growing market segments. The key market segments being focused on by the group include health, industrial, retail, commercial, semi-conductor, pharmaceutical and infrastructure (including water and waste water).

- In line with this strategy, the Netherlands based Crystal Group was acquired on 6 January 1999. The Crystal Group is a specialist in the design and construction of semi-conductor fabrication plants.

Business Re-engineering

- During the year Lend Lease Projects' commenced the implementation phase of a business re-engineering project. This project, to be implemented globally, is shifting the business focus from its traditional regional structure to business units aligned to specific market and client segments. In addition, the division is further developing efficient local delivery units and creating a highly skilled technical services group that provides point of difference services to the marketing and delivery teams.
- One of the objectives of the re-engineering is to enhance the competitive position by significantly reducing construction costs and recurrent off-site overheads over the next three years in order to improve the competitive position of the business.

Asia

- Ownership of PT Lend Lease Graha Indonesia was increased from 50% to 90% for a cost of \$0.3 million.

CAPITAL SERVICES

The principal activities of this business segment are as developer, owner, operator and fund manager of infrastructure assets.

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m	June 1999 \$m	June 1998 \$m
Australia and Pacific	12.6	17.0	1.9	(7.5)	1.1	(4.2)	18.5	42.2
Asia		0.7		(7.7)		(7.6)	8.3	8.2
Europe	45.2	20.6	9.0	18.8	6.9	14.0	58.6	59.0
Total Capital Services	57.8	38.3	10.9	3.6	8.0	2.2	85.4	109.4
% of Total Group	1.4%	1.1%	2.0%	0.9%	1.9%	0.6%	1.2%	1.7%

Profit After Tax

The profit in Australia of \$1.1 million was mainly the result of the sale of the Tower & Appin Power Partnership. The Asian business was discontinued in the previous financial year. The loss in Asia for the year to 30 June 1998 related to the write-off of costs associated with the Oakwood joint venture, which ceased in April 1998. The European profits of \$6.9 million mainly related to the sale of options in Nursing Home Properties Plc (\$1.5 million) which were granted at the time of entering into the LLNHP Partnership; the sale of Lend Lease's interest in the LLNHP Partnership (\$3.7 million); share of profits for the 50% interest in Chelverton Properties Limited (\$3.5 million); share of losses (equity accounted) for the 25% interest in THI Plc (\$2.2 million); guarantee fees (\$3.5 million) from the loan facilities extended to Chelverton and the Wisniowy, Poland project; offset by overheads and a provision of \$3.7 million raised against the investment in the Clacton Common partnership.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

REAL ESTATE (continued)

CAPITAL SERVICES (continued)

Segment Assets

The decrease in segment assets from \$109.4 million at 30 June 1998 to \$85.4 million at 30 June 1999 reflects the sale of interests in the Tower & Appin Power Partnership and LLNHP Partnership during the year. Segment assets at 30 June 1999 include the interest in the Prospect Water Partnership (\$18.5 million), European investments in Chelverton (\$12.1 million), Fareham Retail Partnership (\$17.8 million), an investment in the Lend Lease Asia Water Trust (\$8.3 million), and a loan made to Chelverton (\$21.5 million).

Significant Events

- The focus of the capital services business in Australia is on infrastructure funds management. It is planned that the Australian business will be integrated into the REI business over the 1999/2000 financial year.
- Lend Lease sold its 50% interest in the Tower & Appin Power Partnership.
- Lend Lease signed a consortium agreement with Boral Energy and Canadian Utilities for the development and operation of a co-generation plant for BP in Queensland, Australia. Lend Lease's role as equal one third partner is to build, own and operate the co-generation plant.
- Lend Lease acquired a 25% interest in HRL Morrison & Co. Limited for \$8.0 million in March 1999, a manager of the listed Infratil funds (funds under management \$134.0 million).
- Lend Lease continued as preferred tenderer on the Bondi rail extension (Sydney).
- Lend Lease fully supported and co-operated with the inquiry into the 1998 contamination concerns with Sydney's drinking water. The final McClellan Report which was issued in December 1998 confirmed that the Prospect Water Treatment Plant (of which Lend Lease is a one third owner) was not at fault. There are no claims pending or expected in the future.
- The majority of the European business assets will be realised over the next one to two years. The European business will be integrated into the REI business over the 1999/2000 financial year.

REAL ESTATE SERVICES (RES)

Lend Lease sold COMPASS in October 1998. The sale was for \$296.0 million (USD180.0 million) which realised a profit after tax of \$11.3 million. The sale agreement also includes an earnout payment for Lend Lease of up to USD77.5 million over five years, which has not been included in the reported profit. Any benefit from this will depend on the business experience over the five years.

Lend Lease sold COMPASS as it was determined that COMPASS needed to grow in scale to continue to prosper as a property and facilities manager in a highly competitive market.

Results (as reported at December 1998)	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m
RES Operating Results	24.3	100.8	(1.9)	14.3	(1.4)	9.9
Sale of Business	296.0		18.0		11.3	
Total RES	320.3	100.8	16.1	14.3	9.9	9.9

INVESTMENTS

EQUITY INVESTMENTS

Lend Lease's strategy has been from time to time to make and hold investments in companies where a strategic business rationale existed, and where a mutually beneficial business relationship with these companies could be developed. The decision to invest or divest equity investments is determined after consideration of both strategic and valuation factors.

Results	Operating Revenue		Operating Profit Before Tax		Operating Profit After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Australia and Pacific								
<i>Sales of Investments</i>								
Hoyts Cinemas	28.4	23.9	2.6	8.8	2.1	5.6		
Westpac Banking Corporation:								
– shares		100.5		62.9		41.5		
– dividend income from shares subject to forward sale	45.0	41.0	45.0	41.0	45.0	41.0		
Mirvac		66.0		36.8		23.6		
<i>Dividend Income</i>								
Hoyts Cinemas	0.5	1.9	0.5	1.9	0.5	1.9		25.2
Westpac Banking Corporation	1.0	18.4	1.0	18.4	1.0	18.4	148.9	148.9
Mirvac	2.4	1.5	2.4	1.5	2.2	1.5	27.4	27.4
Total Equity Investments	77.3	253.2	51.5	171.3	50.8	133.5	176.3	201.5
% of Total Group	1.9%	7.4%	10.0%	41.5%	12.1%	36.8%	2.4%	3.1%

Profit After Tax

Equity Investments' contribution to the profits of the Group was \$50.8 million for the year to 30 June 1999, compared to \$133.5 million for the year to 30 June 1998. The lower 1999 result reflects absence of sales of Westpac shares and reduced Westpac dividends following the Westpac stock lending and share price hedge arrangements executed in December 1998. Lend Lease sold its remaining investment in Hoyts Cinemas during the year which realised a profit after tax of \$2.1 million.

Westpac Shares Hedge Arrangement

In December 1998 Lend Lease entered into share lending and hedging arrangements ('the Arrangements') in relation to 40 million Westpac shares which effectively locked in a \$10.05 per share price. The Arrangements involved Lend Lease receiving approximately \$402.2 million in cash (as collateral under the Arrangements). The Arrangements protect the unrealised profits of \$165.0 million after tax which will not be recognised until the Arrangements are terminated, the timing of which is at Lend Lease's discretion. One consequence of the Arrangements is that Lend Lease no longer receives the dividends and franking credits from the 40 million shares.

IT+T INVESTMENTS

These investments related to holdings in information technology (IT) and telecommunication services companies which provide an IT service to corporations and governments.

Results	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Australia and Pacific								
IBM Global Services Australia (IBMGSA)	13.8	7.6	13.6	7.6	11.8	7.6	40.5	40.5
IT+T Investments	11.7		(3.4)	(7.6)	(2.6)	(4.9)	53.6	20.5
Total IT+T Investments	25.5	7.6	10.2		9.2	2.7	94.1	61.0
% of Total Group	0.6%	0.2%	2.0%		2.2%	0.7%	1.3%	0.9%

The June 1998 results have been restated in line with June 1999 results to include overhead costs, whereas previously they were included as a part of Group overheads.

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

INVESTMENTS (continued)

IT+T INVESTMENTS (continued)

Profit After Tax

IT+T Investments contributed \$9.2 million for the period, an increase over last period due to an increased contribution from the investment in IBMGSA.

Segment Assets

Segment assets include investments in SITEL, Inc (\$16.8 million), Advantra (\$6.4 million) and Interactive Coupon Marketing Group (ICMG) (\$30.5 million). During the year ICMG changed its name to coolsavings.com.

Significant Events

Distributions from IBMGSA totalled \$13.6 million before tax. Lend Lease has also reconfirmed its commitment to IBMGSA as a client by renegotiating its IT outsourcing agreement from 1 January 1999.

Additional investments made during the year include:

- USD13.7 million (\$21.1 million) invested in coolsavings.com which increased Lend Lease's interest to 27.5%.
- \$6.4 million invested in Advantra, the joint venture between Lend Lease, IBM Australia and Telstra, in which Lend Lease has a 20% interest.
- In May 1999 Lend Lease exchanged its 20% interest in SITEL Asia Pacific for a 3.0% interest in SITEL, Inc. In addition it invested a further \$6.6 million in SITEL, Inc. taking its total interest to 5.0%. SITEL, Inc. is listed on the New York Stock Exchange.

There were no dividends expected or received from SITEL, coolsavings.com or Advantra during the year.

CORPORATE

The principal activities of Group Services are Group Treasury and corporate administration services. All financing costs that are not directly related to a real estate development project are reported in the Group Services segment, irrespective of where those costs are incurred.

Results

Group Overheads	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Overheads	30.1	37.6	(47.4)	(40.0)	(33.9)	(13.5)		
Group IT Costs			(23.1)	(15.0)	(14.8)	(8.1)		
Total Group Overheads	30.1	37.6	(70.5)	(55.0)	(48.7)	(21.6)		

Overheads

Net overheads after tax increased from \$13.5 million for the year ended 30 June 1998 to \$33.9 million for the year ended 30 June 1999. The 1998 result included a one off tax benefit of \$17.4 million in the year ended 30 June 1998 resulting from the restructure of the Asian operations.

Group IT Costs

Group IT costs after tax increased from \$8.1 million for the year ended 30 June 1998 to \$14.8 million for the year ended 30 June 1999, which reflected an increase in corporate costs on Year 2000 and Group IT strategy. The Group wide expenditure on Year 2000 was \$61.0 million for the year. This level of Group wide IT expenditure is expected to continue with the costs being directed at GST and other IT initiatives.

Group Financing	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998	June 1999	June 1998
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
FX Hedge Costs			(17.3)	(20.5)	(11.1)	(13.1)		
Interest Revenue	40.4	21.5	40.4	21.5	26.8	13.8		
Interest Expense			(73.3)	(49.9)	(46.2)	(31.9)		
Total Group Financing	40.4	21.5	(50.2)	(48.9)	(30.5)	(31.2)	177.0	292.3

Foreign Exchange Hedge Costs

Foreign exchange hedge costs after tax decreased by \$2.0 million to \$11.1 million after tax for the year to 30 June 1999, which reflects the discontinuance of hedges on the Indonesian and Thailand assets in the previous year. The level of costs remained high as a result of the cost associated with maintaining the hedges on US dollar and GBP assets and hedging the profits of foreign operations, in accordance with the Group's foreign exchange hedging policy.

Interest

Interest revenue was \$18.9 million higher than for the previous corresponding period as Lend Lease had higher cash balances during the current period. Interest costs for the year increased by \$23.4 million to \$73.3 million before tax mainly reflecting higher interest costs in the UK as a result of interest of \$22.1 million on the Bluewater borrowings being expensed following the opening of Bluewater in March 1999.

BALANCE SHEET

Balance Sheet Summary By Major Component

	June 1999	June 1998
	\$m	\$m
Cash	620.7	481.6
Financial Services business	1,927.7	1,745.0
Management Agreements	404.0	609.1
Property Investments and Developments	2,620.9	1,896.1
Investments	270.5	230.7
Borrowings	(1,210.2)	(1,544.4)
Other Net Assets/Liabilities	(1,164.8)	(180.7)
Shareholders' Equity	3,468.8	3,237.4

Lend Lease's Balance Sheet continues to be strong, allowing the Group to take advantage of opportunities as they arise.

Cash has increased to \$620.7 million as compared to \$481.6 million. This is discussed further below. Property Investments and Developments have increased to \$2,620.9 million mainly as a result of further expenditure on major projects during the year.

Gearing

Borrowings were \$1,210.2 million at 30 June 1999, compared to \$1,544.4 million at 30 June 1998. The ratio of gross debt to Shareholders' Equity was 34.9% at 30 June 1999, compared to 47.7% at 30 June 1998. The ratio of net debt to Shareholders' Equity was 17.0% at 30 June 1999, compared to 32.8% at 30 June 1998.

In July 1999, the proceeds from the sale of a further 20% interest in Bluewater to Hermes (10%) and Prudential (10%) were received. These proceeds and existing European cash were used to extinguish all debt in the European business. Therefore, following the repayment of the European debt, the ratio of gross debt to Shareholders' Equity was 18.5% and the ratio of net debt to Shareholders' Equity was 2.0%.

Lend Lease Shareholders' Equity does not reflect unrealised gains in several of Lend Lease's assets: shareholdings in Westpac and Mirvac are carried at cost, not market value; investments in Funds Management and Life Insurance are recorded at embedded value, not appraisal value or market value which are both materially higher; Management Agreements are recorded at cost less accumulated amortisation, not at independent valuation and Property Development assets are recorded at cost. The effect is to understate Lend Lease's Shareholders' Equity and therefore overstate the ratio of Debt to Shareholders' Equity. The ratio of Net Debt to Market Capitalisation was 5.6% at 30 June 1999 (12.9% at 30 June 1998).

Management Discussion and Analysis of Financial Condition and Results of Operations (continued)

CASH FLOW

Cash Flow Summary	June 1999 \$m	June 1998 \$m
Cash was generated from:		
Sale of Bluewater interests	1,103.8	
Operations	382.0	334.2
Sale of investments	195.1	332.7
Sale of COMPASS	296.0	
Cash collateral from Westpac share lending and hedging arrangements	402.2	
Increase in borrowings		800.6
Total cash generated	2,379.1	1,467.5
This cash was deployed to:		
Property development expenditure	(1,183.0)	(639.9)
Purchase of investments	(239.4)	(263.5)
Balance of ERE acquisition payments	(165.1)	(25.8)
Purchase of other controlled entities	(59.8)	(21.8)
Payment of dividends	(281.8)	(258.3)
Repayment of borrowings	(211.7)	
Other net items	(99.2)	57.8
Total cash deployed	(2,240.0)	(1,151.5)
Cash generated for the year	139.1	316.0
Cash at beginning of year	481.6	165.6
Cash at end of year	620.7	481.6

Cash generation during the year was strong. The EBIT interest coverage ratio remained strong at 7.5 times (1998 8.9 times).

ACCOUNTING POLICY CHANGES

Profit after tax was increased by \$15.5 million due to changes in accounting policies regarding the basis of profit recognition for property construction contracts (\$12.0 million) and residential property developments (\$3.5 million). The change in relation to property construction contracts resulted from the introduction of a revised Accounting Standard (AASB 1009 'Construction Contracts') which requires profits to be recognised on a percentage of completion basis (previously the majority of profit recognised at completion) (refer to Note 1 in the Financial Statements). The change in relation to residential property developments was made in order to recognise profits on all property developments on a consistent basis ie, profits are recognised progressively when an unconditional sales contract has been exchanged (previously recognised upon settlement).

Profit after tax was decreased by \$8.6 million due to a change in accounting policy regarding amortisation of Management Agreements. The change resulted from the issue in June 1999 by the Australian Accounting Standards Board of an Accounting Interpretation AI1 Amortisation of Identifiable Intangible Assets which effectively causes identifiable intangible assets such as management agreements to be amortised over their useful life.

TAXATION

Effective Tax Rate

The effective tax rate for the year ended 30 June 1999 was 18.5% (1998 11.9%), less than the corporate tax rate of 36%. This is mainly due to 47% (1998 73%) of Lend Lease's income being in the form of dividends (principally from MLC Limited, MLC Lifetime Company Limited and an investment in Westpac) which are effectively not taxable when received by Lend Lease under the dividend rebate provisions of existing tax legislation. The increase in the effective tax rate for 1999 arises as dividends received are a lower proportion of total Lend Lease profit and greater overseas profits with different tax rates.

Review Of Business Taxation

The review of business taxation announced by the Government in August 1998, if implemented, could potentially adversely impact some of Lend Lease's businesses, in particular the Financial Services business, but this may be offset by other favourable measures, the net extent of which is uncertain. Given the timing of the introduction of these tax changes, the impact if any, will arise in the 2000/01 or 2001/02 financial years. Discussions are being held with the Government with regard to a number of the proposals. No account has been taken in these results of potential Australian taxation changes as there is considerable uncertainty as to final form of the legislation to be passed by Parliament. Therefore the impact cannot be reliably determined at this stage.

Goods and Services Tax (GST)

On 8 July 1999, legislation was passed to introduce a GST. The GST will have effect from 1 July 2000.

Lend Lease has established a GST implementation team to manage the business, product, contractual, systems and communications implications of this significant legislation and to have Lend Lease ready to deal with the GST by 1 July 2000.

As the legislation has only recently been introduced and some uncertainties exist in the interpretation of the legislation the full impact of the GST is still being determined. However, set out below are principal areas where the GST may impact Lend Lease:

- MLC will be substantially input taxed and unable to claim an input credit for supplies. This will probably lead to some increase in operating costs.
- Residential housing prices will increase by the GST. The impact on residential sales is unknown.
- Impact on commercial and retail rents and asset values, if the property owner cannot pass GST onto the Lessee.
- Required modifications to IT systems to deal with GST leading to increased IT capex.

ACCOUNTING FOR LIFE INSURANCE BUSINESS

The accounting standard AASB1038 Life Insurance Business becomes applicable to Lend Lease from the 1999/2000 financial year. Therefore, future financial statements from and including the half year ended 31 December 1999 will include the consolidation of the Statutory Funds of MLC Limited and MLC Lifetime.

MATERIAL SUBSEQUENT EVENTS

Financial Services

- In July 1999, MLC acquired Godfrey Pembroke Financial Services ('Godfrey Pembroke') for \$39.7 million. The acquisition will expand the distribution capacity of the Financial Services business with funds under administration being secured through FlexiPlan and Godfrey Pembroke's service, One Source. Godfrey Pembroke is highly respected in the financial planning industry and will retain its separate identity as a pre-eminent provider of financial planning advice and services to high net worth investors.

Real Estate Investments

- On 30 July 1999, Lend Lease announced that it has reached a Memorandum of Understanding to acquire The Boston Financial Group ('Boston Financial'). Boston Financial is a privately owned institutional funds manager and real estate services company, and is one of the largest apartment (multi-family) investment managers in the US. It has Funds Under Management of USD6.8 billion. Completion is targeted for September 1999 subject to due diligence, regulatory approval and legal agreements.

DEFINITIONS

Sales

- Funds management and life insurance sales represent the value of monies received for investment and policies sold by our Life Insurance businesses, which increase funds under investment management.
- Property sales represent the estimated construction cost to Lend Lease of property projects secured during the period. When formal contracts are signed, the sales become contracted forward workload.

Contracted Forward Construction Workload

Represents the balance of work to be completed under existing construction contracts. As the construction contracts are progressively completed, forward workload declines. As project sales are made and contracts signed, forward workload is replenished.

Gross Gearing

Borrowings as a percentage of shareholders' equity.

Net Gearing

Borrowings less cash held, as a percentage of shareholders' equity.

Five Year Profile

PROFITABILITY

		1999	1998	1997	1996	1995
Operating revenue	\$m	4,120	3,442	2,143	2,059	1,685
Operating profit before tax	\$m	516	413	359	290	295
Tax on operating profit	\$m	96	49	37	10	35
Operating profit after tax	\$m	420	364	322	280	260
Divisional Contribution						
Project Management	\$m	35	31	39	39	52
Property Development	\$m	128	(11)	(13)	(15)	23
Real Estate Investments	\$m	59	65	19	18	17
Real Estate Services	\$m	10	10	2		
Financial Services	\$m	200	183	168	152	126
Capital Services	\$m	8	2	8	13	7
IT+T Investments	\$m	9	3	2	1	1
Equity Investments	\$m	51	134	101	73	42
Group Services	\$m	(61)	(35)	(15)	(7)	(4)
Group Financing Costs ⁽¹⁾	\$m	(19)	(18)	11	6	(4)
Total	\$m	420	364	322	280	260
Operating profit after tax to revenue	%	10.3	10.6	15.0	13.6	15.4
Operating profit after tax per full-time employee ⁽²⁾	\$000	91	51	84	64	61
Earnings per share ⁽³⁾	cents	83.2	71.6	63.4	57.6	56.5
Operating profit after tax to shareholders' equity	%	12.1	11.3	11.0	11.1	10.8
Dividend per share ⁽³⁾	cents	60.0	53.5	49.0	45.0	42.5
Profit share per employee	\$	6,367	3,377	4,786	4,161	3,975

CORPORATE STRENGTH

		1999	1998	1997	1996	1995
Funds Under Management and Administration	\$m	73,221	73,536	67,000	33,535	31,841
Total assets	\$m	7,291	6,471	4,674	3,543	3,480
Available cash	\$m	621	482	166	387	215
Borrowings	\$m	1,210	1,544	643	242	400
Current assets	\$m	2,241	1,396	687	947	587
Current liabilities	\$m	2,452	1,452	1,337	850	550
Net asset backing per share ⁽³⁾	\$	6.88	6.42	5.85	5.20	5.35
Ratio of current assets to current liabilities	times	0.91	0.96	0.51	1.11	1.07
Debt to shareholders' equity	%	34.9	47.7	22.0	9.6	16.6
Debt to shareholders' equity plus debt	%	25.9	32.3	18.1	8.7	14.2
Net debt to shareholders' equity	%	17.0	32.8	16.3	(5.7)	7.7
Debt to total market capitalisation	%	11.6	18.8	9.2	5.1	9.8
Shareholders' equity	\$m	3,469	3,237	2,919	2,529	2,415
Shares on issue	m	504	252	250	243	226
Number of shareholders	No.	45,113	35,404	32,927	28,536	25,983
Number of equivalent full-time employees	No.	4,627	7,079	6,736	4,343	4,262
Shareholders' Returns and Statistics						
Proportion of shares on issue to top 20 shareholders	%	64.4	64.6	65.9	68.0	64.6
Staff shareholdings	%	13.4	13.0	13.5	14.6	15.6
Total dividends declared	\$m	303	269	246	218	190
Payout ratio	%	72	74	76	78	73
Dividends reinvested/foregone during the year:						
Dividend Reinvestment Plan	\$m	67.0	58.3	53.5	92.0	79.6
Share Election Plan	\$m	22.4	27.7	16.2	20.0	22.0
		89.4	86.0	69.7	112.0	101.6
Share prices as at 30 June as quoted on the Australian Stock Exchange (adjusted for 1 for 1 bonus issue)						
	\$	20.74	16.33	14.00	9.75	8.99

(1) Includes net interest costs and foreign exchange hedging costs.

(2) The increase in 1999 reflects the impact of the sale of the COMPASS business during the 1999 financial year. 1998 included for the first time, employees of Equitable Real Estate (ERE) and associated companies.

(3) Comparatives have been adjusted to reflect the 1:1 bonus issue.

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 and 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 and 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 and 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 and 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 and 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.

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 and 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 Programme 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 and Organisation and Board Committees. Ms Grady is a Director of Woolworths Limited and Wattyl 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 and 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 and 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 SOFEX (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.

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 and 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 and 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' Report (continued)

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 nine 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 companies 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 14 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.

Personnel and 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 and 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 109,000 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' Report (continued)

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 on behalf of clients (including acquiring, managing and selling investments), co-investment, portfolio management, originating and servicing of commercial mortgages, shopping centre management and leasing (in Australia) and acting as financial adviser and arranger of real estate project finance and related services.
- Funds management activities including superannuation and investment services for both retail and corporate clients; management of investment and unit trusts, traditional life insurance business and wealth protection; investment fund administration; and strategic investment advice, asset management and portfolio management services for corporate and institutional clients.
- Developer, owner, operator and fund manager of infrastructure assets.
- Investments in information technology (IT) and telecommunications 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 within the concise financial report.

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:

	\$m
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 12 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;

Directors' Report (continued)

ENVIRONMENTAL REGULATION (continued)

- 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.

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 and 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 and Organisation ('P&O') Committee. This Committee is chaired by Ms J. Conway (Deputy Chairman) and comprises four 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. Programmes 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.

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 Programme

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 three to five years (subject to the executive remaining employed by the Group). ESP arrangements operate in Australia, the UK and the US.
3. *Global Reward Programme* – Allocations under the Global Reward Programme progressively 'mature' over three to five 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 Programme

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

Directors' Report (continued)

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION (continued)

Compensation Policy (continued)

The current LTI programme 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.

Name	Global Reward Programme/ESP Allocations
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. Walicknowski (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) One unit has the equivalent value of two 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 programme. This replaces the current LTI retention programme outlined above.

It is anticipated that initial grants under this LTI programme 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 programme 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 programme 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 programme provides for varying levels of grants to participating executives, which will be influenced by responsibilities, position, executive potential and demonstrated performance, all incentives under the programme align management benefit to shareholder gain.

Grants will be structured to fully vest after three years assuming performance hurdles are achieved. The grants 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 programme 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.

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\$	Cash A\$	Performance-related Bonus Global Reward		Total A\$
					Matured Current Year A\$ (3)	Allocations Previous Years A\$ (4)	
Executive Directors							
D.H. Higgins	1999	750,555	60,000	34,361	247,775	317,653	1,556,574
(Chief Executive Officer) ⁽⁵⁾	1998	750,629	60,000	34,140	451,500	526,481	1,959,880
D.C. Clarke	1999	557,169	44,517	26,620	165,750	228,620	1,127,126
(Executive Director) ⁽⁵⁾	1998	491,465	29,286	20,084	216,000	510,548	1,349,008
R.E. Tsenin	1999	658,963	42,273	103,735	184,167	236,099	1,267,017
(Finance Director) ⁽⁵⁾⁽⁶⁾	1998	599,998	40,333	21,306	240,000	391,800	1,293,437
W.A.H. Webster	1999	539,847	40,157	24,439	249,726	106,706	1,044,435
(Executive Director) ⁽⁵⁾	1998	542,551	40,157	24,292	160,500	262,016	1,094,816
A. Aiello (Executive Director and 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	1,824,823
	1998	600,013	34,133	365,150		419,832	1,490,958
P. Walicknowski – CEO Lend Lease Europe (UK) ⁽⁹⁾	1999	814,872	41,060	167,450	270,000	115,375	1,592,589
	1998	737,040	28,050	153,337	204,000	110,618	1,327,730
R. Clarke – CEO Lend Lease Development (US) ⁽¹⁰⁾	1999	537,022	28,800	640,890		203,887	1,562,574
	1998	469,821	24,300	178,680		55,505	826,256
P. Scott – CEO MLC Group (Australia) ⁽¹¹⁾	1999	381,953	29,696	19,209	372,500	88,198	1,164,797
	1998	340,434	24,948	23,618	195,600		648,268
P. Dolinoy – President Lend Lease REI (US) ⁽¹²⁾	1999	447,618	32,087		641,746	30,270	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 Programme allocations, based on the Lend Lease share price of \$20.89 on the date they were awarded (1 July 1999). Shares held in ESPs 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 ESPs 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 18 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.

(7) Mr Aiello is based in the US with compensation paid in USD. '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 forgone 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. '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. '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. 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. 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).

Directors' Report (continued)

DIRECTORS' AND SENIOR EXECUTIVES' COMPENSATION (continued)

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.

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 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 five years' service receive up to three times their average annual emoluments (ie, 'Directors' Fees' and 'Additional Compensation') over the previous three years, and those who have served more than five years receive between three and five times their average annual emoluments over the previous three 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 five times average annual emoluments over the three years prior to retirement. This plan was approved by shareholders at the 1990 Annual General Meeting.

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

Director	Years of Service at 30 June 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

Consolidated Financial Report – Concise Profit and Loss

Year ended 30 June 1999

	Notes	Consolidated	
		1999 \$m	1998 \$m
Operating revenue	4	4,120.4	3,441.9
Operating profit		516.1	413.2
Income tax expense/(benefit) attributable to operating profit		95.7	49.3
Operating profit after income tax attributable to members of Lend Lease Corporation Limited		420.4	363.9
Retained profits at beginning of year		892.6	770.4
Adjustment resulting from change in accounting policy for investments in associates		(5.3)	
Dividends foregone pursuant to share election plan		22.4	27.7
Total available for appropriation		1,330.1	1,162.0
Dividends paid or declared	5	302.5	269.4
Retained profits at end of year		1,027.6	892.6
Dividend payout ratio (%)	5	72.0	74.0
Dividends per share (cents) ⁽¹⁾	5	60.0	53.5
Basic earnings per share (cents)	5	83.2	71.6

(1) The 1998 comparative has been adjusted by a factor of 0.5 in respect of the 1:1 bonus issue in the current year.

The accompanying notes form part of these financial statements.

Consolidated Financial Report – Concise Balance Sheet

Year ended 30 June 1999

	Consolidated	
	1999 \$m	1998 \$m
Current assets		
Cash and cash equivalents	620.7	481.6
Receivables	814.1	816.5
Inventories	755.7	74.2
Investments	27.4	
Other assets	23.3	24.0
Total current assets	2,241.2	1,396.3
Non current assets		
Receivables	197.0	157.5
Inventories	1,212.8	1,280.5
Investments in financial services institutions	2,076.6	1,893.9
Investments	752.0	715.2
Property, plant and equipment	78.6	55.7
Management agreements	404.0	609.1
Other assets	329.0	362.6
Total non current assets	5,050.0	5,074.5
Total assets	7,291.2	6,470.8
Current liabilities		
Creditors	1,079.9	758.8
Borrowings	825.6	214.9
Provisions	348.9	319.4
Other liabilities	197.5	158.5
Total current liabilities	2,451.9	1,451.6
Non current liabilities		
Creditors		14.1
Borrowings	384.6	1,329.5
Provisions	182.2	165.5
Other liabilities	803.7	272.7
Total non current liabilities	1,370.5	1,781.8
Total liabilities	3,822.4	3,233.4
Net assets	3,468.8	3,237.4
Shareholders' equity		
Share capital	1,262.0	125.8
Reserves	1,162.5	2,219.0
Retained profits	1,027.6	892.6
Shareholders' equity attributable to the members of the Company	3,452.1	3,237.4
Outside equity interests in controlled entities	16.7	
Total shareholders' equity	3,468.8	3,237.4

The accompanying notes form part of these financial statements.

Consolidated Financial Report – Concise Statement of Cash Flows

Year ended 30 June 1999

	Consolidated	
	1999 \$m	1998 \$m
Cash flows from operating activities		
Cash receipts in the course of operations	1,932.1	1,883.9
Cash payments in the course of operations	(1,851.9)	(1,947.6)
Property development receipts	1,325.2	193.8
Property development expenditure	(1,183.0)	(639.9)
Interest received	38.8	18.4
Dividends received	35.8	51.1
Distributions from partnerships	15.3	19.1
Share of profit of statutory funds	152.6	182.2
Income tax paid	(90.9)	(14.5)
Interest paid	(71.2)	(52.2)
Net cash (used in)/provided by operating activities	302.8	(305.7)
Cash flows from investing activities		
Proceeds from sale of investments in financial services institutions	43.0	139.5
Proceeds from sale/redemption of investments	152.1	193.2
Purchases of investments	(239.4)	(263.5)
Loan made to associate	(21.5)	
Cash collateral on Westpac hedge	402.2	
Loan repaid by IBM Global Services Australia		10.5
Proceeds from sale of controlled entities	296.0	
Payment for acquisition of controlled entities	(224.9)	(47.6)
Proceeds from sale of property, plant and equipment	1.0	3.6
Purchases of property, plant and equipment	(15.6)	(15.6)
Net cash (used in)/provided by investing activities	392.9	20.1
Cash flows from financing activities		
Proceeds from borrowings	1,633.5	1,438.9
Repayment of borrowings	(1,845.2)	(638.3)
Net proceeds from share issues	108.3	109.8
Payments for share buy backs	(142.6)	(85.5)
Dividends paid	(281.8)	(258.3)
Net cash provided by/(used in) financing activities	(527.8)	566.6
Other cash flow items		
Effect of exchange rate changes on cash and cash equivalents	(19.6)	16.6
Cash balances in controlled entities acquired/(sold)	(9.2)	18.4
Net increase/(decrease) from other items	(28.8)	35.0
Net increase/(decrease) in cash and cash equivalents	139.1	316.0
Cash and cash equivalents at beginning of year	481.6	165.6
Cash and cash equivalents at end of year	620.7	481.6

The accompanying notes form part of these financial statements

Notes to Consolidated Financial Report – Concise

1 Basis of Preparation of Concise Financial Report

The concise financial report has been prepared in accordance with the Corporations Law and Accounting Standard AASB 1039 'Concise Financial Reports'. The financial statements and specific disclosures have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year. Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2 Changes in Accounting Policies

Property Construction

During the period the basis of profit recognition for property construction was modified. Previously, Lend Lease recognised profits progressively, at an amount equivalent to general overheads, with the balance of profits recognised at completion. Lend Lease now recognises profits progressively to the extent of general overheads until the outcome of a construction contract can be reliably determined (which does not occur until at least 50% complete) and thereafter recognises profit by reference to the percentage of completion of the contract. This method results in an earlier recognition of the profits when compared to the previous basis.

This change is a result of the introduction of a revised Accounting Standard (AASB 1009 'Construction Contracts') which prescribes the basis of profit recognition for long term construction contracts. The revised standard requires that construction profits be recognised progressively, by reference to the percentage of completion of a contract, once the outcome of the contract can be reliably determined. The new method complies with the revised standard and more closely matches work performed and attributable profit earned. Recognition of contract losses is unchanged in that expected losses are provided for in full as soon as they become apparent.

This change has increased the profit after tax for the year ended 30 June 1999 by \$12.0 million. This increase represents a once-off acceleration in profit recognition.

Property Held for Resale Whilst Under Development

During the year the basis of profit recognition for residential property development was modified. Previously, Lend Lease recognised profits upon settlement. Lend Lease now recognises profits progressively when both revenue and costs to complete can be reliably determined (which does not occur until at least 50% complete), provided that an unconditional sales contract has been exchanged.

This change has been effected so that the basis of profit recognition for residential developments is consistent with that of non-residential developments. The change has increased the profit after tax for the year ended 30 June 1999 by \$3.5 million. This increase represents a once-off acceleration in profit recognition.

Investments in Associates

The use of the equity method of accounting for investments in associates represents a change in accounting policy. In previous years investments in associates were brought to account at cost and dividend income was recognised in the profit and loss account when declared or received.

The changed policy has been adopted due to the issue of AASB 1016 'Accounting for Investments in Associates'.

Consolidated retained profits at the beginning of the financial year were decreased by \$5.3 million to reflect the impact of adopting equity accounting in the consolidated balance sheet for the first time. A corresponding decrease of \$5.3 million was made to the consolidated carrying amount for investments in associates at the beginning of the year. The change in accounting policy led to a share of associates' profit of \$1.6 million decreasing consolidated operating profit after income tax for the year compared with the previous basis.

Management Agreements

From 1 July there has been a reassessment of the estimated useful life of management agreements to 50 years which has reduced the current year profit after tax by \$8.6 million. The reassessment has resulted from the issue of Accounting Interpretation A11 Amortisation of Identifiable Intangible Assets in June 1999. Directors previously assessed the lives of management agreements to be of such duration, and the estimated residual value to be such, that the amortisation charges were not material.

Notes to Consolidated Financial Report – Concise (continued)

3 Segment Reporting

The segment results are discussed and analysed in the Management Discussion and Analysis of Financial Condition included within this report.

	Operating Revenue		Operating Profit/(Loss) Before Tax		Operating Profit/(Loss) After Tax		Segment Assets	
	1999 \$m	1998 \$m	1999 \$m	1998 \$m	1999 \$m	1998 \$m	1999 \$m	1998 \$m
Business Segment Summary								
Project Management	1,401.9	1,445.2	52.0	48.1	35.0	30.5	378.5	328.7
Property Development	1,061.4	516.5	196.1	(10.9)	127.9	(10.6)	2,797.5	2,023.4
Real Estate Investments	500.0	495.6	80.8	92.4	58.5	65.3	1,259.4	1,243.0
Real Estate Services	320.3	100.8	16.1	14.3	9.9	9.9		246.2
Financial Services	605.7	525.6	219.2	198.3	200.3	183.2	2,323.0	1,965.3
Capital Services	57.8	38.3	10.9	3.6	8.0	2.2	85.4	109.4
IT+T Investments	25.5	7.6	10.2		9.2	2.7	94.1	61.0
Equity Investments	77.3	253.2	51.5	171.3	50.8	133.5	176.3	201.5
Group Services	70.5	59.1	(120.7)	(103.9)	(79.2)	(52.8)	177.0	292.3
Total	4,120.4	3,441.9	516.1	413.2	420.4	363.9	7,291.2	6,470.8
% of Total Group								
Project Management	34.0%	42.0%	10.1%	11.6%	8.3%	8.4%	5.2%	5.1%
Property Development	25.8%	15.0%	38.0%	(2.6%)	30.4%	(2.9%)	38.4%	31.3%
Real Estate Investments	12.1%	14.4%	15.7%	22.4%	13.9%	17.9%	17.3%	19.2%
Real Estate Services	7.8%	2.9%	3.1%	3.5%	2.4%	2.7%		3.8%
Financial Services	14.7%	15.3%	42.5%	48.0%	47.6%	50.3%	31.8%	30.4%
Capital Services	1.4%	1.1%	2.0%	0.9%	1.9%	0.6%	1.2%	1.7%
IT+T Investments	0.6%	0.2%	2.0%		2.2%	0.7%	1.3%	0.9%
Equity Investments	1.9%	7.4%	10.0%	41.5%	12.1%	36.8%	2.4%	3.1%
Group Services	1.7%	1.7%	(23.4%)	(25.3%)	(18.8%)	(14.5%)	2.4%	4.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Business Geographical Segment Summary

Australia and Pacific	2,273.6	2,147.5	272.7	343.3	250.3	318.0	4,137.3	3,518.9
North America	722.4	484.2	75.4	96.5	57.6	69.6	999.0	1,322.0
Asia	123.3	254.8	(12.9)	(22.8)	(16.7)	(24.2)	251.0	382.0
Europe	960.7	533.9	231.1	45.1	159.7	31.7	1,903.9	1,247.9
Group finance and hedging costs	40.4	21.5	(50.2)	(48.9)	(30.5)	(31.2)		
Total	4,120.4	3,441.9	516.1	413.2	420.4	363.9	7,291.2	6,470.8
% of Total Group								
Australia and Pacific	55.2%	62.4%	52.8%	83.1%	59.5%	87.4%	56.7%	54.4%
North America	17.5%	14.1%	14.6%	23.3%	13.7%	19.1%	13.7%	20.4%
Asia	3.0%	7.4%	(2.5%)	(5.5%)	(4.0%)	(6.7%)	3.4%	5.9%
Europe	23.3%	15.5%	44.8%	10.9%	38.0%	8.7%	26.2%	19.3%
Group finance and hedging costs	1.0%	0.6%	(9.7%)	(11.8%)	(7.2%)	(8.5%)		
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Additional Notes:

All interest costs and revenues of the Lend Lease Group not directly relating to a specific project are reported under Group Services for the purposes of segment reporting.

3 Segment Reporting (continued)

The principal activities of each industry segment are:

Project Management

The principal activities of this business segment are real estate project management, project design, project financing and construction.

Property Development

The principal activities of this business segment are all aspects of property development from concept through to design, planning, construction, financing, leasing to eventual sale.

Real Estate Investments

The principal activities of this business segment are 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 adviser and arranger of real estate project finance and related services.

Real Estate Services

The principal activities of this business segment are property management and facilities management. This business was sold during the year.

Financial Services

The principal activities of this business segment are 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.

Capital Services

The principal activities of this business segment are as developer, owner, operator and fund manager of infrastructure assets.

IT+T Investments

The principal activity of this business segment is related to holdings in information technology (IT) and telecommunication services companies which provide an IT service to corporations and governments.

Equity Investments

Lend Lease's strategy has been from time to time to make investments in companies where a strategic business rationale existed and where a mutually beneficial business relationship with these companies could be developed. The decision to invest or divest equity investments is determined after consideration of both strategic and valuation factors.

Group Services

The principal activities of this business segment are group treasury and corporate administration services. All financing costs that are not directly related to a real estate development project are reported in Group Services irrespective of where those costs are incurred.

	Consolidated	
	1999 \$m	1998 \$m
4 Revenue		
Revenue From Operating Activities		
Provision of Services	2,294.6	2,373.6
Sale of Inventories	990.3	381.3
Share of Profit of Statutory Funds	176.0	170.5
Dividends Received	23.2	53.9
Interest Received	40.4	21.5
Rental Income	22.0	8.1
Proceeds on Sale of Investments	155.0	368.5
Equity Accounted Share of Associates' Profits/(Losses) After Tax	1.6	
Share of Partnership Result	21.8	18.6
Net Unrealised Gains on Investments	46.1	6.2
Other Revenue	53.4	39.7
Revenue From Non-operating Activities		
Proceeds on Sale of Controlled Entities	296.0	
Total	4,120.4	3,441.9

Notes to Consolidated Financial Report – Concise (continued)

	1999 \$m	1998 \$m
5 Dividends and Earnings per Share		
Dividends		
Interim dividend		
29¢ per share paid March 1999 (March 1998 – 26.5¢ per share) ⁽¹⁾	146.2	133.5
Final dividend		
31¢ per share declared (June 1998 – 27¢ per share) ⁽¹⁾	156.3	135.9
Dividends paid or declared	302.5	269.4

(1) Prior year comparative dividend payment has been adjusted by a factor of 0.5 in respect of the 1:1 bonus issue in the current financial year.

Dividends and Dividend Franking

The final dividend of 31 cents per share will be paid on 16 September 1999 (prior year 17 September 1998). The dividend payout ratio of 72.0% (June 1998 74.0%) is calculated by dividing the dividends paid or declared in the year by the consolidated operating profit after tax attributable to members of Lend Lease Corporation.

Dividends paid or declared during the year will be fully franked to 100% with Class C (36%) franking credits. The dividend franking account balance at 30 June 1999 was \$54.2 million (June 1998 \$187.3 million), which is calculated after adjusting for franking credits which will arise from receipt of accrued income and the payment of income tax provided in the accounts and after deducting franking credits to be used in payment of the interim and final dividends and franking credits that may be prevented from being distributed in the subsequent financial year. The balance of the franking account has been calculated on a basis consistent with the Company's accounting policies. Based on current business assumptions and forecasts, Lend Lease Corporation expects to continue to pay dividends franked to 100% with Class C (36%) franking credits for 1999/2000 financial year, for both the interim and final dividends. This assumption is based mainly on the following:

- the forecast level of Australian tax payable by Lend Lease;
- that various equity investments (eg, Westpac, Mirvac etc.) will continue to pay a certain level of franked dividends;
- that MLC Limited and the Group's other financial services companies will pay dividends with a sufficient level of franking credits attached;
- the current forecast level of Australian-based profits; and
- the continued globalisation of the Lend Lease businesses will lead to an increasing and significant proportion of profit before tax and interest being earned outside Australia. As this occurs, Australian sourced profits will become a smaller proportion of total Lend Lease profits. As tax paid on foreign profits in overseas jurisdictions does not generate franking credits, this may result in Lend Lease Corporation being unable to continue to pay fully franked dividends at current dividend payout ratios.

A key assumption on the franking of future dividends is based on the continuation of existing taxation legislation. However, there are likely to be significant changes to business taxation, including franking rules arising as a result of the report by the Review of Business Taxation. The impact of the changes cannot be forecast until the details of the specific legislation have been released by the Government.

	Consolidated 1999 \$m	1998 \$m
Earnings per Share		
Operating profit after tax	420.4	363.9
	Number m	Number m
Weighted average shares and share equivalents ⁽¹⁾	504.5	252.4
Earnings per share (cents)⁽²⁾		
Basic	83.2	71.6

(1) The weighted average shares and share equivalents comparatives have been adjusted for the 1:1 bonus issue.

(2) The earnings per share comparatives have been adjusted by a factor of 0.5 in respect of the 1:1 bonus issue in the current financial period. An adjustment factor of 0.99264 has also been applied which is attributable to the bonus element for the current year relating to the issue of shares at less than market price such as share election plan, share purchase plan and ESAP share allocation.

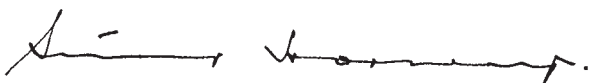
Directors' Declaration

In the opinion of the Directors of Lend Lease Corporation Limited the accompanying concise financial report of the consolidated entity, comprising Lend Lease Corporation Limited and its controlled entities, set out on pages 80 to 86:

- (a) has been derived and is consistent with the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

Sydney, 12 August 1999

Signed in accordance with a resolution of Directors:



S.G. Hornery, AO
Chairman



D.H. Higgins
Managing Director



Independent Audit Report on Concise Financial Report

To the members of Lend Lease Corporation Limited

Scope

We have audited the concise financial report of Lend Lease Corporation Limited and its controlled entities for the financial year ended 30 June 1999 as set out on pages 46 to 65 and 80 to 86 in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 1999. Our audit report on the full financial report was signed on 12 August 1999, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports'.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the concise financial report of Lend Lease Corporation Limited and its controlled entities for the year ended 30 June 1999 complies with AASB 1039 'Concise Financial Reports'.

KPMG

Chartered Accountants

G.M. Leppinus
Partner

J.H. Richardson
Partner

Sydney, August 1999